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If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Dah Sing Financial Holdings Limited, you should at once hand this circular and the accompanying forms of proxy to the purchaser or to the bank or stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

This circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite any such offer or invitation.



大新金融集團有限公司

DahSingFinancialHoldingsLimited

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 0440)

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE SEPARATE LISTING OF
DAH SING BANKING GROUP LIMITED
(which will become the holding company of
Dah Sing Bank, Limited and MEVAS Bank Limited)
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED,
THE PREFERENTIAL OFFER, SHARE OPTION SCHEME OF
DAH SING BANKING GROUP LIMITED, SPECIAL DIVIDEND AND
PROPOSED AMENDMENTS TO THE
ARTICLES OF ASSOCIATION OF THE COMPANY**

**Independent Financial Adviser to the shareholders of
Dah Sing Financial Holdings Limited in respect of the Separate Listing**

CAZENOVE

Cazenove Asia Limited

Sponsor to Dah Sing Banking Group Limited

HSBC

The Hongkong and Shanghai Banking Corporation Limited

A notice convening an extraordinary general meeting of Dah Sing Financial Holdings Limited to be held at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong at 12:00 noon on 12th June 2004 is set out on pages 58 to 60 of this circular. A notice covering a further extraordinary general meeting of Dah Sing Financial Holdings Limited to be held at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong at 12:00 noon on 21st June 2004 is set out on pages 61 to 66 of this circular. Whether or not you are able to attend the meetings, you are requested to complete the enclosed forms of proxy in accordance with the instructions printed thereon and return the same to the registered office of Dah Sing Financial Holdings Limited at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the relevant extraordinary general meeting or any adjournments thereof. Completion and return of the forms of proxy will not preclude you from attending and voting at the relevant extraordinary general meeting or any adjournments thereof should you so desire.

27th May 2004

EXPECTED TIMETABLE

2004

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| Last day for dealing in Shares cum-entitlement to the Preferential Offer | 8th June |
| Latest time for lodging transfers of Shares to qualify for the Preferential Offer (<i>Note</i>) | 4:00 p.m. on 10th June |
| Latest time for return of proxy forms in respect of the EGM | 12:00 noon on 10th June |
| Register closes | from 9:00 a.m. on 11th June to 4:00 p.m. on 14th June |
| Preferential Offer Record Date (<i>Note</i>) | 12th June |
| EGM | 12:00 noon on 12th June |
| Register re-opens on | 15th June |
| Latest time for return of proxy forms in respect of the Articles EGM | 12:00 noon on 19th June |
| Articles EGM | 12:00 noon on 21st June |

Note: The Board may determine a later date for closure of the Register and for determination of entitlements to the Preferential Offer, in which case a further announcement will be made to inform Shareholders.

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

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| “Articles EGM” | the extraordinary general meeting of the Company to be held at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong on 21st June 2004 at 12:00 noon, notice of which is set out on pages 61 to 66 of this circular; |
| “Articles of Association” | the articles of association of the Company; |
| “associate(s)” | has the meaning ascribed thereto in the Revised Listing Rules; |
| “ATM” | automated teller machine; |
| “Banking Group” | DSBG and its subsidiaries at the time of the Separate Listing; |
| “Board” | board of Directors of the Company; |
| “Cazenove” | Cazenove Asia Limited, the independent financial adviser to the Shareholders and a licensed corporation to carry out Types 1, 4, 6 and 9 regulated activities under the SFO; |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC; |
| “CEPA” | the Closer Economic Partnership Agreement entered into between Hong Kong and Mainland China dated 29th June 2003; |
| “Chairman” | the chairman of the Company; |
| “CLSA” | CLSA Limited, a person licensed to carry out Types 1, 4, 6 and 9 regulated activities as set out in Schedule 5 to the SFO; |
| “Companies (Amendment) Ordinance” | the Companies (Amendment) Ordinance 2003, which became effective on 13th February 2004; |
| “Companies Ordinance” | the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time; |
| “Company” | Dah Sing Financial Holdings Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the shares of which are listed on the main board of the Stock Exchange and which is the controlling shareholder of DSBG; |

DEFINITIONS

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| “Directors” | the directors of the Company; |
| “DSB” | Dah Sing Bank, Limited; |
| “DSBG” | Dah Sing Banking Group Limited, a public company incorporated in Hong Kong on 11th March 2004 with limited liability, which is currently wholly-owned by the Company and which will become the holding company of DSB and MEVAS; |
| “DSBG Board” | the board of directors of DSBG; |
| “DSBG Shares” | shares of HK\$1.00 each in the capital of DSBG; |
| “DSBG Shareholders” | shareholders of DSBG; |
| “DSGI” | Dah Sing General Insurance Company Limited; |
| “DSL A” | Dah Sing Life Assurance Company Limited; |
| “EGM” | the extraordinary general meeting of the Company to be held at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong on 12th June 2004 at 12:00 noon, notice of which is set out on pages 58 to 60 of this circular; |
| “Global Offering” | the Public Offer and the International Placing; |
| “Group” | the Company and its subsidiaries, including the Banking Group; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “HKMA” | Hong Kong Monetary Authority; |
| “HKSCC” | Hong Kong Securities Clearing Company Limited; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “Hong Kong GAAP” | the accounting principles generally accepted and adopted in Hong Kong; |
| “HSBC” | The Hongkong and Shanghai Banking Corporation Limited, a deemed registered institution for Types 1, 4, 6, 7 and 9 regulated activities under the SFO and a licensed bank under the Banking Ordinance, Chapter 155 of the Laws of Hong Kong; |

DEFINITIONS

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| “International Placing” | the proposed international placing of new and existing DSBG Shares with (i) institutional, professional and other investors, and (ii) Qualifying Shareholders on an assured basis in connection with the Separate Listing as described in this circular and to be further described in the Prospectus; |
| “Joint Bookrunners” | HSBC and CLSA; |
| “Latest Practicable Date” | 24th May 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in it; |
| “Listing Agreement” | the listing agreement entered into between the Stock Exchange and the Company; |
| “Listing Committee” | the listing committee of the Stock Exchange; |
| “Listing Date” | the date on which dealings in DSBG Shares first commence on the Stock Exchange; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange in effect prior to 31st March 2004 which apply to the Company for the purposes of this circular; |
| “Mainland China” | the PRC, but for the purposes of this circular only, excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC; |
| “MEVAS” | MEVAS Bank Limited; |
| “Non-Banking Group” | the Company and its subsidiaries, excluding the Banking Group; |
| “Offer Price” | the final Hong Kong dollar price per DSBG Share (exclusive of brokerage, SFC transaction levy, investor compensation levy and Stock Exchange trading fee) at which the DSBG Shares are to be subscribed for and issued by DSBG and sold by the Company pursuant to the Global Offering, to be determined as described in the Prospectus; |
| “Offer Shares” | the new and existing DSBG Shares proposed to be offered for subscription by DSBG and sale by the Company under the Global Offering; |
| “Options” | rights to subscribe for DSBG Shares pursuant to the terms of the Share Option Scheme; |

DEFINITIONS

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| “Over-allotment Option” | the option expected to be granted by DSBG and the Company to the underwriters of the International Placing, under the underwriting agreement relating to the International Placing, pursuant to which the Company may be required to sell DSBG Shares, and DSBG may be required to allot and issue, up to an aggregate of 27,300,000 DSBG Shares solely to cover over-allocations in the International Placing; |
| “Overseas Shareholders” | registered holders of Shares whose addresses on the Register were outside Hong Kong at the close of business on the Preferential Offer Record Date including those who are within the United States (within the meaning of Regulation S under the United States of America Securities Act 1933); |
| “PN15” | practice note 15 of the Listing Rules; |
| “PRC” | the People’s Republic of China; |
| “Preferential Offer” | the proposed preferential offer to the Qualifying Shareholders for subscription of the Reserved Shares at the Offer Price on and subject to the terms and conditions as described in the Prospectus, the details of which are set out in the paragraph headed “Preferential Offer” in this circular; |
| “Preferential Offer Record Date” | the record date for ascertaining entitlements of Qualifying Shareholders for Reserved Shares under the Preferential Offer, being 12th June 2004, or such later date as the Board may determine; |
| “Prospectus” | the prospectus proposed to be issued by DSBG in relation to the Global Offering; |
| “Public Offer” | the proposed public offer of new DSBG Shares for subscription by the public in Hong Kong in connection with the Separate Listing as described in this circular and to be further described and set out in the Prospectus and the related application forms; |
| “Qualifying Shareholders” | registered holders of Shares, whose names appear on the Register at 4:00 p.m. on the Preferential Offer Record Date, other than Overseas Shareholders and directors of DSBG and their associates; |

DEFINITIONS

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| “Register” | the register of members of the Company; |
| “Registrar” | the share registrar of the Company, Computershare Hong Kong Investor Services Limited; |
| “Reorganisation” | the corporate reorganisation which the Group will undergo in preparation for the Separate Listing whereby the Company will, <i>inter alia</i> , transfer all of its banking interests to DSBG; |
| “Reserved Shares” | 27,300,000 DSBG Shares, subject to reallocation, proposed to be offered pursuant to the Preferential Offer; |
| “Revised Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange in effect from 31st March 2004; |
| “Separate Listing” | the proposed separate listing of the DSBG Shares on the main board of the Stock Exchange; |
| “SFC” | the Securities and Futures Commission of Hong Kong; |
| “SFO” | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time; |
| “Share Option Scheme” | the share option scheme proposed to be conditionally adopted by DSBG, the principal terms of which are summarised in Appendix II to this circular; |
| “Shareholders” | shareholders of the Company; |
| “Shares” | shares of HK\$2.00 each in the capital of the Company; |
| “Special Dividend” | the proposed distribution by the Company by way of a cash dividend of HK\$0.80 per Share with a scrip alternative to Shareholders whose names appear on the Register at 4:00 p.m. on the Special Dividend Record Date; |
| “Special Dividend Record Date” | the record date for ascertaining entitlements of Shareholders for the Special Dividend, being the date falling 14 calendar days after the Listing Date, or such later date as the Board may determine; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; and |
| “Vanishing Border” | Vanishing Border Investment Services Limited, a wholly-owned subsidiary of DSB. |

LETTER FROM THE BOARD



(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

Directors:

David Shou-Yeh Wong *Chairman*
Chung-Kai Chow O.B.E. J.P. *Vice Chairman*
Kunio Suzuki
John Wai-Wai Chow
John W. Simpson*
David R. Hinde*
Peter G. Birch C.B.E.*
Robert Tsai-To Sze*
Tai-Lun Sun (Dennis Sun) B.B.S. J.P.*
Andrew Kwan-Yuen Leung*
Justin Kwok-Hung Yue*
Ryosuke Tamakoshi
Toru Mitarai
Yiu-Ming Ng
Hon-Hing Wong (Derek Wong)
Gary Pak-Ling Wang
Roderick S. Anderson
Kazuaki Konishi (alternate to Kunio Suzuki)
Takeshi Ogasawara (alternate to Ryosuke Tamakoshi)
Yoshiki Kaneko (alternate to Toru Mitarai)

Registered office:

36th Floor
Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

* *Independent non-executive Director*

27th May 2004

To Shareholders

Dear Sir or Madam,

**Discloseable transaction in relation to the
separate listing of
Dah Sing Banking Group Limited
(which will become the holding company of
Dah Sing Bank, Limited and MEVAS Bank Limited)
on the main board of
The Stock Exchange of Hong Kong Limited,
the Preferential Offer, Share Option Scheme of
Dah Sing Banking Group Limited, Special Dividend and
proposed amendments to the
Articles of Association of the Company**

INTRODUCTION

The Board announced on 18th March 2004 that the Company had made a formal application to the Stock Exchange for the separate listing of, and permission to deal in, the DSBG Shares in

LETTER FROM THE BOARD

issue and to be issued under the Global Offering on the main board of the Stock Exchange. In connection with the Separate Listing, it is proposed that the Preferential Offer be made to Qualifying Shareholders and that the Share Option Scheme be adopted by DSBG. In addition, it is proposed that, conditional on the Separate Listing, the Company will pay the Special Dividend to Shareholders whose names appear on the Register at 4:00 p.m. on the Special Dividend Record Date from the proceeds received by the Company from the sale of certain of its DSBG Shares as part of the Global Offering.

The purposes of this circular are: (1) to provide Shareholders with information on the reasons for, and the benefits of, the Separate Listing (together with such other information relating to the Separate Listing as is required by the Listing Rules for a discloseable transaction of the Company), the Preferential Offer, the Share Option Scheme, the Special Dividend and the proposed amendments to the Articles of Association; (2) to set out the letter of advice from Cazenove which contains its recommendation to the Shareholders as regards voting on the Separate Listing; (3) to seek Shareholders' approval for the Separate Listing, the Share Option Scheme and the proposed amendments to the Articles of Association; (4) to give notice to Shareholders of the EGM at which resolutions will be proposed to approve the Separate Listing and the Share Option Scheme; and (5) to give notice to Shareholders of the Articles EGM at which a special resolution will be proposed to approve the proposed amendments to the Articles of Association.

Shareholders and potential investors should note that the Separate Listing, which is subject to a number of conditions, may not proceed. In particular, there is no assurance that approval from the Stock Exchange will be granted. Accordingly, Shareholders and potential investors are urged to exercise extreme caution when dealing in the Shares.

The Company is required to comply with the separate listing requirements under PN15. The Directors confirm that the Company complies with all of the requirements under PN15, save that immediately after the Separate Listing, DSBG will have a public float of 20% (assuming the Over-allotment Option is not exercised). The Listing Committee resolved that DSBG may proceed with the listing of its securities at a public float of 15% or greater on the basis that the expected market capitalisation of DSBG at the time of the Separate Listing will exceed HK\$10 billion as specified in the Revised Listing Rules, and on the condition that DSBG and its controlling shareholders take appropriate steps to increase the public float to 25% of DSBG's total issued share capital within 18 months from the Listing Date. Accordingly, it is expected that the Company's interest in the share capital of DSBG will be 80% immediately following the Global Offering (assuming that the Over-allotment Option is not exercised). The Company currently intends to increase the number of DSBG Shares in public hands to 25% or more of the issued share capital of DSBG either by the sale or disposal by the Company of additional DSBG Shares or by procuring, to the extent that it is able, the issue by DSBG of new DSBG Shares, or otherwise in accordance with the Revised Listing Rules. The Company will make further announcements in due course to inform Shareholders of the proposals and will comply fully with the Revised Listing Rules.

LETTER FROM THE BOARD

BACKGROUND

The Group's principal business operations can be categorised into two main business lines: banking and insurance. As part of the Separate Listing, the Company intends to implement a group reorganisation whereby the Company will separate its banking-related subsidiaries and insurance-related subsidiaries and consolidate all of its banking-related businesses and operations into DSBG. The Banking Group has a clear business focus, distinct from that of the Non-Banking Group. The Banking Group's operations will comprise three main lines of business carried out through its banking subsidiaries: personal banking, commercial banking and treasury.

It is proposed that new DSBG Shares will be issued by DSBG and that the Company will sell certain existing DSBG Shares held by the Company pursuant to the Separate Listing. In connection with the Separate Listing, the Preferential Offer will be made to Qualifying Shareholders.

