

Dah Sing Financial Holdings Limited



ANNOUNCEMENT OF 2000 FINAL RESULTS

The Directors of Dah Sing Financial Holdings Limited (the “Company”) announce that the audited results of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2000 are as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December

	<u>2000</u>	<u>1999</u>	<u>Variance</u>
	<u>HK\$' 000</u>	<u>HK\$' 000</u>	<u>%</u>
Interest income	3,817,010	3,489,285	
Interest expense	(2,282,772)	(2,165,099)	
Net interest income	1,534,238	1,324,186	15.9
Other operating income	502,677	521,495	-3.6
Operating income	2,036,915	1,845,681	10.4
Operating expenses	(823,236)	(743,675)	10.7
Operating profit before provisions	1,213,679	1,102,006	10.1
Charge for bad and doubtful debts (Note 1)	(311,177)	(406,537)	-23.5
Operating profit after provisions	902,502	695,469	29.8
Profit / (loss) on disposal / revaluation of fixed assets	5,902	(25,761)	
Profit on disposal of held-to-maturity and non-trading securities	14,557	7,621	
Impairment loss on non-trading securities	-	(20,934)	
Profit on ordinary activities	922,961	656,395	40.6
Share of net profits of associated companies	4,628	4,478	
Profit before taxation	927,589	660,873	40.4
Taxation (Note 2)	(104,797)	(65,126)	
Profit after taxation	822,792	595,747	38.1
Minority interests	(12,519)	(9,223)	
Profit attributable to shareholders	810,273	586,524	38.1
Dividends	(266,041)	(199,059)	
Profit for the year retained	544,232	387,465	
Basic earnings per share (Note 3)	HK\$3.29	HK\$2.40	37.1
Diluted earnings per share (Note 3)	HK\$3.29	HK\$2.39	37.7
Total interim and final dividend per share	HK\$1.08	HK\$0.81	33.3

**CONSOLIDATED BALANCE SHEET**

As at 31st December

	<u>2000</u>	<u>1999</u>
	HK\$' 000	HK\$' 000
ASSETS		
Cash and short-term funds	6,635,757	7,348,356
Trade bills	454,826	508,995
Certificates of deposit held	347,882	368,231
Trading securities	1,692,257	352,395
Advances to customers and other accounts	30,389,273	27,713,687
Held-to-maturity securities	7,106,084	5,144,600
Non-trading securities	823,759	794,608
Investments in associated companies	115,175	109,478
Fixed assets	1,338,171	1,363,399
Value of long-term life assurance business attributable to shareholders	517,413	457,282
Assets of long-term fund attributable to policyholders	281,006	233,371
Total assets	<u>49,701,603</u>	<u>44,394,402</u>
LIABILITIES		
Deposits and balances of banks and other financial institutions	427,371	865,729
Current, fixed, savings and other deposits of customers	31,384,912	32,607,293
Certificates of deposit issued	6,094,799	4,457,022
Other accounts and provisions	6,340,780	1,651,631
Long-term liabilities	430,000	250,000
Long-term liabilities attributable to policyholders	281,006	233,371
Total liabilities	<u>44,958,868</u>	<u>40,065,046</u>
CAPITAL RESOURCES		
Minority interests	<u>80,967</u>	<u>230,262</u>
Share capital	493,058	491,658
Reserves	4,168,710	3,607,436
Shareholders' funds	<u>4,661,768</u>	<u>4,099,094</u>
Total capital resources	<u>4,742,735</u>	<u>4,329,356</u>
Total liabilities and capital resources	<u>49,701,603</u>	<u>44,394,402</u>



NOTE

1. Charge for bad and doubtful debts

For the year ended 31st December

	<u>2000</u>	<u>1999</u>	<u>Variance</u>
	HK\$' 000	HK\$' 000	%
Specific provision charged	289,112	378,725	-23.7
General provision charged	<u>22,065</u>	<u>27,812</u>	-20.7
	<u>311,177</u>	<u>406,537</u>	-23.5

2. Taxation

Hong Kong profits tax has been provided at 16% (1999: 16%) on the estimated assessable profit for the year.

