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**Dah Sing Financial Holdings Limited**  
(Incorporated in Hong Kong with limited liability under the Companies Ordinance)  
(Stock code: 440)



**ANNOUNCEMENT OF 2019 INTERIM RESULTS**

The Directors of Dah Sing Financial Holdings Limited (the “Company”) are pleased to present the interim results and condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2019. The unaudited profit attributable to shareholders after non-controlling interests for the six months ended 30 June 2019 was HK\$1,113.8 million.

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

The unaudited 2019 interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended 30 June

HK\$'000	Note	2019	2018	Variance %
Interest income		3,713,427	3,184,915	
Interest expense		<u>(1,646,370)</u>	<u>(1,042,133)</u>	
<b>Net interest income</b>	3	<b>2,067,057</b>	<b>2,142,782</b>	-3.5%
Fee and commission income		723,941	776,003	
Fee and commission expense		<u>(152,863)</u>	<u>(164,811)</u>	
<b>Net fee and commission income</b>	4	<b>571,078</b>	<b>611,192</b>	-6.6%
Net trading income	5	38,673	103,908	
Net insurance premium and other income		218,703	145,230	
Other operating income	6	<u>84,603</u>	<u>58,452</u>	
<b>Operating income</b>		<b>2,980,114</b>	<b>3,061,564</b>	-2.7%
Net insurance claims and expenses		<u>(142,277)</u>	<u>(90,483)</u>	
<b>Total operating income net of insurance claims</b>		<b>2,837,837</b>	<b>2,971,081</b>	-4.5%
Operating expenses	7	<u>(1,434,343)</u>	<u>(1,334,336)</u>	7.5%
<b>Operating profit before impairment losses</b>		<b>1,403,494</b>	<b>1,636,745</b>	-14.3%
Credit impairment losses	8	<u>(92,747)</u>	<u>(38,613)</u>	140.2%
<b>Operating profit before gains and losses on certain investments and fixed assets</b>		<b>1,310,747</b>	<b>1,598,132</b>	-18.0%
Net loss on disposal of other fixed assets		(2,509)	(268)	
Net (loss)/ gain on disposal of financial assets at fair value through other comprehensive income		(24)	665	
Impairment loss on investment in an associate	9	<u>(70,000)</u>	<u>(403,000)</u>	
Share of results of an associate		410,860	409,941	
Share of results of jointly controlled entities		<u>12,499</u>	<u>12,386</u>	
<b>Profit before taxation</b>		<b>1,661,573</b>	<b>1,617,856</b>	2.7%
Taxation	10	<u>(199,515)</u>	<u>(236,952)</u>	
<b>Profit for the period</b>		<b>1,462,058</b>	<b>1,380,904</b>	5.9%
Profit attributable to non-controlling interests		<u>(348,237)</u>	<u>(340,127)</u>	
<b>Profit attributable to Shareholders of the Company</b>		<b>1,113,821</b>	<b>1,040,777</b>	7.0%
Interim dividend		<u>124,634</u>	<u>127,329</u>	
<b>Earnings per share</b>				
Basic and diluted	11	<b>HK\$3.41</b>	<b>HK\$3.11</b>	

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended 30 June

HK\$'000	2019	2018
<b>Profit for the period</b>	<u>1,462,058</u>	<u>1,380,904</u>
<b>Other comprehensive income for the period</b>		
Items that may be reclassified to the consolidated income statement:		
Investments in securities		
Net change in fair value of debt instruments at fair value through other comprehensive income	346,370	(291,011)
Net change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	5,927	(5,276)
Net loss/ (gain) realised and transferred to income statement upon:		
- Disposal of debt instruments at fair value through other comprehensive income	24	(665)
Deferred income tax related to the above	<u>(45,626)</u>	<u>42,244</u>
	<u>306,695</u>	<u>(254,708)</u>
Exchange differences arising on translation of the financial statements of foreign entities	<u>(18,228)</u>	<u>(93,907)</u>
Items that will not be reclassified to the consolidated income statement:		
Net change in fair value of equity instruments at fair value through other comprehensive income	336,122	(17,874)
Deferred income tax related to the above	<u>(5,443)</u>	<u>297</u>
	<u>330,679</u>	<u>(17,577)</u>
Other comprehensive income/ (loss) for the period, net of tax	<u>619,146</u>	<u>(366,192)</u>
<b>Total comprehensive income for the period, net of tax</b>	<u>2,081,204</u>	<u>1,014,712</u>
Attributable to:		
Non-controlling interests	423,508	251,461
Shareholders of the Company	<u>1,657,696</u>	<u>763,251</u>
<b>Total comprehensive income for the period, net of tax</b>	<u>2,081,204</u>	<u>1,014,712</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK\$'000	Note	As at 30 Jun 2019	As at 31 Dec 2018
<b>ASSETS</b>			
Cash and balances with banks		14,826,869	17,235,399
Placements with banks maturing between one and twelve months		8,278,447	10,429,428
Trading securities	12	6,308,273	7,621,184
Financial assets at fair value through profit or loss	12	765,520	1,679,570
Derivative financial instruments		441,103	727,043
Advances and other accounts	13	142,391,722	137,705,223
Financial assets at fair value through other comprehensive income	15	47,767,738	44,304,763
Financial assets at amortised cost	16	9,920,669	9,262,785
Investment in an associate	9	3,928,136	3,620,597
Investments in jointly controlled entities		100,190	87,691
Goodwill		874,603	874,603
Intangible assets		80,927	80,927
Premises and other fixed assets		2,030,264	2,083,070
Investment properties		1,426,106	1,426,106
Current income tax assets		2,890	4,452
Deferred income tax assets		104,687	158,637
<b>Total assets</b>		<b>239,248,144</b>	<b>237,301,478</b>
<b>LIABILITIES</b>			
Deposits from banks		2,662,582	3,797,556
Derivative financial instruments		858,772	473,273
Trading liabilities		6,289,961	5,758,954
Deposits from customers		175,837,060	172,409,761
Certificates of deposit issued		6,139,736	6,535,076
Subordinated notes		5,536,370	5,449,082
Other accounts and accruals	17	8,545,335	10,241,771
Current income tax liabilities		332,659	598,855
Deferred income tax liabilities		46,331	44,702
<b>Total liabilities</b>		<b>206,248,806</b>	<b>205,309,030</b>
<b>EQUITY</b>			
Non-controlling interests		6,847,873	6,557,041
<b>Equity attributable to the Company's shareholders</b>			
Share capital		4,248,559	4,248,559
Other reserves (including retained earnings)		21,902,906	21,186,848
<b>Shareholders' funds</b>	18	<b>26,151,465</b>	<b>25,435,407</b>
<b>Total equity</b>		<b>32,999,338</b>	<b>31,992,448</b>
<b>Total equity and liabilities</b>		<b>239,248,144</b>	<b>237,301,478</b>

**Note:**

**1. General information**

Dah Sing Financial Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) provide banking, insurance, financial and other related services in Hong Kong, Macau, and the People’s Republic of China.