After the Reorganisation, DSBG will be a "major subsidiary" of the Company as defined under paragraph 19 of the Listing Agreement as the pre-tax trading profit of DSBG is expected to represent more than 15% of that of the Group and the Separate Listing, if it proceeds, will constitute a material dilution of the Company's interest in the Banking Group. The Separate Listing will also constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As such, the Separate Listing is subject to disclosure under Chapter 14 of the Listing Rules and the approval of the Shareholders under PN15.

Subject to the Separate Listing, DSBG will seek to adopt the Share Option Scheme. Shareholders' approval is required for the adoption of the Share Option Scheme.

In addition, it is proposed that, conditional on the Separate Listing, the Company will pay a Special Dividend to Shareholders whose names appear on the Register at 4:00 p.m. on the Special Dividend Record Date from the proceeds received by the Company from the sale of certain of its DSBG Shares as part of the Global Offering.

As the interests in relation to the Separate Listing of all Shareholders (including the single largest Shareholder and/or controlling Shareholders) are not different, all Shareholders are entitled to vote on all of the ordinary resolutions set out in the notice of EGM which is set out on pages 58 to 60 of this circular and the special resolution set out in the notice of Articles EGM which is set out on pages 61 to 66 of this circular.

THE SEPARATE LISTING

1. The Separate Listing

The exact structure of the Separate Listing will be decided subsequently by the Directors, but is currently expected to be effected by way of the Global Offering which will comprise the Public Offer and the International Placing, and will be accompanied by a separate listing of the DSBG Shares on the main board of the Stock Exchange. The International Placing is expected to include a placing of new and existing DSBG Shares with professional, institutional and other investors and

LETTER FROM THE BOARD

with Qualifying Shareholders on an assured basis under the Preferential Offer. It is presently expected that 20% of the issued capital of DSBG as enlarged by the Global Offering will initially be made available to the public under the Global Offering (assuming that the Over-allotment Option is not exercised). The exact size of the Global Offering and the exact apportionment between the International Placing and the Public Offer are yet to be finally determined. Upon the successful conclusion of the Global Offering, the DSBG Shares will be listed on the main board of the Stock Exchange. Immediately after the Separate Listing, DSBG will have a public float of 20% (assuming the Over-allotment Option is not exercised). The Listing Committee resolved that DSBG may proceed with the listing of its securities at a public float of 15% or greater on the basis that the expected market capitalisation of DSBG at the time of the Separate Listing will exceed HK\$10 billion as specified in the Revised Listing Rules, and on the condition that DSBG and its controlling shareholders take appropriate steps to increase the public float to 25% of DSBG's total issued share capital within 18 months from the Listing Date. Accordingly, it is expected that the Company's interest in the share capital of DSBG will be reduced from the current level of 100% to 80% immediately following the Global Offering (assuming that the Over-allotment Option is not exercised). The Company currently intends to increase the number of DSBG Shares in public hands to 25% or more of the issued share capital of DSBG either by the sale or disposal by the Company of additional DSBG Shares or by procuring, to the extent that it is able, the issue by DSBG of new DSBG Shares, or otherwise in accordance with the Revised Listing Rules. The Company will make further announcements in due course to inform Shareholders of the proposals and will comply fully with the Revised Listing Rules. The Company's percentage interest in DSBG may be further reduced upon the exercise of the Over-allotment Option and Options under the Share Option Scheme on or after the Listing Date.

2. Separate Listing of DSBG Shares

The Shares will continue to be listed on the main board of the Stock Exchange after the implementation of the Separate Listing. The listing of the DSBG Shares on the main board of the Stock Exchange is conditional upon the fulfilment or waiver of the conditions stated in paragraph 9 below.

An application has been made to the Stock Exchange for the listing of, and permission to deal in, the DSBG Shares in issue and any new DSBG Shares to be issued pursuant to the Separate Listing, as set out in the Prospectus to be issued by DSBG in due course (including any DSBG Shares issued pursuant to the exercise of the Over-allotment Option), and any new DSBG Shares that may be issued pursuant to the exercise of the Options under the Share Option Scheme.

Subject to the granting of the listing of, and permission to deal in, the DSBG Shares on the main board of the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the DSBG Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

3. Businesses of the Group and the Banking Group

The Group's principal business operations can be categorised into two main business lines: banking and insurance. The banking business of the Group is carried out through its subsidiaries holding the required banking licences. All descriptions of the banking business of the Group in this circular refer to the banking business carried out through these subsidiaries. Prior to the Separate Listing, the Company intends to implement a group reorganisation whereby the Company will separate its banking-related subsidiaries and insurance-related subsidiaries and consolidate all of its banking-related businesses and operations under DSBG.

Following the Separate Listing, the Company will continue to be the holding company of those subsidiaries which carry on the insurance underwriting businesses of the Group, principally:

- (i) DSLA, a wholly-owned subsidiary of the Company incorporated in Bermuda, which is an authorised life assurance company in Hong Kong and Bermuda and which is regulated by the Insurance Authority of Hong Kong; and
- (ii) DSGI, a 51% owned subsidiary of the Company incorporated in Bermuda, which is an authorised general insurance company in Hong Kong and Bermuda and which is regulated by the Insurance Authority of Hong Kong.

DSLA underwrites a broad range of life assurance products including both conventional and unit-linked life assurance policies. The main types of policies include both whole of life and short term endowment, to which a variety of riders can be attached. DSLA has obtained ISO9001: 2000 certification.

DSLA distributes its insurance policies through both an agency force and a bancassurance platform, making use of the sales staff within the branch network of the Banking Group.

DSGI provides a wide range of commercial and other general insurance products, such as motor, fire, marine cargo, travel and liability insurance.

Following the Reorganisation, DSBG will become the direct holding company of the Group's banking-related businesses comprising the following major subsidiaries:

- (i) DSB, a wholly-owned subsidiary of the Company and a licensed bank in Hong Kong, which is subject to the supervision of the HKMA;
- (ii) MEVAS, a wholly-owned subsidiary of the Company and a licensed bank in Hong Kong, which is also subject to the supervision of the HKMA; and
- (iii) D.A.H. Holdings Limited, a 75.5% owned subsidiary of the Company, which is the holding company of a bank licensed in Guernsey, which is subject to the supervision of the Guernsey Financial Services Commission.

LETTER FROM THE BOARD

The operations of the Banking Group comprise three main lines of business carried out through its banking subsidiaries: personal banking, commercial banking and treasury. The personal banking services include retail, private and VIP banking services such as deposit-taking, mortgage lending, credit cards, personal loans, overdrafts and wealth management products and services. The commercial banking services include a variety of lending and deposit-taking services for commercial and institutional customers. The Banking Group also operates, through DSB, a treasury business which is responsible for securities investment, funding, foreign exchange, cash management and interest rate risk management.

The Banking Group delivers its retail products and services through a combination of its network of branches, sales and service centres and ATMs and other delivery channels such as telephone banking and Internet banking. The primary channel for the delivery of these products and services is the Banking Group's branch network. As at the Latest Practicable Date, the Banking Group operated, through its local banking subsidiaries, a total of 43 branches and one sales and service centre in Hong Kong.

The Banking Group has a distinct business focus, independent from that of the Non-Banking Group. The Banking Group has the following primary business objectives:

- (i) to grow organically with a particular focus on:
 - (a) continuing its strategy of focusing on the personal banking market. This will involve increasing the Banking Group's customer base both through consumer lending products such as credit cards and personal loans, as well as wealth management products and services;
 - (b) selling more products and services to its existing customers by cross-selling additional products and services and increasing distribution of its products and services through improved service quality and as a result of the training of its staff;
 - (c) identifying new business areas with attractive risk-return characteristics;
 - (d) diversifying its business so as not to be overly dependent on any single business area so as to gain the benefits of risk diversification and be able to generate positive returns in a range of different market conditions; and
 - (e) expanding in Mainland China by opening a branch in Shenzhen and continuing to seek opportunities for further expansion in Mainland China as and when they become available.
- (ii) to seek opportunities to expand through:
 - (a) mergers and/or acquisitions in Hong Kong whilst maintaining financial discipline in any merger and/or acquisition with a view to ensuring that such transaction brings financial benefits to the Banking Group and its shareholders; and
 - (b) investments, joint ventures and/or alliances in Mainland China.

LETTER FROM THE BOARD

- (iii) to grow in an efficient and disciplined manner through:
- (a) the expansion of those areas of its business that provide attractive returns within the risk levels acceptable to the management of the Banking Group and the DSBG Board;
 - (b) a continued focus on risk management ensuring that appropriate risk management systems and controls are in place for existing and new business areas and that such systems and controls are effective; and
 - (c) a continued focus on cost control and efficiency improvements, in particular through close attention to detail regarding costs and the benefits of economies of scale as the Banking Group's businesses grow.

The Directors consider that the Banking Group is well positioned to benefit from the improvement in the Hong Kong economy and Hong Kong's increasing business and economic integration with Mainland China, including opportunities arising out of CEPA.

The combined audited profit from ordinary activities of the Banking Group in each of the years ended 31st December 2001, 2002 and 2003 was approximately HK\$989 million, HK\$854 million and HK\$1,007 million, respectively, and the combined audited profit attributable to shareholders of the Banking Group in each of the same periods was approximately HK\$851 million, HK\$776 million and HK\$880 million, respectively. The combined audited shareholders' funds of the Banking Group as at 31st December 2001, 2002 and 2003 were HK\$4,917 million, HK\$5,378 million and HK\$5,680 million, respectively.

4. Reasons for and benefits of the Separate Listing

The Directors believe that the Group's banking-related business and insurance-related business will follow different growth paths in the future. The Separate Listing is intended to provide a structure which will facilitate the growth of each of the Non-Banking Group and the Banking Group, and therefore facilitate the growth of the Group as a whole.

The Banking Group operates in two markets: Hong Kong and Mainland China. The Directors believe that there may be opportunities both for organic growth and for growth by acquisitions, mergers, joint ventures or investments in the years to come in these markets. Therefore, an important objective of the Separate Listing is to implement a structure which will facilitate capital raising, acquisitions or mergers, alliances, joint ventures and investments, and to attract and incentivise management.

LETTER FROM THE BOARD

The Hong Kong market is a mature market, whereas the Mainland China market is growing and developing more rapidly. In many mature banking markets, consolidation of the banking industry has been a significant factor in the development of banking groups within those markets, and certain banking groups have taken advantage of such consolidation to grow their businesses.

There have been a number of bank merger and acquisition transactions in Hong Kong over the past five years, and the Directors believe that this trend will continue. The Separate Listing will provide a structure with more flexibility for the Banking Group to grow through mergers or acquisitions in Hong Kong. The recent improvement in the Hong Kong economy and Hong Kong's increasing business and economic integration with Mainland China are also expected to provide opportunities for organic growth in Hong Kong and the Separate Listing is also intended to facilitate the raising of additional capital for organic growth in Hong Kong through ready and varied access to the capital markets.

As a result of the concessions granted under CEPA, Hong Kong incorporated banks are now able to participate more actively in the Mainland China banking market. In a rapidly growing market, demands for capital for organic growth could be substantial and the Directors believe that the Separate Listing will provide both capital for DSBG from the sale of new DSBG Shares, as well as flexibility for raising further capital in the future. It will also provide a structure which allows the Banking Group, as a banking group, to form alliances and joint ventures and/or make investments in banking-related businesses in Mainland China supervised by the China Banking Regulatory Commission, which is directly in line with the regulatory approach in Mainland China of having separate regulation of, and separate companies active in, the banking and insurance sectors.

The Banking Group's listing offers the ability to put in place a share option scheme and other arrangements to attract and incentivise the Banking Group's management directly in line with the financial performance of the Banking Group on a standalone basis.

All of these factors will benefit the Company and the Shareholders as a result of the Company's majority shareholding in DSBG.

In the past, the Group has sought to increase its equity capital base through the retention of earnings. The Separate Listing will raise capital for each of the Company and DSBG and will facilitate future capital raising and, as a result, there will be less need to build capital out of future earnings. Accordingly, it is intended that following completion of the Separate Listing and the Global Offering, the dividend policy of the Company will be revised and it is anticipated that between 45 and 50% of the profit attributable to Shareholders will be distributed in the form of dividends each year (excluding the Special Dividend referred to below). It is also anticipated that DSBG will adopt a dividend policy whereby, barring any special circumstances or unforeseen events, approximately 50% of the profit attributable to DSBG Shareholders would be distributed by DSBG in the form of dividends each year.

LETTER FROM THE BOARD

The insurance business is likely to require a different strategy in the future when compared to the banking business and, therefore, the Separate Listing is also intended to raise capital for the growth of the insurance business. There were fewer concessions granted to Hong Kong-based insurance companies under CEPA and, therefore, the development of the insurance business in the near term is more likely to be focused on the Hong Kong market. The insurance business also has the opportunity to benefit from closer integration with Mainland China and the increasing numbers of visitors from Mainland China to Hong Kong who are potential customers of the insurance business. There are also a relatively large number of insurance companies active in Hong Kong which could provide future merger or acquisition opportunities for the Group.

The Directors believe that the insurance business has built a solid underwriting platform which is capable of supporting a higher level of business. In order to grow the insurance business further, it is important to develop its distribution channels, as well as to have access to new capital to take advantage of that growth. Following the Separate Listing, the Group intends to accelerate the development of the insurance business including:

- (i) expansion, whether organic or by merger and/or acquisition;
- (ii) attracting and retaining management and agents; and
- (iii) developing new distribution channels.

Immediately following the Separate Listing, the Company will be interested in 80% of the issued shares of DSBG (assuming that the Over-allotment Option is not exercised), 100% of DSLA and 51% of DSGI. As such, the Company will provide an investment opportunity for investors wishing to invest in a broadly-based financial services company. After the Separate Listing, the Company will retain a sufficient level of operations and assets of its own, excluding its interest in DSBG, to satisfy independently the profit requirement of Rule 8.05 of the Revised Listing Rules as required by paragraph 3(c) of PN15.

The Directors believe that the terms of the Separate Listing are fair and reasonable and in the interests of the Shareholders.

5. Intended use of proceeds

DSBG presently intends that the anticipated net proceeds of between approximately HK\$1,222 million and HK\$1,705 million from the subscription of new DSBG Shares under the Global Offering will form part of the assets of the Banking Group and will, together with its other assets, be deployed in its existing banking businesses in furtherance of the strategy of the Banking Group as described in paragraph 3 above. Whilst the Banking Group intends to grow in the future by expanding in Mainland China and seeking opportunities to expand through mergers and/or acquisitions in Hong Kong or investments, joint ventures and/or alliances in Mainland China, pending the identification of any specific opportunity in this regard, none of the proceeds of the Global Offering have been earmarked for such use.

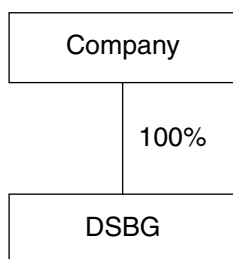
The Company presently intends to use the anticipated net proceeds of between approximately HK\$1,000 million and HK\$1,395 million from the sale of existing DSBG Shares as part of the International Placing for the following purposes:

- (i) up to HK\$124 million to fund the Special Dividend, to the extent that Shareholders elect for payment of the Special Dividend in cash; and
- (ii) the remainder to provide general working capital for the Non-Banking Group. The Company has not earmarked such proceeds for any specific use.

