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

ANNOUNCEMENT OF 2020 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 2020.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

HK\$'000	Note	2020	2019	Variance %
Interest income	4	6,230,506	7,517,351	
Interest expense	4	(2,511,305)	(3,392,307)	
Net interest income		3,719,201	4,125,044	(9.8)
Fee and commission income	5	1,378,808	1,428,536	
Fee and commission expense	5	(206,264)	(292,075)	
Net fee and commission income		1,172,544	1,136,461	3.2
Net trading income	6	376,069	32,166	
Net insurance premium and other income		500,128	471,521	
Other operating income	7	155,249	160,312	
Operating income		5,923,191	5,925,504	0.0
Net insurance claims and expenses		(351,882)	(321,251)	
Total operating income net of insurance claims		5,571,309	5,604,253	(0.6)
Operating expenses	8	(3,019,884)	(2,983,718)	1.2
Operating profit before impairment losses		2,551,425	2,620,535	(2.6)
Credit impairment losses	9	(647,668)	(356,649)	81.6
Operating profit before gains and losses on certain investments and fixed assets		1,903,757	2,263,886	(15.9)
Net loss on disposal of other fixed assets		(3,027)	(6,621)	
Net loss on fair value adjustment of investment properties		(142,753)	(75,717)	
Net gain/ (loss) on disposal of financial assets at fair value through other comprehensive income		13,448	(24)	
Impairment loss on goodwill	10	(98,239)	-	
Share of results of an associate		710,370	701,857	
Impairment loss on the investment in an associate	11	(531,000)	(287,000)	
Share of results of jointly controlled entities		33,190	32,072	
Profit before taxation		1,885,746	2,628,453	(28.3)
Taxation	12	(342,714)	(344,962)	
Profit for the year		1,543,032	2,283,491	(32.4)
Profit attributable to non-controlling interests		(384,880)	(575,682)	
Profit attributable to Shareholders of the Company		1,158,152	1,707,809	(32.2)
Attributable to:				
- Shareholders of the Company		1,158,152	1,707,809	
- Non-controlling interests		384,880	575,682	
Profit for the year		1,543,032	2,283,491	
Dividends				
Interim dividend paid		86,285	124,634	
Proposed final dividend/ final dividend paid		214,115	345,140	
		300,400	469,774	
Earnings per share				
Basic and diluted	13	HK\$3.62	HK\$5.28	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

HK\$'000	2020	2019
Profit for the year	1,543,032	2,283,491
Other comprehensive income 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	(78,004)	397,848
Net change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	6,438	4,435
Net (gain)/ loss realised and transferred to income statement upon:		
- Disposal of debt instruments at fair value through other comprehensive income	(13,448)	24
Deferred income tax related to the above	18,852	(52,213)
	(66,162)	350,094
Exchange differences arising on translation of the financial statements of foreign entities	387,964	(159,945)
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	646,691	619,082
Deferred income tax related to the above	(39,213)	(35,405)
	607,478	583,677
Other comprehensive income for the year, net of tax	929,280	773,826
Total comprehensive income for the year, net of tax	2,472,312	3,057,317
Attributable to:		
Non-controlling interests	470,970	626,977
Shareholders of the Company	2,001,342	2,430,340
Total comprehensive income for the year, net of tax	2,472,312	3,057,317

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

HK\$'000	Note	2020	2019
ASSETS			
Cash and balances with banks		16,119,500	18,445,267
Placements with banks maturing between one and twelve months		5,742,740	6,332,707
Trading securities	14	5,080,047	8,387,953
Financial assets at fair value through profit or loss	14	557,353	680,731
Derivative financial instruments		1,147,201	577,930
Advances and other accounts	15	147,904,807	145,822,950
Financial assets at fair value through other comprehensive income	16	46,395,704	45,511,057
Financial assets at amortised cost	17	22,902,983	15,742,992
Investment in an associate	11	4,277,927	3,888,775
Investments in jointly controlled entities		105,553	96,363
Goodwill	10	776,364	874,603
Intangible assets		80,927	80,927
Premises and other fixed assets		3,128,922	2,586,252
Investment properties		671,150	1,166,842
Current income tax assets		-	1,033
Deferred income tax assets		69,923	115,597
Total assets		254,961,101	250,311,979
LIABILITIES			
Deposits from banks		3,500,442	2,465,069
Derivative financial instruments		3,196,667	1,093,028
Trading liabilities		1,570,675	5,516,558
Deposits from customers		189,901,345	182,115,297
Certificates of deposit issued		8,125,802	6,750,825
Subordinated notes		3,828,458	5,510,181
Other accounts and accruals		8,710,618	12,516,794
Current income tax liabilities		389,147	483,388
Deferred income tax liabilities		46,978	56,298
Total liabilities		219,270,132	216,507,438
EQUITY			
Non-controlling interests		7,304,899	6,999,311
Equity attributable to the Company's shareholders			
Share capital		4,248,559	4,248,559
Other reserves (including retained earnings)		24,137,511	22,556,671
Shareholders' funds	18	28,386,070	26,805,230
Total equity		35,690,969	33,804,541
Total equity and liabilities		254,961,101	250,311,979

Note:

1. Statutory Financial Statements

The information set out in this results announcement does not constitute statutory 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 2020 (the "2020 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 have expressed an unqualified opinion on those financial statements in their report dated 24 March 2021.

