

ANNOUNCEMENT OF 2006 FINAL RESULTS

The Directors of Dah Sing Banking Group Limited (the “Company”) are pleased to present the consolidated audited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2006. The audited financial results presented in this report are prepared on a basis consistent with the accounting policies adopted in the 2005 annual accounts.

A. CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

<i>HK\$'000</i>	Note	2006	2005	Variance %
Interest income		4,969,713	3,094,884	
Interest expense		(3,070,804)	(1,761,502)	
Net interest income		1,898,909	1,333,382	42.4
Fee and commission income		612,100	468,209	
Fee and commission expense		(85,856)	(65,708)	
Net fee and commission income		526,244	402,501	30.7
Net trading income	5	118,687	142,259	-16.6
Other operating income	6	64,205	38,197	68.1
Operating income		2,608,045	1,916,339	36.1
Operating expenses	7	(1,181,727)	(924,605)	27.8
Operating profit before impairment losses on loans and advances		1,426,318	991,734	43.8
Impairment losses on loans and advances	8	(161,389)	(130,577)	23.6
Operating profit before gains on certain investments and fixed assets		1,264,929	861,157	46.9
Net gain on disposal of interests in subsidiaries	9	4,048	–	
Net gain on disposal/reversal of revaluation deficits of premises and other fixed assets		27,768	103,991	
Net gain on fair value adjustment on investment properties		27,995	74,570	
Net gain on disposal of available-for-sale securities		88,053	116,077	
Share of results of jointly controlled entities		7,008	3,104	
Reversal of impairment losses on available-for-sale securities		25,891	–	
Profit before income tax		1,445,692	1,158,899	24.7
Income tax expense	10	(244,421)	(177,727)	
Profit for the year		1,201,271	981,172	22.4
Profit attributable to minority interests		(5,285)	(2,338)	
Profit attributable to shareholders of the Company		1,195,986	978,834	22.2
Dividends				
Interim dividend paid		232,854	211,561	
Proposed final dividend		419,137	353,938	
		651,991	565,499	15.3
Earnings per share				
Basic	11	HK\$1.28	HK\$1.06	20.8
Diluted	11	HK\$1.28	HK\$1.06	20.8

B. CONSOLIDATED BALANCE SHEET

As at 31 December

<i>HK\$'000</i>	Note	2006	2005
ASSETS			
Cash and balances with banks and other financial institutions		6,988,137	8,040,676
Placements with banks and other financial institutions			
maturing between one and twelve months		596,659	1,169,174
Trading securities		4,792,830	5,364,375
Financial assets at fair value through profit or loss		1,276,671	1,379,163
Derivative financial instruments	12	366,708	153,706
Advances and other accounts	13	51,730,681	46,568,778
Available-for-sale securities		32,923,713	22,772,190
Held-to-maturity securities		300,701	494,855
Investments in jointly controlled entities		37,192	30,184
Goodwill		811,690	811,690
Intangible assets		168,663	203,214
Premises and other fixed assets		1,386,636	1,378,643
Investment properties		642,140	320,939
Current income tax prepaid		10,763	–
Deferred income tax assets		3,377	7,692
Non-current assets held for resale		–	821,561
Total assets		102,036,561	89,516,840
LIABILITIES			
Deposits from banks and other financial institutions		1,678,259	255,748
Derivative financial instruments	12	317,655	506,058
Trading liabilities		6,526,233	6,311,309
Deposits from customers designated at fair value through profit or loss		3,393,048	1,904,280
Deposits from customers		63,885,058	56,449,982
Certificates of deposit issued		8,768,472	7,713,297
Issued debt securities		2,299,574	2,287,095
Subordinated notes		3,480,127	3,290,342
Other accounts and accruals		2,138,677	1,449,744
Current income tax liabilities		79,268	40,322
Deferred income tax liabilities		134,949	104,334
Non-current liabilities held for resale		–	531,023
Total liabilities		92,701,320	80,843,534
EQUITY			
Minority interests		19,000	24,692
Equity attributable to the Company's shareholders			
Share capital		931,416	931,416
Reserves	14	7,965,688	7,363,260
Proposed final dividend	14	419,137	353,938
Shareholders' funds		9,316,241	8,648,614
Total equity		9,335,241	8,673,306
Total equity and liabilities		102,036,561	89,516,840

C. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

<i>HK\$'000</i>	Attributable to the shareholders of the Company					
	Share capital	Share premium	Other reserves	Retained earnings	Minority interests	Total equity
Balance at 1 January 2006	931,416	2,209,149	1,044,862	4,463,187	24,692	8,673,306
Fair value gains on available-for-sale securities	–	–	73,993	–	(7)	73,986
Disposal of available-for-sale securities	–	–	(88,053)	–	–	(88,053)
Deferred income tax liabilities released on fair value gains on and disposal of available-for-sale securities	–	–	2,667	–	–	2,667
Fair value gains on revaluation of premises	–	–	79,877	–	–	79,877
Deferred income tax liabilities recognised on premises revaluation	–	–	(10,209)	–	–	(10,209)
Exchange differences arising on translation of the financial statements of foreign entities	–	–	158	–	48	206
Net income recognised directly in equity	–	–	58,433	–	41	58,474
Profit for the year	–	–	–	1,195,986	5,285	1,201,271
Total recognised income for 2006	–	–	58,433	1,195,986	5,326	1,259,745
Disposal of interests in subsidiaries	–	–	–	–	(6,258)	(6,258)
Dividend paid to minority shareholder of a subsidiary	–	–	–	–	(4,760)	(4,760)
2005 final dividend	–	–	–	(353,938)	–	(353,938)
2006 interim dividend	–	–	–	(232,854)	–	(232,854)
	–	–	–	(586,792)	(11,018)	(597,810)
Balance at 31 December 2006	931,416	2,209,149	1,103,295	5,072,381	19,000	9,335,241
					Year ended 31 December 2006	2005
Proposed final dividend included in retained earnings					419,137	353,938

<i>HK\$'000</i>	Attributable to the shareholders of the Company					
	Share capital	Share premium	Other reserves	Retained earnings	Minority interests	Total equity
Balance at 1 January 2005	919,831	2,054,513	814,984	4,045,450	19,990	7,854,768
Fair value gains on available-for-sale securities	–	–	56,455	–	(2)	56,453
Disposal of available-for-sale securities	–	–	(116,077)	–	–	(116,077)
Deferred income tax liabilities released on fair value gains on and disposal of available-for-sale securities	–	–	10,806	–	–	10,806
Fair value gains on revaluation of premises	–	–	337,967	–	–	337,967
Deferred income tax liabilities recognised on premises revaluation	–	–	(59,152)	–	–	(59,152)
Exchange differences arising on translation of the financial statements of foreign entities	–	–	(121)	–	(39)	(160)
Net income/(expense) recognised directly in equity	–	–	229,878	–	(41)	229,837
Profit for the year	–	–	–	978,834	2,338	981,172
Total recognised income for 2005	–	–	229,878	978,834	2,297	1,211,009
Issue of ordinary shares	11,585	154,636	–	–	–	166,221
Dividend paid to minority shareholder of a subsidiary	–	–	–	–	(3,675)	(3,675)
Acquisition of subsidiaries	–	–	–	–	5,886	5,886
Capital contribution by minority shareholder to a subsidiary	–	–	–	–	194	194
2004 final dividend	–	–	–	(349,536)	–	(349,536)
2005 interim dividend	–	–	–	(211,561)	–	(211,561)
	11,585	154,636	–	(561,097)	2,405	(392,471)
Balance at 31 December 2005	931,416	2,209,149	1,044,862	4,463,187	24,692	8,673,306

Note:**1. Results announcement**

The financial information set out in this results announcement does not constitute the Group's statutory consolidated financial statements for the year ended 31 December 2006 but is derived from those statutory financial statements. The consolidated financial statements of the Group for the year ended 31 December 2006 will be available from the website of The Stock Exchange of Hong Kong Limited in due course. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2007.

2. Basis of preparation and accounting policies

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs" which is a collective term including all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

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

3. New and interpretations to existing HKFRSs

The new HKFRSs issued by HKICPA in the year are not relevant to the Group's operation.

The amendments and interpretations to existing HKFRSs issued by HKICPA and effective in 2006 have no significant impact on the Group's consolidated financial statements.