6. Effects of the Separate Listing

- (i) *Shareholding structure prior to the Separate Listing*

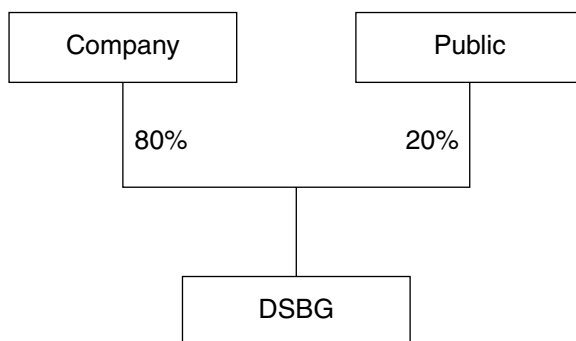
A simplified shareholding structure of DSBG immediately after the Reorganisation but prior to the Separate Listing is as follows:



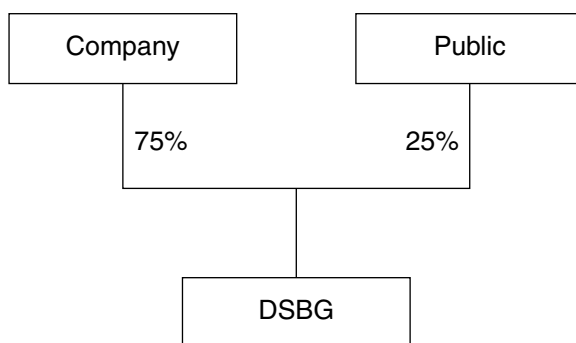
LETTER FROM THE BOARD

(ii) *Proposed shareholding structure*

A simplified shareholding structure of DSBG immediately following completion of the Separate Listing (assuming that the Over-allotment Option is not exercised) is as follows:



The Listing Committee resolved that DSBG may proceed with the listing of its securities at a public float of 15% or greater on the basis that the expected market capitalisation of DSBG at the time of the Separate Listing will exceed HK\$10 billion as specified in the Revised Listing Rules, and on the condition that DSBG and its controlling shareholders take appropriate steps to increase the public float to 25% of DSBG's total issued share capital within 18 months from the Listing Date. It is intended that DSBG will initially be listed with a 20% public float (assuming that the Over-allotment Option is not exercised). A simplified shareholding structure of DSBG 18 months from the Listing Date (assuming that only the minimum number of DSBG Shares are in public hands at that date and there are no other changes from the position immediately following completion of the Separate Listing) is as follows:



(iii) *Hong Kong tax and stamp duty*

Under current legislation in Hong Kong, the implementation of the Separate Listing is, of itself, not expected to have any adverse Hong Kong tax consequence for Shareholders, except that those persons who carry on a trade or business in Hong Kong and are or will be treated for tax purposes as trading in DSBG Shares may be subject to profits tax in respect of any gain resulting from dealings in DSBG Shares pursuant to the Separate Listing.

Dealings in DSBG Shares registered on DSBG's register of members in Hong Kong will be subject to Hong Kong stamp duty.

LETTER FROM THE BOARD

(iv) *General*

Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the Separate Listing. It is emphasised that none of the Company, DSBG or their respective professional advisers or any other parties involved in the Separate Listing or their respective directors or employees will accept any responsibility for any tax effect on, or liabilities of, the Shareholders.

7. Relationship with the Non-Banking Group

The Banking Group has its own functional departments, including accounting, administration and operations, information technology and human resources departments. Immediately after the Separate Listing, the majority of the directors of DSBG will not hold directorships on the Board. Save for Mr. David Shou-Yeh Wong, Mr. Hon-Hing Wong (Derek Wong), Mr. Gary Pak-Ling Wang and Mr. Robert Tsai-To Sze, the directors of DSBG will not have any management roles or directorships in the Company immediately after the Separate Listing. Immediately after the Separate Listing, the DSBG Board will also include four independent non-executive directors (three of whom will not also be on the Board). Each of DSBG and the Company will have its own audit committee with the authority to review matters relating to financial statements, audit work, internal controls, risk management and compliance. The independent non-executive directors' role will also include participating in decisions on significant transactions or transactions involving a potential conflict of interest. Based on the above, the Banking Group is able to function independently of the Non-Banking Group.

The existing and proposed future transactions between members of the Banking Group and other members of the Group include: (i) leases and a sub-lease agreement between DSB and Vanishing Border and subsidiaries of the Non-Banking Group for the lease and sub-lease of certain premises from DSB and Vanishing Border; (ii) agreements between the Non-Banking Group and the Banking Group relating to the distribution of life assurance and general insurance products through the branch network of the Banking Group; (iii) a computer and administrative services agreement between the Non-Banking Group and the Banking Group in respect of certain support services which will be provided by the Banking Group to the Non-Banking Group; (iv) a trade mark licence agreement between DSBG and the Company for the licence to DSBG of four trade marks; (v) insurance services underwritten by the Non-Banking Group in the name and for the benefit of the Banking Group; and (vi) banking arrangements provided by the Banking Group for companies within the Non-Banking Group. Following the Separate Listing, the subsidiaries of the Banking Group will be non wholly-owned subsidiaries of the Company. No connected person of the Company is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of any members of the Banking Group and therefore the transactions between members of the Banking Group and other members of the Group are exempt from the reporting, announcement and independent Shareholders' approval requirements of Chapter 14A of the Revised Listing Rules under Rule 14A.31(1) of the Revised Listing Rules.

In connection with the Separate Listing, the Company will give certain indemnities to DSBG in relation to certain tax liabilities of the Banking Group. The Company will give indemnities to DSBG, under a deed of indemnity, in connection with tax payable by the Banking Group on profits

LETTER FROM THE BOARD

arising, or events occurring, before the Listing Date. The deed of indemnity provides exclusions from the indemnities for: (i) tax which has been provided for in the audited accounts of the companies comprising the Banking Group for the year ended 31st December 2003 and tax in the ordinary course of business thereafter; (ii) tax retrospectively imposed; (iii) tax arising because of an act of any company in the Banking Group after the Listing Date; and (iv) stamp duty arising from the Reorganisation.

8. Non-competition

As at the Latest Practicable Date, there was no direct competition between the Banking Group and the Non-Banking Group. The Banking Group operates only in banking and related services and has no insurance underwriting business which directly competes with the Non-Banking Group's activities. The Non-Banking Group only engages in insurance business regulated by the appropriate insurance regulators and, save for investment holdings, including the Company's shareholding interest in DSBG, has no banking-related businesses.

Neither the Banking Group nor the Non-Banking Group has entered into any contractual restriction or provided any undertaking that would prevent it from competing with the other party. However, the Directors do not currently intend to engage in any banking business, other than through the Banking Group, that would directly compete with that of the Banking Group.

9. Conditions

Pursuant to the Listing Rules, after the Reorganisation DSBG will be regarded as a major subsidiary of the Company and the dilution in the Company's equity interest in DSBG as a result of the Separate Listing is considered to be material and will constitute a discloseable transaction under the Listing Rules. The Global Offering and the Separate Listing will be conditional on, among other things, the following:

- (i) the Shareholders passing an ordinary resolution at the EGM to approve the Separate Listing;
- (ii) all relevant consents and approvals required for the implementation of the Separate Listing having been obtained in terms satisfactory to the Company and any conditions to which such consents and approvals are subject and which are required to be satisfied prior to completion having been fulfilled;
- (iii) the Listing Committee granting approval for the listing of, and permission to deal in, all the DSBG Shares in issue and to be issued pursuant to the Global Offering (including the DSBG Shares to be issued upon the exercise of the Over-allotment Option, subject only to allotment) and any DSBG Shares which may be issued pursuant to the exercise of the Options under the Share Option Scheme; and
- (iv) the obligations of the underwriters, under the underwriting agreements to be entered into between DSBG, the Company and the underwriters in respect of the Global Offering

LETTER FROM THE BOARD

becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by or on behalf of the underwriters) and the underwriting agreements not being terminated in accordance with their respective terms, on or before the dates and times to be specified therein.

If these and other applicable conditions are not fulfilled or waived prior to the dates and times to be specified, the Global Offering and the Separate Listing will lapse, the Stock Exchange will be notified immediately and a notice will be published by the Company and/or DSBG as soon as practicable following such lapse.

PREFERENTIAL OFFER

It is proposed that, subject to the Stock Exchange granting listing of, and permission to deal in, the DSBG Shares on the Stock Exchange, 27,300,000 Reserved Shares will be available for subscription by Qualifying Shareholders at the Offer Price under the Preferential Offer. Qualifying Shareholders will be invited to participate in the Separate Listing by applying for the Reserved Shares and will be entitled to subscribe on an assured basis at the Offer Price for an estimated one Reserved Share for every whole multiple of five existing Shares held by them at the Preferential Offer Record Date. However, the final assured entitlement is not yet known as it will depend on the number of Shares held by Qualifying Shareholders on the Preferential Offer Record Date. The Company will publish a press announcement on or after the Preferential Offer Record Date confirming Qualifying Shareholders' entitlement to apply for the Reserved Shares. Any Qualifying Shareholder holding less than five Shares (or such other number of existing Shares as may be the minimum specified by the Company as carrying the entitlement to subscribe for the Reserved Shares) will not be entitled to apply for the Reserved Shares on an assured basis. Qualifying Shareholders may also apply for any excess Reserved Shares. No Reserved Shares will be offered to the directors of DSBG or any of their associates.

A blue application form will be despatched to each Qualifying Shareholder who is entitled to apply for the Reserved Shares. Qualifying Shareholders will be permitted to apply for a number of Reserved Shares which is greater than, less than, or equal to, their assured entitlements under the Preferential Offer. Where a Qualifying Shareholder applies for a number of Reserved Shares which is greater than his or her assured entitlement, his or her assured entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other Qualifying Shareholders declining to take up some or all of their assured entitlements. The Joint Bookrunners, on behalf of the underwriters of the International Placing, will allocate any assured entitlements not taken up by Qualifying Shareholders first to satisfy excess applications for Reserved Shares from Qualifying Shareholders on a fair and reasonable basis and thereafter, at the discretion of the Joint Bookrunners, under the International Placing.

Shareholders should note that assured entitlements to Reserved Shares may not represent a multiple of a full board lot of 400 DSBG Shares, and that dealings in odd lots of DSBG Shares may be at a price below their prevailing market price.

LETTER FROM THE BOARD

For the purpose of alleviating difficulties that may arise as regards Qualifying Shareholders who will be holding odd lots of the DSBG Shares, the Company has appointed HSBC to provide a “matching service” to those Shareholders who wish to top-up or sell their holdings of odd lots of DSBG Shares.

HSBC will provide a service matching the sale and purchase of odd lots of DSBG Shares during the period of one month from the Listing Date. Holders of DSBG Shares in odd lots who wish to take advantage of this facility either to dispose of or top up their odd lots to a board lot of 400 DSBG Shares may directly, or through their brokers, contact Mr. Thomas Ngai of HSBC at 1 Queen’s Road Central, Hong Kong on telephone number 2996 6992 or fax number 2521 6589 during such period. Shareholders should note that the matching service will be on a “best efforts” basis only and successful matching of the sale and purchase of odd lots of DSBG Shares is not guaranteed and will depend on there being adequate amounts of odd lots of DSBG Shares available for such matching.

Shareholders are recommended to consult their stockbroker, other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser if they are in any doubt about the matching facility described above.

Entitlements to Reserved Shares will not be transferable and there will be no trading in nil paid entitlements on the Stock Exchange. Any DSBG Shares issued pursuant to the Preferential Offer will be deemed fully paid, ranking *pari passu* in all respects with other DSBG Shares then in issue.

It is proposed that the number of DSBG Shares available under the Preferential Offer will represent approximately 15% of the Global Offering and approximately 3% of the total enlarged issued share capital of DSBG (assuming that the Over-allotment Option is not exercised).

CLOSURE OF REGISTER

The Register will be closed from 9:00 a.m. on 11th June 2004 to 4:00 p.m. on 14th June 2004 (inclusive) (or such later date(s) as the Board may determine and announce) for the purpose of determining the entitlement of Qualifying Shareholders to the Preferential Offer. No transfer of Shares may be registered during that period. The last day for dealing in Shares cum-entitlements to the Preferential Offer is expected to be on 8th June 2004. In order to qualify for the Preferential Offer, all transfers must be lodged with the Registrar by no later than 4:00 p.m. on 10th June 2004 (or such later date as the Board may determine and announce).

FINANCIAL EFFECTS OF THE SEPARATE LISTING

Consolidated Net Tangible Asset Value

The audited consolidated net tangible asset value of the Group as at 31st December 2003 was HK\$6,789 million. The combined audited net tangible asset value of the Banking Group as at 31st December 2003 was HK\$5,680 million. The unaudited combined net tangible asset value of the Non-Banking Group as at 31st December 2003 was HK\$1,109 million.

LETTER FROM THE BOARD

Following the implementation of the Separate Listing and the Global Offering, it is expected that the consolidated net tangible asset value of the Group will be increased as a result of the issue by DSBG of the new Offer Shares at a price above their attributable underlying consolidated net tangible asset value. The Company's interest in DSBG will initially be reduced from 100% to 80% (assuming that the Over-allotment Option is not exercised) and the contribution from DSBG will be correspondingly reduced.

Earnings

The effect of the Global Offering and Separate Listing on the future earnings of the Group will depend on, amongst other matters, the return generated from the proceeds raised from the Global Offering as well as the different growth paths for the business operations set out in the section headed "Reasons for and benefits of the Separate Listing" above. The audited consolidated profit of the Group before and after taxation for the year ended 31st December 2002 prepared in accordance with Hong Kong GAAP was approximately HK\$924 million and HK\$856 million, respectively, and the audited consolidated profit of the Group attributable to Shareholders for the year ended 31st December 2002 was approximately HK\$852 million. The audited consolidated profit of the Group before and after taxation for the year ended 31st December 2003 prepared in accordance with Hong Kong GAAP was approximately HK\$1,123 million and HK\$1,001 million, respectively, and the audited consolidated profit of the Group attributable to Shareholders for the year ended 31st December 2003 was approximately HK\$993 million, of which profit of approximately HK\$880 million was contributed by the Banking Group and the balance of approximately HK\$113 million was contributed by the Non-Banking Group.

The unaudited pro forma financial information, showing the effect on the consolidated net tangible asset value of the Group and analysis of profit of the Group attributable to Shareholders and earnings per Share is set out in Appendix I. The text of the letter from PricewaterhouseCoopers in respect of the unaudited pro forma financial information is set out in the section headed "Letter from PricewaterhouseCoopers" in this circular.

SHARE OPTION SCHEME

The Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Revised Listing Rules and the adoption of such scheme is subject to the approval of Shareholders at the EGM. Please refer to Appendix II for a summary of the principal terms of the Share Option Scheme.

The purpose of the Share Option Scheme is to provide incentive and/or reward to grantees of Options for their contribution to, and continuing efforts to promote the interests of, the Banking Group. On each grant of Options, the DSBG Board will specify the subscription price and any minimum holding period or performance targets which apply to the Options. These criteria will enable the DSBG Board to provide appropriate incentive and/or reward to grantees of the Options.

The Share Option Scheme is conditional upon, inter alia: (i) the passing of an ordinary resolution approving the adoption of the Share Option Scheme by the sole DSBG Shareholder and by the Shareholders in a general meeting; (ii) the obligations of the underwriters under the

LETTER FROM THE BOARD

underwriting agreements in respect of the Global Offering becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the underwriters) and not being terminated in accordance with the terms of the respective underwriting agreements or otherwise; (iii) the Listing Committee granting approval of the listing of, and permission to deal in, (a) the DSBG Shares in issue and to be issued as mentioned in the Prospectus; and (b) any DSBG Shares to be issued pursuant to the exercise of the Options under the Share Option Scheme; and (iv) the commencement of dealings in the DSBG Shares on the Stock Exchange.

