大新銀行集團有限公司
DahSingBankingGroupLimited

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

The holding company of Dah Sing Bank, Limited and MEVAS Bank Limited

(Stock Code: 2356)

ANNOUNCEMENT OF 2005 INTERIM RESULTS

The Directors of Dah Sing Banking Group Limited (the "Company") are pleased to present the interim results and condensed consolidated accounts of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2005. The unaudited profit attributable to shareholders after minority interests was HK$460.6 million for the six months ended 30th June 2005.

UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited 2005 interim condensed consolidated accounts of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June

	Note	**2005** *HK$'000*	2004 *HK$'000*	Variance *%*
Interest income		**1,249,381**	1,151,780	
Interest expense		**(604,491)**	(285,529)	
Net interest income		**644,890**	866,251	–25.6
Fee and commission income		**232,325**	258,075	
Fee and commission expense		**(27,107)**	(26,337)	
Net fee and commission income		**205,218**	231,738	–11.4
Net trading income	3	**61,013**	37,853	61.2
Other operating income	4	**25,699**	24,393	
Total operating income		**936,820**	1,160,235	–19.3
Operating expenses	5	**(442,723)**	(399,185)	10.9
Operating profit before impairment charges/provisions		**494,097**	761,050	–35.1
Impairment charges on loans and advances/charge for bad and doubtful debts	6			
– Continuing operations		**(30,869)**	(143,632)	–78.5
– Discontinued operation		**–**	(9)	
Operating profit after impairment charges/provisions		**463,228**	617,409	–25.0
Net loss on disposal of fixed assets		**(233)**	(514)	
Net gain on disposal of available-for-sale securities/non-trading securities		**90,006**	35,212	155.6
Profit on ordinary activities		**553,001**	652,107	–15.2
Share of results of jointly controlled entities		**900**	4,139	
Net other contribution from discontinued operation		**–**	276	
Reorganisation costs		**–**	(10,849)	
Profit before taxation		**553,901**	645,673	–14.2
Taxation	7			
– Continuing operations		**(92,006)**	(105,318)	–12.6
– Discontinued operation		**–**	(47)	
Profit for the period		**461,895**	540,308	–14.5
Profit attributable to minority interests		**(1,259)**	(1,407)	
Profit attributable to shareholders		**460,636**	538,901	–14.5
Dividend				
Interim dividend		**211,561**	211,561	
Earnings per share	8			
Basic		**HK$0.50**	HK$0.66	
Diluted		**N/A**	N/A	
Dividend per share				
Interim dividend		**HK$0.23**	HK$0.23	

UNAUDITED CONSOLIDATED BALANCE SHEET

	Note	As at 30th June 2005 *HK$'000*	Restated As at 31st Dec. 2004 *HK$'000*
ASSETS			
Cash and short-term funds	9	**13,539,982**	14,097,786
Placements with banks and other financial institutions maturing between one and twelve months		**2,725,491**	463,230
Trade bills	10	**621,462**	563,170
Certificates of deposit held		**485,419**	195,744
Derivative financial instruments		**74,626**	–
Securities measured at fair value through profit or loss	11	**1,168,398**	–
Trading securities	12	**1,792,456**	2,568,170
Advances and other accounts	15	**36,326,387**	33,702,549
Current and deferred tax assets		**10,662**	38,252
Available-for-sale securities	14	**15,818,587**	–
Non-trading securities	14	**–**	17,444,626
Held-to-maturity securities	13	**233,094**	1,296,927
Investments in jointly controlled entities		**27,980**	27,080
Bank premises		**553,537**	560,593
Investment properties		**245,737**	246,332
Other fixed assets		**89,666**	107,479
Total assets		**73,713,484**	71,311,938
LIABILITIES			
Deposits and balances of banks and other financial institutions		**474,075**	215,702
Deposits from customers	17	**42,753,988**	43,477,448
Deposits from customers designated at fair value through profit or loss		**1,355,845**	–
Financial liabilities designated at fair value through profit or loss		**8,530,193**	–
Certificates of deposit issued		**7,053,374**	8,452,136
Issued debt securities		**2,319,339**	2,332,305
Derivative financial instruments		**30,244**	–
Current and deferred tax liabilities		**87,893**	4,804
Other accounts and accruals		**1,104,508**	8,107,662
Subordinated debts		**2,157,312**	971,794
Total liabilities		**65,866,771**	63,561,851
EQUITY			
Share capital		**919,831**	919,831
Reserves		**6,694,075**	6,460,730
Proposed dividend		**211,561**	349,536
Shareholders' funds	18	**7,825,467**	7,730,097
Minority interests		**21,246**	19,990
Total equity		**7,846,713**	7,750,087
Total equity and liabilities		**73,713,484**	71,311,938

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June

	Note	2005 HK$'000	Restated 2004 HK$'000
OPERATING ACTIVITIES			
Cash (absorbed by)/generated from operations	20	**(887,060)**	1,006,247
Interest paid on subordinated debt and debt securities issued		**(99,546)**	(7,384)
Interest paid on certificates of deposit issued		**(64,567)**	(62,510)
Hong Kong profits tax paid		**–**	(16,403)
Net cash (outflow)/inflow from operating activities		**(1,051,173)**	919,950
INVESTING ACTIVITIES			
Purchase of fixed assets		**(4,921)**	(13,626)
Proceeds from disposal of fixed assets		**106**	1,737
Reorganisation costs paid		**–**	(4,896)
Proceeds from disposal of a subsidiary		**–**	(1,284)
Net cash outflow from investing activities		**(4,815)**	(18,069)
Net cash (outflow)/inflow before financing		**(1,055,988)**	901,881
FINANCING			
Certificates of deposit issued		**1,345,989**	1,199,290
Certificates of deposit redeemed		**(2,782,062)**	(7,903)
Issue of subordinated debt		**1,160,550**	–
Issue of ordinary shares		**–**	1,230,199
Dividends paid on ordinary shares		**(349,536)**	(205,662)
Dividend paid to minority shareholder of a subsidiary		**–**	(1,838)
Net cash (outflow)/inflow from financing		**(625,059)**	2,214,086
(Decrease)/increase in cash and cash equivalents		**(1,681,047)**	3,115,967
Cash and cash equivalents at beginning of the period		**12,878,287**	6,825,537
Cash and cash equivalents at end of the period		**11,197,240**	9,941,504
Analysis of the balance of cash and cash equivalents:			
Cash and balances with banks and other financial institutions		**1,535,798**	1,387,862
Money at call and short notice		**5,071,840**	5,040,894
Treasury bills with original maturity within three months		**2,560,904**	3,768,871
Placements with banks and other financial institutions with original maturity within three months		**2,490,491**	–
Deposits and balances of banks and other financial institutions with original maturity within three months		**(461,793)**	(256,123)
		11,197,240	9,941,504

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June

	2005 HK$'000	Restated 2004 HK$'000
Shareholders' fund as at 1st January, as previously reported	**7,730,907**	5,680,469
Minority interests as at 1st January, as previously presented separately	**19,990**	19,120
Effect of changes in accounting policies required to be applied retrospectively	**(810)**	–
	7,750,087	5,699,589
Opening adjustments for the adoption of HKAS 39 and HKAS Int-21	**128,238**	–
Total equity as at 1st January, as restated	**7,878,325**	5,699,589
Change in fair value of available-for-sale/non-trading securities	**(76,100)**	(211,230)
Deferred tax liabilities released on premises and investment revaluation	**22,156**	14,031
Exchange differences arising from translation of the financial statements of a foreign subsidiary	**(21)**	327
Net losses not recognised in the profit and loss account	**(53,965)**	(196,872)
Profit for the period	**461,895**	540,308
Issue of ordinary shares	**–**	1,230,199
Reserves transferred to profit and loss account upon disposal of available-for-sale/non-trading securities	**(90,006)**	(35,212)
Dividend paid on ordinary shares	**(349,536)**	(205,662)
Dividend paid to minority shareholder of a subsidiary	**–**	(1,838)
Reserves pertaining to a subsidiary disposed of as part of Reorganisation in 2004	**–**	(1,173)
Total equity as at 30th June	**7,846,713**	7,029,339

Notes:

1. Basis of preparation and accounting policies

Dah Sing Banking Group Limited (the "Company") is a bank holding company. Its principal subsidiaries include Dah Sing Bank, Limited and MEVAS Bank Limited, which are both licensed banks in Hong Kong. The Company together with all its subsidiaries (collectively the "Group") provide banking, financial and related services.

