ANNOUNCEMENT OF 2012 FINAL RESULTS

The Directors of Dah Sing Financial Holdings Limited (“DSFH” or the “Company”) are pleased to present the consolidated audited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2012.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

<table>
<thead>
<tr>
<th>HK$’000</th>
<th>Note</th>
<th>2012</th>
<th>Restated 2011</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td></td>
<td>4,148,636</td>
<td>3,568,506</td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td></td>
<td>(1,655,072)</td>
<td>(1,382,942)</td>
<td></td>
</tr>
<tr>
<td>Net interest income</td>
<td></td>
<td>2,493,564</td>
<td>2,185,564</td>
<td>14.1</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td></td>
<td>691,833</td>
<td>606,088</td>
<td></td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td></td>
<td>(219,371)</td>
<td>(223,298)</td>
<td></td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td></td>
<td>472,462</td>
<td>382,790</td>
<td>23.4</td>
</tr>
<tr>
<td>Net trading income</td>
<td></td>
<td>792,959</td>
<td>232,038</td>
<td></td>
</tr>
<tr>
<td>Net insurance premium and other income</td>
<td></td>
<td>1,547,589</td>
<td>2,027,739</td>
<td></td>
</tr>
<tr>
<td>Other operating income</td>
<td></td>
<td>61,831</td>
<td>44,408</td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td></td>
<td>5,368,405</td>
<td>4,872,539</td>
<td>10.2</td>
</tr>
<tr>
<td>Net insurance claims and expenses</td>
<td></td>
<td>(2,031,995)</td>
<td>(2,068,080)</td>
<td></td>
</tr>
<tr>
<td>Total operating income net of insurance claims</td>
<td></td>
<td>3,336,410</td>
<td>2,804,459</td>
<td>19.0</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td>(2,054,423)</td>
<td>(1,711,038)</td>
<td>20.1</td>
</tr>
<tr>
<td>Operating profit before impairment losses</td>
<td></td>
<td>1,281,987</td>
<td>1,093,421</td>
<td>17.2</td>
</tr>
<tr>
<td>Loan impairment losses and other credit provisions</td>
<td></td>
<td>(143,681)</td>
<td>(181,082)</td>
<td>-20.7</td>
</tr>
<tr>
<td>Operating profit after impairment losses</td>
<td></td>
<td>1,138,306</td>
<td>912,339</td>
<td>24.8</td>
</tr>
<tr>
<td>Net gain/(loss) on disposal and revaluation of premises and other fixed assets</td>
<td></td>
<td>1,066</td>
<td>(770)</td>
<td></td>
</tr>
<tr>
<td>Net gain on disposal of and fair value adjustment on investment properties</td>
<td></td>
<td>159,522</td>
<td>89,349</td>
<td></td>
</tr>
<tr>
<td>Net (loss)/gain on disposal of investments in securities</td>
<td></td>
<td>(29,355)</td>
<td>85,933</td>
<td></td>
</tr>
<tr>
<td>Share of results of an associate</td>
<td></td>
<td>490,806</td>
<td>353,404</td>
<td></td>
</tr>
<tr>
<td>Share of results of jointly controlled entities</td>
<td></td>
<td>13,385</td>
<td>12,687</td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td></td>
<td>1,773,730</td>
<td>1,452,942</td>
<td>22.1</td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td>(174,888)</td>
<td>(148,850)</td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>1,598,842</td>
<td>1,304,092</td>
<td>22.6</td>
</tr>
</tbody>
</table>

Profit for the year is apportioned as follows:
- Profit attributable to non-controlling interests | 362,438 | 283,288 |
- Profit attributable to Shareholders of the Company | 1,236,404 | 1,020,804 |

Dividends
Interim dividend paid | 85,993 | 84,913 |
Proposed final dividend | 263,909 | 228,387 |
349,902 | 313,300 |

Earnings per share
Basic | HK$4.20 | HK$3.49 |
Diluted | HK$4.20 | HK$3.49 |
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December*

<table>
<thead>
<tr>
<th>HK$’000</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit for the year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,598,842</td>
<td>1,304,092</td>
</tr>
<tr>
<td><strong>Other comprehensive income for the year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value gains/(losses) recognised in equity</td>
<td>903,647</td>
<td>(33,435)</td>
</tr>
<tr>
<td>Fair value gains recognised in equity upon reclassification of certain investments in securities included in the loans and receivables category to the available-for-sale category</td>
<td>54,621</td>
<td>–</td>
</tr>
<tr>
<td>Fair value (gain)/loss realised and transferred to income statement upon:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Disposal of available-for-sale securities</td>
<td>(110,510)</td>
<td>(121,955)</td>
</tr>
<tr>
<td>– Disposal of held-to-maturity securities and investments in securities included in the loans and receivables category which were previously reclassified from the available-for-sale category</td>
<td>87,025</td>
<td>36,054</td>
</tr>
<tr>
<td>– Impairment of investments in securities included in the loans and receivables category which were previously reclassified from the available-for-sale category</td>
<td>3,723</td>
<td>–</td>
</tr>
<tr>
<td>Deferred income tax assets (released)/recognised on movements in investment revaluation reserve</td>
<td>(152,770)</td>
<td>16,037</td>
</tr>
<tr>
<td></td>
<td>785,736</td>
<td>(103,299)</td>
</tr>
<tr>
<td>Premises</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value gains recognised in equity</td>
<td>1,103,166</td>
<td>623,512</td>
</tr>
<tr>
<td>Deferred income tax liabilities recognised on movements in premises revaluation reserve</td>
<td>(64,672)</td>
<td>(23,160)</td>
</tr>
<tr>
<td></td>
<td>1,038,494</td>
<td>600,352</td>
</tr>
<tr>
<td>Exchange differences arising on translation of the financial statements of foreign entities</td>
<td>28,040</td>
<td>118,946</td>
</tr>
<tr>
<td>Other comprehensive income for the year, net of tax</td>
<td>1,852,270</td>
<td>615,999</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year, net of tax</strong></td>
<td>3,451,112</td>
<td>1,920,091</td>
</tr>
</tbody>
</table>

### Total comprehensive income for the year is apportioned as follows:

- Comprehensive income attributable to non-controlling interests | 779,571 | 458,390 |
- Comprehensive income attributable to Shareholders of the Company | 2,671,541 | 1,461,701 |
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December*

<table>
<thead>
<tr>
<th>HK$’000</th>
<th>Note</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with banks</td>
<td>13,685,824</td>
<td>12,217,645</td>
<td></td>
</tr>
<tr>
<td>Placements with banks maturing between one and twelve months</td>
<td>4,181,218</td>
<td>5,184,325</td>
<td></td>
</tr>
<tr>
<td>Trading securities</td>
<td>6,139,363</td>
<td>5,700,541</td>
<td></td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>8,707,702</td>
<td>7,172,700</td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>703,309</td>
<td>696,033</td>
<td></td>
</tr>
<tr>
<td>Advances and other accounts</td>
<td>98,848,918</td>
<td>92,743,974</td>
<td></td>
</tr>
<tr>
<td>Available-for-sale securities</td>
<td>22,362,554</td>
<td>17,665,252</td>
<td></td>
</tr>
<tr>
<td>Held-to-maturity securities</td>
<td>7,274,750</td>
<td>8,398,022</td>
<td></td>
</tr>
<tr>
<td>Investment in an associate</td>
<td>2,437,031</td>
<td>1,961,365</td>
<td></td>
</tr>
<tr>
<td>Investments in jointly controlled entities</td>
<td>54,246</td>
<td>68,650</td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>950,992</td>
<td>950,992</td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>92,988</td>
<td>98,663</td>
<td></td>
</tr>
<tr>
<td>Premises and other fixed assets</td>
<td>5,069,259</td>
<td>3,839,778</td>
<td></td>
</tr>
<tr>
<td>Investment properties</td>
<td>693,434</td>
<td>650,865</td>
<td></td>
</tr>
<tr>
<td>Current income tax assets</td>
<td>930</td>
<td>8,358</td>
<td></td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>7,259</td>
<td>50,069</td>
<td></td>
</tr>
<tr>
<td>Value of in-force long-term life assurance business</td>
<td>1,771,156</td>
<td>1,787,252</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>172,980,933</td>
<td>159,194,484</td>
<td></td>
</tr>
</tbody>
</table>

| **LIABILITIES** |      |            |            |
| Deposits from banks | 2,645,620 | 2,384,503 |
| Derivative financial instruments | 1,525,198 | 1,579,599 |
| Trading liabilities | 2,278,044 | 3,045,202 |
| Deposits from customers | 116,526,636 | 111,629,094 |
| Certificates of deposit issued | 5,752,462 | 3,164,067 |
| Issued debt securities | 2,712,907 | 2,718,320 |
| Subordinated notes | 3,935,562 | 3,654,487 |
| Other accounts and accruals | 6,129,058 | 4,252,944 |
| Current income tax liabilities | 117,880 | 31,669 |
| Deferred income tax liabilities | 277,746 | 83,477 |
| Liabilities to policyholders under long-term insurance contracts | 8,743,271 | 7,458,562 |
| **Total liabilities** | 150,644,384 | 140,001,924 |