**2. Unaudited financial statements and accounting policies**

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

Certain financial information in this interim results announcement is extracted from the statutory financial statements for the year ended 31 December 2018 (the “2018 financial statements”) which have been delivered to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance, and the Hong Kong Monetary Authority (“HKMA”).

The auditor’s report on the 2018 financial statements was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

**Basis of preparation and accounting policies**

Except as described below, the accounting policies and methods of computation used in the preparation of the 2019 interim condensed consolidated financial statements are consistent with those used and described in the Group’s annual audited financial statements for the year ended 31 December 2018.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16 “Leases”.

The impact of the adoption of the leasing standard and the new accounting policies that have been applied from 1 January 2019 are disclosed below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(1) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The incremental borrowing rates applied to the lease liabilities of the subsidiaries of the Company, as lessees, range from 2.4% to 5.8% on 1 January 2019.

2. Unaudited financial statements and accounting policies (Continued)

**Basis of preparation and accounting policies (Continued)**

(a) New and amended standards adopted by the Group (Continued)	
(1) Adjustments recognised on adoption of HKFRS 16 (Continued)	
	HK\$'000
Operating lease commitments disclosed as at 31 December 2018	1,287,040
Discounted using the lessee's incremental borrowing rate at the date of initial application	(131,079)
Less: short-term leases or low-value leases recognised on a straight-line basis as expense	(935)
Less: lease agreements that have been contracted for but not yet commenced	(444,139)
Less: adjustments as a result of a different treatment of extension and termination options	<u>(172,691)</u>
Lease liabilities recognised as at 1 January 2019	<u>538,196</u>

The associated right-of-use assets are related to property leases which were measured on a retrospective basis as if the new rules had always been applied.

The changes in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by HK\$523,678,000
- Prepayments – decrease by HK\$647,000
- Accounts payable – decrease by HK\$5,352,000
- Lease liabilities – increase by HK\$538,196,000

The net impact on retained earnings on 1 January 2019 was a decrease by HK\$9,813,000.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics in reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend to terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made in applying HKAS 17 and HK(IFRIC) - Int 4 "Determining whether an Arrangement contains a Lease".

**2. Unaudited financial statements and accounting policies (Continued)**

**Basis of preparation and accounting policies (Continued)**

- (a) New and amended standards adopted by the Group (Continued)
- (2) The Group's leasing activities and how these are accounted for

The Group leases various offices and branches. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-to-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, if any
- amounts expected to be payable by the lessee under residual value guarantees, if any
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of IT and office equipment.

- (i) Extension and termination options

Extension and termination options are included in a number of property leases entered in by subsidiaries in the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

**2. Unaudited financial statements and accounting policies (Continued)**

**Basis of preparation and accounting policies (Continued)**

- (a) New and amended standards adopted by the Group (Continued)
- (2) The Group's leasing activities and how these are accounted for (Continued)
  - (i) Extension and termination options (Continued)

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the six months ended 30 June 2019, no lease term is revised because of exercising extension and termination options.

- (b) New and amended standards and interpretations not yet adopted

HKFRS 17, "Insurance contracts"

In January 2018, the HKICPA issued HKFRS 17, a new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces HKFRS 4 "Insurance contracts".

In contrast to the requirements in HKFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, HKFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration contracts which typically applies to certain non-life insurance contracts.

HKFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021. The Group is yet to assess the impact of the standard on the Group's consolidated financial statements.

There are no other HKFRSs or interpretations that are effective from 1 January 2019 or not yet effective that would be expected to have a material impact on the Group.

The interim condensed consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated, and were approved by the Board of Directors for issue on 28 August 2019.

These interim condensed consolidated financial statements have not been audited.

**3. Net interest income**

For the six months ended 30 June

HK\$'000	2019	2018
<b>Interest income</b>		
Cash and balances with banks	272,632	271,807
Investments in securities	871,361	660,360
Advances and other accounts	2,569,434	2,252,748
	<b>3,713,427</b>	<b>3,184,915</b>
<b>Interest expense</b>		
Deposits from banks/ Deposits from customers	1,347,476	808,214
Certificates of deposit issued	75,280	59,392
Subordinated notes	149,997	133,910
Lease liabilities	7,072	-
Others	66,545	40,617
	<b>1,646,370</b>	<b>1,042,133</b>
<b>Included within interest income</b>		
- Trading securities and financial assets at fair value through profit or loss	70,048	38,016
- Financial assets at fair value through other comprehensive income	1,019,853	524,168
- Financial assets at amortised cost	2,623,526	2,622,731
	<b>3,713,427</b>	<b>3,184,915</b>
<b>Included within interest expense</b>		
- Financial liabilities not at fair value through profit or loss	1,590,546	1,008,225



**4. Net fee and commission income**

For the six months ended 30 June

HK\$'000	2019	2018
<b>Fee and commission income</b>		
Fee and commission income from financial assets and liabilities not at fair value through profit or loss		
- Credit related fees and commissions	95,446	92,095
- Trade finance	44,040	48,355
- Credit card	173,850	195,084
Other fee and commission income		
- Securities brokerage	54,238	81,584
- Insurance distribution and others	157,802	151,118
- Retail investment and wealth management services	139,438	144,113
- Bank services and handling fees	32,517	36,356
- Other fees	26,610	27,298
	<b>723,941</b>	<b>776,003</b>
<b>Fee and commission expense</b>		
Fee and commission expense from financial assets and liabilities not at fair value through profit or loss		
- Handling fees and commission	141,123	154,563
- Other fees paid	11,740	10,248
	<b>152,863</b>	<b>164,811</b>

The Group provides custody, trustee, corporate administration, and investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements.