Included in the taxation is the attributable share of estimated Hong Kong profits tax losses arising from investments in limited partnerships. The Group's investments in limited partnerships are written off in the same year as the taxation benefits resulting from those investments are received and utilised.

There is no significant deferred taxation liability not provided for.

3. Basic and diluted earnings per share

The calculation of basic earnings per share is based on earnings of HK\$810,273,000 (1999: HK\$586,524,000) and the weighted average number of 246,065,824 (1999: 244,687,790) shares in issue during the year.

The calculation of diluted earnings per share is based on earnings of HK\$810,273,000 (1999: HK\$586,524,000) and the weighted average number of 246,370,945 (1999: 245,047,054) shares in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

SUMMARY OF FINANCIAL INFORMATION

As at 31st December

Financial positions	<u>2000</u>	<u>1999</u>	<u>Variance</u>
	HK\$' 000	HK\$' 000	%
Advances to customers	29,495,381	27,245,411	8.3
Advances to customers less provision	29,006,308	26,761,329	8.4
Total assets	49,701,603	44,394,402	12.0
Total deposits	37,479,711	37,064,315	1.1
Shareholders' funds	4,661,768	4,099,094	13.7
Total capital base after deductions	4,260,979	3,779,898	12.7



Financial ratios	<u>2000</u>	<u>1999</u>
Net interest income / operating income	75.3%	71.7%
Cost to income	40.4%	40.3%
Return on total assets	1.7%	1.4%
Return on shareholders' funds	18.5%	15.1%
Dividend payout ratio	32.8%	33.9%
Loans to deposits	77.4%	72.2%
Loans to total assets	58.4%	60.3%
Provision coverage	1.7%	1.8%
Capital adequacy (Note)	14.3%	13.9%
Average liquidity ratio (Note)	44.4%	47.1%
Net interest margin (Banking Group)	3.79%	3.37%

Note:

The capital adequacy ratio represents the consolidated ratio of the Banking Group as at 31st December. The capital adequacy ratio of each entity within the Banking Group is computed in accordance with the Third Schedule of the Banking Ordinance.

The liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio for the twelve months of the financial year for the Banking Group. The liquidity ratio of each entity within the Banking Group is computed in accordance with the Fourth Schedule of the Banking Ordinance.

GROSS ADVANCES TO CUSTOMERS BY INDUSTRY SECTOR

As at 31st December

	<u>2000</u>	<u>1999</u>	Variance
	HK\$' 000	HK\$' 000	%
Industrial, commercial and financial			
Property development	247,580	435,716	-43.2
Property investment	2,040,681	2,173,759	-6.1
Financial concerns	219,453	172,176	27.5
Stockbrokers	13,245	6,442	105.6
Wholesale and retail trade	1,303,074	1,261,713	3.3
Manufacturing	2,099,579	1,737,138	20.9
Transport and transport equipment	4,669,011	4,540,832	2.8
Others	823,379	559,919	47.1
	11,416,002	10,887,695	4.9
Individuals			
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,834,950	1,901,595	-3.5
Loans for the purchase of other residential properties	8,459,579	7,612,900	11.1
Credit card advances	2,275,706	1,758,982	29.4
Others	3,050,226	2,372,817	28.5
	15,620,461	13,646,294	14.5
Loans for use in Hong Kong	27,036,463	24,533,989	10.2
Trade finance	1,989,595	2,167,506	-8.2
Loans for use outside Hong Kong	469,323	543,916	-13.7
	29,495,381	27,245,411	8.3

NON-PERFORMING LOANS - ADVANCES ON WHICH INTEREST IS BEING PLACED IN SUSPENSE OR ON WHICH INTEREST ACCRUAL HAS CEASED

As at 31st December

	2000	% of Total Advance	1999	% of Total Advance
	HK\$' 000		HK\$' 000	
Gross advances	666,535	2.26	934,635	3.43
Specific provisions made	(164,161)		(215,112)	
	502,374		719,523	
Market value of security held	442,714		618,955	
Interest in suspense	63,019		57,151	