2. Basis of Preparation and Accounting Policies

The consolidated financial statements of the Group have been prepared in accordance with all applicable 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 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 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 2020 consolidated financial statements are consistent with those used and described in the Group's annual audited financial statements for the year ended 31 December 2019.

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

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The following amendments to accounting standards are applicable for annual reporting periods commencing on 1 January 2020:

- Definition of Material - amendments to HKAS 1 and HKAS 8
- Definition of a Business - amendments to HKFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform - Phase 1, amendments to HKFRS 9 "Financial Instruments", HKAS 39 "Financial Instruments: Recognition and Measurement" and HKFRS 7 "Financial Instruments: Disclosures"

Interest rate benchmark reform is the market-wide initiative to replace or reform interbank offered rates ("IBORs") that are commonly used to determine interest cash flows on financial instruments such as loans and advances to customers, deposits from banks and customers, debt securities and derivatives. The objective of the reform is to replace IBORs with alternative risk-free interest rates ("RFRs") that are based on actual market transactions. Consequently, financial contracts which currently make reference to IBORs may need to be amended such that they will make reference to the alternative RFRs in the applicable currency going forward. Amendments to HKFRS 9, HKAS 39 and HKFRS 7 modify some specific hedge accounting requirements to provide relief (the "temporary relief") from the potential effects of the uncertainties caused by the interest rate benchmark reform.

2. Basis of Preparation and Accounting Policies (Continued)

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

Significant judgement will be required in determining when uncertainty is expected to be resolved and when the temporary relief will cease to apply. As at 31 December 2020, there is still uncertainty on the reform of IBORs, and the Group has applied the temporary relief on all its hedge accounting relationships based on reference benchmarks that are subject to the IBORs reform or replacement. The Group continues to closely monitor the market progress on the transition of IBORs to RFRs.

The Group has certain outstanding interest rate swaps which are exposed to different types of IBORs, (predominantly US Dollar London Interbank Offered Rate (“LIBOR”) and Hong Kong Interbank Offered Rate (“HIBOR”). These interest rate swaps are designated as fair value hedge of certain of the Group's fixed rate financial instruments including debt securities held at fair value through other comprehensive income and amortised cost, bank borrowing, certificates of deposit issued and subordinated notes issued. The notional amount of interest rate swaps designated as subject to hedge accounting relationships and the temporary relief as at 31 December 2020 is approximately HK\$42 billion.

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

Interest Rate Benchmark Reform – Phase 2, amendments to HKAS 39, HKFRS 4 “Insurance Contracts”, HKFRS 7, HKFRS 9 and HKFRS 16 “Leases”

The amendments address issues that might affect financial reporting as a result of the interest rate benchmark reform and relate to:

- (i) changes to contractual cash flows – financial instruments will not be derecognised, but the effective interest rate will be updated to reflect the change to the alternative benchmark rate;
- (ii) hedge accounting – hedge accounting will not be discontinued solely because changes are required to be made by the reform, if the hedge meets other hedge accounting criteria; and
- (iii) disclosures – information relating to new risks arising from the reform and how the transition to alternative benchmark rates is managed is to be disclosed.

HKFRS 17 “Insurance contracts”

Insurance contracts are defined as contracts “under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder”.

HKFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023. The Group is yet to assess the impact of the standard on the Group's consolidated financial statements.

There are no other HKFRSs or interpretations that are effective from 1 January 2020 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 overseas banking business. For insurance business, resources allocation and performance evaluation are based on insurance business entity basis.

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

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

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

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

3. Operating segment reporting (Continued)

For the year ended 31 December 2020

HKS'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter- segment	Total
Net interest income/ (expenses)	1,584,254	1,124,905	669,395	486,130	11,001	(156,484)	-	3,719,201
Non-interest income/ (expenses)	1,008,393	194,070	197,802	117,623	247,795	104,561	(18,136)	1,852,108
Total operating income/ (expenses) net of insurance claims	2,592,647	1,318,975	867,197	603,753	258,796	(51,923)	(18,136)	5,571,309
Operating expenses	(1,630,344)	(504,889)	(185,689)	(507,522)	(138,630)	(70,946)	18,136	(3,019,884)
Operating profit/ (loss) before credit impairment losses	962,303	814,086	681,508	96,231	120,166	(122,869)	-	2,551,425
Credit impairment losses	(342,197)	(151,822)	(20,102)	(131,768)	(738)	(1,041)	-	(647,668)
Operating profit/ (loss) after credit impairment losses	620,106	662,264	661,406	(35,537)	119,428	(123,910)	-	1,903,757
Net loss on disposal and fair value adjustment of investment properties and other fixed assets	(2,902)	-	-	(68)	(3,825)	(138,985)	-	(145,780)
Net gain on disposal of financial assets at fair value through other comprehensive income	-	-	13,448	-	-	-	-	13,448
Impairment loss on goodwill	-	(98,239)	-	-	-	-	-	(98,239)
Share of results of an associate	-	-	-	710,370	-	-	-	710,370
Impairment loss on the investment in an associate	-	-	-	(531,000)	-	-	-	(531,000)
Share of results of jointly controlled entities	-	-	-	-	-	33,190	-	33,190
Profit/ (loss) before taxation	617,204	564,025	674,854	143,765	115,603	(229,705)	-	1,885,746
Taxation (expenses)/ credit	(101,353)	(110,166)	(111,368)	(19,217)	(17,024)	16,414	-	(342,714)
Profit/ (loss) for the year	515,851	453,859	563,486	124,548	98,579	(213,291)	-	1,543,032
For the year ended 31 December 2020								
Depreciation and amortisation	74,976	14,965	7,135	56,312	9,833	230,747	-	393,968
At 31 December 2020								
Segment assets	53,965,730	66,782,037	84,562,197	38,200,663	4,753,741	11,990,176	(5,293,443)	254,961,101
Segment liabilities	112,788,974	46,684,129	16,220,032	29,899,300	1,767,611	17,203,529	(5,293,443)	219,270,132