**5. Net trading income**

For the six months ended 30 June

HK\$'000	2019	2018
Dividend income from financial assets at fair value through profit or loss	8,663	4,245
Net loss arising from dealing in foreign currencies	(6,055)	(25,379)
Net gain/ (loss) on trading securities	7,346	(157)
Net (loss)/ gain from derivatives entered into for trading purpose	(2,959)	1,343
Net gain/ (loss) arising from financial instruments subject to fair value hedge	6,029	(2,054)
Net gain on financial instruments at fair value through profit or loss	25,649	125,910
	<b>38,673</b>	<b>103,908</b>

**6. Other operating income**

For the six months ended 30 June

HK\$'000	2019	2018
Dividend income from investments in equity instruments at fair value through other comprehensive income		
- Derecognised during the period		
- Listed investments	3,116	2,637
- Held at the end of the period		
- Listed investments	43,841	16,345
- Unlisted investments	3,401	4,208
Gross rental income from investment properties	18,607	20,562
Other rental income	6,538	6,649
Others	9,100	8,051
	<b>84,603</b>	<b>58,452</b>

**7. Operating expenses**

For the six months ended 30 June

HK\$'000	2019	2018
Employee compensation and benefit expenses (including directors' remuneration)	986,935	917,860
Premises and other fixed assets expenses, excluding depreciation	86,750	158,816
Depreciation		
- Premises and other fixed assets	93,703	89,850
- Right-of-use properties	90,939	-
Advertising and promotion costs	50,703	44,818
Printing, stationery and postage	23,277	24,257
Others	102,036	98,735
	<b>1,434,343</b>	<b>1,334,336</b>

**8. Credit impairment losses**

For the six months ended 30 June

HK\$'000	2019	2018
New allowances net of allowance releases	124,593	79,715
Recoveries of amounts previously written off	(31,846)	(41,102)
	<b>92,747</b>	<b>38,613</b>
Attributable to:		
- Advances to customers	87,342	52,452
- Other financial assets	10,213	(351)
- Loan commitments and financial guarantees	(4,808)	(13,488)
	<b>92,747</b>	<b>38,613</b>

**9. Impairment loss on investment in an associate**

At 30 June 2019, the fair value of the Group's investment in Bank of Chongqing ("BOCQ") had been below the carrying amount for approximately 5.5 years. On this basis, the Group continues to perform an impairment test on the carrying amount of the investment in BOCQ to assess the recoverable amount. Based on the assessment conducted in 2016 and before, the recoverable amount was assessed as higher than the carrying amount, and no impairment needed to be recognised.

The impairment test is performed by comparing the recoverable amount of BOCQ, determined by a value in use ("VIU") calculation, with the carrying amount of the investment. The VIU calculation uses discounted cash flow projections based on management's estimates of BOCQ's earnings and dividends to be paid in future, and the estimated probable exit value in future after considering the growth of BOCQ and its net asset value for the medium and longer term. The discount rate applied to the VIU calculation was estimated with reference to BOCQ's cost of equity, which is publicly available in the market.

In performing the VIU calculation to arrive at the recoverable amount of the investment, the Group considers all relevant factors including market views and qualitative factors to ensure that the inputs to the VIU calculation are appropriate. Adjustments need to be made to reflect the latest situation affecting BOCQ and also market outlook for the medium and longer term that are relevant in projecting BOCQ's future performance. Significant management judgement is required in estimating the future cash flows of BOCQ.

Based on the assessment conducted for the position up to 31 December 2018, the recoverable amount, as determined by the VIU calculation and after considering all relevant factors and valuation assumptions, remained below the carrying amount, and a cumulative impairment charge at HK\$1,448 million had been recognised. The latest impairment test performed by the Group for the position as at 30 June 2019 concludes that the recoverable amount, based on the VIU calculation, is assessed as lower than the carrying amount, after deducting the cumulative impairment allowance made up to 31 December 2018 of HK\$1,448 million, by HK\$70 million. As a result, an additional impairment charge of HK\$70 million was recognised in the first half of 2019 to reduce the value of the investment to HK\$3,928.1 million.

The calculation of Dah Sing Bank, Limited ("DSB")'s capital adequacy does not include the retained earnings from the Investment, except for BOCQ cash dividend received by DSB. Provided that the Investment continues to be held at or above the original cost of the investment of HK\$1,213 million, impairment made on the Investment does not affect DSB's capital adequacy.

**10. Taxation**

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Deferred taxation is calculated in full on temporary differences under the liability method at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised.

For the six months ended 30 June

HK\$'000	2019	2018
Current income tax		
- Hong Kong profits tax	<b>176,239</b>	208,202
- Overseas taxation	<b>19,084</b>	26,507
Deferred income tax		
- Origination and reversal of temporary differences	<b>4,192</b>	2,243
Taxation	<b>199,515</b>	236,952

**11. Basic and diluted earnings per share**

The calculation of basic earnings per share and fully dilutive earnings for the six months ended 30 June 2019 is based on earnings of HK\$1,113,821,000 (2018: HK\$1,040,777,000) and the weighted average number of 327,025,376 (2018: 335,075,100) ordinary shares in issue during the period.

The calculation of weighted average number of ordinary shares has taken into account the effect of the share buy-back transaction described in Note 18(a) below.

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

HK\$'000	As at 30 Jun 2019	As at 31 Dec 2018
Trading securities		
Debt securities:		
- Listed in Hong Kong	20,724	33,575
- Unlisted	<u>6,287,549</u>	<u>7,587,609</u>
	<u>6,308,273</u>	<u>7,621,184</u>
Financial assets at fair value through profit or loss Categorised based on requirements of HKFRS 9:		
Debt securities:		
- Listed outside Hong Kong	20,133	53,915
- Unlisted	<u>394,647</u>	<u>1,249,269</u>
	<u>414,780</u>	<u>1,303,184</u>
Equity securities:		
- Listed in Hong Kong	323,746	342,930
- Listed outside Hong Kong	<u>26,994</u>	<u>33,456</u>
	<u>350,740</u>	<u>376,386</u>
	<u>765,520</u>	<u>1,679,570</u>
Total	<u>7,073,793</u>	<u>9,300,754</u>
Included within debt securities are:		
- Treasury bills which are cash equivalents	834,668	-
- Other treasury bills	5,473,605	7,620,661
- Government bonds	-	523
- Other debt securities	<u>414,780</u>	<u>1,303,184</u>
	<u>6,723,053</u>	<u>8,924,368</u>

As at 30 June 2019 and 31 December 2018, there were no certificates of deposit held included in the above balances.