4. Segment Reporting**(A) By business segments**

For the year ended 31 December 2006

Group	Personal Banking	Commercial Banking	Treasury	Unallocated	Elimination	Total
Interest income from						
– external customers	1,672,348	1,689,235	1,592,889	15,241	–	4,969,713
– inter-segments	1,211,936	–	313	714,859	(1,927,108)	–
Interest expense to						
– external customers	(1,858,009)	(448,551)	(222,822)	(541,422)	–	(3,070,804)
– inter-segments	(22,652)	(526,669)	(1,377,558)	(229)	1,927,108	–
Net interest income/(expense)	1,003,623	714,015	(7,178)	188,449	–	1,898,909
Fee and commission income	455,550	126,727	16,554	13,269	–	612,100
Fee and commission expense	(74,958)	(922)	(9,947)	(29)	–	(85,856)
Net fee and commission income	380,592	125,805	6,607	13,240	–	526,244
Net trading income/(loss)	12,589	8,566	185,172	(87,640)	–	118,687
Other operating income	17,059	3,347	18,658	25,141	–	64,205
Operating income	1,413,863	851,733	203,259	139,190	–	2,608,045
Operating expenses	(811,853)	(259,763)	(78,572)	(31,539)	–	(1,181,727)
Operating profit before impairment losses on loans and advances	602,010	591,970	124,687	107,651	–	1,426,318
Impairment losses on loans and advances	(98,593)	(62,884)	–	88	–	(161,389)
Operating profit before gains on certain investments and fixed assets	503,417	529,086	124,687	107,739	–	1,264,929
Net gain on disposal of interests in subsidiaries	–	–	–	4,048	–	4,048
Net gain/(loss) on disposal/reversal of revaluation deficits of premises and other fixed assets	(33)	(530)	(1)	28,332	–	27,768
Net gain on fair value adjustment on investment properties	–	–	–	27,995	–	27,995
Net gain on disposal of available-for-sale securities	5,061	–	82,992	–	–	88,053
Share of results of jointly controlled entities	–	–	–	7,008	–	7,008
Reversal of impairment losses on available-for-sale securities	–	–	25,891	–	–	25,891
Profit before income tax	508,445	528,556	233,569	175,122	–	1,445,692
As at 31 December 2006						
Total assets	24,952,007	27,542,139	47,003,768	2,538,647	–	102,036,561
Total liabilities	50,418,508	14,752,513	15,672,008	11,858,291	–	92,701,320
For the year ended 31 December 2006						
Depreciation	47,945	18,462	5,922	7,028	–	79,357
Capital expenditure incurred	24,314	6,416	1,086	6,775	–	38,591

For the year ended 31 December 2005

Group	Personal Banking	Commercial Banking	Treasury	Unallocated	Elimination	Total
Interest income from						
– external customers	1,181,017	921,408	982,400	10,059	–	3,094,884
– inter-segments	674,245	–	106	463,109	(1,137,460)	–
Interest expense to						
– external customers	(1,021,822)	(212,032)	(203,718)	(323,930)	–	(1,761,502)
– inter-segments	(37,237)	(249,411)	(850,812)	–	1,137,460	–
Net interest income/(expense)	796,203	459,965	(72,024)	149,238	–	1,333,382
Fee and commission income	359,163	87,606	10,066	11,374	–	468,209
Fee and commission expense	(59,165)	(91)	(6,415)	(37)	–	(65,708)
Net fee and commission income	299,998	87,515	3,651	11,337	–	402,501
Net trading income/(loss)	2,021	6,257	136,596	(2,615)	–	142,259
Other operating income	9,022	614	8,881	19,680	–	38,197
Operating income	1,107,244	554,351	77,104	177,640	–	1,916,339
Operating expenses	(675,058)	(161,031)	(54,006)	(34,510)	–	(924,605)
Operating profit before impairment losses on loans and advances	432,186	393,320	23,098	143,130	–	991,734
Impairment losses on loans and advances	(55,484)	(75,075)	93	(111)	–	(130,577)
Operating profit before gains on certain investments and fixed assets	376,702	318,245	23,191	143,019	–	861,157
Net gain/(loss) on disposal/reversal of revaluation deficits of premises and other fixed assets	(231)	(8)	–	104,230	–	103,991
Net gain on fair value adjustment on investment properties	–	–	–	74,570	–	74,570
Net gain/(loss) on disposal of available-for-sale securities	(20)	–	116,097	–	–	116,077
Share of results of jointly controlled entities	–	–	–	3,104	–	3,104
Profit before income tax	376,451	318,237	139,288	324,923	–	1,158,899
As at 31 December 2005						
Total assets	23,121,627	24,781,391	39,140,135	2,473,687	–	89,516,840
Total liabilities	46,148,503	10,795,679	13,223,062	10,676,290	–	80,843,534
For the year ended 31 December 2005						
Depreciation	41,820	11,124	2,687	4,521	–	60,152
Capital expenditure incurred	20,048	424	1,339	5,027	–	26,838

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, corporate investments (including properties) and debt funding (including subordinated notes) not directly identified under other business divisions.

2005 business segments figures were restated to conform to 2006 basis of preparation.

(B) By geographical segments

The Group completed the acquisitions of Banco Comercial de Macau, S.A. on 19 December 2005. The Macau segment results were consolidated in the Group's results since that date.