OVERDUE ADVANCES

As at 31st December

	2000	% of Total Advance	1999	% of Total Advance
	HK\$' 000		HK\$' 000	
Gross advances overdue for				
Six months or less but over three months	256,755	0.87	259,915	0.95
One year or less but over six months	78,746	0.27	356,003	1.31
Over one year	264,913	0.90	213,107	0.78
	600,414	2.04	829,025	3.04
The amount on which interest is still being accrued	107,080		71,802	
Market value of security held against the secured advances	405,506		572,113	
Secured overdue advances	402,948		537,986	
Unsecured overdue advances	197,466		291,039	
Specific provisions made	155,858		180,274	

OVERDUE ADVANCES ARE RECONCILED TO NON-ACCRUAL ADVANCES AS FOLLOWS

As at 31st December

	2000	1999
	HK\$' 000	HK\$' 000
Advances which are overdue for more than three months	600,414	829,025
Add: advances which are overdue for three months or less and on which interest is being placed in suspense or on which interest accrual has ceased	8,425	59,129
Add: advances which are not overdue and on which interest is being placed in suspense or on which interest accrual has ceased	61,426	20,164
Add: rescheduled advances on which interest is being placed in suspense or on which interest accrual has ceased	103,350	98,119
Less: advances which are overdue for more than three months and on which interest is still being accrued	(107,080)	(71,802)
Advances on which interest is being placed in suspense or on which interest accrual has ceased	666,535	934,635



RESCHEDULED ADVANCES

As at 31st December

	<u>2000</u> HK\$' 000	% of Total Advance	<u>1999</u> HK\$' 000	% of Total Advance
Rescheduled advances	<u>460,574</u>	1.56	<u>515,729</u>	1.89
Specific provisions made	<u>25,523</u>		<u>30,140</u>	

FINAL DIVIDEND

At the forthcoming annual general meeting of the Company to be held on Wednesday, 25th April 2001, the Directors will propose a final dividend of HK\$0.66 per share for 2000 to Shareholders whose names are on the Register of Shareholders as at close of business on 30th March 2001. Dividend warrants will be sent to Shareholders by ordinary mail on or about 27th April 2001.

Together with the interim dividend of HK\$0.42 per share, the total dividend for the year is HK\$1.08 per share, up 33.3% from 1999.

CLOSING OF REGISTER OF SHAREHOLDERS

The Register of Shareholders will be closed from Monday, 26th March 2001 to Friday, 30th March 2001, both days inclusive. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. Friday on 23rd March 2001.

REVIEW OF BUSINESS

Hong Kong's economy posted a strong recovery in 2000 with a GDP growth of over 10%, a continued easing in unemployment and a gradual improvement in domestic consumption amidst a deflation of close to 3%. Despite the improvement in the local operating environment, 2000 remained a highly challenging year for financial services players in Hong Kong, as competition intensified in a market characterised by sluggish loan demand, margin squeeze for new lending and rising costs. These presented difficulties for banks striving to grow core operating profit before provisions.

Against such a market environment, the Group was able to achieve a stronger performance and profitability. Operating profit before provisions was 10.1% higher, mainly resulting from the increased revenue contribution from our banking business. Our life assurance business generated a lower profit relative to 1999.

Net interest income grew by 15.9% in the year. Despite the tightening in loan margins for most lending categories in the commercial and retail sectors, and the modest rise in average interbank interest rates over the year, our net interest margin increased to 3.79% which is notably higher than the 3.37% we reported in 1999. The widening in the net interest margin and the increase in net interest income were largely the result of a continued controlled growth in our higher yielding lending business and more effective control of our funding costs.



Our Group's total other operating income was 3.6% lower than 1999. Within that, our banking business' growth in fee and commission income over 1999 was offset by the lower revenue contribution from our life assurance business. Our banking business recorded a 25% increase in other operating income, driven by higher credit card fee income, lending related fees, and improved results from treasury activities. Our life assurance's net contribution, using the embedded value accounting treatment, fell to HK\$86.5 million, against the HK\$115.6 million net profit booked in 1999.