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

- Central governments and central banks	6,308,273	7,621,184
- Banks and other financial institutions	31,330	659,551
- Corporate entities	<u>734,190</u>	<u>1,020,019</u>
	<u>7,073,793</u>	<u>9,300,754</u>

13. Advances and other accounts

HK\$'000	As at 30 Jun 2019	As at 31 Dec 2018
Gross advances to customers	132,385,772	128,628,087
Less: impairment allowances		
- Stage 1	(421,621)	(423,650)
- Stage 2	(120,139)	(127,284)
- Stage 3	(330,555)	(362,989)
	<u>(872,315)</u>	<u>(913,923)</u>
	<u>131,513,457</u>	<u>127,714,164</u>
Trade bills	4,179,461	4,677,262
Less: impairment allowances		
- Stage 1	(2,856)	(2,100)
- Stage 2	(27)	(23)
	<u>(2,883)</u>	<u>(2,123)</u>
	<u>4,176,578</u>	<u>4,675,139</u>
Right-of-use assets	<u>485,674</u>	-
Other assets	6,250,935	5,347,126
Less: impairment allowances		
- Stage 1	(12,246)	(9,577)
- Stage 2	(586)	(491)
- Stage 3	(22,090)	(21,138)
	<u>(34,922)</u>	<u>(31,206)</u>
	<u>6,216,013</u>	<u>5,315,920</u>
Advances and other accounts	<u>142,391,722</u>	<u>137,705,223</u>

13. Advances and other accounts (Continued)

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

HK\$'000	As at 30 Jun 2019		As at 31 Dec 2018	
	Outstanding balance	% of gross advances	Outstanding balance	% of gross advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	4,805,720	3.6	5,411,554	4.2
- Property investment	15,628,726	11.8	15,930,681	12.4
- Financial concerns	5,280,110	4.0	5,229,101	4.1
- Stockbrokers	1,493,194	1.1	1,711,512	1.3
- Wholesale and retail trade	6,624,035	5.0	6,584,127	5.1
- Manufacturing	1,639,606	1.2	1,702,636	1.3
- Transport and transport equipment	3,665,713	2.8	3,691,151	2.9
- Recreational activities	100,431	0.1	103,057	0.1
- Information technology	50,147	0.0	70,890	0.1
- Others	3,676,057	2.8	3,537,199	2.7
	<b>42,963,739</b>	<b>32.4</b>	<b>43,971,908</b>	<b>34.2</b>
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	604,050	0.5	632,804	0.5
- Loans for the purchase of other residential properties	28,466,088	21.5	26,609,223	20.7
- Credit card advances	3,675,620	2.8	3,721,632	2.9
- Others	12,966,405	9.8	12,927,451	10.0
	<b>45,712,163</b>	<b>34.6</b>	<b>43,891,110</b>	<b>34.1</b>
Loans for use in Hong Kong	<b>88,675,902</b>	<b>67.0</b>	<b>87,863,018</b>	<b>68.3</b>
Trade finance (Note (1))	8,587,679	6.5	9,265,660	7.2
Loans for use outside Hong Kong (Note (2))	35,122,191	26.5	31,499,409	24.5
	<b>132,385,772</b>	<b>100.0</b>	<b>128,628,087</b>	<b>100.0</b>

Note:

(1) Trade finance shown above represents loans covering finance of imports to Hong Kong, exports and re-exports from Hong Kong and merchandising trade classified with reference to the relevant guidelines issued by the HKMA.

Trade finance loans not involving Hong Kong (including trade finance extended by the overseas subsidiary banks of DSB) totalling HK\$285,570,000 (31 December 2018: HK\$306,245,000) are classified under "Loans for use outside Hong Kong".

(2) "Loans for use outside Hong Kong" include loans extended to customers located in Hong Kong with the finance used outside Hong Kong.

13. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets

(i) Impaired loans

HK\$'000	As at 30 Jun 2019	As at 31 Dec 2018
Gross loans and advances	132,385,772	128,628,087
Less: total impairment allowances	<u>(872,315)</u>	<u>(913,923)</u>
Net	<u>131,513,457</u>	<u>127,714,164</u>
Credit-impaired loans and advances	843,586	970,166
Less: Stage 3 impairment allowances	<u>(330,555)</u>	<u>(362,989)</u>
Net	<u>513,031</u>	<u>607,177</u>
Fair value of collateral held*	<u>387,271</u>	<u>503,728</u>
Credit-impaired loans and advances as a % of total loans and advances to customers	<u>0.64%</u>	<u>0.75%</u>

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

(ii) Gross amount of overdue loans

	As at 30 Jun 2019		As at 31 Dec 2018	
	Gross amount of overdue loans	% of total	Gross amount of overdue loans	% of total
Gross advances to customers which have been overdue for:				
- six months or less but over three months	179,070	0.14	99,729	0.08
- one year or less but over six months	129,685	0.10	51,812	0.04
- over one year	<u>334,380</u>	<u>0.25</u>	<u>429,568</u>	<u>0.33</u>
	<u>643,135</u>	<u>0.49</u>	<u>581,109</u>	<u>0.45</u>
Market value of securities held against the secured overdue advances	<u>1,279,136</u>		<u>565,273</u>	
Secured overdue advances	478,845		392,626	
Unsecured overdue advances	<u>164,290</u>		<u>188,483</u>	
Stage 3 impairment allowances	<u>187,693</u>		<u>227,437</u>	

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



13. Advances and other accounts (Continued)

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

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

HK\$'000	As at 30 Jun 2019	% of total	As at 31 Dec 2018	% of total
Advances to customers	<u>272,674</u>	<u>0.21</u>	<u>311,262</u>	<u>0.24</u>
Stage 3 impairment allowances	<u>113,797</u>		<u>115,877</u>	

(iv) Trade bills

	As at 30 Jun 2019	As at 31 Dec 2018
Trade bills which have been overdue for:		
- six months or less but over three months	<u>6,026</u>	<u>-</u>
Stage 3 impairment allowances	<u>-</u>	<u>-</u>

(c) Repossessed collateral

Repossessed collateral held is as follows:

Nature of assets	As at 30 Jun 2019	As at 31 Dec 2018
Repossessed properties	<u>141,893</u>	153,639
Others	<u>9,199</u>	<u>8,336</u>
	<u>151,092</u>	<u>161,975</u>

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

Certain other properties in the Mainland China with a total estimated realisable value of HK\$60,205,000 (31 December 2018: HK\$60,349,000), which had been foreclosed and repossessed by the Group pursuant to orders issued by courts in the Mainland China, represent assets held by the Group for resale and have been reported under "Other assets". The relevant loans had been derecognised.

**14. Loss allowance**

The tables below provide a reconciliation of the Group's ECL allowances for loans and advances to customers, loan commitments and financial guarantees by stage under HKFRS 9.

