



# 大新銀行集團有限公司 DahSingBankingGroupLimited

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

The holding company of Dah Sing Bank, Limited and MEVAS Bank Limited  
(Stock Code: 2356)

## ANNOUNCEMENT OF 2006 INTERIM RESULTS

The Directors of Dah Sing Banking Group Limited (the “Company”) are pleased to present the interim results and condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2006. The unaudited profit attributable to shareholders after minority interests was HK\$566 million for the six months ended 30 June 2006.

### UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited 2006 interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

### UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

	Note	2006 HK\$'000	2005 HK\$'000	Variance %
Interest income		2,384,585	1,249,381	
Interest expense		(1,444,155)	(604,491)	
<b>Net interest income</b>		<b>940,430</b>	<b>644,890</b>	<b>45.8</b>
Fee and commission income		293,343	232,325	
Fee and commission expense		(40,027)	(27,107)	
<b>Net fee and commission income</b>		<b>253,316</b>	<b>205,218</b>	<b>23.4</b>
Net trading income	3	7,517	61,013	
Other operating income	4	42,352	25,699	
<b>Operating income</b>		<b>1,243,615</b>	<b>936,820</b>	<b>32.7</b>
Operating expenses	5	(560,464)	(442,723)	26.6
Operating profit before impairment losses on loans and advances	6	683,151	494,097	38.3
Impairment losses on loans and advances	6	(75,270)	(30,869)	143.8
<b>Operating profit before gains on certain investments and fixed assets</b>		<b>607,881</b>	<b>463,228</b>	<b>31.2</b>
Net loss on disposal of fixed assets		(17)	(233)	
Net gain on disposal of interests in subsidiaries	7	4,048	–	
Net gain on disposal of available-for-sale securities		62,403	90,006	
Share of results of jointly controlled entities		2,675	900	
Reversal of impairment losses on available-for-sale securities		25,891	–	
<b>Profit before income tax</b>		<b>702,881</b>	<b>553,901</b>	<b>26.9</b>
Income tax expense	8	(133,729)	(92,006)	45.3
<b>Profit for the period</b>		<b>569,152</b>	<b>461,895</b>	<b>23.2</b>
Profit attributable to minority interests		(2,849)	(1,259)	
<b>Profit attributable to shareholders of the Company</b>		<b>566,303</b>	<b>460,636</b>	<b>22.9</b>
Dividend		232,854	211,561	
<b>Earnings per share</b>	9			
Basic		HK\$0.61	HK\$0.50	
Diluted		HK\$0.61	HK\$0.50	
<b>Dividend per share</b>				
Interim dividend		HK\$0.25	HK\$0.23	

### UNAUDITED CONSOLIDATED BALANCE SHEET

	Note	As at 30 Jun 2006 HK\$'000	As at 31 Dec 2005 HK\$'000
<b>ASSETS</b>			
Cash and balances with banks and other financial institutions		5,465,423	8,040,676
Placements with banks and other financial institutions maturing between one and twelve months		1,125,051	1,169,174
Trading securities		6,094,674	5,364,375
Financial assets at fair value through profit or loss		1,210,166	1,379,163
Derivative financial instruments	10	479,761	153,706
Advances and other accounts	11	48,540,085	46,568,778
Available-for-sale securities		28,320,218	22,772,190
Held-to-maturity securities		333,186	494,855
Investments in jointly controlled entities		32,859	30,184
Goodwill		811,690	811,690
Intangible assets		187,896	203,214
Premises and other fixed assets		1,350,046	1,378,643
Investment properties		340,998	320,939
Current and deferred income tax assets		6,335	7,692
Non-current assets held for resale		–	821,561
<b>Total assets</b>		<b>94,298,388</b>	<b>89,516,840</b>
<b>LIABILITIES</b>			
Deposits from banks and other financial institutions	10	512,534	255,748
Derivative financial instruments		532,503	506,058
Trading liabilities		7,741,275	6,311,309
Deposits from customers designated at fair value through profit or loss		2,597,236	1,904,280
Deposits from customers		58,259,426	56,449,982
Certificates of deposit issued		8,391,735	7,713,297
Issued debt securities		2,265,548	2,287,095
Subordinated notes		3,439,956	3,290,342
Other accounts and accruals		1,619,092	1,449,744
Current income tax liabilities		100,911	40,322
Deferred income tax liabilities		98,320	104,334
Non-current liabilities held for resale		–	531,023
<b>Total liabilities</b>		<b>85,558,536</b>	<b>80,843,534</b>
<b>EQUITY</b>			
Minority interests		21,277	24,692
<b>Equity attributable to the Company's shareholders</b>			
Share capital		931,416	931,416
Retained earnings		4,442,698	4,109,249
Other reserves	12	3,111,607	3,254,011
Proposed dividend		232,854	353,938
<b>Shareholders' funds</b>		<b>8,718,575</b>	<b>8,648,614</b>
<b>Total equity</b>		<b>8,739,852</b>	<b>8,673,306</b>
<b>Total equity and liabilities</b>		<b>94,298,388</b>	<b>89,516,840</b>

### UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to the Shareholders of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2006</b>	931,416	2,209,149	1,044,862	4,463,187	24,692	8,673,306
Fair value (losses)/gains on available-for-sale securities	–	–	(108,049)	–	26	(108,023)
Disposal of available-for-sale securities	–	–	(62,403)	–	–	(62,403)
Deferred tax liabilities released on fair value losses on and disposal of available-for-sale securities	–	–	27,960	–	–	27,960
Exchange differences arising on translation of the financial statements of a foreign subsidiary	–	–	88	–	(32)	56
Net expense recognised directly in equity	–	–	(142,404)	–	(6)	(142,410)
Profit for the period	–	–	–	566,303	2,849	569,152
Total recognised (expense)/income for the six months ended 30 June 2006	–	–	(142,404)	566,303	2,843	426,742
Disposal of interests in subsidiaries	–	–	–	–	(6,258)	(6,258)
2005 final dividend	–	–	–	(353,938)	–	(353,938)
<b>Balance at 30 June 2006</b>	<b>931,416</b>	<b>2,209,149</b>	<b>902,458</b>	<b>4,675,552</b>	<b>21,277</b>	<b>8,739,852</b>
	<b>Six months ended 30 June 2006</b>					
					2005	
Proposed interim dividend included in retained earnings				232,854	211,561	

For the six months ended 30 June 2005

	Attributable to the Shareholders of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2005</b>	919,831	2,054,513	814,984	4,045,450	19,990	7,854,768
Fair value (losses)/gains on available-for-sale securities	–	–	(76,102)	–	2	(76,100)
Disposal of available-for-sale securities	–	–	(90,006)	–	–	(90,006)
Deferred tax liabilities released on fair value losses on and disposal of available-for-sale securities	–	–	22,156	–	–	22,156
Exchange differences arising on translation of the financial statements of a foreign subsidiary	–	–	(16)	–	(5)	(21)
Net expense recognised directly in equity	–	–	(143,968)	–	(3)	(143,971)
Profit for the period	–	–	–	460,636	1,259	461,895
Total recognised (expense)/income for the six months ended 30 June 2005	–	–	(143,968)	460,636	1,256	317,924
2005 interim dividend	–	–	–	(349,536)	–	(349,536)
<b>Balance at 30 June 2005</b>	<b>919,831</b>	<b>2,054,513</b>	<b>671,016</b>	<b>4,156,550</b>	<b>21,246</b>	<b>7,823,156</b>

### UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June

	2006 HK\$'000	2005 HK\$'000
<b>Cash flows from operating activities</b>		
Cash absorbed by operations	(2,303,952)	(887,060)
Interest paid on subordinated notes and debt securities issued	(183,404)	(99,546)
Interest paid on certificates of deposit issued	(150,150)	(64,567)
Hong Kong profits tax paid	(49,652)	–
Overseas tax paid	(106)	–
Net cash used in operating activities	(2,687,264)	(1,051,173)
<b>Cash flows from investing activities</b>		
Disposal of interests in subsidiaries (net of cash and cash equivalents disposed of)	279,470	–
Purchase of investment properties	(20,059)	–
Purchase of fixed assets	(12,899)	(4,921)
Proceeds from disposal of fixed assets	–	106
Net cash from/(used in) investing activities	246,512	(4,815)
<b>Cash flows from financing activities</b>		
Certificates of deposit issued	2,038,761	1,345,989
Certificates of deposit redeemed	(1,306,741)	(2,782,062)
Debt securities issued	–	1,160,550
Subordinated notes issued	1,162,210	–
Subordinated notes redeemed	(970,069)	–
Dividends paid on ordinary shares	(353,938)	(349,536)
Net cash from/(used in) financing activities	570,223	(625,059)
Net decrease in cash and cash equivalents	(1,870,529)	(1,681,047)
Cash and cash equivalents at beginning of the period	12,691,736	12,878,287
Cash and cash equivalents at end of the period	10,821,207	11,197,240
Analysis of the balance of cash and cash equivalents:		
Cash and balances with banks and other financial institutions	1,588,211	1,535,798
Money at call and short notice	3,877,212	5,071,840
Treasury bills with original maturity within three months	4,743,267	2,560,904
Placement with banks and other financial institutions with original maturity within three months	1,125,051	2,490,491
Deposits and balances of banks and other financial institutions with original maturity within three months	(512,534)	(461,793)
	10,821,207	11,197,240

Note:

- General information**  
Dah Sing Banking Group Limited (the “Company”) is a bank holding company. Its principal subsidiaries include Dah Sing Bank, Limited and MEVAS Bank Limited, which are both licensed banks in Hong Kong. The Company together with its subsidiaries (collectively the “Group”) provide banking, financial and other related services.
- Basis of preparation and accounting policies**  
The accounting policies and methods of computation used in the preparation of the 2006 interim condensed consolidated financial statements are consistent with those used and described in the annual audited financial statements for the year ended 31 December 2005.  
The 2006 interim condensed consolidated financial statements have been prepared in accordance with the requirements set out in the Supervisory Policy Manual entitled “Interim Financial Disclosure by Locally Incorporated Authorized Institutions” issued by the Hong Kong Monetary Authority.  
The interim condensed consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated.
- Net trading income**  
For the six months ended 30 June

