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 **大新金融集團有限公司**  
DAH SING FINANCIAL HOLDINGS LIMITED  
(Incorporated in Hong Kong with limited liability  
under the Companies Ordinance)  
(Stock Code: 0440)

 **大新銀行集團有限公司**  
DAH SING BANKING GROUP LIMITED  
(Incorporated in Hong Kong with limited liability  
under the Companies Ordinance)  
The holding company of Dah Sing Bank, Limited  
(Stock code: 2356)

## **Announcement in relation to the accounting treatment of the Investment in Bank of Chongqing Co., Ltd.**

This announcement is made by Dah Sing Financial Holdings Limited ("**DSFH**") and Dah Sing Banking Group Limited ("**DSBG**") jointly on a voluntary basis.

### **Background of the Investment**

DSFH and its subsidiaries (together, the "**Group**"), through Dah Sing Bank, Limited ("**DSB**"), a wholly-owned subsidiary of DSBG, acquired an initial stake of 17.0% in Bank of Chongqing Co., Ltd. ("**BOCQ**") in April 2007, which was subsequently increased to 20.0% in October 2008. Upon completion of BOCQ's H share offering on the Main Board of The Stock Exchange of Hong Kong Limited in November 2013 (stock code: 1963), DSB's shareholding in BOCQ was diluted to approximately 17.0%. Subsequent to a placing of H shares by BOCQ in December 2015, DSB's shareholding in BOCQ was further diluted to the current level of approximately 14.7%, represented by 459 million H shares in BOCQ (the investment of DSB in BOCQ constitutes the "**Investment**").

### **Accounting Treatment of the Investment**

The Investment has been accounted for as an associate since April 2007, with DSB's pro rata share of BOCQ's earnings being reported in the consolidated financial statements of each of DSB, DSBG and DSFH as share of results of an associate. This means that the Investment is held at a carrying value equivalent to the cost of the Investment, plus the share of BOCQ's earnings, less dividends received by DSB, and adjusted for currency changes etc. (the "**Carrying Value**"). The value of the Investment is reported in the financial statements of each of DSB, DSBG and DSFH as "Investment in an Associate" and as at 30 June 2017, this carrying value was HK\$4,709 million.

According to the relevant accounting standards, the value of the Investment is subject to regular impairment assessment. This means that a valuation exercise should be performed in the course of the preparation of the annual and interim results to assess the "Value in Use" of the Investment (the "**VIU**"). If the VIU remains above the Carrying Value, then no impairment is recognized. If, however, the VIU falls below the Carrying Value, then an impairment charge, which is equal to the difference in value between the VIU and the Carrying Value, will be recognized.

Up to 30 June 2017, the VIU has been above the Carrying Value, and hence no impairment charge has been made. However, in recent periods, whilst the Carrying Value has continued to increase, due to the profit contribution made by BOCQ, the VIU has decreased leading to a narrowing in the difference between the VIU and the Carrying Value. It is therefore possible that in future

assessments, the VIU may fall below the Carrying Value, in which case an impairment charge may become necessary in the financial results of DSB, DSBG and DSFH as set out above.

If such an impairment charge should become necessary, it will have different impacts on the reported earnings of the Group and capital adequacy of DSB. As regards the earnings impact, any impairment charge would be recognized in the income statement of each of DSB, DSBG and DSFH, and would therefore reduce their respective pre-tax earnings accordingly, other things being equal. It is important to note that any such impairment charge would be a non-cash item, and will not affect the cash position or liquidity of any of DSB, DSBG or DSFH.

As regards the impact on the capital adequacy of DSB, any such impairment charge would have no impact. The calculation of DSB's capital adequacy does not include the retained earnings from the Investment, and therefore any impairment charge in the financial statements of DSB (provided that the Investment continues to be held at or above cost of the initial investment) will have no impact on capital adequacy.

**Shareholders and potential investors are reminded that no decision has yet been made as to whether an impairment charge to the Investment will be necessary, or if so, the quantum of any such impairment charge.** Up to and including 30 June 2017, the VIU was still above the Carrying Value. However, in view of the narrowing of the difference between VIU and Carrying Value over time, further information to ensure that shareholders are aware of the accounting treatment as regards the Group's investment in BOCQ was felt to be relevant information.

By Order of the Board  
**DAH SING FINANCIAL HOLDINGS LIMITED**  
**Doris W. N. Wong**  
*Company Secretary*

By Order of the Board  
**DAH SING BANKING GROUP LIMITED**  
**Doris W. N. Wong**  
*Company Secretary*

Hong Kong, 5 December 2017

*As at the date of this announcement, the Board of DSFH 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) as Executive Directors; Messrs. Eiichi Yoshikawa (Hidekazu Horikoshi as alternate), Kenichi Yamato and John Wai-Wai Chow as Non-Executive Directors; Messrs. Robert Tsai-To Sze, Lon Dounn, Seiji Nakamura and Blair Chilton Pickerell as Independent Non-Executive Directors.*

*As at the date of this announcement, the Board of DSBG comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Vice Chairman, Managing Director and Chief Executive), Gary Pak-Ling Wang (Group Chief Financial and Operating Officer) and Nicholas John Mayhew (Deputy Chief Executive) as Executive Directors; Mr. Jun Fujimoto as Non-Executive Director; Messrs. Robert Tsai-To Sze, Andrew Kwan-Yuen Leung, Seng-Lee Chan and Yuen-Tin Ng as Independent Non-Executive Directors.*