HK\$'000	Stage 1 ECL allowance	Stage 2 ECL allowance	Stage 3 ECL allowance	Total ECL allowance
<b>At 1 January 2019</b>	<b>563,307</b>	<b>133,876</b>	<b>363,007</b>	<b>1,060,190</b>
Transfers:				
Transfer from Stage 1 to Stage 2	(9,505)	26,493	-	16,988
Transfer from Stage 1 to Stage 3	(9,491)	-	112,907	103,416
Transfer from Stage 2 to Stage 1	3,561	(10,038)	-	(6,477)
Transfer from Stage 2 to Stage 3	-	(6,749)	21,540	14,791
Transfer from Stage 3 to Stage 2	-	114	(318)	(204)
Transfer from Stage 3 to Stage 1	89	-	(290)	(201)
New financial assets originated, purchased or derecognised during the period	73,310	(4,244)	(11,654)	57,412
Changes in PDs/ LGDs/ EADs/ forward looking assumptions	(89,063)	(14,374)	3,816	(99,621)
Unwinding of discount	24,350	1,956	2,302	28,608
Write-offs	-	-	(160,580)	(160,580)
Foreign exchange and other movements	(318)	(55)	(175)	(548)
<b>At 30 June 2019</b>	<b>556,240</b>	<b>126,979</b>	<b>330,555</b>	<b>1,013,774</b>
In respect of:				
Advances to customers	421,621	120,139	330,555	872,315
Loan commitments and financial guarantees	134,619	6,840	-	141,459
	<b>556,240</b>	<b>126,979</b>	<b>330,555</b>	<b>1,013,774</b>
At 1 January 2018	446,849	200,410	451,599	1,098,858
Transfers:				
Transfer from Stage 1 to Stage 2	(4,415)	15,341	-	10,926
Transfer from Stage 1 to Stage 3	(11,466)	-	239,239	227,773
Transfer from Stage 2 to Stage 1	12,623	(33,604)	-	(20,981)
Transfer from Stage 2 to Stage 3	-	(5,910)	19,979	14,069
Transfer from Stage 3 to Stage 2	-	10	(10)	-
Transfer from Stage 3 to Stage 1	-	-	-	-
New financial assets originated, purchased or derecognised during the period	127,360	(61,577)	(86,014)	(20,231)
Changes in PDs/ LGDs/ EADs/ forward looking assumptions	(7,083)	18,080	90,372	101,369
Unwinding of discount	557	1,482	34	2,073
Write-offs	-	-	(351,930)	(351,930)
Foreign exchange and other movements	(1,118)	(356)	(262)	(1,736)
<b>At 31 December 2018</b>	<b>563,307</b>	<b>133,876</b>	<b>363,007</b>	<b>1,060,190</b>
In respect of:				
Advances to customers	423,650	127,284	362,989	913,923
Loan commitments and financial guarantees	139,657	6,592	18	146,267
	<b>563,307</b>	<b>133,876</b>	<b>363,007</b>	<b>1,060,190</b>

Abbreviations used:

PD	Probability of default
LGD	Loss given default
EAD	Exposures at default
ECL	Expected credit loss

15. Financial assets at fair value through other comprehensive income

HK\$'000	As at 30 Jun 2019	As at 31 Dec 2018
Debt securities:		
- Listed in Hong Kong	18,555,281	17,400,087
- Listed outside Hong Kong	18,921,693	16,758,546
- Unlisted	7,349,946	7,624,966
	<u>44,826,920</u>	<u>41,783,599</u>
Equity securities:		
- Listed in Hong Kong	1,177,370	1,220,166
- Listed outside Hong Kong	1,680,553	1,217,955
- Unlisted	82,895	83,043
	<u>2,940,818</u>	<u>2,521,164</u>
Total	<u>47,767,738</u>	<u>44,304,763</u>
Included within debt securities are:		
- Certificates of deposit held	14,994	429,758
- Treasury bills which are cash equivalents	498,717	2,098,522
- Other treasury bills	7,799,800	6,698,961
- Government bonds	118,222	191,387
- Other debt securities	36,395,187	32,364,971
	<u>44,826,920</u>	<u>41,783,599</u>
Financial assets at fair value through other comprehensive income are analysed by categories of issuers as follows:		
Debt securities:		
- Central governments and central banks	8,416,739	8,988,870
- Public sector entities	354,431	578,160
- Banks and other financial institutions	7,912,231	7,540,421
- Corporate entities	28,143,444	24,676,073
- Others	75	75
	<u>44,826,920</u>	<u>41,783,599</u>
Equity securities:		
- Bank and other financial institutions	558,775	598,916
- Corporate entities	2,382,043	1,922,248
	<u>2,940,818</u>	<u>2,521,164</u>
	<u>47,767,738</u>	<u>44,304,763</u>

**16. Financial assets at amortised cost**

HK\$'000	As at 30 Jun 2019	As at 31 Dec 2018
Debt securities:		
- Listed in Hong Kong	1,666,635	2,019,488
- Listed outside Hong Kong	3,588,896	3,605,219
- Unlisted	4,670,799	3,643,134
	<u>9,926,330</u>	<u>9,267,841</u>
Less: impairment allowance		
- Stage 1	(5,661)	(5,056)
Total	<u>9,920,669</u>	<u>9,262,785</u>
Included within debt securities are:		
- Certificates of deposit held	1,457,987	1,126,132
- Treasury bills	2,439,607	1,941,080
- Government bonds	522,594	523,450
- Other debt securities	5,506,142	5,677,179
	<u>9,926,330</u>	<u>9,267,841</u>
Financial assets at amortised cost are analysed by categories of issuers as follows:		
- Central governments and central banks	2,962,201	2,464,530
- Banks and other financial institutions	4,284,597	4,047,949
- Corporate entities	2,668,443	2,744,273
- Others	11,089	11,089
	<u>9,926,330</u>	<u>9,267,841</u>

**17. Other accounts and accruals**

	As at 30 Jun 2019	As at 31 Dec 2018
Lease liabilities	502,209	-
Amount payable arising from purchase of securities pending for settlement	73,594	1,342,997
Other liabilities and accruals	7,969,532	8,898,774
	<u>8,545,335</u>	<u>10,241,771</u>

18. Shareholders' funds

HK\$'000	As at 30 Jun 2019	As at 31 Dec 2018
Share capital	4,248,559	4,248,559
Premises revaluation reserve	606,238	606,238
Investment revaluation reserve	386,078	(169,124)
Exchange reserve	(169,988)	(156,373)
Capital reserve	6,383	6,495
General reserve	484,289	484,289
Reserve for share-based compensation	2,121	1,654
Retained earnings	<u>20,587,785</u>	<u>20,413,669</u>
	<u>26,151,465</u>	<u>25,435,407</u>
Proposed dividend/ dividend paid included in retained earnings	<u>124,634</u>	<u>348,336</u>

- (a) In accordance with the resolution passed at the extraordinary general meeting of the Company held on 15 March 2019, the Company concluded the contract with MUFG Bank, Ltd. on 28 March 2019 to repurchase 15,500,000 shares of the Company from the latter. The share buy-back was completed on the same date at a consideration of HK\$591,635,000 which was paid out from the retained earnings of the Company.
- (b) DSB as a locally incorporated bank in Hong Kong is required to maintain minimum impairment provisions in excess of those required under HKFRS in the form of regulatory reserve. The regulatory reserve, which also covers Banco Comercial de Macau, S.A. ("BCM") and Dah Sing Bank (China) Limited ("DSB China"), is maintained to satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes. The regulatory reserve restricts the amount of reserves which can be distributed to shareholders. Movements in the regulatory reserve are made directly through equity reserve and in consultation with the HKMA.

