

OFFERING CIRCULAR



DAH SING BANK, LIMITED

(incorporated with limited liability in Hong Kong)
(as an Issuer and as Guarantor)
and

DAH SING MTN FINANCING LIMITED

(incorporated with limited liability in the British Virgin Islands)
(as an Issuer)

DAH SING SAR FINANCING LIMITED

(incorporated with limited liability in the British Virgin Islands)
(as an Issuer)

US\$2,000,000,000

EURO MEDIUM TERM NOTE PROGRAMME

On 14th June, 2002, Dah Sing Bank, Limited (“**DSB**”), Dah Sing MTN Financing Limited (“**DSMFL**”) and Dah Sing SAR Financing Limited (“**DSSFL**”) (in such capacity, each an “**Issuer**” and, together with the New Issuers (as defined below), the “**Issuers**”) established a US\$1,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) and issued an offering circular on that date describing the Programme. On 19th December, 2006, the size of the Programme was increased from US\$1,000,000,000 to US\$2,000,000,000 in accordance with the terms of the Programme. This Offering Circular supersedes the previous offering circular and any supplement thereto. Any Notes issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions herein.

Under the Programme, the Issuers, subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the “**Notes**”). Notes may be issued on a senior basis, a dated subordinated basis or an undated subordinated basis by each Issuer (other than DSSFL which may only issue Notes on a dated subordinated basis or an undated subordinated basis), all as more particularly described herein. Notes issued by DSMFL and any New Issuer (together with DSMFL and DSSFL, the “**Guaranteed Issuers**”) will be guaranteed by DSB (in such capacity, the “**Guarantor**”) on a senior or subordinated basis and Notes to be issued by DSSFL will only be guaranteed by Guarantor on a subordinated basis. Notes issued by DSB will not be guaranteed. The aggregate nominal amount of Notes outstanding will not at any time exceed US\$2,000,000,000 (or the equivalent in other currencies).

DSB may, from time to time, nominate newly-incorporated wholly-owned Subsidiaries (as defined in the terms and conditions of the Notes) of DSB with no operating history other than DSB, DSMFL and DSSFL as additional issuers to issue Notes pursuant to the Programme (each a “**New Issuer**”). It is intended that such a New Issuer shall accede to the terms of the Programme by executing a deed of adherence (a “**Deed of Adherence**”) and shall become and be treated as an “**Issuer**” and a “**Guaranteed Issuer**” for the purpose of the Programme.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in, and for quotation of, any Notes which are agreed at the time of issue to be listed on the SGX-ST. Unlisted series of Notes may also be issued pursuant to the Programme. The relevant Pricing Supplement (as defined below) in respect of any issue of Notes will specify whether or not such Notes will be listed on the SGX-ST or any other stock exchange. There is no guarantee that an application to the SGX-ST will be approved. Listing of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuers or the Guarantor or of the merits of the Notes. The SGX-ST takes no responsibility for the correctness of any statement made or opinions expressed herein.

Each Series (as defined below) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “**temporary Global Note**”) or a permanent global note in bearer form (each a “**permanent Global Note**”). Notes in registered form will be represented by registered certificates (each a “**Certificate**”), one Certificate being issued in respect of each Noteholder’s entire holding of Notes in registered form of one Series. Global Notes and Certificates may be deposited on the issue date with a common depository on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”). Global Notes representing Notes in bearer form may be deposited with a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the “**CMU Service**”). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “Summary of Provisions Relating to the Notes while in Global Form”.

Arranger

HSBC

Dealers

ABN AMRO

Citigroup

Merrill Lynch International

Barclays Capital

Deutsche Bank

Nomura International

UBS Investment Bank

BNP PARIBAS

HSBC

Standard Chartered Bank

DSB (as to itself, each Guaranteed Issuer and the “Group” as defined below) and each Guaranteed Issuer (as to itself) having made all reasonable enquiries confirm that this document contains all information with respect to DSB, the Guaranteed Issuers and DSB and its Subsidiaries and affiliates taken as a whole (the “Group”) and the Notes that is material in the context of the issue and offering of the Notes, the statements contained in it relating to DSB, the Guaranteed Issuers and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to DSB, the Guaranteed Issuers and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to DSB, the Guaranteed Issuers, the Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by DSB and the Guaranteed Issuers to ascertain such facts and to verify the accuracy of all such information and statements.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by DSB, the Guaranteed Issuers or any of the Dealers or the Arranger (as defined in “Summary of the Programme”). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of DSB, the Guaranteed Issuers or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of DSB or the Guaranteed Issuers since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by DSB, the Guaranteed Issuers, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes and the Guarantees (as defined below) have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and include Notes in bearer form that are subject to US tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to US persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see “Subscription and Sale”.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of DSB, the Guaranteed Issuers or the Dealers to subscribe for, or purchase, any Notes.

The Arranger and the Dealers have not separately verified the information contained in this Offering Circular. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. Neither this Offering Circular nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of DSB, the Guaranteed Issuers, the Arranger or the Dealers that any recipient of this Offering Circular or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of DSB or the Guaranteed Issuers during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with any Tranche, one of the Dealers may act as a stabilising manager (the “Stabilising Manager”). The identity of the Stabilising Manager (if any) will be disclosed in the relevant Pricing Supplement. References in the next paragraph to “this issue” are to each Tranche in relation to which a Stabilisation Manager is appointed.

In connection with the issue of any Tranche of Notes, one of the Dealers named as Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in the applicable Pricing Supplement may, subject to applicable laws and regulations, over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to “US\$” and to “US dollars” are to United States dollars, references to “HK\$” and “HK dollars” are to Hong Kong dollars, references to “sterling” and “£” are to the currency of the United Kingdom, references to “euro” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time, and references to “Hong Kong” are to the Hong Kong Special Administrative Region of the People’s Republic of China.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the most recently published audited annual accounts, and any interim accounts (whether audited or unaudited) published subsequently to such annual accounts, of DSB and the Guaranteed Issuers from time to time (if any), and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified office of the Paying Agent for the time being in London. As at the date of this Offering Circular, the Guaranteed Issuers have not published and do not propose to publish any financial statements. See “General Information” for a description of the financial statements currently published by DSB.

SUPPLEMENTAL OFFERING CIRCULAR

DSB and each of the Guaranteed Issuers has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant change affecting any matter contained in this Offering Circular whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Offering Circular, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of DSB and the Guaranteed Issuers, and the rights attaching to the Notes, they shall prepare an amendment or supplement to this Offering Circular or publish a replacement Offering Circular for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request. A supplement to this Offering Circular will also be prepared and submitted to the SGX-ST each time a New Issuer accedes to the Programme. References to this “Offering Circular” shall be taken to mean this document and all the documents from time to time incorporated by reference herein and forming part hereof.

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SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in “Terms and Conditions of the Notes” below shall have the same meanings in this summary.

Initial Issuers: Dah Sing Bank, Limited, Dah Sing MTN Financing Limited and Dah Sing SAR Financing Limited

Accession of

New Issuers: A newly incorporated wholly-owned Subsidiary of the Guarantor with no operating history nominated by the Guarantor may agree to be bound by all the terms of the Programme, and thereby become a New Issuer, by the execution of (i) a Deed of Adherence substantially in the form scheduled to the Agency Agreement and (ii) a new deed of covenant relating to direct enforcement rights for accountholders in clearing systems (“**New Deed of Covenant**”). It is intended that from and after the execution and delivery of such Deed of Adherence and New Deed of Covenant such New Issuer shall become and be treated as an “Issuer” and a “Guaranteed Issuer” for the purpose of the Programme.

Guarantor: Notes issued by Dah Sing MTN Financing Limited, Dah Sing SAR Financing Limited and each New Issuer will be guaranteed by Dah Sing Bank, Limited

Description: Euro Medium Term Note Programme

Size: Up to US\$2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.

Arranger: The Hongkong and Shanghai Banking Corporation Limited

Dealers: ABN AMRO Bank N.V.
Barclays Bank PLC
BNP Paribas
Citigroup Global Markets Limited
Deutsche Bank AG, London Branch
The Hongkong and Shanghai Banking Corporation Limited
Merrill Lynch International
Nomura International plc
Standard Chartered Bank
UBS AG

The Issuers and the Guarantor may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to “**Permanent Dealers**” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to “**Dealers**” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

Fiscal Agent: Deutsche Bank AG, London Branch or, if so specified in the applicable Pricing Supplement, Deutsche Bank AG, Hong Kong Branch

Registrar: Deutsche Bank AG, Hong Kong Branch

CMU Lodging Agent: . . . Deutsche Bank AG, Hong Kong Branch

Method of Issue: The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement to this Offering Circular (a “**Pricing Supplement**”).

Issue Price: Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Form of Notes: The Notes may be issued in bearer form only (“**Bearer Notes**”), in registered form only (“**Registered Notes**”), or in bearer form exchangeable for Registered Notes (“**Exchangeable Bearer Notes**”).

Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “Summary of the Programme — Selling Restrictions”), otherwise such Tranche will be represented by a permanent Global Note.

Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as “**Global Certificates**”.

Clearing Systems: The CMU Service, Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the relevant Issuer, the Fiscal Agent and the relevant Dealer.

Initial Delivery of Notes: On or before the issue date for each Tranche, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes relating to Bearer Notes may also be deposited with a sub-custodian for the CMU Service or any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the relevant Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

Currencies: Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the relevant Issuer and the relevant Dealers.

Maturities: Subject to compliance with all relevant laws, regulations and directives, any maturity, including for the avoidance of doubt, undated perpetual Notes with no fixed maturity. Under applicable laws and regulations at the date of this Offering Circular, Dated Subordinated Notes and Dated Subordinated Guaranteed Notes which are intended to constitute Category II Supplementary Capital of DSB must have a minimum maturity of more than five years.

Denomination: Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, save that unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which must be redeemed before the first anniversary of their date of issue and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Fixed Rate Notes: Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.

Floating Rate Notes: . . . Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. or
- (ii) by reference to LIBOR, LIBID, LIMEAN, EURIBOR or HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin.

Interest periods will be specified in the relevant Pricing Supplement.

Zero Coupon Notes: . . . Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes: . . . Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Pricing Supplement.

Index Linked Notes: . . . Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Pricing Supplement.

Interest Periods and Interest Rates: The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Deferral of Interest: Payments of interest in relation to Undated Subordinated Notes or Undated Subordinated Guaranteed Notes may be deferred where during the 12 calendar months preceding a date on which interest is due to be paid on such Notes, no dividend has been declared or paid on any class of share capital of DSB, all as further described in Condition 3(g).

Redemption: The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which must be redeemed before the first anniversary of their date of issue and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Under applicable laws and regulations at the date of this Offering Circular, Dated Subordinated Notes and Dated Subordinated Guaranteed Notes which are intended to constitute Category II Supplementary Capital of DSB may not be redeemed within five years of the relevant Issue Date except for taxation reasons (provided that the consent of the Hong Kong Monetary Authority (“HKMA”) is obtained) or following an Enforcement Event.

Redemption by

Instalments: The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Other Notes: Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the relevant Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Pricing Supplement.

Optional Redemption: The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption. Except following an Enforcement Event, Subordinated Notes may not be redeemed prior to their stated maturity date without the consent of the HKMA.

Status of Notes —

General: DSB may issue Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes. Senior Guaranteed Notes, Dated Subordinated Guaranteed Notes and Undated Subordinated Guaranteed Notes may be issued by each Guaranteed Issuer (other than DSSFL which may only issue Dated Subordinated Guaranteed Notes and Undated Subordinated Guaranteed Notes), which will in each case be guaranteed by DSB pursuant to the terms of the Senior Guarantee, the Dated Subordinated Guarantee and the Undated Subordinated Guarantee, respectively. The obligation of the Issuer or, as the case may be, the Guarantor to make any payment of principal and interest on the Subordinated Notes is conditional upon it remaining Solvent thereafter.

Status of the Senior

Notes: The Senior Notes issued by DSB will constitute direct unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of DSB and will rank *pari passu* without any preference among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of DSB other than any such obligations as are preferred by law, all as further described in Condition 3(a).

Status of the Dated

Subordinated Notes: . . The Dated Subordinated Notes issued by DSB will constitute direct and unsecured obligations of DSB and will rank *pari passu* without any preference among themselves. The rights of the holders of the Dated Subordinated Notes will, in the event of the winding-up of DSB, be subordinated in right of payment to the claims of depositors and all other creditors of DSB other than claimants in respect of DSB Subordinated Indebtedness, all as further described in Condition 3(b).

Status of the Undated

Subordinated Notes: . . The Undated Subordinated Notes issued by DSB will constitute direct and unsecured obligations of DSB and will rank *pari passu* without any preference among themselves. The rights of the holders of the Undated Subordinated Notes will, in the event of the winding-up of DSB, be subordinated in right of payment to the claims of DSB Prior Creditors, all as further described in Condition 3(c).

Status of the Senior

Guaranteed Notes: . . . The Senior Guaranteed Notes issued by a Guaranteed Issuer (other than DSSFL) will constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of that Guaranteed Issuer and will rank *pari passu* without any preference among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of that Guaranteed Issuer other than any such obligations as are preferred by law, all as further described in Condition 3(d).

The Senior Guaranteed Notes are guaranteed as to payment of principal and interest by DSB upon the terms of the Senior Guarantee. Claims in respect of the Senior Guarantee will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of DSB other than any such obligations as are preferred by law, all as further described in Condition 3(d).

**Status of Dated
Subordinated**

Guaranteed Notes: . . . The Dated Subordinated Guaranteed Notes issued by a Guaranteed Issuer will constitute direct and unsecured obligations of that Guaranteed Issuer and will rank *pari passu* without any preference among themselves. The rights of the holders of the Dated Subordinated Guaranteed Notes will, in the event of the winding-up of the relevant Guaranteed Issuer, be subordinated in right of payment to the claims of depositors and all other creditors of the relevant Guaranteed Issuer other than claimants in respect of the Subordinated Indebtedness of that Guaranteed Issuer, all as further described in Condition 3(e).

The Dated Subordinated Guaranteed Notes are guaranteed as to payment of principal and interest by DSB upon the terms of the Dated Subordinated Guarantee. Claims in respect of the Dated Subordinated Guarantee will, in the event of the winding-up of DSB, be subordinated in right of payment to the claims of depositors and all other creditors of DSB other than claimants in respect of DSB Subordinated Indebtedness, all as further described in Condition 3(e).

**Status of Undated
Subordinated**

Guaranteed Notes: . . . The Undated Subordinated Guaranteed Notes issued by a Guaranteed Issuer will constitute direct and unsecured obligations of that Guaranteed Issuer and will rank *pari passu* without any preference among themselves. The rights of the holders of the Undated Subordinated Guaranteed Notes will, in the event of the winding-up of the relevant Guaranteed Issuer, be subordinated in right of payment to the claims of Prior Creditors of that Guaranteed Issuer, all as further described in Condition 3(f).

The Undated Subordinated Guaranteed Notes are guaranteed as to payment of principal and interest by DSB upon the terms of the Undated Subordinated Guarantee. Claims in respect of the Undated Subordinated Guarantee will, in the event of the winding-up of DSB, be subordinated in right of payment to the claims of DSB Prior Creditors, all as further described in Condition 3(f).

Negative Pledge: Applicable to Senior Notes and Senior Guaranteed Notes only. See “Terms and Conditions of the Notes — Negative Pledge”.

Cross Default: Applicable to Senior Notes and Senior Guaranteed Notes only. See “Terms and Conditions of the Notes — Events of Default”.

Early Redemption: Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes — Redemption, Purchase and Options”. Except following an Enforcement Event, Subordinated Notes may not be redeemed prior to their stated maturity date without the consent of the HKMA.

Withholding Tax: All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the British Virgin Islands or Hong Kong, as the case may be, subject to customary exceptions (including the IPMA Standard EU Exception), all as described in “Terms and Conditions of the Notes — Taxation”.

Governing Law: English law

Listing: Application has been made to the SGX-ST for permission to deal in, and for quotation of, any Notes which are agreed at the time of issue to be so listed on the SGX-ST. There is no guarantee that an application to the SGX-ST will be approved. If the application to the SGX-ST to list a particular series of Notes is approved, such Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 (or its equivalent in other currencies) so long as the Notes are listed on the SGX-ST.

Selling Restrictions: United States, the United Kingdom, the British Virgin Islands, Hong Kong, Japan and Singapore. See “Subscription and Sale”.

DSB, DSMFL and DSSFL are Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

The Notes will be issued in compliance with US Treas. Reg. §1.163-5(c)(2)(i)(D) (the “**D Rules**”) unless (i) the relevant Pricing Supplement states that Notes are issued in compliance with US Treas. Reg. §1.163-5(c)(2)(i)(C) (the “**C Rules**”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on the Bearer Notes or on the Certificates relating to the Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

This Note is one of a Series (as defined below) of Notes issued by Dah Sing Bank Limited (“**DSB**”) or Dah Sing MTN Financing Limited (“**DSMFL**”), Dah Sing SAR Financing Limited (“**DSSFL**”) or any additional issuer which has acceded to the Programme by executing a deed of adherence (the “**Deed of Adherence**”) pursuant to the terms of the Agency Agreement referred to below (each a “**New Issuer**” and together with DSSFL and DSMFL, the “**Guaranteed Issuers**” and each a “**Guaranteed Issuer**”) (each, in relation to Notes issued by it, the “**Issuer**”) pursuant to the Agency Agreement (as defined below). Issues of Notes by the Guaranteed Issuers will be guaranteed by DSB (in such capacity, the “**Guarantor**”). References to the Guarantor shall only be relevant in the context of an issue of Notes by a Guaranteed Issuer.

The Notes are issued pursuant to an Agency Agreement dated 14th June, 2002 (as amended and restated on 19th December, 2006 and otherwise as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) between DSMFL, DSSFL, DSB, Deutsche Bank AG, London Branch (or, if so specified in the Pricing Supplement (as defined in the Agency Agreement), Deutsche Bank AG, Hong Kong Branch) as fiscal agent, Deutsche Bank AG, Hong Kong Branch as lodging agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the “**CMU Service**”), Deutsche Bank AG, Hong Kong Branch as registrar and the other agents named in it and with the benefit of a Deed of Covenant dated 14th June, 2002 (as amended and restated on 8th September, 2003 and otherwise as amended or supplemented as at the Issue Date, the “**Deed of Covenant**”) executed by DSMFL, DSSFL and DSB in relation to the Notes and the Deed of Guarantee (as defined below) dated 14th June, 2002 (as amended and restated on 8th September, 2003) executed by DSB in relation to the Notes. The fiscal agent, the CMU lodging agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Fiscal Agent**”, the “**CMU Lodging Agent**”, the “**Paying Agents**” (which expression shall include the Fiscal Agent and the CMU Lodging Agent), the “**Registrar**”, the “**Transfer Agents**” and the “**Calculation Agent(s)**”. For the purposes of these Conditions, all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU Service, be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly. The Noteholders (as defined below), the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (the “**Receipts**”) relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form (“**Bearer Notes**”, which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form (“**Registered Notes**”) or in bearer form exchangeable for Registered Notes (“**Exchangeable Bearer Notes**”) in each case in the Specified Denomination(s) shown in the Pricing Supplement.

All Registered Notes shall have the same Specified Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Notes.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the Pricing Supplement.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them in the Pricing Supplement, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. EXCHANGES OF EXCHANGEABLE BEARER NOTES AND TRANSFERS OF REGISTERED NOTES

- (a) **Exchange of Exchangeable Bearer Notes:** Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(b)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (e) **Exchange Free of Charge:** Exchange and transfer of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

3. STATUS OF THE NOTES AND THE GUARANTEES

(a) Senior Notes

- (i) This Condition 3(a) is applicable to all Notes which are specified in the Pricing Supplement as being Senior Notes issued by DSB ("**Senior Notes**").
- (ii) The Senior Notes of each Series constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of DSB, ranking *pari passu* without any preference among themselves and, at their date of issue, ranking *pari passu* with all other present and future unsecured and unsubordinated obligations of DSB other than any such obligations as are preferred by provisions of law that are both mandatory and of general application.

(b) Dated Subordinated Notes

- (i) This Condition 3(b) is applicable to all Notes which are specified in the Pricing Supplement as being Dated Subordinated Notes issued by DSB (“**Dated Subordinated Notes**”).
- (ii) The Dated Subordinated Notes of each Series constitute direct and unsecured obligations of DSB, conditional and subordinated as described below, ranking *pari passu* without any preference among themselves. The rights of holders of the Dated Subordinated Notes will, in the event of the winding up of DSB, be subordinated in right of payment to the claims of depositors and all other creditors of DSB (other than claimants in respect of DSB Subordinated Indebtedness (as defined below)) and, for the avoidance of doubt, will rank senior to all claims under the Undated Subordinated Notes and the Undated Subordinated Guarantee (each as defined below).
- (iii) DSB’s obligation to make any payment of interest and any repayment of principal in respect of any Dated Subordinated Notes is conditional upon DSB being able to make such payment or repayment (as applicable) and remain Solvent immediately thereafter.

For the purposes of this Condition 3(b)(iii), “**Solvent**” means that DSB:

- (1) is able to pay its debts as they fall due; and
- (2) has Assets that exceed its Liabilities (each as defined below) (other than its Liabilities to persons in respect of DSB Subordinated Indebtedness).

(c) Undated Subordinated Notes

- (i) This Condition 3(c) is applicable to all Notes which are specified in the Pricing Supplement as being Undated Subordinated Notes issued by DSB (“**Undated Subordinated Notes**”).
- (ii) The Undated Subordinated Notes of each Series constitute direct and unsecured obligations of DSB, conditional and subordinated as described below, ranking *pari passu* without any preference among themselves. The rights of the holders of Undated Subordinated Notes will, in the event of the winding up of DSB, be subordinated in right of payment to the claims of DSB Prior Creditors (as defined below). In the event of the winding up of DSB, there shall be payable by DSB in respect of each Undated Subordinated Note (in lieu of any other payment by DSB), but subject as provided in this Condition, such amount, if any, as would have been payable to the holder thereof if, at the close of business on the day prior to the commencement of the winding up of DSB and thereafter, such Noteholder were the holder of a fully-paid, validly issued preference share in the capital of DSB having a preferential right to a return of assets in the winding up over the holders of all issued shares (including for this purpose any preference shares issued) for the time being in DSB’s capital on the assumption that such preference share was entitled to receive on a return of assets in such winding up an amount (disregarding any tax credit which would have been given in relation to dividends payable on such preference share) equal to the Early Redemption Amount (as described in Condition 6(b)) payable in respect of such Undated Subordinated Note together with Arrears of Interest (as defined in Condition 3(g)(iii)), if any, and accrued interest as provided below.
- (iii) DSB’s obligation to make any payment of interest and, where applicable, any repayment of principal in respect of any Undated Subordinated Notes is conditional upon DSB being able to make such payment or repayment (as applicable) and remain Solvent immediately thereafter.

