

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 440)

ANNOUNCEMENT OF 2023 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 2023.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

| HK\$'000 | Note | 2023 | Restated 2022 | Variance % |
|---|------|--------------------|------------------|---------------|
| Interest income | 4 | 11,599,555 | 7,007,942 | |
| Interest expense | 4 | (6,648,658) | (2,576,534) | |
| Net interest income | | 4,950,897 | 4,431,408 | 11.7 |
| Fee and commission income | 5 | 1,075,380 | 2,431,505 | |
| Fee and commission expense | 5 | (224,131) | (195,544) | |
| Net fee and commission income | | 851,249 | 2,235,961 | (61.9) |
| Insurance revenue | 6 | 935,891 | 838,035 | |
| Insurance service expense | 6 | (668,039) | (519,081) | |
| Net expense from reinsurance contracts held | 6 | (190,052) | (207,651) | |
| Insurance service result | | 77,800 | 111,303 | |
| Net trading income | 7 | 193,597 | 17,385 | |
| Net insurance finance income | 6 | 10,368 | 24,769 | |
| Other operating income | 8 | 159,502 | 165,115 | |
| Total operating income | | 6,243,413 | 6,985,941 | (10.6) |
| Operating expenses | 9 | (3,249,965) | (3,103,672) | 4.7 |
| Operating profit before impairment losses | | 2,993,448 | 3,882,269 | (22.9) |
| Credit impairment losses | 10 | (731,509) | (803,854) | (9.0) |
| Operating profit before gains and losses on certain investments and fixed assets | | 2,261,939 | 3,078,415 | (26.5) |
| Net gain/ (loss) on disposal of premises and other fixed assets | | 2,826 | (2,451) | |
| Net loss on fair value adjustment of investment properties | | (72,957) | (62,092) | |
| Net gain on disposal of financial assets at amortised cost | | - | 24 | |
| Share of results of an associate | | 688,957 | 656,691 | |
| Impairment loss on the investment in an associate | 11 | (552,000) | (1,683,000) | |
| Loss on deemed disposal of investment in an associate | | (10) | (10) | |
| Share of results of jointly controlled entities | | 27,014 | 29,879 | |
| Profit before taxation | | 2,355,769 | 2,017,456 | 16.8 |
| Taxation | 12 | (286,883) | (380,746) | |
| Profit for the year | | 2,068,886 | 1,636,710 | 26.4 |
| Profit attributable to non-controlling interests | | (476,791) | (412,332) | |
| Profit attributable to Shareholders of the Company | | 1,592,095 | 1,224,378 | 30.0 |
| Attributable to: | | | | |
| - Shareholders of the Company | | 1,592,095 | 1,224,378 | |
| - Non-controlling interests | | 476,791 | 412,332 | |
| Profit for the year | | 2,068,886 | 1,636,710 | |
| Dividends | | | | |
| Interim dividend paid | | 114,659 | 105,460 | |
| Proposed final dividend/ final dividend paid | | 522,218 | 258,856 | |
| | | 636,877 | 364,316 | |
| Earnings per share | | | | |
| Basic | 13 | HK\$4.99 | HK\$3.83 | |
| Diluted | 13 | HK\$4.11 | HK\$3.60 | |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

| HK\$'000 | 2023 | Restated 2022 |
|---|-------------------------|-------------------------|
| Profit for the year | 2,068,886 | 1,636,710 |
| Other comprehensive income/ (loss) for the year | | |
| Items that may be reclassified to the consolidated income statement: | | |
| Investments in securities | | |
| Net change in fair value of debt instruments at fair value through other comprehensive income | 298,269 | (834,505) |
| Share of other comprehensive income/ (loss) of an associate accounted for using the equity method | 248,924 | (226,037) |
| Net change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income | 33,612 | 7,093 |
| Deferred income tax related to the above | (43,181) | 132,617 |
| | <u>537,624</u> | <u>(920,832)</u> |
| Exchange differences arising on translation of the financial statements of foreign entities | (156,210) | (719,178) |
| Items that will not be reclassified to the consolidated income statement: | | |
| Net change in fair value of equity instruments at fair value through other comprehensive income | 1,990,036 | (223,916) |
| Deferred income tax related to the above | (150,168) | 69,212 |
| | <u>1,839,868</u> | <u>(154,704)</u> |
| Other comprehensive income/ (loss) for the year, net of tax | <u>2,221,282</u> | <u>(1,794,714)</u> |
| Total comprehensive income/ (loss) for the year, net of tax | <u>4,290,168</u> | <u>(158,004)</u> |
| Attributable to: | | |
| Non-controlling interests | 836,183 | 133,323 |
| Shareholders of the Company | 3,453,985 | (291,327) |
| Total comprehensive income/ (loss) for the year, net of tax | <u>4,290,168</u> | <u>(158,004)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

| HK\$'000 | Note | As at 31 December 2023 | Restated As at 31 December 2022 | Restated As at 1 January 2022 |
|---|------|------------------------------|--|--|
| ASSETS | | | | |
| Cash and balances with banks | | 16,925,694 | 18,689,646 | 12,791,862 |
| Placements with banks maturing between one and twelve months | | 4,092,372 | 10,143,916 | 4,613,803 |
| Trading securities | 14 | 1,739,841 | 562,161 | 4,425,384 |
| Financial assets at fair value through profit or loss | 14 | 1,680,710 | 622,068 | 609,266 |
| Derivative financial instruments | | 3,566,149 | 3,901,236 | 635,852 |
| Advances and other accounts | 15 | 149,668,395 | 143,144,070 | 152,928,298 |
| Financial assets at fair value through other comprehensive income | 16 | 45,741,844 | 42,046,836 | 46,398,268 |
| Financial assets at amortised cost | 17 | 39,380,187 | 32,941,710 | 24,592,503 |
| Investment in an associate | 11 | 2,215,131 | 2,159,290 | 4,230,951 |
| Investments in jointly controlled entities | | 129,946 | 123,072 | 114,373 |
| Goodwill | | 785,774 | 785,774 | 785,774 |
| Intangible assets | | 92,390 | 92,390 | 80,927 |
| Premises and other fixed assets | | 2,900,073 | 2,897,676 | 3,051,205 |
| Investment properties | | 709,859 | 782,816 | 760,256 |
| Current income tax assets | | 1,273 | - | - |
| Deferred income tax assets | | 158,923 | 266,415 | 70,852 |
| Total assets | | 269,788,561 | 259,159,076 | 256,089,574 |
| LIABILITIES | | | | |
| Deposits from banks | | 2,485,044 | 4,112,493 | 1,703,197 |
| Derivative financial instruments | | 1,279,419 | 997,637 | 1,425,365 |
| Trading liabilities | | 99,853 | 730,491 | 1,511,927 |
| Deposits from customers | | 206,535,360 | 198,574,909 | 194,921,713 |
| Certificates of deposit issued | | 2,428,028 | 4,228,983 | 6,589,717 |
| Subordinated notes | | 5,916,645 | 3,801,495 | 4,128,446 |
| Other accounts and accruals | 18 | 9,565,847 | 9,120,838 | 7,700,463 |
| Current income tax liabilities | | 287,152 | 297,641 | 162,365 |
| Deferred income tax liabilities | | 192,629 | 59,552 | 92,550 |
| Total liabilities | | 228,789,977 | 221,924,039 | 218,235,743 |
| EQUITY | | | | |
| Non-controlling interests | | 8,317,026 | 7,634,175 | 7,633,965 |
| Equity attributable to the Company's shareholders | | | | |
| Share capital | | 4,226,215 | 4,248,559 | 4,248,559 |
| Other reserves (including retained earnings) | | 28,455,343 | 25,352,303 | 25,971,307 |
| Shareholders' funds | 19 | 32,681,558 | 29,600,862 | 30,219,866 |
| Total equity | | 40,998,584 | 37,235,037 | 37,853,831 |
| Total equity and liabilities | | 269,788,561 | 259,159,076 | 256,089,574 |

Note:

1. Statutory Consolidated Financial Statements

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

Certain financial information in this results announcement is extracted from the Group's statutory consolidated financial statements for the year ended 31 December 2023 (the "2023 consolidated financial statements") which will be delivered to the Registrar of Companies and will be available from the website of the Hong Kong Exchanges and Clearing Limited in due course. The auditors of the Group have expressed an unqualified opinion on those consolidated financial statements in their report dated 28 March 2024.