The accounting policies and methods of computation used in the preparation of the 2005 interim condensed consolidated accounts are consistent with those used and described in the annual accounts for the year ended 31st December 2004 except that the Group has changed certain of its accounting policies following the adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS", collectively the "new HKFRS") issued by HKICPA which are effective for accounting periods commencing on or after 1st January 2005.

2. Changes in accounting policies

2.1 Effect of adopting new HKFRS

In 2005, the Group adopted the following new/revised standards of HKFRS, which are relevant to its operations. All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than HKFRS2, HKAS 39 and HKAS 40 as discussed in further details below. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

2.1.1. HKFRS 2 Share-based Payments

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments pursuant to which the fair value of the liability on cash-settled share-based transactions is determined at each reporting date by way of an option pricing model until it is settled. The changes in the fair value are taken to the profit and loss account. As a transitional provision, retrospective application to the extent the liability is still outstanding as at 1st January 2005 is made and corresponding restatement to 2004 comparatives is made.

2.1.2 HK(SIC) Interpretation 21 Income taxes-Recovery of revalued non-depreciable assets ("HK (SIC) Int-21")

The adoption of HK(SIC) Int-21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Under the new policy, deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying value of that asset was expected to be recovered through sale. As there would have been no tax payable on the disposal of the Group's investment properties, no deferred tax on the revaluation surplus was provided.

2.1.3 HKAS 39 Financial instruments: Recognition and Measurement

The adoption of HKAS 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

HKAS 39 does not permit to recognise, derecognise nor measure financial assets and liabilities in accordance with the standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to investments in securities prior to 1st January 2005. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised as at 1st January 2005.

2.1.4 HKAS 40 Investment Property

The adoption of revised HKAS 40 has resulted in a change in the accounting policy relating to investment properties of which the changes in fair values are recorded in the profit and loss account as part of other income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair values were first set off against increases in earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account.

2.2 Effect of changes in the accounting policies on opening consolidated balance sheet as at 1st January 2005

	Before restatement *HK$'000*	HKFRS 2 *HK$'000*	HK(SIC) Int 21 *HK$'000*	HKAS 39 *HK$'000*	After restatement *HK$'000*
Increase/(decrease) in equity as at 1st January 2005					
Premises revaluation	281,894	–	(9,359)	–	272,535
Investment revaluation reserve	75,684	–	–	(14,790)	60,894
Retained earnings	3,919,873	(810)	–	152,387	4,071,450
At 1st January 2005	4,277,451	(810)	(9,359)	137,597	4,404,879
Increase/(decrease) in assets as at 1st January 2005					
Cash and short-term funds	14,097,786	–	–	(1,204)	14,096,582
Securities measured at fair value through profit or loss	–	–	–	1,267,916	1,267,916
Available-for-sale securities	–	–	–	17,139,337	17,139,337
Trading securities	2,568,170	–	–	–	2,568,170
Non-trading securities	17,444,626	–	–	(17,444,626)	–
Held-to-maturity securities	1,296,927	–	–	(988,230)	308,697
Advances and other accounts, and trade bills	34,265,719	–	–	(21,269)	34,244,450
Derivative financial instruments	–	–	–	8,430	8,430
	69,673,228	–	–	(39,646)	69,633,582
(Increase)/decrease in liabilities as at 1st January 2005					
Deposits from customers	(43,477,448)	–	–	767,901	(42,709,547)
Deposit from customers designated at fair value through profit or loss	–	–	–	(752,532)	(752,532)
Financial liabilities designated at fair value through profit or loss	–	–	–	(6,415,028)	(6,415,028)
Other accounts and provisions	(8,106,680)	(982)	–	6,619,776	(1,487,886)
Current and deferred tax liabilities	(4,976)	172	(9,359)	(34,111)	(48,274)
Derivative financial instruments	–	–	–	(8,763)	(8,763)
	(51,589,104)	(810)	(9,359)	177,243	(51,422,030)
	18,084,124	(810)	(9,359)	137,597	18,211,552

2.3 Effect of changes in the accounting policies on profit and loss account

	2005 *HK$'000*	2004 *HK$'000*
Increase/(decrease) in profit before taxation for the six months ended 30th June		
HKFRS 2		
Change in fair value of the liability on cash-settled share-based transactions	**(681)**	–
HKAS 39		
Valuation changes in respect of trading securities	**1,391**	N/A
Reduction of interest income from discontinued accrual on funding swaps	**(35,663)**	N/A
Revaluation gain from funding swaps	**53,507**	N/A
Release of impairment charges on loans and advances	**20,413**	N/A
	39,648	N/A
	38,967	–
Effect on earnings per share		
Basic	**HK$0.04**	N/A

2.4 New accounting policies

The accounting policies used for the 2005 interim condensed consolidated accounts are the same as those set out in note 1 to the 2004 annual accounts except for the following:

2.4.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in HK dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity.

2.4.2 Share-based compensation

The Group operates a share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions.

2.4.3 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Investment property is measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value and is valued annually by independent professional valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

The fair value of investment property reflects, amongst other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Changes in fair values are recognised in the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as premises, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account.

2.4.4 Impairment of assets and loans and advances

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment or are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Impairment allowances are made on a loan when there is objective evidence of impairment as a result of the occurrence of certain loss events that will impact on the estimated future cash flows of the loan. Impairment provisions for loans assessed individually are measured as the difference between the carrying value and the present value of estimated future cash flows discounted at the original effective interest rate of the individual loan. Collective assessment of impairment for individually insignificant loans or loans where no impairment has been identified on an individual basis is made using formula-based approaches or statistical methods. Historical delinquency, loss and external market factors such as economic growth and unemployment rates, to the extent relevant, are considered.

2.4.5 Revenue recognition-Interest income

Interest income is recognised on a time-proportion basis using the effective interest method except for mortgage loans. Given the requirement of the Hong Kong Monetary Authority on straight-lone amortisation of cash rebate for mortgage loans within the prepayment penalty period and the immateriality of the financial impact, no adjustment has been made to the accounts.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

2.4.6 Investments in securities

From 1st January 2004 to 31st December 2004:

The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as non-trading securities or trading securities.

(a) Non-trading securities

Investments which were held for non-trading purpose were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the security was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with in the profit and loss account.

Where there was objective evidence that individual investments were impaired, the cumulative loss recorded in the revaluation reserve was taken to the profit and loss account.

(b) Trading securities

Trading securities were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the profit and loss account. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the profit and loss account as they arose.

From 1st January 2005 onwards:

The Group classifies its investments in securities in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

(a) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term (held for trading) or if so designated by management at inception. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are measured at fair value with all holding gains and loss recognised in the profit and loss account.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity ("HTM") securities are measured at amortised cost less any impairment loss.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives financial assets that are either designated in this category or not classified in any of the other categories.

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account-is removed from equity and recognised in the profit and loss account.

2.4.7 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are measured at amortised cost less any impairment loss.

2.4.8 Derivative financial instruments and hedging activities

From 1st January 2004 to 31st December 2004

Derivative financial instruments were designated as hedging or non-hedging instruments. The transactions that, according to the Group's policy for risk management, were able to meet the conditions for hedge accounting were classified as hedging transactions; the others including derivatives held for trading or held for the purpose of managing risk were designated as trading. The Group recorded derivative financial instruments at cost. The gains and losses on derivative financial instruments were included in the profit and loss account on maturity to match the underlying hedged transactions where relevant.