	2006	2005
Net gain arising from dealing in foreign currencies	54,643	93,999
Net loss arising from financial instruments designated at fair value through profit or loss, trading securities and derivatives	(47,126)	(32,986)
	7,517	61,013
	2006	2005
Dividend income from investments in available-for-sale securities		
– listed investments	34	3,516
– unlisted investments	20,995	10,463
Gross rental income from investment properties	7,353	5,519
Other rental income	3,318	2,937
Others	10,652	3,264
	42,352	25,699

<b>5. Operating expenses</b>		
For the six months ended 30 June		
	<b>2006</b>	<b>2005</b>
Employee benefit expenses (including directors' remuneration)	310,732	258,774
Depreciation	41,479	30,566
Premises and other fixed assets expenses, excluding depreciation	58,255	46,358
Others	149,998	107,025
	<b>560,464</b>	<b>442,723</b>
<b>6. Impairment losses on loans and advances</b>		
For the six months ended 30 June		
	<b>2006</b>	<b>2005</b>
Net charge of impairment losses on loans and advances		
– Individually assessed	41,084	4,442
– Collectively assessed	34,186	26,427
	<b>75,270</b>	<b>30,869</b>
Of which:		
– new and additional	128,772	78,255
– recoveries	(53,502)	(47,386)
	<b>75,270</b>	<b>30,869</b>
<b>7. Net gain on disposal of interests in subsidiaries</b>		
For the six months ended 30 June		
	<b>2006</b>	<b>2005</b>
Net gain on disposal of interests in Macau Insurance subsidiaries (Note (a))	3,670	–
Net gain on disposal of interests in other subsidiaries	378	–
	<b>4,048</b>	<b>–</b>

*Note (a):* On 26 May 2006, the Group disposed of its interests in Macau Insurance Limited and Macau Life Insurance Limited to the ultimate holding company, Dah Sing Financial Holdings Limited, at a consideration of HK\$280,582,000. The assets and liabilities of these subsidiaries were previously included in the Group's balance sheet under "Non current assets/liabilities held for resale". The disposal was approved by the independent shareholders of the Company on 19 May 2006 and was consistent with the Group's intention at the time these subsidiaries were acquired on 19 December 2005.

<b>8. Income tax expense</b>		
Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.		
For the six months ended 30 June		
	<b>2006</b>	<b>2005</b>
Current income tax		
– Hong Kong profits tax	103,100	91,382
– Overseas taxation	7,065	624
Deferred income tax	23,564	–
	<b>133,729</b>	<b>92,006</b>
<b>9. Basic and diluted earnings per share</b>		
The calculation of basic earnings per share is based on earnings of HK\$566,303,000 (2005: HK\$460,636,000) and the weighted average number of 931,416,279 (2005: 919,830,827) shares in issue during the period.		
The calculation of diluted earnings per share is based on earnings of HK\$566,303,000 (2005: HK\$460,636,000) and the weighted average number of 931,451,321 (2005: 919,830,827) shares in issue during the period after adjusting for the effect of all dilutive potential ordinary shares as shown below:		
	<b>2006</b>	<b>2005</b>
<i>Number of shares</i>		
Weighted average number of ordinary shares as at 30 June	931,416,279	919,830,827
Adjustments for share options	35,042	–
Weighted average number of ordinary shares for diluted earnings per share as at 30 June	<b>931,451,321</b>	<b>919,830,827</b>
<b>10. Derivative financial instruments</b>		
The notional principal amounts of outstanding derivatives contracts and their fair values were as follows:		

	As at 30 Jun 2006			As at 31 Dec 2005		
	Contract/ notional amount	Fair values		Contract/ notional amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
1) Derivatives held for trading						
<i>a) Foreign exchange derivatives</i>						
Forward and future contracts	64,492,604	78,404	104,296	24,391,023	22,428	77,123
Currency swaps	2,226,363	8,710	66,438	2,188,446	59,068	311
Currency options purchased and written	4,997	1,560	1,560	352,730	1,331	1,331
<i>b) Interest rate derivatives</i>						
Interest rate swaps	10,192,539	4,340	273,962	13,222,923	1,828	133,881
Interest rate options	600,000	79	1	555,102	–	2,940
<i>c) Equity derivatives</i>						
Equity options purchased and written	51	235	235	183,044	2,964	2,964
Equity futures	–	–	–	12,287	123	–
<i>d) Credit derivatives</i>						
Credit default swaps	1,592,286	1,491	2,012	1,124,490	3,112	4,648
Total derivatives held for trading	<b>79,108,840</b>	<b>94,819</b>	<b>448,504</b>	<b>42,030,045</b>	<b>90,854</b>	<b>223,198</b>
2) Derivatives held for hedging						
<i>a) Derivatives designated as fair value hedges</i>						
Interest rate swaps	9,688,588	384,942	83,999	9,252,272	62,852	282,860
Total derivatives held for hedging	<b>9,688,588</b>	<b>384,942</b>	<b>83,999</b>	<b>9,252,272</b>	<b>62,852</b>	<b>282,860</b>
Total recognised derivative financial Instruments	<b>88,797,428</b>	<b>479,761</b>	<b>532,503</b>	<b>51,282,317</b>	<b>153,706</b>	<b>506,058</b>

The credit risk weighted amounts of the above off-balance sheet exposures (excluding credit default swaps) without taking into account the effect of bilateral netting arrangements that the Group entered into, are as follows.