2. Basis of Preparation and Accounting Policies

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which is a collective term and includes 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 Cap.622.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income, financial assets and financial liabilities held for trading, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

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

Except as described below, the accounting policies and methods of computation used in the preparation of the 2023 consolidated financial statements are consistent with those used and described in the Group's annual audited consolidated financial statements for the year ended 31 December 2022.

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

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards to its annual reporting period commencing 1 January 2023:

- HKAS 1 and HKFRS Practice Statement 2 (Amendments) -Disclosure of Accounting Policies
- HKAS 8 (Amendments) - Definition of Accounting Estimates
- International Tax Reform – Pillar Two Model Rules – amendments to HKAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to HKAS 12
- HKFRS 17, "Insurance contracts"

None of these has a significant effect on the consolidated financial statements of the Group, except the following.

2. Basis of Preparation and Accounting Policies (Continued)

(a) New and amended standards adopted by the Group (Continued)

- Adoption of amendments to HKAS 12 International Tax Reform

Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules apply to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“OECD”). The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation has been enacted in some tax jurisdictions in the world and will be implemented in Hong Kong in 2025. Under the legislation, the Group is liable to pay a top-up tax for the difference between the Global Anti-Base Erosion Proposal (“GloBE”) effective tax rate for each tax jurisdiction and the 15% minimum tax rate. The Group has applied the exception to recognising and disclosing information about deferred income tax assets and liabilities related to Pillar Two income taxes and there is no current tax expenses for the year ended 31 December 2023 under Pillar Two legislation.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the legislation on the Group is not yet reasonably estimable. The Group plans to conduct further analyses and may engage tax specialists to assist it in applying the legislation.

- Adoption of HKFRS 17

HKFRS 17 was issued in May 2017 as replacement for HKFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the consolidated income statement or directly in other comprehensive income. The Group has elected to report these changes in the consolidated income statement.

An optional, simplified premium allocation approach is permitted for the recognition of liability for the remaining coverage for short-duration contracts, which are often written by non-life insurers. The Group has applied this simplified approach for insurance contracts which qualify for this option, and has used the general measurement model to account for all the other insurance contracts.

In accordance with the transitional arrangements specified in HKAS 8 and HKFRS 17, the Group has adopted HKFRS 17 retrospectively and restated comparatives from the transition date of 1 January 2022.

2. Basis of Preparation and Accounting Policies (Continued)

(a) New and amended standards adopted by the Group (Continued)

• Adoption of HKFRS 17(Continued)

The following table summarises the impact, net of tax, arising from transition to HKFRS 17 on the opening balances of the consolidated balance sheet at the transition date as at 1 January 2022:

| | As previously reported | Adoption of HKFRS 17 | | As restated |
|--|------------------------|------------------------------------|-------------------------------|-------------|
| | | Replacement of HKFRS 4 liabilities | Establishment of HKFRS 17 CSM | |
| As at 31 December 2021 and 1 January 2022 | | | | |
| - Total assets | 256,530,989 | (441,415) | - | 256,089,574 |
| - of which: Advances and other accounts - Other assets | 153,369,713 | (441,415) | - | 152,928,298 |
| - Total liabilities | 218,704,642 | (458,864) | (10,035) | 218,235,743 |
| - of which: Other accounts and accruals - Other liabilities and accruals | 8,169,362 | (458,864) | (10,035) | 7,700,463 |
| - Total shareholders' funds | 30,192,382 | 17,449 | 10,035 | 30,219,866 |
| - of which: Retained earnings | 23,244,672 | 17,449 | 10,035 | 23,272,156 |
| As at 31 December 2022 and 1 January 2023 | | | | |
| - Total assets | 259,846,686 | (687,610) | - | 259,159,076 |
| - of which: Advances and other accounts - Other assets | 143,831,680 | (687,610) | - | 143,144,070 |
| - Total liabilities | 222,692,138 | (668,915) | (99,184) | 221,924,039 |
| - of which: Other accounts and accruals - Other liabilities and accruals | 9,888,937 | (668,915) | (99,184) | 9,120,838 |
| - Total shareholders' funds | 29,520,373 | (18,695) | 99,184 | 29,600,862 |
| - of which: Retained earnings | 24,480,867 | (18,695) | 99,184 | 24,561,356 |
| For the year ended 31 December 2022 | | | | |
| - Profit attributable to shareholders of the Company | 1,171,373 | 41,204 | 11,801 | 1,224,378 |

Under HKFRS 17, insurance premium income is spread over time. The revenue recognised is the sum of (i) present value of future cash flows net of any investment components; (ii) reduction in risk adjustment; and (iii) release of CSM (i.e. unearned profit which the Group will recognise as it provides services under the insurance contracts).

2. Basis of Preparation and Accounting Policies (Continued)

(a) New and amended standards adopted by the Group (Continued)

• Adoption of HKFRS 17 (Continued)

The following table summarises the impact, net of tax, arising from transition to HKFRS 17 on the balances of the consolidated balance sheet as at 31 December 2022.

| | As previously reported | Adoption of HKFRS 17 | As restated |
|--|------------------------|----------------------|-------------|
| As at 31 December 2022 and 1 January 2023 | | | |
| - Total assets | 259,846,686 | (687,610) | 259,159,076 |
| - of which: Advances and other accounts | 143,831,680 | (687,610) | 143,144,070 |
| - Total liabilities | 222,692,138 | (768,099) | 221,924,039 |
| - of which: Other accounts and accruals | 9,888,937 | (768,099) | 9,120,838 |
| - Total shareholders' funds | 29,520,373 | 80,489 | 29,600,862 |
| - of which: Retained earnings | 24,480,867 | 80,489 | 24,561,356 |
| For the year ended 31 December 2022 | | | |
| - Profit attributable to shareholders of the Company | 1,171,373 | 53,005 | 1,224,378 |

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

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group:

- HKAS 1 (Amendments) - Classification of Liabilities as Current or Non-current
- HKAS 1 (Amendments) - Non-current Liabilities with Covenants
- HKFRS 16 (Amendments) - Lease Liability in a Sale and Leaseback
- HK Interpretation 5 (Revised) - Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
- HKAS 7 and HKFRS 7 (Amendments) - Supplier Finance Arrangements
- HKAS 21 (Amendments) - Lack of Exchangeability
- HKFRS 10 and HKAS 28 (Amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

These amendments are not expected to have material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

There are no other HKFRSs or interpretations that are effective from 1 January 2023 or not yet effective that would be expected to have a material impact on the Group.