SPECIAL DIVIDEND

Subject to, and conditional upon, the Separate Listing becoming unconditional and the Company receiving the proceeds of the sale of certain of its DSBG Shares pursuant to the International Placing, the Board will declare the Special Dividend. Pursuant to the Special Dividend, Shareholders whose names appear on the Register at 4:00 p.m. on the Special Dividend Record Date will be paid in cash or may elect to receive their dividend in the form of new Shares in lieu of cash in respect of part or all of their registered holding of Shares. No form of election will be required if Shareholders choose to receive the Special Dividend in cash. The number of Shares to be allotted to Shareholders who elect to receive the Special Dividend in whole or in part in the form of new Shares in lieu of cash will be calculated by reference to the market value of the Shares (being the average closing price per Share for the five trading days of the Shares immediately preceding the Special Dividend Record Date) equal to the total amount of the Special Dividend which Shareholders could elect to receive in cash. The Company will publish a press announcement setting out details of the Special Dividend Record Date, the amount of the Special Dividend and the basis of allotment of new Shares in lieu of cash, if applicable, in due course. The Company has been informed that holders of the Shares in which Mr. David Shou-Yeh Wong, the Chairman, has a deemed interest intend to elect to receive the scrip alternative.

An announcement will be made to inform Shareholders of the Listing Date and the dates on which the Register will be closed for the purpose of determining the entitlements of Shareholders to the Special Dividend.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Subsequent to the Companies (Amendment) Ordinance becoming effective on 13th February 2004, the Directors consider that amendments should be made to the Articles of Association to bring them in line with the legislative change.

In addition, the Stock Exchange has revised the Listing Rules based on the results of the Consultation Conclusions on Proposed Amendments to the Listing Rules Relating to Corporate Governance Issues issued in January 2003. In order to comply with the Revised Listing Rules which became effective on 31st March 2004, the Directors consider that changes to the Articles of Association should also be made in line with the changes required under the Revised Listing Rules.

LETTER FROM THE BOARD

A brief background to the proposed amendments to the Articles of Association is set out as follows:

- (i) **Article 1** To add definitions of “business day” and “transfer” in the Articles of Association in line with the Revised Listing Rules.
- (ii) **Article 9** To stipulate the time limit of Share certificates in accordance with the Companies (Amendment) Ordinance.
- (iii) **Article 65A** To delete the reference to the repealed Securities (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong), and to substitute therefor the reference to the SFO.
- (iv) **Article 78A** To be consistent with the provisions of the Revised Listing Rules, which require that votes cast by or on behalf of Shareholders who are in contravention of the voting restrictions under the Revised Listing Rules shall not be counted.
- (v) **Article 83** To clarify the liability of an alternate Director and his relationship with the Director appointing him in light of the Companies (Amendment) Ordinance.
- (vi) **Article 112** To be consistent with the Revised Listing Rules, which stipulate that the minimum seven-day period for lodgment by a Shareholder of the notice to nominate a Director shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting.
- (vii) **Article 119** To reflect that a Director may be removed by an ordinary resolution instead of a special resolution in light of the Companies (Amendment) Ordinance.
- (viii) **Article 121** To be consistent with the Revised Listing Rules so that, subject to certain exceptions, a Director shall abstain from voting at the Board meeting on any matter in which he or any of his associates has a material interest nor shall he be counted towards the quorum of the relevant Board meeting, and to amend the definition of “associate” in line with the Revised Listing Rules.
- (ix) **Article 153** To amend the provision relating to indemnity by the Company on the liability of the Directors or other officers and to permit the purchase and maintenance of certain insurance by the Company for the Directors and other officers in light of the Companies (Amendment) Ordinance.

EXTRAORDINARY GENERAL MEETING AND THE ARTICLES EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong on 12th June 2004 at 12:00 noon is set out on pages 58 to 60 of this circular.

LETTER FROM THE BOARD

A notice convening the Articles EGM to be held at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong on 21st June 2004 at 12:00 noon is set out on pages 61 to 66 of this circular. Forms of proxy for use at the EGM and the Articles EGM are enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed forms of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM, or the Articles EGM as relevant, or any adjournments thereof. Completion and return of the respective form of proxy will not preclude you from attending and voting in person at the EGM or the Articles EGM or any adjournments thereof should you so desire.

At the EGM and the Articles EGM, a poll may be demanded by the Chairman; or not less than five members present in person or by proxy and having the right to vote at the relevant meeting; or a member or members present in person or by proxy representing not less than 10% of the total voting rights of all members having the right to vote at the relevant meeting; or a member or members present in person or by proxy holding Shares conferring a right to vote at the relevant meeting being Shares on which an aggregate sum has been paid up equal to or not less than 10% of the total sum paid up on all the Shares conferring that right.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the view that the Separate Listing, the Share Option Scheme and the amendments to the Articles of Association are in the interests of the Company and the Shareholders and accordingly recommend the Shareholders to vote in favour of the ordinary resolutions to approve the Separate Listing and the Share Option Scheme at the EGM as set out in the notice of EGM on pages 58 to 60 of this circular and to vote in favour of the special resolution to approve the amendments to the Articles of Association at the Articles EGM as set out in the notice of Articles EGM on pages 61 to 66 of this circular. Cazenove, the independent financial adviser to the Shareholders, considers that the Separate Listing is fair and reasonable so far as the Shareholders are concerned and that the Separate Listing is in the interests of the Company and the Shareholders as a whole. Accordingly, Cazenove recommends the Shareholders to vote in favour of the resolution in relation to the Separate Listing to be proposed at the EGM. The text of the letter from Cazenove containing its advice and the principal factors and reasons taken into account as regards the Separate Listing is set out on pages 26 to 40 of this circular. The Directors (including the independent non-executive Directors) fully agree with the advice of Cazenove.

GENERAL

HSBC has been appointed sponsor and global co-ordinator and joint bookrunner (together with CLSA) of the Separate Listing and Global Offering. The Board expects that the Prospectus containing, amongst other matters, details of the Preferential Offer (including the basis of allocation) will be despatched to the Qualifying Shareholders in due course.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

This circular is being distributed to the Shareholders. This circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite any such offer or invitation. Neither this circular nor anything contained herein shall form the basis of any contract or commitment whatsoever.

In connection with the Global Offering, the price of the Offer Shares may be stabilised in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Details of any intended stabilisation and how it will be regulated under the SFO will be contained in the Prospectus.

Your attention is drawn to the additional information contained in the appendices to this circular.

Yours faithfully,
By Order of the Board
Dah Sing Financial Holdings Limited
David Shou-Yeh Wong
Chairman

The following is the text of the letter of advice to the Shareholders prepared by Cazenove for the purpose of inclusion in this circular.

CAZENOVE

Cazenove Asia Limited

27 May 2004

The Shareholders of
Dah Sing Financial Holdings Limited
36th Floor, Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

Dear Sir/Madam,

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE SEPARATE LISTING OF DAH SING BANKING GROUP LIMITED
(which will become the holding company of
Dah Sing Bank, Limited and MEVAS Bank Limited)
ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

INTRODUCTION

We refer to our appointment by the Company to advise you in respect of the proposed separate listing of the DSBG Shares on the main board of the Stock Exchange. Details of the proposed Separate Listing are contained in the circular to the Shareholders dated 27 May 2004 (the "Circular"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

The proposed Separate Listing will result in the separate listing of the DSBG Shares on the main board of the Stock Exchange following the Global Offering. Details of the Global Offering are subject to finalisation and will be contained in the Prospectus to be issued by DSBG. We understand that the Listing Committee resolved that DSBG may proceed with the listing of its securities at a public float of 15% or greater on the basis that the expected market capitalisation of DSBG at the time of the Separate Listing will exceed HK\$10 billion as specified in the Revised Listing Rules, and on the condition that DSBG and its controlling shareholders take appropriate steps to increase the public float to 25% of DSBG's total issued share capital within 18 months from the Listing Date. We understand that immediately after the Separate Listing, DSBG will have a public float of 20%. Accordingly, it is expected that the Company's interest in the share capital of DSBG will be 80% (assuming the Over-allotment Option is not exercised) immediately following the Global Offering. We understand that the Company currently intends to increase the number of

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DSBG Shares in public hands to 25% or more of the issued share capital of DSBG either by the sale or disposal by the Company of additional DSBG Shares or by procuring, to the extent that it is able, the issue by DSBG of new DSBG Shares, or otherwise in accordance with the Revised Listing Rules.

After the Reorganisation, DSBG will be a “major subsidiary” of the Company as defined under paragraph 19 of the Listing Agreement as the pre-tax trading profit of DSBG is expected to represent more than 15% of that of the Group and the Separate Listing, if it proceeds, will constitute a material dilution of the Company’s interest in the Banking Group. The Separate Listing will also constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As such, the Separate Listing is subject to disclosure under Chapter 14 of the Listing Rules and the approval of the Shareholders under PN15. As the interests in relation to the Separate Listing of all Shareholders (including the single largest Shareholder and/or controlling Shareholders) are not different, all Shareholders are entitled to vote on the ordinary resolutions to approve the Separate Listing.

In recognition of the assured entitlements which shareholders of Hong Kong listed companies are entitled to under the Listing Rules in connection with spin-off proposals and subject to the Stock Exchange granting listing of, and permission to deal in, the DSBG Shares on the Stock Exchange, it is proposed that 27,300,000 Reserved Shares will be available for subscription by Qualifying Shareholders at the Offer Price under the Preferential Offer. Qualifying Shareholders will be invited to participate in the Separate Listing by applying for the Reserved Shares and will be entitled to subscribe on an assured basis at the Offer Price for an estimated one Reserved Share for every whole multiple of five existing Shares held by them at the Preferential Offer Record Date. However, the final assured entitlement is not yet known as it will depend on the number of Shares held by Qualifying Shareholders on the Preferential Offer Record Date. We understand that the Company will publish a press announcement on or after the Preferential Offer Record Date confirming Qualifying Shareholders’ entitlement to apply for the Reserved Shares. Any Qualifying Shareholder holding less than five Shares (or such number of existing Shares as may be the minimum specified by the Company as carrying the entitlement to subscribe for the Reserved Shares) will not be entitled to apply for the Reserved Shares on an assured basis. Qualifying Shareholders may also apply for additional Reserved Shares in excess of their assured entitlements. No Reserved Shares will be offered to the directors of DSBG or any of their associates.

Subject to, and conditional upon, the Separate Listing becoming unconditional and the Company receiving the proceeds from the sale of certain of its DSBG Shares pursuant to the International Placing, the Board will declare the Special Dividend. Pursuant to the Special Dividend, Shareholders whose names appear on the Register at 4:00 p.m. on the Special Dividend Record Date will be paid in cash or may elect to receive their dividend in the form of new Shares in lieu of cash in respect of part or all of their registered holding of Shares.

We, Cazenove Asia Limited, have been appointed as an independent financial adviser to advise the Shareholders as to whether or not the Separate Listing is fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

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It is not within our terms of reference to advise the Qualifying Shareholders as to whether or not they should apply for DSBG Shares under the Preferential Offer or whether they should elect to receive the Special Dividend by way of the scrip alternative or cash. Further, it is not within our terms of reference to consider or advise on the pricing of DSBG Shares in the Global Offering nor on the timing of the making of the Global Offering relative to the prevailing market conditions or at all. In these respects, Qualifying Shareholders are recommended to consult their own professional advisers and refer to the information contained in the Circular and the Prospectus. Furthermore, we are not required to, and do not, express any opinion on the terms of the Share Option Scheme.

We have also not considered the tax consequences of the Separate Listing on the Shareholders since these are particular to their individual circumstances. In particular, Shareholders who are subject to overseas taxation on securities dealing should consider their own tax position with regard to the preferential allocation of DSBG Shares and the Special Dividend and, if in doubt, should consult their own professional advisers.

In formulating our advice and recommendation, we have discussed with the Directors, among other things, the background to the Separate Listing and the Global Offering, the reasons behind the Separate Listing and the Global Offering, the financial effects of the Separate Listing and the Global Offering on the Group, the relationship between the Banking Group and the Non-Banking Group, the effect of the Global Offering on Shareholders and the general future outlook for the banking and insurance industries in Hong Kong and Mainland China. We have relied on the information supplied, representations made and opinions expressed by the Company, the Directors, its advisers and representatives, for which they are solely responsible. We have assumed that the information and representations supplied to us by the Company are true, accurate and complete. We have also assumed that all information, representations and opinions contained or referred to in the Circular have been made after due and careful enquiry. We have been advised by the Directors that no material facts have been omitted from the information provided to us and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Company.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that to the best of their knowledge, there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We are not responsible for, and have not carried out any independent verification of, the facts, information and views supplied to us. It is not within our terms of reference to comment on the commercial merits of the Separate Listing, which remains the responsibility of the Directors. In addition, our opinion is necessarily based on market, economic and industry-specific conditions as they exist on, and the facts, information and views made available to us by the Directors as at the date of this letter.

We have reviewed, in addition to the Circular and amongst other things, the Company's audited financial statements for the two years ended 31 December 2003. We have also taken into account the statements of intention made by the Directors as disclosed in the Circular. We

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consider that we have reviewed sufficient information to reach an informed view and to justify relying on the accuracy of the information contained in the Circular to provide a reasonable basis for our advice. We have not, however, conducted any independent in-depth investigation into the business and affairs or the future prospects of the Group. We have sought and received confirmation from the Directors that there have been no material changes to the plans or intentions of the Company, to the terms and conditions of the Separate Listing or Global Offering or to the reasons for these transactions as set out in the Circular and we have assumed that all representations contained or referred to in the Circular and made by the Directors were true at the date of the Circular and will continue to be true up to the date of the EGM.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the proposed Separate Listing, we have taken into account the following principal factors and reasons:

I. Background to and the structure of the proposed Separate Listing

The Company was incorporated in Hong Kong in April 1987 as a holding company. The Group has two main business lines: banking and insurance. The Company's shares were listed on the main board of the Stock Exchange in November 1987. The Company now wishes to list separately on the main board of the Stock Exchange, its wholly-owned subsidiary, DSBG.