	Hong Kong and others	Macau	Inter-segment elimination	Total
For the year ended 31 December 2006				
Operating income	2,344,304	263,741	–	2,608,045
Profit before income tax	1,341,458	104,234	–	1,445,692
Profit for the year	1,113,585	87,686	–	1,201,271
Depreciation	61,895	17,462	–	79,357
Capital expenditure incurred	30,454	8,137	–	38,591
As at 31 December 2006				
Total assets	93,575,958	10,346,607	(1,886,004)	102,036,561
Total liabilities	85,804,297	8,783,027	(1,886,004)	92,701,320
Contingent liabilities and commitments	43,160,412	1,975,726	(163,408)	44,972,730
	Hong Kong and others	Macau	Inter-segment elimination	Total
For the year ended 31 December 2005				
Operating income	1,907,534	8,805	–	1,916,339
Profit before income tax	1,155,777	3,122	–	1,158,899
Profit for the year	979,224	1,948	–	981,172
Depreciation	60,152	–	–	60,152
Capital expenditure incurred	26,838	–	–	26,838
As at 31 December 2005				
Total assets	80,359,741	9,993,357	(836,258)	89,516,840
Total liabilities	73,373,275	8,306,517	(836,258)	80,843,534
Contingent liabilities and commitments	36,515,455	1,861,835	(17,901)	38,359,389

5. Net trading income

	2006	2005
Net gain arising from dealing in foreign currencies	136,304	170,917
Net loss arising from financial instruments designated at fair value through profit or loss, trading securities and derivatives	(17,617)	(28,658)
	118,687	142,259

6. Other operating income

	2006	2005
Dividend income from investments in available-for-sale securities		
– Listed investments	186	4,237
– Unlisted investments	21,796	11,263
Gross rental income from investment properties	16,714	11,791
Other rental income	6,506	6,146
Others	19,003	4,760
	64,205	38,197

7. Operating expenses

	2006	2005
Employee benefit expenses (including directors' remuneration)	653,780	524,167
Depreciation	79,357	60,152
Premises and other fixed assets expenses, excluding depreciation	125,545	96,394
Others	323,045	243,892
	1,181,727	924,605

8. Impairment losses on loans and advances

	2006	2005
Net charge of impairment losses on loans and advances		
– Individually assessed	87,205	52,857
– Collectively assessed	74,184	77,720
	161,389	130,577
Of which:		
– new allowances (including amounts directly written off in the year)	339,689	298,716
– releases	(81,166)	(73,569)
– recoveries	(97,134)	(94,570)
	161,389	130,577

9. Net gain on disposal of interests in subsidiaries

	2006	2005
Net gain on disposal of interests in Macau Insurance subsidiaries (Note (a))	3,670	378
Net gain on disposal of interests in other subsidiaries		
	4,048	

Note (a):

On 26 May 2006, the Group disposed of its interests in Macau Insurance Company Limited and Macau Life Insurance Company Limited to its 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.

10. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2006	2005
Current income tax		
– Hong Kong profits tax	199,396	158,965
– Overseas taxation	17,170	1,695
– Under-provision in prior years	467	–
Deferred income tax	27,388	17,067
	244,421	177,727

11. Basic and diluted earnings per share

The calculation of basic earnings per share is based on earnings of HK\$1,195,986,000 (2005: HK\$978,834,000) and the weighted average number of 931,416,279 (2005: 922,401,845) shares in issue during the year.

The calculation of diluted earnings per share is based on earnings of HK\$1,195,986,000 (2005: HK\$978,834,000) and the weighted average number of 931,484,065 (2005: 922,401,845) shares in issue during the year after adjusting for the effect of all dilutive potential ordinary shares as shown below:

Number of shares:	2006	2005
Weighted average number of ordinary shares as at 31 December	931,416,279	922,401,845
Adjustments for share options	67,786	–
Weighted average number of ordinary shares for diluted earnings per share as at 31 December	931,484,065	922,401,845

12. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values were as follows:

	As at 31 Dec 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	49,360,369	131,565	56,427	24,391,023	22,428	77,123
Currency swaps	1,370,700	45,470	27,559	2,188,446	59,068	311
Currency options purchased and written	545,816	957	957	352,730	1,331	1,331
<i>b) Interest rate derivatives</i>						
Interest rate swaps	19,812,762	41,305	124,765	13,222,923	1,828	133,881
Interest rate options	606,320	1,447	1,447	555,102	–	2,940
<i>c) Equity derivatives</i>						
Equity options purchased and written	125,720	1,701	1,701	183,044	2,964	2,964
Equity futures	–	–	–	12,287	123	–
<i>d) Credit derivatives</i>						
Credit default swaps	1,088,913	6,570	1,322	1,124,490	3,112	4,648
Total derivatives held for trading	72,910,600	229,015	214,178	42,030,045	90,854	223,198
2) Derivatives held for hedging						
<i>a) Derivatives designated as fair value hedges</i>						
Interest rate swaps	10,684,881	137,693	103,477	9,252,272	62,852	282,860
Total derivatives held for hedging	10,684,881	137,693	103,477	9,252,272	62,852	282,860
Total recognised derivative financial instruments	83,595,481	366,708	317,655	51,282,317	153,706	506,058

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 31 Dec 2006	As at 31 Dec 2005
Derivatives		
– Exchange rate contracts	140,229	99,288
– Interest rate contracts	111,404	76,925
– Equity contracts	2,524	430
	254,157	176,643

As at 31 December 2006, the credit risk weighted amount of credit default swaps amounted to HK\$855,575,000 (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 15.