3. Operating segment reporting

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

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

- Personal banking business includes the acceptance of deposits from individual customers and the extension of residential mortgage lending, personal loans, overdraft, vehicle financing and credit card services, and the provision of insurance sales and investment services.
- Corporate banking business includes the acceptance of deposits from and the advance of loans and working capital finance to commercial, industrial and institutional customers, and the provision of trade financing.
- Treasury and global markets 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.
- Mainland China and Macau banking businesses include personal banking, corporate banking business activities provided by subsidiaries in Mainland China and Macau, and the Group’s interest in a commercial bank in Mainland China.
- Insurance business includes the Group’s insurance and pension fund management business. Through the Group’s wholly-owned subsidiaries in Hong Kong and Macau, the Group offers a variety of insurance products and services.
- Others include results of operations not directly identified under other reportable segments, corporate investments and debt funding (including subordinated notes).

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

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

3. Operating segment reporting (Continued)

For the year ended 31 December 2023

| HK\$'000 | Personal Banking | Corporate Banking | Treasury and Global Markets | Mainland China and Macau Banking | Insurance Business | Others | Inter- segment | Total |
|--|---------------------|----------------------|-----------------------------------|---|-----------------------|------------|-------------------|-------------|
| Net interest income/ (expenses) | 2,015,027 | 1,183,911 | 1,124,749 | 478,004 | 63,483 | 85,887 | (164) | 4,950,897 |
| Non-interest income/ (expenses) | 748,390 | 203,211 | (26,453) | 148,483 | 170,420 | 90,104 | (41,639) | 1,292,516 |
| Total operating income/ (expenses) | 2,763,417 | 1,387,122 | 1,098,296 | 626,487 | 233,903 | 175,991 | (41,803) | 6,243,413 |
| Operating expenses | (1,855,232) | (533,440) | (232,540) | (547,755) | (81,627) | (41,174) | 41,803 | (3,249,965) |
| Operating profit before credit impairment (losses)/ written back | 908,185 | 853,682 | 865,756 | 78,732 | 152,276 | 134,817 | - | 2,993,448 |
| Credit impairment (losses)/ written back | (311,830) | (350,600) | 27,560 | (98,244) | 13 | 1,592 | - | (731,509) |
| Operating profit/ (loss) before gains and losses on certain investments and fixed assets | 596,355 | 503,082 | 893,316 | (19,512) | 152,289 | 136,409 | - | 2,261,939 |
| Net (loss)/ gain on disposal and fair value adjustment of investment properties, premises and other fixed assets | (874) | - | - | 1,794 | (3,691) | (67,360) | - | (70,131) |
| Share of results of an associate | - | - | - | 688,957 | - | - | - | 688,957 |
| Impairment loss on the investment in an associate | - | - | - | (552,000) | - | - | - | (552,000) |
| Loss on deemed disposal of investment in an associate | - | - | - | (10) | - | - | - | (10) |
| Share of results of jointly controlled entities | - | - | - | - | - | 27,014 | - | 27,014 |
| Profit before taxation | 595,481 | 503,082 | 893,316 | 119,229 | 148,598 | 96,063 | - | 2,355,769 |
| Taxation (expenses)/ credit | (98,487) | (82,320) | (147,363) | (16,346) | (3,372) | 61,005 | - | (286,883) |
| Profit for the year | 496,994 | 420,762 | 745,953 | 102,883 | 145,226 | 157,068 | - | 2,068,886 |
| For the year ended 31 December 2023 | | | | | | | | |
| Depreciation and amortisation | 73,020 | 18,407 | 10,177 | 57,666 | 8,592 | 189,336 | - | 357,198 |
| At 31 December 2023 | | | | | | | | |
| Segment assets | 59,462,117 | 65,445,748 | 93,997,176 | 38,706,673 | 5,093,158 | 12,166,591 | (5,082,902) | 269,788,561 |
| Segment liabilities | 121,866,174 | 49,354,251 | 12,902,840 | 31,848,027 | 1,592,808 | 16,308,779 | (5,082,902) | 228,789,977 |

3. Operating segment reporting (Continued)

For the year ended 31 December 2022

| Restated HK\$'000 | Personal Banking | Corporate Banking | Treasury and Global Markets | Mainland China and Macau Banking | Insurance Business | Others | Inter- segment | Total |
|---|---------------------|----------------------|-----------------------------------|---|-----------------------|-----------------|-------------------|--------------------|
| Net interest income/ (expenses) | 1,890,619 | 1,183,415 | 918,047 | 485,207 | 22,650 | (68,565) | 35 | 4,431,408 |
| Non-interest income/ (expenses) | <u>2,102,346</u> | <u>188,591</u> | <u>33,839</u> | <u>114,999</u> | <u>142,462</u> | <u>(6,481)</u> | <u>(21,223)</u> | <u>2,554,533</u> |
| Total operating income/ (expenses) | 3,992,965 | 1,372,006 | 951,886 | 600,206 | 165,112 | (75,046) | (21,188) | 6,985,941 |
| Operating expenses | <u>(1,747,004)</u> | <u>(485,425)</u> | <u>(199,218)</u> | <u>(543,714)</u> | <u>(77,925)</u> | <u>(71,574)</u> | <u>21,188</u> | <u>(3,103,672)</u> |
| Operating profit/ (loss) before credit impairment (losses)/ written back | 2,245,961 | 886,581 | 752,668 | 56,492 | 87,187 | (146,620) | - | 3,882,269 |
| Credit impairment (losses)/ written back | <u>(192,606)</u> | <u>(468,865)</u> | <u>(36,388)</u> | <u>(107,358)</u> | <u>74</u> | <u>1,289</u> | <u>-</u> | <u>(803,854)</u> |
| Operating profit/ (loss) before gains and losses on certain investments and fixed assets | 2,053,355 | 417,716 | 716,280 | (50,866) | 87,261 | (145,331) | - | 3,078,415 |
| Net loss on disposal and fair value adjustment of investment properties and other fixed assets | (2,337) | (60) | - | (29) | (4,291) | (57,826) | - | (64,543) |
| Net gain on disposal of financial assets at amortised cost | - | - | 24 | - | - | - | - | 24 |
| Share of results of an associate | - | - | - | 656,691 | - | - | - | 656,691 |
| Impairment loss on the investment in an associate | - | - | - | (1,683,000) | - | - | - | (1,683,000) |
| Loss on deemed disposal of investment in an associate | - | - | - | (10) | - | - | - | (10) |
| Share of results of jointly controlled entities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>29,879</u> | <u>-</u> | <u>29,879</u> |
| Profit/ (loss) before taxation | 2,051,018 | 417,656 | 716,304 | (1,077,214) | 82,970 | (173,278) | - | 2,017,456 |
| Taxation (expenses)/ credit | <u>(338,200)</u> | <u>(68,936)</u> | <u>(118,357)</u> | <u>(14,879)</u> | <u>(15,642)</u> | <u>175,268</u> | <u>-</u> | <u>(380,746)</u> |
| Profit/ (loss) for the year | <u>1,712,818</u> | <u>348,720</u> | <u>597,947</u> | <u>(1,092,093)</u> | <u>67,328</u> | <u>1,990</u> | <u>-</u> | <u>1,636,710</u> |
| For the year ended 31 December 2022 | | | | | | | | |
| Depreciation and amortisation | 74,355 | 15,862 | 8,150 | 58,725 | 8,450 | 223,193 | - | 388,735 |
| At 31 December 2022 | | | | | | | | |
| Segment assets | 56,274,744 | 63,748,997 | 93,451,822 | 35,908,242 | 4,327,180 | 10,516,947 | (5,068,856) | 259,159,076 |
| Segment liabilities | 117,229,213 | 48,743,485 | 14,526,149 | 29,279,831 | 1,233,743 | 15,980,474 | (5,068,856) | 221,924,039 |

Geographical information

Geographical segment information is based on the domicile of the legal entities within the Group with business dealing and relationship with, and services to external customers. For the period ended 31 December 2023 and 2022, no single country or geographical segment other than Hong Kong contributed 10% or more of the Group's assets, liabilities, operating income, or profit before taxation.