For the purposes of this Condition 3(c)(iii), “**Solvent**” means that DSB:

- (1) is able to pay its debts as they fall due; and

- (2) has Assets that exceed its Liabilities (other than its Liabilities to persons in respect of DSB Primary Capital Indebtedness (as defined below)).

(d) Senior Guaranteed Notes

- (i) This Condition 3(d) is applicable to all Notes which are specified in the Pricing Supplement as being Senior Guaranteed Notes issued by a Guaranteed Issuer (“**Senior Guaranteed Notes**”).
- (ii) The Senior Guaranteed Notes of each Series constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the relevant Guaranteed Issuer, ranking *pari passu* without any preference among themselves and, at their date of issue, ranking *pari passu* with all other present and future unsecured and unsubordinated obligations of the relevant Guaranteed Issuer other than any such obligations as are preferred by provisions of law that are both mandatory and of general application.
- (iii) The Senior Guaranteed Notes of each Series are guaranteed as to payment of principal and interest by DSB upon the terms of the senior guarantee (the “**Senior Guarantee**”) contained in the Deed of Guarantee dated 14th June, 2002 (as amended and restated on 8th September, 2003) (the “**Deed of Guarantee**”).
- (iv) In relation to each Series of Senior Guaranteed Notes, claims in respect of the Senior Guarantee rank, at the date of issue of such Notes, *pari passu* with all other present and future unsecured and unsubordinated obligations of DSB other than any such obligations as are preferred by provisions of law that are both mandatory and of general application.

(e) Dated Subordinated Guaranteed Notes

- (i) This Condition 3(e) is applicable to all Notes which are specified in the Pricing Supplement as being Dated Subordinated Guaranteed Notes issued by a Guaranteed Issuer (“**Dated Subordinated Guaranteed Notes**”).
- (ii) The Dated Subordinated Guaranteed Notes of each Series constitute direct and unsecured obligations of the relevant Guaranteed Issuer, conditional and subordinated as described below, ranking *pari passu* without any preference among themselves. The rights of holders of the Dated Subordinated Guaranteed Notes will, in the event of the winding up of the relevant Guaranteed Issuer, be subordinated in right of payment to the claims of depositors and all other creditors of the relevant Guaranteed Issuer (other than claimants in respect of Subordinated Indebtedness (as defined below) of that Guaranteed Issuer) and, for the avoidance of doubt, will rank senior to all claims against the relevant Guaranteed Issuer under the Undated Subordinated Guaranteed Notes.
- (iii) The relevant Guaranteed Issuer’s obligation to make any payment of interest and any repayment of principal in respect of any Dated Subordinated Guaranteed Notes is conditional upon the relevant Guaranteed Issuer being able to make such payment or repayment (as applicable) and remain Solvent immediately thereafter.

For the purposes of this Condition 3(e)(iii), “**Solvent**” means that relevant Guaranteed Issuer:

- (1) is able to pay its debts as they fall due; and
 - (2) has Assets that exceed its Liabilities (other than its Liabilities to persons in respect of Subordinated Indebtedness of that Guaranteed Issuer).
- (iv) The Dated Subordinated Guaranteed Notes of each Series are guaranteed as to payment of principal and interest by DSB upon the terms of the dated subordinated guarantee (the “**Dated Subordinated Guarantee**”) contained in the Deed of Guarantee. Payments of principal and/or interest in respect of the Dated Subordinated Guaranteed Notes shall be

deemed to be due and payable by the relevant Guaranteed Issuer for the purposes of the Guarantor's obligations under the Dated Subordinated Guarantee notwithstanding that the condition set out in Condition 3(e)(iii) with respect to payments by the relevant Guaranteed Issuer is not satisfied.

- (v) Claims in respect of the Dated Subordinated Guarantee will, in the event of the winding-up of DSB, be subordinated in right of payment to the claims of depositors and all other creditors of DSB (other than claimants in respect of DSB Subordinated Indebtedness) and, for the avoidance of doubt, will rank senior to all claims under the Undated Subordinated Notes and any Undated Subordinated Guarantee.
- (vi) DSB's obligation to make any payment under the Dated Subordinated Guarantee is conditional upon DSB being able to make such payment and remain Solvent (as defined in Condition 3(b)(iii)) immediately thereafter.

(f) Undated Subordinated Guaranteed Notes

- (i) This Condition 3(f) is applicable to all Notes which are specified in the Pricing Supplement as being Undated Subordinated Guaranteed Notes issued by a Guaranteed Issuer ("**Undated Subordinated Guaranteed Notes**").
- (ii) The Undated Subordinated Guaranteed Notes of each Series constitute direct and unsecured obligations of the relevant Guaranteed Issuer, conditional and subordinated as described below, ranking *pari passu* without any preference among themselves. The rights of the holders of Undated Subordinated Guaranteed Notes will, in the event of the winding-up of the relevant Guaranteed Issuer, be subordinated in right of payment to the claims of the Prior Creditors of that Guaranteed Issuer (as defined below). In the event of the winding-up of the relevant Guaranteed Issuer, there shall be payable by the relevant Guaranteed Issuer in respect of each Undated Subordinated Guaranteed Note (in lieu of any other payment by the relevant Guaranteed Issuer), but subject as provided in this Condition, such amount, if any, as would have been payable to the holder thereof if, at the close of business on the day prior to the commencement of the winding-up of the relevant Guaranteed Issuer and thereafter, such Noteholder were the holder of a fully-paid, validly issued preference share in the capital of the relevant Guaranteed Issuer having a preferential right to a return of assets in the winding-up over the holders of all issued shares (including for this purpose other preference shares issued) for the time being in the relevant Guaranteed Issuer's capital on the assumption that such preference share was entitled to receive on a return of assets in such winding-up an amount (disregarding any tax credit which would have been given in relation to dividends payable on such preference share) equal to the Early Redemption Amount (as described in Condition 6(b)) in respect of such Undated Subordinated Guaranteed Note together with Arrears of Interest, if any, and accrued interest as provided below.
- (iii) The relevant Guaranteed Issuer's obligation to make any payment and, where applicable, any repayment of principal in respect of any Undated Subordinated Guaranteed Notes is conditional upon the relevant Guaranteed Issuer being able to make such payment or repayment (as applicable) and remain Solvent immediately thereafter.

For the purposes of this Condition 3(f)(iii), "**Solvent**" means that the relevant Guaranteed Issuer:

- (1) is able to pay its debts as they fall due; and
 - (2) has Assets that exceed its Liabilities (other than its Liabilities to persons in respect of Primary Capital Indebtedness (as defined below) of that Guaranteed Issuer).
- (iv) The Undated Subordinated Guaranteed Notes of each Series are guaranteed as to payment of principal and interest by DSB upon the terms of the undated subordinated guarantee (the "**Undated Subordinated Guarantee**" and, together with the Senior Guarantee and the Dated Subordinated Guarantee, the "**Guarantees**") contained in the Deed of Guarantee.

Payments of principal and/or interest in respect of the Undated Subordinated Guaranteed Notes shall be deemed to be due and payable by the relevant Guaranteed Issuer for the purposes of the Guarantor's obligations under the Undated Subordinated Guarantee notwithstanding that the condition set out in Condition 3(f)(iii) with respect to payments by the relevant Guaranteed Issuer is not satisfied and, if the relevant Guaranteed Issuer is being wound up, the amount payable under the Undated Subordinated Guarantee with respect to an Undated Subordinated Guaranteed Note shall be an amount equal to the Early Redemption Amount in respect of such Note together with Arrears of Interest, if any, and accrued interest as provided below less any amounts in respect thereof recovered by the relevant holder in the relevant Guaranteed Issuer's winding-up.

- (v) Claims in respect of the Undated Subordinated Guarantee will, in the event of the winding-up of DSB, be subordinated in right of payment to the claims of DSB Prior Creditors. In the event of the winding-up of DSB, there shall be payable by DSB in respect of each Undated Subordinated Guaranteed Note (in lieu of any other payment by DSB), but subject as provided in this Condition, such amount, if any, as would have been payable to the holder thereof if, at the close of business on the day prior to the commencement of the winding-up of DSB and thereafter, such Noteholder were the holder of a fully-paid, validly issued preference share in the capital of DSB having a preferential right to a return of assets in the winding-up over the holders of all issued shares (including for this purpose other preference shares issued) for the time being in DSB's capital on the assumption that such preference share was entitled to receive on a return of assets in such winding-up an amount (disregarding any tax credit which would have been given in relation to dividends payable on such preference share) equal to the amount payable by DSB under the Undated Subordinated Guarantee.
 - (vi) DSB's obligation to make any payment under the Undated Subordinated Guarantee is conditional upon DSB being able to make such payment and remain Solvent (as defined in Condition 3(c)(iii)) immediately thereafter.
- (g) Undated Subordinated Notes and Undated Subordinated Guaranteed Notes: Deferral of Interest**
- (i) This Condition 3(g) shall apply to all Notes which are specified in the Pricing Supplement as being Undated Subordinated Notes or Undated Subordinated Guaranteed Notes.
 - (ii) Where during the 12 calendar months preceding a date on which interest is due to be paid in respect of any Series of Undated Subordinated Notes or Undated Subordinated Guaranteed Notes no dividend has been declared or paid on any class of share capital of DSB, such due date shall be referred to as an "**Optional Interest Payment Date**".
 - (iii) DSB or, in the case of Undated Subordinated Guaranteed Notes, DSB or the relevant Guaranteed Issuer may, if it so elects, but shall not be obliged to, pay on any Optional Interest Payment Date the interest that is due to be paid on such date in respect of the relevant Notes and any failure to pay shall not constitute a default by DSB or, as the case may be, the relevant Guaranteed Issuer for any purpose. Any interest not paid on an Optional Interest Payment Date shall (except to the extent such interest shall subsequently have been paid) constitute "**Arrears of Interest**".
 - (iv) In relation to any Series of Undated Subordinated Notes or Undated Subordinated Guaranteed Notes, Arrears of Interest may, prior to the commencement of the winding-up of DSB, be paid in whole or in part upon the expiration of not less than seven days' notice to such effect given to the holders of the Notes of such Series in accordance with Condition 14, but payment in respect of interest periods during which Arrears of Interest have accrued shall be made taking the earliest interest period first. Arrears of Interest shall otherwise only become payable, subject to Condition 3(c)(iii) or, as the case may be, Conditions 3(f)(iii) or 3(f)(vi), on (i) the due date for repayment of the Notes to which such Arrears of Interest relate, (ii) the date on which any declaration or payment of any dividend on any class of share capital of DSB is made or (iii) the commencement of the winding-up of DSB (except for the purposes of a reconstruction, amalgamation or otherwise, the terms

of which have previously been approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders of the relevant Series). If notice is given by DSB or, as the case may be, the relevant Guaranteed Issuer of its intention to pay any Arrears of Interest, DSB or, as the case may be, the relevant Guaranteed Issuer shall be obliged, subject to Condition 3(c)(iii) or, as the case may be, Conditions 3(f)(iii) or 3(f)(vi), to do so upon the expiration of such notice.

- (v) Arrears of Interest shall not themselves bear interest.
- (vi) The relevant Guaranteed Issuer or, as the case may be, DSB shall give notice in accordance with Condition 14:
 - (1) not more than 30 days nor less than seven days prior to any Optional Interest Payment Date in respect of which it will elect not to make payment of interest in accordance with the above provisions, of such election; and
 - (2) of any date on which Arrears of Interest shall have become payable.

(h) Waiver of Set-off

- (i) This Condition 3(h) shall apply to all Notes other than Senior Notes and Senior Guaranteed Notes.
- (ii) Claims in respect of any Notes or Coupons may not be set-off, or be the subject of a counterclaim, by the holder against or in respect of any obligations of the holder to the Guaranteed Issuers, DSB or to any other persons and the holder of any Note or Coupon shall, by virtue of being the holder of any Note or Coupon, be deemed to have waived all such rights of set-off.

(i) Solvency and Definitions

- (i) A report of the Auditors (as defined below) or (if DSB or a Guaranteed Issuer is in winding-up) of the liquidator of DSB or a Guaranteed Issuer (as appropriate) as to whether or not DSB or the Guaranteed Issuer, on the basis of such information as DSB or the Guaranteed Issuer (as appropriate) may, at the request of the Auditors, make available to the Auditors or (if DSB or the Guaranteed Issuer is in winding-up) on the basis of the information available to the liquidator, is or would in any specified circumstances be Solvent shall in the absence of proven error be treated and accepted by DSB or, as the case may be, the Guaranteed Issuer, the Noteholders and the Couponholders as correct and sufficient evidence of such fact. In the absence of any such evidence to the contrary, it shall for these purposes be assumed (unless the contrary is proved) that DSB or, as the case may be, the Guaranteed Issuer is and will after any payment in respect of any Series of Subordinated Notes be Solvent. No Noteholder or Couponholder shall be entitled to proceed against the Auditors in connection with the exercise or non-exercise by them of their powers, duties and discretions under this Condition 3(i)(i).

- (ii) In these Conditions, the following expressions have the following meanings:

“**Assets**” means the unconsolidated gross assets (including contingencies) of DSB or, as the case may be, the Guaranteed Issuer and “**Liabilities**” means the unconsolidated gross liabilities (including contingencies) of DSB or, as the case may be, the Guaranteed Issuer, all as shown in the latest balance sheet having the benefit of an unqualified Auditors’ report, but with such adjustments as the Auditors or, if DSB or, as the case may be, the Guaranteed Issuer is in winding-up, the liquidator shall determine;

“**Auditors**” means the independent certified public accountants for the time being of DSB or, as the case may be, the Guaranteed Issuer;

“DSB Primary Capital Indebtedness” means (i) any principal and interest payable in respect of Undated Subordinated Notes and the Coupons appertaining thereto, (ii) any money payable under the Undated Subordinated Guarantee and (iii) DSB Subordinated Indebtedness the right to payment of which by DSB by the terms whereof is, or is expressed to be, subordinated in the event of a winding-up of DSB to the claims of all or any of the creditors of DSB, including all or any of the creditors in respect of DSB Subordinated Indebtedness, so that it ranks *pari passu* with, or junior to, claims against DSB in respect of (i) Undated Subordinated Notes and the Coupons appertaining thereto or (ii) the Undated Subordinated Guarantee or is required by the terms of any agreement herebefore or hereafter entered into by DSB to be so subordinated but is not so subordinated, provided that unless otherwise specified, claims against DSB in respect of Dated Subordinated Notes and the Dated Subordinated Guarantee are deemed to rank prior to claims against DSB in respect of Undated Subordinated Notes and the Undated Subordinated Guarantee;

“DSB Prior Creditors” means creditors of DSB (including creditors in respect of the principal and interest payable in respect of Notes issued or guaranteed by DSB which do not constitute DSB Primary Capital Indebtedness) except creditors in respect of DSB Primary Capital Indebtedness;

“DSB Subordinated Indebtedness” means any liability of DSB howsoever arising for the payment of money (including (i) the principal and interest payable in respect of Dated Subordinated Notes, (ii) the principal and interest payable in respect of Undated Subordinated Notes, (iii) any amounts payable by DSB under the Dated Subordinated Guarantee and (iv) any amounts payable by DSB under the Undated Subordinated Guarantee) the right to payment of which by DSB by the terms whereof is, or is expressed to be, subordinated in the event of a winding-up of DSB to the claims of all or any of the creditors of DSB;

“Primary Capital Indebtedness” of a Guaranteed Issuer means (i) any principal and interest payable in respect of Undated Subordinated Guaranteed Notes of that Guaranteed Issuer and the Coupons appertaining thereto and (ii) Subordinated Indebtedness of that Guaranteed Issuer the right to payment of which by that Guaranteed Issuer by the terms whereof is, or is expressed to be, subordinated in the event of a winding-up of that Guaranteed Issuer to the claims of all or any of the creditors of that Guaranteed Issuer, including all or any of the creditors in respect of Subordinated Indebtedness of that Guaranteed Issuer, so that it ranks *pari passu* with, or junior to, claims against that Guaranteed Issuer in respect of its Undated Subordinated Guaranteed Notes and the Coupons appertaining thereto or is required by the terms of any agreement herebefore or hereafter entered into by that Guaranteed Issuer to be so subordinated but is not so subordinated, provided that unless otherwise specified, claims against a Guaranteed Issuer in respect of Dated Subordinated Guaranteed Notes shall rank prior to claims against that Guaranteed Issuer in respect of its Undated Subordinated Guaranteed Notes;

“Prior Creditors” of a Guaranteed Issuer means creditors of that Guaranteed Issuer (including creditors in respect of the principal and interest payable in respect of Notes issued by that Guaranteed Issuer which do not constitute Primary Capital Indebtedness of that Guaranteed Issuer) except creditors in respect of Primary Capital Indebtedness of that Guaranteed Issuer;

“Subordinated Indebtedness” of a Guaranteed Issuer means any liability of that Guaranteed Issuer howsoever arising for the payment of money (including (i) the principal and interest payable in respect of its Dated Subordinated Guaranteed Notes and (ii) the principal and interest payable in respect of its Undated Subordinated Guaranteed Notes) the right to payment of which by that Guaranteed Issuer by the terms whereof is, or is expressed to be, subordinated in the event of a winding-up of that Guaranteed Issuer to the claims of all or any of the creditors of that Guaranteed Issuer; and

“Subordinated Notes” means Dated Subordinated Notes, Undated Subordinated Notes, Dated Subordinated Guaranteed Notes and Undated Subordinated Guaranteed Notes.

(j) **Supplementary Capital Issuer**

Notwithstanding any other provision of these Conditions, each of DSSFL and any New Issuer which has elected to be bound by this Condition 3(j) in the Deed of Adherence (each a “**Supplementary Capital Issuer**”), for so long as any Notes issued by it remained outstanding, may not engage in any business or incur any other indebtedness for borrowed moneys other than the issue of Subordinated Notes pursuant to the Programme and the entering into of related agreements and transactions and performing any act incidental to or necessary in connection therewith, provided that, for the avoidance of doubt, nothing in this Condition 3(j) shall prevent any Supplementary Capital Issuer from issuing further Subordinated Notes pursuant to Condition 13.

In order for any Notes issued by the Supplementary Capital Issuer to qualify as Category II Supplementary Capital of DSB, the Supplementary Capital Issuer may only issue one single Series of Notes.

4. **NEGATIVE PLEDGE**

- (a) This Condition 4 is applicable to all Notes which are specified in the Pricing Supplement as being Senior Notes and Senior Guaranteed Notes.
- (b) So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement):
 - (i) the Issuer and the Guarantor will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (“**Security**”) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt and
 - (ii) the Issuer and the Guarantor will procure that no other person creates or permits to subsist any Security upon the whole or any part of the undertaking, assets or revenues present or future of that other person to secure (x) any of the Issuer’s Relevant Debt or the Guarantor’s Relevant Debt, or any guarantee of or indemnity in respect of any of the Issuer’s Relevant Debt or the Guarantor’s Relevant Debt, or (y) where the person in question is a Subsidiary of the Issuer or of the Guarantor, any of the Relevant Debt of any person, or any guarantee of or indemnity in respect of any such Relevant Debt,

unless, at the same time or prior thereto, the Issuer’s obligations under the Notes and the Coupons or, as the case may be, the Guarantor’s obligations under the Guarantees (aa) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (bb) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders PROVIDED THAT (and for the avoidance of doubt) this Condition 4(b) will not be applicable to any Security created or permitted to subsist in connection with a Securitisation Transaction.

“**Relevant Debt**” means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market.

“**Securitisation Transaction**” means any securitisation transaction involving the transfer of any assets, revenues, undertakings or risks associated with any such assets, revenues, or undertakings to, and the issue of indebtedness by, a special purpose company (a “**Special Purpose Company**”) which is not a Subsidiary of any of DSB or the Guaranteed Issuers and provided that (i) none of the monetary obligations of the Special Purpose Company in respect of the transaction is subject to any recourse whatsoever in respect thereof to any of DSB, the Guaranteed Issuers or any of their respective Subsidiaries, (ii) recourse to the Special Purpose Company for amounts owing under the transaction is limited to the income or cashflow of the assets or collateral comprising the Security for such transaction, (iii) the assets held by and activities of the Special Purpose Company are restricted to those which are permitted for the purposes of the transaction, (iv) the parties to the transaction are not entitled, by virtue of any

right or claim arising out or in connection with such indebtedness, to commence proceedings for the winding up or dissolution of the Special Purpose Company until at least one year and one day after the full repayment of such indebtedness, (v) the transaction is conducted on arms-length terms and (vi) the benefit of the transaction accrues, directly or indirectly, to any of DSB, the relevant Guaranteed Issuer or any of their respective Subsidiaries.

“**Subsidiary**” means a subsidiary as defined in section 2 of the Companies Ordinance (Cap.32) of Hong Kong.

5. INTEREST AND OTHER CALCULATIONS

Payments of interest in respect of Dated Subordinated Notes and Dated Subordinated Guaranteed Notes will be made subject to the provisions of Condition 3(b) and Condition 3(e), respectively. Payments of interest in respect of Undated Subordinated Notes will be made subject to the provisions of Conditions 3(c) and 3(g). Payments of interest in respect of Undated Subordinated Guaranteed Notes will be made subject to the provisions of Conditions 3(f) and 3(g).

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date.

If a Fixed Coupon Amount or a Broken Amount is specified in the Pricing Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the Pricing Supplement.