Prior to the Separate Listing, the Company intends to implement a group reorganisation whereby the Company will separate its banking-related subsidiaries and insurance-related subsidiaries and consolidate all of its banking-related businesses and operations into DSBG. The Separate Listing will result in the listing of the DSBG Shares on the main board of the Stock Exchange following the Global Offering. We understand that the Listing Committee resolved that DSBG may proceed with the listing of its securities at a public float of 15% or greater on the basis that the expected market capitalisation of DSBG at the time of the Separate Listing will exceed HK\$10 billion as specified in the Revised Listing Rules, and on the condition that DSBG and its controlling shareholders take appropriate steps to increase the public float to 25% of DSBG's total issued share capital within 18 months from the Listing Date. We understand that immediately after the Separate Listing, DSBG will have a public float of 20%. Accordingly, it is expected that the Company's interest in the share capital of DSBG will be 80% (assuming the Over-allotment Option is not exercised) immediately following the Global Offering. We understand that the Company currently intends to increase the number of DSBG Shares in public hands to 25% or more of the issued share capital of DSBG either by the sale or disposal by the Company of additional DSBG Shares or by procuring, to the extent that it is able, the issue by DSBG of new DSBG Shares, or otherwise in accordance with the Revised Listing Rules. Following the Separate Listing, the Company will continue to be the holding company of those subsidiaries which carry on the insurance underwriting businesses of the Group, which will continue to focus on the provision of

insurance services and DSBG will become the direct holding company of the Group's banking-related businesses. The banking-related businesses to be held by DSBG will comprise the following major subsidiaries:

- DSB, a wholly-owned subsidiary of the Company and a licensed bank in Hong Kong, which is subject to the supervision of the HKMA;
- MEVAS, a wholly-owned subsidiary of the Company and a licensed bank in Hong Kong, which is also subject to the supervision of the HKMA; and
- D.A.H. Holdings Limited, a 75.5% owned subsidiary of the Company, which is the holding company of a bank licensed in Guernsey, which is subject to the supervision of the Guernsey Financial Services Commission.

II. Reasons for the Separate Listing

The Directors believe that the Group's banking-related business and insurance-related business will follow different growth paths in the future. The Separate Listing is intended to provide a structure which will facilitate the growth of each of the Non-Banking Group and the Banking Group, and therefore to facilitate the growth of the Group as a whole.

a) *The Banking Group*

The operations of the Banking Group comprise three main lines of business carried out through its banking subsidiaries: personal banking, commercial banking and treasury. The personal banking services include retail, private and VIP banking services such as deposit-taking, mortgage lending, credit cards, personal loans, overdrafts and wealth management products and services. The commercial banking services include a variety of lending and deposit-taking services for commercial and institutional customers. The Banking Group also operates, through DSB, a treasury business which is responsible for securities investment, funding, foreign exchange, cash management and interest rate risk management.

The Banking Group operates in two markets: Hong Kong and Mainland China. The Directors believe that there may be opportunities both for organic growth and for growth by acquisitions, mergers, joint ventures or investments in the years to come in these markets. Therefore, an important objective of the Separate Listing is to implement a structure which will facilitate capital raising, acquisitions or mergers, alliances, joint ventures and investments, and to attract and incentivise management. The Directors consider that the Hong Kong market is a mature market, whereas the Mainland China market is growing and developing more rapidly. In many mature banking markets, consolidation of the banking industry has been a significant factor in the development of banking groups within those markets, and certain banking groups have taken advantage of such consolidation to grow

their businesses. There have been a number of bank merger and acquisition transactions in Hong Kong over the past five years, and the Directors believe that this trend will continue. The Directors consider that the Separate Listing will provide a structure with more flexibility for the Banking Group to grow through mergers or acquisitions in Hong Kong. The recent improvement in the Hong Kong economy and Hong Kong's increasing business and economic integration with Mainland China are also expected to provide opportunities for organic growth in Hong Kong and the Separate Listing is also intended to facilitate the raising of additional capital for organic growth in Hong Kong through ready and varied access to the capital markets.

As a result of the concessions granted under CEPA, Hong Kong incorporated banks are now able to participate more actively in the Mainland China banking market. In a rapidly growing market, demands for capital from organic growth could be substantial and the Directors believe that the Separate Listing will provide both capital for DSBG from the sale of new DSBG shares, as well as flexibility for raising further capital in future. The Directors consider that it will also provide a structure which allows the Banking Group, as a banking group, to form alliances and joint ventures and/or make investments in banking-related businesses in Mainland China supervised by the China Banking Regulatory Commission, which is directly in line with the regulatory approach in Mainland China of having separate regulation of, and separate companies active in, the banking and insurance sectors.

The Banking Group's listing offers the ability to put in place a share option scheme and other arrangements to attract and incentivise the Banking Group's management directly in line with the financial performance of the Banking Group on a standalone basis.

The Directors consider that all these factors will benefit the Company and the Shareholders as a result of the Company's majority shareholding in DSBG.

b) *The insurance business*

The insurance business comprises the insurance underwriting and related businesses, which offer a wide range of life assurance products and general insurance products in Hong Kong. The general insurance business, conducted through a joint venture in which the Company has a 51% interest, offers a range of commercial and other general insurance products. The life assurance business mainly offers life and short term endowment policies distributed through both an agency force and a bancassurance platform.

The Directors consider that the insurance business is likely to require a different strategy in the future when compared to the banking business and, therefore, the Separate Listing is also intended to raise capital for the growth of the insurance business. There were fewer concessions granted to Hong Kong-based insurance companies under CEPA and, therefore, the development of the insurance business in the near term is expected by the Directors to be more likely to be focused on the Hong Kong market. The Directors consider that the insurance business also has the opportunity to benefit from closer integration with

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Mainland China and the increasing numbers of visitors from Mainland China to Hong Kong who are potential customers of the insurance business. There are also a relatively large number of insurance companies active in Hong Kong which could provide future merger or acquisition opportunities for the Group.

The Directors believe that the insurance business has built a solid underwriting platform which is capable of supporting a higher level of business. The Directors consider that in order to grow the insurance business further, it is important to develop its distribution channels, as well as to have access to new capital to take advantage of that growth. Following the Separate Listing, the Group intends to accelerate the development of the insurance business including:

- expansion, whether organic or by merger and/or acquisition;
- attracting and retaining management and agents; and
- developing new distribution channels.

Achieving the growth strategies for each of the Banking Group and the insurance business will require a significant deployment of financial resources. This can be facilitated both by means of immediate fund-raising from capital markets and by the establishment of the Banking Group and the Non-Banking Group as separate listing platforms suitable for future fund-raising and mergers and acquisitions. We consider that the Separate Listing will, in the shorter term, provide significant funding for the Group and, in the longer term, will create a structure which will enable both the Banking Group and the Non-Banking Group to conduct further fund raisings and to expand by mergers and acquisitions. The Separate Listing is therefore in line with the future strategy of both the Banking Group and the Non-Banking Group.

III. Intended use of proceeds

DSBG presently intends the anticipated net proceeds of between approximately HK\$1,222 million and HK\$1,705 million from the subscription of new DSBG Shares under the Global Offering will form part of the assets of the Banking Group and will, together with its other assets, be deployed in its existing banking businesses in furtherance of the strategy of the Banking Group. It should be noted that none of the proceeds of the Global Offering have been earmarked for the possible growth by mergers or acquisitions in Hong Kong or investments, joint ventures or alliances in Mainland China.

The Company presently intends to use the anticipated net proceeds of between approximately HK\$1,000 million and HK\$1,395 million from the sale of existing DSBG Shares as part of the International Placing for the following purposes:

- (i) up to HK\$124 million to fund the Special Dividend, to the extent that Shareholders elect for payment of the Special Dividend in cash; and
- (ii) the remainder to provide general working capital for the Non-Banking Group. The Company has not earmarked such proceeds for any specific use.

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Based on the intended allocation of the funds raised by the Global Offering, we consider that the funds raised are in line with the growth strategy of each of the Banking Group and the Non-Banking Group.

IV. Financial Effects of the Separate Listing on the Group

(i) Effect on net tangible asset value

The expected effect of the Separate Listing on the net tangible asset value of the Group, as extracted from Appendix I to the Circular, is set out as follows:

| | <u>(HK\$ million)</u> | <u>Percentage increase (%)</u> | <u>Per Share (HK\$) (Note 2)</u> | <u>Percentage increase (%)</u> |
|---|-----------------------|------------------------------------|--|------------------------------------|
| Audited consolidated net tangible asset value of the Group at 31 December 2003 | 6,789 | | 27.52 | |
| Increase in the consolidated net tangible asset value of the Group arising from the Global Offering, adjusted for the Special Dividend (Note 1) | | | | |
| (a) Based on net proceeds from the Global Offering of HK\$2,222 million | <u>718</u> | 10.6 | <u>2.91</u> | 10.6 |
| (b) Based on net proceeds from the Global Offering of HK\$3,100 million | <u>1,499</u> | 22.1 | <u>6.08</u> | 22.1 |
| Pro forma consolidated net tangible asset value of the Group (Note 1) | | | | |
| (a) Based on net proceeds from the Global Offering of HK\$2,222 million | <u>7,507</u> | | <u>30.43</u> | |
| (b) Based on net proceeds from the Global Offering of HK\$3,100 million | <u>8,288</u> | | <u>33.60</u> | |

Notes:

1. Increase in the pro forma consolidated net tangible asset value of the Group arising from the Global Offering is calculated based on the following assumptions:
 - a. The Global Offering was completed on 31 December 2003.
 - b. The calculation does not take into account (i) any DSBG Shares which may fall to be issued upon exercise of the Over-allotment Option or which may be issued or repurchased by DSBG under its issue or repurchase mandates and/or (ii) the operating results of the Group subsequent to 31 December 2003.

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- c. The net tangible asset value of the Group increases by the net proceeds of the Global Offering received by the Company, less the Special Dividend (assuming it is satisfied in cash except for that part of the Special Dividend payable to holders of Shares in which Mr. David Shou-Yeh Wong, the Chairman, has a deemed interest, who have notified the Company that they intend to elect to receive the scrip alternative), and adding the net change in the net tangible asset value of DSBG attributable to the Group as a result of the Global Offering.
2. The audited consolidated net tangible asset value per Share and the pro forma consolidated net tangible asset value per Share are based on 246,678,802 Shares in issue as at 31 December 2003.

The increase in pro forma consolidated net tangible asset value of the Group after the Global Offering results from the issue of new DSBG Shares and the sale of existing DSBG Shares under the Global Offering at an expected price above the underlying net tangible asset value attributable to such DSBG Shares. On the basis of the above, we are of the view that the Company and the Shareholders will benefit from the improvement in the net tangible asset value per Share resulting from the Separate Listing.

(ii) *Effect on earnings*

The expected effect of the Separate Listing on the earnings of the Group as extracted from Appendix I to the Circular is set out below:

| | Profit attributable to Shareholders (HK\$ million) | Percentage decrease (%) | Earnings per Share (HK\$) | Percentage decrease (%) |
|--|---|--|--|--|
| Audited profit of the Group attributable to Shareholders for the year ended 31 December 2003 | 992.6 | | 4.02 | |
| Less: 20% of the combined profit after taxation and minority interests of DSBG | <u>(176.0)</u> | | <u>(0.71)</u> | |
| Pro forma profit of the Group attributable to Shareholders for the year ended 31 December 2003 after the Global Offering | <u>816.6</u> | | <u>3.31</u> | |
| Decrease in pro forma profit | (176.0) | (17.7) | (0.71) | (17.7) |

The difference between the audited and pro forma profit of the Group attributable to Shareholders of HK\$176.0 million (a 17.7% reduction) represents the decrease in the Group's share of the profit of the Banking Group of HK\$879.8 million on the assumption that a 20% interest in DSBG was disposed of by the Group at the beginning of the financial year ended 31 December 2003 and the 80% interest in DSBG was held by the Group throughout that financial year, and that no return was generated from the proceeds of the Global Offering.

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It should be noted that the above analysis has not taken into consideration any new opportunities and benefits which the Separate Listing and the Global Offering may possibly bring to the Company and DSBG, in particular those that are consequential to the availability of the proceeds from the Global Offering and the separate listing status of DSBG. On this basis, and taking into account the improvement in the net tangible assets position of the Group after the Global Offering, on balance, we consider the decrease in the profit of the Group attributable to Shareholders as illustrated above, though substantial, is acceptable.

The above analysis does not take into account the profit from the disposal (whether actual or deemed) by the Company of its interest in DSBG. As discussed in (i) above, the Global Offering is expected to result in an increment in the net tangible asset value of the Group on the disposal (both actual and deemed) of an interest in DSBG. Such gain is non-recurring in nature and will be reflected in the profit and loss accounts of the Group for the year ending 31 December 2004 if the Global Offering takes place therein.

(iii) *Effect on combined capital adequacy ratio ("CAR") of the banking subsidiaries of the Banking Group ("Banking Subsidiaries")*

As disclosed in the 2003 annual report of the Company, the combined CAR of the Banking Subsidiaries as at 31 December 2003 was approximately 20.4%. The Banking Ordinance stipulates that all local licensed banks shall maintain their CARs above 8%. A bank's CAR represents the ratio of its capital base against its risk weighted assets. A bank's capital base comprises, among others, the aggregate of its Tier 1 capital and Tier 2 capital. For these purposes, "Tier 1" capital comprises the paid up ordinary share capital and reserves of the relevant banking organisation and "Tier 2" capital includes reserves arising on the revaluation of land and interests in land, on the revaluation of holdings of securities not held for trading purposes, and general provisions for doubtful debts and term subordinated debts.

Funds injected into the Banking Subsidiaries can be by way of capital or deposits. Assuming that net proceeds of between HK\$1,222 million and HK\$1,705 million will be generated from the Separate Listing and if such funds are injected into the Banking Subsidiaries as capital, the combined CAR of the Banking Subsidiaries would improve from approximately 20.4% to a range of between 24.0% to 25.4%, based on the information as at 31 December 2003. We consider the improvement that would result if the net proceeds are injected into the Banking Subsidiaries as capital to be significant. It would provide the Banking Subsidiaries with significant capacity to increase their risk weighted assets whilst still meeting regulatory requirements for capital adequacy. Any increase in the Tier 1 capital of the Banking Subsidiaries would also enhance the ability of these subsidiaries to issue debt financing qualifying as Tier 2 capital. An increased capital base would therefore provide the Banking Subsidiaries with additional capacity either for organic growth or for merger or acquisition opportunities.

(iv) *Effect on dividend payments of the Company*

In the past, the Group has sought to increase its equity capital base through the retention of earnings. The Separate Listing will raise capital for each of the Company and DSBG and will facilitate future capital raising and, as a result, there will be less need to build capital out of future earnings. Accordingly, the Directors intend that following completion of the Separate Listing and the Global Offering, the dividend policy of the Company will be revised, and it is anticipated that between 45% and 50% of the profit attributable to Shareholders will be distributed in the form of dividends each year (excluding the Special Dividend). It is also anticipated that DSBG will adopt a dividend policy whereby, barring any special circumstances or unforeseen events, approximately 50% of the profit attributable to DSBG shareholders would be distributed by DSBG in the form of dividends each year.

For the year ended 31 December 2003, the Group recorded HK\$992.6 million of profit attributable to Shareholders, and paid total dividends of HK\$328.1 million, representing a dividend payout ratio of 33.1%. Assuming the dilution in the shareholding in the Banking Group took place on 1 January 2003, the Group's profit attributable to Shareholders would have been diluted to HK\$816.6 million. On the basis of an increase in the dividend payout ratio under the new dividend policy to a minimum of 45%, the total dividend payout would have amounted to approximately HK\$367.5 million. On this basis, we are of the view that, before taking into account the income to be generated from funds raised under the Global Offering and assuming special circumstances or unforeseen events do not prevent either the Company or DSBG from following their stated intention in relation to dividends, total dividends payable to Shareholders following the Separate Listing should not be reduced.

V. Relationship between the Banking Group and the Non-Banking Group

Immediately after the Separate Listing, in addition to its 80% interest in the Banking Group (assuming the Over-allotment Option is not exercised), the Non-Banking Group will continue to carry on the insurance underwriting-related businesses of the Group. Neither the Non-Banking Group nor the Banking Group has entered into any contractual restriction or provided any undertaking that would prevent it from competing with the other party. However, the Directors have stated in the Circular that the Company does not currently intend to engage in any banking business, other than through the Banking Group, that would compete with that of the Banking Group.