For foreign exchange instruments designated as hedges, the premium (or discount) representing the difference between the spot exchange rate at the inception of the contract and the forward exchange rate was included in the profit and loss account, in financial income and expenses, in accordance with the accrual method.

For interest rate instruments designated as hedges, the interest rate differential was included in the profit and loss account, in financial income and expenses, in accordance with the accrual method, offsetting the effects of the hedged transaction. Derivative financial instruments designated as trading instruments were valued at period-end market value, and the difference between the nominal contract value and fair value was recorded in the income statement under financial income and expenses.

From 1st January 2005 onwards

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that qualify and are designated as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the profit and loss account.

2.4.9 Deposits from customers/financial liabilities designated at fair value through profit or loss

From 1st January 2005 onwards

Certain deposits from customers with embedded derivatives are carried at fair value with the change in fair value recognised through the profit and loss account. Deposits in this category are fully hedged by corresponding derivatives or financial assets with embedded derivatives entered into on a back-to-back basis. The change in fair value of such liabilities is recognised through profit and loss account, which offsets the gains or losses brought about by the change in value of the related hedging derivatives or financial assets.

Financial liabilities designated as fair value through profit or loss consist of short positions on trading securities or securities sold under repo agreement. These liabilities are carried at fair value, any unrealised gains or losses are disclosed as net trading income.

3. Net trading income
For the six months ended 30th June

	2005 *HK$'000*	2004 *HK$'000*
Net gain from foreign exchange		
Net loss from trading securities and derivatives	**93,999**	43,047
	(32,986)	(5,194)
	61,013	37,853

4. Other operating income
For the six months ended 30th June

	2005 *HK$'000*	2004 *HK$'000*
Dividend income from investments in securities		
Listed investments	**3,516**	2,452
Unlisted investments	**10,463**	8,260
Gross rental income from investment properties	**5,519**	5,510
Other rental income	**2,937**	2,545
Others	**3,264**	5,626
	25,699	24,393

5. Operating expenses
For the six months ended 30th June

	2005 *HK$'000*	2004 *HK$'000*
Staff costs (including directors' remuneration)		
– Salaries and other costs	**245,244**	232,654
– Pension costs	**13,530**	13,536
Premises and other fixed assets		
Rental of premises	**16,538**	17,072
Others	**29,820**	27,045
Depreciation	**30,566**	30,738
Auditors' remuneration	**1,337**	1,246
Other operating expenses	**105,688**	76,894
	442,723	399,185

Rental of premises under operating leases is stated net of rental income received from sub-lease agreements with third parties.

6. Impairment charges on loans and advances/charge for bad and doubtful debts
For the six months ended 30th June

	2005 *HK$'000*	2004 *HK$'000*	Variance *%*
Loan impairment charges/charge for bad and doubtful debts			
– individually assessed/specific provisions charged	**4,442**	110,534	
– collectively assessed/general provisions charged			
– continuing operations	**26,427**	33,098	
– discontinued operation	**–**	9	
	30,869	143,641	–78.5
Of which:			
– new and additional			
– continuing operations	**78,255**	172,663	
– discontinued operation	**–**	9	
– recoveries	**(47,386)**	(29,031)	
	30,869	143,641	–78.5

7. Taxation
For the six months ended 30th June

Hong Kong profits tax has been provided at 17.5% (2004: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2004: 17.5%). Deferred tax asset on tax losses incurred by a subsidiary has been recognised to the extent that it is probable that taxable profit will be available against which these tax losses can be utilised.

The amount of taxation (credited)/charged to the consolidated profit and loss account during the period represents:

	2005	2004
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax		
– Continuing operations	**91,382**	108,097
– Discontinued operation	**–**	47
	91,382	108,144
– Overseas taxation	**624**	780
Deferred taxation		
– relating to the origination and reversal of temporary differences	**–**	(3,559)
	92,006	105,365

8. Basic and diluted earnings per share

The calculation of basic earnings per share is based on earnings of HK$460,636,000 (2004: HK$538,901,000) and the weighted average number of 919,830,827 (2004: 810,450,000) shares in issue during the period.

No calculation of diluted earnings per share is made as there are no outstanding instruments which may present a dilutive effect to basic earnings per share throughout the periods.

9. Cash and short-term funds

	As at 30th June 2005	As at 31st Dec. 2004
	HK$'000	*HK$'000*
Cash and balances with banks and other financial institutions	**1,535,798**	1,426,432
Money at call and short notice	**5,071,840**	7,567,931
Treasury bills (including Exchange Fund Bills)	**6,932,344**	5,103,423
	13,539,982	14,097,786

An analysis of treasury bills held is as follows:

	As at 30th June 2005	As at 31st Dec. 2004
Trading securities, at fair value		
– Unlisted	**2,560,904**	3,610,361
Available-for-sale securities/non-trading securities, at fair value		
– Unlisted	**4,371,440**	1,493,062
	6,932,344	5,103,423

10. Trade bills

	As at 30th June 2005	As at 31st Dec. 2004
	HK$'000	*HK$'000*
Trade bills	**623,788**	568,859
Impairment allowance on loans and advances – collectively assessed/general provisions for bad and doubtful debts	**(2,326)**	(5,689)
	621,462	563,170

Trade bills comprised an amount of HK$2,605,000 which had been overdue for less than three months but over one month as at 30th June 2005 (31st December 2004: an amount of HK$215,000 which had been overdue for six months or less but over three months).

11. Securities measured at fair value through profit or loss

	As at 30th June 2005
At fair value:	***HK$'000***
Debt securities	
– Listed in Hong Kong	**131,120**
– Unlisted	**1,037,278**
	1,168,398
Trading securities are analysed by issuer as follows:	
– Banks and other financial institutions	**480,037**
– Corporate entities	**688,361**
	1,168,398

12. Trading securities

	As at 30th June 2005	As at 31st Dec. 2004
At fair value:	***HK$'000***	*HK$'000*
Debt securities		
– Listed in Hong Kong	**1,150,911**	2,223,602
– Listed outside Hong Kong	**310,132**	–
– Unlisted	**331,413**	344,568
	1,792,456	2,568,170
Trading securities are analysed by issuer as follows:		
– Central governments and central banks	**1,437,915**	2,200,189
– Public sector entities	**354,541**	367,981
	1,792,456	2,568,170

13. Held-to-maturity securities

	Six months ended 30th June 2005 *HK$'000*	Year ended 31st Dec. 2004 *HK$'000*
Balance as at beginning of period/year, as previously reported	**1,296,927**	392,198
Less: reclassification to securities measured at fair value through profit or loss on adoption of HKAS 39	**(988,230)**	–
Balance as at beginning of period/year, as restated	**308,697**	392,198
Amortisation of discount	**(78)**	2,903
Additions	**–**	1,080,481
Repayments	**–**	(1,244)
Securities matured during the period/year	**(75,481)**	(177,856)
Exchange difference	**(44)**	445
Balance as at end of period/year	**233,094**	1,296,927
Debt securities, at amortised cost		
– Listed outside Hong Kong	**233,094**	93,364
– Unlisted	**–**	1,203,563
	233,094	1,296,927
Market value of listed securities	**233,088**	93,338
Held-to-maturity securities are analysed by issuer as follows:		
– Banks and other financial institutions	**194,233**	726,007
– Corporate entities	**38,861**	570,920
	233,094	1,296,927