3. Operating segment reporting (Continued)

For the year ended 31 December 2019

HKS'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter- segment	Total
Net interest income/ (expenses)	1,690,585	1,262,484	748,168	497,382	25,194	(98,769)	-	4,125,044
Non-interest income/ (expenses)	949,299	194,505	1,539	138,119	158,218	54,251	(16,722)	1,479,209
Total operating income/ (expenses) net of insurance claims	2,639,884	1,456,989	749,707	635,501	183,412	(44,518)	(16,722)	5,604,253
Operating expenses	(1,655,353)	(528,318)	(179,202)	(507,483)	(128,408)	(1,676)	16,722	(2,983,718)
Operating profit/ (loss) before credit impairment losses	984,531	928,671	570,505	128,018	55,004	(46,194)	-	2,620,535
Credit impairment losses	(260,484)	(72,934)	(9,240)	(12,250)	(83)	(1,658)	-	(356,649)
Operating profit/ (loss) after credit impairment losses	724,047	855,737	561,265	115,768	54,921	(47,852)	-	2,263,886
Net (loss)/ gain on disposal and fair value adjustment of investment properties and other fixed assets	(3,524)	-	-	58	1,782	(80,654)	-	(82,338)
Net loss on disposal of financial assets at fair value through other comprehensive income	-	-	(24)	-	-	-	-	(24)
Share of results of an associate	-	-	-	701,857	-	-	-	701,857
Impairment loss on the investment in an associate	-	-	-	(287,000)	-	-	-	(287,000)
Share of results of jointly controlled entities	-	-	-	-	-	32,072	-	32,072
Profit/ (loss) before taxation	720,523	855,737	561,241	530,683	56,703	(96,434)	-	2,628,453
Taxation (expenses)/ credit	(118,812)	(141,019)	(92,584)	(18,262)	16,212	9,503	-	(344,962)
Profit/ (loss) for the year	601,711	714,718	468,657	512,421	72,915	(86,931)	-	2,283,491
For the year ended 31 December 2019								
Depreciation and amortisation	78,802	16,658	6,548	60,525	3,421	207,577	-	373,531
At 31 December 2019								
Segment assets	53,809,806	66,154,676	84,671,487	38,406,836	4,367,675	8,315,560	(5,414,061)	250,311,979
Segment liabilities	108,290,918	44,136,433	19,835,415	30,335,062	1,764,788	17,558,883	(5,414,061)	216,507,438

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 year ended 31 December 2020 and 2019, 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	2020	2019
Interest income		
Cash and balances with banks	283,421	512,180
Investments in securities	1,364,467	1,770,480
Advances and other accounts	4,582,618	5,234,691
	<u>6,230,506</u>	<u>7,517,351</u>
Interest expense		
Deposits from banks/ Deposits from customers	2,186,553	2,810,742
Certificates of deposit issued	126,852	157,184
Subordinated notes	137,815	284,480
Lease liabilities	10,490	13,508
Others	49,595	126,393
	<u>2,511,305</u>	<u>3,392,307</u>
Included within interest income		
- Trading securities and financial assets at fair value through profit or loss	53,199	140,573
- Financial assets at fair value through other comprehensive income	852,468	1,432,432
- Financial assets at amortised cost	5,324,839	5,944,346
	<u>6,230,506</u>	<u>7,517,351</u>
Included within interest expense		
- Financial liabilities not at fair value through profit or loss	2,468,478	3,282,172

For the year ended 31 December 2020 and 2019, there was no interest income recognised on impaired assets.

5. Net fee and commission income

HK\$'000	2020	2019
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	170,451	186,003
- Trade finance	78,218	87,301
- Credit card	254,537	337,774
Other fee and commission income		
- Securities brokerage	192,202	105,861
- Insurance distribution and others	263,390	315,650
- Retail investment and wealth management services	287,946	272,717
- Bank services and handling fees	65,587	68,677
- Other fees	66,477	54,553
	<u>1,378,808</u>	<u>1,428,536</u>
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	196,202	273,205
- Other fees paid	10,062	18,870
	<u>206,264</u>	<u>292,075</u>

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 financial statements.