4. Net interest income

| HK\$'000 | 2023 | 2022 |
|--|-------------------|------------------|
| Interest income | | |
| Cash and balances with banks | 817,684 | 369,084 |
| Investments in securities | 3,847,142 | 1,883,723 |
| Advances and other accounts | 6,934,729 | 4,755,135 |
| | <u>11,599,555</u> | <u>7,007,942</u> |
| Interest expense | | |
| Deposits from banks/ Deposits from customers | 6,047,242 | 2,261,652 |
| Certificates of deposit issued | 184,061 | 104,812 |
| Subordinated notes | 328,257 | 164,346 |
| Lease liabilities | 7,548 | 8,333 |
| Others | 81,550 | 37,391 |
| | <u>6,648,658</u> | <u>2,576,534</u> |
| Included within interest income | | |
| - Trading securities and financial assets at fair value through profit or loss | 13,110 | 6,258 |
| - Financial assets at fair value through other comprehensive income | 2,560,848 | 1,053,039 |
| - Financial assets at amortised cost | 9,025,597 | 5,948,645 |
| | <u>11,599,555</u> | <u>7,007,942</u> |
| Included within interest expense | | |
| - Financial liabilities at fair value through profit or loss | 5,098 | 7,086 |
| - Financial liabilities at amortised cost | 6,643,560 | 2,569,448 |
| | <u>6,648,658</u> | <u>2,576,534</u> |

For the year ended 31 December 2023 and 2022, there was no interest income recognised on impaired assets.

5. Net fee and commission income

| HK\$'000 | 2023 | 2022 |
|---|------------------|------------------|
| 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 | 158,987 | 156,941 |
| - Trade finance | 49,475 | 57,761 |
| - Credit card | 271,921 | 249,483 |
| Other fee and commission income | | |
| - Securities brokerage | 100,840 | 144,653 |
| - Insurance distribution and others (Note (a)) | 142,146 | 1,499,682 |
| - Retail investment and wealth management services | 151,811 | 176,846 |
| - Bank services and handling fees | 72,211 | 70,076 |
| - Other fees | 127,989 | 76,063 |
| | 1,075,380 | 2,431,505 |
| 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 | 207,380 | 181,237 |
| - Other fees paid | 16,751 | 14,307 |
| | 224,131 | 195,544 |

Note:

- (a) The amount reported for 2022 includes recognition of the unamortised upfront payment and deferred payments totalling HK\$1,394,149,000 upon termination of the Hong Kong Distribution Agreement announced by the Group on 8 July 2022.
- (b) The Group provides custody, trustee, corporate administration, and investment management services to third parties. The assets subject to these services are held in a fiduciary capacity and are not included in these consolidated financial statements.

6. Insurance service result after net insurance finance expense

| HK\$'000 | 2023 | Restated 2022 |
|--|---------------|------------------|
| Insurance revenue | 935,891 | 838,035 |
| Insurance service expense | (668,039) | (519,081) |
| Net expense from reinsurance contracts held | (190,052) | (207,651) |
| Insurance service result | 77,800 | 111,303 |
| Net insurance finance income | 10,368 | 24,769 |
| Insurance service result after net insurance finance expense | 88,168 | 136,072 |
| Analysed by major lines of businesses: | | |
| - Employees' compensation | 24,185 | 67,127 |
| - Property damage | 24,195 | 23,002 |
| - Motor vehicle, damage and liability | 8,070 | 6,206 |
| - Mortgage guarantee | 17,744 | 11,096 |
| - Contractors' all risks | 8,860 | 9,313 |
| - Others | 5,114 | 19,328 |
| | 88,168 | 136,072 |

7. Net trading income

| HK\$'000 | 2023 | 2022 |
|---|-----------------------|----------------------|
| Dividend income from financial assets at fair value through profit or loss | 60,014 | 25,614 |
| Net gain arising from dealing in foreign currencies | 148,015 | 43,556 |
| Net gain/ (loss) on trading securities | 2,819 | (452) |
| Net gain from derivatives entered into for trading purpose | 17,046 | 90,882 |
| Net gain/ (loss) arising from financial instruments subject to fair value hedge | 2,222 | (3,785) |
| Net loss on financial instruments at fair value through profit or loss | (36,519) | (138,430) |
| | <u>193,597</u> | <u>17,385</u> |

8. Other operating income

| HK\$'000 | 2023 | Restated 2022 |
|---|-----------------------|-----------------------|
| Dividend income from investments in equity instruments at fair value through other comprehensive income | | |
| - Derecognised during the year | | |
| - Listed investments | 17,929 | 9,575 |
| - Held at the end of the year | | |
| - Listed investments | 72,214 | 103,972 |
| - Unlisted investments | 32,627 | 4,389 |
| Gross rental income from investment properties | 18,469 | 22,183 |
| Other rental income | 15,994 | 16,763 |
| Others | 2,269 | 8,233 |
| | <u>159,502</u> | <u>165,115</u> |

9. Operating expenses

| HK\$'000 | 2023 | Restated 2022 |
|--|-------------------------|-------------------------|
| Employee compensation and benefit expenses | | |
| - Salaries and other staff costs | 2,033,588 | 1,991,574 |
| - Government grant - Employment Support Scheme | - | (6,008) |
| - Provision for share-based compensation charged | 14,263 | 239 |
| - Pension costs - defined contribution plans | 120,241 | 110,934 |
| Premises and other fixed assets expenses, excluding depreciation | | |
| - Rental of premises | 2,471 | 3,077 |
| - Others | 223,263 | 246,641 |
| Depreciation | | |
| - Premises and other fixed assets | 212,365 | 241,876 |
| - Right-of-use properties | 144,833 | 146,859 |
| Advertising and promotion costs | 85,127 | 95,019 |
| Printing, stationery and postage | 49,523 | 42,644 |
| Auditors' remuneration | 17,984 | 13,430 |
| Others | 346,307 | 217,387 |
| | <u>3,249,965</u> | <u>3,103,672</u> |

10. Credit impairment losses

| HK\$'000 | 2023 | Restated 2022 |
|--|-----------------------|------------------|
| New allowances net of allowance releases | 851,509 | 869,096 |
| Recoveries of amounts previously written off | (120,000) | (65,242) |
| | <u>731,509</u> | <u>803,854</u> |
| Attributable to: | | |
| - Loans and advances to customers | 798,335 | 784,312 |
| - Other financial assets | (36,171) | 41,173 |
| - Loan commitments and financial guarantees | (30,655) | (21,631) |
| | <u>731,509</u> | <u>803,854</u> |

11. Impairment loss on the investment in an associate

At 31 December 2023, the fair value of the Group's investment in Bank of Chongqing ("BOCQ") had been below the carrying amount for approximately 10 years. On this basis, the Group continues to perform an impairment test on the carrying amount of the investment in BOCQ to assess the recoverable amount.