	As at 30 Jun 2006	As at 31 Dec 2005
Derivatives		
– Exchange rate contracts	164,195	99,288
– Interest rate contracts	165,177	76,925
– Equity contracts	–	430
	<b>329,372</b>	<b>176,643</b>

As at 30 June 2006, the credit risk weighted amount of credit default swaps amounted to HK\$1,592,286,000 (31 December 2005: HK\$1,124,490,000) and is included in the total credit risk weighted amount of contingent liabilities and commitments in Note 13.

<b>11. Advances and other accounts</b>		
	<b>As at 30 Jun 2006</b>	<b>As at 31 Dec 2005</b>
Gross advances to customers	46,215,271	44,918,618
Gross advances to banks and other financial institutions	127,673	389,264
Trade bills	951,257	653,581
Other assets	1,641,623	1,005,333
Gross advances and other accounts	<b>48,935,824</b>	<b>46,966,796</b>
Less: impairment allowances		
– Individually assessed	(165,048)	(167,436)
– Collectively assessed	(230,691)	(230,582)
	<b>(395,739)</b>	<b>(398,018)</b>
Advances and other accounts	<b>48,540,085</b>	<b>46,568,778</b>

<b>(a) Gross advances to customers by industry sector classified according to the usage of loans are:</b>			
	<b>As at 30 Jun 2006</b>	<b>As at 31 Dec 2005</b>	<b>Variance %</b>
Loans for use in Hong Kong			
Industrial, commercial and financial			
– Property development	238,655	191,512	24.6
– Property investment	5,096,759	4,715,772	8.1
– Financial concerns	363,344	528,033	-31.2
– Stockbrokers	14,917	14,994	-0.5
– Wholesale and retail trade	1,348,192	1,256,740	7.3
– Manufacturing	3,843,672	3,896,158	-1.3
– Transport and transport equipment	3,430,802	3,832,407	-10.5
– Others	1,444,981	1,402,141	3.1
	<b>15,781,322</b>	<b>15,837,757</b>	<b>-0.4</b>
Individuals			
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,861,886	1,929,198	-3.5
– Loans for purchase of other residential properties	10,575,683	10,773,683	-1.8
– Credit card advances	2,731,959	2,759,308	-1.0
– Others	5,269,228	4,641,012	13.5
	<b>20,438,756</b>	<b>20,103,201</b>	<b>1.7</b>
Loans for use in Hong Kong	<b>36,220,078</b>	<b>35,940,958</b>	<b>0.8</b>
Trade finance	4,301,046	3,914,072	9.9
Loans for use outside Hong Kong	5,694,147	5,063,588	12.5
	<b>46,215,271</b>	<b>44,918,618</b>	<b>2.9</b>
<b>(b) Impaired, overdue and rescheduled assets</b>			
<i>(i) Impaired loans</i>			
	<b>As at 30 Jun 2006</b>	<b>As at 31 Dec 2005</b>	
Gross impaired loans ( <i>Note a</i> )	311,767	312,530	
As a percentage of total advances to customers	0.68%	0.70%	
Individual impairment allowances	165,048	167,436	
Amount of collateral held	143,549	182,604	

- Note:*
- Impaired loans are defined as those loans having objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the loans that can be reliably estimated.
  - The above individual impairment allowances were made after taking into account the value of collateral in respect of such advances as at 30 June/31 December.

	As at 30 Jun 2006	% of total advances to customers	As at 31 Dec 2005	% of total advances to customers
Gross advances to customers which have been overdue for:				
– six months or less but over three months	75,160	0.16	118,065	0.26
– one year or less but over six months	99,571	0.22	59,799	0.13
– over one year	108,097	0.23	128,051	0.29
	<b>282,828</b>	<b>0.61</b>	<b>305,915</b>	<b>0.68</b>
Market value of securities held against the secured overdue advances	<b>144,425</b>		<b>256,219</b>	
Secured overdue advances	<b>119,932</b>		<b>180,623</b>	
Unsecured overdue advances	<b>162,896</b>		<b>125,292</b>	
Individual impairment allowances	<b>126,416</b>		<b>114,365</b>	

<i>(iii) Rescheduled advances net of amounts included in overdue advances shown above</i>				
	<b>As at 30 Jun 2006</b>	<b>% of total advances to customers</b>	<b>As at 31 Dec 2005</b>	<b>% of total advances to customers</b>
Rescheduled advances	<b>175,758</b>	<b>0.38</b>	<b>181,654</b>	<b>0.40</b>
Impairment allowances	<b>20,521</b>		<b>25,123</b>	
There were no advances to banks and other financial institutions which were impaired, overdue for over 3 months or rescheduled as at 30 June 2006 and 31 December 2005.				