6. Net trading income

HK\$'000	2020	2019
Dividend income from financial assets at fair value through profit or loss	13,600	16,284
Net gain arising from dealing in foreign currencies	323,157	73,516
Net gain on trading securities	14,133	13,709
Net gain/ (loss) from derivatives entered into for trading purpose	48,657	(88,192)
Net gain arising from financial instruments subject to fair value hedge	895	7,181
Net (loss)/ gain on financial instruments at fair value through profit or loss	(24,373)	9,668
	<u>376,069</u>	<u>32,166</u>

7. Other operating income

HK\$'000	2020	2019
Dividend income from investments in equity instruments at fair value through other comprehensive income		
- Derecognised during the year		
- Listed investments	13,052	7,280
- Held at the end of the year		
- Listed investments	79,639	79,512
- Unlisted investments	5,298	8,781
Gross rental income from investment properties	29,381	37,264
Other rental income	15,445	13,988
Others	12,434	13,487
	<u>155,249</u>	<u>160,312</u>

8. Operating expenses

HK\$'000	2020	2019
Employee compensation and benefit expenses		
- Salaries and other staff costs	2,012,370	1,874,437
- Government grant - Employment Support Scheme	(67,803)	-
- Provision for share-based compensation charged	821	1,406
- Pension costs - defined contribution plans	108,548	109,590
Premises and other fixed assets expenses, excluding depreciation		
- Rental of premises	3,497	4,678
- Others	209,870	197,914
Depreciation		
- Premises and other fixed assets	200,762	192,221
- Right-of-use properties	193,206	181,310
Advertising and promotion costs	86,182	104,220
Printing, stationery and postage	53,481	52,292
Auditors' remuneration	10,703	10,599
Others	208,247	255,051
	<u>3,019,884</u>	<u>2,983,718</u>

9. Credit impairment losses

HK\$'000	2020	2019
New allowances net of allowance releases	746,312	467,670
Recoveries of amounts previously written off	(98,644)	(111,021)
	<u>647,668</u>	<u>356,649</u>
Attributable to:		
- Advances to customers	603,479	342,581
- Other financial assets	36,862	11,693
- Loan commitments and financial guarantees	7,327	2,375
	<u>647,668</u>	<u>356,649</u>

10. Impairment loss on goodwill

Goodwill represents the excess of the cost of the Group's acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the acquiree as at the completion of an acquisition. Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segments in line with the internal management reporting structure.

Goodwill is tested annually for impairment losses by comparing the recoverable amount of CGU determined based on value in use ("VIU") calculation. The calculations use discounted cash flow projections prepared by Management based on the latest 5-year business plan, taking into account projected annual growth rate of net profit, and in perpetuity with 2% constant growth rate after the fifth year. The 5-year business plan was developed by Management based on their evaluation of the businesses and associated projected discounted cash flow of net profit of the relevant CGU and the conditions in which such businesses will operate over the projection period.

During 2020, Management had decided to recognise a goodwill impairment charge of HK\$98,239,000 for the CGU of the equipment finance business of Commercial Banking given that the recoverable amount of the equipment finance businesses under this CGU is lower than the carrying value. No impairment losses on goodwill in other segments were identified in the year (2019: Nil).

11. Impairment loss on the investment in an associate

At 31 December 2020, the fair value of the Group's investment in Bank of Chongqing ("BOCQ") had been below the carrying amount for approximately 7 years. On this basis, the Group continues to perform an impairment test on the carrying amount of the investment in BOCQ to assess the recoverable amount. Based on the assessment conducted in 2016 and before, the recoverable amount was assessed as higher than the carrying amount, and no impairment needed to be recognised.

The impairment test is performed by comparing the recoverable amount of BOCQ, determined by a value in use 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 2020, 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 2019) and valuation assumptions, remained below the carrying amount. The latest impairment test performed by the Group for the position as at 31 December 2020 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 2019 of HK\$1,735 million, by HK\$531 million. As a result, an additional impairment charge of HK\$531 million was recognised in the year of 2020 to reduce the value of the investment to HK\$4,278 million.

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

12. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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.

HK\$'000	2020	2019
Current income tax:		
- Hong Kong profits tax	285,454	344,674
- Overseas taxation	29,963	35,080
- Under-provision in prior years	6,462	604
Deferred income tax:		
- Origination and reversal of timing differences	10,357	(13,663)
- Utilization/ (recognition) of tax losses	10,478	(21,733)
Taxation	<u>342,714</u>	<u>344,962</u>

13. Earnings per share

The calculation of basic earnings per share and fully dilutive earnings per share for 2020 is based on earnings of HK\$1,158,152,000 (2019: HK\$1,707,809,000) and the weighted average number of 319,575,100 (2019: 323,269,621) ordinary shares in issue during the year.