As disclosed in the 2003 annual report of the Company, profit before taxation from non-banking businesses amounted to approximately HK\$119.5 million for the year ended 31 December 2003. Assets deployed for non-banking businesses amounted to approximately HK\$1.4 billion as at 31 December 2003. In view of the level of profitability and assets attributable to the non-banking business, we consider that the Non-Banking Group continues to have a substantial and viable business after the Separate Listing. To this end, taking into account the fact that the Group will continue to hold a controlling interest in the Banking Group and share the future growth

and results of the Banking Group after the Global Offering, we are of the view that the fact that neither the Non-Banking Group nor the Banking Group has entered into any contractual restriction or provided any undertaking that would prevent it from competing with the other party will not adversely affect the Group.

We note that the Banking Group has its own functional departments, including accounting, administration and operations, information technology and human resources departments. Immediately after the Separate Listing, the majority of the directors of DSBG will not hold directorships on the Board. Save for Mr. David Shou-Yeh Wong, Mr. Hon-Hing Wong (Derek Wong), Mr. Gary Pak-Ling Wang and Mr. Robert Tsai-To Sze, the directors of DSBG will not have any management roles or directorships in the Company immediately after the Separate Listing. Immediately after the Separate Listing, the DSBG Board will also include four independent non-executive directors (three of whom will not also be on the Board). Each of DSBG and the Company will have its own audit committee with the authority to review matters relating to financial statements, audit work, internal controls, risk management and compliance. The independent non-executive directors' role will also include participating in decisions on significant transactions or transactions involving a potential conflict of interest. We concur with the Directors' view that based on the above, the Banking Group is able to function independently of the Non-Banking Group. We consider that, given DSBG will remain a subsidiary of the Company, the board composition of DSBG reflects the interest of the Company in DSBG and yet enables DSBG to maintain a management team sufficiently independent of the Company.

We note that following the Separate Listing there will be certain continuing connected transactions between members of the Banking Group and members of the Group (which are exempted from the disclosure and Shareholders' approval requirements under Rule 14A.31 of the Revised Listing Rules), details of which are set out in the Letter from the Board in the Circular. We are not required to, and do not, express any opinion on the fairness and reasonableness or otherwise on the terms of these continuing connected transactions.

VI. Effect of the Global Offering on Shareholders' interest in the Group

(i) Preferential Offer

Under PN15, the Shareholders must be offered an assured entitlement to shares in DSBG, either by way of a distribution in specie of existing shares in DSBG or by way of preferred application in any offering of existing or new shares in DSBG. It is proposed that this requirement will be satisfied by way of the Preferential Offer. Subject to the Stock Exchange granting listing of, and permission to deal in, the DSBG Shares on the Stock Exchange, 27,300,000 Reserved Shares will be available for subscription by Qualifying Shareholders at the Offer Price under the Preferential Offer. Qualifying Shareholders will be invited to participate in the Separate Listing by applying for the Reserved Shares and will be entitled to subscribe on an assured basis at the Offer Price for an estimated one Reserved Share for every whole multiple of five existing Shares held by them at the Preferential Offer

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Record Date. However, the final assured entitlement is not yet known as it will depend on the number of Shares held by Qualifying Shareholders on the Preferential Offer Record Date. We understand that the Company will publish a press announcement on or after the Preferential Offer Record Date confirming Qualifying Shareholders' entitlement to apply for the Reserved Shares. Any Qualifying Shareholder holding less than five Shares (or such other number of existing Shares as may be the minimum specified by the Company as carrying the entitlement to subscribe for the Reserved Shares) will not be entitled to apply for the Reserved Shares on an assured basis. Qualifying Shareholders may also apply for any excess Reserved Shares. Shareholders should note that the assured entitlements to Reserved Shares may not represent a multiple of a full board lot of 400 DSBG Shares, and that dealings in odd lots of DSBG Shares may be at a price below their prevailing market price. Entitlements to Reserved Shares are not transferable and there will be no trading in nil paid entitlements on the Stock Exchange. Any DSBG Shares issued pursuant to the Preferential Offer shall be deemed fully paid, ranking *pari passu* in all respects with other DSBG Shares then in issue. The number of DSBG Shares available under the Preferential Offer represents approximately 15% of the Global Offering and approximately 3% of the total enlarged issued share capital of DSBG (assuming that the Over-allotment Option is not exercised).

Odd lot trading facilities will be made available, as detailed in the Letter from the Board in the Circular, to enable the Shareholders to deal in odd lots of DSBG Shares arising from Shareholders participating in the Preferential Offer.

(ii) *Special Dividend*

Subject to, and conditional upon, the Separate Listing becoming unconditional and the Company receiving the proceeds of the sale of certain of its DSBG Shares pursuant to the International Placing, the Board will declare the Special Dividend. Pursuant to the Special Dividend, Shareholders whose names appear on the Register at 4:00 p.m. on the Special Dividend Record Date will be paid a cash dividend or may elect to receive their dividend in the form of new Shares in lieu of cash in respect of part or all of their registered holding of Shares. The number of Shares to be allotted to Shareholders who elect to receive the Special Dividend in whole or in part in the form of new Shares in lieu of cash will be calculated by reference to the market value of the Shares (being the average closing price per Share for the five trading days of the Shares preceding the Special Dividend Record Date) equal to the total amount of the Special Dividend which Shareholders could elect to receive in cash.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) *Dilution of interest in the Banking Group*

The table below sets out the potential dilutive effect of the Global Offering to the Shareholders' attributable interest in the Banking Group.

| | Attributable interest of the Company in the Banking Group (%) |
|--|--|
| Before the Global Offering | 100 |
| Immediately after the Global Offering (assuming the Over-allotment Option is not exercised) | 80 |

Note: The above table does not take into account the effect of the exercise of any Options issued under the Share Option Scheme.

DSBG will remain a subsidiary of the Company and the financial results of the Banking Group will continue to be consolidated into the accounts of the Group.

In our opinion, such dilution, albeit not immaterial, would be acceptable to Shareholders taking into consideration the benefits (including, in particular the significant funds raised for the future growth of the Banking Group and the Non-Banking Group and the establishment of the Banking Group and the Non-Banking Group as separate platforms which will enable them to exploit future merger and acquisition opportunities) which may be derived from the Separate Listing as discussed above. In addition, the availability of the Preferential Offer would enable Shareholders to reduce the dilutive effect of the Separate Listing if they choose to participate therein. Shareholders should note that their interest in the Banking Group through the Company may be further diluted upon the exercise of the Over-allotment Option and Options under the Share Option Scheme on or after the Listing Date.

Shareholders should also note that the Listing Committee has resolved that DSBG may proceed with the listing of its securities at a public float of 15% or greater on the basis that the expected market capitalisation of DSBG at the time of the Separate Listing will exceed HK\$10 billion as specified in the Revised Listing Rules, and on the condition that DSBG and its controlling shareholders take appropriate steps to increase the public float to 25% of DSBG's total issued share capital within 18 months from the Listing Date. We understand that immediately after the Separate Listing DSBG will have a public float of 20%. Accordingly, it is expected that the Company's interest in the share capital of DSBG will be 80% (assuming the Over-allotment Option is not exercised) immediately following the Global Offering. We understand that the Company currently intends to increase the number of DSBG Shares in public hands to 25% or more of the issued share capital of DSBG either by the sale or disposal by the Company of additional DSBG Shares or by procuring, to the extent that it is able, the issue by DSBG of new DSBG Shares, or otherwise in accordance with the Revised Listing Rules. Accordingly, Shareholders' interest in DSBG through the Company will be further diluted from 80% to 75% (or less) within 18 months of the Listing Date.

VII. Conditions of the Global Offering

Your attention is drawn to the paragraph headed “Conditions” under the section headed “The Separate Listing” in the Letter from the Board contained in the Circular. In addition to the approval by the Shareholders of the Separate Listing, the Global Offering and the Separate Listing will also be conditional on, among other things, the obtaining of relevant consents and approvals required for the implementation of the Separate Listing in terms satisfactory to the Company, the Listing Committee granting approval for the listing of the DSBG Shares, the obligations of the underwriters under the underwriting agreements to be entered into between DSBG, the Company and the underwriters in respect of the Global Offering becoming unconditional and the underwriting agreements not being terminated. Accordingly, the Separate Listing and the Global Offering may not proceed if the aforesaid, and other applicable conditions, are not fulfilled or waived.

RECOMMENDATION

Having taken into consideration the principal factors and reasons as set out above, we are of the view that the Separate Listing is fair and reasonable so far as the Shareholders are concerned and that the Separate Listing is in the interests of the Company and its shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Separate Listing.

Yours faithfully
for and on behalf of
CAZENOVE ASIA LIMITED
May Tan
Chief Executive

LETTER FROM PRICEWATERHOUSECOOPERS

The following is the text of the report prepared by PricewaterhouseCoopers for the purposes of inclusion in this circular.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

The Directors
Dah Sing Financial Holdings Limited
36th Floor, Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

27th May 2004

Dear Sirs,

We report on the unaudited pro forma financial information of Dah Sing Financial Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 43 to 44 under the headings of Consolidated net tangible asset value and Earnings in Appendix I of the shareholders' circular of the Company dated 27th May 2004 in connection with a discloseable transaction in relation to the separate listing of Dah Sing Banking Group Limited on the main board of The Stock Exchange of Hong Kong Limited (the "Shareholders' Circular"). The unaudited pro forma financial information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the separate listing of Dah Sing Banking Group Limited might have affected the relevant financial information of the Group.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 13 of Appendix 1B and Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by Rule 4.29 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

LETTER FROM PRICEWATERHOUSECOOPERS

Basis of opinion

We conducted our work in accordance with the relevant Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, and accordingly, we do not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared on the bases set out on pages 43 to 44 for illustrative purposes only and, because of its nature, it may not be indicative of:

- the financial position of the Group at any future date, or
- the profit attributable to shareholders and earnings per share of the Group for any future period.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the bases stated;
- b) such bases are consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29 of the Listing Rules.

Yours faithfully,
PricewaterhouseCoopers
Certified public accountants
Hong Kong

Consolidated net tangible asset value

The following statement of the Group's pro forma consolidated net tangible assets is based on the audited consolidated net tangible asset value of the Group as at 31st December 2003 as shown in the audited consolidated accounts of the Group for the year ended 31st December 2003, adjusted as described below. The statement of the Group's pro forma consolidated net tangible asset value per Share has been prepared for illustrative purposes only and, because of its nature, it may not reflect the actual consolidated net tangible asset value of the Group as at 31st December 2003 or at any future date.

| | Audited consolidated net tangible asset value of the Group | Increase in the consolidated net tangible asset value of the Group arising from the Global Offering, adjusted for the Special Dividend | Pro forma consolidated net tangible asset value of the Group | Pro forma consolidated net tangible asset value per Share |
|---|---|---|---|--|
| | <i>(in HK\$ millions)</i> | <i>(in HK\$ millions) (Note 1)</i> | <i>(in HK\$ millions)</i> | <i>(in HK\$) (Note 2)</i> |
| Based on net proceeds from the Global Offering of HK\$2,222 million | 6,789 | 718 | 7,507 | 30.43 |
| Based on net proceeds from the Global Offering of HK\$3,100 million | 6,789 | 1,499 | 8,288 | 33.60 |

Notes:

1. The increase in the pro forma consolidated net tangible asset value of the Group arising from the Global Offering is calculated based on the following assumptions:
 - a. The Global Offering was completed on 31st December 2003.
 - b. The calculation does not take into account (i) any DSBG Shares which may fall to be issued upon exercise of the Over-allotment Option or which may be issued or repurchased by DSBG under its issue or repurchase mandates and/or (ii) the operating results of the Group subsequent to 31st December 2003.
 - c. The net tangible asset value of the Group increases by the net proceeds of the Global Offering received by the Company, less the Special Dividend (assuming it is satisfied in cash except for that part of the Special Dividend payable to holders of the Shares in which Mr. David Shou-Yeh Wong, the Chairman, has a deemed interest, who have notified the Company that they intend to elect to receive the scrip alternative), and adding the net change in the net tangible asset value of DSBG attributable to the Group as a result of the Global Offering.
2. The pro forma consolidated net tangible asset value per Share is based on 246,678,802 Shares in issue as at 31st December 2003.

The increase in the pro forma consolidated net tangible asset value of the Group arising from the Global Offering is calculated based on a preliminary valuation range of the Banking Group for the Global Offering as estimated by the Joint Bookrunners.

Earnings

The following pro forma analysis of the profit of the Group attributable to Shareholders and the earnings per Share is based on the profit of the Group attributable to Shareholders as for the year ended 31st December 2003, as shown in the audited consolidated accounts of the Group for the year ended 31st December 2003, adjusted as described below. The statement of the pro forma profit of the Group attributable to Shareholders and earnings per Share has been prepared for illustrative purposes only and, because of its nature, it may not reflect the actual profit of the Group attributable to Shareholders and earnings per Share for the year ended 31st December 2003 or for any future period. The pro forma analysis is prepared on the assumption that the Global Offering was completed at the beginning of the financial year ended 31st December 2003 and does not take into account the following:

- (i) the contribution to the earnings of the Group from the proceeds generated from the Global Offering; and
- (ii) the profit from the deemed disposal by the Company of its interest in DSBG.

The following table sets out the results of the illustrative pro forma analysis in respect of the financial year ended 31st December 2003:

| <u>Profit of the Group attributable to Shareholders</u> <i>(in HK\$ millions)</i> | <u>Adjustment</u> <i>(in HK\$ millions)</i> <i>(Note 1)</i> | <u>Pro forma profit of the Group attributable to Shareholders</u> <i>(in HK\$ millions)</i> |
|--|---|--|
| 992.6 | (176.0) | 816.6 |
| <u>Earnings per Share</u> <i>(in HK\$)</i> <i>(Note 2)</i> | <u>Adjustment</u> <i>(in HK\$)</i> | <u>Pro forma earnings per Share</u> <i>(in HK\$)</i> |
| 4.02 | (0.71) | 3.31 |

Notes:

- (1) The adjustment of HK\$176.0 million represents the decrease in the Group's profit by 20% of the profit of the Banking Group of HK\$879.8 million on the assumption that a 20% interest in DSBG was disposed of by the Group at the beginning of the financial year ended 31st December 2003 and an 80% interest in DSBG was held by the Group throughout that financial year, and that no return was generated from the proceeds of the Global Offering.
- (2) The earnings per Share figures are calculated based on 246,678,802 Shares in issue as at 31st December 2003.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme which does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

For the purposes of this section, unless the context otherwise requires or specifies, the following terms have the meanings set out below:

| | |
|--------------------|--|
| “DSBG Shareholder” | shareholder of DSBG; |
| “Eligible Person” | any director of, manager of, or other employee holding an executive, managerial or supervisory position in, the Group as the DSBG Board may in its sole discretion determine to be eligible to be made an offer; |
| “Grantee(s)” | persons who are offered or granted Options pursuant to the Share Option Scheme; |
| “Group” | DSBG and its subsidiaries; and |
| “Option(s)” | options that may be granted pursuant to the Share Option Scheme. |

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentive and/or reward to Grantees for their contribution to, and continuing efforts to promote the interests of, the Group.