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

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

Based on the assessment conducted for the position up to 31 December 2023, which takes into account the sensitivity of the key inputs shown above and the effects of possible interaction of these inputs, the recoverable amount, as determined by the VIU calculation and after considering all relevant factors (including the cumulative impairment charge having been recognised as of 31 December 2022) and valuation inputs, remained below the carrying amount. The latest impairment test performed by the Group for the position as at 31 December 2023 concludes that the recoverable amount, based on the VIU calculation, is assessed as lower than the carrying amount, after deducting the cumulative impairment allowance made up to 31 December 2022 of HK\$4,675 million, by HK\$552 million. As a result, an additional impairment charge of HK\$552 million was recognised in the year of 2023 to reduce the value of the investment to HK\$2,215 million at 31 December 2023.

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

12. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year. Taxation on profits in Mainland China and Macau 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.

| HK\$'000 | 2023 | 2022 |
|--|----------------|----------------|
| Current income tax: | | |
| - Hong Kong profits tax | 232,975 | 366,894 |
| - Mainland China's and Macau's taxation | 43,653 | 39,607 |
| - (Over)/ under-provision in prior years | (39,508) | 4 |
| Deferred income tax: | | |
| - Origination and reversal of timing differences | 51,131 | (29,303) |
| - (Recognition)/ utilization of tax losses | (1,368) | 3,544 |
| | <u>286,883</u> | <u>380,746</u> |

13. Earnings per share

The calculation of basic earnings per share is based on earnings of HK\$1,592,095,000 (2022: HK\$1,224,378,000) and the weighted average number of 318,928,510 (2022: 319,575,100) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on earnings of HK\$1,313,795,000 (2022: HK\$1,149,002,000) after taking into account of the dilutive effect of share of profits in an associate in HK\$280,720,000 (2022: HK\$75,376,000) and the weighted average number of 319,932,307 (2022: 319,598,426) ordinary shares in issue during the year after adjusting for the effect of shares awarded under share award scheme in 1,003,797 shares (2022: 23,326). The share options outstanding during the year and at the year end have no dilutive effect on the weighted average number of ordinary shares.

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

| HK\$'000 | As at 31 Dec 2023 | As at 31 Dec 2022 |
|--|----------------------|----------------------|
| Trading securities: | | |
| Debt securities: | | |
| - Listed in Hong Kong | 14,406 | 16,866 |
| - Unlisted | <u>1,725,435</u> | <u>545,295</u> |
| | <u>1,739,841</u> | <u>562,161</u> |
| Financial assets at fair value through profit or loss: | | |
| Equity securities and investment funds: | | |
| - Listed in Hong Kong | 12,057 | 23,428 |
| - Listed outside Hong Kong | 505,297 | 551,523 |
| - Unlisted | <u>1,163,356</u> | <u>47,117</u> |
| | <u>1,680,710</u> | <u>622,068</u> |
| Total | <u>3,420,551</u> | <u>1,184,229</u> |
| Included within debt securities are: | | |
| - Treasury bills which are cash equivalents | 1,725,135 | 89,278 |
| - Other treasury bills | - | 455,887 |
| - Government bonds | <u>14,706</u> | <u>16,996</u> |
| | <u>1,739,841</u> | <u>562,161</u> |

As at 31 December 2023 and 2022, there were no certificates of deposit held included in the above balances.

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

| | | |
|--|------------------|------------------|
| - Central governments and central banks | 1,739,841 | 562,161 |
| - Banks and other financial institutions | - | 3,997 |
| - Corporate entities | <u>1,680,710</u> | <u>618,071</u> |
| | <u>3,420,551</u> | <u>1,184,229</u> |

15. Advances and other accounts

| HK\$'000 | As at 31 Dec 2023 | Restated As at 31 Dec 2022 |
|---------------------------------------|---------------------------|----------------------------------|
| Gross loans and advances to customers | 143,049,476 | 136,530,235 |
| Less: impairment allowances | | |
| - Stage 1 | (364,345) | (406,618) |
| - Stage 2 | (263,656) | (342,731) |
| - Stage 3 | (485,255) | (887,053) |
| | <u>(1,113,256)</u> | <u>(1,636,402)</u> |
| | 141,936,220 | 134,893,833 |
| Trade bills | 2,060,317 | 3,666,988 |
| Less: impairment allowances | | |
| - Stage 1 | (2,981) | (5,569) |
| - Stage 2 | - | (1) |
| | <u>(2,981)</u> | <u>(5,570)</u> |
| | 2,057,336 | 3,661,418 |
| Other assets | 5,695,762 | 4,614,042 |
| Less: impairment allowances | | |
| - Stage 1 | (6,987) | (10,198) |
| - Stage 2 | (2,907) | (2,238) |
| - Stage 3 | (11,029) | (12,787) |
| | <u>(20,923)</u> | <u>(25,223)</u> |
| | 5,674,839 | 4,588,819 |
| Advances and other accounts | 149,668,395 | 143,144,070 |

15. Advances and other accounts (Continued)

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

| HK\$'000 | As at 31 Dec 2023 | | As at 31 Dec 2022 | |
|---|------------------------|-------------------------------------|------------------------|-------------------------------------|
| | Outstanding balance | % of gross loans and advances | Outstanding balance | % of gross loans and advances |
| Loans for use in Hong Kong | | | | |
| Industrial, commercial and financial | | | | |
| - Property development | 6,908,262 | 4.8 | 5,194,440 | 3.8 |
| - Property investment | 23,767,506 | 16.6 | 21,406,840 | 15.7 |
| - Financial concerns | 3,607,794 | 2.5 | 2,564,573 | 1.9 |
| - Stockbrokers | 1,240,252 | 0.9 | 842,926 | 0.6 |
| - Wholesale and retail trade | 4,791,670 | 3.4 | 4,825,599 | 3.5 |
| - Manufacturing | 1,684,066 | 1.2 | 1,954,317 | 1.4 |
| - Transport and transport equipment | 2,662,549 | 1.9 | 2,247,726 | 1.7 |
| - Recreational activities | 62,840 | - | 79,708 | 0.1 |
| - Information technology | 29,760 | - | 22,048 | - |
| - Others | 6,062,815 | 4.2 | 6,054,928 | 4.4 |
| | 50,817,514 | 35.5 | 45,193,105 | 33.1 |
| Individuals | | | | |
| - Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme | 467,752 | 0.3 | 484,470 | 0.4 |
| - Loans for the purchase of other residential properties | 34,954,353 | 24.4 | 33,911,826 | 24.8 |
| - Credit card advances | 3,841,087 | 2.7 | 3,674,222 | 2.7 |
| - Others | 13,530,504 | 9.5 | 12,181,304 | 8.9 |
| | 52,793,696 | 36.9 | 50,251,822 | 36.8 |
| Loans for use in Hong Kong | 103,611,210 | 72.4 | 95,444,927 | 69.9 |
| Trade finance (Note (1)) | 5,624,799 | 3.9 | 5,752,611 | 4.2 |
| Loans for use outside Hong Kong (Note (2)) | 33,813,467 | 23.7 | 35,332,697 | 25.9 |
| | 143,049,476 | 100.0 | 136,530,235 | 100.0 |

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

15. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets

(i) Impaired loans

| HK\$'000 | As at 31 Dec 2023 | As at 31 Dec 2022 |
|--|---------------------------|----------------------|
| Gross loans and advances | 143,049,476 | 136,530,235 |
| Less: total impairment allowances | (1,113,256) | (1,636,402) |
| Net | <u>141,936,220</u> | <u>134,893,833</u> |
| | | |
| Credit-impaired loans and advances | 2,779,561 | 2,539,012 |
| Less: Stage 3 impairment allowances | (485,255) | (887,053) |
| Net | <u>2,294,306</u> | <u>1,651,959</u> |
| | | |
| Fair value of collateral held* | <u>1,707,443</u> | <u>1,056,118</u> |
| | | |
| Credit-impaired loans and advances as a % of total loans and advances to customers | <u>1.94%</u> | <u>1.86%</u> |