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

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

HK\$'000	As at 31 Dec 2020	As at 31 Dec 2019
Trading securities:		
Debt securities:		
- Listed in Hong Kong	30,089	20,681
- Unlisted	<u>5,049,958</u>	<u>8,367,272</u>
	<u>5,080,047</u>	<u>8,387,953</u>
Financial assets at fair value through profit or loss:		
Debt securities:		
- Unlisted	<u>33,109</u>	395,061
	<u>33,109</u>	<u>395,061</u>
Equity securities:		
- Listed in Hong Kong	103,994	276,964
- Listed outside Hong Kong	<u>420,250</u>	<u>8,706</u>
	<u>524,244</u>	<u>285,670</u>
	<u>557,353</u>	<u>680,731</u>
Total	<u>5,637,400</u>	<u>9,068,684</u>
Included within debt securities are:		
- Treasury bills which are cash equivalents	482,991	1,606,484
- Other treasury bills	4,566,967	6,781,469
- Government bonds	30,089	-
- Other debt securities	<u>33,109</u>	<u>395,061</u>
	<u>5,113,156</u>	<u>8,783,014</u>

As at 31 December 2020 and 2019, 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	5,080,047	8,387,953
- Banks and other financial institutions	23,368	42,290
- Corporate entities	<u>533,985</u>	<u>638,441</u>
	<u>5,637,400</u>	<u>9,068,684</u>

15. Advances and other accounts

HK\$'000	As at 31 Dec 2020	Restated As at 31 Dec 2019
Gross advances to customers	137,577,384	136,946,773
Less: impairment allowances		
- Stage 1	(486,431)	(474,635)
- Stage 2	(208,225)	(152,754)
- Stage 3	(556,508)	(381,197)
	<u>(1,251,164)</u>	<u>(1,008,586)</u>
	<u>136,326,220</u>	<u>135,938,187</u>
Trade bills	3,791,124	3,393,863
Less: impairment allowances		
- Stage 1	(8,848)	(1,982)
- Stage 2	(11)	(7)
	<u>(8,859)</u>	<u>(1,989)</u>
	<u>3,782,265</u>	<u>3,391,874</u>
Other assets	7,833,678	6,525,431
Less: impairment allowances		
- Stage 1	(12,516)	(10,026)
- Stage 2	(547)	(598)
- Stage 3	(24,293)	(21,918)
	<u>(37,356)</u>	<u>(32,542)</u>
	<u>7,796,322</u>	<u>6,492,889</u>
Advances and other accounts	<u>147,904,807</u>	<u>145,822,950</u>

In 2020, right-of-use assets have been categorised under “Premises and other fixed assets” and are not reported as part of “Advances and other accounts”. The comparative figure has been restated to conform with such presentation.

15. Advances and other accounts (Continued)

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

HK\$'000	As at 31 Dec 2020		As at 31 Dec 2019	
	Outstanding balance	% of gross advances	Outstanding balance	% of gross advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	5,611,830	4.1	4,700,618	3.4
- Property investment	17,221,674	12.5	15,972,169	11.7
- Financial concerns	5,756,814	4.2	6,057,400	4.4
- Stockbrokers	1,733,867	1.3	1,585,717	1.2
- Wholesale and retail trade	6,004,660	4.4	6,455,795	4.7
- Manufacturing	1,790,941	1.3	1,978,378	1.4
- Transport and transport equipment	2,512,559	1.8	3,496,770	2.6
- Recreational activities	96,223	0.1	103,724	0.1
- Information technology	51,827	0.0	52,976	0.0
- Others	6,003,396	4.3	4,464,895	3.3
	46,783,791	34.0	44,868,442	32.8
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	558,428	0.4	584,349	0.4
- Loans for the purchase of other residential properties	31,260,619	22.8	29,864,112	21.8
- Credit card advances	3,610,141	2.6	3,761,021	2.8
- Others	13,079,682	9.5	13,196,910	9.6
	48,508,870	35.3	47,406,392	34.6
Loans for use in Hong Kong	95,292,661	69.3	92,274,834	67.4
Trade finance (Note (1))	8,115,481	5.9	8,815,573	6.4
Loans for use outside Hong Kong (Note (2))	34,169,242	24.8	35,856,366	26.2
	137,577,384	100.0	136,946,773	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").

Trade finance loans not involving Hong Kong (including trade finance extended by the overseas subsidiary banks of DSB) totalling HK\$260,328,000 (31 December 2019: HK\$294,310,000) 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.

15. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets

(i) Impaired loans

HK\$'000	As at 31 Dec 2020	As at 31 Dec 2019
Gross loans and advances	137,577,384	136,946,773
Less: total impairment allowances	<u>(1,251,164)</u>	<u>(1,008,586)</u>
Net	<u>136,326,220</u>	<u>135,938,187</u>
Credit-impaired loans and advances	1,573,803	1,049,226
Less: Stage 3 impairment allowances	<u>(556,508)</u>	<u>(381,197)</u>
Net	<u>1,017,295</u>	<u>668,029</u>
Fair value of collateral held*	<u>787,030</u>	<u>590,496</u>
Credit-impaired loans and advances as a % of total loans and advances to customers	<u>1.14%</u>	<u>0.77%</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 2020		As at 31 Dec 2019	
	Gross amount of overdue loans	% of total	Gross amount of overdue loans	% of total
Gross advances to customers which have been overdue for:				
- six months or less but over three months	240,472	0.17	180,317	0.13
- one year or less but over six months	136,656	0.10	250,661	0.18
- over one year	<u>525,674</u>	<u>0.38</u>	<u>318,703</u>	<u>0.23</u>
	<u>902,802</u>	<u>0.65</u>	<u>749,681</u>	<u>0.54</u>
Market value of securities held against the secured overdue advances	<u>930,016</u>		<u>885,515</u>	
Secured overdue advances	593,229		578,446	
Unsecured overdue advances	<u>309,573</u>		<u>171,235</u>	
Stage 3 impairment allowances	<u>302,651</u>		<u>226,415</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 advances shown above