- (b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

- (i) **Interest Payment Dates:** Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the Pricing Supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the Pricing Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) **Business Day Convention:** If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

- (iii) **Rate of Interest for Floating Rate Notes:** The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the Pricing Supplement.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the Pricing Supplement;
- (y) the Designated Maturity is a period specified in the Pricing Supplement; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the Pricing Supplement.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

- (x) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:
 - (I) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity) or
 - (II) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,

in each case appearing on such Page at the Relevant Time on the Interest Determination Date;

- (y) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (x)(I) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (x)(II) applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent; and

- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is euro, in the Euro-zone as selected by the Calculation Agent (the “**Principal Financial Centre**”) are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).
- (iv) **Rate of Interest for Index Linked Interest Notes:** The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the Pricing Supplement and interest will accrue by reference to an Index or Formula as specified in the Pricing Supplement.
- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the Pricing Supplement.
- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the Pricing Supplement.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding:**
- (i) If any Margin or Rate Multiplier is specified in the Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph

- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the Pricing Supplement, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country of such currency.
- (h) **Calculations:** The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.
- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** As soon as practicable after the Relevant Time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or
- (ii) in the case of euro, a day on which the TARGET system is operating (a “**TARGET Business Day**”) and/or
- (iii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the “**Calculation Period**”):

- (i) if “**Actual/365**” or “**Actual/Actual — ISDA**” is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
- (ii) if “**Actual/365 (Fixed)**” is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 365
- (iii) if “**Actual/360**” is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 360
- (iv) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month))
- (v) if “**30E/360**” or “**Eurobond Basis**” is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month) and
- (vi) if “**Actual/Actual-ICMA**” is specified in the Pricing Supplement,
 - (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

- (b) if the Calculation Period is longer than one Determination Period, the sum of:
- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date and

“Determination Date” means the date specified as such in the Pricing Supplement or, if none is so specified, the Interest Payment Date

“Effective Date” means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such in the Pricing Supplement or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates

“Euro-zone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date

“Interest Amount” means the amount of interest payable, and in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount, as the case may be

“Interest Commencement Date” means the Issue Date or such other date as may be specified in the Pricing Supplement

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the Pricing Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Hong Kong dollars nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date

“Interest Period Date” means each Interest Payment Date unless otherwise specified in the Pricing Supplement

“ISDA Definitions” means the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the Pricing Supplement

“**Page**” means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters Markets 3000 (“**Reuters**”) and Telerate (“**Telerate**”)) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the Pricing Supplement

“**Reference Banks**” means the institutions specified as such in the Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark (which, if EURIBOR is the relevant Benchmark, shall be the Euro-zone)

“**Relevant Financial Centre**” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the Pricing Supplement or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be the Euro-zone) or, if none is so connected, London

“**Relevant Rate**” means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date

“**Relevant Time**” means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the Pricing Supplement or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre and for this purpose “**local time**” means, with respect to Europe and the Euro-zone as a Relevant Financial Centre, 11.00 hours, Brussels time

“**Representative Amount**” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the Pricing Supplement or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time

“**Specified Currency**” means the currency specified as such in the Pricing Supplement or, if none is specified, the currency in which the Notes are denominated

“**Specified Duration**” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the Pricing Supplement or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 5(b)(ii)

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

- (k) **Calculation Agent and Reference Banks:** The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them in the Pricing Supplement and for so long as any Note is outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable

or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. REDEMPTION, PURCHASE AND OPTIONS

(a) Redemption by Instalments and Final Redemption:

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6 or the relevant Instalment Date (being one of the dates so specified in the Pricing Supplement) is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(d) or 6(e), each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the Pricing Supplement. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(d) or 6(e), each Note shall be finally redeemed on the Maturity Date specified in the Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.
- (iii) Undated Subordinated Notes and Undated Subordinated Guaranteed Notes have no final maturity date and are only redeemable in accordance with the following provisions of this Condition 6 or Condition 10.

(b) Early Redemption:

(i) *Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the Pricing Supplement.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the Pricing Supplement, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the Pricing Supplement.

- (ii) *Undated Subordinated Notes and Undated Subordinated Guaranteed Notes:* The Early Redemption Amount payable in respect of any Undated Subordinated Note or any Undated Subordinated Guaranteed Note, upon redemption of such Note in accordance with Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the principal amount of such Note unless otherwise specified in the Pricing Supplement.
- (iii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) or (ii) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified in the Pricing Supplement.
- (c) **Redemption for Taxation Reasons:** Subject to Condition 6(i) in the case of Subordinated Notes, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified in the Pricing Supplement, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if any of the Senior Guarantee (in the case of Senior Guaranteed Notes), the Dated Subordinated Guarantee (in the case of Dated Subordinated Guaranteed Notes) or the Undated Subordinated Guarantee (in the case of Undated Subordinated Guaranteed Notes) (as appropriate) were called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the relevant Guaranteed Issuer's jurisdiction of incorporation (in the case of payments by a Guaranteed Issuer) or Hong Kong (in the case of payments by DSB) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or any of the Guarantees, as the case may be) then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.
- (d) **Redemption at the Option of the Issuer and Exercise of Issuer's Options:** If Call Option is specified in the Pricing Supplement, the Issuer may (subject to Condition 6(i) in the case of Subordinated Notes), on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the Pricing Supplement) redeem, or exercise any Issuer's option (as may be described in the Pricing Supplement) in relation to, all

or, if so provided, some, of the Notes on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the minimum nominal amount to be redeemed specified in the Pricing Supplement and no greater than the maximum nominal amount to be redeemed specified in the Pricing Supplement.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Noteholders shall also contain the serial numbers of the Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (e) **Redemption at the Option of Noteholders and Exercise of Noteholders' Options:** If Put Option is specified in the Pricing Supplement, the Issuer shall (subject to Condition 6(i) in the case of Subordinated Notes), at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the Pricing Supplement) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option or any other Noteholders' option that may be set out in the Pricing Supplement (which must be exercised on an Option Exercise Date) the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified in the Pricing Supplement.
- (g) **Purchases:** The Issuer, the Guarantor and any of their respective Subsidiaries may (subject to Condition 6(i) in the case of Subordinated Notes) at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.
- (h) **Cancellation:** All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may (in the case of Notes other than Subordinated Notes) or shall (in the case of Subordinated Notes) be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.
- (i) **Conditions of Redemption for Subordinated Notes:** Notwithstanding any other provisions in these Conditions, the Subordinated Notes (subject as provided below) may not be redeemed or purchased and cancelled (other than pursuant to Condition 6(a)) without the prior consent of the Hong Kong Monetary Authority (the "**HKMA**") (or any successor thereto). Accordingly, the Issuer shall not redeem any of such Subordinated Notes other than pursuant to Condition 6(a) or

purchase and cancel the Subordinated Notes unless the prior written consent of the HKMA thereto shall have been obtained provided, however, that if from time to time the consent of the HKMA is not a requirement for any such Subordinated Notes to constitute Category II Supplementary Capital (or equivalent) of DSB for the purposes of the Banking Ordinance (Cap. 155) of Hong Kong, or any successor legislation, then the condition to the redemption or purchase and cancellation of the relevant Subordinated Notes set out in this Condition 6(i) shall not apply for so long as such consent is not so required.

Holder of Subordinated Notes should note that it is intended that such Subordinated Notes should constitute Category II Supplementary Capital of DSB and accordingly, under statutory requirements prevailing at the date hereof relative to Category II Supplementary Capital, and by virtue of the above provisions, any redemption of such Subordinated Notes, other than at maturity, is subject to the prior consent of the Hong Kong Monetary Authority at the relevant time.

7. PAYMENTS AND TALONS

Payments of principal, premium (if any) and interest in respect of Dated Subordinated Notes and Dated Subordinated Guaranteed Notes will be made subject to the provisions of Condition 3(b) and Condition 3(e), respectively. Payments of principal, premium (if any) and interest in respect of Undated Subordinated Notes will be made subject to the provisions of Conditions 3(c) and 3(g). Payments of principal, premium (if any) and interest in respect of Undated Subordinated Guaranteed Notes will be made subject to the provisions of Conditions 3(f) and 3(g).

- (a) (i) **Bearer Notes not held in the CMU Service:** Payments of principal and interest in respect of Bearer Notes not held in the CMU Service shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. “**Bank**” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.
- (ii) **Bearer Notes held in the CMU Service:** Payments of principal and interest in respect of Bearer Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer or, as the case may be, the Guarantor in respect of that payment.
- (b) **Registered Notes:**
- (i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or

to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in US dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer or, where applicable, the Guarantor, any adverse tax consequence to it.
- (d) **Payments Subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Fiscal Agent, the CMU Lodging Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Fiscal Agent, the CMU Lodging Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging Agent in relation to Notes accepted for clearance through the CMU Service, (v) one or more Calculation Agent(s) where the Conditions so require, (vi) a Paying Agent having specified offices in Singapore (for so long as the Notes are listed on the SGX-ST and the rules of that stock exchange so require), (vii) such other agents as may be required by any other stock exchange on which the Notes may be listed and (viii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any Directive implementing the conclusions of the ECOFIN Council meeting of 26–27th November, 2000.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in US dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (f) **Unmatured Coupons and Receipts and unexchanged Talons:**
- (i) Unless the Notes provide that the relative Coupons are to become void upon the due date for redemption of those Notes, Bearer Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner

mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

- (ii) If the Notes so provide, upon the due date for redemption of any Bearer Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
 - (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” in the Pricing Supplement and:
- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day.
- (i) **Redenomination, Renominalisation and/or Consolidation:** Notes denominated in a currency that may be converted into euro may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro, as specified in the Pricing Supplement.

8. TAXATION

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons or under the Guarantees shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature

imposed, levied, collected, withheld or assessed by or within the jurisdiction of its incorporation or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with, in the case of payments by a Guaranteed Issuer, the relevant Guaranteed Issuer's jurisdiction of incorporation or, in the case of payments by the Guarantor, Hong Kong other than the mere holding of the Note, Receipt or Coupon or
- (b) **Lawful avoidance of withholding:** to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it), Receipt or Coupon is presented for payment or
- (c) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day or
- (d) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26–27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or
- (e) **Payment by another Paying Agent:** (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition.

9. PRESCRIPTION

Claims against the Issuer and the Guarantor for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. EVENTS OF DEFAULT AND ENFORCEMENT

(a) Senior Notes and Senior Guaranteed Notes:

- (i) This Condition 10(a) is applicable to all Notes which are specified in the Pricing Supplement as being Senior Notes or Senior Guaranteed Notes.
- (ii) If any of the following events (“**Events of Default**”) occurs, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together with accrued interest to the date of payment shall become immediately due and payable:
 - (1) **Non-Payment:** If default is made in the payment of any principal, premium (if any) or interest due in respect of the Notes or any of them and the default continues for a period of five days (in the case of principal) or 10 days (in the case of premium or interest); or
 - (2) **Breach of Other Obligations:** If the Issuer or, as the case may be, the Guarantor fails to perform or observe any of its other obligations under these Conditions, the Notes, the Deed of Covenant or, as the case may be, the relevant Guarantee and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or
 - (3) **Cross-Default:** (x) The Issuer, the Guarantor or, as the case may be, any Subsidiary shall default in the payment of any principal of or interest on any Borrowed Money beyond any period of grace provided in respect thereof; or (y) the Issuer, the Guarantor or, as the case may be, any Subsidiary shall fail to honour when due and called upon any present or future guarantee for, or indemnity in respect of, any Borrowed Money; or (z) any Borrowed Money of the Issuer, the Guarantor or, as the case may be, any Subsidiary becomes (or becomes capable of being declared) due and payable prior to its specified maturity by reason of any actual or potential default or event of default or the like (howsoever described), in each case in an aggregate principal amount of at least US\$20,000,000 or the equivalent thereof in another currency or currencies (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any lending bank on the day on which this paragraph operates); or
 - (4) **Winding-up:** An order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer or, as the case may be, the Guarantor or any of their respective Material Subsidiaries (except, (x) in the case of the Issuer or, as the case may be, the Guarantor, for the purposes of a reconstruction, amalgamation or otherwise the terms of which have previously been approved by an Extraordinary Resolution of Noteholders and (y) in the case of a Material Subsidiary, for the purposes of a reconstruction, amalgamation or otherwise whilst solvent); or
 - (5) **Insolvency; Enforcement Proceedings etc.:** If (a) the Issuer, the Guarantor or, as the case may be, any Material Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or unable to pay its debts as they fall due or stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, (b) a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking or assets of the Issuer, the Guarantor or, as the case may be, any Material Subsidiary, (c) a distress or execution shall be enforced upon or against a substantial part of the assets, revenues or undertaking of the Issuer, the Guarantor or, as the case may be, any Material Subsidiary and shall not be stayed or discharged within 60 days of being enforced, (d) the Issuer, the Guarantor or, as the case may be, any Material Subsidiary proposes or makes a general assignment or an arrangement or composition with or for the benefit of its creditors generally or (e) the Issuer, the

Guarantor or, as the case may be, any Material Subsidiary ceases or threatens to cease to carry on all or any substantial part of its business (except, in the case of (e) only, (1) in the case of the Issuer or, as the case may be, the Guarantor, for the purposes of a reconstruction, amalgamation or otherwise the terms of which have previously been approved by an Extraordinary Resolution of Noteholder or (2) in the case of a Material Subsidiary for the purposes of a reconstruction, amalgamation or otherwise whilst solvent); or

- (6) **Analogous Events:** Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (4) or (5) above; or
- (7) **Ownership:** The Guaranteed Issuer which has issued the Notes (if applicable) ceases to be wholly-owned and controlled by DSB; or
- (8) **Illegality:** If it is or will become unlawful for the Issuer or, as the case may be, the Guarantor to perform or comply with any of its obligations under or in respect of these Conditions, the Notes, the Deed of Covenant or the relevant Guarantee and such illegality has a material adverse effect on the interests of the Noteholders; or
- (9) **Senior Guarantee:** In the case of Senior Guaranteed Notes, the Senior Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect.

“**Borrowed Money**” means indebtedness (present or future) for or in respect of monies borrowed, acceptances and the principal amount of any notes (including, for the avoidance of doubt, Notes of any other Series) debentures, bonds, bills of exchange, promissory notes or similar instruments drawn, made, accepted, issued, endorsed or guaranteed by the Issuer, the Guarantor or, as the case may be, any Subsidiary for the purpose of raising money but shall exclude bills of exchange drawn under or in respect of letters of credit or contracts for the provision of goods or services for the purposes of effecting payment and not in connection with the raising of money.

“**Material Subsidiary**” means at any time a Subsidiary or its Successor (as defined below) of DSB as to which one or more of the following conditions is satisfied:

- (a) its net profits or (in the case of a Subsidiary of DSB which has one or more Subsidiaries) consolidated net profits attributable to DSB (in each case before taxation and extraordinary items) are at least 5 per cent. of the consolidated net profits of DSB and its Subsidiaries (the “**Group**”) (in each case before taxation and extraordinary items); or
- (b) its total assets or (in the case of a Subsidiary of DSB which has one or more Subsidiaries) consolidated total assets attributable to DSB represent 5 per cent. or more of the consolidated total assets of the Group; all as calculated by reference to the then latest audited accounts (consolidated or, as the case may be unconsolidated) of such Subsidiary and the then latest consolidated audited accounts of the Group,

provided that: (i) in the case of a Subsidiary of DSB acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in the accounts; (ii) if, in the case of a Subsidiary of DSB which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated total assets and consolidated net profits shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose by its auditors; (iii) if the accounts of any Subsidiary of DSB (not being a Subsidiary referred to in (i) above) are not consolidated with those of DSB then the determination of whether or not the Subsidiary of DSB is a Material Subsidiary shall, if DSB requires, be based on a pro forma consolidation of its accounts, (consolidated, if appropriate) with the consolidated accounts of DSB and its Subsidiaries.

“**Successor**” means any entity to which is transferred or which assumes the whole or substantially the whole of the assets and undertaking or all or substantially all of the obligations of an entity which immediately prior to the transfer or assumption was a Material Subsidiary, by way of merger, consolidation, amalgamation, demerger, transfer or otherwise, whether by operation of law or pursuant to any agreement; provided that the entity which previously held such assets and undertaking or obligations shall forthwith upon the transfer or assumption cease to be a Material Subsidiary (but without prejudice to the definition of Material Subsidiary above) and the entity which assumes or, as the case may be, to which the assets and undertaking or obligations are so transferred shall become a Material Subsidiary, and for this purpose, a certificate by the auditors of the Guarantor as to whether or not an entity is a Material Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

(b) Subordinated Notes

- (i) This Condition 10(b) is applicable to all Notes which are specified in the Pricing Supplement as being Dated Subordinated Notes, Undated Subordinated Notes, Dated Subordinated Guaranteed Notes or Undated Subordinated Guaranteed Notes.
- (ii) If default is made in the payment of any principal, premium (if any) or (subject to Condition 3(g)) interest due in respect of the Subordinated Notes or any of them and the default continues for a period of five days (in the case of principal) or 10 days (in the case of premium or interest) (each such event, an “**Enforcement Event**”), any holder of a Subordinated Note of the relevant Series may, in order to enforce payment, at its discretion and without further notice institute proceedings for the winding-up of either (x) the relevant Guaranteed Issuer in that Guaranteed Issuer’s jurisdiction of incorporation and/or DSB in Hong Kong (in the case of Subordinated Notes issued by a Guaranteed Issuer) or (y) DSB in Hong Kong (in the case of Subordinated Notes issued by DSB), but may take no further action in respect of such default.
- (iii) If an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of a Guaranteed Issuer of Subordinated Notes in that Guaranteed Issuer’s jurisdiction of incorporation and/or DSB in Hong Kong (whether or not an Enforcement Event has occurred and is continuing and except where such order or resolution is for the purposes of a reconstruction, amalgamation or otherwise the terms of which have previously been approved by an Extraordinary Resolution of Noteholders) (each such event, also an “**Enforcement Event**”) then any holder of a Subordinated Note may, by written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare such Notes held by the holder to be forthwith due and payable (subject to the prior satisfaction of the appropriate condition as to solvency set out in Condition 3) whereupon the same shall become forthwith due and payable (subject as aforesaid) at the Early Redemption Amount (as described in Condition 6(b)), together with accrued interest (if any) to the date of repayment, without further action or formality of any kind.
- (iv) Any holder may without further notice institute such proceedings against a relevant Guaranteed Issuer and/or DSB (in the case of Subordinated Notes issued by a Guaranteed Issuer) or DSB (in the case of Subordinated Notes issued by DSB) as it may think fit and may, subject as hereinafter provided, institute proceedings for the winding-up of a Guaranteed Issuer in that Guaranteed Issuer’s jurisdiction of incorporation and/or DSB in Hong Kong (as appropriate) to enforce any obligation, condition or provision binding on that Guarantee Issuer and/or DSB (as appropriate) under the Subordinated Notes or the Coupons (other than any obligation for the payment of principal or interest in respect of such Notes or Coupons); provided that neither the relevant Guaranteed Issuer nor DSB (as appropriate) shall by virtue of the institution of any such proceedings (other than proceedings for the winding-up of the relevant Guaranteed Issuer and/or DSB (as appropriate)) be obliged to pay any sum or sums (whether in respect of principal or interest or other sums in respect of the relevant Subordinated Notes or Coupons or by way of damages in respect of any breach of any such obligation, condition or provision or otherwise howsoever). A holder may only institute proceedings for the winding-up of a Guaranteed Issuer in that Guaranteed Issuer’s jurisdiction of incorporation and/or DSB in

Hong Kong (as appropriate) to enforce the obligations referred to in this Condition 10(b)(iv) if a default by that Guaranteed Issuer and/or DSB (as appropriate) thereunder (except in any case where such default is incapable of remedy where no such continuation or notice as is hereinafter mentioned will be required) is not remedied within 60 days (or such longer period as the holder may permit) after written notice of such default has been given to that Guaranteed Issuer and/or DSB (as appropriate), at the specified office of the Fiscal Agent, by the holder requiring such default to be remedied.

11. MEETING OF NOTEHOLDERS AND MODIFICATIONS

- (a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown in the Pricing Supplement, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to take any steps that as specified in the Pricing Supplement may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (ix) to modify or cancel any of the Guarantees, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

- (b) **Modification of Agency Agreement:** The Issuer and the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

12. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Paying Agent in London (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall

be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in the conditions of such notes to “Issue Date” shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to “Notes” shall be construed accordingly.

14. NOTICES

Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Hong Kong (which is expected to be the *South China Morning Post*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and, in addition, for so long as any such Notes are listed on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange.

15. CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or the Guarantor or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor shall only constitute a discharge to the Issuer or the Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer, failing whom the Guarantor, shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, failing whom the Guarantor, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer’s and the Guarantor’s other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17. GOVERNING LAW AND JURISDICTION

- (a) **Governing Law:** The Notes, the Receipts, the Coupons, the Talons, the Agency Agreement, the Deed of Covenant and the Deed of Guarantee are governed by, and shall be construed in accordance with, English law.

- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons (“**Proceedings**”) may be brought in such courts. Each of the Guaranteed Issuers and the Guarantor irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Service of Process:** Each of the Guaranteed Issuers and the Guarantor irrevocably appoints Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London EC2V 7EX as their agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Guaranteed Issuers or the Guarantor). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, each of the Guaranteed Issuers and the Guarantor irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”) or deposit of a Global Note with a sub-custodian for the CMU Service or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg or the CMU Service (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note is lodged with CMU, the person(s) for whose account(s) interests in such Global Note are credited as being held in CMU in accordance with the CMU Rules as notified by CMU to the CMU Lodging Agent in a relevant CMU Instrument Position Report or any other relevant notification by CMU (which notification, in either case, shall be conclusive evidence of the records of CMU save in the case of manifest error) shall be the only person(s) entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note are credited as being held in CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU Service, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to the CMU Lodging Agent for his share of each payment so made by the Issuer in respect of such Global Note.

Exchange

1. *Temporary Global Notes*

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- 1.1. if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Summary of the Programme — Selling Restrictions”), in whole, but not in part, for the Definitive Notes defined and described below; and
- 1.2. otherwise, in whole or in part upon certification as to non-US beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes, provided that the CMU Service may require that any such exchange for interests in a permanent Global Note is made in whole and not in part.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

2. *Permanent Global Notes*

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes”, in part for Definitive Notes or, in the case of 2.3 below, Registered Notes:

- 2.1. by the Issuer giving notice to the Noteholders and the CMU Lodging Agent of its intention to effect such exchange, unless principal in respect of any Notes is not paid when due;
- 2.2. if the relevant Pricing Supplement provides that such Global Note is exchangeable at the request of the holder, by the holder giving notice to the CMU Lodging Agent of its election for such exchange;
- 2.3. if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Fiscal Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; and
- 2.4. otherwise, (1) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or the CMU Service or any other clearing system (an “**Alternative Clearing System**”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (2) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent (or, in the case of CMU Notes, the CMU Lodging Agent) of its election for such exchange.

2.1 and 2.2 above are only applicable to Notes cleared through the CMU Service.

3. *Permanent Global Certificates*

If the Pricing Supplement states that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- 3.1. if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- 3.2. if principal in respect of any Notes is not paid when due; or
- 3.3. with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to 3.1 or 3.2 above, the Registered Holder has given the Registrar not less than 30 days’ notice at its specified office of the Registered Holder’s intention to effect such transfer.

4. *Partial Exchange of Permanent Global Notes*

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part

submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

5. *Delivery of Notes*

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or, in the case of CMU Notes, the CMU Lodging Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. In this Offering Circular, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

6. *Exchange Date*

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

1. *Payments*

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-US beneficial ownership in the form set out in the Agency Agreement. Save as set out in the following paragraph, all payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) and Condition 8(e) will apply to the Definitive Notes only.

In respect of a Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) and, save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

2. *Prescription*

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

3. *Meetings*

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each minimum Specified Denomination of Notes for which such Global Note may be exchanged. (All holders of Registered Notes are entitled to one vote in respect of each Note comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

4. *Cancellation*

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

5. *Purchase*

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Guarantor or any of their respective Subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

6. *Issuer's Options*

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, the CMU Service or any other clearing system (as the case may be).