3
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December

<table>
<thead>
<tr>
<th>Note</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Restated</td>
<td></td>
</tr>
</tbody>
</table>

### EQUITY

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-controlling interests</td>
<td>4,544,750</td>
<td>3,877,422</td>
</tr>
<tr>
<td><strong>Equity attributable to the Company’s shareholders</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>593,053</td>
<td>585,609</td>
</tr>
<tr>
<td>Reserves</td>
<td>16,934,837</td>
<td>14,501,142</td>
</tr>
<tr>
<td>Proposed final dividend</td>
<td>263,909</td>
<td>228,387</td>
</tr>
<tr>
<td><strong>Shareholders’ funds</strong></td>
<td>17,791,799</td>
<td>15,315,138</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>22,336,549</td>
<td>19,192,560</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>172,980,933</td>
<td>159,194,484</td>
</tr>
</tbody>
</table>
NOTE:

1. **STATUTORY FINANCIAL STATEMENTS**

   The financial information set out in this results announcement does not constitute the Group’s statutory consolidated financial statements for the year ended 31 December 2012 but is derived from those statutory financial statements. The consolidated financial statements of the Group for the year ended 31 December 2012 will be available from the website of The Stock Exchange of Hong Kong Limited in due course. The auditors have expressed an unqualified opinion on those financial statements in their report dated 20 March 2013.

2. **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

   The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs” is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

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

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

   With the exception described in Note 3 below, the accounting policies and methods of computation used in the preparation of the 2012 consolidated financial statements are consistent with those used and described in the Group’s annual audited financial statements for the year ended 31 December 2011.

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

3. **NEW AND INTERPRETATIONS TO EXISTING HKFRSS**

   **New and amended standards adopted by the Group**

   In December 2010, the HKICPA amended HKAS 12, “Income taxes”, to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying value of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012.
3. NEW AND INTERPRETATIONS TO EXISTING HKFRSS (CONTINUED)

New and amended standards adopted by the Group (Continued)

The Group has adopted this amendment retrospectively. Previously, the Group measured deferred tax on investment properties on the basis that their carrying values were to be recovered through use.

The effect of the change on the consolidated statement of financial position was to reduce overall deferred tax liabilities as at 1 January 2012 by HK$60,885,000 (1 January 2011: HK$45,894,000) and to increase retained earnings, premises revaluation reserve and non-controlling interests as at 1 January 2012 by HK$42,479,000 (1 January 2011: HK$31,326,000), HK$2,443,000 (1 January 2011: HK$2,451,000), and HK$15,963,000 (1 January 2011: HK$12,117,000) respectively.

The effect on the consolidated statement of comprehensive income for the year ended 31 December 2011 was to reduce tax expense and to increase profit for the year attributable to shareholders by HK$11,153,000.

In respect of the Group’s financial position as at, and results for the year ended, 31 December 2012, the impact from the adoption of the amendment is a saving in tax charge of HK$34,761,000 which represented the tax liability otherwise required to be calculated on the increase in cumulative fair value gains on the Group’s investment properties from the level as at 31 December 2011 had the amendment not been adopted.

There are no other new standards and amendments to standards effective for the first time for the financial year beginning 1 January 2012.

4. OPERATING SEGMENT REPORTING

Segment reporting by the Group was prepared in accordance with HKFRS 8 “Operating Segments”. Information reported to the chief operating decision makers, 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 and credit card services, the provision of insurance sales and investment services.
- Commercial banking business includes the acceptance of deposits from and the advance of loans and working capital finance to commercial, industrial and institutional customers, and the provision of trade financing. Hire purchase finance and leasing related to equipment, vehicle and transport financing are included.
4. OPERATING SEGMENT REPORTING (CONTINUED)

- 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 life assurance and general insurance businesses. Through the Group’s wholly-owned subsidiaries in Hong Kong and 96% owned subsidiaries in Macau, the Group offers a variety of life and general 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. Starting from 2012, only segment’s net interest income is disclosed, as this is the basis of reviewing business segment performance by the Group’s chief operating decision makers. Certain comparative amounts have been revised to conform with the current year’s presentation.

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.
### OPERATING SEGMENT REPORTING (CONTINUED)

For the year ended 31 December 2012

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>Personal Banking</th>
<th>Commercial Banking</th>
<th>Treasury Banking</th>
<th>Overseas Banking</th>
<th>Insurance Business</th>
<th>Others</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income/(expenses)</td>
<td>983,375</td>
<td>794,491</td>
<td>305,964</td>
<td>392,840</td>
<td>284,389</td>
<td>(267,495)</td>
<td>–</td>
<td>2,493,564</td>
</tr>
<tr>
<td>Non-interest income/(expenses)</td>
<td>313,599</td>
<td>156,803</td>
<td>208,250</td>
<td>78,224</td>
<td>82,427</td>
<td>73,985</td>
<td>(70,442)</td>
<td>842,846</td>
</tr>
</tbody>
</table>

Total operating income/(expenses) net of insurance claims

- Operating (expenses)/income

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>Personal Banking</th>
<th>Commercial Banking</th>
<th>Treasury Banking</th>
<th>Overseas Banking</th>
<th>Insurance Business</th>
<th>Others</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,296,974</td>
<td>951,294</td>
<td>514,214</td>
<td>471,064</td>
<td>366,816</td>
<td>(193,510)</td>
<td>(70,442)</td>
<td>3,336,410</td>
<td></td>
</tr>
</tbody>
</table>

Operating profit/(loss) before impairment losses

- Loan impairment losses and other credit provisions (charged)/written back

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>Personal Banking</th>
<th>Commercial Banking</th>
<th>Treasury Banking</th>
<th>Overseas Banking</th>
<th>Insurance Business</th>
<th>Others</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>287,774</td>
<td>651,219</td>
<td>378,375</td>
<td>105,572</td>
<td>149,079</td>
<td>(290,032)</td>
<td>–</td>
<td>1,281,987</td>
<td></td>
</tr>
</tbody>
</table>

Operating profit/(loss) after impairment losses

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>Personal Banking</th>
<th>Commercial Banking</th>
<th>Treasury Banking</th>
<th>Overseas Banking</th>
<th>Insurance Business</th>
<th>Others</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>168,974</td>
<td>709,099</td>
<td>316,409</td>
<td>84,715</td>
<td>149,079</td>
<td>(289,970)</td>
<td>–</td>
<td>1,138,306</td>
<td></td>
</tr>
</tbody>
</table>

Net (loss)/gain on disposal of and fair value adjustment on premises, investment properties and other fixed assets

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>Personal Banking</th>
<th>Commercial Banking</th>
<th>Treasury Banking</th>
<th>Overseas Banking</th>
<th>Insurance Business</th>
<th>Others</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1,549)</td>
<td>–</td>
<td>–</td>
<td>965</td>
<td>158,835</td>
<td>2,337</td>
<td>–</td>
<td>160,588</td>
<td></td>
</tr>
</tbody>
</table>

Net (loss)/gain on disposal of investments in securities

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>Personal Banking</th>
<th>Commercial Banking</th>
<th>Treasury Banking</th>
<th>Overseas Banking</th>
<th>Insurance Business</th>
<th>Others</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>–</td>
<td>–</td>
<td>(64,127)</td>
<td>–</td>
<td>18,350</td>
<td>16,422</td>
<td>–</td>
<td>(29,355)</td>
<td></td>
</tr>
</tbody>
</table>

Share of results of an associate

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>Personal Banking</th>
<th>Commercial Banking</th>
<th>Treasury Banking</th>
<th>Overseas Banking</th>
<th>Insurance Business</th>
<th>Others</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>–</td>
<td>–</td>
<td>–</td>
<td>490,806</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>490,806</td>
<td></td>
</tr>
</tbody>
</table>

Share of results of jointly controlled entities

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>Personal Banking</th>
<th>Commercial Banking</th>
<th>Treasury Banking</th>
<th>Overseas Banking</th>
<th>Insurance Business</th>
<th>Others</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>13,385</td>
<td>–</td>
<td>13,385</td>
<td></td>
</tr>
</tbody>
</table>