13. Advances and other accounts

	As at 31 Dec 2006	As at 31 Dec 2005
Gross advances to customers	49,908,688	44,918,618
Gross advances to banks and other financial institutions	155,102	389,264
Trade bills	694,604	653,581
Other assets	1,327,384	1,005,333
Gross advances and other accounts	52,085,778	46,966,796
Less: impairment allowances		
– Individually assessed	(136,746)	(167,436)
– Collectively assessed	(218,351)	(230,582)
	(355,097)	(398,018)
Advances and other accounts	51,730,681	46,568,778

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

	As at 31 Dec 2006	As at 31 Dec 2005 Restated	Variance %
Loans for use in Hong Kong			
Industrial, commercial and financial			
– Property development	409,887	183,481	123.4
– Property investment	6,107,283	4,672,013	30.7
– Financial concerns	424,368	520,278	-18.4
– Stockbrokers	49,845	14,994	232.4
– Wholesale and retail trade	1,086,361	965,061	12.6
– Manufacturing	1,334,677	1,331,248	0.3
– Transport and transport equipment	3,563,617	3,772,620	-5.5
– Others	1,410,582	1,160,957	21.5
	14,386,620	12,620,652	14.0
Individuals			
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,850,462	1,929,198	-4.1
– Loans for the purchase of other residential properties	10,917,179	10,772,390	1.3
– Credit card advances	3,154,851	2,759,308	14.3
– Others	5,614,419	4,637,350	21.1
	21,536,911	20,098,246	7.2
Loans for use in Hong Kong	35,923,531	32,718,898	9.8
Trade finance	4,385,560	3,914,072	12.0
Loans for use outside Hong Kong	9,599,597	8,285,648	15.9
	49,908,688	44,918,618	11.1

The above classification is made with reference to the guidelines issued by the Hong Kong Monetary Authority. With effect from 30 September 2006, loans classified as “non-bank China exposures” which form part of “Loans for use outside Hong Kong” as defined in these guidelines were revised to include loans to companies and individuals outside China where the credit is granted or funds are for use in China. Comparative figures have therefore been restated to conform with this new requirement.

(b) Impaired, overdue and rescheduled assets

(i) Impaired loans

	As at 31 Dec 2006	As at 31 Dec 2005
Gross impaired loans (Note a)	254,533	312,530
As a percentage of total advances to customers	0.51%	0.70%
Individual impairment allowances	136,746	167,436
Amount of collateral held	122,343	182,604

Note:

- a. Impaired loans are defined as those loans assessed on individual basis 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.
- b. The above individual impairment allowances were made after taking into account the value of collateral in respect of such advances as at 31 December.

(ii) Overdue loans

	As at 31 Dec 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	99,855	0.20	118,065	0.26
– one year or less but over six months	61,973	0.12	59,799	0.13
– over one year	119,804	0.24	128,051	0.29
	281,632	0.56	305,915	0.68

Market value of securities held against the secured overdue advances	168,065	256,219
Secured overdue advances	133,324	180,623
Unsecured overdue advances	148,308	125,292
Impairment allowances	118,518	114,365

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

	As at 31 Dec 2006	% of total advances to customers	As at 31 Dec 2005	% of total advances to customers
Rescheduled advances	69,106	0.14	181,654	0.40
Impairment allowances	6,886		25,123	

There were no advances to banks and other financial institutions which were impaired, overdue for over 3 months or rescheduled as at 31 December 2006 and 31 December 2005.

(iv) Trade bills

	As at 31 Dec 2006	As at 31 Dec 2005
Overdue for:		
– over one year	–	363

(c) Repossessed assets

The repossessed assets of the Group were as follows:

	As at 31 Dec 2006	As at 31 Dec 2005
Repossessed properties	32,223	45,401

14. Reserves

	As at 31 Dec 2006	As at 31 Dec 2005
Reserves		
Share premium	2,209,149	2,209,149
Consolidation reserve	(220,986)	(220,986)
Premises revaluation reserve	621,018	551,350
Investment revaluation reserve	3,128	14,521
Exchange reserve	(119)	(277)
General reserve	700,254	700,254
Retained Earnings	5,072,381	4,463,187
	8,384,825	7,717,198
Proposed final dividends included in retained earnings	419,137	353,938

Dah Sing Bank, Limited (“DSB”), a major subsidiary of the Company, 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 Financial Reporting Standards. DSB has earmarked a “Regulatory Reserve” from its consolidated general reserve for an amount of HK\$313,999,000 (2005: HK\$231,086,000). In determining the consolidated capital base of the banking group, the portion of regulatory reserve attributable to DSB’s Hong Kong and overseas branch operations, together with DSB’s collective impairment allowances after the adoption of HKAS 39, is included as supplementary capital in the capital base of DSB as at 31 December 2006. The regulatory reserve of DSB is not distributable without the consent of the HKMA.