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

(ii) Gross amount of overdue loans

| | As at 31 Dec 2023 | | As at 31 Dec 2022 | |
|--|-------------------------------------|--------------------|-------------------------------------|-------------|
| | Gross amount of overdue loans | % of total | Gross amount of overdue loans | % of total |
| Gross loans and advances to customers which have been overdue for: | | | | |
| - six months or less but over three months | 344,615 | 0.24 | 535,376 | 0.39 |
| - one year or less but over six months | 664,811 | 0.46 | 987,443 | 0.72 |
| - over one year | 1,158,163 | 0.81 | 332,525 | 0.25 |
| | <u>2,167,589</u> | <u>1.51</u> | <u>1,855,344</u> | <u>1.36</u> |
| | | | | |
| Market value of securities held against the secured overdue loans and advances | <u>2,615,092</u> | | <u>1,715,178</u> | |
| | | | | |
| Secured overdue loans and advances | 1,553,890 | | 888,975 | |
| Unsecured overdue loans and advances | <u>613,699</u> | | <u>966,369</u> | |
| | | | | |
| Stage 3 impairment allowances | <u>228,158</u> | | <u>632,380</u> | |

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

15. Advances and other accounts (Continued)

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

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

| HK\$'000 | As at 31 Dec 2023 | % of total | As at 31 Dec 2022 | % of total |
|---------------------------------|----------------------|-------------|----------------------|-------------|
| Loans and advances to customers | <u>405,780</u> | <u>0.28</u> | <u>339,249</u> | <u>0.25</u> |
| Stage 3 impairment allowances | <u>115,036</u> | | <u>123,023</u> | |

(c) Trade bills

As at 31 December 2023 and 2022, there were no balance of trade bills that were overdue for more than 3 months.

(d) Repossessed collateral

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

| Nature of assets | As at 31 Dec 2023 | As at 31 Dec 2022 |
|------------------------|----------------------|----------------------|
| Repossessed properties | 252,687 | 125,262 |
| Others | <u>925</u> | <u>5,560</u> |
| | <u>253,612</u> | <u>130,822</u> |

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

Certain other properties in the Mainland China with a total estimated realisable value of HK\$58,181,000 (2022: HK\$59,356,000), which had been foreclosed and repossessed by the Group pursuant to orders issued by courts in the Mainland China, represent assets held by the Group for resale and have been reported under "Other assets". The relevant loans had been derecognised.

16. Financial assets at fair value through other comprehensive income

| HK\$'000 | As at 31 Dec 2023 | As at 31 Dec 2022 |
|---|----------------------|----------------------|
| Debt securities: | | |
| - Listed in Hong Kong | 10,976,354 | 13,609,856 |
| - Listed outside Hong Kong | 15,729,976 | 15,742,345 |
| - Unlisted | 12,057,957 | 8,590,336 |
| | 38,764,287 | 37,942,537 |
| Equity securities: | | |
| - Listed in Hong Kong | 237,415 | 864,117 |
| - Listed outside Hong Kong | 4,978,850 | 2,565,200 |
| - Unlisted | 1,761,292 | 674,982 |
| | 6,977,557 | 4,104,299 |
| Total | 45,741,844 | 42,046,836 |
| Included within debt securities are: | | |
| - Certificates of deposit held | 361,139 | 234,493 |
| - Treasury bills which are cash equivalents | 1,489,951 | 897,617 |
| - Other treasury bills | 1,878,367 | 3,867,536 |
| - Government bonds | 1,198,230 | 635,348 |
| - Other debt securities | 33,836,600 | 32,307,543 |
| | 38,764,287 | 37,942,537 |
| Financial assets at fair value through other comprehensive income are analysed by categories of issuers as follows: | | |
| Debt securities: | | |
| - Central governments and central banks | 8,338,984 | 9,160,937 |
| - Public sector entities | 1,799,394 | 802,807 |
| - Banks and other financial institutions | 9,422,100 | 5,902,047 |
| - Corporate entities | 19,203,809 | 22,076,746 |
| | 38,764,287 | 37,942,537 |
| Equity securities: | | |
| - Banks and other financial institutions | 591,167 | 589,850 |
| - Corporate entities | 6,386,390 | 3,514,449 |
| | 6,977,557 | 4,104,299 |
| | 45,741,844 | 42,046,836 |

17. Financial assets at amortised cost

| HK\$'000 | As at 31 Dec 2023 | As at 31 Dec 2022 |
|--|----------------------|----------------------|
| Debt securities | | |
| - Listed in Hong Kong | 13,549,372 | 11,895,925 |
| - Listed outside Hong Kong | 15,977,711 | 12,981,228 |
| - Unlisted | 9,894,062 | 8,123,992 |
| | <u>39,421,145</u> | <u>33,001,145</u> |
| Less: impairment allowance | | |
| - Stage 1 | (40,958) | (59,435) |
| Total | <u>39,380,187</u> | <u>32,941,710</u> |
| Included within debt securities are: | | |
| - Certificates of deposit held | 3,918,269 | 3,120,178 |
| - Treasury bills | 1,577,781 | 1,121,950 |
| - Government bonds | 222,317 | 214,612 |
| - Other debt securities | 33,702,778 | 28,544,405 |
| | <u>39,421,145</u> | <u>33,001,145</u> |
| Financial assets at amortised cost are analysed by categories of issuers as follows: | | |
| - Central governments and central banks | 1,800,098 | 1,336,562 |
| - Public sector entities | 2,031,319 | 1,410,432 |
| - Banks and other financial institutions | 13,394,699 | 10,420,964 |
| - Corporate entities | 22,195,029 | 19,833,187 |
| | <u>39,421,145</u> | <u>33,001,145</u> |

18. Other accounts and accruals

| HK\$'000 | As at 31 Dec 2023 | Restated As at 31 Dec 2022 |
|---------------------------------------|----------------------|----------------------------------|
| Insurance contract liabilities | 1,367,132 | 1,068,469 |
| Reinsurance contract liabilities | 173 | 3,450 |
| Lease liabilities | 487,592 | 539,020 |
| Other liabilities and accruals (Note) | 7,710,950 | 7,509,899 |
| | <u>9,565,847</u> | <u>9,120,838</u> |

Note: The aggregate of net insurance liabilities and trade and tax payables of the Group's general insurance business after deducting cash and bank balances held for operations and collateral placed out for mortgage guarantee business, or "float" available for investment, as at 31 December 2023, was HK\$719,734,000 (31 December 2022: HK\$593,542,000).

19. Shareholders' funds

| HK\$'000 | As at 31 Dec 2023 | Restated As at 31 Dec 2022 |
|--|----------------------|----------------------------------|
| Share capital and shares held for share award scheme | 4,226,215 | 4,248,559 |
| Premises revaluation reserve | 608,287 | 608,287 |
| Investment revaluation reserve | 2,121,197 | 55,738 |
| Exchange reserve | (483,765) | (367,591) |
| Capital reserve | 6,318 | 6,318 |
| General reserve | 484,289 | 484,289 |
| Reserve for share-based compensation | 17,005 | 3,906 |
| Retained earnings | <u>25,702,012</u> | <u>24,561,356</u> |
| | <u>32,681,558</u> | <u>29,600,862</u> |
| Proposed final dividend/ final dividend paid included in retained earnings | <u>522,218</u> | <u>258,532</u> |

Note:

DSB as a locally incorporated bank in Hong Kong is required to maintain minimum impairment provisions in excess of those required under HKFRS in the form of regulatory reserve. The regulatory reserve, which also covers Banco Comercial de Macau, S.A. and Dah Sing Bank (China) Limited, 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 2023, DSB has earmarked a regulatory reserve of HK\$616,530,000 (2022: HK\$438,466,000) first against its consolidated general reserve; and for any excess amount, the balance is earmarked against its consolidated retained earnings.