<i>(iv) Trade bills</i>				
	<b>As at 30 Jun 2006</b>	<b>As at 31 Dec 2005</b>		
Overdue for:				
– six months or less but over three months	–	–		
– one year or less but over six months	–	–		
– over one year	–	363		
	<b>–</b>	<b>363</b>		

<b>(c) Repossessed assets</b>		
The repossessed assets of the Group were as follows:		
	<b>As at 30 Jun 2006</b>	<b>As at 31 Dec 2005</b>
Repossessed properties	<b>54,858</b>	<b>45,401</b>
<b>12. Other reserves</b>		
	<b>As at 30 Jun 2006</b>	<b>As at 31 Dec 2005</b>
Reserves		
Share premium	2,209,149	2,209,149
Consolidation reserve	(220,986)	(220,986)
Premises revaluation reserve	551,350	551,350
Investment revaluation reserve	(127,970)	14,521
Exchange reserve	(190)	(277)
General reserve	700,254	700,254
	<b>3,111,607</b>	<b>3,254,011</b>

The Group complies with the requirement of the Hong Kong Monetary Authority ("HKMA") to maintain loan impairment allowances (determined in accordance with regulatory guidelines) in excess of those determined in accordance with Hong Kong Accounting Standards. Dah Sing Bank ("DSB") has earmarked a "Regulatory Reserve" from general reserve for an amount of HK\$242,503,000 (31 December 2005: HK\$231,086,000) which, together with the DSB's collective impairment allowances after the adoption of HKAS 39, is included as supplementary capital in the capital base of DSB as at 30 June 2006. The regulatory reserve of DSB is not distributable without the consent of the HKMA.

<b>13. Contingent liabilities and commitments</b>		
The contract and credit risk weighted amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers are as follows.		
	<b>Contract amounts</b>	
	<b>As at 30 Jun 2006</b>	<b>As at 31 Dec 2005</b>
Direct credit substitutes	2,337,485	2,420,934
Transaction related contingencies	21,555	26,872
Trade-related contingencies	1,184,791	951,964
Other commitments with an original maturity of:		
– under 1 year or which are unconditionally cancellable	30,094,575	26,872,921
– 1 year and over	1,040,623	592,304
Forward forward deposits placed	326,167	1,006,592
	<b>35,005,196</b>	<b>31,871,587</b>
	<b>Credit risk weighted amounts</b>	
	<b>As at 30 June 2006</b>	<b>As at 31 December 2005</b>
Contingent liabilities and commitments	<b>2,228,732</b>	<b>2,117,689</b>

14. <b>Cross-border claims</b>				
Equivalent in HK\$ millions				
	<b>As at 30 Jun 2006</b>			
	<b>Banks and other financial institutions</b>	<b>Public sector entities</b>	<b>Others</b>	<b>Total</b>
Asia Pacific excluding Hong Kong	5,700	258	4,633	10,591
North and South America	706	–	1,649	2,355
Europe	12,961	–	3,392	16,353
	<u>19,367</u>	<u>258</u>	<u>9,674</u>	<u>29,299</u>

The information of cross-border claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, transfer of risk from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country. Only regions constituting 10% or more of the aggregate cross-border claims are disclosed.

<b>15. Segment Reporting</b>						
Segment information is presented in respect of the Group's business segments:						
For the six months ended 30 June 2006						
	Personal Banking	Commercial Banking	Treasury	Unallocated	Elimination	Total
Interest income from						
– external customers	812,656	810,876	754,257	6,796	–	2,384,585
– inter-segments	584,940	–	107	106,329	(691,376)	–
Interest expense to						
– external customers	(890,605)	(221,781)	(321,136)	(10,633)	–	(1,444,155)
– inter-segments	(12,996)	(244,238)	(434,107)	(35)	691,376	–
Net interest income/(expense)	493,995	344,857	(879)	102,457	–	940,430
Net fee and commission income	182,500	58,779	4,123	7,914	–	253,316
Net trading and other operating income	12,750	6,473	16,322	14,324	–	49,869
Operating income	689,245	410,109	19,566	124,695	–	1,243,615
Operating expenses	(382,861)	(131,978)	(28,719)	(16,906)	–	(560,464)
Operating profit/(loss) before impairment losses on loans and advances	306,384	278,131	(9,153)	107,789	–	683,151
Impairment losses (charged)/reversed on loans and advances	(25,210)	(50,078)	–	18	–	(75,270)
Operating profit/(loss) before gains/(losses) on certain investments and fixed assets	281,174	228,053	(9,153)	107,807	–	607,881
Net loss on disposal of fixed assets	(12)	–	–	(5)	–	(17)
Net gain on disposal of interests in subsidiaries	–	–	–	4,048	–	4,048
Net (loss)/gain on disposal of available-for-sale securities	(6)	–	62,409	–	–	62,403
Share of results of jointly controlled entities	–	–	–	2,675	–	2,675
Reversal of impairment losses on available-for-sale securities	–	–	25,891	–	–	25,891
Profit before income tax	281,156	228,053	79,147	114,525	–	702,881
As at 30 June 2006						
Total assets	24,200,063	26,055,178	42,471,504	1,571,643	–	94,298,388
Total liabilities	48,646,647	11,662,468	24,608,449	640,972	–	85,558,536
For the six months ended 30 June 2006						
Depreciation	26,780	9,299	2,090	3,310	–	41,479
Capital expenditure incurred	9,709	822	323	2,045	–	12,899