Profit/(loss) before taxation

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>Personal Banking</th>
<th>Commercial Banking</th>
<th>Treasury Banking</th>
<th>Overseas Banking</th>
<th>Insurance Business</th>
<th>Others</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>167,425</td>
<td>709,099</td>
<td>252,282</td>
<td>576,486</td>
<td>326,264</td>
<td>(257,826)</td>
<td>–</td>
<td>1,773,730</td>
<td></td>
</tr>
</tbody>
</table>

Taxation (expenses)/credit

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>Personal Banking</th>
<th>Commercial Banking</th>
<th>Treasury Banking</th>
<th>Overseas Banking</th>
<th>Insurance Business</th>
<th>Others</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(26,733)</td>
<td>(117,022)</td>
<td>(41,657)</td>
<td>(18,265)</td>
<td>(15,088)</td>
<td>43,877</td>
<td>–</td>
<td>(174,888)</td>
<td></td>
</tr>
</tbody>
</table>

Profit/(loss) after taxation

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>Personal Banking</th>
<th>Commercial Banking</th>
<th>Treasury Banking</th>
<th>Overseas Banking</th>
<th>Insurance Business</th>
<th>Others</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>140,692</td>
<td>592,077</td>
<td>210,625</td>
<td>558,221</td>
<td>311,176</td>
<td>(213,949)</td>
<td>–</td>
<td>1,598,842</td>
<td></td>
</tr>
</tbody>
</table>

For the year ended 31 December 2012

Depreciation and amortisation

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>Personal Banking</th>
<th>Commercial Banking</th>
<th>Treasury Banking</th>
<th>Overseas Banking</th>
<th>Insurance Business</th>
<th>Others</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>57,504</td>
<td>26,774</td>
<td>13,614</td>
<td>53,646</td>
<td>9,819</td>
<td>46,708</td>
<td>–</td>
<td>208,065</td>
<td></td>
</tr>
</tbody>
</table>

As at 31 December 2012

Segment assets

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>Personal Banking</th>
<th>Commercial Banking</th>
<th>Treasury Banking</th>
<th>Overseas Banking</th>
<th>Insurance Business</th>
<th>Others</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>29,634,802</td>
<td>49,797,444</td>
<td>49,757,413</td>
<td>26,306,191</td>
<td>15,280,237</td>
<td>6,875,990</td>
<td>(4,671,144)</td>
<td>172,980,933</td>
<td></td>
</tr>
</tbody>
</table>

Segment liabilities

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>Personal Banking</th>
<th>Commercial Banking</th>
<th>Treasury Banking</th>
<th>Overseas Banking</th>
<th>Insurance Business</th>
<th>Others</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>65,553,628</td>
<td>28,983,016</td>
<td>13,101,445</td>
<td>20,031,758</td>
<td>11,696,988</td>
<td>15,948,693</td>
<td>(4,671,144)</td>
<td>150,644,384</td>
<td></td>
</tr>
</tbody>
</table>
### OPERATING SEGMENT REPORTING (CONTINUED)

For the year ended 31 December 2011 (Restated)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Personal Banking</th>
<th>Commercial Banking</th>
<th>Treasury</th>
<th>Overseas Banking</th>
<th>Insurance Business</th>
<th>Others</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income/(expenses)</td>
<td>876,561</td>
<td>616,468</td>
<td>246,998</td>
<td>388,200</td>
<td>263,577</td>
<td>(206,240)</td>
<td>–</td>
<td>2,185,564</td>
</tr>
<tr>
<td>Non-interest income/(expenses)</td>
<td>248,624</td>
<td>126,323</td>
<td>112,171</td>
<td>74,643</td>
<td>84,939</td>
<td>37,575</td>
<td>(65,380)</td>
<td>618,895</td>
</tr>
<tr>
<td>Net operating income/(expenses) net of insurance claims</td>
<td>1,125,185</td>
<td>742,791</td>
<td>359,169</td>
<td>462,843</td>
<td>348,516</td>
<td>(168,665)</td>
<td>(65,380)</td>
<td>2,804,459</td>
</tr>
<tr>
<td>Operating (expenses)/income</td>
<td>(809,793)</td>
<td>(259,537)</td>
<td>(107,740)</td>
<td>(326,285)</td>
<td>(182,631)</td>
<td>(90,432)</td>
<td>65,380</td>
<td>(1,711,038)</td>
</tr>
<tr>
<td>Operating profit/(loss) before impairment losses</td>
<td>315,392</td>
<td>483,254</td>
<td>251,429</td>
<td>136,558</td>
<td>165,885</td>
<td>(259,097)</td>
<td>–</td>
<td>1,093,421</td>
</tr>
<tr>
<td>Loan impairment losses and other credit provisions (charged)/written back</td>
<td>(73,046)</td>
<td>43,815</td>
<td>(100,000)</td>
<td>(51,851)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(181,082)</td>
</tr>
<tr>
<td>Operating profit/(loss) after impairment losses</td>
<td>242,346</td>
<td>527,069</td>
<td>151,429</td>
<td>84,707</td>
<td>165,885</td>
<td>(259,097)</td>
<td>–</td>
<td>912,339</td>
</tr>
<tr>
<td>Net (loss)/gain on disposal of and fair value adjustment on premises, investment properties and other fixed assets</td>
<td>(11)</td>
<td>–</td>
<td>–</td>
<td>(177)</td>
<td>76,345</td>
<td>–</td>
<td>–</td>
<td>88,579</td>
</tr>
<tr>
<td>Net (loss)/gain on disposal of investments in securities</td>
<td>–</td>
<td>–</td>
<td>(28,175)</td>
<td>–</td>
<td>102,761</td>
<td>11,347</td>
<td>–</td>
<td>85,933</td>
</tr>
<tr>
<td>Share of results of an associate</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>353,404</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>353,404</td>
</tr>
<tr>
<td>Share of results of jointly controlled entities</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>12,687</td>
<td>–</td>
<td>–</td>
<td>12,687</td>
</tr>
<tr>
<td>Profit/(loss) before taxation</td>
<td>242,335</td>
<td>527,069</td>
<td>123,254</td>
<td>437,934</td>
<td>344,991</td>
<td>(222,641)</td>
<td>–</td>
<td>1,452,942</td>
</tr>
<tr>
<td>Taxation (expenses)/credit</td>
<td>(39,195)</td>
<td>(86,987)</td>
<td>(20,499)</td>
<td>(13,414)</td>
<td>(16,581)</td>
<td>27,826</td>
<td>–</td>
<td>(148,850)</td>
</tr>
<tr>
<td>Profit/(loss) after taxation</td>
<td>203,140</td>
<td>440,082</td>
<td>102,755</td>
<td>424,520</td>
<td>328,410</td>
<td>(194,815)</td>
<td>–</td>
<td>1,304,092</td>
</tr>
</tbody>
</table>

For the year ended 31 December 2011

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and amortisation</td>
<td>54,110</td>
</tr>
<tr>
<td></td>
<td>19,469</td>
</tr>
<tr>
<td></td>
<td>12,283</td>
</tr>
<tr>
<td></td>
<td>48,751</td>
</tr>
<tr>
<td></td>
<td>8,348</td>
</tr>
<tr>
<td></td>
<td>37,857</td>
</tr>
<tr>
<td></td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>180,818</td>
</tr>
</tbody>
</table>

As at 31 December 2011

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment assets</td>
<td>28,558,556</td>
</tr>
<tr>
<td></td>
<td>48,481,204</td>
</tr>
<tr>
<td></td>
<td>23,548,589</td>
</tr>
<tr>
<td></td>
<td>13,145,798</td>
</tr>
<tr>
<td></td>
<td>6,625,391</td>
</tr>
<tr>
<td></td>
<td>(5,387,350)</td>
</tr>
<tr>
<td></td>
<td>159,194,484</td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>67,216,050</td>
</tr>
<tr>
<td></td>
<td>22,917,174</td>
</tr>
<tr>
<td></td>
<td>14,610,339</td>
</tr>
<tr>
<td></td>
<td>18,477,379</td>
</tr>
<tr>
<td></td>
<td>9,857,933</td>
</tr>
<tr>
<td></td>
<td>12,310,399</td>
</tr>
<tr>
<td></td>
<td>(5,387,350)</td>
</tr>
<tr>
<td></td>
<td>140,001,924</td>
</tr>
</tbody>
</table>

For the year ended 31 December 2011

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and amortisation</td>
<td>54,110</td>
</tr>
<tr>
<td></td>
<td>19,469</td>
</tr>
<tr>
<td></td>
<td>12,283</td>
</tr>
<tr>
<td></td>
<td>48,751</td>
</tr>
<tr>
<td></td>
<td>8,348</td>
</tr>
<tr>
<td></td>
<td>37,857</td>
</tr>
<tr>
<td></td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>180,818</td>
</tr>
</tbody>
</table>

As at 31 December 2011

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment assets</td>
<td>28,558,556</td>
</tr>
<tr>
<td></td>
<td>48,481,204</td>
</tr>
<tr>
<td></td>
<td>23,548,589</td>
</tr>
<tr>
<td></td>
<td>13,145,798</td>
</tr>
<tr>
<td></td>
<td>6,625,391</td>
</tr>
<tr>
<td></td>
<td>(5,387,350)</td>
</tr>
<tr>
<td></td>
<td>159,194,484</td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>67,216,050</td>
</tr>
<tr>
<td></td>
<td>22,917,174</td>
</tr>
<tr>
<td></td>
<td>14,610,339</td>
</tr>
<tr>
<td></td>
<td>18,477,379</td>
</tr>
<tr>
<td></td>
<td>9,857,933</td>
</tr>
<tr>
<td></td>
<td>12,310,399</td>
</tr>
<tr>
<td></td>
<td>(5,387,350)</td>
</tr>
<tr>
<td></td>
<td>140,001,924</td>
</tr>
</tbody>
</table>
4. 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.