Operating expenses increased by 10.7% when compared with those in 1999, reflecting a higher level of staffing and an increase in our IT investment to support business and e-banking development, and a higher spend on advertising and marketing promotion. Our cost to income ratio of 40.4% was similar to that of 1999.

The Group's charge for bad and doubtful debts was 23.5% lower when compared with 1999, reflecting the continued improvement in the asset quality of our loan portfolio amidst the recovery in the local economy. The ratio of overdue and rescheduled loans of our banking business, as a percentage of total loans, dropped from 4.93% at the end of 1999 to 3.60% at the end of 2000.

For our banking business, total loans and advances to customers were 8.3% higher than the end of 1999. Except for commercial property lending and trade finance, lending to most sectors registered growth. Reflecting our emphasis on growing higher yielding lending business within acceptable risk parameters, the increase in credit card receivables and other consumer loans continued to grow at a strong pace.

A great deal of attention was devoted to managing down the cost of our liabilities, with the result that our total deposit base, comprising customer deposits and certificates of deposits, came in at a level similar to that of 1999. This resulted from a more careful calibration of deposit pricing and mix to enhance profitability, while at the same time maintaining prudent liquidity.

Relative to the balance sheet at the end of 1999, there was a notable increase in our total assets, and a corresponding increase in other accounts on the liability side at the end of 2000, reflecting a more proactive approach in managing our balance sheet. The increase was brought about by utilizing the facilities afforded to Dah Sing Bank as a market maker in Exchange Fund bills and notes which enabled us to access cheaper funding for reinvestment at higher rates of return.

Our life assurance business generated a lower net profit than 1999. The lower contribution was mainly caused by marginally lower sales and a lower investment return caused by the rise in interest rates during the first half of 2000. The higher 1999 trading profit from our life business was boosted in part by the exceptionally strong equity performance recorded in certain markets in that year. Against local life assurance market's overall contraction in the sales of new policies in the year, our life assurance subsidiary's new business sales were down only marginally relative to 1999.

Riding on the investment and initiatives made in 1999, Dah Sing Bank continued to make notable progress in delivering on-line e-banking services and new product launches in the year. Our e-banking capabilities now include a host of different on-line applications. We plan to continue to enhance the value and product features of our e-banking services in 2001.

We completed the reorganization of our Hong Kong based D.A.H. Private Bank's business and the transfer of the private banking operation to Dah Sing Bank in September 2000. We are continuing with our plan to develop a new e-Bank which will operate using the banking licence previously attached to our Hong Kong private bank, subject to receiving all the required regulatory approvals.



PROSPECTS FOR 2001

We believe 2001 will be a more challenging year for Hong Kong and for the financial services industry. The reduction in local interest rates may be more marked in Prime rate, resulting in a possible narrowing in the spread between local Prime rate and interbank interest rates. Coupled with the significant loan margin squeeze and keen competition for loan growth, sustaining 2000's level of net interest margin will be a challenge. We are, however, optimistic on the continued improvement in local economic performance, as lower interest rates should work to boost investment, consumption and loan demand. China's accession to the WTO and continued strong economic growth will assist in supporting Hong Kong's growth in the years to come.

Interest rate deregulation, increasing pricing competition and higher operating costs are issues facing all banks in Hong Kong this year. Our Group is well positioned to deal with these challenges and to seize new opportunities with the objective of delivering a higher level of profitability to shareholders.

To achieve a better mix of capital structure, Dah Sing Bank has given mandate to an investment bank to arrange our first subordinated bond issue for an amount of US\$125 million. This is a 10-year issue due in March 2011 with an issuer call option to fully redeem the whole bond at the 5th anniversary in March 2006. Subject to receiving final regulatory approval for the inclusion of this subordinated capital as part of our capital base, the capital adequacy ratio of our banking group will be boosted by more than 2%.

DEALINGS IN THE COMPANY'S SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the year ended 31st December 2000.

By Order of the Board
H.L. Soo
Secretary

Hong Kong, Monday, 5th March 2001

A more detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.