As at 30 June 2019, DSB has earmarked a regulatory reserve of HK\$1,152,419,000 (31 December 2018: HK\$1,195,194,000) first against its consolidated general reserve; and for any excess amount, the balance is earmarked against its consolidated retained earnings.

**19. Operating segment reporting**

Segment reporting by the Group is prepared in accordance with HKFRS 8 “Operating Segments”. Information reported to the chief operating decision maker, including the Chief Executive and other Executive Committee members, for the purposes of resource allocation and performance assessment, is determined on the basis of banking business and insurance business. For banking business, operating performances are analysed by business activities for local banking business, and on business entity basis for overseas banking business. For insurance business, resources allocation and performance evaluation are based on insurance business entity basis.

Considering the customer groups, products and services of local businesses, the economic environment and regulations, the Group splits the operating segments of the Group into the following reportable segments:

- Personal banking business includes the acceptance of deposits from individual customers and the extension of residential mortgage lending, personal loans, overdraft, vehicle financing and credit card services, and the provision of insurance sales and investment services.
- Commercial banking business includes the acceptance of deposits from and the advance of loans and working capital finance to commercial, industrial and institutional customers, and the provision of trade financing.
- Treasury activities are mainly the provision of foreign exchange services and centralised cash management for deposit taking and lending, interest rate risk management, management of investment in securities and the overall funding of the Group.
- Overseas banking businesses include personal banking, commercial banking business activities provided by overseas subsidiaries in Macau and China, and the Group’s interest in a commercial bank in China.
- Insurance business includes the Group’s insurance and pension fund management business. Through the Group’s wholly-owned subsidiaries in Hong Kong and 96% owned subsidiaries in Macau, the Group offers a variety of insurance products and services.
- Others include results of operations not directly identified under other reportable segments, corporate investments and debt funding (including subordinated notes).

For the purpose of segment reporting, revenue derived from customers, products and services directly identifiable with individual segments are reported directly under respective segments, while revenue and funding cost arising from inter-segment funding operation and funding resources are allocated to segments by way of transfer pricing mechanism with reference to market interest rates. Transactions within segments are priced based on similar terms offered to or transacted with external parties. Inter-segment income or expenses are eliminated on consolidation.

All direct costs incurred by different segments are grouped under respective segments. Indirect costs and support functions’ costs are allocated to various segments and products based on effort and time spent as well as segments’ operating income depending on the nature of costs incurred. Costs related to corporate activities that cannot be reasonably allocated to segments, products and support functions are grouped under Others as unallocated corporate expenses.

## Dah Sing Financial Holdings Limited

### 19. Operating segment reporting (Continued)

For the six months ended 30 June 2019

HK\$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter- segment	Total
Net interest income/ (expenses)	869,560	620,672	359,078	248,834	13,200	(44,287)	-	2,067,057
Non-interest income/ (expenses)	477,896	92,784	(40,949)	69,248	103,180	75,402	(6,781)	770,780
Total operating income net of insurance claims	1,347,456	713,456	318,129	318,082	116,380	31,115	(6,781)	2,837,837
Operating expenses	(794,974)	(253,510)	(83,810)	(251,145)	(61,290)	3,605	6,781	(1,434,343)
Operating profit before credit impairment (losses)/ written back	552,482	459,946	234,319	66,937	55,090	34,720	-	1,403,494
Credit impairment (losses)/ written back	(116,498)	36,009	(5,085)	(3,484)	(1,222)	(2,467)	-	(92,747)
Operating profit after credit impairment (losses)/ written back	435,984	495,955	229,234	63,453	53,868	32,253	-	1,310,747
Net (loss)/ gain on disposal of other fixed assets	(2,545)	-	-	24	12	-	-	(2,509)
Net loss on disposal of financial assets at fair value through other comprehensive income	-	-	(24)	-	-	-	-	(24)
Impairment loss on investment in an associate	-	-	-	(70,000)	-	-	-	(70,000)
Share of results of an associate	-	-	-	410,860	-	-	-	410,860
Share of results of jointly controlled entities	-	-	-	-	-	12,499	-	12,499
Profit before taxation	433,439	495,955	229,210	404,337	53,880	44,752	-	1,661,573
Taxation expenses	(71,554)	(81,758)	(37,806)	(3,617)	(3,772)	(1,008)	-	(199,515)
Profit for the period	361,885	414,197	191,404	400,720	50,108	43,744	-	1,462,058
For the six months ended 30 June 2019								
Depreciation and amortisation	40,258	8,519	3,270	31,927	1,816	98,852	-	184,642
As at 30 June 2019								
Segment assets	52,193,633	64,404,373	77,320,631	36,892,883	4,446,391	9,227,088	(5,236,855)	239,248,144
Segment liabilities	105,564,729	41,707,960	16,620,148	28,825,546	1,972,619	16,794,659	(5,236,855)	206,248,806

## Dah Sing Financial Holdings Limited

### 19. Operating segment reporting (Continued)

For the six months ended 30 June 2018

HK\$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter- segment	Total
Net interest income	866,189	612,809	349,154	282,049	15,927	16,654	-	2,142,782
Non-interest income/ (expenses)	<u>501,859</u>	<u>104,784</u>	<u>(59,096)</u>	<u>77,244</u>	<u>58,775</u>	<u>151,513</u>	<u>(6,780)</u>	<u>828,299</u>
Total operating income net of insurance claims	1,368,048	717,593	290,058	359,293	74,702	168,167	(6,780)	2,971,081
Operating expenses	<u>(744,645)</u>	<u>(226,459)</u>	<u>(74,542)</u>	<u>(244,488)</u>	<u>(55,146)</u>	<u>4,164</u>	<u>6,780</u>	<u>(1,334,336)</u>
Operating profit before credit impairment (losses)/ written back	623,403	491,134	215,516	114,805	19,556	172,331	-	1,636,745
Credit impairment (losses)/ written back	<u>(106,014)</u>	<u>58,541</u>	<u>263</u>	<u>8,768</u>	<u>(381)</u>	<u>210</u>	<u>-</u>	<u>(38,613)</u>
Operating profit after credit impairment (losses)/ written back	517,389	549,675	215,779	123,573	19,175	172,541	-	1,598,132
Net loss on disposal of other fixed assets	(218)	-	-	(49)	-	(1)	-	(268)
Net gain on disposal of financial assets at fair value through other comprehensive income	-	-	665	-	-	-	-	665
Impairment loss on investment in an associate	-	-	-	(403,000)	-	-	-	(403,000)
Share of results of an associate	-	-	-	409,941	-	-	-	409,941
Share of results of jointly controlled entities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,386</u>	<u>-</u>	<u>12,386</u>
Profit before taxation	517,171	549,675	216,444	130,465	19,175	184,926	-	1,617,856
Taxation (expenses)/ credit	<u>(85,332)</u>	<u>(90,987)</u>	<u>(35,749)</u>	<u>(23,144)</u>	<u>(2,290)</u>	<u>550</u>	<u>-</u>	<u>(236,952)</u>
Profit for the period	<u>431,839</u>	<u>458,688</u>	<u>180,695</u>	<u>107,321</u>	<u>16,885</u>	<u>185,476</u>	<u>-</u>	<u>1,380,904</u>
For the six months ended 30 June 2018								
Depreciation and amortisation	35,050	7,403	2,719	20,855	1,112	22,711	-	89,850
As at 31 December 2018								
Segment assets	51,024,761	62,888,081	79,191,071	36,286,080	4,304,472	8,534,377	(4,927,364)	237,301,478
Segment liabilities	102,006,201	41,070,943	17,714,209	28,405,278	2,035,403	19,004,360	(4,927,364)	205,309,030