FINANCIAL RATIOS/ KEY PERFORMANCE INDICATORS

The following information relates to the Group and is disclosed as part of the accompanying information to the results announcement and is unaudited.

The banking business of the Group is held indirectly by DSFH through Dah Sing Banking Group Limited ("DSBG"). DSBG is the holding company of DSB which in turn holds the entire equity capital of Banco Comercial de Macau, S.A. and Dah Sing Bank (China) Limited. The insurance business of the Group is held directly by DSFH. It comprises the general insurance business of Dah Sing Insurance Company (1976) Limited ("DSI") in Hong Kong and Macau Insurance Company Limited ("MIC") in Macau, and the pension fund management business of Macau Pension Fund Management Company Limited in Macau.

In respect of the Group's banking business

| | Year ended 31 Dec 2023 | Year ended 31 Dec 2022 |
|---------------------------------------|-----------------------------------|---------------------------|
| Net interest income/operating income | 81.4% | 64.2% |
| Cost to income ratio | 53.6% | 44.2% |
| Return on average total assets | 0.7% | 0.6% |
| Return on average shareholders' funds | 6.0% | 5.4% |

In respect of the Group's insurance business

| | As at 31 Dec 2023 | As at 31 Dec 2022 |
|---------------------------|------------------------------|----------------------|
| Solvency ratio (Note (a)) | | |
| - DSI | 738% | 1457% |
| - MIC | 1288% | 1167% |

| | Year ended 31 Dec 2023 | Year ended 31 Dec 2022 |
|---|-----------------------------------|---------------------------|
| Gross Premiums Written analysed by major lines of businesses: | | |
| - Employees' compensation | 247,346 | 200,248 |
| - Property damage | 211,084 | 205,653 |
| - Motor vehicle, damage and liability | 297,835 | 250,363 |
| - Mortgage guarantee | 108,667 | 177,051 |
| - Contractors' all risks | 51,082 | 55,819 |
| - Others | 145,359 | 102,979 |
| Total | 1,061,373 | 992,113 |
| Combined ratio (Note (b)) | 97.5% | 98.1% |
| Loss ratio (Note (c)) | 52.0% | 52.3% |
| Expense ratio (Note (d)) | 25.1% | 25.3% |
| Commission ratio (Note (e)) | 20.4% | 20.6% |
| Return on average equity (Note (f)) | 17.7% | (11.5%) |
| Investment return (Note (g)) | 558,143 | (393,030) |

Note:

- (a) Solvency ratio of DSI is calculated from adjusted net assets over required solvency margin. Solvency ratio of MIC is calculated based on the eligible equity of MIC on the last day of the immediately preceding financial year based on the guidance issued by the Monetary Authority of Macao.
- (b) Combined ratio is the ratio of the sum of net claims incurred and expenses to net earned premium.
- (c) Loss ratio is the ratio of net claims incurred to net earned premium.
- (d) Expense ratio is the ratio of operating expenses to net earned premium.
- (e) Commission ratio is the ratio of commission expenses incurred to net earned premium.
- (f) Return on average equity is the ratio of the sum of profit after tax and other comprehensive income to the average equity for the year.
- (g) Investment return includes net interest income, and gains and losses on investments recorded in income statement and other comprehensive income.

FINAL DIVIDEND

At the forthcoming annual general meeting (“AGM”) of the Company to be held on Friday, 31 May 2024, the Directors will propose a final dividend of HK\$1.64 per share for 2023 to shareholders whose names are on the Register of Shareholders as at the close of business on Wednesday, 12 June 2024. Subject to shareholders’ approval at the AGM, the final dividend will be payable on Thursday, 20 June 2024.

CLOSURE OF REGISTER OF SHAREHOLDERS

For determining shareholders’ right to attend and vote at the AGM:

| | |
|--|--|
| Latest time to lodge transfers | 4:30 p.m. on 27 May 2024 (Monday) |
| Closure of Register of Shareholders (both days inclusive) | 28 May 2024 (Tuesday) to 31 May 2024 (Friday) |
| Record date | 31 May 2024 (Friday) |
| AGM | 31 May 2024 (Friday) |

For determining shareholders’ entitlement to receive the proposed final dividend:

| | |
|--|---|
| Latest time to lodge transfers | 4:30 p.m. on 6 June 2024 (Thursday) |
| Closure of Register of Shareholders (both days inclusive) | 7 June 2024 (Friday) to 12 June 2024 (Wednesday) |
| Record date | 12 June 2024 (Wednesday) |

During the periods of the closure of Register of Shareholders, no share transfers will be registered. For registration, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong before the relevant latest time to lodge transfers.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

In 2023 we continued our efforts to make progress in our business while maintaining financial stability and sustaining the quality development of our core businesses amidst external challenges in our major markets. We have grown our businesses in line with our strategy to leverage our franchises in Hong Kong, Macau and Mainland China, and continue to seek opportunities in the Greater Bay Area.

During the year, we saw a material improvement in net interest income and net trading income and other income, whilst net fee and commission income, excluding the gain on the termination of our previous insurance distribution agreement in the previous year, was higher than 2022. Moreover, we achieved key milestones in developing and growing our businesses in the year including an exclusive 15-Year Bancassurance Partnership with Sun Life in Hong Kong; and the opening of the new Shenzhen Branch.

We were delighted to announce in January 2023 that we had entered into an exclusive 15-year bancassurance partnership in Hong Kong with Sun Life Group for the distribution of Sun Life products starting from July 2023. The new bancassurance agreement has offered our wealth management customers the choice of a diverse range of life and protection products through our strong franchise and distribution network of over 40 branches in Hong Kong.

Dah Sing Bank, Limited (“DSB”) celebrated the official opening of its new Shenzhen Branch in Qianhai on 1 August 2023. We became the first foreign bank in Mainland China to be granted a dual operating licence and set up a local branch in addition to our locally incorporated wholly-owned bank, Dah Sing Bank (China) Limited.

In line with our GBA strategy, the new Shenzhen Branch focuses on Renminbi lending, deposits and remittance services for corporate customers onshore, which also better positions the Group against the backdrop of RMB internationalisation.

For 2023, a final dividend of HK\$1.64 per share was declared, representing a total dividend for the whole year of HK\$2.00, an increase of 75% compared to the HK\$1.14 in 2022.

BUSINESS AND FINANCIAL REVIEW

The Hong Kong economy expanded by 3.2% in 2023, recovering from the 3.7% contraction recorded in 2022. The reopening of the border amidst an easing of the COVID pandemic helped bolster the domestic economy, while external demand continued to be weighed down by a sharp increase in interest rates globally and a weaker than expected rebound in Mainland China’s economy. Mainland China reported GDP growth of 5.2% in 2023, up from 3.0% in 2022. However, a continued cooling in the property market and uncertain economic outlook hampered both consumption and investment growth.

Although the pace of economic recovery was slower than expected in 2023 and the business environment remained challenging, our Group’s profit attributable to shareholders in 2023 increased 30% to HK\$1,592 million.