HK\$'000	As at 31 Dec 2020	% of total	As at 31 Dec 2019	% of total
Advances to customers	<u>374,963</u>	<u>0.27</u>	<u>270,909</u>	<u>0.20</u>
Stage 3 impairment allowances	<u>141,869</u>		<u>112,734</u>	

(c) Trade bills

	As at 31 Dec 2020	As at 31 Dec 2019
Trade bills which have been overdue for:		
- one year or less but over six months	-	11,907
- over one year	<u>607</u>	<u>-</u>
	<u>607</u>	<u>11,907</u>
Stage 3 impairment allowances	<u>-</u>	<u>-</u>

The overdue trade bills are fully secured.

(d) Repossessed collateral

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

Nature of assets	As at 31 Dec 2020	As at 31 Dec 2019
Repossessed properties	<u>304,514</u>	<u>287,397</u>
Others	<u>24,923</u>	<u>7,782</u>
	<u>329,437</u>	<u>295,179</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\$63,158,000 (2019: HK\$59,274,000), 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 2020	As at 31 Dec 2019
Debt securities:		
- Listed in Hong Kong	14,080,633	16,486,474
- Listed outside Hong Kong	16,774,050	16,699,367
- Unlisted	10,892,365	8,970,096
	<u>41,747,048</u>	<u>42,155,937</u>
Equity securities:		
- Listed in Hong Kong	1,077,412	1,043,627
- Listed outside Hong Kong	3,488,755	2,228,778
- Unlisted	82,489	82,715
	<u>4,648,656</u>	<u>3,355,120</u>
Total	<u>46,395,704</u>	<u>45,511,057</u>
Included within debt securities are:		
- Certificates of deposit held	344,348	114,099
- Treasury bills which are cash equivalents	3,551,262	4,496,472
- Other treasury bills	6,026,161	5,599,844
- Government bonds	123,458	118,594
- Other debt securities	31,701,819	31,826,928
	<u>41,747,048</u>	<u>42,155,937</u>
Financial assets at fair value through other comprehensive income are analysed by categories of issuers as follows:		
Debt securities:		
- Central governments and central banks	9,700,881	10,214,910
- Public sector entities	134,779	190,269
- Banks and other financial institutions	7,590,109	6,252,370
- Corporate entities	24,321,204	25,498,313
- Others	75	75
	<u>41,747,048</u>	<u>42,155,937</u>
Equity securities:		
- Banks and other financial institutions	536,366	578,484
- Corporate entities	4,112,290	2,776,636
	<u>4,648,656</u>	<u>3,355,120</u>
	<u>46,395,704</u>	<u>45,511,057</u>

17. Financial assets at amortised cost

HK\$'000	As at 31 Dec 2020	As at 31 Dec 2019
Debt securities		
- Listed in Hong Kong	8,751,193	4,531,678
- Listed outside Hong Kong	9,297,525	6,534,167
- Unlisted	4,878,617	4,688,755
	<u>22,927,335</u>	<u>15,754,600</u>
Less: impairment allowance		
- Stage 1	(24,352)	(11,608)
Total	<u>22,902,983</u>	<u>15,742,992</u>
Included within debt securities are:		
- Certificates of deposit held	1,745,601	1,451,302
- Treasury bills	1,308,909	2,225,843
- Government bonds	248,395	301,957
- Other debt securities	19,624,430	11,775,498
	<u>22,927,335</u>	<u>15,754,600</u>
Financial assets at amortised cost are analysed by categories of issuers as follows:		
- Central governments and central banks	1,557,304	2,527,800
- Public sector entities	293,469	75,294
- Banks and other financial institutions	7,707,121	5,987,980
- Corporate entities	13,358,352	7,152,437
- Others	11,089	11,089
	<u>22,927,335</u>	<u>15,754,600</u>

18. Shareholders' funds

HK\$'000	As at 31 Dec 2020	As at 31 Dec 2019
Share capital	4,248,559	4,248,559
Premises revaluation reserve	606,238	606,238
Investment revaluation reserve	977,875	612,443
Exchange reserve	13,191	(275,321)
Capital reserve	6,318	6,318
General reserve	484,289	484,289
Reserve for share-based compensation	3,150	2,540
Retained earnings	<u>22,046,450</u>	<u>21,120,164</u>
	<u>28,386,070</u>	<u>26,805,230</u>
Proposed final dividend/ final dividend paid included in retained earnings	<u>214,115</u>	<u>345,140</u>

Note:

- (a) In accordance with the resolution passed at the extraordinary general meeting of the Company held on 15 March 2019, the Company concluded the contract with MUFG Bank, Ltd. on 28 March 2019 to repurchase 15,500,000 shares of the Company from the latter. The share buy-back was completed on the same date at a consideration of HK\$591,635,000 which was paid out from the retained earnings of the Company.
- (b) DSB as a locally incorporated bank in Hong Kong is required to maintain minimum impairment provisions in excess of those required under HKFRS in the form of regulatory reserve. The regulatory reserve, which also covers Banco Comercial de Macau, S.A. 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 2020, DSB has earmarked a regulatory reserve of HK\$502,278,000 (2019: HK\$1,127,403,000) first against its consolidated general reserve; and for any excess amount, the balance is earmarked against its consolidated retained earnings.