14. Available-for-sale securities/non-trading securities

At fair value:	**Available-for-sale securities as at 30th June 2005** *HK$'000*	Non-trading securities as at 31st Dec. 2004 *HK$'000*
Debt securities		
– Listed in Hong Kong	**1,773,817**	661,428
– Listed outside Hong Kong	**7,691,245**	8,713,603
– Unlisted	**5,690,330**	7,600,602
	15,155,392	16,975,633
Equity securities		
– Listed in Hong Kong	**183,624**	87,785
– Listed outside Hong Kong	**52,797**	53,562
– Unlisted		
– Interests in investment funds	**416,915**	317,741
– Shares in other unlisted companies	**9,859**	9,905
	663,195	468,993
	15,818,587	17,444,626
Available-for-sale securities/non-trading securities are analysed by issuer as follows:		
– Central governments and central banks	**759,580**	981,982
– Public sector entities	**608,586**	2,107,925
– Banks and other financial institutions	**8,018,121**	9,731,598
– Corporate entities	**6,430,772**	4,621,593
– Others	**1,528**	1,528
	15,818,587	17,444,626

15. Advances and other accounts

	As at 30th June 2005 *HK$'000*	As at 31st Dec. 2004 *HK$'000*	Variance *%*
Advances to customers	**35,672,991**	32,528,414	9.7
Loan impairment allowances/Provisions for bad and doubtful debts:			
– individually assessed/specific	**(95,730)**	(147,071)	
– collectively assessed/general	**(125,226)**	(318,753)	
	35,452,035	32,062,590	
Advances to banks and other financial institutions	**77,719**	15,549	
Loan impairment allowances/Provisions for bad and doubtful debts:			
– collectively assessed/general	**(777)**	(155)	
	76,942	15,394	
Other accounts	**797,535**	1,624,620	
Provisions against other accounts	**(125)**	(55)	
	797,410	1,624,565	
	36,326,387	33,702,549	

(a) *Gross advances to customers by industry sector*

	As at 30th June 2005 *HK$'000*	As at 31st Dec.2004 *HK$'000*	Variance *%*
Industrial, commercial and financial			
– Property development	**100,026**	179,157	–44.2
– Property investment	**3,770,037**	3,100,094	21.6
– Financial concerns	**617,878**	537,898	14.9
– Stockbrokers	**30,169**	14,978	101.4
– Wholesale and retail trade	**1,165,517**	1,033,707	12.8
– Manufacturing	**2,843,486**	2,756,340	3.2
– Transport and transport equipment	**2,466,416**	1,904,984	29.5
– Others	**1,097,241**	1,009,823	8.7
	12,090,770	10,536,981	14.7
Individuals			
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**2,035,424**	2,143,031	–5.0
– Loans for the purchase of other residential properties	**10,457,447**	9,950,171	5.1
– Credit card advances	**2,420,805**	2,356,865	2.7
– Others	**3,854,617**	3,476,438	10.9
	18,768,293	17,926,505	4.7
Loans for use in Hong Kong	**30,859,063**	28,463,486	8.4
Trade finance	**3,890,896**	3,340,369	16.5
Loans for use outside Hong Kong	**923,032**	724,559	27.4
	35,672,991	32,528,414	9.7

Over 90% of gross advances to customers were extended to customers located in Hong Kong.

(b) *Impaired loans/Non-performing loans*

The amount of impaired loans are as follows:

	As at 30th June 2005 *HK$'000*	As at 31st Dec. 2004 *HK$'000*
Gross impaired loans/Gross non-performing loans	**357,118**	311,928
Loan impairment allowances/Specific provisions made	**(124,923)**	(137,258)
Net impaired loans/Net non-performing loans	**232,195**	174,670
Loan impairment allowances/Specific provisions as a percentage of gross impaired loans	**35.0%**	44.0%
Gross impaired loans/non-performing loans as a percentage of gross advances to customers	**1.00%**	0.96%

Impaired loans are those advances where full repayment of principal and/or interest is considered unlikely and are so classified as soon as such a situation becomes apparent. Impairment allowances are made to write down the carrying value of the advances to the discounted value of future recoverable amounts, including the realisation of collateral. Prior to 1st January 2005, non-performing loans were loans and advances to customers on which interest is being placed in suspense or on which interest accrued has ceased.

(c) *Overdue advances*

	As at 30th June 2005 *HK$'000*	**% of Advances to Customers**	As at 31st Dec. 2004 *HK$'000*	% of Advances to Customers
Gross advances overdue for:				
Six months or less but over three months	**34,474**	**0.10**	72,042	0.22
One year or less but over six months	**28,730**	**0.08**	75,051	0.23
Over one year	**80,358**	**0.22**	86,347	0.27
	143,562	**0.40**	233,440	0.72
The amount on which interest is still being accrued	**4,253**		16,378	
Market value of securities held against the secured advances	**136,286**		165,013	
Secured overdue advances	**103,790**		127,727	
Unsecured overdue advances	**39,772**		105,713	

(d) *Rescheduled advances (net of those which have been overdue for over three months and reported as part of Overdue advances above)*

	As at 30th June 2005 *HK$'000*	**% of Advances to Customers**	As at 31st Dec. 2004 *HK$'000*	% of Advances to Customers
Rescheduled advances	**86,592**	**0.24**	114,762	0.35

Apart from those overdue trade bills disclosed in Note 10, there were no advances to banks and financial institutions nor other assets that were classified as overdue and rescheduled assets as at 30th June 2005 and 31st December 2004.

(e) *Repossessed assets*

Advances with repossessed collateral assets will continue to be accounted for as customer advances. Upon the repossession of collateral assets for realisation in recovering customer advances, the advances are adjusted to the net realisable value of the repossessed assets, which are revalued periodically. Impairment provisions are measured as the difference between the carrying value of outstanding advances and the present value of the estimated future cash flows including the expected sales proceeds from the realisation of the repossessed assets.

The repossessed assets of the Group were as follows:

	As at 30th June 2005 HK$'000	As at 31st Dec. 2004 HK$'000
Repossessed properties	**11,218**	22,163

The amount represents the estimated market value of the repossessed assets as at 30th June 2005 and 31st December 2004 respectively.

16. Impairment allowances against advances to customers

	Individually assessed HK$'000	Collectively assessed HK$'000	Total HK$'000
At 1st January 2005	**117,429**	**136,319**	**253,748**
Amounts written off	**(34,646)**	**(70,100)**	**(104,746)**
Recoveries of advances written off in previous years	**11,578**	**35,808**	**47,386**
New impairment allowances charged to profit and loss account	**4,442**	**26,427**	**30,869**
Unwind of discount of impairment allowance	**(3,073)**	**–**	**(3,073)**
At 30th June 2005	**95,730**	**128,454**	**224,184**

17. Deposits from customers

	As at 30th June 2005 HK$'000	As at 31st Dec. 2004 HK$'000
Demand deposits and current account	**3,750,756**	4,509,787
Savings deposits	**6,567,938**	8,384,517
Time, call and notice deposits	**32,435,294**	30,583,144
	42,753,988	43,477,448

18. Shareholders' funds

	As at 30th June 2005 HK$'000	Restated As at 31st Dec. 2004 HK$'000
Share capital	**919,831**	919,831
Reserves		
Share premium	**2,054,513**	2,054,513
Consolidation reserve	**(220,986)**	(220,986)
Premises revaluation reserve	**272,535**	281,894
Investment revaluation reserve	**(83,059)**	75,684
Exchange reserve	**(172)**	(156)
General reserve	**700,254**	700,254
Retained earnings	**3,970,990**	3,569,527
	6,694,075	6,460,730
Proposed dividend	**211,561**	349,536
Total	**7,825,467**	7,730,097

In accordance with the Hong Kong Monetary Authority ("HKMA") guideline "Impact of the New Hong Kong Accounting Standards on Authorized Institutions' Capital Base and Regulatory Reporting", Dah Sing Bank ("DSB") has earmarked a "Regulatory Reserve" from general reserve for an amount of HK$244,835,000 which, together with the DSB's collective impairment allowances after the adoption of HKAS 39, is included as supplementary capital in the capital base of DSB as at 30th June 2005. The regulatory reserve is not distributable without the consent of the HKMA.