7. *Noteholders' Options*

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent (or, in the case of CMU Notes, the CMU Lodging Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent (or, in the case of CMU Notes, the CMU Lodging Agent), for notation.

8. *Events of Default and Enforcement Events*

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due (in the case of Senior Notes) or (in the case of Subordinated Notes) following the occurrence of an Enforcement Event, the holder of a Global Note

or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the relevant Issuer under the terms of a Deed of Covenant executed as a deed by DSB, DSMFL and DSSFL as Issuers on 14th June, 2002 (as amended and restated on 8th September, 2003) or subsequently by each New Issuer on its accession to the Programme to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be.

9. *Notices*

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU Service, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Pricing Supplement dated [●]

[DAH SING BANK, LIMITED/DAH SING MTN FINANCING LIMITED/
DAH SING SAR FINANCING LIMITED/[NEW ISSUER]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[Guaranteed by Dah Sing Bank, Limited]
under the US\$2,000,000,000 Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [●] December, 2006 [and the supplemental Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

1. [(i) Issuer: [Dah Sing Bank, Limited/Dah Sing MTN Financing Limited/Dah Sing SAR Financing Limited/[NEW ISSUER]
[(ii) Guarantor: Dah Sing Bank, Limited (*delete for direct issues by Dah Sing Bank, Limited*)]
2. [(i) Series Number: [●]
[(ii) Tranche Number: [●]
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)]
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount:
(i) Series: [●]
[(ii) Tranche: [●]]
5. [(i) Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*in the case of fungible issues only, if applicable*)]
[(ii) Net proceeds: [●] (*Required only for listed issues*)]
6. Specified Denominations: [●]⁽¹⁾
7. (i) Issue Date: [●]
(ii) Interest Commencement Date: [●]

8. Maturity Date: [specify date (*for Fixed Rate Notes*) or (*for Floating Rate Notes*) *Interest Payment Date falling in or nearest to the relevant month and year*]⁽²⁾
9. Interest Basis: [[●] per cent. Fixed Rate]
 [*specify reference rate*] +/- [●] per cent. Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Other (*specify*)]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [Dual Currency]
 [Partly Paid]
 [Instalment]
 [Other (*specify*)]
11. Change of Interest or Redemption/
 Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
12. Put/Call Options: [Put]
 [Call]
 (*NB: HKMA approval will be required in the case of Subordinated Notes*)
 [(further particulars specified below)]
13. [(i)] Status of the Notes: [Senior Notes/Dated Subordinated Notes/Undated Subordinated Notes/Senior Guaranteed Notes/
 Dated Subordinated Guaranteed Notes/Undated Subordinated Guaranteed Notes] (*Notes issued by DSSFL will be issued on a subordinated basis only*)
- [(ii)] Status of the Guarantee: [Senior/Dated Subordinated/Undated Subordinated] (*delete for direct issues by Dah Sing Bank, Limited; Notes issued by DSSFL will be guaranteed on a subordinated basis only*)
14. Listing: [SGX-ST/Other (*specify*)/None]
15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

Payments of interest in respect of Dated Subordinated Notes and Dated Subordinated Guaranteed Notes will be made subject to the provisions of Conditions 3(b) and Condition 3(e), respectively. Payments of interest in respect of Undated Subordinated Notes will be made subject to the provisions of Conditions 3(c) and 3(g). Payments of interest in respect of Undated Subordinated Guaranteed Notes will be made subject to the provisions of Conditions 3(f) and 3(g).

16. Fixed Rate Note Provisions
- [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate [(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year⁽³⁾ [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of “Business Day”]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per [●] in nominal amount⁽⁴⁾
- (iv) Broken Amount: *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate]*
- (v) Day Count Fraction (Condition 5(j)): [●]
(Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in US dollars or Hong Kong dollars, unless the client requests otherwise)
- (vi) Determination Date(s) (Condition 5(j)): [●] in each year. *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*⁽⁵⁾
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
17. Floating Rate Note Provisions
- [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (iv) Business Centre(s) (Condition 5(j)): [●]
- (v) Manner in which the Rate(s) of Interest is/ are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (vi) Interest Period Date(s): [Not Applicable/specify dates]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
- (viii) Screen Rate Determination (Condition 5(b)(iii)(B)):
- Relevant Time: [●]
- Interest Determination Date: *[[●] [TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]*
- Primary Source for Floating Rate: *[Specify relevant screen page or “Reference Banks”]*

- Reference Banks (if Primary Source is “Reference Banks”): *[Specify four]*
 - Relevant Financial Centre: *[The financial centre most closely connected to the Benchmark — specify if not London]*
 - Benchmark: *[LIBOR, LIBID, LIMEAN, EURIBOR, HIBOR or other benchmark]*
 - Representative Amount: *[Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount]*
 - Effective Date: *[Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period]*
 - Specified Duration: *[Specify period for quotation if not duration of Interest Accrual Period]*
- (ix) ISDA Determination (Condition 5(b)(iii)(A)):
- Floating Rate Option:
 - Designated Maturity:
 - Reset Date:
 - ISDA Definitions: (if different from those set out in the Conditions)
- (x) Margin(s): *[+/-] [●] per cent. per annum*
- (xi) Minimum Rate of Interest: *[●] per cent. per annum*
- (xii) Maximum Rate of Interest: *[●] per cent. per annum*
- (xiii) Day Count Fraction (Condition 5(j)):
- (xiv) Rate Multiplier:
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:
18. Zero Coupon Note Provisions *[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield (Condition 6(b)): *[●] per cent. per annum*
 - (ii) Day Count Fraction (Condition 5(j)):
 - (iii) Any other formula/basis of determining amount payable:
19. Index Linked Interest Note Provisions *[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula: *Give or annex details]*
 - (ii) Calculation Agent responsible for calculating the interest due:
 - (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:
 - (iv) Interest Period(s):
 - (v) Specified Interest Payment Dates:
 - (vi) Business Day Convention: *[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]*
 - (vii) Business Centre(s) (Condition 5(j)):
 - (viii) Minimum Rate of Interest: *[●] per cent. per annum*
 - (ix) Maximum Rate of Interest: *[●] per cent. per annum*
 - (x) Day Count Fraction (Condition 5(j)):

20. Dual Currency Note Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [Give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]
- (v) Day Count Fraction (Condition 5(j)): [●]

PROVISIONS RELATING TO REDEMPTION

[NB: Subject to the provisions of Condition 6(i), Call Options and Put Options for Subordinated Notes will not be permissible without the prior consent of the HKMA]

21. Call Option [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Note of [●] specified denomination
- (iii) If redeemable in part:
- (a) Minimum nominal amount to be redeemed: [●]
- (b) Maximum nominal amount to be redeemed: [●]
- (iv) Option Exercise Date(s): [●]
- (v) Description of any other Issuer's option: [●]
- (vi) Notice period: [●]
22. Put Option [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Note of [●] specified denomination
- (iii) Option Exercise Date(s): [●]
- (iv) Description of any other Noteholders' option: [●]
- (v) Notice period: [●]
23. Final Redemption Amount of each Note [[●] per Note of [●] specified denomination/ Other/See Appendix]
24. Early Redemption Amount
- (i) Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 6(c)) or an Event of Default (Condition 10(a)) or an Enforcement Event (Condition 10(b)) and/or the method of calculating the same (if required or if different from that set out in the Conditions): [●]

- (ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 6(c)): [Yes/No]
- (iii) Unmatured Coupons to become void upon early redemption (Bearer Notes only) (Condition 7(f)): [Yes/No/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: [Bearer Notes/Exchangeable Bearer Notes/Registered Notes]
[Delete as appropriate]
- (i) Temporary or permanent global Note/Certificate: [temporary Global Note/Certificate exchangeable for a permanent Global Note/Certificate which is exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]
[temporary Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice]
[permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]
- (ii) Applicable TEFRA exemption: [C Rules/D Rules/Not Applicable]
26. Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates: [Not Applicable/Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 16(ii), 17(iv) and 19(vii) relate]
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
29. Details relating to Instalment Notes: [Not Applicable/give details]
- (i) Instalment Amount(s): [●]
- (ii) Instalment Date(s): [●]
- (iii) Minimum Instalment Amount: [●]
- (iv) Maximum Instalment Amount: [●]
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
31. Consolidation provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
32. Other terms or special conditions: [Not Applicable/give details]⁽⁶⁾

DISTRIBUTION

33. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
(ii) Stabilising Manager (if any): [Not Applicable/*give name*]
(iii) Dealer's Commission: [●]
34. If non-syndicated, name of Dealer: [Not Applicable/*give name*]
35. Additional selling restrictions: [Not Applicable/*give details*]

OPERATIONAL INFORMATION

36. ISIN Code: [●]
37. Common Code: [●]
38. CMU Instrument Number: [●]
39. Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and the CMU Service and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
40. Delivery: Delivery [against/free of] payment
41. The Agents appointed in respect of the Notes are: [●]

GENERAL

42. Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 11(a): [Not Applicable/*give details*]
43. The aggregate principal amount of Notes issued has been translated into US dollars at the rate of [●], producing a sum of (for Notes not denominated in US dollars): [Not Applicable/US\$[●]]
44. In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong: [Not Applicable/Luxembourg]
45. In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London: [Not Applicable/Hong Kong]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the US\$2,000,000,000 Euro Medium Term Note Programme of Dah Sing Bank, Limited, Dah Sing MTN Financing Limited and Dah Sing SAR Financing Limited.]

[STABILISING

In connection with the issue of any Tranche of Notes, one of the Dealers named as Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in the applicable Pricing Supplement may, subject to applicable laws and regulations, over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which

adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.]

[MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There](7) has been no significant change in the financial or trading position of the Issuer[, the Guarantor] or of the Group since *[insert date of last audited accounts or interim accounts (if later)]* and no material adverse change in the financial position or prospects of the Issuer[, the Guarantor] or of the Group since *[insert date of last published annual accounts].*]

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular [and the supplemental Offering Circular] referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of the Issuer:

By: _____
Duly authorised

[Signed on behalf of the Guarantor:

By: _____
Duly authorised]

- (1) Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of »100,000 (or its equivalent in other currencies).
- (2) Note that for Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.
- (3) Note that for certain Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: “provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, “Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and [●].”
- (4) For Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: “Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Specified Denomination by the Day Count Fraction and rounding the resultant figure to the nearest HK\$0.01, HK\$0.005 being rounded upwards. For the purposes of this paragraph and the Day Count Fraction referred to herein, “Calculation Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.”
- (5) Only to be completed for an issue where the Day Count Fraction is Actual/Actual-ICMA.
- (6) If full terms and conditions are to be used, please add the following here:

“The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary.”

The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

- (7) If any change is disclosed in the Pricing Supplement, it will require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.

USE OF PROCEEDS

The net proceeds from each issue of Notes by DSMFL and DSSFL will be used by DSB and its Subsidiaries for general banking and other corporate purposes. Notes issued by DSSFL on a subordinated basis and on-lent to DSB on substantially the same terms are intended to qualify as Category II Supplementary Capital of DSB. The net proceeds from each issue of Notes by DSB will be used by the Group for its general banking and other corporate purposes.

DAH SING MTN FINANCING LIMITED

General

Dah Sing MTN Financing Limited, incorporated in the British Virgin Islands on 31st January, 2002, is a wholly-owned Subsidiary of DSB. As at the date of this Offering Circular, it has an authorised share capital of US\$50,000, divided into 50,000 ordinary shares of US\$1.00 par value each, of which one ordinary share has been issued. DSMFL was established to raise financing for DSB and its Subsidiaries. DSMFL has not engaged, since its incorporation, in any material activities other than those incidental to its registration, the establishment of the Programme and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party. As at the date hereof DSMFL has no Subsidiaries.

It is intended that DSMFL will be the primary issuer of Senior Notes under the Programme. DSMFL is not expected to incur any material indebtedness other than the issue of Senior Notes under the Programme.

The directors of DSMFL as at the date of this Offering Circular are:

David Shou-Yeh Wong
Hon-Hing Wong
Gary Pak-Ling Wang
Lung-Man Chiu
Frederic Suet-Chiu Lau
John Cheung-Wah Lam

The registered office of DSMFL is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of each of the directors of DSMFL for the purposes of his directorship in DSMFL is 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong.

DSMFL has no employees.

Capitalisation

The following table sets out the capitalisation of DSFML on 30th June, 2006:

| | <u>US\$</u> |
|--|-----------------|
| Shareholder's Funds | |
| Share Capital (Authorised US\$50,000; issued 1 share of US\$1.00 each) | |
| Issued | <u>1</u> |
| Total Capitalisation | <u><u>1</u></u> |

DSMFL issued US\$150 million fixed rate and US\$150 million floating rate Senior Guaranteed Notes on 1st December, 2004 under the Programme which are listed on the Luxembourg Stock Exchange. The US\$150 million fixed rate and US\$150 million floating rate Senior Guaranteed Notes are guaranteed by DSB, unsecured, and have a final maturity on 1st December, 2009.

Note:

(1) Save as disclosed herein, there has been no material change in the capitalisation of DSFML since 30th June, 2006.

DAH SING SAR FINANCING LIMITED

General

Dah Sing SAR Financing Limited, incorporated in the British Virgin Islands on 19th February, 2002, is a wholly-owned Subsidiary of DSB. As at the date of this Offering Circular, it has an authorised share capital of US\$50,000, divided into 50,000 ordinary shares of US\$1.00 par value each, of which one ordinary share has been issued. DSSFL was established to raise financing for DSB and its Subsidiaries. DSSFL has not engaged, since its incorporation, in any material activities other than those incidental to its registration, the establishment of the Programme and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party. As at the date hereof DSSFL has no Subsidiaries. It is intended that DSSFL will not engage in any business or incur any indebtedness for borrowed monies other than the issue of Subordinated Guaranteed Notes that qualify as Category II Supplementary Capital of DSB.

The directors of DSSFL as at the date of this Offering Circular are:

David Shou-Yeh Wong
Hon-Hing Wong
Gary Pak-Ling Wang
Lung-Man Chiu
Frederic Suet-Chiu Lau
John Cheung-Wah Lam

The registered office of DSSFL is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of each of the directors of DSSFL for the purposes of his directorship in DSSFL is 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong.

DSSFL has no employees.

Capitalisation

The following table sets out the capitalisation of DSSFL on 30th June, 2006:

| | <u>US\$</u> |
|--|-----------------|
| Shareholder's Funds | |
| Share Capital (Authorised US\$50,000; issued 1 share of US\$1.00 each) | |
| Issued | <u>1</u> |
| Total Capitalisation | <u><u>1</u></u> |

DSSFL has no outstanding borrowings as at the date of this Offering Circular.

Note:

(1) Save as disclosed herein, there has been no material change in the capitalisation of DSSFL since 30th June, 2006.

DAH SING BANK, LIMITED

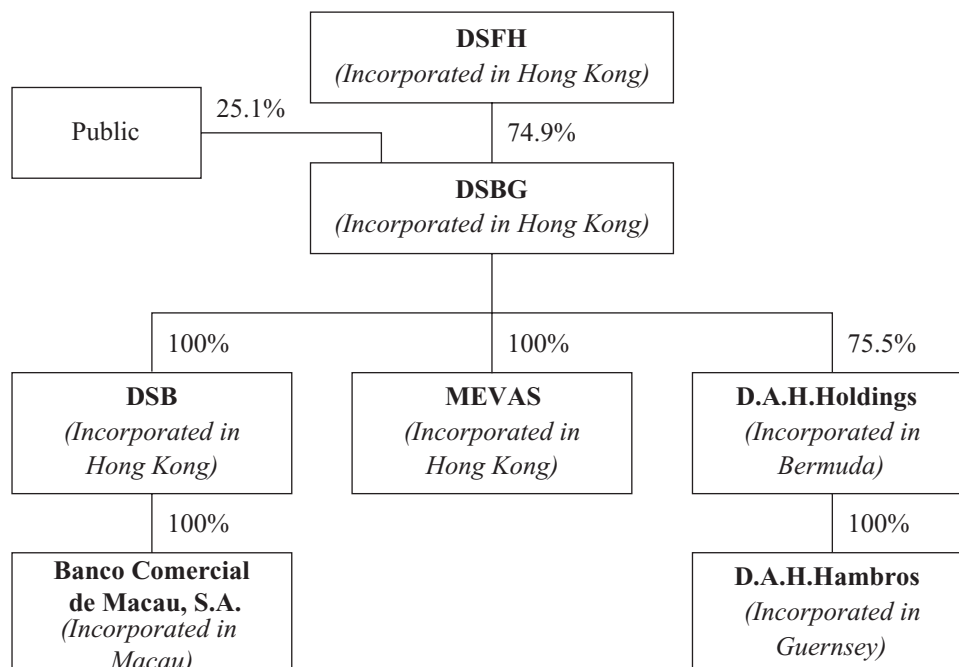
1. INTRODUCTION

Dah Sing Bank, Limited (“**DSB**” or the “**Bank**”) was incorporated as a licensed bank in Hong Kong in 1947. The business of DSB initially focused on trade finance, mortgage lending and deposit taking, and has since diversified to include commercial lending, hire purchase finance, consumer finance, private and priority banking services and treasury activities, primarily in Hong Kong. DSB is subject to the direct supervision of the Hong Kong Monetary Authority (“**HKMA**”).

DSB is a wholly owned subsidiary of Dah Sing Banking Group Limited (“**DSBG**” and together with its subsidiaries, the “**Group**”), which in turn is a non-wholly owned subsidiary of Dah Sing Financial Holdings Limited (“**DSFH**” and together with its subsidiaries, the “**DSFH Group**”). DSBG was incorporated in Hong Kong on 11th March, 2004, as the holding company for the DSFH Group’s banking subsidiaries, including DSB and its subsidiary Banco Comercial de Macau, S.A. (“**BCM**”), MEVAS Bank Limited (“**MEVAS**”), D.A.H. Hambros Bank (Channel Islands) Limited (“**D.A.H. Hambros**”). DSBG was listed on the Stock Exchange of Hong Kong (the “**Hong Kong Stock Exchange**”) on 30th June, 2004. The shares of DSFH have been listed on the Hong Kong Stock Exchange since 1987. The major and substantial shareholders of DSFH as at 30th November, 2006 were Mr. David S.Y. Wong and associates (holding an aggregate interest of 39.2%) and The Bank of Tokyo-Mitsubishi UFJ, Ltd., which was formed pursuant to the merger of UFJ Bank Limited and The Bank of Tokyo-Mitsubishi, Ltd. (12.2%).

DSB is the major operating subsidiary of the Group in Hong Kong and BCM is the major operating subsidiary in Macau. The other principal subsidiaries of the Group are (i) MEVAS and (ii) D.A.H. Holdings Limited (“**DAH**”), which owns D.A.H. Hambros, a company incorporated in Guernsey, Channel Islands, United Kingdom. All of these subsidiaries are wholly owned except for DAH which is 75.5% owned by the Group. Other than the Group, the major subsidiaries of the DSFH Group are Dah Sing Life Assurance Company Limited (“**DSL**”) and Macau Life Insurance Company Limited (“**ML**”) which are authorized life assurance companies in Hong Kong and Macau respectively, and Dah Sing General Insurance Company Limited (“**DSG**”) and Macau Insurance Company Limited (“**MI**”) which are authorized general insurance companies operating in Hong Kong and Macau respectively.

The following table sets out the corporate structure of the DSFH Group as at 30th November, 2006:



References herein to the “**DSB Group**” are to DSB and its subsidiaries. References herein to any consolidated financial information are to the Bank’s consolidated financial information (unless otherwise specified) and not to the DSFH Group’s or the Group’s consolidated financial information.

2. HISTORY AND DEVELOPMENT

DSB was founded in 1947. DSB initially focused on trade finance, mortgage lending and deposit-taking, and has expanded the size and range of its businesses since the late 1980s as a result of both organic growth and acquisitions. DSB's commercial banking and hire purchase finance businesses grew significantly in the mid-1980s and the early 1990s, at which time DSB began to diversify into full service retail banking. Since the early 1990s, DSB has also pursued a "bancassurance" strategy, whereby life assurance products are distributed through its branch network. Since 2002, DSB has also expanded its wealth management business significantly.

DSB has expanded through acquisitions. In 1987, DSB acquired The Hongkong Industrial and Commercial Bank Limited (now known as Jian Sing Bank Limited ("JSB")). The consolidation of the operations of the two banks brought a significant increase in the total assets, customer base and branch network of DSB. In 1994, DSB entered into a joint venture agreement with The People's Construction Bank of China (now known as China Construction Bank ("CCB")), whereby it sold a 40% interest in JSB to CCB. CCB increased its shareholding in JSB to 70% in 1998. In February 2002, DSB disposed of its remaining 30% interest in JSB to CCB.

In 1993, DSFH acquired The Wing On Bank Limited ("WOB"). Pursuant to a subsequent business reorganisation, the majority of WOB's branches, assets and liabilities were transferred to DSB. Under a joint venture agreement between DSFH, Abbey National plc and Hambros Bank Limited, WOB was restructured as a joint-venture private bank based in Hong Kong and in August 1997, was renamed as D.A.H. Private Bank Limited ("DAHP"). In August 2000, DSFH agreed to acquire the interests of Abbey National plc and SG Hambros (formerly Hambros Bank Limited) in DAHP. The acquisition was completed in September 2000 with the transfer of DAHP's Hong Kong private banking business to DSB, together with nearly all of its loans and deposits. This acquisition contributed to the expansion of DSB's lines of business and its range of products. DAHP was subsequently renamed as MEVAS, which remains as the Group's second retail banking brand and currently services customers through its 24-hour call centre and six branches.

D.A.H. Holdings, the parent of D.A.H. Hambros, was incorporated in February 1997 with the Group as a 51% shareholder. In December 2002, the Group acquired a further 24.5% interest in D.A.H. Holdings from Abbey National plc. The remaining 24.5% interest is held by SG Hambros.

In September 2005, DSB completed the acquisition of 100% of Pacific Finance (Hong Kong) Limited ("Pacific Finance"), a then restricted license bank in Hong Kong, from Jardine, Matheson & Co. and J.P. Morgan International Finance Limited for a consideration of HK\$936 million. Pacific Finance was active in vehicle finance, equipment finance, mortgage lending and consumer lending. After the integration of the businesses of Pacific Finance into those of DSB was completed in 2006, the authorisation of Pacific Finance by the HKMA as a restricted license bank was revoked on 31st October, 2006.

In December 2005, DSB completed the acquisition of 100% of Banco Comercial de Macau ("BCM") and 96% equity interests in BCM's general and life insurance subsidiaries from Banco Comercial Portugues^a for a total consideration of MOP1,719 million (approximately HK\$1,679 million). Established in 1974, BCM is a licensed bank in Macau active in retail and commercial banking, and as at 31st December, 2005 had total assets of MOP 8.5 billion, advances to customers of MOP 3.9 billion and shareholders' funds of MOP 585 million. In May 2006, the Macau life and general insurance businesses previously held under BCM were transferred to DSFH.