**19. Operating segment reporting (Continued)**

More than 90% of the revenues from external customers were contributed from banking subsidiaries in Hong Kong, Macau and People's Republic of China, with major products and services including deposit taking, extension of credit, asset-based finance, securities investment services offered to customers.

The following tables provide information by geographical area, which was determined with reference to the domicile of the legal entities within the Group with business dealing and relationship with, and services to external customers.

HK\$'000	Hong Kong and Others	Macau	Inter- segment elimination	Total
<b>For the six months ended 30 June 2019</b>				
Total operating income net of insurance claims	2,575,289	263,082	(534)	2,837,837
Profit before taxation	1,527,847	133,726	-	1,661,573
<b>At 30 June 2019</b>				
Total assets	219,752,966	23,202,661	(3,707,483)	239,248,144
Total liabilities	190,075,492	19,880,797	(3,707,483)	206,248,806
Intangible assets and goodwill	318,667	636,863	-	955,530
Contingent liabilities and commitments	<u>84,139,629</u>	<u>3,578,686</u>	<u>(93,707)</u>	<u>87,624,608</u>
	Hong Kong and Others	Macau	Inter- segment elimination	Total
<b>For the six months ended 30 June 2018</b>				
Total operating income net of insurance claims	2,694,895	276,684	(498)	2,971,081
Profit before taxation	1,463,246	154,610	-	1,617,856
<b>At 31 December 2018</b>				
Total assets	217,090,200	23,492,184	(3,280,906)	237,301,478
Total liabilities	188,456,162	20,133,774	(3,280,906)	205,309,030
Intangible assets and goodwill	318,667	636,863	-	955,530
Contingent liabilities and commitments	<u>82,731,376</u>	<u>3,372,969</u>	<u>(102,489)</u>	<u>86,001,856</u>

**FINANCIAL RATIOS**

	<b>Six months ended 30 Jun 2019</b>	Six months ended 30 Jun 2018
Net interest income/operating income	<b>72.8%</b>	72.1%
Cost to income ratio	<b>50.5%</b>	44.9%
Return on average total assets (annualised)	<b>1.3%</b>	1.4%
Return on average shareholders' funds (annualised)	<b>8.9%</b>	9.5%
Net interest margin	<b>1.90%</b>	2.09%

**INTERIM DIVIDEND**

The Directors have declared an interim dividend of HK\$0.39 per share for 2019 payable on Friday, 20 September 2019 to shareholders whose names are on the Register of Shareholders at the close of business on Monday, 16 September 2019.

**CLOSURE OF REGISTER OF SHAREHOLDERS**

For determining shareholders' entitlement to receive the interim dividend:

Closure dates of Register of Shareholders (both days inclusive)	12 September 2019 (Thursday) to 16 September 2019 (Monday)
Latest time to lodge transfers	4:30 p.m. on 11 September 2019 (Wednesday)
Record date	16 September 2019 (Monday)

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

## **CORPORATE AND BUSINESS OVERVIEW**

### **HIGHLIGHTS**

We adopted a somewhat cautious view on the outlook for 2019 at the beginning of the year, after considering a number of uncertainties and the outlook for a slower growth in the local economy. Economic and business conditions slowed notably in the first half of 2019, due to the impact of the trade war between the US and China and sluggish domestic demand, and local exports/imports and investment expenditures contracted notably when compared with the first half of 2018. Domestic GDP growth in Hong Kong was only 0.6% in the first quarter of the year, and 0.5% in the second quarter. Second quarter real GDP of Hong Kong declined by 0.4% when compared with the first quarter. The labour market was steady, with the domestic unemployment rate remaining low at 2.8%. Consumer price inflation, due to the increases in food prices and wages, and the reduction of certain government rates concession, went up somewhat in the second quarter, rising from 2.2% in the first quarter to 3.0% in the second quarter. Mainland economic growth also slowed modestly, declining from an annualised rate of 6.4% in the first quarter of the year, to 6.2% in the second. The US Federal Reserve maintained rates unchanged in the first half of the year, although had subsequently cut the Fed Funds rate by 0.25% at the end of July, the first rate cut since 2008. Meanwhile, Hong Kong rates have been volatile, with HIBOR moving up sharply towards the mid-year after having remained much below LIBOR for the early part of the year.

Despite the less favourable market environment, we are pleased to announce an increase in profit attributable to shareholders of 7.0% to HK\$1,114 million, driven both by an improved performance from our Banking Group, as well as stronger results from our insurance and investment activities during the period.

For the first half of the year, a dividend of HK\$0.39 per share was declared.

The Banking Group reported growth in profit attributable to shareholders of 0.6%, which was mainly attributable to a lower impairment charge on our investment in Bank of Chongqing. Underlying business performance weakened, both due to a squeeze in net interest margin as funding costs increased faster than the increase in our asset yields partly caused by the lower HIBOR during the first quarter this year, in addition to the softening in LIBOR during the first half, as well as substantially higher loan impairment charges for the period.

### **BUSINESS AND FINANCIAL REVIEW**

The core performance of our banking business in the first half of the year was weaker than in the previous year. Both net interest income and net fee and commission income were down modestly. Trading income was down very substantially, mainly due to the absence of an exceptional trading gain of HK\$128 million that was reported in the first half of 2018. The reduction in net interest income of around 3.5% was due mainly to funding costs remaining relatively high, whilst the reductions in market interest rates, particularly in Hong Kong dollars during first quarter, put pressure on our asset yields, leading to a contraction in net interest margin of 19bps to 1.90% compared with 2.09% in the first half of 2018. Slow growth in loan assets of 2.9% in the period was insufficient to offset the drop in net interest margin, thus resulting in lower overall net interest income for the period.