19. Maturity profile

	As at 30th June 2005						
	Repayable on demand *HK$'000*	**3 months or less** *HK$'000*	**1 year or less but over 3 months** *HK$'000*	**5 years or less but over 1 year** *HK$'000*	**After 5 years** *HK$'000*	**Undated** *HK$'000*	**Total** *HK$'000*
Assets							
Treasury bills	–	**983,150**	**5,949,194**	–	–	–	**6,932,344**
Placements with banks and other financial institutions	–	**2,725,491**	–	–	–	–	**2,725,491**
Certificates of deposit held	–	**385,543**	–	**99,876**	–	–	**485,419**
Advances to customers	**4,643,382**	**6,687,666**	**3,703,021**	**20,087,181**	**315,029**	**236,712**	**35,672,991**
Advances to banks and other financial institutions	–	–	–	**77,719**	–	–	**77,719**
Debt securities included in:							
– Fair value through profit or loss	–	**983,189**	**185,209**	–	–	–	**1,168,398**
– Trading securities	–	**56,572**	**172,699**	**1,467,236**	**95,949**	–	**1,792,456**
– Held-to-maturity securities	–	**31,270**	**124,058**	**77,766**	–	–	**233,094**
– Available-for-sale securities	–	**1,194,821**	**2,324,302**	**5,230,744**	**6,401,447**	**4,078**	**15,155,392**
Derivative financial instruments	–	**7,549**	**29,358**	**35,569**	**2,150**	–	**74,626**
	4,643,382	**13,055,251**	**12,487,841**	**27,076,091**	**6,814,575**	**240,790**	**64,317,930**
Liabilities							
Deposits and balances of banks and other financial institutions	**205,460**	**268,615**	–	–	–	–	**474,075**
Deposits from customers	**10,564,110**	**30,162,906**	**1,954,456**	**72,516**	–	–	**42,753,988**
Certificates of deposit issued	–	**1,147,099**	**3,220,245**	**2,686,030**	–	–	**7,053,374**
Deposits from customers designated at fair value through profit or loss	–	**1,305,510**	**50,335**	–	–	–	**1,355,845**
Financial liabilities designated at fair value through profit or loss	–	**6,835,403**	**470,819**	**1,223,971**	–	–	**8,530,193**
Issued debt securities	–	–	–	**2,319,339**	–	–	**2,319,339**
Subordinated debts	–	–	**971,488**	**1,185,824**	–	–	**2,157,312**
Derivative financial instruments	–	**4,715**	**2,600**	**20,779**	**2,150**	–	**30,244**
	10,769,570	**39,724,248**	**6,669,943**	**7,508,459**	**2,150**	–	**64,674,370**

	As at 31st Dec. 2004						
	Repayable on demand *HK$'000*	3 months or less *HK$'000*	1 year or less but over 3 months *HK$'000*	5 years or less but over 1 year *HK$'000*	After 5 years *HK$'000*	Undated *HK$'000*	Total *HK$'000*
Assets							
Treasury bills	–	317,963	4,785,460	–	–	–	5,103,423
Placements with banks and other financial institutions	–	463,230	–	–	–	–	463,230
Certificates of deposit held	–	–	–	–	195,744	–	195,744
Advances to customers	4,358,343	5,638,986	3,913,337	7,769,259	10,529,655	318,834	32,528,414
Advances to banks and other financial institutions	–	–	–	15,549	–	–	15,549
Debt securities included in:							
– Trading securities	–	65,910	149,956	2,159,053	193,251	–	2,568,170
– Held-to-maturity securities	–	643,912	466,649	186,366	–	–	1,296,927
– Non-trading securities	–	323,214	2,532,018	5,577,003	8,539,320	4,078	16,975,633
	4,358,343	7,453,215	11,847,420	15,707,230	19,457,970	322,912	59,147,090
Liabilities							
Deposits and balances of banks and other financial institutions	62,648	148,764	4,290	–	–	–	215,702
Deposits from customers	13,200,440	27,899,172	2,253,068	124,768	–	–	43,477,448
Certificates of deposit issued	–	1,185,091	4,013,204	3,253,841	–	–	8,452,136
Issued debt securities	–	–	–	2,332,305	–	–	2,332,305
Subordinated debts	–	–	–	971,794	–	–	971,794
	13,263,088	29,233,027	6,270,562	6,682,708	–	–	55,449,385

20. Reconciliation of operating profit after impairment charges/provisions to cash (absorbed by)/generated from operations

	For the six months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
Operating profit after impairment charges/provisions	**463,228**	617,409
Impairment charges on loans and advances/provisions for bad and doubtful debts	**30,869**	143,641
Advances written off net of recoveries	**(57,359)**	(159,804)
Unwind of discount on loan impairment allowances	**(3,073)**	–
Depreciation	**30,566**	30,738
Interest expense on subordinated and debt securities issued	**71,679**	14,289
Interest expense on certificates of deposit issued	**60,012**	82,442
Net other contribution from discontinued operation	**–**	276
Operating profit before changes in operating assets and liabilities	**595,922**	728,991
Change in treasury bills maturing beyond three months	**(2,879,582)**	2,020,827
Change in placements with banks and other financial institutions maturing beyond three months	**(235,000)**	–
Change in trade bills	**(54,929)**	(27,750)
Change in certificates of deposit held	**(289,675)**	3,842
Change in securities measured at fair value through profit or loss	**99,518**	–
Change in trading securities	**775,714**	1,002,737
Change in advances to customers and other accounts	**(2,665,131)**	(3,884,720)
Change in held-to-maturity securities	**75,559**	(201,837)
Change in available-for-sale securities	**1,244,650**	–
Change in non-trading securities	**–**	(960,046)
Change in deposits and balances of banks and other financial institutions maturing beyond three months	**(13,753)**	2,384
Change in deposits from customers	**44,441**	818,169
Change in deposits from customers designated as fair value through profit or loss	**706,419**	–
Change in liabilities designated at fair value through profit or loss	**2,012,059**	–
Change in other accounts and accruals	**(307,270)**	1,491,873
Exchange adjustments	**3,998**	11,777
Cash (absorbed by)/generated from operations	**(887,060)**	1,006,247

21. Cross-border claims

	As at 30th June 2005			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Equivalent in millions of Hong Kong Dollar				
Asia Pacific excluding Hong Kong	**4,553**	**94**	**2,126**	**6,773**
North and South America	**1,190**	**311**	**1,629**	**3,130**
Europe	**9,152**	**–**	**2,377**	**11,529**
	14,895	**405**	**6,132**	**21,432**

	As at 31st Dec. 2004			
	Banks and other financial institutions	Public sector entities	Others	Total
Equivalent in millions of Hong Kong Dollar				
Asia Pacific excluding Hong Kong	3,837	–	577	4,414
North and South America	1,286	2,064	3,626	6,976
Europe	10,972	90	3,461	14,523
	16,095	2,154	7,664	25,913

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.

22. Contingent liabilities, commitments and derivatives

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment:

	As at 30th June 2005 *HK$'000*	As at 31st Dec. 2004 *HK$'000*
Direct credit substitutes	**1,629,577**	757,320
Transaction related contingencies	**32,262**	30,961
Trade-related contingencies	**861,373**	790,228
Other commitments with an original maturity of:		
– under 1 year or which are unconditionally cancellable	**24,788,147**	22,081,608
– 1 year and over	**668,625**	738,712
Forward forward deposits placed	**560,881**	–
	28,540,865	24,398,829

Included in "Direct credit substitutes" are credit exposures in respect of credit default swap contracts with a total principal amount of HK$1,515,521,000 (2004: HK$583,076,000).