(b) Who may join

Any director of, manager of, or other employee holding an executive, managerial or supervisory position in, the Group as the DSBG Board may in its sole discretion determine to be eligible to be made an offer, is eligible to participate in the Share Option Scheme.

(c) Maximum number of DSBG Shares

The total number of DSBG Shares which may be issued upon exercise of all options granted and yet to be exercised under the Share Option Scheme or any other share option scheme adopted by DSBG must not exceed 5% of DSBG Shares in issue from time to time. The maximum number of DSBG Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option scheme adopted by DSBG must not in aggregate

exceed 5% of DSBG Shares in issue as at the date of approval of the Share Option Scheme. Options which have lapsed shall not be counted in calculating the 5% limit. However, DSBG may renew this 5% limit with DSBG Shareholders' approval provided that each such renewal may not exceed 5% of DSBG Shares in issue as at the date of the DSBG Shareholders' approval of the limit. DSBG shall also send a circular to the DSBG Shareholders setting out such information as required under the Revised Listing Rules.

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the value of the Options have not been determined. Such variables include the exercise price, exercise period, any lock up period, any performance targets set and other relevant variables. The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a large number of speculative assumptions would not be meaningful and would be misleading to Shareholders.

(d) Maximum number of DSBG Shares per Grantee

- (i) Subject to paragraphs (d)(iii) and (d)(iv), the total number of DSBG Shares issued and to be issued upon the exercise of the Options granted to each Grantee (including both exercised and unexercised Options) under the Share Option Scheme or any other share option scheme adopted by DSBG in any 12-month period must not exceed 1% of the DSBG Shares in issue.
- (ii) Notwithstanding paragraph (d)(i), any further grant of Options to a Grantee in excess of the 1% limit shall be subject to DSBG Shareholders' approval with such Grantee and his associates abstaining from voting. The number of DSBG Shares subject to the Options to be granted and the terms of the Options to be granted to such Grantee must be fixed before seeking DSBG Shareholders' approval and the date of the meeting of the DSBG Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price. In such a case, DSBG must send a circular to the DSBG Shareholders containing the information required under the Revised Listing Rules.
- (iii) In addition to paragraphs (d)(i) and (d)(ii), any grant of Options to a Grantee who is a director, chief executive or substantial shareholder of DSBG or their respective associates must be approved by the independent non-executive directors of DSBG (excluding any independent non-executive director who is the Grantee).
- (iv) Where the DSBG Board proposes to grant any Option to a Grantee who is a substantial shareholder or an independent non-executive director of DSBG or any of their respective associates and such Option which, if exercised in full, would result in such Grantee becoming entitled to subscribe for such number of DSBG Shares, when

aggregated with the total number of DSBG Shares already issued, and issuable, to him pursuant to all the Options granted and to be granted (including Options exercised, cancelled and outstanding) to him in the 12-month period up to and including the proposed offer date of such grant (the "Relevant Date"):

- (aa) representing in aggregate more than 0.1% of the relevant class of securities of DSBG in issue at the Relevant Date; and
- (bb) having an aggregate value, based on the closing price of DSBG Shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date and if the Relevant Date is not a trading day, the trading day immediately preceding the Relevant Date, in excess of HK\$5,000,000,

such proposed grant of Options must be approved by DSBG Shareholders in general meeting and the Grantee concerned and all other connected persons (as defined in the Revised Listing Rules) of DSBG shall abstain from voting in favour of the resolution at the general meeting. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. DSBG shall send a circular to the DSBG Shareholders setting out such information as required under the Revised Listing Rules.

(e) Exercise of Options

- (i) The period within which the Options must be exercised will be specified by DSBG at the time of grant. This period must expire no later than 10 years from the date on which the offer in relation to the Option is deemed to have been accepted, subject to the provisions of the Share Option Scheme relating to early termination as summarised below.
- (ii) Subject to paragraphs (e)(iii) and (l)(v) below, where the holder of an outstanding Option ceases to be an Eligible Person under the Share Option Scheme for any reason, the Option shall lapse on the date of cessation and shall not be exercisable unless the DSBG Board otherwise determines in which event the Option shall be exercisable to the extent and within such period as the DSBG Board may determine. The date of such cessation shall be his last actual working day at his work place with the Group whether salary is paid in lieu of notice or not.
- (iii) Where the Grantee of an outstanding Option dies before exercising the Option in full or at all, the Option may be exercised up to the entitlement of such Grantee or, if appropriate, an election made pursuant to paragraphs (e)(iv), (v) or (vi) below by his personal representatives within 12 months of the date of death or such longer period as the Board may determine.

- (iv) If a general offer by way of a take-over is made to all DSBG Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, DSBG shall give notice thereof to the Grantee and the Grantee (or his personal representatives) may by notice in writing to DSBG within 30 days after such offer becoming or being declared unconditional exercise the Option to its full extent or to the extent specified in such notice.
- (v) If a general offer by way of a scheme of arrangement is made to all DSBG Shareholders and the scheme has been approved by the necessary number of DSBG Shareholders at the requisite meetings, DSBG shall give notice thereof to the Grantee and the Grantee (or his personal representatives) may thereafter (but before such time as shall be notified by DSBG) by notice in writing to DSBG exercise the Option to its full extent or to the extent specified in such notice.
- (vi) In the event that a notice is given by DSBG to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up DSBG, DSBG shall on the same date as or soon after it despatches such notice to each member of DSBG give notice thereof to all Grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each Grantee (or his personal representatives) shall be entitled to exercise all or any of his Options at any time not later than two business days prior to the proposed general meeting of DSBG by giving notice in writing to DSBG, accompanied by a remittance for the full amount of the aggregate subscription price for DSBG Shares in respect of which the notice is given, whereupon DSBG shall as soon as possible and, in any event, no later than three business days immediately prior to the date of the proposed general meeting referred to above, issue and allot the relevant DSBG Shares to the Grantee credited as fully paid.

(f) Minimum holding period

At the time of the grant of the Options, DSBG may specify a minimum period for which an Option must be held before it can be exercised.

(g) Performance targets

At the time of the grant of the Options, DSBG may specify performance targets which must be achieved before the Options can be exercised.

(h) Option price

The amount payable on acceptance of an Option is HK\$1.00.

(i) Subscription price

The subscription price for DSBG Shares the subject of the Options shall be no less than the higher of:

- (i) the closing price of DSBG Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant;
- (ii) the average closing price of DSBG Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the date of grant; and
- (iii) the nominal value of a DSBG Share.

For the purpose of calculating the exercise price where DSBG has been listed for less than five Business Days, the new issue price shall be used as the closing price for any Business Day falling within the period before listing of the DSBG Shares.

The DSBG Board will specify the subscription price at the time the Option is offered to the Grantee.

(j) Rights on a liquidation

The DSBG Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the constitutional documents of DSBG for the time being in force and will rank *pari passu* with the fully paid DSBG Shares in issue as at the date of allotment and will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made in respect of a record date falling on or after the date of allotment.

(k) Period of Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption of the Share Option Scheme.

(l) Lapse of Options

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

- (i) the expiry of the Option period;
- (ii) the expiry of any of the periods referred to in paragraphs (e)(ii), (iii) or (iv) above;
- (iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (e)(v) above;

- (iv) subject to paragraph (e)(vi) above, the date of the commencement of the winding-up of DSBG;
- (v) the date on which the Grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or the date on which he begins to appear to be unable to pay or has no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of the DSBG Board to the effect that the employment or other relevant contract of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph (l)(v) shall be conclusive; or
- (vi) the date on which the Grantee transfers or encumbers any interest in his Option.

(m) Adjustments in the capital structure of DSBG

In the event of a capitalisation issue, rights issue, subdivision, consolidation or reduction of the share capital of DSBG, the number of DSBG Shares to be issued on exercise of the Options and/or the subscription price shall be adjusted accordingly; provided that no such adjustment shall be made in respect of an issue of securities by DSBG as consideration in a transaction, any such adjustment must be made so that each Grantee is given the same proportion of the equity capital of DSBG as that to which he was previously entitled and no such adjustments shall be made which would result in the subscription price for a DSBG Share being less than its nominal value (provided that in such circumstances the subscription price shall be reduced to the nominal value). In respect of any such adjustment, other than any made on a capitalisation issue, an independent financial adviser of DSBG's auditors must confirm to the DSBG Board in writing that the adjustments satisfy the above requirements.

(n) Cancellation of Options granted

Any Options granted but not exercised may be cancelled if the Grantee so agrees and new Options may be granted to the Grantee provided such Options fall within the limits specified in paragraph (c) above and are otherwise granted in accordance with the terms of the Share Option Scheme or any new scheme adopted by DSBG.

(o) Ranking of DSBG Shares

The DSBG Shares issued on exercise of the Options will be identical to the then existing issued ordinary shares of DSBG.

(p) Termination of Share Option Scheme

DSBG, by resolution of the DSBG Shareholders or the DSBG Board, may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered or granted. Any unexercised Options shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

(q) Transfers of Options

Options may not be transferred or assigned and are personal to the Grantee.

(r) Alterations to the Share Option Scheme

Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Revised Listing Rules, or any change to the authority of the Directors in relation to any alteration of the terms, cannot be altered to the advantage of Grantees without the prior approval of DSBG Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by DSBG Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme or the Options must still comply with Chapter 17 of the Revised Listing Rules.

(s) Redemption of Options

The DSBG Board may at its sole discretion elect to cancel any Option and pay to the Grantee the aggregate of:

- (i) the subscription price received by DSBG from the Grantee with the notice of exercise of the Option, if the Option has been exercised; and
- (ii) if the average closing price of DSBG Shares (as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the cancellation) exceeds the subscription price, an amount equal to such excess multiplied by the number of DSBG Shares which would be or would have been issued upon exercise of the Option.

Any payment made by DSBG pursuant to paragraph (ii) above shall be charged to its profit and loss account.

(t) Shareholders' approval

Where the provisions of the Share Option Scheme require the Share Option Scheme or any related matters to be approved by DSBG Shareholders and/or the independent non-executive directors of DSBG, the Share Option Scheme or such related matters must be simultaneously approved by the Shareholders and/or independent non-executive Directors.

(u) Present status of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the passing of an ordinary resolution approving the adoption of the Share Option Scheme by DSBG Shareholders and authorising the DSBG Board to grant options and to allot and issue DSBG Shares pursuant to any Options granted under the Share Option Scheme;
- (ii) the approval of the Share Option Scheme by the Shareholders;
- (iii) the Listing Committee granting approval of the listing of, and permission to deal in:
 - (aa) any DSBG Shares in issue and to be issued as will be mentioned in the Prospectus; and
 - (bb) DSBG Shares which may fall to be issued pursuant to the exercise of Options;
- (iv) the commencement of dealings in DSBG Shares on the Stock Exchange; and
- (v) the obligations of the underwriters under the underwriting agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by, or on behalf of, the underwriters) and not being terminated in accordance with the terms of such agreements or otherwise.

If all of the above conditions are not satisfied on or before the date falling two months after the date of the adoption date of the Share Option Scheme, the Share Option Scheme shall forthwith terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

As at the Latest Practicable Date, no Option has been granted or agreed to be granted by DSBG under the Share Option Scheme.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts not contained herein, the omission of which would make any statement herein misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$600,000,000 divided into 300,000,000 Shares, of which 246,678,802 Shares were issued and fully paid.

3. DISCLOSURE OF INTERESTS**(i) Directors' interest in contracts**

No Director is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which is subsisting at the date of this circular and which is significant in relation to the business of the Group.

(ii) Directors' interest in securities

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (together, "Discloseable Interests") were as follows:

(a) *Beneficial Interests and short positions in the Shares*

| Director | Number of Shares | | | Total | Percentage of Shares held in the entire share capital |
|----------------------------|--------------------|-----------------------|------------------------|------------|---|
| | Personal Interests | Corporate Interests | Other Interests | | |
| David Shou-Yeh Wong | — | 4,344,746 (Note 1) | 87,379,236 (Note 2) | 91,723,982 | 37.18 |
| Chung-Kai Chow O.B.E. J.P. | 650,676 | 8,385,271 (Note 1) | — | 9,035,947 | 3.66 |
| John Wai-Wai Chow | 797,248 | — | — | 797,248 | 0.32 |
| John W. Simpson | 10,000 | — | — | 10,000 | 0.00 |
| Peter Gibbs Birch C.B.E. | 50,000 | — | — | 50,000 | 0.02 |
| Roderick S. Anderson | 60,131 | — | — | 60,131 | 0.02 |

Notes:

- (1) The corporate interest is in respect of Shares held by a company in which the Director has an interest of one third or more.
- (2) Such Shares are indirectly held by HSBC International Trustee Limited, the trustee of a discretionary trust established for the benefit of Mr. David Shou-Yeh Wong and his family.

(b) *Beneficial interests and short positions in underlying Shares of equity derivatives of the Company*

As at the Latest Practicable Date, the following Directors held outstanding share options granted under the share option scheme adopted by the Company on 17th May 1995 entitling them to subscribe for such numbers of Shares as set out below:

| Director | Number of options | Subscription price (HK\$) | Grant date (D/M/Y) | Exercisable period | |
|----------------------------|-------------------|---------------------------|--------------------|-----------------------------------|-------------------------|
| | | | | As at the Latest Practicable Date | From (D/M/Y) To (D/M/Y) |
| Hon-Hing Wong (Derek Wong) | 200,000 | 26.28 | 3/4/2000 | 3/4/2004 | 3/4/2005 |
| Roderick S. Anderson | 200,000 | 26.28 | 3/4/2000 | 3/4/2001 | 3/4/2005 |

Save as disclosed above, none of the Directors had any Discloseable Interests as at the Latest Practicable Date.

(iii) Service contracts of Directors

None of the Directors has a service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

(iv) Directors' and experts' interests in assets/contracts and other interests

Since 31st December 2003 (being the date to which the latest published audited consolidated accounts of the Company were made up), none of the Directors or any proposed Director or Cazenove or PricewaterhouseCoopers has had any interest, direct or indirect, in any assets which have been acquired or disposed of by, or leased to, any member of the Group, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.

4. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors are not aware of any person (not being a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

| Shareholder | Number of Shares | Percentage of Shares held in the entire issued share capital |
|--|-------------------------|---|
| UFJ Bank Limited | 37,268,266 | 15.11 |
| HSBC International Trustee Limited | 87,880,236 (Note 1) | 35.63 |
| Christine Yen Wong | 91,723,982 (Note 2) | 37.18 |
| Aberdeen Asset Management Asia Limited | 13,402,200 | 5.43 |

Notes:

- (1) Such Shares are mainly comprised of the interest indirectly held by HSBC International Trustee Limited in trust for a discretionary trust established for the benefit of Mr. David Shou-Yeh Wong and his family. Relevant Shares have been included in the "Other interests" of Mr. David Shou-Yeh Wong as disclosed under the heading "Directors' interest in securities" above.
- (2) Such Shares represent the deemed interest of Christine Yen Wong by virtue of her spouse, Mr. David Shou-Yeh Wong, being a substantial Shareholder having a notifiable interest in the relevant share capital of the Company (under the interpretation of Section 316(1) of the SFO). This interest comprises the same Shares held by Mr. David Shou-Yeh Wong as referred to under the heading "Directors' interest in securities" above.