Net fee and commission income was down by 6.6% versus the same period last year. However, this was a relatively good result bearing in mind the much weaker conditions in local equity markets in the first half of the current year compared with 2018, when wealth management related revenues had contributed strongly to fee income. Wealth management, bancassurance and foreign exchange income all performed well despite the difficult market conditions. With the higher net operating and investment trading income generated by our insurance and investment activities, total operating income net of insurance claims in the period was moderately down by 4.5% when compared with first half 2018. Operating expenses increased by 7.5%, leading to a deterioration in our cost income ratio from 44.9% to 50.5%. Part of the increase in costs was related to investments in technology, which we see as an important part of the banking business going forward.

## **BUSINESS AND FINANCIAL REVIEW (Continued)**

The performance of our banking subsidiaries in Macau and China both reported weaker performance in the first half of the year. The lower contribution from Macau was driven by similar reasons to that in Hong Kong – a contracting net interest margin due to the interest rate environment, as well as weak loan volumes – in the case of our Macau subsidiary, a slight contraction. The performance of our China subsidiary was weaker mainly due to modest loan impairment charges in the first half of the year as compared to write-backs of impairment charges in the same period in 2018. Our associate company, Bank of Chongqing (“BOCQ”), reported slightly higher profit at the operating level, although we again made an impairment charge against its Value in Use (see below).

Credit quality remained generally good during the first half of the year, with a net impairment charge of HK\$92.7 million. Whilst this is a substantial increase over the net impairment charge for the same period in 2018 of only HK\$38.6 million (partly brought by a meaningful write-back of impairment provisions as a result of higher realisation value of some non-performing loan collateral properties sold), it should be noted that this represents a very low base for comparison purposes, and that we had already made a higher credit impairment charge during the second half of 2018 to reflect our cautious outlook for 2019 and to maintain sufficient credit impairment provisions at the end of 2018 to cover expected credit losses. Asset quality was generally good across both our retail and commercial banking businesses, although we recorded a lower write-back of impairment provisions in our commercial banking business in the period. We will continue to monitor closely the economic and business conditions given the current uncertain outlook.

In addition, following a periodic review of the Value in Use of our investment in BOCQ, we again made an impairment charge against the value of this investment, in the amount of HK\$70 million, in the period.

The general insurance businesses in Hong Kong and Macau continued to report strong growth in premium income, with net premium and other income increasing by around 50% in the first half of 2019, which was more than enough to offset the increase in net insurance claims and transfers to reserves. With improved income coming from investments, and higher trading and fair value gains on investments carried at fair value through profit or loss, and operating expenses well under control, profit generated from our general insurance businesses increased by nearly two times compared with the same period in 2018.

Outside the general insurance businesses, the contribution from our other group investments and liquid assets improved, although the absence of the exceptional trading gain, which was recorded in the first half of 2018, had depressed our overall investment results in the period recognised in the income statement and the year-on-year comparison.

Including both the results of our banking business and general insurance business, as well as the investment income referred to above, the Group generated a return on assets of 1.3% and ROE of 8.9% for the period.

As at 30 June 2019, Dah Sing Bank’s consolidated Common Equity Tier 1 ratio and total consolidated capital adequacy ratio were 13.3% and 17.9% respectively, similar to the levels at the end of 2018.

## **PROSPECTS**

Conditions in our core markets of Hong Kong, Macau and Mainland China have all weakened in the first half of 2019. More broadly, global economic conditions have also weakened and the outlook is more uncertain than it was last year. Expectations of interest rate rises in the US have changed to interest rate cuts, reflecting the weaker outlook for the US economy. The trade war between the US and China, despite optimistic predictions earlier in the year, has yet to be resolved.

Interest rates, particularly for Hong Kong Dollars and foreign exchange markets have increased in volatility into the middle of the year, and do not yet show signs of stabilization. In view of the slowing economy and other uncertainties, business is likely to slow for customers in certain trade and industry sectors. Last but not least, the recent events in Hong Kong may contribute to a weaker local economic outlook in the second half of the year.

All of this makes us more cautious for the second half of the year. Whilst at this stage we expect that our core businesses will remain relatively stable, at present the outlook remains uncertain.

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

During the six months ended 30 June 2019, the Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code (“CG Code”) under Appendix 14 of the Listing Rules, with the exception of code provision A.4.1.

Pursuant to code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The Non-Executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Company’s Articles of Association.

## **CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted its own code of conduct for directors’ securities dealing (“Directors’ Dealing Code”) on terms no less exacting than the prevailing required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) under Appendix 10 of the Listing Rules. Following specific enquiry, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code and the Directors’ Dealing Code throughout the six months ended 30 June 2019.

## **UNAUDITED FINANCIAL STATEMENTS**

The financial information in this interim results announcement is unaudited and does not constitute statutory financial statements.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2019.

## **REMUNERATION AND STAFF DEVELOPMENT**

There have been no material changes to the information disclosed in the Company’s 2018 Annual Report in respect of the remuneration of employees, remuneration policies and training schemes.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

A share buy-back deed was entered into between the Company and MUFG Bank, Ltd. (“MUFG”) on 28 March 2019 in relation to an off-market share buy-back by the Company of 15,500,000 issued shares of the Company held by MUFG (the “Share Buy-back”). Such shares were bought back by the Company on 28 March 2019 and cancelled on 29 March 2019. The aggregate consideration (before expenses) for the Share Buy-back was HK\$591,635,000. Details of the Share Buy-back are set out in the Company’s announcements dated 23 January 2019, 13 February 2019, 21 February 2019, 28 March 2019 and the Company’s circular dated 21 February 2019 respectively.

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2019.

## **INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (“HKEX”) at [www.hkexnews.hk](http://www.hkexnews.hk) and Dah Sing Bank at [www.dahsing.com](http://www.dahsing.com).

The 2019 Interim Report of the Group containing all the information required by the Listing Rules will be published on the websites of HKEX and Dah Sing Bank in due course. Printed copies of the 2019 Interim Report will be sent to shareholders who have elected to receive printed versions of the Company’s corporate communications before the end of September 2019.

**BOARD OF DIRECTORS**

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Managing Director and Chief Executive) and Gary Pak-Ling Wang (Deputy Chief Executive and Group Chief Financial and Operating Officer) as Executive Directors; Messrs. Eiichi Yoshikawa (Fumio Takamatsu as alternate) and Yoshikazu Shimauchi as Non-Executive Directors; Messrs. Robert Tsai-To Sze, Andrew Kwan-Yuen Leung, Paul Michael Kennedy, David Wai-Hung Tam and Paul Franz Winkelmann as Independent Non-Executive Directors.

By Order of the Board

**Doris W. N. Wong**

*Company Secretary*

Hong Kong, Wednesday, 28 August 2019