The following is a summary of the aggregate notional contract amounts of each significant type of derivatives in addition to the credit default swap contracts disclosed above:

	Trading		**Hedging**		**Total**	
	As at 30th June 2005 *HK$'000*	As at 31st Dec. 2004 *HK$'000*	**As at 30th June 2005** *HK$'000*	As at 31st Dec. 2004 *HK$'000*	**As at 30th June 2005** *HK$'000*	As at 31st Dec. 2004 *HK$'000*
Exchange rate contracts						
Forward and futures contracts	**27,387,887**	4,161,885	**–**	25,231,921	**27,387,887**	29,393,806
Currency swaps	**–**	–	**76,264**	551,347	**76,264**	551,347
Foreign exchange option contracts						
– Currency options purchased	**333,087**	121,709	**–**	–	**333,087**	121,709
– Currency options written	**349,833**	121,672	**–**	–	**349,833**	121,672
	28,070,807	4,405,266	**76,264**	25,783,268	**28,147,071**	30,188,534
Interest rate contracts						
Interest rate swaps	**–**	–	**12,614,407**	13,278,562	**12,614,407**	13,278,562
Interest rate option contracts						
– Options written	**–**	–	**1,041,182**	695,804	**1,041,182**	695,804
	–	–	**13,655,589**	13,974,366	**13,655,589**	13,974,366
Other contracts						
Equity options contracts						
– Options purchased	**109,640**	150,464	**–**	–	**109,640**	150,464
– Options written	**109,640**	150,464	**–**	–	**109,640**	150,464
Equity futures contracts	**16,177**	–	**–**	–	**16,177**	–
	235,457	300,928	**–**	–	**235,457**	300,928

The trading transactions include positions arising from the execution of trade orders from customers or transactions taken to hedge these positions. On adoption of HKAS 39, all forward contracts previously entered as economic hedge for funding purposes are now treated as trading transactions.

The credit risk weighted amounts and replacement costs of the above off-balance sheet exposures, without taking into account the effect of bilateral netting arrangements that the Group entered into, are as follows:

	As at 30th June 2005		As at 31st Dec. 2004	
	Credit risk weighted Amount *HK$'000*	**Replacement cost** *HK$'000*	Credit risk weighted Amount *HK$'000*	Replacement cost *HK$'000*
Contingent liabilities and commitments	**2,227,573**		1,262,469	
Derivatives				
Exchange rate contracts	**81,252**	**115,613**	94,426	93,413
Interest rate contracts	**41,731**	**42,608**	122,174	457,217
Other contracts	**648**	**1,840**	1,897	5,432
	123,631	**160,061**	218,497	556,062
	2,351,204		1,480,966	

The contract amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date. They do not represent the amounts at risk.

The credit risk weighted amounts are the amounts which have been calculated in accordance with the Third Schedule of the Banking Ordinance and guidelines issued by the Hong Kong Monetary Authority. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

Replacement cost is the cost of replacing all contracts which have a positive value when marked to market (should the counterparty default on its obligations) and is obtained by marking to market contracts with a positive value. Replacement cost is considered to be a close approximation of the credit risk for these contracts at the balance sheet date.

23. Segment reporting

For the six months ended 30th June 2005

Segment information is presented in respect of the Group's business segments:

2005 *HK'000*	Personal Banking	Commercial Banking	Treasury	Unallocated	Elimination	Total
Interest income from						
– external customers	491,690	353,715	403,019	957	–	1,249,381
– inter-segments	248,975	–	–	67,453	(316,428)	–
Interest expenses to						
– external customers	(354,353)	(67,559)	(180,943)	(1,636)	–	(604,491)
– inter-segments	–	(69,479)	(246,949)	–	316,428	–
Net interest income/(expenses)	386,312	216,677	(24,873)	66,774	–	644,890
Fee and commission income	181,356	45,828	93	5,048	–	232,325
Fee and commission expense	(23,562)	(23)	(3,514)	(8)	–	(27,107)
Net fee and commission income	157,794	45,805	(3,421)	5,040	–	205,218
Net trading income	–	–	61,013	–	–	61,013
Other operating income	4,123	138	8,783	12,655	–	25,699
Total operating income	548,229	262,620	41,502	84,469	–	936,820
Operating expenses	(325,423)	(75,951)	(31,160)	(10,189)	–	(442,723)
Operating profit/(loss) before impairment charges/provisions	222,806	186,669	10,342	74,280	–	494,097
Impairment charges on loans and advances/charge for bad and doubtful debts	(23,099)	(7,763)	65	(72)	–	(30,869)
Operating profit after impairment charges/provisions	199,707	178,906	10,407	74,208	–	463,228
Net loss on disposal of fixed assets	(228)	(5)	–	–	–	(233)
Net gain on disposal of available-for-sale securities/non-trading securities	(11)	–	90,017	–	–	90,006
Profit on ordinary activities	199,468	178,901	100,424	74,208	–	553,001
Share of results of jointly controlled entities	–	–	–	900	–	900
Profit before taxation	199,468	178,901	100,424	75,108	–	553,901
As at 30th June 2005						
Total assets	19,213,369	17,707,005	35,682,510	1,110,600	–	73,713,484
Total liabilities	35,449,702	7,906,980	21,684,318	825,771	–	65,866,771
For the six months ended 30th June 2005						
Depreciation	21,047	4,956	1,275	3,288	–	30,566
Capital expenditure incurred	2,975	179	586	1,181	–	4,921

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

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

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

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

No geographical reporting is provided as over 90% of the Group's revenues and assets are originated from business decisions and operations based in Hong Kong.

For the six months ended 30th June 2004 (Restated)

2004 *HK'000*	Personal Banking	Commercial Banking	Treasury	Unallocated	Elimination	Total
Interest income from						
– external customers	434,411	287,943	426,327	3,099	–	1,151,780
– inter-segments	166,825	18,318	–	–	(185,143)	–
Interest expenses to						
– external customers	(160,636)	(27,706)	(92,213)	(4,974)	–	(285,529)
– inter-segments	–	–	(170,479)	(14,664)	185,143	–
Net interest income/(expenses)	440,600	278,555	163,635	(16,539)	–	866,251
Fee and commission income	199,211	54,910	309	3,645	–	258,075
Fee and commission expense	(22,571)	–	(3,721)	(45)	–	(26,337)
Net fee and commission income	176,640	54,910	(3,412)	3,600	–	231,738
Net trading income	–	–	37,853	–	–	37,853
Other operating income	3,381	210	4,981	15,821	–	24,393
Total operating income	620,621	333,675	203,057	2,882	–	1,160,235
Operating expenses	(274,207)	(66,231)	(39,334)	(19,413)	–	(399,185)
Operating profit/(loss) before impairment charges/provisions	346,414	267,444	163,723	(16,531)	–	761,050
Impairment charges on loans and advances/ charge for bad and doubtful debts	(104,028)	(40,230)	53	564	–	(143,641)
Operating profit after impairment charges/provisions	242,386	227,214	163,776	(15,967)	–	617,409
Net loss on disposal of fixed assets	134	–	–	(648)	–	(514)
Net gain on disposal of available-for-sale securities/non-trading securities	–	–	35,212	–	–	35,212
Profit/(loss) on ordinary activities	242,520	227,214	198,988	(16,615)	–	652,107
Share of results of jointly controlled entities	–	–	–	4,139	–	4,139
Net other contribution from discontinued operation	–	–	–	276	–	276
Reorganisation cost	–	–	–	(10,849)	–	(10,849)
Profit/(loss) before taxation	242,520	227,214	198,988	(23,049)	–	645,673
As at 31st December 2004						
Total assets	18,768,712	15,284,547	36,064,101	1,194,578	–	71,311,938
Total liabilities	35,445,960	8,199,513	18,820,849	1,095,529	–	63,561,851
For the six months ended 30th June 2004						
Depreciation	10,612	864	347	18,915	–	30,738
Capital expenditure incurred	7,112	3,068	2	3,444	–	13,626

24. Events after the balance sheet date

The Company announced on 28th June 2005 that Dah Sing Bank, Limited ("DSB") had entered into an agreement to acquire 100% of Pacific Finance (Hong Kong) Limited ("Pacific Finance") from Jardine Matheson & Co. and J.P. Morgan International Finance for HK$936 million. It is expected that the acquisition will be completed by 27th October 2005, subject to the fulfilment of a number of regulatory approvals.