For the six months ended 30 June 2005						
	Personal Banking	Commercial Banking	Treasury	Unallocated	Elimination	Total
Interest income from						
– external customers	491,690	353,715	403,019	957	–	1,249,381
– inter-segments	248,975	–	–	67,453	(316,428)	–
Interest expense to						
– external customers	(354,353)	(67,559)	(180,943)	(1,636)	–	(604,491)
– inter-segments	–	(69,479)	(246,949)	–	316,428	–
Net interest income/(expenses)	386,312	216,677	(24,873)	66,774	–	644,890
Net fee and commission income/(expenses)	157,794	45,805	(3,421)	5,040	–	205,218
Net trading and other operating income	4,123	138	69,796	12,655	–	86,712
Operating income	548,229	262,620	41,502	84,469	–	936,820
Operating expenses	(325,423)	(75,951)	(31,160)	(10,189)	–	(442,723)
Operating profit before impairment losses on loans and advances	222,806	186,669	10,342	74,280	–	494,097
Impairment losses (charged)/reversed on loans and advances	(23,099)	(7,763)	65	(72)	–	(30,869)
Operating profit before gains/(losses) on certain investments and fixed assets	199,707	178,906	10,407	74,208	–	463,228
Net loss on disposal of fixed assets	(228)	(5)	–	–	–	(233)
Net (loss)/gain on disposal of available-for-sale securities	(11)	–	90,017	–	–	90,006
Share of results of jointly controlled entities	–	–	–	900	–	900
Profit before income tax	199,468	178,901	100,424	75,108	–	553,901
As at 31 December 2005						
Total assets	23,049,782	24,685,945	39,104,212	2,676,901	–	89,516,840
Total liabilities	46,148,503	10,795,679	22,772,599	1,126,753	–	80,843,534

For the six months ended 30 June 2006						
Depreciation	21,047	4,956	1,275	3,288	–	30,566
Capital expenditure incurred	2,975	179	586	1,181	–	4,921

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

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

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

Unallocated items include results of operations and corporate investments (including properties) not directly identified under other business divisions.

For the six months ended 30 June 2006 and as at 30 June 2006, over 90% of the Group's profit and close to 90% of the Group's assets respectively are originated from business operations based in Hong Kong.

<b>16. Currency concentrations</b>				
Equivalent in HK\$ millions				
<b>At 30 Jun 2006</b>	<b>USD</b>	<b>CNY</b>	<b>MOP</b>	<b>Total</b>
Spot assets	24,614	722	3,445	28,781
Spot liabilities	(22,004)	(710)	(3,933)	(26,647)
Forward purchases	34,136	–	–	34,136
Forward sales	(35,484)	–	–	(35,484)
Net long/(short) position	1,262	12	(488)	786
At 31 Dec 2005	USD	CNY	MOP	Total
Spot assets	26,575	773	3,140	30,488
Spot liabilities	(21,097)	(756)	(3,353)	(25,206)
Forward purchases	9,818	–	1	9,819
Forward sales	(14,496)	–	–	(14,496)
Net long/(short) position	800	17	(212)	605

<b>17. Capital adequacy ratio</b>			
	<b>As at 30 June 2006</b>	<b>As at 31 Dec 2005</b>	
Capital adequacy ratio	18.2%	16.6%	
Adjusted capital adequacy ratio	18.6%	16.8%	

The capital adequacy ratio represents the combined ratio of the banking subsidiaries within the Group comprising Dah Sing Bank and its banking subsidiaries, MEVAS Bank Limited, D.A.H. Hambros Bank (Channel Islands) Limited as at 30 June/31 December. The capital adequacy ratio is computed with reference to the methods set out in the Third Schedule of the Banking Ordinance.

The adjusted capital adequacy ratio represents the combined ratio of the banking subsidiaries within the Group as at 30 June/31 December. The adjusted capital adequacy ratio is computed with reference to the methods set out in the Supervisory Policy Manual entitled "Maintenance of Adequate Capital Against Market Risks" issued by the HKMA. The adjusted ratio takes into account market risk as at 30 June/31 December.

Only the locally incorporated banking subsidiaries within the Group are subject to the minimum capital adequacy ratio requirement under the Banking Ordinance. Banco Comercial de Macau is subject to separate Macau banking regulations. The above ratios of the Group are calculated for reference only.

The combined capital base of the Group computed on the basis of the Banking Ordinance is set out below:

	<b>As at 30 Jun 2006</b>	<b>As at 31 Dec 2005</b>
Core capital		
– Paid up ordinary share capital	2,707,749	2,207,749
– Reserves	4,620,544	3,928,002
	7,328,293	6,135,751
Supplementary capital		
– Reserves on revaluation of land and interests in land	238,402	238,402
– Reserve on revaluation of the holding of securities not held for trading purposes	(147,770)	25,604
– Collective impairment allowances for impaired assets and regulatory reserve	450,688	458,783
– Term subordinated debt	3,439,956	3,067,875
Eligible value of supplementary capital	3,981,276	3,790,664
<b>Total capital base before deductions</b>	<b>11,309,569</b>	<b>9,926,415</b>
Deductions	(1,485,590)	(421,585)
<b>Total capital base after deductions</b>	<b>9,823,979</b>	<b>9,504,830</b>
<b>18. Liquidity ratio</b>		
	<b>Six months ended 30 Jun 2006</b>	<b>Year ended 31 Dec 2005</b>
Liquidity ratio	57.4%	55.2%

The liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio of the Group's banking subsidiaries for the six/twelve months of the financial year. The liquidity ratio is computed with reference to the methods set out in the Fourth Schedule of the Banking Ordinance.