15. Contingent liabilities and commitments

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at 31 Dec 2006	As at 31 Dec 2005
Group		
Expenditure contracted but not provided for	60,441	34,931

(b) Credit commitments

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:

	Contract amount As at 31 Dec 2006	As at 31 Dec 2005
Group		
Direct credit substitutes	1,628,553	2,420,934
Transaction related contingencies	4,576	26,872
Trade-related contingencies	1,066,214	951,964
Other commitments with an original maturity of:		
– under 1 year or which are unconditionally cancelable	32,429,019	26,872,921
– 1 year and over	699,389	592,304
Forward forward deposits placed	1,923,185	1,006,592
	37,750,936	31,871,587

Group		Credit risk weighted amount	
		As at 31 Dec 2006	As at 31 Dec 2005
	Contingent liabilities and commitments	2,287,097	2,117,689
(c)	Assets pledged		
Assets pledged as collateral with the Hong Kong Monetary Authority and with unrelated financial institutions under repurchase agreements are as follows:			
Group		As at 31 Dec 2006	As at 31 Dec 2005
	Trading securities	4,658,512	4,491,883
	Available-for-sale securities	2,305,420	1,824,988
		6,963,932	6,316,871
(d)	Operating lease commitments		
Where a Group company is the lessee, the future minimum lease payments under non-cancellable building operating leases are as follows:			
Group		As at 31 Dec 2006	As at 31 Dec 2005
	Not later than 1 year	64,693	42,214
	Later than 1 year and not later than 5 years	98,232	70,295
		162,925	112,509
Where a Group company is the lessor, the future minimum lease payments under non-cancellable building operating leases are as follows:			
Group		As at 31 Dec 2006	As at 31 Dec 2005
	Not later than 1 year	18,841	12,503
	Later than 1 year and not later than 5 years	15,655	10,988
		34,496	23,491

16. Cross-border claims
Equivalent in HK\$ millions

Group		As at 31 Dec 2006		
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Hong Kong	7,840	–	6,088	13,928
North and South America	917	–	2,203	3,120
Europe	15,297	–	3,856	19,153
	24,054	–	12,147	36,201
Group		As at 31 Dec 2005		
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Hong Kong	4,904	250	4,075	9,229
North and South America	1,024	–	2,458	3,482
Europe	10,498	–	4,720	15,218
	16,426	250	11,253	27,929

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.

17. Currency concentrations
Equivalent in HK\$ millions

Group		As at 31 Dec 2006		
	USD	CNY	MOP	Total
Spot assets	29,246	739	3,053	33,038
Spot liabilities	(24,386)	(727)	(3,955)	(29,068)
Forward purchases	23,693	–	–	23,693
Forward sales	(26,928)	–	–	(26,928)
Net long/(short) position	1,625	12	(902)	735
Group		As 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

18. Capital adequacy ratio

Group		As at 31 Dec 2006	As at 31 Dec 2005
Capital adequacy ratio		16.6%	16.6%
Adjusted capital adequacy ratio		16.6%	16.8%

The capital adequacy ratio represents the combined ratio of the banking subsidiaries within the Group comprising Dah Sing Bank, Limited and its banking subsidiaries, MEVAS Bank Limited, D.A.H. Hambros Bank (Channel Islands) Limited as at 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 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 both credit and market risk as at 31 December.

Only the Hong Kong incorporated banking subsidiaries within the Group are subject to the minimum capital adequacy ratio requirement under the Banking Ordinance. Banco Comercial de Macau, S.A. 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:

Group		As at 31 Dec 2006	As at 31 Dec 2005
Core capital			
Paid up ordinary share capital		2,707,749	2,207,749
Reserves		4,755,547	3,928,002
		7,463,296	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		2,098	25,604
Collective impairment allowances for impaired assets and regulatory reserve		480,705	458,783
Term subordinated debt		3,480,127	3,067,875
Eligible value of supplementary capital		4,201,332	3,790,664
Total capital base before deductions		11,664,628	9,926,415
Deductions		(1,489,923)	(421,585)
Total capital base after deductions		10,174,705	9,504,830

19. Liquidity ratio

	Year ended 31 Dec 2006	Year ended 31 Dec 2005
Liquidity ratio	58.0%	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 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 Hong Kong 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