5. MATERIAL CONTRACTS

Neither the Company nor any of its subsidiaries have entered into any contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular and which are or may be material.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of any material importance and there is no litigation and there are no claims of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. CONSENTS OF EXPERTS

Cazenove, a licensed corporation to carry out Types 1, 4, 6 and 9 regulated activities under the SFO, and PricewaterhouseCoopers, certified public accountants, have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of the text of their letters and references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, neither Cazenove nor PricewaterhouseCoopers were interested beneficially in the share capital of the Company or any of its subsidiaries and neither of them had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any of its subsidiaries.

8. GENERAL

The registered office of the Company is 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong. The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The company secretary of the Company is Ms. Hoi-Lun Soo (Helen Soo) who is an Associate of the Institute of Chartered Secretaries and Administrators of the United Kingdom and The Hong Kong Institute of Company Secretaries.

The qualified accountant of the Company under Rule 3.24 of the Revised Listing Rules is Mr. Gary Pak-Ling Wang who is a qualified accountant, Fellow of The Association of Chartered Certified Accountants of the United Kingdom and member of The Hong Kong Society of Accountants.

The translation into Chinese language of this circular is for reference only. In case of any inconsistency, the English version shall prevail.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of Herbert Smith, 23/F., Gloucester Tower, 11 Pedder Street, Central, Hong Kong during normal business hours on any business day from the date of this circular until 14th June 2004:

- (a) the memorandum and articles of association of the Company;
- (b) the draft Share Option Scheme;
- (c) the letter from Cazenove, the text of which is set out on pages 26 to 40 of this circular;
- (d) the letter from PricewaterhouseCoopers, the text of which is set out on pages 41 to 42 of this circular;
- (e) the letters of consent from Cazenove and PricewaterhouseCoopers as referred to in paragraph 7 of this appendix; and
- (f) the audited consolidated accounts of the Company for the two years ended 31st December 2003.



(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Dah Sing Financial Holdings Limited (the “**Company**”) will be held at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong on 12th June 2004 at 12:00 noon for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the Separate Listing (as defined below), which constitutes a material dilution (for the purposes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**” and the “**Stock Exchange**” respectively)) of the Company’s interest in Dah Sing Banking Group Limited (“**DSBG**”) and its subsidiaries and a discloseable transaction (for the purposes of the Listing Rules), subject to and conditional upon (among other things): (a) the approval by shareholders of the Company; (b) the listing committee of the Stock Exchange granting approval for the listing of, and permission to deal in, all the shares of DSBG (“**DSBG Shares**”) in issue and to be issued in connection with the Separate Listing and any DSBG Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme (as defined below); and (c) the obligations of the underwriters under the underwriting agreements in respect of the Separate Listing becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by, or on behalf of, the underwriters) and not being terminated in accordance with the terms of such agreements or otherwise, be and is hereby approved and the board of directors of the Company be and is hereby authorised on behalf of the Company to approve and implement the Separate Listing and all incidental matters and to take all actions in connection therewith or arising therefrom relating to the Separate Listing as they shall think fit.

“**Separate Listing**” means the offer of the DSBG Shares to the public for subscription, the preferential offer of the DSBG Shares to certain qualifying shareholders of the Company and the offer of DSBG Shares to certain professional, institutional and other investors for sale or subscription, as more particularly described in the circular dated 27th May 2004, subject to any variations or changes which are considered by the Company’s directors not to be material.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “**THAT** the share option scheme (the “**Share Option Scheme**”) of DSBG, a subsidiary of the Company, the terms of which are contained in the document marked “A” and produced to the meeting and for the purpose of identification signed by a director of the Company and a summary of which is set out in a circular dated 27th May 2004 contained in the document marked “B” and despatched to the shareholders of the Company of which the notice convening this meeting forms part and produced to the meeting and for the purpose of identification signed by a director of the Company thereof, subject to and conditional upon (amongst other things): (a) the passing of an ordinary resolution approving the adoption of the Share Option Scheme by the shareholders of DSBG and authorising the board of directors of DSBG to grant options and to allot and issue the DSBG Shares pursuant to any options granted under the Share Option Scheme; (b) the approval of the Share Option Scheme by shareholders of the Company; (c) the listing committee of the Stock Exchange granting approval of the listing of, and permission to deal in: (i) any DSBG Shares in issue and to be issued as will be mentioned in the prospectus of DSBG; and (ii) the DSBG Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme; (d) the commencement of dealings in the DSBG Shares on the Stock Exchange; and (e) the obligations of the underwriters under the underwriting agreements in respect of the Separate Listing (as defined in Resolution 1 above) becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by, or on behalf of, the underwriters) and not being terminated in accordance with the terms of such agreements or otherwise, be and is hereby approved and the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions and arrangements as may be necessary or desirable in order to give effect to the Share Option Scheme.”

By Order of the Board
Dah Sing Financial Holdings Limited
Hoi-Lun Soo (Helen Soo)
Company Secretary

Hong Kong, 27th May 2004

Registered Office:

36th Floor
Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders is present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company shall, in respect of such share, be entitled alone to vote in respect thereof.
- (3) A form of proxy for use at the meeting is enclosed with the circular to shareholders of the Company.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the registered office of the Company, at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting (or the adjourned meeting as the case may be).
- (5) Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting. If such member attends the meeting, however, his form of proxy will be deemed to have been revoked.
- (6) The circular dated 27th May 2004 referred to in this notice, which contains the summary of the Share Option Scheme, will be separately despatched to the shareholders of the Company.
- (7) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

NOTICE OF ARTICLES EXTRAORDINARY GENERAL MEETING



(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Dah Sing Financial Holdings Limited (the “**Company**”) will be held at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong on 21st June 2004 at 12:00 noon for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as a special resolution of the Company:

SPECIAL RESOLUTION

1. “**THAT** the Articles of Association of the Company be amended by:
 - (a) amending Article 1 of the Articles of Association by adding the following definitions:

“**business day**” means any day on which The Stock Exchange of Hong Kong Limited is open for the business of dealing in securities;

“**transfer**” means a transfer duly stamped and otherwise valid in accordance with the Articles, and does not include such transfer as the Company is for any reason entitled to register and does not register.”
 - (b) deleting the existing Article 9 of the Articles of Association and substituting therefor the following new Article 9:

“9. Every member shall be entitled to receive within two months after allotment or ten (10) business days of the lodgment of an instrument of transfer duly stamped (or within such period as the terms of issue shall provide), one certificate for all the shares registered in his name or to several certificates each for one or more of such shares. Every certificate of shares shall specify the number and class of the shares in respect of which it is issued and the amount paid upon thereon. The Company shall not be bound to issue more than one certificate for shares held jointly by several persons and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them.”
 - (c) deleting the word “bown” in the second line of Article 11 of the Articles of Association and substituting therefor the word “down”.

NOTICE OF ARTICLES EXTRAORDINARY GENERAL MEETING

- (d) deleting the existing Article 65A of the Articles of Association and substituting therefor the following new Article 65A:

“65A. Without prejudice and in addition to the above, where that member is a recognized clearing house or authorized share depository within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), it may authorise such person or persons as it thinks fit to act as its proxy/representative (or proxies/representatives) at any shareholders’ general meeting or any meeting of any class of members provided that, if more than one person is so authorised, the authorisation must specify the number and class of shares in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognized clearing house as that clearing house (or its nominees) could exercise if it were an individual member of the Company.”

- (e) adding the following after Article 78 of the Articles of Association as a new Article 78A:

“78A. Where any member is, under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement shall not be counted.”

- (f) deleting the existing Article 83 of the Articles of Association and substituting therefor the following new Article 83:

“83. Save as otherwise provided in these Articles, an alternate director shall be deemed for all purposes to be a Director and he shall not be deemed to be the agent of the Director appointing him. The Director appointing the alternate director shall not be vicariously liable for any tort committed by the alternate director while acting in the capacity of an alternate director. The remuneration of any alternate director shall be payable out of the remuneration payable to the Director appointing him, and shall consist of such part (if any) of the last-mentioned remuneration as shall be agreed between the alternate director and the Director appointing him.”

- (g) deleting the existing Article 112 of the Articles of Association and substituting therefor the following new Article 112:

“112. No person other than a Director retiring at a meeting shall, unless recommended by the Directors, be appointed a Director at a general meeting unless a written notice signed by a member qualified to vote is lodged no earlier than the day after the despatch of the notice of the general meeting and not later than 7 days prior to the date of such meeting,

NOTICE OF ARTICLES EXTRAORDINARY GENERAL MEETING

which period shall be at least 7 days, with the Company of his intention to propose any person other than a retiring Director for election to the office of Director with notice executed by that person of his willingness to be appointed.”

- (h) deleting the word “special” in Article 119 of the Articles of Association and substituting therefor the word “ordinary”.
- (i) deleting the existing Article 121 of the Articles of Association in its entirety and substituting therefor the following new Article 121:

“121.1 A Director shall not be entitled to vote in respect of any contract or arrangement in which he or any of his Associates is materially interested and shall not be counted in the quorum present at the meeting at which such contract or arrangement is considered.

121.2 The prohibitions in Article 121.1 shall not apply to the following matters, namely:

121.2.1 any contract or arrangement for giving to such Director or any of his Associate(s) any security or indemnity in respect of money lent by him or any of his Associate(s) or obligations undertaken by him or any of his Associates at the request of or for the benefit of the Company;

121.2.2 any contract or arrangement for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company which the Director or any of his Associate(s) has/have assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of a security;

121.2.3 any contract or arrangement concerning an offer of shares, debentures or other securities of or by the Company for subscription or purchase where the Director or any of his Associate(s) is/are or is/are to be interested as a participant in the underwriting or subunderwriting of the offer;

121.2.4 any contract or arrangement concerning another company in which the Director or any of his Associate(s) is/are interested (directly or indirectly) whether as an officer or by virtue of his or any of his Associates’ interest in shares or debentures or other securities of such company, provided that he, together with any of his Associates, are not in aggregate beneficially interested in five (5) per cent or more of the issued shares of any class of such company (or of any third company through which his interest or that of his Associates is derived) or of the voting rights;

NOTICE OF ARTICLES EXTRAORDINARY GENERAL MEETING

- 121.2.5 any proposal concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their Associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director or any of his Associate(s) as such privilege or advantage not accorded to the employees to which such scheme or fund relates;
- 121.2.6 any arrangement for the benefit of employees of the Company or of any of its subsidiaries under which the Director or any of his Associate(s) benefits in a similar manner as the employees and which does not accord to any Director or any of his Associate(s) as such any privilege or advantage not accorded to the employees to whom such arrangement relates; and
- 121.2.7 such other exceptions applicable to all listed companies as shall be approved and notified to such companies by The Stock Exchange of Hong Kong Limited from time to time.

For the purpose of this Article, an “Associate” of a Director has the same meaning as in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.”

- (j) deleting the existing Article 153 of the Articles of Association in its entirety and substituting therefor the following new Article 153:

“153.1 Subject to the provisions of the Ordinance, but without prejudice to any indemnity to which a Director may otherwise be entitled, every Director, manager, or officer of the Company or any person (whether an officer of the Company or not) employed by the Company as auditor shall be indemnified out of the funds of the Company against all liability incurred by him as such Director, manager, officer or auditor in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to be done by him as Director, manager, officer or auditor of the Company in which judgment is given in his favour, or in which he is acquitted, or incurred in connection with any application under Section 358 of the Ordinance in which relief is granted to him by the Court.

NOTICE OF ARTICLES EXTRAORDINARY GENERAL MEETING

153.2 The Company may purchase and maintain for any Director, manager, officer or auditor of the Company:

- (a) insurance against any liability to the Company, a related company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to the Company or a related company; and
- (b) insurance against any liability incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to the Company or a related company.

For the purpose of this Article, “related company” means any company that is the Company’s subsidiary or holding company or a subsidiary of that holding company.”

By Order of the Board
Dah Sing Financial Holdings Limited
Hoi-Lun Soo (Helen Soo)
Company Secretary

Hong Kong, 27th May 2004

Registered Office:

36th Floor
Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

NOTICE OF ARTICLES EXTRAORDINARY GENERAL MEETING

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders is present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company shall, in respect of such share, be entitled alone to vote in respect thereof.
- (3) A form of proxy for use at the meeting is enclosed with the circular to shareholders of the Company.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the registered office of the Company, at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting (or the adjourned meeting as the case may be).
- (5) Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting. If such member attends the meeting, however, his form of proxy will be deemed to have been revoked.
- (6) The circular dated 27th May 2004 referred to in this notice, which contains the summary of the amendments to the Articles of Association of the Company, will be separately despatched to the shareholders of the Company.
- (7) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.



大新金融集團有限公司 DahSingFinancialHoldingsLimited

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 0440)

FORM OF PROXY FOR THE EXTRAORDINARY GENERAL MEETING OF DAH SING FINANCIAL HOLDINGS LIMITED

I/We _____

of _____

being the registered holder of _____ shares of HK\$2.00 each in the share capital of Dah Sing Financial Holdings Limited appoint* the Chairman of the

Meeting, or _____

of _____

as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong at 12:00 noon on 12th June 2004 and at any adjournment thereof.

I/We wish this proxy to be used in connection with the undermentioned resolutions in the manner set out below.

Dated: _____

Signature: _____

Please indicate with a "√" the spaces below how you wish the proxy to vote. Unless so instructed, the proxy will at his discretion vote as he thinks fit or abstain from voting.

| | ORDINARY RESOLUTIONS | FOR | AGAINST |
|----|---|-----|---------|
| 1. | To approve the Separate Listing. | | |
| 2. | To approve the Share Option Scheme of Dah Sing Banking Group Limited. | | |

Notes :

- (a) Any member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint up to two proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member of the Company.
- (b) In the case of a corporation, this form of proxy must be executed either under its common seal or under the hand of the officer or attorney duly authorised.
- (c) The instrument appointing a proxy together with the power of attorney or other authority (if any) under which it is signed or a notarial certified copy of such power or authority must be deposited at the registered office of the Company, at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting (or the adjourned meeting as the case may be).
- (d) Completion and return of this form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting if you so wish.

* Delete as appropriate



大新金融集團有限公司 DahSingFinancialHoldingsLimited

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 0440)

FORM OF PROXY FOR THE EXTRAORDINARY GENERAL MEETING OF DAH SING FINANCIAL HOLDINGS LIMITED

I/We _____

of _____

being the registered holder of _____ shares of HK\$2.00 each in the share capital of Dah Sing Financial Holdings Limited appoint* the Chairman of the Meeting, or _____

of _____

as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong at 12:00 noon on 21st June 2004 and at any adjournment thereof.

I/We wish this proxy to be used in connection with the undermentioned resolutions in the manner set out below.

Dated : _____

Signature : _____

Please indicate with a "√" in the spaces below how you wish the proxy to vote. Unless so instructed, the proxy will at his discretion vote as he thinks fit or abstain from voting.

| SPECIAL RESOLUTION | FOR | AGAINST |
|--|-----|---------|
| 1. To approve the amendments to the Articles of Association. | | |

Notes :

- (a) Any member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint up to two proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member of the Company.
- (b) In the case of a corporation, this form of proxy must be executed either under its common seal or under the hand of the officer or attorney duly authorised.
- (c) The instrument appointing a proxy together with the power of attorney or other authority (if any) under which it is signed or a notarial certified copy of such power or authority must be deposited at the registered office of the Company, at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting (or the adjourned meeting as the case may be).
- (d) Completion and return of this form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting if you so wish.

* Delete as appropriate