Only the locally incorporated banking subsidiaries within the Group are subject to the minimum liquidity ratio requirement under the Banking Ordinance. The above ratios of the Group are calculated for reference only.

#### FINANCIAL RATIOS

	<b>Six months ended 30 Jun 2006</b>	<b>Six months ended 30 Jun 2005</b>
Net interest income/operating income	75.6%	68.8%
Cost to income ratio	45.1%	47.3%
Loan to deposit (including certificates of deposit) ratio	66.4%	69.1%
Return on average total assets	1.1%	1.2%
Return on average shareholders' funds	12.1%	10.9%
Dividend payout ratio	41.1%	45.9%
Net interest margin	2.46%	2.06%

#### INTERIM DIVIDEND

The Directors have declared an interim dividend of HK\$0.25 per share for 2006 payable on or after Tuesday, 3 October 2006 to shareholders whose names are on the Register of Shareholders at the close of business on Friday, 29 September 2006.

#### CLOSING OF REGISTER OF SHAREHOLDERS

The Register of Shareholders will be closed from Monday, 25 September 2006 to Friday, 29 September 2006, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 22 September 2006.

#### CORPORATE AND BUSINESS OVERVIEW

The first half of 2006 was a period of consolidation for our Group, during which we devoted significant effort to the integration of the two acquisitions made in 2005, namely Pacific Finance (Hong Kong) Limited ("Pacific Finance") and Banco Comercial de Macau ("BCM"). We also continued to grow organically, with increases in both loans and deposits, not including the effects of the acquisitions. Including the effects of the acquisitions, our total assets grew from HK\$89.5 billion as at the end December 2005 to over HK\$94 billion as at 30 June 2006.

The major part of the consolidation of Pacific Finance was completed during the period, with the transfer of all of the loan assets to Dah Sing Bank, Limited ("DSB") before 30 June 2006. Pacific Finance staff have been transferred to DSB, and the Pacific Finance business has now been fully integrated with those of DSB. This has given rise to operational cost savings for Pacific Finance in the order of 40% on an annualised basis. The net profit contribution from Pacific Finance in the period was HK\$45 million which was slightly lower than that of the first half of 2005, when a fair value gain of HK\$20 million on financial derivatives was reported.

BCM was also reorganised during the period under review, with a transfer of the two insurance companies held under BCM, Macau Insurance Company and Macau Life Insurance Company, to Dah Sing Financial Holdings Limited being completed on 26 May 2006, following unanimous approval by the Company's independent shareholders in a general meeting. Our Macau businesses have performed well during the period, with an increase in profit of 49% to MOP\$6 million (prior to adjusting for the amortisation of intangible assets) for BCM.

The overall contribution of Pacific Finance and BCM, after adjusting for the amortisation of intangible assets and the interest income foregone on the acquisition capital paid in 2005, was earnings enhancing in the period.

We continued with the expansion of our Mainland China business, submitting an application to conduct Renminbi business at our branch in Shenzhen, following two years of profitable operation after its establishment in mid-2004. We are also in the final stages of preparing an application to the China Banking Regulatory Commission for our second branch in the Mainland.

Domestically in Hong Kong, loan growth remained slow, particularly in the retail banking business, and our treasury business experienced challenging conditions with a flat or even inverted yield curve, and rising short-term interest rates and higher funding costs, as well as tight credit spreads on bond assets during the period. However, our net interest margin benefited from the wider Prime-Hibor spread prevailing in the market in the first half.

#### FINANCIAL REVIEW

Local economic conditions, despite rising interest rates and higher fuel costs, were generally favourable in the first half of 2006 with strong growth in GDP and further easing in unemployment. The stronger GDP performance was underpinned by continued increase in domestic consumption and exports.

Profit attributable to shareholders of the Group for the six months ended 30 June 2006 was HK\$566 million, 23% higher than the first half of 2005. The increase was mainly driven by higher operating income.

Net interest income in the first half of 2006 increased by 46% to HK\$940 million from HK\$645 million in the same period last year. The strong increase was the result of (1) wider Prime-Hibor spread, (2) higher average loan balance and (3) contribution from PF and BCM (their results in the first half of 2005 were not included as they were acquired in the latter part of the second half of 2005). The impacts of these positive factors more than outweighed the negative impact of rising funding costs to net interest income generated by the fixed-rate assets. The net interest margin of the Group widened to 2.46% from 2.06% and 1.98% in the first half and full year 2005 respectively.

Relatively benign HKS money market conditions helped contain the rise in HKS interbank interest rates, despite steady increases in USS short-term rates during the first six months of 2006. A wider Prime-Hibor spread was particularly favourable for loans priced on a Prime rate basis. PF and BCM made a meaningful contribution to net interest income after adjusting for the interest income foregone on the acquisition capital paid in 2005.

Net fee and commission income increased by 23.4%. The main causes were higher loan fee and commission income from the organic growth of our Commercial and Retail banking businesses, and higher income from wealth management and investment services, particularly stronger commission income on higher unit trust sales. The consolidation of PF and BCM net fee and commission income also helped to boost the overall increase.

Net trading income decreased significantly due to more difficult investment market for our treasury trading, and net fair value losses on financial liabilities designated at fair value through profit or loss.

Other operating income increased 65% in the period mainly attributed to increase in dividend and rental income, and the inclusion of PF and BCM contribution in the period.