3. STRATEGY

The Bank's strategy is to expand its banking and financial services businesses and to deliver value to its shareholders and customers, whilst maintaining its prudent approach to financial discipline and risk.

The Bank intends to grow organically with a particular focus on:

- increasing its customer base;
- selling more products and services to its existing customers;

- identifying new business areas with attractive risk return characteristics;
- diversifying its business so as not to be overly dependent on any single business area; and
- expanding in Mainland China.

The Bank intends to seek opportunities to expand through:

- mergers and/or acquisitions in Hong Kong; and
- investments, joint ventures and/or alliances in Mainland China.

Selected Financial Information

The summary financial information set forth below has been extracted without material adjustment from the Bank's audited consolidated financial statements for the years ended 31st December, 2003, 2004, 2005 and unaudited financial statements for the six months to 30th June, 2006 and it should be read in conjunction with the information included elsewhere in this Offering Circular. Furthermore, please refer to page 93 of this Offering Circular in relation to non-comparability of financial statements between the audited financial statements for the years ended 31st December, 2004 and before and the audited and unaudited consolidated financial statements for periods after 1st January, 2005.

Summary income statement data and related ratios:

| | For the year ended 31st December, | | | For 6 months ended 30th June, |
|--|--------------------------------------|-------|-------|--|
| | 2003 | 2004 | 2005 | 2006 |
| | (Restated) | | | |
| | HK\$ millions, except percentages | | | |
| Operating profit before provisions/impairment charges . . . | 1,382 | 1,334 | 922 | 647 |
| Profit on ordinary activities | 993 | 1,236 | 1,095 | 671 |
| Profit attributable to shareholders | 869 | 1,093 | 924 | 541 |
| Net interest margin (annualised) | 3.10% | 2.83% | 1.85% | 2.36% |
| Net interest income/operating income | 77.1% | 76.5% | 70.0% | 76.6% |
| Cost to income ratio | 34.0% | 35.4% | 47.4% | 44.4% |
| Return on average assets (annualised) | 1.5% | 1.7% | 1.2% | 1.1% |
| Return on average shareholders' funds (annualised) | 16.9% | 19.5% | 13.6% | 12.7% |

Summary balance sheet data and related ratios:

| | As at 31st December, | | | As at 30th June, |
|---|-----------------------------------|--------|--------|---------------------|
| | 2003 | 2004 | 2005 | 2006 |
| | (Restated) | | | |
| | HK\$ millions, except percentages | | | |
| Total assets | 60,897 | 69,677 | 87,749 | 92,638 |
| Total loans and advances to customers net of attributable provisions/impairment allowances | 26,923 | 31,395 | 43,627 | 44,805 |
| Total deposits (customers and certificates of deposits) | 44,750 | 48,953 | 60,611 | 63,558 |
| Loan capital (subordinated bonds) | 970 | 972 | 3,290 | 3,440 |
| Shareholders' funds | 5,287 | 5,946 | 7,653 | 8,228 |
| Loan to deposit (including senior and subordinated debts) ratio | 58.9% | 60.1% | 66.5% | 64.9% |
| Loan to deposit (excluding senior and subordinated debts) ratio | 60.1% | 61.2% | 70.0% | 68.3% |
| Overdue and rescheduled loan ratio | 2.1% | 1.1% | 1.1% | 1.0% |
| Average liquidity ratio | 60.8% | 51.7% | 48.8% | 51.5% |
| Capital adequacy ratio | 19.4% | 16.5% | 15.4% | 17.6% |

4. BUSINESS OVERVIEW

DSB's operations comprise three principal lines of business: personal banking, commercial banking and treasury.

The profit contribution from the respective business divisions of the Bank for the years ended 31st December, 2003, 2004, 2005 and for six months ended 30th June, 2006 was as follows:

Profit before tax

| | For the year ended 31st December, | | | | | | For 6 months ended 30th June, | |
|----------------------------------|-----------------------------------|---------------|---------------|---------------|---------------|---------------|-------------------------------|---------------|
| | 2003 | | 2004 | | 2005 | | 2006 | |
| | HK\$ millions | % | HK\$ millions | % | HK\$ millions | % | HK\$ millions | % |
| Personal Banking | 218 | 22.0% | 402 | 32.4% | 349 | 31.8% | 258 | 38.3% |
| Commercial Banking & Hire | | | | | | | | |
| Purchase Finance | 372 | 37.5% | 467 | 37.7% | 318 | 29.0% | 228 | 33.9% |
| Treasury and Corporate | 401 | 40.5% | 371 | 29.9% | 431 | 39.2% | 187 | 27.8% |
| Total | 991 | 100.0% | 1,240 | 100.0% | 1,098 | 100.0% | 673 | 100.0% |

4.1 Personal Banking

DSB's personal banking business comprises retail banking, VIP banking and private banking. The retail banking business accounts for the majority of the personal banking activities of the Bank and comprises retail residential mortgages, credit cards, personal loans and overdrafts, deposit-taking and wealth management and other services. The aggregate amount of residential mortgage loans, Government guaranteed mortgages, credit card receivables, personal loans and overdraft facilities represented approximately 43.7% of the total consolidated loan portfolio of the Bank as at 31st December, 2005.

4.1.1 Retail Banking

The principal retail banking business comprises retail residential mortgages, credit cards, personal loans and overdrafts, deposit-taking and wealth management.

Retail Residential Mortgages

The Bank has been a lender in the Hong Kong retail mortgage market for many years and provides a wide range of mortgages, almost all of which are priced on the basis of a floating rate of interest. The Bank uses a range of incentives to attract borrowers, such as discounted rates for fixed periods and cash rebates. The Bank's target market is primarily the lower- and middle-income market. 27.9% of the Bank's consolidated loan portfolio as at 31st December, 2005 consisted of retail residential and Government guaranteed mortgage loans.

When determining the suitability of a borrower for a mortgage, the Bank considers, inter alia, the borrower's ability to service the debt. The Bank's current practice (which is consistent with general market practice in Hong Kong) is to advance as a mortgage up to 70.0% of the lower of the appraised value of the property or the purchase price. Collateral is taken in the form of a first legal charge over the relevant property. Since the introduction of mortgage insurance offered by the Hong Kong Mortgage Corporation, a public sector entity, the Bank has also offered residential mortgage loans of up to 95.0% of the value of the property in cases where the mortgage insurance covers the loan amount in excess of 70.0% of the property value at origination.

Credit Cards

The Bank offers a comprehensive range of credit card products in Hong Kong with a total of around 40 co-brand, affinity or theme card programmes that cater to general as well as specialised markets. The Bank had approximately 503,000 credit cards in issue as at 31st December, 2005 and as at such date its total credit card receivables amounted to HK\$2,527 million. DSB offers Visa and MasterCard cards in Hong Kong. From 2005, the Bank has also offered Renminbi credit cards.

The Bank employs a strategy of pricing its credit card products at the lower end of the market rates charged by its competitors in Hong Kong. The Bank's lower rates, combined with its wide product range and cash rebate programme, have contributed to the growth of its credit card business.

The Bank has consistently maintained a prudent credit policy and card application approval process. Through its credit scoring system and collection policy, the Bank has sought to manage actively the asset quality of its credit card portfolio. For the period ended 31st December, 2005, the Bank's credit card charge-off rate was 2.0%, compared to the annualized charge-off rate for surveyed institutions as disclosed by the HKMA of 2.8% for the same period.

Personal Loans

The Bank's retail banking division offers a wide range of unsecured personal loans including tax loans, special purpose loans and flexible and revolving instalment loans, which are targeted at a broad retail market and are priced at different interest rates based on product type and customer credit profiles. The Bank also offers a range of higher-yield products targeted at the sub-prime market.

Revolving personal overdraft facilities are available to individuals seeking standby credit facilities. The key credit criteria for approving such retail lending are evidence of a stable source of income and an acceptable ability to service the debt.

Personal loans generally incorporate credit life insurance so that such unsecured lending is fully insured in the event of the death of the borrower.

Deposit-taking

Approximately 53% of the consolidated customer deposits of the Bank as at 31st December, 2005 were generated from its retail banking division. The Bank has a diversified deposit base which provides a stable source of funding and a broad platform across which it is able to cross-sell other products to create stronger, multi-product customer relationships. The Bank offers a range of certificate of deposit products, savings products and structured deposits and Renminbi or Chinese Yuan deposits.

Wealth Management

DSB has actively promoted its wealth management products and services in order to offer a wide array of products and services to its existing client base and to new customers.

DSB has expanded its wealth management products and services to meet the investment needs of its general retail customers. The Bank distributes a wide range of wealth management products and has a dedicated investment advisory team to source and evaluate products and services from external suppliers as well as those developed internally.

The Bank distributes life assurance policies under a distribution agreement and an agency agreement with Dah Sing Insurance Services Limited ("DSIS"). These policies include whole life policies and term life policies, endowment plans, investment-linked policies, various illness and unemployment protection plans and disability protection policies. DSIS pays the Bank a commission for policies originated by the Bank's sales staff as well as the Bank's expenses in relation to the origination of such policies.

The Bank also provides Hong Kong share dealing services to its customers.

The Bank principally distributes its wealth management products and services through its branch network. The Bank receives fee income from the distribution of third party wealth management products and services and derives income from the sale of its own structured products.

4.1.2 VIP Banking

DSB offers a VIP banking service targeted at middle-income professionals and individuals. VIP banking offers DSB's VIP banking customers all of the products available to retail banking customers, together with more personalised services, such as dedicated relationship managers, priority counter services in DSB's branches and enhanced telephone banking services. Customers of DSB are required to have a minimum total relationship balance with DSB of HK\$500,000 to be eligible to be a VIP banking customer. As at 31st December, 2005, DSB had approximately 17,700 VIP banking customers.

4.1.3 Private Banking

DSB's private banking business focuses on providing high net worth individuals with a full range of wealth management products and services including local and overseas equities, fixed-income instruments, structured products, derivatives, foreign exchange, mutual funds, trustee and custodial services, securities financing and alternative investments. Its target customers comprise business proprietors, professionals and individual investors. Through its affiliated bank, D.A.H. Hambros in Guernsey, the Bank is able to provide offshore private banking services to its customers. As at 31st December, 2005, total lending to private banking customers accounted for approximately 4.1% of the Bank's consolidated loan portfolio. The Bank's private banking customers are served by a dedicated team client relationship managers. The target account relationship balance for the Bank's private banking customers is at least US\$500,000.

4.2 Commercial Banking

DSB's commercial banking services include trade finance, overdraft facilities, commercial lending, syndicated loans, property development and investment lending, deposit-taking from corporates and institutions, mortgage lending, corporate credit cards, hire purchase and equipment leasing. As at 31st December, 2005, the commercial banking division accounted for approximately 29% of the Bank's consolidated loan portfolio. The Bank's customers are principally small and medium sized enterprises in industrial, manufacturing and trading businesses based in Hong Kong, many of which have manufacturing plants in the Pearl River Delta Region. Many of these customers have been banking with DSB for many years.

The commercial banking division is divided into three departments: marketing, risk management and trade services, each of which reports directly to the head of the division. The risk management department is further divided into credit approval, credit administration and special attention credits teams, and functionally reports to the Head of Group Risk.

Trade Finance, Overdraft Facilities, Commercial Lending, Corporate Credit Cards and Syndicated Loans

DSB provides trade finance services to its customers, with a principal focus on import and export financing. Services provided include the issuance of documentary credits, import loans, purchase of export bills, packing loans, issuance of shipping guarantees and financing of accounts receivable. Income received with respect to trade finance is a combination of commissions and interest income. As well as being affected by macro-economic factors in Hong Kong and Mainland China, the volume of the Bank's trade finance business fluctuates based on seasonal factors. As a result, the majority of transactions tend to be effected in the second and third quarter of the year.

DSB also provides overdraft and term loan facilities to local companies for general working capital and other commercial purposes. The majority of these loans are supported in whole or in part by collateral such as property, although depending on the borrower's status, unsecured facilities may also be extended. Credit facilities are subject to review at least annually depending on credit performance.

The Bank also provides revolving loans and syndicated loan to larger corporate customers. The Bank's participation in syndicated loans is dependent on the creditworthiness of borrowers, pricing and the Bank's relationship with arrangers.

Property Development and Investment Lending

The Bank provides property lending facilities to corporate customers to facilitate the development or purchase of properties for commercial or investment purposes. As with residential loans, the Bank's normal practice in respect of commercial mortgage loans is to advance up to 70% of the lower of the appraised value of the relevant property or the purchase price. The loans are typically secured by a first legal charge over the property for which the mortgage is sought. In certain circumstances, the Bank will lend more than 70% of the value of a property, especially where properties are secured for trade-related facilities, term loans and overdraft facilities for customers with good credit standing.

Hire Purchase Finance

The Bank's hire purchase business comprises hire purchase finance and leasing, principally involving taxi, vehicle and equipment financing and leasing, all of which are generally required to be secured against the respective underlying assets. Vehicle financing for the purchase of taxis, public light buses, trucks, lorries and private cars has been an established core business of the Bank since the mid-1980s.

The standard credit underwriting requirements of the hire purchase business include taking possession of registration and title documents of the relevant vehicle or equipment as security, assessment of the relevant business and, where appropriate, cash flow analysis.

Deposit-taking from Corporates and Institutions

Approximately 14.3% of the consolidated customer deposits of the Bank as at 31st December, 2005 were generated from its commercial banking division. The Bank's principal commercial depositors are corporates and their respective directors and staff, institutions and public sector entities. The majority of the Bank's core deposits come from its longer-term relationship customers. The types of deposit products offered include current, savings, call and time deposits and certificates of deposit in Hong Kong dollars and selected major foreign currencies.

General Insurance Distribution

The Bank distributes general insurance products under a distribution agreement and an agency agreement with DSIA. DSIA pays a commission to the Bank in respect of any insurance business that it refers. Customers of the Bank who wish to purchase general insurance products are first referred to DSGI which has the right of first refusal to provide such products. If no suitable products are provided by DSGI, or if DSGI does not wish to underwrite the risk, the customers will then be referred to the Bank's insurance broking subsidiary, which will then refer the customer to third party general insurance providers. DSGI provides a comprehensive range of general insurance products, including fire, household, motor and travel insurance.

4.3 Treasury

The principal activities of the treasury division comprise (i) managing the Bank's funding by centralising and re-deploying customer deposits, asset funding, interbank deposit-taking and placing, (ii) foreign exchange dealings with customers and the interbank market, (iii) long-term financing through certificates of deposit and debt issues and (iv) risk management transactions for hedging currency and interest rate risks.

The Bank has regularly raised term borrowing by issuing both wholesale and retail certificates of deposit to lengthen its funding maturity profile and to increase its deposit base. Two certificate of deposit programmes, one for HK\$10 billion and another for US\$1.5 billion, have been established. As at 31st December, 2005 total retail certificates of deposit amounted to HK\$2.64 billion and US\$109 million. DSB exercised its call option in March 2006 to early redeem in full the US\$125 million subordinated note issued in March 2001 after obtaining the approval from HKMA. In December 2004, DSMFL issued a US\$300 million Euro Medium Term Notes. The Notes are guaranteed by DSB, unsecured, and have a final maturity on 1st December, 2009. In April 2005, DSB issued US\$150 million 10-year subordinated debt

securities with a call option exercisable in May 2010. In August 2005, DSB issued US\$150 million 12-year subordinated debt securities due 2017 with a call option exercisable in August 2012. In June 2006, DSB issued US\$150 million 10-year subordinated debt securities due 2016 with a call option exercisable in June 2011. The subordinated debt securities qualify as lower tier 2 supplementary capital of DSB.

The Bank's derivative transactions are largely undertaken for hedging purposes. Trading in derivatives is not a key operation of the Bank and is restricted within defined limits set by the Bank's risk management policies. The Bank's treasury activities are closely monitored by the Bank's ALCO and the Treasury Risk Committee. These committees comprise the Bank's chief executive, executive directors and senior treasury and finance executives.

The Bank's treasury division invests its surplus funds in debt securities in both local and overseas markets, with the intention of generating both interest accrual income and capital gains. As at 31st December, 2005, the Bank's consolidated available-for-sale securities amounted to HK\$22.7 billion, while its trading securities amounted to HK\$5.4 billion. The Bank principally invests in investment grade, liquid debt securities, including securities issued by sovereigns or financial institutions. The general framework for such investments is set out in the policies of the respective business units which are responsible for the overall management of the investments. The operations of these business units are overseen by the Treasury Risk Committee. The Bank outsources the management of a portion of its surplus funds to a small number of independent third party professional investment managers.

From mid-2004, DSB has maintained its bond portfolio at a relatively short duration, with an increasing proportion of such assets either in floating rate form or hedged to a floating rate basis.

4.4 Information Technology

The Bank's management believes that investing in information technology is important for the Bank to compete effectively. The Bank seeks to maintain an IT platform appropriate for its needs, including product and application software and e-banking capabilities. The Bank entered into an outsourcing agreement with IBM in February 2000 under which it outsourced the Bank's data centre operations in Hong Kong. In 2005, the Bank renewed the contract with IBM which included upgrading the mainframe operating system to z/OS. As at 31st December, 2005, the Bank had 96 staff in its information technology division, the majority of whom were employed for system development and technical support purposes.

E-banking

The Bank operates an on-line banking platform: "www.dahsing.com". "www.dahsing.com" provides a comprehensive range of e-banking services, including credit card and personal loan applications, mutual fund price enquiry, mortgage valuations and applications, foreign exchange and deposit rate quotes and dealing, on-line insurance applications, securities trading, balance enquiries and fund transfers, bill payments and commercial banking services, including applications for letters of credit and remittances, and trade finance enquiry.

5. COMPETITION

The Hong Kong banking market is very competitive. The market is dominated by a small number of large banking groups. There were a total of 24 locally incorporated licensed banks operating in Hong Kong as at 31st August, 2006. As Hong Kong is a global financial centre, a large number of international banks and financial institutions are also present. The Bank's main competitors are mid-sized, locally incorporated licensed banks.

The Directors expect that the local banking market will continue to be highly competitive.

6. TRANSACTIONS WITH RELATED PARTIES

DSB deals with its affiliated bank MEVAS in different types of interbank transactions in the money and foreign exchange markets on an arm's length commercial basis. DSB also accepts deposits from and makes limited advances to other subsidiaries of DSFH on a commercial basis.

The controlling shareholder of the DSFH, the ultimate parent company of the Bank, Mr. David S.Y. Wong and his family, do not have any credit facilities from the Bank (except for credit cards granted on normal terms) and do not have any secured or unsecured loans from the Bank. Strict exposure limits and controls are in place to govern any lending to related parties to ensure that such lending activities fully comply with the Hong Kong Monetary Authority's corporate governance and connected lending guidelines and provisions prescribed by the Banking Ordinance (Cap. 155 of Hong Kong).

7. PROPERTY INTERESTS

Most of the Bank's properties are used in the Bank's operations and those properties that are not used as bank premises are leased to third parties (including DSFH) to generate rental income or are vacant pending sale or lease. As at 31st December, 2005, the Bank had 41 branches in Hong Kong, 17 of which operated in premises owned by the Bank and 24 of which were leased from third parties.

As at 31st December, 2005, the Bank owned a total of 24 properties, the aggregate value of which was HK\$1,307 million. Of the 24 properties owned by the Bank, 13 were occupied exclusively by members of the Bank, 6 were partially leased to third parties, 4 properties were leased exclusively to third parties and 1 was vacant pending lease or sale. The valuations of the owned properties were carried out by independent property valuers. As at 31st December, 2005, the carrying value of the Bank's owned properties used, in whole or in part, as the Bank's branches and offices amounted to HK\$ 987 million and the value of the Bank's investment properties leased to third parties or vacant amounted to HK\$ 320 million, based on an independent professional valuation conducted as at 31st December, 2005.

ASSET QUALITY, FUNDING AND RISK MANAGEMENT

DSB attaches a high priority to managing its credit risk and has in place a highly developed credit discipline and structure which are governed by the Bank's credit policies (see "Credit Policies and Approval Procedures" below).

The following is a summary of the problem loan ratios of the DSB Group and the averages of the Hong Kong local banks:

| | As at 31st December, | | | | | | As at 30th June, | |
|---|----------------------|-----------------------------|--------------|-----------------------------|--------------|-----------------------------|------------------|-----------------------------|
| | 2003 | | 2004 | | 2005 | | 2006 | |
| | DSB Group | Retail & local banks* | DSB Group | Retail & local banks* | DSB Group | Retail & local banks* | DSB Group | Retail & local banks* |
| Overdue > 3 months | 1.33% | 2.04% | 0.73% | 1.05% | 0.69% | 0.68% | 0.62% | 0.69% |
| Rescheduled loans | 0.77% | 0.83% | 0.36% | 0.44% | 0.41% | 0.23% | 0.39% | 0.26% |
| Total | 2.10% | 2.87% | 1.09% | 1.49% | 1.10% | 0.91% | 1.01% | 0.95% |
| Non-performing loans/ Gross impaired loans | 1.56% | 3.17% | 0.97% | 1.63% | 0.71% | N/A | 0.69% | N/A |

* Source: Monthly statistical bulletin issued and data released by the Hong Kong Monetary Authority

Note: Prior to 1st January, 2005, non-performing loans were loans and advances to customers on which interest accrual had ceased. Commencing 1st January, 2005 upon adoption of new Hong Kong accounting standards (which are identical to international accounting standards), impaired loans are those advances where full repayment of principal and/or interest is considered unlikely and are so classified as soon as such a situation becomes apparent.

Loan Portfolio

The Bank concentrates its lending operations on corporates and individuals based in Hong Kong with only 12.6% of the Bank's consolidated loans as at 30th June, 2006 being made to customers and institutions outside Hong Kong.

As at 30th June, 2006, the DSB Group's total outstanding loans were HK\$45 billion, which represented 49% of its total consolidated assets.