The Company announced on 3rd August 2005 that DSB had entered into an agreement to acquire 100% of Banco Comercial de Macau ("BCM") and 96% equity interests in BCM's general and life insurance subsidiaries (collectively the "BCM Group"), from Banco Comercial Portugues ("BCP"), for a total consideration of MOP1,719 million (approximately HK$1,669 million). It is expected that the acquisition will be completed by the end of the year, subject to the satisfaction of a number of customary closing conditions, including regulatory approvals from both Hong Kong and Macau authorities.

On 10th August 2005, DSB launched a new issue of US$150 million subordinated debt due 2017 with a call option exercisable in August 2012. The settlement date of this new issue is scheduled on 18th August 2005. The subordinated debt qualifies as additional supplementary capital base of DSB to the extent allowed and calculated based on the Third Schedule to the Banking Ordinance.

As at the date of this interim announcement, the required regulatory approvals for the acquisition of Pacific Finance and BCM Group have not yet been received.

Additional details in respect of the above acquisitions are provided in the Corporate Overview section of this interim announcement.

FINANCIAL RATIOS

	Period ended 30th June 2005	Period ended 30th June 2004
Net interest income/operating income	**68.8%**	74.7%
Cost to income ratio	**47.3%**	34.4%
Return on average total assets (annualised)	**1.2%**	1.7%
Return on average shareholders' funds (annualised)	**10.9%**	16.9%
Loan to deposit ratio (excluding senior and subordinated debts)	**69.1%**	62.1%
Capital adequacy ratio *(Note 1)*	**19.2%**	18.3%
Adjusted capital adequacy ratio *(Note 2)*	**19.7%**	18.1%
Average liquidity ratio *(Note 3)*	**53.0%**	56.3%
Net interest margin (annualised)	**2.06%**	3.02%

Note:

1. The capital adequacy ratio represents the consolidated ratio of the banking subsidiaries within the Group as at 30th June or 31st December. The capital adequacy ratio of each banking subsidiary within the Group is computed in accordance with the Third Schedule of the Banking Ordinance.
2. The adjusted capital adequacy ratio represents the consolidated ratio of the banking subsidiaries within the Group. The adjusted capital adequacy ratio of each banking subsidiary within the Group is computed in accordance with the Guideline "Maintenance of Adequate Capital Against Market Risks" issued by the Hong Kong Monetary Authority. The adjusted ratio takes into account market risk.
3. The liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio for the relevant reporting period for the banking subsidiaries within the Group. The liquidity ratio of each banking subsidiary within the Group is computed in accordance with the Fourth Schedule of the Banking Ordinance.
4. Only the locally incorporated banking subsidiaries within the Group are subject to the minimum capital adequacy ratio and liquidity ratio requirements under the Banking Ordinance. The above ratios of the Group are calculated for reference only.

CAPITAL BASE AFTER DEDUCTIONS

The consolidated capital base after deductions used in the calculation of the above capital adequacy ratios, based on the capital bases of the banking subsidiaries of the Group is analysed as follows:

	At 30th June 2005 ***HK$'000***	At 31st Dec. 2004 *HK$'000*
Core capital		
Paid up ordinary share capital	**1,207,749**	1,207,749
Reserves	**4,593,041**	4,464,858
Total core capital	**5,800,790**	5,672,607
Supplementary capital		
Reserve on revaluation of land and interest in land	**190,775**	197,326
Reserve on revaluation of holding of securities not held for trading purposes	**(83,107)**	52,957
Collective impairment allowance/General provisions for doubtful debts	**128,329**	324,598
Regulatory reserve	**244,835**	–
Term subordinated debts	**2,137,273**	971,794
Total eligible supplementary capital	**2,618,105**	1,546,675
Total capital base before deductions	**8,418,895**	7,219,282
Deductions from total capital base	**(83,504)**	(83,297)
Total capital base after deductions	**8,335,391**	7,135,985

INTERIM DIVIDEND

The Directors declared an interim dividend of HK$0.23 per share for the six months ended 30th June 2005, with an option to receive newly issued and fully paid shares in lieu of cash dividend to Shareholders whose names are on the Register of Shareholders as at the close of business on 15th September 2005. No fractional shares will be issued to Shareholders electing for scrip dividend and shares representing fractional entitlements will be disposed of for the benefit of the Company. Newly issued shares will rank pari passu in all respects with the existing shares except that they will not rank for the 2005 interim cash dividend. New share entitlements will be calculated by reference to the average of the closing prices of the existing shares of the Company on The Stock Exchange of Hong Kong Limited for the five trading days up to and including 9th September 2005. Particulars of the scrip dividend scheme will be detailed in a circular to Shareholders together with an election form to be released on or about 16th September 2005. The scrip dividend scheme is subject to the approval of the Listing Committee of The Stock Exchange of Hong Kong Limited. Dividend warrants for cash dividend and/or share certificates for the scrip dividend will be sent to Shareholders by ordinary mail on or about Wednesday, 12th October 2005.

CLOSING OF REGISTER OF SHAREHOLDERS

The Register of Shareholders will be closed from Monday, 12th September 2005 to Thursday, 15th September 2005, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 9th September 2005.

CORPORATE OVERVIEW

At the time of the separate listing of Dah Sing Banking Group in 2004, the Group articulated its strategy for growth, including organic growth and potential growth through M&A activities. During the period under review, the Company announced the acquisition of Pacific Finance (Hong Kong) Limited ("Pacific Finance") and the acquisition of Banco Comercial de Macau ("BCM").

The Company announced on 28 June 2005 that, through Dah Sing Bank ("DSB"), it had entered into an agreement to acquire 100% of Pacific Finance from Jardine Matheson & Co. ("Jardine Matheson") and J.P. Morgan International Finance ("JPMIF") for HK$936 million. It is expected that the acquisition will be completed by 27 October 2005, subject to the fulfilment of a number of regulatory approvals. Pacific Finance is primarily engaged in consumer and SME finance activities in Hong Kong in relation to vehicle finance, equipment finance, property finance and unsecured loans, and is owned as to 50% by Jardine Matheson and 50% by JPMIF. Pacific Finance was incorporated in November 1994, and has developed a balanced and diversified product and customer base in its major business areas. Based on the audited financial statement of Pacific Finance for the year ended 31 December 2004, the shareholders' funds of Pacific Finance were HK$531.8 million and its net profits after taxation was HK$68.0 million.

The Company announced on 3 August 2005 that, through DSB, it had entered into an agreement to acquire 100% of BCM and 96% equity interests in BCM's general and life insurance subsidiaries, from Banco Comercial Português ("BCP"), for a total consideration of MOP1,719 million (approximately HK$1,669 million). It is expected that the acquisition will be completed by the end of the year, subject to the satisfaction of a number of customary closing conditions, including regulatory approvals from both Hong Kong and Macau authorities. BCM is primarily engaged in retail and commercial banking in Macau. Established in 1974, BCM is the third largest bank in Macau by number of branches and the eighth largest by total assets, and offers a diversified range of product and services. Through its associated life and general insurance companies, the BCM group also includes the largest general insurance company in Macau and the fifth largest life assurance company, on the basis of gross written premiums, and is also the second largest pension fund administrator, by assets under management, in Macau. As at 31 December 2004, the net asset value of BCM was MOP549.6 million, and its profit after tax was MOP63.3 million. The acquisition of BCM represents the Group's entry into the Macau market, which is an increasingly affluent market with a growing economy, and allows the Group to gain significant market share in the banking businesses. It is the intention of the Company and of DSB, following completion of the acquisition of BCM, to transfer its related general and life insurance companies to Dah Sing Financial Holdings Limited, the parent company which separately operates insurance businesses.

The acquisitions of Pacific Finance and BCM are wholly in line with both the M&A strategy of the Group and its existing business areas of banking. Pacific Finance will bring additional scale to our businesses in Hong Kong, whilst BCM gives us a meaningful position in a new market, Macau, in the banking business.