	Year ended 31 Dec 2006	Year ended 31 Dec 2005
Net interest income/operating income	72.8%	69.6%
Cost to income ratio	45.3%	48.2%
Loan to deposit (including certificates of deposit) ratio	65.6%	68.0%
Return on average total assets	1.2%	1.2%
Return on average shareholders’ funds	13.3%	12.0%
Dividend payout ratio	54.5%	57.8%
Net interest margin	2.36%	1.98%

FINAL DIVIDENDS

At the forthcoming annual general meeting of the Company to be held on Tuesday, 22 May 2007, the Directors will propose a final dividend of HK\$0.45 per share for 2006 to Shareholders whose names are on the Register of Shareholders as at the close of business on Tuesday, 22 May 2007. Dividend warrants will be sent to Shareholders by ordinary mail on or about Friday, 25 May 2007.

CLOSING OF REGISTER OF SHAREHOLDERS

The Register of Shareholders will be closed from Tuesday, 15 May 2007 to Tuesday, 22 May 2007, both days inclusive. In order to qualify for the final 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 4:30 p.m. on Monday, 14 May 2007.

CORPORATE AND BUSINESS OVERVIEW

In 2006, we grew our business organically, fully integrated our acquisitions in Macau and Hong Kong, and embarked on the next stage of our Mainland expansion strategy.

For the year, our operating profit after loan impairment grew by 47% to HK\$1.3 billion, our profit attributable to shareholders grew by 22% to HK\$1.2 billion, our EPS grew by 21% from HK\$1.06 to HK\$1.28, and our total assets grew by 14% from HK\$90 billion to HK\$102 billion.

Our business performed strongly, with total loan growth for the year of 11%, against growth in the Hong Kong market of 6.7%. Commercial banking led growth in the first half of the year, continuing several years of strong growth, with a relatively weaker performance from our retail banking business. In the second half of the year, renewed efforts in the Hong Kong domestic mortgage market, coupled with continuing growth in the unsecured loan and credit card businesses resulted in an improved performance from retail banking, and by the year end, both our core commercial and retail banking businesses reported growth significantly ahead of the market.

Our fee income business performed well during the year, particularly as a result of strong equity markets which were beneficial to our wealth management business.

The integration of the two acquisitions made in 2005, Banco Comercial de Macau, S.A. (“BCM”) and Pacific Finance (Hong Kong) Limited (“PF”) have now been completed. BCM’s net profit grew very substantially by 30% to MOP117 million in 2006, and this acquisition is now delivering earnings enhancement to our group. The business of PF has now been fully incorporated into Dah Sing Bank, and PF therefore no longer reports its results separately from those of Dah Sing. However, on a business unit basis, the former PF businesses generated a return of 10.7% on the acquisition cost, net of dividends received, which is earnings enhancing for our group.

Credit quality overall remained good, with impairment charges rising slightly, due mainly to higher individual loan impairment charges relating mainly to our commercial banking business and to loan increases in credit cards and unsecured personal loans which broadly balanced a lower collective impairment charge rate due to improved credit conditions.

We continued to build our China business, and towards the end of the year we announced that we had agreed to purchase, subject to regulatory approvals, a 17% stake in Chongqing Commercial Bank, the leading city bank in Chongqing, the largest city in Western China, and one of only four municipalities in the PRC reporting directly to the central government, the others being Beijing, Shanghai and Tianjin. We also noted the changes announced by the China Banking Regulatory Commission towards the year end allowing for the incorporation of a local subsidiary in the PRC to conduct banking business, and established a working group to analyse the benefits of expanding under a PRC subsidiary.

FINANCIAL REVIEW

Local economic conditions were generally good during the year, with strong GDP growth at close to 7%, and continuing falls in unemployment. Interest rate conditions remained benign with a relatively wide margin between the Hong Kong prime lending rate (“Prime”) and interbank rates (“Hibor”), which was generally supportive of our net interest margin.

Profit attributable to shareholders of the Group for the year ended 31 December 2006 was HK\$1,196 million. The increase was driven mainly both by significantly higher net interest income and net fee and commission income.

Net interest income for the year increased by 42% to HK\$1,899 million from HK\$1,333 million in 2005. The strong increase was the result of (1) wider Prime-Hibor spread, (2) higher average loan balance and (3) contribution from PF and BCM portfolios. The impact of these positive factors more than outweighed the negative impact of rising funding costs to net interest income, especially from fixed-rate assets. The net interest margin of our Banking Group was

2.36%, up from 1.98% in 2005. Relatively benign HK\$ money market conditions helped contain the rise in HK\$ interbank interest rates, despite steady increases in US\$ 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 31%, mainly due to 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, in particular 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. The increase was partially offset by the drop in net trading income.