<table>
<thead>
<tr>
<th>Hong Kong and Others</th>
<th>Macau</th>
<th>Inter-segment elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>For the year ended 31 December 2012</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating income net of insurance claims</td>
<td>3,028,509</td>
<td>308,495</td>
<td>(594)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>1,654,427</td>
<td>119,294</td>
<td>9</td>
</tr>
</tbody>
</table>

|                      |       |                           |       |
| **As at 31 December 2012** |       |                           |       |
| Total assets | 159,153,814 | 15,356,267 | (1,529,148) | 172,980,933 |
| Total liabilities | 139,450,816 | 12,722,716 | (1,529,148) | 150,644,384 |
| Intangible assets and goodwill | 318,667 | 725,313 | – | 1,043,980 |
| Contingent liabilities and commitments | 64,338,720 | 2,056,834 | – | 66,395,554 |

<table>
<thead>
<tr>
<th>Hong Kong and Others</th>
<th>Macau</th>
<th>Inter-segment elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>For the year ended 31 December 2011</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating income net of insurance claims</td>
<td>2,518,435</td>
<td>286,445</td>
<td>(421)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>1,359,192</td>
<td>93,750</td>
<td>–</td>
</tr>
</tbody>
</table>

|                      |       |                           |       |
| **As at 31 December 2011** |       |                           |       |
| Total assets (restated) | 146,512,307 | 14,270,367 | (1,588,190) | 159,194,484 |
| Total liabilities (restated) | 129,682,023 | 11,908,091 | (1,588,190) | 140,001,924 |
| Intangible assets and goodwill | 318,667 | 730,988 | – | 1,049,655 |
| Contingent liabilities and commitments | 59,014,094 | 1,953,302 | – | 60,967,396 |
## 5. NET INTEREST INCOME

<table>
<thead>
<tr>
<th><strong>HKS’000</strong></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with banks</td>
<td>347,134</td>
<td>341,358</td>
</tr>
<tr>
<td>Investments in securities</td>
<td>939,558</td>
<td>820,757</td>
</tr>
<tr>
<td>Advances to customers and banks</td>
<td>2,861,944</td>
<td>2,406,391</td>
</tr>
<tr>
<td><strong>Total Interest income</strong></td>
<td>4,148,636</td>
<td>3,568,506</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from banks/Deposits from customers</td>
<td>1,414,430</td>
<td>1,214,187</td>
</tr>
<tr>
<td>Certificates of deposit issued</td>
<td>43,706</td>
<td>38,977</td>
</tr>
<tr>
<td>Issued debt securities</td>
<td>48,446</td>
<td>40,459</td>
</tr>
<tr>
<td>Subordinated notes</td>
<td>141,109</td>
<td>78,456</td>
</tr>
<tr>
<td>Others</td>
<td>7,381</td>
<td>10,863</td>
</tr>
<tr>
<td><strong>Total Interest expense</strong></td>
<td>1,655,072</td>
<td>1,382,942</td>
</tr>
<tr>
<td><strong>Included within interest income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income on listed investments</td>
<td>760,903</td>
<td>674,920</td>
</tr>
<tr>
<td>Interest income on unlisted investments</td>
<td>178,655</td>
<td>145,837</td>
</tr>
<tr>
<td><strong>Total Included within interest income</strong></td>
<td>939,558</td>
<td>820,757</td>
</tr>
<tr>
<td>Interest income on financial assets not at fair value through profit or loss</td>
<td>3,873,512</td>
<td>3,316,000</td>
</tr>
<tr>
<td>Interest income on impaired assets</td>
<td>3,688</td>
<td>9,296</td>
</tr>
<tr>
<td><strong>Included within interest expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense on financial liabilities not at fair value through profit or loss</td>
<td>1,487,526</td>
<td>1,217,291</td>
</tr>
</tbody>
</table>
6. NET FEE AND COMMISSION INCOME

HK$'000  

Fee and commission income
Fee and commission income from financial assets and liabilities not at fair value through profit or loss
  – Credit related fees and commissions 74,661  69,741
  – Trade finance 51,203  44,327
  – Credit card 271,386  280,567

Other fee and commission income
  – Securities brokerage 59,065  49,414
  – Retail investment and wealth management services 93,246  73,521
  – Bank services and handling fees 44,537  40,925
  – Other fees 97,735  47,593

  691,833  606,088

Fee and commission expense
Fee and commission expense from financial assets and liabilities not at fair value through profit or loss
  – Handling fees and commission 206,808  210,501
  – Other fees paid 12,563  12,797

  219,371  223,298

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.

7. NET TRADING INCOME

HK$'000  

Dividend income from financial assets at fair value through profit or loss
  – Listed investments 55,270  30,212
  – Unlisted investments 74  29

Net gain arising from dealing in foreign currencies 222,797  241,948
Net gain/(loss) on trading securities 61,081  (26,368)
Net gain/(loss) from derivatives entered into for trading purpose 13,878  (41,246)
Net loss arising from financial instruments subject to fair value hedge (65,084)  (57,075)
Net gain arising from financial instruments designated at fair value through profit or loss 504,943  84,538

  792,959  232,038
8. **OTHER OPERATING INCOME**

<table>
<thead>
<tr>
<th>HK$’000</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend income from investments in available-for-sale securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Listed investments</td>
<td>10,681</td>
<td>5,378</td>
</tr>
<tr>
<td>– Unlisted investments</td>
<td>6,673</td>
<td>6,434</td>
</tr>
<tr>
<td>Gross rental income from investment properties</td>
<td>23,316</td>
<td>20,645</td>
</tr>
<tr>
<td>Other rental income</td>
<td>6,815</td>
<td>7,081</td>
</tr>
<tr>
<td>Others</td>
<td>14,346</td>
<td>4,870</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>61,831</td>
<td>44,408</td>
</tr>
</tbody>
</table>

9. **OPERATING EXPENSES**

<table>
<thead>
<tr>
<th>HK$’000</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee compensation and benefit expenses (including directors’ remuneration)</td>
<td>1,190,146</td>
<td>1,034,973</td>
</tr>
<tr>
<td>Premises and other fixed asset expenses, excluding depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Rental of premises</td>
<td>113,356</td>
<td>98,403</td>
</tr>
<tr>
<td>– Others</td>
<td>112,188</td>
<td>96,845</td>
</tr>
<tr>
<td>Depreciation</td>
<td>202,390</td>
<td>164,649</td>
</tr>
<tr>
<td>Advertising and promotion costs</td>
<td>93,759</td>
<td>116,569</td>
</tr>
<tr>
<td>Printing, stationery and postage</td>
<td>47,810</td>
<td>67,797</td>
</tr>
<tr>
<td>Amortisation expenses of intangible assets</td>
<td>5,675</td>
<td>16,169</td>
</tr>
<tr>
<td>Auditors’ remuneration</td>
<td>8,899</td>
<td>8,360</td>
</tr>
<tr>
<td>Others</td>
<td>280,200</td>
<td>107,273</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,054,423</td>
<td>1,711,038</td>
</tr>
</tbody>
</table>
## 10. LOAN IMPAIRMENT LOSSES AND OTHER CREDIT PROVISIONS