BUSINESS REVIEW

With the appointment of a new Chief Executive for the SAR, Hong Kong's economy continued to grow in the first half of the year, and unemployment continued its downward trend, both of which were beneficial for our banking business, particularly as regards loan growth and credit cost in our banking business.

Interest rate conditions, however, were adverse, affected by sharp rises in interbank rates from the early part of the year, with a slower rate of increase in the Hong Kong Prime rate, thus narrowing the spread between Prime and HIBOR. The adjustments to the Linked Exchange Rate System announced on 18 May 2005, had the effect of further increasing the Hong Kong interbank rates, and reducing the Prime/HIBOR spread. On the wider investment arena, the increases in US interest rates by the Federal Reserve led to a flattening of the yield curve and reducing the opportunities for the market gains experienced previously.

Benefitting from the relatively benign economic conditions in Hong Kong, and the continued strong growth of the economy in Mainland China, we were able to achieve loan growth for the period of 9.7%, principally driven by our Commercial Banking business, although we were also able to achieve loan growth in all of our main lending businesses, including mortgage lending, credit cards and unsecured consumer lending.

Credit quality improved significantly as a result of the improved economic conditions and a continuing reduction in the number of personal bankruptcies in Hong Kong. Overall loan impairment charges reduced by 78.5% compared with the same period in 2004 to HK$31 million. We were particularly encouraged by a substantial reduction in the credit cost in our Personal Banking division, with charge-off on our credit card portfolio falling from 4.4% in the first half of 2004 to 2.1% in the first half of 2005, on an annualised basis. This level of charge-off is the lowest level that we have experienced since credit costs started to increase in 2001. Negative equity mortgages also reduced substantially, and at the mid-year, only represented 1.2% of our overall mortgage book.

We continued to recruit additional staff to support the higher than market loan growth that we have been able to achieve, as well as to support additional regulatory and compliance demands, and this, together with an increase in remuneration for existing staff and higher IT costs arising from the desire to enhance our back office systems, and increased spending on advertising and marketing, increased our operating expenses.

Whilst economic conditions were conducive to volume growth in all of our major lending businesses, the interest rate conditions in the market, particularly the significantly narrower Prime/HIBOR spread, had a negative impact on the lending spreads we were able to achieve, due to the higher funding cost experienced for the period. The interest rate conditions were also negative for our treasury business, although tightening credit spreads in the first part of the year were a major contributor to the healthy disposal gains achieved during the period.

Our Shenzhen branch continued to make steady progress during the period, and we are pleased that it has been able to report a profit for its first full year of operation, since June 2004. We continue to explore opportunities to develop further our network and business in the Mainland China market.

FINANCIAL REVIEW

Allowing for changes due to the new accounting standards introduced during the period, profit attributable to shareholders of the Group for the six months ended 30th June 2005 was HK$461 million, 14.5% lower than the first half of 2004.

Despite the aggressive growth in loan assets in the first half of 2005, rapidly rising HIBOR triggered by the outflow of speculative capital and the introduction of measures to refine the operation of the Linked Exchange System by the Hong Kong Monetary Authority resulted in a contraction in the Prime-Hibor spread during the first half of 2005. As a result, the growth in interest expense outpaced the growth in interest income. Net interest income reduced by HK$221 million or 25.6% when compared with the same period in 2004. Under the new accounting standards, currency swaps entered into for funding purposes are now treated as trading derivatives, resulting in derecognition of net interest income of HK$36 million. Consequently, the net interest margin narrowed to 2.06% from 3.02% in the same period last year driven mainly by the rising cost of funds.

Net fee and commission decreased by 11.4%. Higher interest rates resulted in lower fee income from wealth management products as customers switched their money into bank deposits.

Net trading income rose HK$23 million due mainly to the inclusion of a revaluation gain on funding currency swaps arising from the change in accounting standard. Other operating income increased by HK$1 million or 5.4%

Operating expenses rose 10.9% as the group increased its spending to support business growth and strengthen operational capabilities. The cost to income ratio increased to 47.3% in the period from 34.4% in the corresponding period last year as a result of higher staff costs, increased advertising spend and additional computer expenses arising from the investment in new systems.

Operating profit before impairment charges was HK$494 million, which was HK$267 million or 35.1% lower than the first half of 2004.

Due to improved market conditions, lower unemployment and appreciation of property prices, as well as sharing of credit data in consumer finances and SME lending, asset quality in the period improved significantly. Lower new provisions, higher recoveries and new approaches to assessing loan impairment according to the new accounting standards reduced the impairment charges on loans and advances by HK$113 million or 78.5% to HK$31 million.

Operating profit after impairment charges for the period was HK$463 million, 25% lower when compared with the first half of 2004.

There was a net gain on disposal of available-for-sale securities in the period of HK$90 million, up 155.6% when compared with the HK$35 million disposal profit in the first half of 2004.

Profit on ordinary activities for the period was HK$553 million, a drop of 15.2% relative to the same period last year.

As at 30 June 2005, the Group's total gross loans and advances amounted to HK$35,673 million, up 9.7% relative to the end of last year. Growth was recorded in most loan types, and was particularly strong in property and mortgage finance, trade finance, and transport financing. Customers' deposits including structured deposits totaled HK$44,110 million, an increase of 1.5% since the end of 2004. Issued certificates of deposit amounted to HK$7,053 million of which retail certificates of deposit accounted for HK$3,659 million. Other issued debt securities totaled HK$2,319 million. The loan to deposit ratio increased to 69.1%, up 7%.

Taking advantage of the benign credit market, Dah Sing Bank issued additional subordinated debt of US$150 million in April 2005 in order to strengthen its capital base in furtherance of its business growth.

PROSPECTS

We expect that the Hong Kong economy will continue to grow in the second half of the year, and despite some slowing in the rate of growth, that the Mainland China economy will also continue to perform well. We believe that this will allow us to continue to target volume growth in all of our major lending areas. Better economic conditions will also support good credit quality, although we believe that the current very low levels of credit cost would be difficult to maintain over the long term. However, the improving economy is likely to continue to place upwards pressure on our costs.

Strategically, we have taken a number of steps to expand our business both organically and through M&A activities. We expect to complete the acquisitions of both Pacific Finance and BCM in the second half of 2005, and will work to ensure that integration with our group will take place in a speedy and efficient manner.

We remain committed to our strategy of growth. The lower margins available in the banking market we believe will persist for some time to come, and that loan growth remains an effective way in which to combat this margin pressure. Whilst Hong Kong remains our core market, we see clear opportunities in the Mainland, and this has been a driving factor in our decision to expand into Macau, which forms a gateway into the Western part of the Pearl River Delta.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this report, in compliance with Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited, except that the Company's Remuneration Committee, as a Committee of the Board, was approved and set up by the Board on 16th August 2005.

COMPLIANCE WITH 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); and after having made specific enquiry to all Directors, it is reasonably indicated that the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions has been fully complied with.

REMUNERATION AND STAFF DEVELOPMENT

There have been no material change to the information disclosed in the Company's 2004 Annual Report in respect of the remuneration of employees, remuneration policies and training schemes.

UNAUDITED FINANCIAL STATEMENTS

The financial information in this nterim results announcement is unaudited and does not constitute statutory accounts.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited financial statements for the period ended 30th June 2005.

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 ended 30th June 2005.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2005 Interim Report of the Company containing all the information required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

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), Gary Pak-Ling Wang, Lung-Man Chiu (John Chiu), Harold Tsu-Hing Wong and Dennis Tat-Wang Yau. The Independent Non-executive Directors are Messrs John William Simpson, David Richard Hinde, Robert Tsai-To Sze and Andrew Kwan-Yuen Leung. The Non-executive Director is Mr. Takashi Muraoka.

By Order of the Board
H L Soo
Company Secretary

Hong Kong, Wednesday,17th August, 2005

Please also refer to the published version of this announcement in South China Morning Post.