The composition of the DSB Group's loan portfolio as at 31st December, 2003, 2004, 2005 and 30th June, 2006, was as follows:

| | As at 31st December, | | | | | | As at 30th June, | |
|---|----------------------|---------------|---------------|---------------|---------------|---------------|------------------|---------------|
| | 2003 | | 2004 | | 2005 | | 2006 | |
| | HK\$ millions | % | HK\$ millions | % | HK\$ millions | % | HK\$ millions | % |
| | | | | (Restated) | | | | |
| Loans for use in Hong Kong | | | | | | | | |
| Industrial, commercial and financial | | | | | | | | |
| Property development | 74 | 0.3% | 179 | 0.6% | 192 | 0.4% | 239 | 0.5% |
| Property investment | 2,369 | 8.6% | 3,041 | 9.5% | 4,675 | 10.6% | 5,052 | 11.2% |
| Financial concerns | 386 | 1.4% | 538 | 1.7% | 528 | 1.2% | 363 | 0.8% |
| Stockbrokers | 9 | — | 15 | — | 15 | — | 15 | — |
| Wholesale and retail trade | 1,018 | 3.7% | 1,034 | 3.2% | 1,257 | 2.9% | 1,348 | 3.0% |
| Manufacturing | 2,263 | 8.3% | 2,756 | 8.7% | 3,896 | 8.9% | 3,844 | 8.5% |
| Transport and transport equipment | 1,904 | 6.9% | 1,905 | 6.0% | 3,832 | 8.7% | 3,431 | 7.6% |
| Others | 768 | 2.8% | 1,010 | 3.2% | 1,402 | 3.2% | 1,445 | 3.2% |
| Trade finance | 2,657 | 9.7% | 3,340 | 10.5% | 3,914 | 8.9% | 4,301 | 9.5% |
| Sub-total | 11,448 | 41.7% | 13,818 | 43.4% | 19,711 | 44.8% | 20,038 | 44.3% |
| Individuals | | | | | | | | |
| Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme | 2,203 | 8.1% | 2,142 | 6.7% | 1,927 | 4.4% | 1,851 | 4.1% |
| Loans for the purchase of other residential properties | 8,582 | 31.3% | 9,658 | 30.3% | 10,339 | 23.5% | 10,056 | 22.3% |
| Credit card advances | 1,991 | 7.3% | 2,190 | 6.9% | 2,527 | 5.7% | 2,474 | 5.5% |
| Others | 2,643 | 9.6% | 3,336 | 10.5% | 4,449 | 10.1% | 5,059 | 11.2% |
| Sub-total | 15,419 | 56.3% | 17,326 | 54.4% | 19,242 | 43.7% | 19,440 | 43.1% |
| Loans for use outside Hong Kong | 557 | 2.0% | 708 | 2.2% | 5,054 | 11.5% | 5,700 | 12.6% |
| Gross advances | 27,424 | 100.0% | 31,852 | 100.0% | 44,007 | 100.0% | 45,178 | 100.0% |
| Provisions for bad & doubtful debts/loan impairment allowances | (501) | | (457) | | (380) | | (373) | |
| Net loan balance | 26,923 | | 31,395 | | 43,627 | | 44,805 | |

As at 31st December, 2005, the Bank's ten largest non-Government and non-bank borrowers amounted in aggregate to HK\$1,557 million, which represented 3.5% of the DSB Group's total loans outstanding. The largest exposure to a single borrower group was HK\$319 million.

As at 31st December, 2005, the Bank did not have any inter-group loans or loans to shareholders in aggregate that amounted to more than 1% of its loans outstanding.

With respect to the maturity profile of the DSB Group's loan portfolio as at 31st December, 2005, 41% (HK\$18,025 million) of the total loans had a remaining maturity of less than one year, 24% (HK\$10,559 million) had a remaining maturity of one year or more but less than five years, and 35% (HK\$15,423 million) had a remaining maturity of over five years.

Loans to corporates and institutions were principally made at variable rates of interest based on the Bank's prime rate or interbank offered rates. Residential mortgage loans and overdraft facilities to individuals are nearly all based on the Bank's prime rate plus or minus a margin depending on the relevant credit circumstances of the borrower, whilst interest rates on personal loans offered by the Bank can be set at both fixed rate or floating rates depending on the type of product and repayment requirements.

Credit Policies and Approval Procedures

The Group Risk Division oversees the credit policies approved by the Board of Directors. These policies are contained in credit manuals which are disseminated throughout the relevant business divisions of the Bank. The policies cover the entire credit process of origination, documentation, administration,

credit review, collections and repossessed assets. All credits where the aggregated exposure is above HK\$50 million unsecured or HK\$100 million secured are required to be approved by the Group Credit Committee, whilst credits below these limits are approved at divisional level.

All commercial credits are originated by marketing officers who evaluate the creditworthiness of a borrower based on its financial strength, current and projected cashflows, quality of management, ownership, credit standing, industry standing, value of collateral (if required) and debt servicing ability.

The recommendations of the marketing officers are routed to the head of the relevant marketing team and then submitted to credit officers for deliberation and approval, if the credit is within the approval limits designated to such credit officers by the Loan Committee of the Bank's commercial banking division. If the credit proposed is over the approval limits designated by the Loan Committee, the credit is submitted to the Loan Committee for its approval. The Loan Committee's evaluation and approval is required for all secured credits over HK\$30 million and unsecured credits over from HK\$2 million to HK\$8 million depending on the nature of the products. Group Credit Committee approval is required as set out above.

All retail and consumer credits received by the Bank's personal banking division are evaluated by credit officers who focus on the creditworthiness of a borrower based on its income, occupation, debt servicing ability and the value of collateral (if required). Secured and unsecured credits over HK\$10 million and HK\$1 million, respectively, must be evaluated and approved by the Retail Credit Committee. Group Credit Committee approval is required as set out above.

The decision to grant credit including extensions or renewals is governed by internal credit policy guidelines approved by the Board of Directors.

Loan Classification

The Bank classifies its loans into the following categories for loan classification and bad and doubtful debt provisioning, according to perceived levels of risk and in order to maintain loss reserves which are in aggregate adequate to absorb probable losses arising from its loan portfolio:

| Grade | Loan | Description |
|-------|-----------------------------|---|
| 1-6 | "Pass" | Repayment of principal and interest is current and not in doubt. |
| 7 | "Special mention" | Borrowers have experienced some difficulties, although loss is not expected at this stage. Normally reflected by persistent deterioration in financial status. |
| 8 | "Substandard" | Past due record over three months and principal plus interest of the loan is not fully secured by tangible collateral. Some unsecured consumer lending is classified as substandard well within three months past due. Rescheduled loans are typically classified as substandard. |
| 9 | "Doubtful" | Full recovery is doubtful, given the value of security available. |
| 10 | "Loss" | Considered non-collectible after realisation of security and exhausting all collection efforts. |

Grade 1 to 6 loans are applicable only to commercial credits as retail and consumer credits have only one grade of performing loans. Grade 1 to 6 loans are considered to be performing loans, while grade 7 to 10 loans are criticized, including grade 8, 9 and 10 loans which are generally treated as non-performing. Interest normally ceases to accrue for grade 8, 9 and 10 loans. Prior to 1st January, 2005, interest accrual is typically suspended where a loan is overdue by 90 days. Specific provision of 25% to 100% is made for grade 8, 9 and 10 loans along with delinquency aging and having regard to the current valuation of any collateral, with full provision against any net exposure, followed by write off, for grade 10 loans. Commencing 1st January, 2005, upon adoption of the new Hong Kong accounting standard HKAS 39, impairment allowances are made on a loan when there is objective evidence of impairment as a result of the occurrence of certain loss events that will impact on the estimated future cash flows of the loan. Impairment provisions for loans assessed individually are measured as the difference between the carrying value and the present value of estimated future cash flows discounted at the original effective interest rate of the individual loan. Collective assessment of impairment for individually insignificant loans or loans where no

impairment has been identified on an individual basis is made using formula-based approaches or statistical methods. Historical delinquency, loss and external market factors such as economic growth and unemployment rates, to the extent relevant, are considered.

The tables below set out summaries of the Bank's consolidated non-performing, overdue and rescheduled loans as of 31st December, 2003, 2004, 2005 and 30th June, 2006:

(a) *Non-performing Loans/Impaired loans*

| | As at 31st December, | | | | | | As at 30th June, | |
|---|----------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|
| | 2003 | | 2004 | | 2005 | | 2006 | |
| | HK\$ millions | % of Total Advances | HK\$ millions | % of Total Advances | HK\$ millions | % of Total Advances | HK\$ millions | % of Total Advances |
| Gross non-performing loans/Gross impaired loans | 428 | 1.56% | 309 | 0.97% | 313 | 0.71% | 312 | 0.69% |
| Specific provisions made/ Individually assessed impairment allowances | (207) | | (135) | | (167) | | (165) | |
| Net non-performing loans/Net impaired loans | 221 | | 174 | | 146 | | 147 | |
| Market value of security held . . . | 228 | | 249 | | 183 | | 144 | |

Prior to 1st January, 2005, non-performing loans were loans and advances to customers on which interest was being placed in suspense or on which interest accrual had ceased.

Impaired loans are those advances where full repayment of principal and/or interest is considered unlikely and are so classified as soon as such a situation becomes apparent. Impairment allowances are made to write down the carrying value of the advances to the discounted value of future recoverable amounts, including the realization of collateral.

(b) *Overdue Loans:*

| | As at 31st December, | | | | | | As at 30th June, | |
|---|----------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|
| | 2003 | | 2004 | | 2005 | | 2006 | |
| | HK\$ millions | % of Total Advances | HK\$ millions | % of Total Advances | HK\$ millions | % of Total Advances | HK\$ millions | % of Total Advances |
| Gross advances overdue for | | | | | | | | |
| Six months or less but over three months | 117 | 0.43% | 70 | 0.22% | 116 | 0.26% | 73 | 0.16% |
| One year or less but over six months | 69 | 0.25% | 75 | 0.24% | 60 | 0.14% | 100 | 0.22% |
| Over one year | 177 | 0.65% | 86 | 0.27% | 128 | 0.29% | 108 | 0.24% |
| Total gross advances overdue . . | 363 | 1.33% | 231 | 0.73% | 304 | 0.69% | 281 | 0.62% |
| The amount on which interest is still being accrued | 32 | | 16 | | N/A | | N/A | |
| Market value of security held against the secured advances . . | 207 | | 165 | | 256 | | 144 | |
| Secured overdue advances | 189 | | 128 | | 181 | | 120 | |
| Unsecured overdue advances . . . | 174 | | 104 | | 124 | | 161 | |

(c) *Rescheduled Loans (net of those which have been overdue for over three months and reported in item (b) above):*

| | As at 31st December, | | | | | | As at 30th June, | |
|-----------------------------|----------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|
| | 2003 | | 2004 | | 2005 | | 2006 | |
| | HK\$ millions | % of Total Advances | HK\$ millions | % of Total Advances | HK\$ millions | % of Total Advances | HK\$ millions | % of Total Advances |
| Rescheduled loans | 211 | 0.77% | 115 | 0.36% | 182 | 0.41% | 175 | 0.39% |

The table below summarises the changes in the Bank's allowance for possible loan losses for the years ended 31st December, 2003, 2004 and 2005:

| | As at 31st December, | | | | | |
|---|----------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|
| | 2003 | | 2004 | | 2005 | |
| | HK\$ millions | % of Total Advances | HK\$ millions | % of Total Advances | HK\$ millions | % of Total Advances |
| Allowance for possible loan losses: | | | | | | |
| Beginning balance | 501 | 1.83% | 508 | 1.59% | 260 | 0.59% |
| Acquisition of subsidiaries | — | — | — | — | 125 | 0.28% |
| Provisions or loan impairment charged during the year | 495 | 1.80% | 194 | 0.61% | 122 | 0.28% |
| Bad debt recoveries | 40 | 0.15% | 64 | 0.20% | 89 | 0.20% |
| Loans written-off | (528) | (1.93%) | (303) | (0.95%) | (205) | (0.46%) |
| Unwind of discount on allowance | — | — | — | — | (4) | (0.01%) |
| Closing balance | 508 | 1.85% | 463 | 1.45% | 387 | 0.88% |
| Total loans at year end | 27,424 | | 31,852 | | 44,007 | |
| Total non-performing or gross impaired loans at year end | 428 | 1.56% | 309 | 0.97% | 313 | 0.71% |

Investment in securities

The Bank's investment in securities includes listed and unlisted equity and debt securities. As of 31st December, 2005, the book value of those securities was HK\$29,713 million, of which almost all were debt securities.

The carrying values of the Bank's consolidated investment securities portfolio, as of the dates indicated, are as follows:

| | As at 31st December, 2003 | | | | | | | |
|------------------------------------|---------------------------------|-----------------|--------------|----------------|---------------------|-----------------|---------|----------------|
| | At amortised cost or fair value | | | | At market value | | | |
| | Held to Maturity | Non- trading | Trading | Grand Total | Held to Maturity | Non- trading | Trading | Grand Total |
| | HK\$ millions | | | | | | | |
| Treasury bills | | | | | | | | |
| Unlisted | — | 4,000 | 1,391 | 5,391 | | | | |
| Certificates of deposit | | | | | | | | |
| Unlisted | — | 204 | — | 204 | | | | |
| Other debt securities | | | | | | | | |
| Listed | | | | | | | | |
| In Hong Kong | — | 1,385 | 2,173 | 3,558 | — | 1,385 | 2,173 | 3,558 |
| Outside Hong Kong | — | 7,650 | — | 7,650 | — | 7,650 | — | 7,650 |
| Total listed | — | 9,035 | 2,173 | 11,208 | — | 9,035 | 2,173 | 11,208 |
| Unlisted | 82 | 7,682 | 614 | 8,378 | | | | |
| Total other debt securities | 82 | 16,717 | 2,787 | 19,586 | | | | |
| Equity securities | | | | | | | | |
| Listed | | | | | | | | |
| In Hong Kong | — | 72 | 2 | 74 | — | 72 | 2 | 74 |
| Unlisted | — | 293 | — | 293 | | | | |
| Total equity securities | — | 365 | 2 | 367 | | | | |
| Total | 82 | 21,286 | 4,180 | 25,548 | | | | |

As at 31st December, 2004

| | At amortised cost or fair value | | | | At market value | | | |
|--|---------------------------------|---------------|--------------|---------------|------------------|-------------|---------|-------------|
| | Held to Maturity | Non-trading | Trading | Grand Total | Held to Maturity | Non-trading | Trading | Grand Total |
| | HK\$ millions | | | | | | | |
| Treasury bills | | | | | | | | |
| Unlisted | — | 1,493 | 3,611 | 5,104 | | | | |
| Certificates of deposit | | | | | | | | |
| Listed outside Hong Kong . . . | — | 196 | — | 196 | — | 196 | — | 196 |
| Other debt securities | | | | | | | | |
| Listed | | | | | | | | |
| In Hong Kong | — | 661 | 2,224 | 2,885 | — | 661 | 2,224 | 2,885 |
| Outside Hong Kong | — | 8,714 | — | 8,714 | — | 8,714 | — | 8,714 |
| Total listed | — | 9,375 | 2,224 | 11,599 | — | 9,375 | 2,224 | 11,599 |
| Unlisted | 988 | 7,600 | 344 | 8,932 | | | | |
| Total other debt securities . . . | 988 | 16,975 | 2,568 | 20,531 | | | | |
| Equity securities | | | | | | | | |
| Listed | | | | | | | | |
| In Hong Kong | — | 88 | — | 88 | — | 88 | — | 88 |
| Outside Hong Kong | — | 53 | — | 53 | — | 53 | — | 53 |
| Total listed | — | 141 | — | 141 | — | 141 | — | 141 |
| Unlisted | — | 319 | — | 319 | | | | |
| Total equity securities | — | 460 | — | 460 | | | | |
| Total | 988 | 19,124 | 6,179 | 26,291 | | | | |

As at 31st December, 2005

| | At amortised cost or fair value | | | | At market value | | | | | |
|--|---|--------------|--------------------|------------------|-----------------|---|--------------|--------------------|------------------|---------------|
| | Financial assets at fair value through profit or loss | Trading | Available-for-sale | Held-to-maturity | Grand Total | Financial assets at fair value through profit or loss | Trading | Available-for-sale | Held-to-maturity | Grand Total |
| | HK\$ millions | | | | | | | | | |
| Treasury bills | | | | | | | | | | |
| Unlisted | — | 3,738 | 3,006 | — | 6,744 | | | | | |
| Certificates of deposit | | | | | | | | | | |
| Unlisted | 363 | — | 125 | 209 | 697 | — | — | — | — | — |
| Other debt securities | | | | | | | | | | |
| Listed in Hong Kong | 122 | 1,339 | 1,280 | — | 2,741 | 122 | 1,339 | 1,280 | — | 2,741 |
| Listed outside Hong Kong | | | | | | | | | | |
| Total listed | 122 | 1,339 | 10,048 | — | 11,509 | 122 | 1,339 | 10,048 | — | 11,509 |
| Unlisted | 894 | 287 | 8,446 | 100 | 9,727 | | | | | |
| Total other debt securities | 1,016 | 1,626 | 18,494 | 100 | 21,236 | 122 | 1,339 | 10,048 | — | 11,509 |
| Equity securities | | | | | | | | | | |
| Listed in Hong Kong | | | | | | | | | | |
| Total listed | | | | | | | | | | |
| Unlisted | | | | | | | | | | |
| Total equity securities | — | — | 1,036 | — | 1,036 | 11 | — | — | — | 11 |
| Total | 1,379 | 5,364 | 22,661 | 309 | 29,713 | 122 | 1,339 | 10,059 | — | 11,520 |

Investment in debt securities is a key activity of the Bank's treasury division. The principal investment objectives include: (1) maintaining an acceptable liquidity ratio throughout the year through the holding of a pool of investment grade and marketable debt securities; (2) generating a positive spread over the cost of funds within credit and interest rate risk tolerance limits; (3) diversifying risk exposures; and (4) supporting treasury trading operations especially in the local Exchange Fund debt market.

As at 31st December, 2005, 69.3% of the Bank's aggregate investment in debt securities was invested in debt securities issued or guaranteed by central governments, central banks, public sector entities and banks, compared with 81.7% at 31st December, 2004.

Funding

The Bank seeks to maintain stable and low-cost funding primarily from deposits sourced through its branch network. The Bank's sources of funding comprise deposits from customers, certificates of deposit issued, senior and subordinated bonds issued and shareholders' funds. Deposits include demand deposits and savings and time deposits, primarily in Hong Kong dollars, but also in other major currencies. The issuance of certificates of deposit helps lengthen funding maturities and reduces possible maturity mismatches. The subordinated debts issued help to broaden the Bank's funding base and extend liability maturity, in addition to improving the Bank's capital adequacy. Short-term interbank deposits are taken on a limited basis and the Bank is a net lender to the interbank market.

The table below sets forth a summary of the Bank's consolidated deposits and other borrowed funds by type as at the dates indicated:

| | As at 31st December, | | | | | | As at 30th June, | |
|---|----------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | 2003 | | 2004 | | 2005 | | 2006 | |
| | HK\$ millions | % | HK\$ millions | % | HK\$ millions | % | HK\$ millions | % |
| Deposits: | | | | | | | | |
| Current, fixed, savings and other deposits of customers . . . | 36,637 | 75.8% | 40,268 | 72.4% | 51,036 | 71.7% | 52,649 | 70.8% |
| Deposits from customers designated or fair value through profit or loss | — | — | — | — | 1,696 | 2.4% | 2,352 | 3.2% |
| Certificates of deposit | 8,113 | 16.8% | 8,685 | 15.6% | 7,879 | 11.1% | 8,557 | 11.5% |
| Total deposits | 44,750 | 92.6% | 48,953 | 88.0% | 60,611 | 85.2% | 63,558 | 85.5% |
| Borrowings: | | | | | | | | |
| Borrowings from other banks . . . | 2,593 | 5.4% | 3,369 | 6.1% | 4,997 | 7.0% | 5,090 | 6.8% |
| Issued debt securities | 31 | — | 2,332 | 4.2% | 2,287 | 3.2% | 2,266 | 3.1% |
| Loan capital (subordinated debts) | 970 | 2.0% | 972 | 1.7% | 3,290 | 4.6% | 3,440 | 4.6% |
| Total borrowings | 3,594 | 7.4% | 6,673 | 12.0% | 10,574 | 14.8% | 10,796 | 14.5% |
| Total deposits and borrowings . . . | 48,344 | 100.0% | 55,626 | 100.0% | 71,185 | 100.0% | 74,354 | 100.0% |

Deposits

The Bank attracts deposits from corporates and individuals principally through its branch network. As at 31st December, 2005, the Bank had deposits, including certificates of deposit, of HK\$60,611 million, representing 85.2% of the Bank's consolidated funding.

The Bank determines the rate of the interest which it pays on HK\$ deposits and certificates of deposit according to prevailing market conditions. DSB quotes savings deposit rates similar to those offered by the leading banks in Hong Kong. Changes in the savings rates usually follow changes in the US Federal Funds rate and the local discount rate of the HKMA. Foreign currency deposits are based principally on LIBOR or the applicable interbank interest rates of the relevant currency.

The Bank offers both wholesale and retail certificates of deposit, which are usually priced at a spread over short-term interbank offered rates. Certificates of deposit also provide the Bank with funds with a longer maturity profile than other customer deposits.

Borrowings

As at 30th June, 2006, DSB had 3 outstanding issues of subordinated notes: US\$150 million due May 2015 with an optional redemption date in May 2010 listed on the Luxembourg Stock Exchange,

US\$150 million due August 2017 with an optional redemption date in August 2012 listed on the Luxembourg Stock Exchange and US\$150 million due 2016 with an optional redemption date in June 2011 listed on the Singapore Stock Exchange. These notes qualify as lower Tier 2 supplementary capital of the Bank. Senior debt securities outstanding as at 30th June, 2006 represented the US\$150 million fixed rate and the US\$150 million floating rate Senior Guaranteed Notes (“Notes”) issued by Dah Sing MTN Financing Limited on 1st December, 2004. These notes are guaranteed by DSB, unsecured and have a final maturity on 1st December, 2009.

As at 30th June, 2006, 61% of deposits and other borrowed funds of the DSB Group were denominated in HK dollars, with the remainder denominated principally in US dollars.

Maturity Profile of Assets and Liabilities

Set out below is the contractual maturity breakdowns of assets and liabilities of the DSB Group as at 31st December, 2003, 2004 and 2005.