Operating expenses rose 28% mainly as a result of consolidating the expenses of the subsidiaries acquired in the second half of 2005 and the amortisation costs for the intangible assets recognised in acquiring PF and BCM. Intangible amortisation costs amounted to HK\$35 million whilst the newly acquired subsidiaries' costs (including acquisition related costs) in 2006 totalled HK\$181 million. Excluding these expenses with corresponding normalisation of the 2005 cost base, on an organic growth basis, operating expenses increased by 7.9% as compared to 2005.

Cost income ratio for the year was 45.3%, lower than 48.2% in 2005.

Operating profit before loan impairment charges was HK\$1,426 million, up 44% relative to 2005.

Higher loan impairment charges were recorded during the year, mainly resulting from higher individual impairment allowances required on a number of Commercial Banking, transport and equipment finance customers. Collective impairment charges, despite higher average loan balances, were slightly lower than 2005 as a result of improvement in portfolio asset quality. The consolidation of the loan portfolios of PF and BCM did not lead to any material effect in our overall loan losses in the year, and overall credit quality remained strong, as demonstrated by the continuing low impaired loan ratio of 0.51%, and a total overdue and rescheduled loan ratio of 0.70% as of 31 December 2006.

Operating profit after impairment charges was HK\$1,265 million, 47% higher than 2005.

We recorded a gain of HK\$56 million relating to the revaluation of our investment properties and reversal of past impairment on bank premises, a gain of HK\$88 million on disposal of securities, mainly relating to profits on investments in bonds which benefited from a tighter credit spread environment during the year, and a write-back of HK\$26 million impairment charge on an investment, which was fully realized during the year.

Profit before taxation for the year was HK\$1,446 million, an increase of 25% over the previous year.

Profit attributable to shareholders, increased by 22% to HK\$1,196 million.

As at 31 December 2006, the Group's total gross loans and advances amounted to HK\$49.9 billion, up 11% relative to the end of 2005. Growth was recorded both in the Commercial Banking and Retail Banking sectors, and was led by trade finance, syndicated loans, property finance, unsecured personal loans, credit cards and mortgages. It was particularly encouraging to see a return to double-digit growth in our overall unsecured lending business, after a number of years of difficult market conditions in this business.

Customers' deposits including structured deposits totaled HK\$67 billion, an increase of 15% relative to the end of 2005. Issued certificates of deposit amounted to HK\$8.8 billion of which retail certificates of deposit accounted for HK\$3.7 billion. Other issued debt securities totaled HK\$2.3 billion. The loan to deposit ratio decreased from 68.0% as at 31 December 2005 to 65.6% as at 31 December 2006.

Dah Sing Bank, Limited ("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 in 5 years) in June 2006.

PROSPECTS

The Hong Kong economy continued to perform strongly in 2006, and we are looking forward to the continuation of relatively stable and positive economic conditions in 2007. However, loan growth in the domestic banking market in Hong Kong is likely to remain relatively slow and price competition in core lending areas is expected to remain intense. Margins will be influenced by prevailing interest rate conditions, which although still benign at present could have some risk to the downside, particularly as we have already seen some reduction in the Prime/Hibor spread in the early part of 2007.

The market in Macau continues to be robust, and we expect that in 2007, the rate of growth in Macau will be faster than in Hong Kong. Several large hotel, gaming and property projects are scheduled to come on stream during the course of 2007, which will increase capacity in the gaming and tourism industries, two key economic sectors in Macau.

We expect to complete our acquisition of 17% interest of Chongqing Commercial Bank during the first half of 2007, and we also expect to determine our organic strategy for growth in the Mainland market, and our plans for the establishment of a locally incorporated banking subsidiary in the Mainland.

Against highly competitive market conditions in Hong Kong, and with the opportunities of fast growing markets in Macau and the Mainland, we continue to believe that growth is critical to providing our customers with the products and services that they require, as well as continuing to bring long-term values to our shareholders.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this financial report and the consolidated financial statements of the Group for the year ended 31 December 2006.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

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

DEALINGS IN THE COMPANY'S SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the period from 1 January 2006 to 31 December 2006.

BOARD OF DIRECTORS

As at the date of this announcement, the executive Directors of DSBG are Messrs. David Shou-Yeh Wong, Hon-Hing Wong (Derek Wong), Lung-Man Chiu (John Chiu), Gary Pak-Ling Wang, Harold Tsu-Hing Wong and Frederic Suet-Chiu Lau. The independent non-executive Directors are Messrs. David Richard Hinde, John William Simpson, Robert Tsai-To Sze and Andrew Kwan-Yuen Leung. The non-executive Directors are Messrs. Keisuke Tahara and Dennis Tat-Wang Yau.

By Order of the Board
H L Soo
Company Secretary

Hong Kong, Wednesday, 28 March 2007

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