### HK$’000

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loan impairment losses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net charge/(reversal) of impairment losses on advances and other accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Trade bills</td>
<td>1,067</td>
<td>(1,358)</td>
</tr>
<tr>
<td>– Advances to customers</td>
<td>80,523</td>
<td>85,070</td>
</tr>
<tr>
<td>– Accrued interest and other accounts</td>
<td>117</td>
<td>(2,630)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>81,707</td>
<td>81,082</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (reversal)/charge of impairment losses on advances and other accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Individually assessed</td>
<td>(1,496)</td>
<td>108,772</td>
</tr>
<tr>
<td>– Collectively assessed</td>
<td>83,203</td>
<td>(27,690)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>81,707</td>
<td>81,082</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Of which</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– new and additional allowances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(including amounts directly written off in the year)</td>
<td>176,026</td>
<td>191,205</td>
</tr>
<tr>
<td>– releases</td>
<td>(38,954)</td>
<td>(35,389)</td>
</tr>
<tr>
<td>– recoveries</td>
<td>(55,365)</td>
<td>(74,734)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>81,707</td>
<td>81,082</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other credit provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net charge of impairment losses on investment in securities included in the loans and receivables category</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Individually assessed</td>
<td>61,974</td>
<td>–</td>
</tr>
<tr>
<td>– Collectively assessed</td>
<td>–</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>61,974</td>
<td>100,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net charge to income statement</td>
<td>143,681</td>
<td>181,082</td>
</tr>
</tbody>
</table>

## 11. NET GAIN/(LOSS) ON DISPOSAL AND REVALUATION OF PREMISES AND OTHER FIXED ASSETS

### HK$’000

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deficit reversed/(charged) on revaluation of premises</strong></td>
<td>2,011</td>
<td>(582)</td>
</tr>
<tr>
<td><strong>Net gain on disposal of premises</strong></td>
<td>1,163</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net loss on disposal of other fixed assets</strong></td>
<td>(2,108)</td>
<td>(188)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,066</td>
<td>(770)</td>
</tr>
</tbody>
</table>
12. NET GAIN ON DISPOSAL OF AND FAIR VALUE ADJUSTMENT ON INVESTMENT PROPERTIES

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gain on fair value adjustment on investment properties</td>
<td>159,522</td>
<td>89,613</td>
</tr>
<tr>
<td>Net loss on disposal of investment properties</td>
<td>–</td>
<td>(264)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>159,522</strong></td>
<td><strong>89,349</strong></td>
</tr>
</tbody>
</table>

13. NET (LOSS)/GAIN ON DISPOSAL OF INVESTMENTS IN SECURITIES

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gain on disposal of available-for-sale securities</td>
<td>110,510</td>
<td>121,955</td>
</tr>
<tr>
<td>Net loss on disposal of investments in securities included in the loans and receivables category</td>
<td>(107,284)</td>
<td>(38,515)</td>
</tr>
<tr>
<td>Net (loss)/gain on disposal of held-to-maturity securities (Note)</td>
<td>(32,581)</td>
<td>2,493</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(29,355)</strong></td>
<td><strong>85,933</strong></td>
</tr>
</tbody>
</table>

**Note:**
The disposals in 2012 and 2011 were made after considering risk and external factors.

14. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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.

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current income tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Hong Kong profits tax</td>
<td>137,633</td>
<td>141,549</td>
</tr>
<tr>
<td>– Overseas taxation</td>
<td>19,330</td>
<td>15,753</td>
</tr>
<tr>
<td>– (Over)/under provision in prior years</td>
<td>(1,712)</td>
<td>2,347</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>174,888</strong></td>
<td><strong>148,850</strong></td>
</tr>
</tbody>
</table>

Deferred income tax

<table>
<thead>
<tr>
<th>HK$'000</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Origination and reversal of temporary differences</td>
<td>20,744</td>
<td>(8,464)</td>
</tr>
<tr>
<td>– Recognition of tax losses</td>
<td>(1,107)</td>
<td>(2,335)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>174,888</strong></td>
<td><strong>148,850</strong></td>
</tr>
</tbody>
</table>
15. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share and fully diluted earnings per share is based on earnings of HK$1,236,404,000 (2011: HK$1,020,804,000) and the weighted average number of 294,635,053 (2011: 292,804,486) ordinary shares in issue during the year.

The share options outstanding during the years ended 31 December 2012 and 31 December 2011 have no dilutive effect on the weighted average number of ordinary shares.

16. TRADING SECURITIES AND FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

<table>
<thead>
<tr>
<th>HK$’000</th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trading securities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Debt securities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Listed in Hong Kong</td>
<td>548,781</td>
<td>533,415</td>
</tr>
<tr>
<td>– Unlisted</td>
<td>5,368,957</td>
<td>4,982,815</td>
</tr>
<tr>
<td><strong>Total trading securities</strong></td>
<td>5,917,738</td>
<td>5,516,230</td>
</tr>
<tr>
<td><strong>Equity securities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Listed in Hong Kong</td>
<td>95,238</td>
<td>69,243</td>
</tr>
<tr>
<td>– Listed outside Hong Kong</td>
<td>119,640</td>
<td>108,660</td>
</tr>
<tr>
<td>– Unlisted, interests in investment funds</td>
<td>6,747</td>
<td>6,408</td>
</tr>
<tr>
<td><strong>Total trading securities</strong></td>
<td>221,625</td>
<td>184,311</td>
</tr>
<tr>
<td><strong>Total trading securities and financial assets designated at fair value through profit or loss</strong></td>
<td>6,139,363</td>
<td>5,700,541</td>
</tr>
<tr>
<td><strong>Financial assets designated at fair value through profit or loss:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Debt securities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Listed in Hong Kong</td>
<td>960,496</td>
<td>624,437</td>
</tr>
<tr>
<td>– Listed outside Hong Kong</td>
<td>3,230,197</td>
<td>3,195,830</td>
</tr>
<tr>
<td>– Unlisted</td>
<td>2,407,086</td>
<td>1,519,125</td>
</tr>
<tr>
<td><strong>Total financial assets designated at fair value through profit or loss</strong></td>
<td>6,597,779</td>
<td>5,339,392</td>
</tr>
<tr>
<td><strong>Equity securities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Listed in Hong Kong</td>
<td>281,472</td>
<td>284,110</td>
</tr>
<tr>
<td>– Listed outside Hong Kong</td>
<td>1,000,920</td>
<td>974,651</td>
</tr>
<tr>
<td>– Unlisted</td>
<td>827,531</td>
<td>574,547</td>
</tr>
<tr>
<td><strong>Total financial assets designated at fair value through profit or loss</strong></td>
<td>2,109,923</td>
<td>1,833,308</td>
</tr>
<tr>
<td><strong>Total trading securities and financial assets designated at fair value through profit or loss</strong></td>
<td>8,707,702</td>
<td>7,172,700</td>
</tr>
<tr>
<td></td>
<td>14,847,065</td>
<td>12,873,241</td>
</tr>
</tbody>
</table>
16. TRADING SECURITIES AND FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

<table>
<thead>
<tr>
<th></th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Included within debt securities are:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Government bonds included in trading securities</td>
<td>5,795,924</td>
<td>5,404,319</td>
</tr>
<tr>
<td>– Other government bonds</td>
<td>882,874</td>
<td>879,730</td>
</tr>
<tr>
<td>– Other debt securities</td>
<td>5,836,719</td>
<td>4,571,573</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,515,517</strong></td>
<td><strong>10,855,622</strong></td>
</tr>
</tbody>
</table>

As at 31 December 2012 and 2011, there were no certificates of deposit held included in the above balances of investments in debt securities.

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

<table>
<thead>
<tr>
<th></th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Central governments and central banks</td>
<td>6,678,798</td>
<td>6,284,049</td>
</tr>
<tr>
<td>– Public sector entities</td>
<td>1,409</td>
<td>1,433</td>
</tr>
<tr>
<td>– Banks and other financial institutions</td>
<td>1,520,280</td>
<td>1,293,822</td>
</tr>
<tr>
<td>– Corporate entities</td>
<td>6,646,578</td>
<td>5,293,937</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,847,065</strong></td>
<td><strong>12,873,241</strong></td>
</tr>
</tbody>
</table>

17. ADVANCES AND OTHER ACCOUNTS

<table>
<thead>
<tr>
<th></th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
<th>Restated As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HK$’000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross advances to customers</td>
<td>86,173,581</td>
<td>80,867,228</td>
<td></td>
</tr>
<tr>
<td>Trade bills</td>
<td>4,329,872</td>
<td>1,559,061</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Other accounts receivable and prepayments</td>
<td>5,362,781</td>
<td>3,903,238</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95,866,234</strong></td>
<td><strong>86,329,527</strong></td>
<td></td>
</tr>
</tbody>
</table>

Less: impairment allowances
|                        |                   |                   |                           |
| – Individually assessed |                   |                   | (90,726)                  |
| – Collectively assessed |                   |                   | (170,578)                 |
| **Total**              | (261,304)         | (384,853)         |                           |