As at 31st December, 2003

| | <u>Repayable on demand</u> | <u>3 months or less</u> | <u>1 year or less but over 3 months</u> | <u>5 years or less but over 1 year</u> | <u>After 5 years</u> | <u>Undated</u> | <u>Total</u> |
|---|--------------------------------|-----------------------------|---|--|--------------------------|----------------|---------------|
| HK\$ millions | | | | | | | |
| Assets | | | | | | | |
| Advances to customers | 4,185 | 4,298 | 2,680 | 6,590 | 9,240 | 431 | 27,424 |
| Debt securities included in: | | | | | | | |
| Trading securities | — | 347 | 1,537 | 2,153 | 141 | — | 4,178 |
| Held-to-maturity securities | — | 20 | 62 | — | — | — | 82 |
| Non-trading securities | — | 1,661 | 4,818 | 8,490 | 5,948 | 4 | 20,921 |
| | <u>4,185</u> | <u>6,326</u> | <u>9,097</u> | <u>17,233</u> | <u>15,329</u> | <u>435</u> | <u>52,605</u> |
| Liabilities | | | | | | | |
| Deposits and balances of banks and other financial institutions | 169 | 2,421 | 3 | — | — | — | 2,593 |
| Current, fixed, savings and other deposits of customers | 10,056 | 25,126 | 1,303 | 152 | — | — | 36,637 |
| Certificates of deposit issued | — | — | 1,451 | 6,662 | — | — | 8,113 |
| Issued debt securities | — | — | 31 | — | — | — | 31 |
| | <u>10,225</u> | <u>27,547</u> | <u>2,788</u> | <u>6,814</u> | <u>—</u> | <u>—</u> | <u>47,374</u> |

As at 31st December, 2004

| | <u>Repayable on demand</u> | <u>3 months or less</u> | <u>1 year or less but over 3 months</u> | <u>5 years or less but over 1 year</u> | <u>After 5 years</u> | <u>Undated</u> | <u>Total</u> |
|---|--------------------------------|-----------------------------|---|--|--------------------------|----------------|---------------|
| HK\$ millions | | | | | | | |
| Assets | | | | | | | |
| Placements with banks and other financial institutions | — | 463 | — | — | — | — | 463 |
| Advances to customers | 4,124 | 5,607 | 3,872 | 7,649 | 10,285 | 315 | 31,852 |
| Advances to banks and other financial institutions | — | — | — | 16 | — | — | 16 |
| Debt securities included in: | | | | | | | |
| — Trading securities | — | 384 | 3,443 | 2,159 | 193 | — | 6,179 |
| — Held-to-maturity securities | — | 628 | 360 | — | — | — | 988 |
| — Non-trading securities | — | 323 | 4,025 | 5,577 | 8,735 | 4 | 18,664 |
| | <u>4,124</u> | <u>7,405</u> | <u>11,700</u> | <u>15,401</u> | <u>19,213</u> | <u>319</u> | <u>58,162</u> |
| Liabilities | | | | | | | |
| Deposits and balances of banks and other financial institutions | 82 | 3,272 | 15 | — | — | — | 3,369 |
| Current, fixed, savings and other deposits of customers | 12,286 | 25,990 | 1,924 | 68 | — | — | 40,268 |
| Certificates of deposit issued | — | 1,233 | 4,143 | 3,309 | — | — | 8,685 |
| Issued debt securities | — | — | — | 2,332 | — | — | 2,332 |
| | <u>12,368</u> | <u>30,495</u> | <u>6,082</u> | <u>5,709</u> | <u>—</u> | <u>—</u> | <u>54,654</u> |

As at 31st December, 2005

| | Repayable on demand | 3 months or less | 1 year or less but over 3 months | 5 years or less but over 1 year | After 5 years | Undated | Total |
|--|------------------------|---------------------|---|--|------------------|------------|---------------|
| HK\$ millions | | | | | | | |
| Assets | | | | | | | |
| Placements with banks and other financial institutions | — | 887 | 282 | — | — | — | 1,169 |
| Advances to customers | 5,228 | 7,646 | 5,151 | 10,559 | 15,025 | 398 | 44,007 |
| Advances to banks and other financial institutions | — | — | — | 389 | — | — | 389 |
| Debt securities included in: | | | | | | | |
| — Financial assets at fair value through profit or loss | — | 1,332 | 47 | — | — | — | 1,379 |
| — Trading securities | — | 2,512 | 1,695 | 1,110 | 47 | — | 5,364 |
| — Available-for-sale securities | 234 | 3,418 | 951 | 5,498 | 11,520 | 4 | 21,625 |
| — Held-to-maturity securities | — | 59 | 54 | 196 | — | — | 309 |
| | <u>5,462</u> | <u>15,854</u> | <u>8,180</u> | <u>17,752</u> | <u>26,592</u> | <u>402</u> | <u>74,242</u> |
| Liabilities | | | | | | | |
| Deposits and balances of banks and other financial institutions | 224 | 4,763 | 10 | — | — | — | 4,997 |
| Trading liabilities | — | 4,308 | 1,245 | 758 | — | — | 6,311 |
| Deposits from customers designated at fair value through profit or loss | — | 1,648 | 48 | — | — | — | 1,696 |
| Deposits from customers | 12,722 | 35,688 | 1,862 | 764 | — | — | 51,036 |
| Certificates of deposit issued | — | 1,362 | 2,688 | 3,829 | — | — | 7,879 |
| Issued debt securities | — | — | — | 2,287 | — | — | 2,287 |
| | <u>12,946</u> | <u>47,769</u> | <u>5,853</u> | <u>7,638</u> | <u>—</u> | <u>—</u> | <u>74,206</u> |

Currency exposures are managed prudently, see “Risk Management” below.

Capital Adequacy and Liquidity Ratios

The following table sets out a summary of the Bank’s consolidated capital adequacy and liquidity ratios as at 31st December, 2003, 2004, 2005 and 30th June, 2006:

| | As at 31st December, | | | As at |
|---|----------------------|-------|-------|--------------------|
| | 2003 | 2004 | 2005 | 30th June, 2006 |
| Capital adequacy ratio | | | | |
| ● Tier 1 | 14.8% | 12.9% | 11.7% | 12.9% |
| ● Total | 19.4% | 16.5% | 15.4% | 17.6% |
| Adjusted capital adequacy ratio | 19.3% | 16.5% | 15.7% | 18.0% |
| Liquidity ratio (average for the year/period) | 60.8% | 51.7% | 48.8% | 51.5% |

The capital adequacy ratio represents the Bank’s consolidated ratio and is calculated based on guidelines issued by the HKMA and the Third Schedule of the Banking Ordinance (Cap 155 of Hong Kong), which in turn is based on the guidelines published by the Bank of International Settlements.

The adjusted capital adequacy ratio represents the Bank’s consolidated ratio, which is computed in accordance with the Guideline “Maintenance of Adequate Capital Against Market Risks” issued by the HKMA. The adjusted ratio takes into account market risk as at the respective balance sheet dates.

The liquidity ratio is calculated as the simple average of each calendar month’s average liquidity ratio for the year/period for the Bank in accordance with the Fourth Schedule of the Banking Ordinance.

The capital base of the Bank after deductions used in the calculation of the above capital adequacy ratios as at 31st December, 2003, 2004, 2005 and 30th June, 2006 reported to the HKMA was as follows:

| | As at 31st December, | | | As at 30th June, |
|--|----------------------|---------------|---------------|------------------|
| | 2003 | 2004 | 2005 | 2006 |
| | HK\$ millions | HK\$ millions | HK\$ millions | HK\$ millions |
| Core capital | | | | |
| Paid up ordinary share capital | 800 | 800 | 1,800 | 2,300 |
| Reserves | 3,915 | 4,431 | 4,273 | 4,558 |
| Total core capital | 4,715 | 5,231 | 6,073 | 6,858 |
| Supplementary capital | | | | |
| Reserve on revaluation of land and interests in land | 194 | 197 | 238 | 238 |
| Reserve on revaluation of holding of securities not held for trading purposes | 56 | 53 | 26 | (148) |
| General provisions for doubtful debts | 277 | 318 | — | — |
| Collective impairment allowances for impaired assets and regulatory reserve | — | — | 425 | 438 |
| Term subordinated debts | 970 | 972 | 3,037 | 3,429 |
| Total eligible supplementary capital | 1,497 | 1,540 | 3,726 | 3,957 |
| Total capital base before deductions | 6,212 | 6,771 | 9,799 | 10,815 |
| Deductions from total capital base | (25) | (83) | (1,752) | (1,485) |
| Total capital base after deductions | 6,187 | 6,688 | 8,047 | 9,330 |

Risk Management

The Bank recognises the changing nature of risk and manages it through a well-developed risk management structure. The principal types of risk inherent in the Bank's business include credit, market, interest rate and liquidity risks:

- credit risk occurs mainly in the Bank's credit portfolios comprising commercial, wholesale and retail lending, equipment and hire purchase financing, and treasury and financial institutions wholesale lending;
- market risk arises mainly in Treasury and is associated principally with the Bank's on-balance sheet positions in the trading book, and off-balance sheet positions taken to hedge elements of the trading book;
- interest rate risk means the risk to the Bank's financial condition resulting from adverse movements in interest rates; and
- liquidity risk arises across the Bank's balance sheet.

Risk management is a critical part of the Bank's organisational structure. The risk management framework is approved by the Board of Directors. The Board approves the overall institutional tolerance for risk, including risk policies and the risk philosophy of the Bank. The Bank's risk management infrastructure, as approved by the Board, allows oversight by the Board of the major risk areas of credit risk, market and liquidity risk, and operational risk. An internal audit group is responsible for the ongoing monitoring of the Bank's internal management processes and for providing an independent assessment of the Bank's systems to ensure that integrity is maintained. The Bank's policy is to maintain what it considers is a conservative balance sheet and strong capital base.

The Bank's risk management practices and capabilities have been reviewed against the proposed requirements of Basel II and, where appropriate, are being revised to meet these requirements.

The Risk Management Structure of the Bank

The Board of Directors has the broad overall responsibility for the management of all types of risk. The responsibilities of the Board in relation to risk control are:

- the approval of the overall strategy and policies to ensure that credit and other risks are properly managed at both the transaction and portfolio levels;
- the management of risk, both financial and non-financial, conducted through operational and administrative control systems including the operation of the Audit Committee, review of key results (against forecasts), operational statistics and policy issues; and
- financial performance by analysis against approved budgets and analysis of variations in key non-financial measures.

The Executive Committee has been delegated the authority to oversee and guide the management of different risks which are more particularly managed and dealt with by Group Risk and different functional committees.

The Head of Group Risk reports to the Bank's Executive Committee and the Chief Executive, which have overall responsibility for the management of all types of risk. It also has a functional reporting line to the Board-level Risk Management Committee. The Bank has established policies and procedures for the identification, measurement, monitoring and control of credit, liquidity, interest rate, foreign exchange and market risks. The policies and procedures are regularly reviewed and updated by senior management and the respective business credit committees.

Group Risk

The independent Group Risk function is responsible for ensuring that policies and mandates are established for the Bank as a whole. Group Risk monitors and reports Group risk positions to the Board via the Risk Management Committee and the Executive Committee, sets standards for financial risks and data integrity and ensures that the financial risks are considered in the product planning and pricing process. Group Risk reviews and approves all credit and risk exposure policies for the Bank including the approval of exposures to new markets, economic sectors, organisations, credit products and financial instruments which expose the Bank to credit and related risks. In determining credit and risk policies, Group Risk takes into account the guidelines established by the HKMA, business direction, and risk adjusted performance of each business. Group Risk is also represented on the lending or risk committees of the Bank's operating divisions and businesses.

The Bank's risk management expertise continues to advance the overall quality of the Bank's lending portfolios, and enables the Bank to meet the changing regulatory requirements and enter into credit exposures with the confidence that it understands the associated risks and rewards.

The Bank uses a range of risk measurement and analytical tools in its management of the various risks which it faces in its day-to-day businesses and these are continually being enhanced and upgraded to reflect ever-changing business needs and the requirements of the regulators.

Credit Committees

All credits where the aggregated exposure is above HK\$50 million unsecured or HK\$100 million secured are required to be approved by the Group Credit Committee, whilst credits below these limits are approved at divisional level. Each of the operating divisions of the Bank has its own credit or risk committee responsible for approving and recommending policies, limits and mandates for risk control within their respective business areas. This is consistent with the Bank's approach of devolving responsibility for risk management to the individual business areas under the aegis of the Group Risk function. As such, each business credit risk function reports to both Group Risk and the business area which it supports. The Risk Management and Control department is part of Group Risk and reports directly to the Head of Group Risk.

Credit Risk Management

The Bank's main credit risk is that borrowers or counterparties may default on their payment obligations due to the Bank. These obligations arise from the Bank's financing, trading activities (taking the form of loans), trading account assets or derivative instruments.

The Bank has a Group Credit Committee and a credit committee for each division, made up of certain Executive Directors and senior credit officers and chaired by the Chairman or the Chief Executive. Each credit committee has responsibility for formulating and revising credit policies and procedures for that division within the parameters set by Group Risk Policy. Credit policies and procedures define the credit extension criteria and guidelines, credit approval and scoring, review and monitoring process and the systems of loan classification and provisioning.

The Bank manages credit risk on a prudent basis, in accordance with the credit approval and review policies, by evaluating the creditworthiness of different types of customers and counterparties based on an assessment of business, financial, market, industry sector and collateral information applicable to the type of loans and counterparty dealings. Credits are extended within limits set out in the credit policies, for each product, customer or counterparty and are approved by different levels of management based on established guidelines. Actual credit exposures, limits and asset quality are regularly monitored and controlled by management, credit committees and Group Risk and the respective credit committees. The Bank's internal auditors conduct regular reviews and audits to help ensure compliance with the Bank's credit policies and procedures and regulatory guidelines.

The individual business' credit policies also establish policies and processes for the approval and review of new products and activities, together with details of the facility grading, or credit scoring, processes and provisioning policies.

To avoid concentration of risk, large exposures to individual customers or related groups are limited to a percentage of the capital base, and advances to industry sectors are managed within approved limits to achieve a balanced portfolio.

In order to mitigate credit risk and where appropriate, the Bank will obtain collateral which is secured against the credit facility. The acceptable types of collateral and their characteristics are established within the credit policies, as are the respective margins of finance.

Irrespective of whether collateral is taken, credit decisions are generally based upon the customer's or counterparty's cashflow position and ability to repay.

Liquidity Risk Management

The Bank manages its liquidity on a prudent basis to ensure that a sufficiently high liquidity ratio relative to the statutory minimum is maintained throughout the year. The average liquidity ratio of the Bank for the years ended 31st December, 2003, 2004 and 2005 was well above the 25% minimum ratio set by the Banking Ordinance.

The Asset and Liability Committee ("ALCO") regularly reviews the Bank's current loan and deposit mix, funding requirements and projections and maturity mismatches, and monitors the liquidity ratio on an ongoing basis. Appropriate liquidity limits are set and sufficient liquid assets are held to ensure that the Bank can meet all short-term funding requirements.

The Bank's funding comprises mainly deposits of customers, certificates of deposit and medium term notes issued. The issuance of certificates of deposit and medium term notes helps lengthen the funding maturity and reduce the maturity mismatch. Short-term interbank deposits are taken on a limited basis. The Bank is a net lender to the interbank market.

Liquidity risk is managed by the Bank's high proportion of liquid assets, including interbank assets (which are diversified by type, maturity and source), money market assets and short-term customer loans. For longer-term assets, the Bank has significant sources of longer-term funds, including debt securities, certificates of deposit and notes, money market borrowings and longer-term customer deposits. The Bank conducts regular stress tests on its liquidity position.

Market Risk Management

Market risk is the risk of losses in assets, liabilities and off-balance sheet positions arising from movements in market rates and prices. Generally, the Bank's market risk is associated with its positions in foreign exchange, debt securities and equity securities and derivatives in the trading book.

Market risk exposure for different types of transactions is managed within risk limits and guidelines approved by ALCO and the Treasury Risk Committee. The overall risk limits comprise sub-limits for each of the different risk categories which are, interest rate, foreign exchange and equity prices. Exposures are managed and monitored by a combination of risk management techniques including position limits, principal or notional amounts, sensitivity limits, stop-loss limits and Value-at-Risk ("VaR"). All market-risk trading positions are subject to daily mark-to-market valuations which are monitored and managed by the Treasury Division. Independent monitoring, valuation, checking and trade confirmations are undertaken by the Risk Management and Control Department ("RMCD"), which as part of Group Risk, is independent of the Treasury Division. RMCD, through the daily risk monitoring process, measures risk exposures against approved limits and initiates specific action to ensure the overall and the individual market risks are managed within an acceptable level.

The Bank's Internal Audit Division performs regular independent review and testing to ensure compliance with market risk limits and guidelines by Treasury and other relevant units. All exceptions to approved limits have to be reviewed and sanctioned by the appropriate level of management or ALCO.

VaR is a statistical technique which estimates the potential losses that could arise on risk positions taken, due to movements in foreign exchange, interest rates or equity prices over a specified time horizon and to a given level of confidence. The model used by the Bank to calculate portfolio and individual VaR on a variance/co-variance basis uses historical movements in market rates and prices, a 99% confidence level and a one-day holding period.

As at 31st December, 2005, the VaR for the various types of exposures were as follows:

| | As at 31st December, 2005 (in HK\$ thousands) |
|--|--|
| Interest rate risk trading exposures | 1,981 |
| Foreign exchange trading exposures | 113 |
| Equity trading exposures | 158 |
| Market risk trading exposures | 2,252 |
| Average VaR for the year ended 31st December, 2005 | 3,034 |

The average daily revenue earned from the Bank's market risk related treasury activities for the years ending 31st December, 2003, 2004 and 2005 were HK\$328,000, HK\$287,000 and HK\$553,000 respectively. The standard deviation for such daily revenue was HK\$2,942,000, HK\$2,037,000 and HK\$4,318,000 respectively. The following are the average daily revenue and the standard deviation for daily revenue analysed by principal dealing activities:

| | <u>Average daily revenue</u> | | | <u>Standard deviation</u> | | |
|------------------------------------|------------------------------|------|-------|---------------------------|-------|-------|
| | 2003 | 2004 | 2005 | 2003 | 2004 | 2005 |
| | (in HK\$ thousands) | | | | | |
| Foreign exchange dealing | 101 | 305 | 692 | 1,880 | 909 | 3,985 |
| Interest rate dealing | 227 | (18) | (139) | 2,146 | 1,976 | 1,762 |

Interest Rate Risk Management

The Bank's interest rate risk mainly arises from the funding of fixed-rate loans and investments in fixed income securities by floating-rate deposits. When interest rates rise or fall, the interest spread and net interest income will be affected as interest income generated by the existing fixed-rate loans and securities will not change. In addition to changes in earnings, the variations in market interest rates will also affect the economic values of the Bank's assets, liabilities and off-balance sheet positions, which can, in turn affect the net worth of the Bank. The Bank's interest rate risk is mitigated in part by the use of interest rate

hedging instruments. The overall and individual portfolio interest rate risk is managed and monitored using a combination of notional, duration and sensitivity limits by Group Risk, on a daily basis for the trading book and on a monthly basis for the banking book.

Foreign Exchange Risk Management

The Bank has very limited net foreign exchange exposures (except for United States dollar) as foreign exchange positions and foreign currency balances arising from customer transactions are normally offset against other customer transactions or transactions with the market. The net exposure positions, both by individual currency and in aggregate, are managed by the Treasury Division on a daily basis within established foreign exchange limits.

Long-term foreign currency funding, to the extent that this is used to fund Hong Kong dollar assets, is normally hedged using currency swaps or forward exchange agreements to reduce the foreign exchange risk.

Risks Associated with Derivative Instruments

In the normal course of business, the Bank enters into a variety of derivative transactions including forwards, futures, swaps and options transactions in the interest rate, foreign exchange and equity markets. Derivative transactions are conducted for both trading and hedging purposes. The Bank's objectives in using derivative instruments are to meet customer needs by acting as an intermediary, to manage the Bank's exposure to risks and to generate revenues through trading activities within acceptable limits.

The credit risk arising from a derivative contract is calculated by taking the cost of replacing the contract, where its mark-to-market value is positive, together with an estimate for the potential future change in the value of the contract. The credit risk on contracts with a negative mark-to-market value is restricted to the potential future change in their market value. The credit risk on derivatives is therefore usually small, relative to their notional principal values.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Bank's Management Committee, which comprises the Chief Executive, all division heads and deputy division heads, provides a key management control role in guiding the initiation and implementation of policies and procedures related to the operations and activities of the Bank, co-coordinating the work of the divisions, prioritising projects and tasks, resolving internal issues and enhancing operational control. Ongoing information technology security reviews, upgrades and audits help strengthen the core system and security reliability. To sustain a high degree of operational robustness and continuity for the critical businesses and processes of the Bank, measures to strengthen business continuity planning, readiness and effectiveness have been adopted.

The Bank's operational risk capabilities and systems have been reviewed against the proposed requirements of Basel II.

Business units are required to monitor their operational risks using Bank and business level standards and indicators. Where appropriate, issues must be reported to business heads and the Head of Operations. The Bank purchases insurance where appropriate to address operational risk inherent to its business activities.

The Role of Internal Audit

The Bank's Internal Audit Division is an independent, objective assurance and consulting unit which is designed to focus on enhancing and sustaining sound internal control in all business and operational units of the Bank. The Internal Audit Division reports functionally to the Audit Committee which is chaired by an independent non-executive Director. The Internal Audit Division conducts a wide variety of internal control activities such as compliance audits and operations and systems reviews to ensure the integrity, efficiency and effectiveness of the systems of control of the Bank.

Corporate Governance

Corporate governance is concerned with how companies are managed and controlled, and in particular the roles and operations of the board of directors in sustaining sound business integrity and practices, and effective accountability. DSB has fully complied with the requirements set out in the guideline entitled “Corporate Governance of Locally Incorporated Authorized Institutions” issued by the HKMA.

The Board of Directors

As at 31st December, 2005, the Board of Directors of DSB (the “**Board**”) comprised an executive Chairman, four executive directors including the Chief Executive, and five non-executive directors. The Board meets at least quarterly. Its principal roles include the formulation and approval of corporate and business strategies, review of operations and financial performance, approval of key policies and an annual business plan, and ensuring the maintenance of sound risk management and regulatory compliance.

Executive directors are appointed to the Board based on their experience, specialist skills and knowledge of different businesses of the Bank. Non-executive directors bring to the Board their knowledge and experience of other markets and industries, guide executive management’s strategy development and policy implementation, and provide valuable external perspectives in the Board’s deliberations.

Audit Committee

The Audit Committee of the DSBG, established by the Board of Directors of the DSBG (the “**Board of the Group**”), has the authority to review all matters related to financial statements and disclosures, audit work performed by internal and external auditors, internal control systems, and the effectiveness of risk management and compliance for the Group including the Bank. The Committee reports to the Board of the Group its observations and comments on any issue that needs to be brought to the attention of the Board of the Group, and makes recommendations to the Board of the Group regarding financial statements and results announcements.

Three independent non-executive directors of the Group comprise the Group’s Audit Committee, which meets at least twice a year with the Group’s and the Bank’s senior management, the head of Internal Audit Division and the external auditors. The Chairman of the Committee is an independent non-executive director with a high level of financial and audit experience.

The head of Internal Audit Division of the Bank reports functionally to the Group’s Audit Committee. External auditors have direct access to the Committee for expressing their views and comments on any matter or concern relating to the Group or the Bank.

Risk Management Committee

The Risk Management Committee of the Bank is a Board-level committee with the responsibility to provide guidance and oversight on the Bank’s risk management strategy and development, review risk management issues and the resolution thereof, and review risk management policies and major risk limits prior to the approval by the Board.

The Risk Management Committee comprises the Chief Executive, three executive directors and an independent non-executive director.