Operating expenses rose 27% as a result of consolidating the expenses of PF and BCM acquired in the second half of 2005 and the amortisation costs for the intangible assets recognised on these acquisitions. Excluding these expenses and on an organic growth basis, operating expenses increased by 3.2% as compared to the first half of last year.

Cost income ratio in the period was 45.1%, lower than 47.3% in the same period last year.

Operating profit before impairment charges was HK\$683 million, up 38% relative to the first half of 2005.

Higher loan impairment charges were recorded in the period, partly resulting from a higher average loan balances, and higher individual impairment allowances required on a number of Commercial Banking, transport and equipment finance customers. The consolidation of the loan portfolios of PF and BCM did not lead to any material effect in our overall loan losses in the period. Overall credit quality remained strong, as demonstrated by the continuing low impairment loan ratio of 0.68%, and a total overdue and rescheduled loan ratio of 0.99% as of 30 June 2006.

Operating profit after impairment charges for the period was HK\$608 million, 31% higher when compared with the first six months of 2005.

The net gain on disposal of available-for-sale securities in the period was HK\$62 million, a decline of 31% when compared to the first half of 2005. The continued increases in the US interest rates had an adverse impact on our bond portfolio and reduced the opportunities for us to realise securities disposal gains.

The full recovery in the period of a bond investment (downgraded to sub investment grade in the past few years) enabled us to fully write back the HK\$26 million impairment allowance made on this investment.

Profit before income tax in the period was HK\$703 million, an increase of 26.9% relative to the same period last year.

As at 30 June 2006, the Group's total gross loans and advances amounted to HK\$46,215 million, up 2.9% relative to the end of last year. Growth was recorded mainly in the Commercial Banking sector, and was led by trade finance, syndicated loans and property lending. The overall Retail Banking loan portfolio experienced a mild growth, with the increase coming mainly from consumer loans (including personal loans and overdraft) which were 13.5% higher when compared with 31 December 2005.

Customers' deposits including structured deposits totalled HK\$60,857 million, an increase of 4.3% relative to the end of 2005. Issued certificates of deposit amounted to HK\$8,392 million of which retail certificates of deposit accounted for HK\$3,203 million. Other issued debt securities totalled HK\$2,266 million. The loan to deposit ratio decreased from 70.0% as at 31 December 2005 to 66.4% as at 30 June 2006.

DSB exercised its call option to fully redeem its first US\$125 million subordinated debt (issued in March 2001) in March 2006. To strengthen its tier 2 capital base to support business growth, DSB issued a new US\$150 million 10-year subordinated debt (callable after 5 years) in June 2006.

#### PROSPECTS

The Hong Kong economy has continued to experience solid growth during the first half of 2006. However, domestic loan growth, particularly in the retail banking segment, has remained relatively slow. Whilst we expect to continue to see further growth in the Hong Kong market in the second half of the year, it is uncertain at this stage whether it will accelerate to any significant degree. The continuing decrease in the unemployment rate is likely to be of assistance in maintaining an acceptable level of credit cost in the retail banking business. Whilst we have experienced generally continuing good credit quality in the commercial lending business in the first half of the year, it is less certain whether this will maintain in the second half of the year, particularly if there is any meaningful slowdown in Hong Kong or China's major export markets. Our treasury business is likely to see a continuing challenging environment in the second half of the year due to the expected flat yield curve.

The market in Macau continues to be robust, and we expect that in the second half of the year, the rate of growth in BCM's loan book in Macau will be faster than that of DSB in Hong Kong. We have noted significant construction activity continuing in the market, and several of the new casino and hotel projects that have been under construction will begin operation in the second half of the year.

We are currently examining ways in which to accelerate our development in the Mainland China market, both through the expansion of our branch network and through possible investments or joint venture arrangements in line with our strategy. We expect to be able to report progress on our second China branch application by the year end.

Overall, we remain committed to our strategy of growth and intend to continue to seek to make full use of any opportunities to grow in our domestic Hong Kong market, in Macau and in the Mainland market in the years to come.

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

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2006.

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

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

#### UNAUDITED FINANCIAL STATEMENTS

The financial information in this Interim Report is unaudited and does not constitute statutory financial statements.

#### AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited financial statements for the period ended 30 June 2006.

#### REMUNERATION AND STAFF DEVELOPMENT

There have been no material change to the information disclosed in the Company's 2005 Annual Report in respect of the remuneration of employees, remuneration policies and training schemes.

#### DEALINGS IN THE COMPANY'S SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the period from 1 January 2006 to 30 June 2006.

#### PUBLICATION OF INTERIM REPORT ON THE EXCHANGE WEBSITE

The 2006 Interim Report of the Group containing all the information required by the Listing Rules will be published on the Hong Kong Stock Exchange website in due course.

#### BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. David Shou-Yeh Wong as the Chairman, Hon-Hing Wong (Derek Wong) as the Managing Director, David Richard Hinde, John William Simpson, Robert Tsai-To Sze and Andrew Kwan-Yuen Leung as independent non-executive directors, Kosuke Furukawa as non-executive director, and Lung-Man Chiu (John Chiu), Gary Pak-Ling Wang, Harold Tsu-Hing Wong and Dennis Tat-Wang Yau as executive directors.

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

Hong Kong, Tuesday, 29 August 2006