Investments in securities included in the loans and receivables category *(Note 18)*

|                        |                   |
| **HK$’000**            |                   |
| Investments in securities included in the loans and receivables category *(Note 18)* | 3,243,988 | 6,799,300 |

Advances and other accounts

|                        |                   |
| **HK$’000**            |                   |
| Advances and other accounts | 98,848,918 | 92,743,974 |
(a) Gross advances to customers by industry sector classified according to the usage of loans

<table>
<thead>
<tr>
<th>Industry/Detailed Category</th>
<th>As at 31 Dec 2012</th>
<th>Restated As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Outstanding balance</td>
<td>% of gross advances</td>
</tr>
<tr>
<td>Loans for use in Hong Kong</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial, commercial and financial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Property development</td>
<td>1,662,651</td>
<td>1.9</td>
</tr>
<tr>
<td>– Property investment</td>
<td>14,047,519</td>
<td>16.3</td>
</tr>
<tr>
<td>– Financial concerns</td>
<td>336,280</td>
<td>0.4</td>
</tr>
<tr>
<td>– Stockbrokers</td>
<td>100,240</td>
<td>0.1</td>
</tr>
<tr>
<td>– Wholesale and retail trade</td>
<td>3,219,507</td>
<td>3.7</td>
</tr>
<tr>
<td>– Manufacturing</td>
<td>1,996,894</td>
<td>2.3</td>
</tr>
<tr>
<td>– Transport and transport equipment</td>
<td>4,635,150</td>
<td>5.4</td>
</tr>
<tr>
<td>– Recreational activities</td>
<td>287,610</td>
<td>0.3</td>
</tr>
<tr>
<td>– Information technology</td>
<td>8,703</td>
<td>–</td>
</tr>
<tr>
<td>– Others</td>
<td>2,894,403</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td>29,188,957</td>
<td>33.8</td>
</tr>
</tbody>
</table>

Individuals

<table>
<thead>
<tr>
<th>Industry/Detailed Category</th>
<th>As at 31 Dec 2012</th>
<th>Restated As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Outstanding balance</td>
<td>% of gross advances</td>
</tr>
<tr>
<td>– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme</td>
<td>1,123,393</td>
<td>1.3</td>
</tr>
<tr>
<td>– Loans for the purchase of other residential properties</td>
<td>16,026,972</td>
<td>18.6</td>
</tr>
<tr>
<td>– Credit card advances</td>
<td>4,240,329</td>
<td>4.9</td>
</tr>
<tr>
<td>– Others</td>
<td>5,465,362</td>
<td>6.4</td>
</tr>
<tr>
<td></td>
<td>26,856,056</td>
<td>31.2</td>
</tr>
</tbody>
</table>

Loans for use in Hong Kong

<table>
<thead>
<tr>
<th>Industry/Detailed Category</th>
<th>As at 31 Dec 2012</th>
<th>Restated As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Outstanding balance</td>
<td>% of gross advances</td>
</tr>
<tr>
<td>Trade finance (Note (1))</td>
<td>5,024,007</td>
<td>5.8</td>
</tr>
<tr>
<td>Loans for use outside Hong Kong (Note (2))</td>
<td>25,104,561</td>
<td>29.2</td>
</tr>
<tr>
<td></td>
<td>86,173,581</td>
<td>100.0</td>
</tr>
</tbody>
</table>
(a) Gross advances to customers by industry sector classified according to the usage of loans (Continued)

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 Hong Kong Monetary Authority ("HKMA").

Starting 2012, trade bills and bills receivable associated with trade finance activities are not classified and included as trade finance lending to customers, and are separately disclosed.

Trade bills and bills receivable amounting to HK$1,766,805,000 as at 31 December 2011 are excluded from trade finance to conform with the 2012 classification.

Trade finance loans not involving Hong Kong totalling HK$336,534,000 (31 December 2011: HK$131,566,000) 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.
17. ADVANCES AND OTHER ACCOUNTS (CONTINUED)

(b) Impaired, overdue and rescheduled assets

Apart from the investments in certain securities included in the loans and receivables category described in Note 18, advances to customers (as set out below), and other assets of HK$639,000 as at 31 December 2011 against which full individual impairment allowances had been made, there were no trade bills or other assets which were individually impaired, overdue for over 3 months or rescheduled as at 31 December 2012 and 31 December 2011. In respect of advances to customers, the relevant amounts are analysed below:

(i) Impaired loans

<table>
<thead>
<tr>
<th></th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impaired loans and advances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Individually impaired (Note (a))</td>
<td>283,292</td>
<td>372,032</td>
</tr>
<tr>
<td>– Collectively impaired (Note (b))</td>
<td>16,251</td>
<td>13,652</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>299,543</strong></td>
<td><strong>385,684</strong></td>
</tr>
</tbody>
</table>

Impairment allowances made

<table>
<thead>
<tr>
<th></th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Individually assessed (Note (c))</td>
<td>(90,726)</td>
<td>(190,220)</td>
</tr>
<tr>
<td>– Collectively assessed (Note (b))</td>
<td>(14,948)</td>
<td>(12,392)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(105,674)</strong></td>
<td><strong>(202,612)</strong></td>
</tr>
</tbody>
</table>

**193,869** **183,072**

Fair value of collaterals held*

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of collaterals held*</td>
<td>221,109</td>
</tr>
</tbody>
</table>

Impaired loans and advances as a % of total loans and advances to customers

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Impaired loans and advances</td>
<td></td>
</tr>
<tr>
<td>and advances to customers</td>
<td><strong>0.35%</strong></td>
</tr>
</tbody>
</table>

* Fair value of collaterals is determined as the lower of the market value of collateral and outstanding loan balance.

**Note:**

(a) Individually impaired loans are defined as those loans having objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event has an impact on the estimated cash flows of the loans that can be reliably estimated.

(b) Collectively impaired loans and advances refer to those unsecured loans and advances assessed for impairment on a collective basis and which have become overdue for more than 90 days as at the reporting date. The collective impairment allowance for these impaired loans, which is a part of the overall collective impairment allowances, is shown above.

(c) The above individual impairment allowances were made after taking into account the value of collaterals in respect of such advances as at 31 December.
(b) Impaired, overdue and rescheduled assets (Continued)

(ii) Gross amount of overdue loans

<table>
<thead>
<tr>
<th>Gross advances to customers which have been overdue for:</th>
<th>As at 31 Dec 2012</th>
<th>Restated As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>– six months or less but over three months</td>
<td>70,549</td>
<td>49,794</td>
</tr>
<tr>
<td>– one year or less but over six months</td>
<td>33,986</td>
<td>254,138</td>
</tr>
<tr>
<td>– over one year</td>
<td>195,040</td>
<td>78,912</td>
</tr>
<tr>
<td></td>
<td><strong>299,575</strong></td>
<td><strong>382,844</strong></td>
</tr>
</tbody>
</table>

Gross amount of overdue loans % of total

Market value of securities held against the secured overdue advances

<table>
<thead>
<tr>
<th></th>
<th>As at 31 Dec 2012</th>
<th>Restated As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured overdue advances</td>
<td>242,553</td>
<td>235,326</td>
</tr>
<tr>
<td>Unsecured overdue advances</td>
<td>57,022</td>
<td>147,518</td>
</tr>
<tr>
<td>Individual impairment allowances</td>
<td>78,668</td>
<td>173,957</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>As at 31 Dec 2012</th>
<th>% of total</th>
<th>As at 31 Dec 2011</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances to customers</td>
<td>147,594</td>
<td>0.17</td>
<td>169,644</td>
<td>0.21</td>
</tr>
<tr>
<td>Impairment allowances</td>
<td>–</td>
<td>–</td>
<td>900</td>
<td>–</td>
</tr>
</tbody>
</table>
17. ADVANCES AND OTHER ACCOUNTS (CONTINUED)

(c) Repossessed collateral

Repossessed collateral held at the year-end is as follows:

<table>
<thead>
<tr>
<th>Nature of assets</th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Repossessed properties</td>
<td>73,702</td>
<td>19,400</td>
</tr>
<tr>
<td>– Others</td>
<td>6,760</td>
<td>5,804</td>
</tr>
<tr>
<td></td>
<td><strong>80,462</strong></td>
<td><strong>25,204</strong></td>
</tr>
</tbody>
</table>

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$72,342,000 (2011: Nil), 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” above. The relevant loans had been derecognised.
## 18. INVESTMENTS IN SECURITIES INCLUDED IN THE LOANS AND RECEIVABLES CATEGORY