19. Non-adjusting event after the reporting period

BOCQ announced in December 2020 that it had received approval of the China Securities Regulatory Commission in respect of its proposed initial public offering of A Shares for listing on the Shanghai Stock Exchange (the "BOCQ A Share Issue"). BOCQ further announced on 30 December 2020 that following the completion of preliminary price consultations with the market, it was going to issue 347,450,534 A Shares at the issue price of RMB10.83 per share. The issue of new A Shares was completed as of early February 2021, with the listing of BOCQ A Shares on 5 February 2021. With the completion of the BOCQ A Share Issue, this has the effect of reducing the Group's interest in BOCQ from 14.66% as at 31 December 2020 to 13.20% commencing 5 February 2021.

The Group's interest in BOCQ has been accounted for as an associate using the equity method as the Group has representation in the Board of BOCQ, and the ability to participate in the decision making process. This remains the case after the completion of the BOCQ A Share Issue.

The completion of the BOCQ A Share Issue and the corresponding reduction in the Group's shareholding in BOCQ on 5 February 2021 will be accounted for as a deemed partial disposal of the Group's investment in BOCQ in the Group's 2021 financial statements, and is expected to bring about a disposal loss of approximately HK\$31 million mainly because of the lowering in the net asset value per share of BOCQ immediately after the completion of the BOCQ A Share Issue.

FINAL DIVIDEND

At the forthcoming annual general meeting (“AGM”) of the Company to be held on Wednesday, 2 June 2021, the Directors will propose a final dividend of HK\$0.67 per share for 2020 to shareholders whose names are on the Register of Shareholders as at the close of business on Friday, 11 June 2021. Subject to shareholders’ approval at the AGM, the final dividend will be payable on Tuesday, 22 June 2021.

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 2021 (Thursday)
Closure of Register of Shareholders (both days inclusive)	28 May 2021 (Friday) to 2 June 2021 (Wednesday)
Record date	2 June 2021 (Wednesday)
AGM	2 June 2021 (Wednesday)

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

Latest time to lodge transfers	4:30 p.m. on 8 June 2021 (Tuesday)
Closure of Register of Shareholders (both days inclusive)	9 June 2021 (Wednesday) to 11 June 2021 (Friday)
Record date	11 June 2021 (Friday)

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

With the full impact of the COVID-19 pandemic being felt from the early part of 2020, the Hong Kong economy had its weakest performance for many years, with a negative GDP growth at 6.1% in 2020, after a contraction of 1.2% in 2019, the first sequential two year drop in GDP for many years. Most sectors of the economy were affected, with the travel and tourism, hospitality and leisure, retail and consumption, and food and beverage sectors notably and severely affected. A combination of difficult conditions in these sectors as well as generally weak economic conditions overall led to a significant increase in the unemployment rate to 7% by the year end. Amid the weaker economy, consumer price inflation in Hong Kong was modest. The underlying inflation rate, netting out the effect of the Government's one-off relief measures, was 1.3% for the year, down 1.7% point from the previous year.

Global GDP was also severely impacted, with global growth in 2020 estimated by the IMF at -3.5%, much lower than the +2.8% reported in 2019. The only major economy in the world to report growth in GDP was China, with a positive 2.3% reported for the year. US and EU GDP dropped by 3.5% and 6.3% respectively.

In response to the pandemic, governments and central banks globally took measures to support their economies through a variety of stimulus measures, including injections of liquidity and lower interest rates, and special relief and supportive fiscal measures. These resulted in sharp falls in rates in both the US and Hong Kong, although RMB interest rates remained somewhat more stable. During the course of the year, one month LIBOR and HIBOR dropped from 1.76% to 0.14% and from 2.67% to 0.18% respectively.

Whilst the financial services sector was not amongst the worst affected by the pandemic, clearly the extent of the economic slowdown has been materially negative for our business. Our profit attributable to shareholders dropped by 32% to HK\$1,158 million, mainly due to the weaker performance of our core banking business. In contrast, our insurance business reported improved profitability, mainly due to improved investment performance.

BUSINESS AND FINANCIAL REVIEW

Due to the very weak economic conditions, Dah Sing Banking Group Limited ("DSBG") reported a drop in profit attributable to shareholders of 33% to HK\$1,493 million. Net interest income came under pressure as the rapid fall in interest rates led to a material drop in net interest margin, falling by 9% during the year. However, the performance of our non-interest income was more robust, rising by 18% for the year, and helping to moderate the fall in operating income to less than 3%.