Benefiting from the rebound of interest rates during the year, DSB’s net interest margin has widened, resulting in an increase in net interest income by 12% as compared to 2022. The net interest margin rose by 16 basis points due both to higher market interest rates and to our efforts to control our funding cost during the year. Despite relatively subdued loan demand in our core markets, loan balances rose slightly across most business lines, and our overall loan balances grew by 5%.

Our FX related business for customers was robust with improved business from customers in both Personal Banking and Corporate Banking. Overall, net fee and commission income recorded a modest increase of 1% as compared to last year excluding the HK\$1,394 million one-off gain recognised upon termination of the previous bancassurance distribution agreement in 2022. As the 15-Year Bancassurance Partnership with Sun Life became effective on 1 July 2023, the distribution of insurance products to our retail customers has resumed in the second half of 2023 and the results to date are encouraging.

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

We are pleased to report continued encouraging progress in building our non-life insurance businesses during the course of 2023. Gross premiums written increased by 7.0% for the year, and with costs and claims kept under control, we produced a small underwriting profit. The performance of our investment portfolio was strong for the year. Together, they generated a profit of HK\$145 million for our general insurance businesses which was 116% higher than last year. It should be noted that the bulk of our investment portfolio in our general insurance businesses is accounted for under “Other Comprehensive Income” and therefore is not captured in our Consolidated Income Statement. If we take the gains from our combined insurance and group investment portfolios into account, the overall returns for our insurance and investment operations were HK\$1,138 million, representing a return on investment in excess of 15%.

Operating profit before impairment losses of our banking business decreased by 28% mainly due to the one-off gain of HK\$1,394 million in 2022, as mentioned above. Excluding this item, operating profit before impairment losses was up by 14%, and non-interest income was up by 5% for the year. Our credit cost fell by 9% as compared to 2022 although it remained somewhat high during the year, with credit impairment losses at HK\$731 million. A large part of the reduction was attributable to our corporate banking business as we continued to take proactive risk management measures in the current business environment.

We recorded an increase in our share of the net profit of our associate, Bank of Chongqing (“BOCQ”), for the year to HK\$689 million. After we updated the impairment model in 2022 to reflect the latest economic conditions and projection of BOCQ’s future performance, recording an impairment charge of HK\$1,683 million, the total impairment charge on the basis of the updated model for the 2023 year was HK\$552 million. It should be noted that the provision made relating to BOCQ is non-cash and does not affect our capital adequacy.

FUTURE PROSPECTS

In 2023, economic growth in Hong Kong remained relatively sluggish, with subdued loan demand and generally higher market interest rates. The continued rate increases had an impact on the capacity of certain borrowers to repay debts, and on loan demand amongst customers, and resulted in weak performance in loan growth in the banking industry during the year. The rate hikes also led to challenges in terms of more expensive funding and higher interest expenses, as customers switched their placement of funds to higher rate deposits. The rate hike cycle is expected to end in 2024 and a reduction in rates may start to take place later this year. However, there are market expectations that a somewhat higher interest rate level will potentially remain for some time, which should continue to be of benefit to our net interest margin. Furthermore, in response to the weak property sectors in both China and Hong Kong, policy changes have been made to ease market conditions, which hopefully will provide the market with some stabilisation.

With the increasing integration and rapid development of the Greater Bay Area, consumer sentiment has improved and is expected to support the increase in outbound and inbound travel from and to Hong Kong. That said, Hong Kong as our core market continues to maintain its stable economic conditions and competitive advantages, including well-developed infrastructure, low taxation, strong institutions and robust banking system. We expect the banking sector of Hong Kong to remain stable under a stringent regulatory environment with generally very high levels of bank capital and liquidity.

Our strategy aligns with the development of the Greater Bay Area, with Dah Sing Bank operating both a branch in Shenzhen and a subsidiary bank in the Mainland to serve our target customers. The “dual operating licence” allows us to gradually expand our cross-boundary business to gain a wider footprint in the Greater Bay Area. At the same time, the life insurance sales to our retail banking customers was resumed in mid-2023. This is very important in serving our customers with a range of financial services and products throughout different stages in their lives. As a result, we have increased our team of financial planning managers to support the relaunch of bancassurance business. We are glad to achieve these two important milestones in 2023. We have enhanced our capabilities in wealth management business and corporate banking business in the Greater Bay Area as two key drivers of our long-term growth.

During 2023, we successfully completed the implementation of our new core banking system. We continue to invest in technology and the digitalization of our banking services, both to improve our service to customers, and to improve efficiency. This is an ongoing process as a greater proportion of our transactions move from branch based to online/remote channels.

Looking forward, we expect challenges to remain with the banking industry in the near term. In particular, higher credit risk is one of the considerations, with credit cost expected to remain relatively high across banks and the financial system as a whole. In order to maintain healthy asset quality, we are managing credit risk in our loan and asset portfolios in a prudent manner.

Both our capital adequacy and liquidity remain robust, enabling us not only to meet the challenges of a difficult business environment, but also to position us for growth should market conditions allow. Liquidity conditions domestically in Hong Kong, and our funding base, mainly comprising domestic Hong Kong deposits, have stayed strong in spite of the recent challenging times, and we expect that to continue. We are ready to accelerate the growth of our business over the medium and longer term.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code (“CG Code”) under Part 2 of Appendix C1 of the Listing Rules throughout the year ended 31 December 2023, with the exception of code provision F.2.2.

Pursuant to code provision F.2.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. David Shou-Yeh Wong, the Chairman of the Board, was unable to attend the 2023 Annual General Meeting (the “2023 AGM”) of the Company held in Hong Kong on 2 June 2023 as he was away from Hong Kong at that time. Mr. Hon-Hing Wong (Derek Wong), Managing Director and Chief Executive of the Company, took the chair of the 2023 AGM.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct for directors’ securities dealing (“Directors’ Dealing Code”) on terms no less exacting than the prevailing required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) under Appendix C3 of the Listing Rules. Following specific enquiry, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code and the Directors’ Dealing Code throughout the year ended 31 December 2023.

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 consolidated financial statements of the Group for the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of listed securities of the Company during the year ended 31 December 2023, except that the trustee of the Share Award Scheme of the Company, pursuant to the terms of the rules and the trust deed of the Company’s Share Award Scheme, purchased on the Stock Exchange a total of 1,224,400 shares of the Company at a total consideration of HK\$23,797,261.84.

ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The 2023 Annual Report of the Group containing all the information required by the Listing Rules will be published on the websites of HKEX and Dah Sing Bank in due course. Printed copies of the 2023 Annual Report will be sent to shareholders who have elected to receive printed versions of the Company’s corporate communications before the end of April 2024.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Mr. David Shou-Yeh Wong (Chairman), Mr. Hon-Hing Wong (Derek Wong) (Managing Director and Chief Executive), Mr. Harold Tsu-Hing Wong (Group General Manager) and Mr. Gary Pak-Ling Wang (Deputy Chief Executive) as Executive Directors; Mr. Junji Mori (Mr. Yuichi Tashita as alternate) as Non-Executive Director; Mr. Robert Tsai-To Sze, Mr. Andrew Kwan-Yuen Leung, Mr. Paul Michael Kennedy, Mr. Paul Franz Winkelmann and Ms. Mariana Suk-Fun Ngan as Independent Non-Executive Directors.

By Order of the Board
Richard Tsung-Yung Li
Company Secretary

Hong Kong, Thursday, 28 March 2024