**HK$’000**

<table>
<thead>
<tr>
<th>Description</th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in securities reclassified from the available-for-sale category</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– At fair value under fair value hedge (for hedging interest rate risk)</td>
<td>2,227,771</td>
<td>4,580,292</td>
</tr>
<tr>
<td>– At amortised cost</td>
<td>1,117,929</td>
<td>2,259,567</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,345,700</td>
<td>6,839,859</td>
</tr>
</tbody>
</table>

Less: impairment allowances

<table>
<thead>
<tr>
<th>Description</th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Individually assessed</td>
<td>(58,251)</td>
<td>–</td>
</tr>
<tr>
<td>– Collectively assessed</td>
<td>(100,000)</td>
<td>(100,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(158,251)</td>
<td>(100,000)</td>
</tr>
</tbody>
</table>

**Total**                                                                   | 3,187,449         | 6,739,859         |

Investments in securities classified as loan and receivables upon initial recognition

<table>
<thead>
<tr>
<th>Description</th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Listed in Hong Kong</td>
<td>862,149</td>
<td></td>
</tr>
<tr>
<td>– Listed outside Hong Kong</td>
<td>3,102,803</td>
<td>5,669,217</td>
</tr>
<tr>
<td>– Unlisted</td>
<td>299,436</td>
<td>367,934</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,402,388</td>
<td>6,899,300</td>
</tr>
</tbody>
</table>

Less: impairment allowances

<table>
<thead>
<tr>
<th>Description</th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Individually assessed</td>
<td>(58,251)</td>
<td>–</td>
</tr>
<tr>
<td>– Collectively assessed</td>
<td>(100,000)</td>
<td>(100,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(158,251)</td>
<td>(100,000)</td>
</tr>
</tbody>
</table>

**Total**                                                                   | 3,243,988         | 6,799,300         |

Investments in securities classified as loans and receivables upon initial recognition were overdue at the time of recognition. As at 31 December 2012 and 2011, these investments were overdue for more than one year.

Investments in securities included in the loans and receivables category are analysed as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Listed in Hong Kong</td>
<td>–</td>
<td>862,149</td>
</tr>
<tr>
<td>– Listed outside Hong Kong</td>
<td>3,102,803</td>
<td>5,669,217</td>
</tr>
<tr>
<td>– Unlisted</td>
<td>299,436</td>
<td>367,934</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,402,388</td>
<td>6,899,300</td>
</tr>
</tbody>
</table>

Less: impairment allowances

<table>
<thead>
<tr>
<th>Description</th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Individually assessed</td>
<td>(58,251)</td>
<td>–</td>
</tr>
<tr>
<td>– Collectively assessed</td>
<td>(100,000)</td>
<td>(100,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(158,251)</td>
<td>(100,000)</td>
</tr>
</tbody>
</table>

**Total**                                                                   | 3,243,988         | 6,799,300         |

Market value of listed securities                                           | 2,770,374         | 5,692,801         |
18. INVESTMENTS IN SECURITIES INCLUDED IN THE LOANS AND RECEIVABLES CATEGORY (CONTINUED)

As at 31 December 2012 and 2011, there were no certificates of deposit held included in the above balances of investments in debt securities.

<table>
<thead>
<tr>
<th></th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in securities included in the loans and receivables category are analysed by categories of issuers as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Banks and other financial institutions</td>
<td>2,282,015</td>
<td>3,614,285</td>
</tr>
<tr>
<td>– Corporate entities</td>
<td>1,120,224</td>
<td>3,285,015</td>
</tr>
<tr>
<td></td>
<td><strong>3,402,239</strong></td>
<td><strong>6,899,300</strong></td>
</tr>
</tbody>
</table>

19. AVAILABLE-FOR-SALE SECURITIES

<table>
<thead>
<tr>
<th></th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Listed in Hong Kong</td>
<td>8,960,807</td>
<td>7,607,297</td>
</tr>
<tr>
<td>– Listed outside Hong Kong</td>
<td>11,631,680</td>
<td>8,183,274</td>
</tr>
<tr>
<td>– Unlisted</td>
<td>1,068,197</td>
<td>1,201,961</td>
</tr>
<tr>
<td></td>
<td><strong>21,660,684</strong></td>
<td><strong>16,992,532</strong></td>
</tr>
<tr>
<td>Equity securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Listed in Hong Kong</td>
<td>258,174</td>
<td>236,940</td>
</tr>
<tr>
<td>– Listed outside Hong Kong</td>
<td>135,502</td>
<td>170,448</td>
</tr>
<tr>
<td>– Unlisted</td>
<td>308,194</td>
<td>265,332</td>
</tr>
<tr>
<td></td>
<td><strong>701,870</strong></td>
<td><strong>672,720</strong></td>
</tr>
<tr>
<td>Total available-for-sale securities</td>
<td><strong>22,362,554</strong></td>
<td><strong>17,665,252</strong></td>
</tr>
</tbody>
</table>

Included within debt securities are:

|                        |                   |                   |
| – Certificates of deposit held | –                | 24,270            |
| – Other debt securities      | **21,660,684**    | **16,968,262**    |
|                        | **21,660,684**    | **16,992,532**    |

Available-for-sale securities are analysed by categories of issuers as follows:

|                        |                   |                   |
| – Central governments and central banks | 2,867,068         | 5,814,123         |
| – Public sector entities | 294,279           | 199,393           |
| – Banks and other financial institutions | 6,184,662         | 4,950,871         |
| – Corporate entities     | 13,015,017        | 6,699,337         |
| – Others                | 1,528             | 1,528             |
|                        | **22,362,554**    | **17,665,252**    |
### 20. HELD-TO-MATURITY SECURITIES

**HK$’000**

<table>
<thead>
<tr>
<th></th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Debt securities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Listed in Hong Kong</td>
<td>711,921</td>
<td>240,544</td>
</tr>
<tr>
<td>– Listed outside Hong Kong</td>
<td>4,794,430</td>
<td>5,757,491</td>
</tr>
<tr>
<td>– Unlisted</td>
<td>1,765,399</td>
<td>2,399,987</td>
</tr>
<tr>
<td></td>
<td>7,274,750</td>
<td>8,398,022</td>
</tr>
<tr>
<td><strong>Market value of listed securities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,536,303</td>
<td>5,624,025</td>
</tr>
<tr>
<td><strong>Included within debt securities are:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Certificates of deposit held</td>
<td>399,701</td>
<td>6,126</td>
</tr>
<tr>
<td>– Other debt securities</td>
<td>6,875,049</td>
<td>8,391,896</td>
</tr>
<tr>
<td></td>
<td>7,274,750</td>
<td>8,398,022</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>As at 31 Dec 2012</th>
<th>As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Held-to-maturity securities are analysed by issuer as follows:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Central governments and central banks</td>
<td>910,343</td>
<td>1,691,869</td>
</tr>
<tr>
<td>– Public sector entities</td>
<td>222,527</td>
<td>223,436</td>
</tr>
<tr>
<td>– Banks and other financial institutions</td>
<td>3,953,927</td>
<td>4,326,499</td>
</tr>
<tr>
<td>– Corporate entities</td>
<td>2,187,953</td>
<td>2,156,218</td>
</tr>
<tr>
<td></td>
<td>7,274,750</td>
<td>8,398,022</td>
</tr>
</tbody>
</table>
## 21. RESERVES

<table>
<thead>
<tr>
<th>HK$’000</th>
<th>As at 31 Dec 2012</th>
<th>Restated As at 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reserves</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share premium</td>
<td>2,764,288</td>
<td>2,686,531</td>
</tr>
<tr>
<td>Capital reserve</td>
<td>34,202</td>
<td>–</td>
</tr>
<tr>
<td>Premises revaluation reserve</td>
<td>2,648,141</td>
<td>1,879,603</td>
</tr>
<tr>
<td>Investment revaluation reserve</td>
<td>(14,252)</td>
<td>(611,466)</td>
</tr>
<tr>
<td>Exchange reserve</td>
<td>212,872</td>
<td>191,895</td>
</tr>
<tr>
<td>General reserve</td>
<td>484,289</td>
<td>484,289</td>
</tr>
<tr>
<td>Reserve for share based compensation</td>
<td>97</td>
<td>–</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>11,069,109</td>
<td>10,098,677</td>
</tr>
<tr>
<td><strong>Total Reserves</strong></td>
<td>17,198,746</td>
<td>14,729,529</td>
</tr>
<tr>
<td>Proposed final dividends included in retained earnings</td>
<td>263,909</td>
<td>228,387</td>
</tr>
</tbody>
</table>