Operating expenses were kept well under control, remaining broadly flat for the year, notwithstanding the continuing investment in certain areas such as IT. However, impairment charges relating to credit, Bank of Chongqing ("BOCQ") and goodwill were significantly higher than in 2019, and were the major reason for the fall in profit for the year. Credit impairment charges alone increased by HK\$291 million, mainly caused by higher credit losses on lending to SMEs and on retail unsecured lending, although there were some signs of stabilization in credit quality towards the year end.

The impairment charge on our investment in BOCQ for the year was HK\$531 million, higher than 2019 by HK\$244 million. Despite the need for an impairment charge to reduce the carrying value of the investment, the operating performance of BOCQ was stable, and our share of its net profit was HK\$710 million for the year, broadly similar to the prior year. Our businesses in Macau and China delivered weaker results due primarily to higher credit cost. We also made an impairment charge on goodwill of HK\$98 million relating to the write down of goodwill on a prior acquisition after running down a related area of business during the pandemic.

The significant reduction in DSBG's profitability also led to a reduction in return on shareholders' funds from 8.5% to 5.4%. DSBG's cost to income ratio increased from 52.9% to 54.0% year on year. Excluding the contribution from DSBG, our insurance and investment operations generated total comprehensive income, or gain in net asset value, of HK\$748 million compared with HK\$686 million in 2019, underpinned by stable underwriting performance and an improved investment return in the second half of the year.

As at 31 December 2020, the consolidated Common Equity Tier 1 ratio of Dah Sing Bank, Limited ("DSB") was 13.8%, a little higher than the level of 13.4% at the end of 2019. DSB's consolidated total capital adequacy ratio at the year end was 17.6%, similar to the prior year. We continued to operate well above the minimum Liquidity Maintenance Ratio of 25%, reporting an average level of 48% during the year. We believe that our capital and liquidity ratios are maintained at levels within the market range for both peer banks in Hong Kong, and indeed for banks internationally.

PROSPECTS

Following very difficult economic conditions in Hong Kong in 2020, and a significant decline in its GDP, we are hopeful that 2021 should see a recovery in economic conditions, and in particular a return to growth in GDP. However, challenges remain, both in terms of maintaining low levels of COVID infections and in continuing relatively high levels of domestic unemployment. The roll-out of mass vaccinations should play its part in trying to manage down subsequent waves of infection, and to allow a gradual return to more normal levels of economic activity. However, there are likely to be certain sectors, such as leisure, travel and tourism that could take a significant amount of time to recover.

Mainland China began its recovery earlier than other major economies, and we expect that 2021 will again demonstrate further recovery, which will be of benefit to our cross-boundary and Mainland businesses. Macau, after a particularly sharp contraction in the economy last year is also showing signs of recovery.

In terms of global economic trends, there is some sign that interest rates in the US will gradually move up, with the yields on long term US Treasury bonds having already increased materially from their lows last year. However, at present there has been no corresponding increase in short term interest rates which tend to have a more direct impact on our business than long term interest rates. In the medium term, rising interest rates, particularly at the shorter end of the yield curve would likely be of benefit to our businesses.

Although we see potential improvements in the Hong Kong economy in 2021, we are still cautious regarding credit risk. There were a number of government measures put in place last year which may not continue throughout 2021, and the impact of the roll-down of these measures on credit cost remains uncertain.

Local financial market conditions have remained buoyant in the year to date, and continued good performance would be good for our wealth management and securities services businesses. Finally, the investment that we have been making in paperless and digital channels has been producing encouraging results. As travel and business restrictions were put in place, the ability for our customers to reach us through non-physical channels has been crucial, and both the number of customers and the number of transactions through digital channels is expected to increase over time.

We will complete the relocation of our head office and main branch to the new Dah Sing Financial Centre located at 248 Queen's Road East, Wan Chai, Hong Kong by the end of March 2021. Moving to a prominent building that once again bears the Dah Sing name, after the naming of the original Dah Sing Financial Centre in 1991, represents a key milestone for Dah Sing Financial Group, underscoring our long-term commitment to Hong Kong and the Greater Bay Area. Moreover, the move marks the next phase of the Group's strategy that embraces technology to sharpen its customer focus and improve customer experience as well as to enhance its operational efficiency and working environment for colleagues. With this exciting relocation to our new headquarters, we look forward to expanding our businesses, providing our customers with better services, and strengthening the Dah Sing brand as the market for financial services continues to grow in this decade.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code (“CG Code”) under Appendix 14 of the Listing Rules throughout the year ended 31 December 2020, with the exception of code provisions A.4.1 and E.1.2.

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

Pursuant to code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. In light of COVID-19 pandemic and travel restrictions around the world, Mr. David Shou-Yeh Wong, the Chairman of the Board, was unable to attend the 2020 Annual General Meeting (the “2020 AGM”) of the Company held in Hong Kong on 29 May 2020 as he was abroad at that time. Mr. Hon-Hing Wong (Derek Wong), Managing Director and Chief Executive of the Company, took the chair of the 2020 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 10 of the Listing Rules. Following specific enquiry, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code and the Directors’ Dealing Code throughout the year ended 31 December 2020.

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 2020.

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 2020.

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 2020 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 2020 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 2021.

BOARD OF DIRECTORS

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

By Order of the Board

Doris W. N. Wong

Company Secretary

Hong Kong, Wednesday, 24 March 2021