The Group’s Hong Kong banking subsidiaries are required to maintain minimum impairment provisions in excess of those required under HKFRS in the form of regulatory reserve. The regulatory reserve 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 31 December 2012, DSB has earmarked a regulatory reserve of HK$1,286,675,000 (2011: HK$1,158,201,000) first against its general reserve; and for any excess amount, the balance is earmarked against its retained earnings. As at 31 December 2011, MEVAS (1931) Limited had also earmarked a regulatory reserve of HK$4,279,000 in its retained earnings when it was still operating as a licensed bank in the name of MEVAS Bank Limited.
FINANCIAL RATIOS

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 Dec 2012</th>
<th>Year ended 31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income/operating income</td>
<td>74.7%</td>
<td>77.9%</td>
</tr>
<tr>
<td>Cost to income ratio</td>
<td>61.6%</td>
<td>61.0%</td>
</tr>
<tr>
<td>Return on average total assets</td>
<td>0.7%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Return on average shareholders’ funds</td>
<td>7.5%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Net interest margin</td>
<td>1.54%</td>
<td>1.41%</td>
</tr>
</tbody>
</table>

FINAL DIVIDENDS

At the forthcoming annual general meeting (“AGM”) of the Company to be held on Tuesday, 28 May 2013, the Directors will propose a final dividend of HK$0.89 per share for 2012 to Shareholders whose names are on the Register of Shareholders as at the close of business on Tuesday, 28 May 2013. The final dividend is payable on or about Monday, 10 June 2013.

CLOSURE OF REGISTER OF SHAREHOLDERS

The register of Shareholders of the Company will be closed for the following periods:

(1) For the purpose of determining Shareholders who are entitled to attend and vote at the AGM, the register of Shareholders will be closed from Friday, 24 May 2013 to Tuesday, 28 May 2013, both days inclusive. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Registrars, Computershare Hong Kong Investors Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 May 2013.

(2) For the purpose of determining Shareholders who are entitled to receive the final dividend in respect of the year ended 31 December 2012, the register of Shareholders will be closed from Wednesday, 5 June 2013 to Friday, 7 June 2013, both days inclusive. In order to qualify for the said final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Registrars, Computershare Hong Kong Investors Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 4 June 2013.
CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

In general, business conditions in 2012 were somewhat better than expected. Concerns over the Eurozone and a potential slowdown in Mainland China during the second quarter of the year, eased in the second half. This assisted us to report significantly improved profitability, with profit attributable to shareholders increasing by 21% from HK$1,021 million to HK$1,236 million for the year. Key trends included an improved net interest margin, from 1.41% in 2011 to 1.54% in 2012, as well as reasonable loan growth of 6.6%, and including trade bills, a total growth of 9.8% over 2011.

Our Hong Kong banking business generated a particularly strong improvement in earnings relative to 2011, and our investment in Bank of Chongqing once again made a strong contribution to our overall results.

Most key ratios showed improvement, with return on equity increasing from 6.9% to 7.5%, capital adequacy ratio broadly stable at 14.9% and the impaired loan ratio down slightly from 0.48% to 0.35%.

Overall, we made significant progress in 2012, with growth in our core businesses, broadly in line with the strategy developed by the current management team in 2011 and adopted by the Board. After more than 25 years as a listed company, we are also keen to continue to grow our insurance businesses.

BUSINESS AND FINANCIAL REVIEW

All major operating income items reported growth in the year. Net interest income was up by 14% from HK$2,186 million to HK$2,494 million. Net interest margin (“NIM”) was up from 1.41% to 1.54% during the year, and the sequential improvement was encouraging, with NIM increasing from 1.47% in the first half of the year to 1.60% in the second half. The sequential increase in margin was driven largely by lower deposit costs, resulting from improved market liquidity and a sharp focus on deposit cost management, and higher asset yields, including Treasury business investment yields, as well as upward repricing of our loan products in general.

Net fee and commission income increased by 23.4% from HK$383 million to HK$472 million and net trading income increased from HK$232 million to HK$793 million. The improvement in fee income was driven largely by improvements in wealth management and bancassurance revenues, increases in our sales of treasury products to customers, securities services and general banking related fees. The increase in trading income was driven mainly by a significant improvement in the mark-to-market valuation of financial instruments designated at fair value through profit or loss, a substantial portion of which is held by our insurance business in its investment portfolio.
The improved operating income items led to an overall increase in operating income net of insurance claims by 19.0% from HK$2,804 million to HK$3,336 million. Whilst headline operating expenses increased by 20.1% to HK$2,054 million, it should be noted that a major portion of the year on year increase relates to the effect of the write back of certain provisions relating to settlement of Lehman Minibond cases in 2011, which were not repeated in 2012. Eliminating the impact of these operating expense provisions, normalized operating expenses grew by a high single digit percentage.

Loan impairment losses and other credit provisions fell from HK$181 million to HK$144 million indicating the benign credit quality of our loan book and the generally robust financial positions of our customers during the period.

Bank of Chongqing continued to perform well with a contribution of HK$491 million for the year, an increase of 38.9% over the prior year.

Our insurance business reported a reduction in net insurance premium and other income by 24% to HK$1,548 million, due mainly to changes in rates, whilst gross premium income was slightly higher than 2011. New business volume was at a similar level to 2011 following efforts to move from lower value shorter-dated products to higher value longer-term products, which we believe will be in the longer term interests of the Company. A strong investment performance for the year helped to offset higher claims and expenses, and an increased transfer to reserves driven by interest rate movements during the year. We saw an encouraging performance from our bancassurance business, demonstrating the strength of our customer relationships in the bank channels. We are also pleased that further growth and stronger profitability were achieved in 2012 in our general insurance business.

Our capital position remained strong, with the overall capital adequacy ratio of our Banking Group at 14.9%, and our core equity tier 1 at 10.3%. Based on the capital rules including the transition arrangement consistent with the Basel III capital standards prescribed by the Hong Kong Monetary Authority, we are confident that we will be able to operate at capital levels in 2013 meeting the HKMA and the new Basel III capital rules that have come into effect from 1 January 2013.
PROSPECTS

Whilst global growth remains somewhat below trend, at present different markets seem to be moving in different directions. The US is demonstrating some signs of recovery, both in unemployment and the housing market, and corporate earnings remain robust, although there is still a lack of consensus between major parties on government finances. The Eurozone remains weaker, with potential volatility from countries such as Italy. Closer to home, Mainland China has experienced a ‘soft landing’, and with a new leadership in 2013, we are hopeful that stability and growth will continue for the foreseeable future.

Prospects in the Pearl River Delta and Macau remain good in the long term, and we look forward to solidifying the foundations that we have built in those locations. Whilst in Hong Kong, economic growth this year is forecast to remain modest in the range of 1.5-3.5%, we believe that the underlying conditions are stable, and with low unemployment, will provide opportunities for growth in the years to come.

We are therefore cautiously optimistic about the markets in which we operate for the coming year. Nevertheless, we remain vigilant as to any risks arising, particularly in terms of any sustained rise in bad debts in the Mainland market, and market volatility that could affect the investment return of our insurance business. Local liquidity conditions remain good, and we do not see any major signs of stress at present in Hong Kong or Macau. We continue to roll out and implement the medium term strategy for our banking businesses, with a focus on core customers, deposit cost management, service quality, wealth management and bancassurance, and the development of our Mainland China and cross-border businesses, in addition to our core Hong Kong hub.

Although internationally, Basel III remains challenging for many banks, we believe that the Hong Kong banking market, including ourselves, is well prepared for the changes to the capital regime introduced with effect from 1 January 2013, and that this should not present major issues. Indeed, internationally, we feel that Hong Kong, and Asia in general, is the area which will most readily be able to accommodate the increased capital requirements, bearing in mind the relatively high levels of capital held by banks in the region in general.

Overall, despite the notes of caution sounded above, we are still broadly optimistic about the key markets in which we operate for the 2013 year, and expect that we will still see growth in those markets.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2012.
COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this financial report and the consolidated financial statements of the Group for the year ended 31 December 2012.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE’S WEBSITE

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

DEALINGS IN THE COMPANY’S SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company’s listed shares during the year ended 31 December 2012.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of the Company comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Managing Director and Chief Executive), Gary Pak-Ling Wang and Nicholas John Mayhew as Executive Directors; Messrs. Takashi Morimura (Takami Onodera as alternate), Hidekazu Horikoshi and John Wai-Wai Chow as Non-Executive Directors; Messrs. Robert Tsai-To Sze, Dr. Tai-Lun Sun (Dennis Sun), Lon Dounn, Seiji Nakamura and Dr. Yuan Shu as Independent Non-Executive Directors.

By Order of the Board
Doris Wai Nar Wong
Company Secretary

Hong Kong, Wednesday, 20 March 2013

Website: http://www.dahsing.com