Executive Committee

The Bank’s Executive Committee comprises the Chairman, Chief Executive and all executive directors of the Bank. It is responsible for developing and setting the strategy and objectives of the Bank. It provides direction and guidance to business divisions, reviews business performance, monitors and reviews risk management systems, ensures effective internal control systems, allocates resources, prioritises business initiatives and investment, and is delegated with the authority of the Board of the Bank on matters relating to the normal course of business of the Bank.

The Executive Committee can call upon other directors or members of senior management for advice or participation in its discussions as it deems appropriate.

Asset and Liability Management Committee

The Dah Sing Banking Group's ALCO is accountable to the Executive Committee of the Bank and the Group, and oversees the overall management of the balance sheet, liquidity, funding and market risk of the Group and of the Bank. It is responsible for formulating business plans affecting lending business, loan mix, treasury investments, deposit taking and capital management. It also plays a key role in the overall risk governance and management of the Group and the Bank.

The Group's ALCO meets every week and its regular tasks include review of key business emphasis and development, loan and deposit changes, funding requirement, liquidity, surplus funds investments, capital market dealing, and review of market changes and competition. The Group's ALCO also conducts a regular monthly review of overall balance sheet and business performance, including trend analysis and actual positions against limits and targets.

The Group's ALCO is chaired by the Chief Executive of the Group, who is also the Chief Executive of the Bank. Members of the ALCO include all executive directors of the Bank, heads of most business divisions, risk management and financial control.

Credit and Risk Management Committees

The Bank has a credit committee or risk management committee for each business division. Each committee comprises relevant executive directors, senior business, credit and risk officers, and is chaired by the Chairman or the Chief Executive of the Bank. Each committee is responsible for formulating and revising credit and risk policies and procedures for its business division, approving credits and risk exposures which exceed an individual credit or risk officer's credit authority, and reviewing credit performance and loan provisioning. Credit policies and procedures define the credit extension criteria and guidelines, credit approval, review and monitoring process and the systems of loan classification and provisioning. For the Treasury Division, its risk committee has additional responsibilities in reviewing and approving credit limits for financial institutions and wholesale credits, and treasury dealing limits and control.

The Bank's Group Credit Committee comprises the Chief Executive, executive directors and the senior credit officer.

The Head of Group Risk is a member of all credit and risk committees, and serves to coordinate the overall risk management process and governance, including the development and ongoing upgrade of credit policies and procedures, and the maintenance of appropriate credit quality.

Management Committee

The Bank's Management Committee, chaired by the Chief Executive, meets on a monthly basis. Members of the Committee include all division heads and a number of senior executives. It operates to strengthen internal communications on corporate and business development, operational issues and control, IT development, and is responsible for approval of operating policies and procedures.

Compliance Committee

The Dah Sing Banking Group Compliance Committee is responsible for overseeing and guiding the development, maintenance and enhancement of compliance system, policies and practices to ensure compliance with all statutory requirements and regulatory guidelines. The Committee serves to uphold a high level of awareness and accountability for compliance requirements.

The Committee is chaired by the Head of Legal and Compliance, and reports to the Executive Committee. Minutes of the Committee meetings and regular reports are submitted to the Group Audit Committees. Members of the Compliance Committee include the Bank's Chief Executive, a number of executive directors and senior operation and risk control executives of the Bank.

IT Steering Committee

The Group IT Steering Committee is responsible for providing IT strategic direction, and ensuring sound and robust IT infrastructure and processes to support the Bank's businesses. It is also responsible for ensuring that IT risk control, information security and operations continuity are managed effectively, and for overseeing the Bank's IT resources allocation, project justification and prioritization.

The Committee is chaired by the Chief Executive and includes most division heads as its members.

Human Resources Committee

The Group Human Resources Committee is responsible for setting the overall human resources direction and guiding the development of people strategy, policy and practices. It is responsible for overseeing corporate culture development, planning and implementation, remuneration programs and changes, staff development plans, employee relations projects and human resources systems.

The Committee is chaired by the Chief Executive of the Group, who is also the Chief Executive of the Bank and comprises the Chairman of the Group and a number of division heads.

MANAGEMENT AND EMPLOYEES

As of the date of this Offering Circular, the senior management of DSB is made up of experienced and professional bankers. The profile of the Executive Directors and senior executives, and their respective responsibilities are as follows:

Executive Directors

- David Shou-Yeh Wong Aged 65. Chairman of the Bank since 1983. Also the Chairman of DSFH, DSBG, DSLA, New Asian Shipping Company Limited, Wing Tak Shipping Agency Limited and various other companies. Member of the General Committee of the Federation of Hong Kong Industries, the Hongkong/Japan Business Co-operation Committee, the Hong Kong Port Development Council, the Hong Kong Association of Banks, the Chinese Banks Association Limited and the Hong Kong Shipowners Association. Vice President of The Hong Kong Institute of Bankers. Mr Wong graduated from Massachusetts Institute of Technology of the USA with a Bachelor of Science degree in Electrical Engineering.
- Hon-Hing Wong
(Derek Wong) Aged 54. Chief Executive of the Bank since January 2000. Executive Director of the Bank since 1989 and an Executive Director of DSFH since 1993. Joined the Bank in 1977. Appointed as the Group Managing Director of DSFH Group in 2002, and of DSBG Group in 2004. Mr Wong graduated from the Hong Kong Polytechnic University (previously known as Hong Kong Polytechnic) with a Higher Diploma in Business Studies. Mr Derek Hon-Hing Wong is not related to David Shou-Yeh Wong.
- Gary Pak-Ling Wang Aged 46. Alternate Chief Executive of the Bank since January 2000. Executive Director of the Bank since 1997 and an Executive Director of DSFH and DSBG. Joined the Bank in 1995 as the Financial Controller. Appointed as the Finance Director of the DSFH Group in 2002. Responsible for financial management of the Bank and the DSFH Group. Assumed management responsibility of the Bank's operations and IT functions commencing 2006. Mr Wang graduated from the University of Hong Kong with a Bachelor of Social Science degree, and is a qualified accountant and member of the Association of Chartered Certified Accountants of the U.K. and Hong Kong Institute of Certified Public Accountants.
- Lung-Man Chiu
(John Chiu) Aged 57. Executive Director of the Bank and DSBG. Joined the Bank in 1986. Responsible for the Bank's commercial banking business. Over 25 years of experience in banking. Mr Chiu graduated from the University of Windsor, Canada with a Master of Arts degree in Economics.
- Frederic Suet-Chiu Lau Aged 55. Executive Director of the Bank and MEVAS since January 2005. Alternate Chief Executive of the Bank since 2005. Currently the Head of Group Risk of DSBG, responsible for the strategic direction, overall business and risk policy, ongoing management and control of risk of DSBG portfolio. 20 years of experience in supervision of banks in the U.S. and Hong Kong. Graduated from the University of South Australia with a PhD in Economics. Chartered Financial Analyst and a member of Board of Trustees of Global Association of Risk Professionals.

- Harold Tsu-Hing Wong . . . Aged 37. Executive Director of the Bank and DSBG, and an Executive Director and the Chief Executive of MEVAS. Joined the Bank in 2000 and has been responsible for the Group's corporate and business development. Graduated with a Bachelor of Laws (LLB Honours) degree from King's College, London, U.K. and a Master of Business Administration degree from Harvard University, U.S. Mr Wong is a qualified solicitor in England and Wales and Hong Kong.
- John Cheung-Wah Lam . . . Aged 52. Executive Director of the Bank and MEVAS, and Alternate Chief Executive of the Bank and MEVAS. Joined the Bank as Head of Retail Banking of DSB in September 2005, and is responsible for the full range of retail banking business of DSBG. Mr Lam graduated from Ryerson University in Toronto, Canada with a Bachelor of Business Management and is a Fellow Member of Institute of Canadian Bankers. He has over 27 years of banking experience in Canada, U.S. and Hong Kong.

The business address of each of the Executive Directors is 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong.

Senior Management

Kang-Muk Chan (Woody Chan), aged 45, has been a General Manager and Treasurer of DSB since joining in Jan 2006 and is responsible for managing liquidity risk and market risk of the Bank. Mr. Chan has over 20 years experience in the treasury industry. Mr Chan is a Chartered Financial Analyst and a qualified Financial Risk Manager. Mr Chan graduated from the University of Hong Kong with a Bachelor of Social Science degree.

Chi-Wah Mak (Ernest Mak), aged 48, General Manager and Head of Commercial Banking. Joined the Bank since 1986, and is responsible for the Bank's commercial banking business. Over 25 years experience in banking industry. Mr Mak graduated from Asia International Open University with a Master degree of Business Administration, and obtained Diploma In Management Studies jointly from Hong Kong Polytechnic University (previously known as Hong Kong Polytechnic) and Hong Kong Management Association.

Alexander Stefan Braun, aged 46, has been the Head of Wholesale Banking since joining DSB in 2003 and is responsible for DSB's wholesale banking business and has held various senior management positions in international banks with over 19 years of wholesale banking experience prior to joining DSB. Mr Braun graduated from the University of London with a Bachelor of Science degree in Economics and is a member of the Institute of Chartered Accountants of England and Wales.

Po-Fung So (Francesca So), aged 44, has been the Head of Operations since 2001, and a General Manager since 2002, of DSB. Ms So joined DSB in 1993 as Head of Internal Audit and was transferred to Head of DSB's Operations Division in 2001. Ms So graduated from The Chinese University of Hong Kong with a Master degree in Business Administration. Ms So is a Fellow of the Association of Chartered Certified Accountants of the U.K. and the Hong Kong Institute of Certified Public Accountants.

Thomas Kai-Ching Ng, aged 54, has been a General Manager and Head of IT of DSB since joining in 1997 and is responsible for DSB's Information Technology Division. Mr Ng held various positions as a management consultant and system manager in the U.S. prior to joining DSB. Mr Ng graduated from New York University, U.S. with a Master degree in Business Administration.

Yat-Kung Tam (Elton Tam), aged 45, has been a General Manager and Financial Controller of DSB since May 2006 and is responsible for financial control. He has over 20 years of experience in accounting and financial management. Mr. Tam graduated from the University of Hong Kong with a Bachelor of Social Science degree and the Chinese University of Hong Kong with a Master of Science degree in Finance. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the UK, and also qualified member of the Institute of Chartered Accountants of England and Wales, the American Institute of Certified Public Accountants of the USA, the Chinese Institute of Certified Public Accountants of China and the Certified General Accountants Association of Canada.

Kenneth Leung-Kui Yuen, aged 48, has been the Head of Internal Audit of DSB since joining in 2001, and a General Manager since 2004, and is responsible for the internal audit activities of the Bank and the DSFH Group. Mr Yuen has over 20 years of experience in auditing and systems development, working for an audit firm and banks in Canada and Hong Kong prior to joining DSB. Mr Yuen is a member of The British Computer Society and a Certified Information Systems Auditor of the Information Systems Audit and Control Association. Mr Yuen graduated from The University of Liverpool, U.K. with a Bachelor of Arts degree in Computational and Statistical Science.

Raymond Wai-Ming Chan, aged 51, has been a General Manager and Head of Legal & Compliance since April 2006, and is responsible for DSB's legal and compliance function. Mr Chan is an Associate of The Hong Kong Institute of Bankers. Mr Chan has over 25 years experience in bank supervision and worked for the Hong Kong Monetary Authority as a Senior Manager before joining the Bank.

William Yuen (Yuen Foon Ming), aged 42, has been a General Manager and Head of Private Banking of DSB since July 2006. His responsibilities are to manage and grow the private bank business. Mr Yuen has over 18 years of private banking experiences prior to working in Hong Kong. He has spent 13 years in New York working for a major international private bank managing discretionary portfolio for ultra high network clients from South America, Europe, Middle East, America to Asia. Prior to joining DSB, he relocated to Hong Kong in 2001 with a major global bank managing investments for ultra high net worth Asian clients. Mr Yuen graduated from the Rutgers University in the USA with a Bachelor of Arts degree in Economics with a concentration in Finance.

Dominic Bing-Shing Tsui, aged 50, has been a General Manager and Head of Market Risk & Control since 2005, and is responsible for DSB's market risk and control function of the Bank. Mr Tsui graduated from Washington University with a Master degree in Business Administration and The Claremont Graduate School with a Master degree of Science in Mathematics. Mr Tsui is a Chartered Financial Analyst.

Florence Siu-Wai Lee, aged 41, has been the Head of Remuneration & Account Management of DSB since joining in 2000, and a General Manager & Head of Human Resources since 2005. Ms Lee is responsible for human resources management of the Bank. Ms Lee graduated from the Chinese University of Hong Kong with a Bachelor of Arts degree and obtained from The University of Hull, UK, a Master degree in Business Administration.

The business address for each member of senior management is 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong.

Human Resources

As at 31st December, 2005, DSB had a total staff of 1,650 (31st December, 2004: 1,256) employees.

SUMMARY FINANCIAL INFORMATION

The summary financial information set forth below has been extracted without material adjustment from the Bank's audited consolidated financial statements for the years ended 31st December, 2003, 2004 and 2005 except for amounts shown in US Dollars, which are added for reference purposes and should be read in conjunction with the information contained elsewhere in this Offering Circular. Furthermore, please refer to page 93 of this Offering Circular in relation to non-comparability of financial statements between the audited financial statements for the years ended 31st December, 2004 and before and the audited and unaudited consolidated financial statements for periods after 1st January, 2005.

Consolidated Income Statement:

| | For the year ended 31st December, | | | |
|---|-----------------------------------|-----------------------------|---------------|---------------|
| | 2003 | 2004 | 2005 | 2005* |
| | HK\$ millions | (Restated) HK\$ millions | HK\$ millions | US\$ millions |
| Interest income | 2,300 | 2,164 | 3,003 | 386 |
| Interest expense | (684) | (586) | (1,775) | (228) |
| Net interest income | 1,616 | 1,578 | 1,228 | 158 |
| Other operating income | 479 | 485 | 526 | 68 |
| Operating income | 2,095 | 2,063 | 1,754 | 226 |
| Operating expenses | (713) | (729) | (832) | (107) |
| Operating profit before provisions | 1,382 | 1,334 | 922 | 119 |
| Charge for bad and doubtful debts | (495) | (194) | (122) | (16) |
| Operating profit after provisions | 887 | 1,140 | 800 | 103 |
| Net (loss)/gain on disposal/revaluation of fixed assets and net gain from fair value adjustment on investment properties | (64) | 49 | 179 | 23 |
| Net gain on disposal of available-for-sale securities | — | — | 116 | 15 |
| Net gain on disposal of held-to-maturity and non-trading securities | 196 | 47 | — | — |
| Provisions on non-trading securities | (26) | — | — | — |
| Profit on ordinary activities | 993 | 1,236 | 1,095 | 141 |
| Share of results of jointly controlled entities | (2) | 4 | 3 | — |
| Profit before taxation | 991 | 1,240 | 1,098 | 141 |
| Taxation | (122) | (147) | (174) | (22) |
| Profit attributable to shareholders | 869 | 1,093 | 924 | 119 |
| Dividends | 500 | 576 | 532 | 68 |

* Amounts in Hong Kong dollars have been translated into US dollars at 2005's average exchange rate of HK\$7.7766 = US\$1.

Consolidated Balance Sheet:

| | As at 31st December, | | | |
|--|----------------------|-----------------------------|---------------|---------------|
| | 2003 | 2004 | 2005 | 2005* |
| | HK\$ millions | (Restated) HK\$ millions | HK\$ millions | US\$ millions |
| Assets | | | | |
| Cash and balances with banks and other financial institutions | 5,139 | 8,316 | 7,457 | 962 |
| Placements with banks and other financial institutions maturing between one and twelve months | — | 463 | 1,169 | 151 |
| Trading securities | 4,180 | 6,179 | 5,364 | 691 |
| Financial assets at fair value through profit or loss | — | — | 1,379 | 178 |
| Derivative financial instruments | — | — | 155 | 20 |
| Non-trading securities | 21,286 | 19,124 | — | — |
| Advances and other accounts | 29,302 | 33,646 | 45,694 | 5,892 |
| Available-for-sale securities | — | — | 22,661 | 2,922 |
| Held-to-maturity securities | 82 | 988 | 309 | 40 |
| Investments in jointly controlled entities | 23 | 27 | 30 | 4 |
| Goodwill | — | — | 812 | 105 |
| Intangible assets | — | — | 203 | 26 |
| Premises and other fixed assets | 885 | 660 | 1,373 | 177 |
| Investment properties | — | 246 | 321 | 41 |
| Current tax prepaid | — | 28 | — | — |
| Non-current assets held for resale | — | — | 822 | 106 |
| Total assets | 60,897 | 69,677 | 87,749 | 11,315 |
| Liabilities | | | | |
| Deposits from banks and other financial institutions | 2,593 | 3,369 | 4,997 | 645 |
| Derivative financial instruments | — | — | 505 | 65 |
| Trading liabilities | 6,380 | 6,684 | 6,311 | 814 |
| Deposits from customers designated at fair value through profit or loss | — | — | 1,697 | 219 |
| Deposits from customers | 36,637 | 40,268 | 51,036 | 6,581 |
| Certificates of deposit issued | 8,113 | 8,685 | 7,879 | 1,016 |
| Issued debt securities | 31 | 2,332 | 2,287 | 295 |
| Subordinated debts | 970 | 972 | 3,290 | 424 |
| Other accounts and accruals | 825 | 1,409 | 1,413 | 182 |
| Current income tax liabilities | 54 | — | 40 | 5 |
| Deferred income tax liabilities | 7 | 13 | 104 | 13 |
| Non-current liabilities held for resale | — | — | 531 | 68 |
| Total liabilities | 55,610 | 63,732 | 80,090 | 10,327 |
| Equity | | | | |
| Minority interests | — | — | 6 | 1 |
| Equity attributable to the Bank's shareholders | | | | |
| Share capital | 800 | 800 | 1,800 | 232 |
| Retained earnings | 3,419 | 4,088 | 4,578 | 590 |
| Other reserves | 1,068 | 1,057 | 1,275 | 165 |
| Shareholders' funds | 5,287 | 5,945 | 7,653 | 987 |
| Total equity | 5,287 | 5,945 | 7,659 | 988 |
| Total equity and liabilities | 60,897 | 69,677 | 87,749 | 11,315 |

* Amounts in Hong Kong dollars have been translated into US dollars at the December 2005 year-end exchange rate of HK\$7.7551 = US\$1.

The summary financial information set forth below has been extracted without material adjustment from the Bank's unaudited consolidated financial statements for the six months ended 30th June, 2006 and should be read in conjunction with the information contained elsewhere in this Offering Circular. Furthermore, please refer to page [91] of this Offering Circular in relation to non-comparability of financial statements between the audited financial statements for the years ended 31st December, 2004 and before and the audited and unaudited consolidated financial statements for periods after 1st January, 2005.

Unaudited Consolidated Balance Sheet

| | As at 30th June, 2006 | |
|---|-----------------------|----------------|
| | HK\$ millions | US\$ millions* |
| Assets | | |
| Cash and balances with banks and other financial institutions | 5,097 | 656 |
| Placements with banks and other financial institutions maturing between one and twelve months | 1,125 | 145 |
| Trading securities | 6,095 | 784 |
| Financial assets at fair value through profit or loss | 1,210 | 156 |
| Derivatives financial instruments | 487 | 63 |
| Advances and other accounts | 47,554 | 6,118 |
| Available-for-sale securities | 28,118 | 3,618 |
| Held-to-maturity securities | 255 | 33 |
| Investments in jointly controlled entities | 33 | 4 |
| Goodwill | 812 | 104 |
| Intangible assets | 188 | 24 |
| Premises and other fixed assets | 1,342 | 173 |
| Investment properties | 321 | 41 |
| Current income tax assets | 1 | — |
| Total assets | 92,638 | 11,919 |
| Liabilities | | |
| Deposits from banks and other financial institutions | 5,090 | 655 |
| Derivative financial instruments | 533 | 68 |
| Trading liabilities | 7,741 | 996 |
| Deposits from customers designated at fair value through profit or loss | 2,352 | 303 |
| Deposits from customers | 52,649 | 6,774 |
| Certificates of deposit issued | 8,557 | 1,101 |
| Issued debt securities | 2,266 | 291 |
| Subordinated notes | 3,440 | 443 |
| Other accounts and accruals | 1,582 | 203 |
| Current income tax liabilities | 101 | 13 |
| Deferred income tax liabilities | 98 | 13 |
| Total liabilities | 84,409 | 10,860 |
| Equity | | |
| Minority interests | — | — |
| Equity attributable to the Bank's shareholders | | |
| Share capital | 2,300 | 296 |
| Retained earnings | 4,543 | 584 |
| Other reserves | 1,133 | 146 |
| Proposed dividend | 253 | 33 |
| Shareholders' funds | 8,229 | 1,059 |
| Total equity | 8,229 | 1,059 |
| Total equity and liabilities | 92,638 | 11,919 |

* Amounts in Hong Kong dollars have been translated into US dollars at the June 2006 period-end exchange rate of HK\$7.76725 = US\$1.

Unaudited Consolidated Profit and Loss Account

| | For the six months ended 30th June, 2006 | |
|--|---|------------------|
| | (HK\$ millions) | (US\$ millions*) |
| Interest income | 2,320 | 299 |
| Interest expense | (1,429) | (184) |
| Net interest income | 891 | 115 |
| Other operating income | 272 | 35 |
| Operating income | 1,163 | 150 |
| Operating expenses | (516) | (67) |
| Operating profit before impairment charges | 647 | 83 |
| Impairment charges on loans and advances | (69) | (9) |
| Operating profit after impairment charges | 578 | 74 |
| Net loss on disposal of fixed assets | — | — |
| Net gain on disposal of interests in subsidiaries | 4 | 1 |
| Net gain on disposal of available-for-sale securities | 62 | 8 |
| Reversal of impairment losses on available-for-sale securities | 26 | 3 |
| Profit on ordinary activities | 670 | 86 |
| Share of results of jointly controlled entities | 3 | — |
| Profit before income tax | 673 | 86 |
| Income tax expense | (132) | (17) |
| Profit attributable to shareholders | 541 | 69 |
| Proposed interim dividend of HK\$11.00 per share | 253 | 33 |

* Amounts in Hong Kong dollars have been translated into US dollars at average exchange rate in the first half of 2006 of HK\$7.7582 = US\$1

Non-comparability of financial statements

From 2005, all Hong Kong Statements of Standard Accounting Practice (“HKSSAPs”) and Interpretations have been withdrawn and are replaced by new standards — Hong Kong Financial Reporting Standards — HKFRS — which are converged to International Financial Reporting Standards.

The Group prepared its published audited consolidated financial statements for fiscal years 2003 and 2004 in accordance with HKSSAPs. The published audited and unaudited consolidated financial statements for fiscal year 2005 and interim 2006 respectively were prepared in accordance with HKFRS. Therefore, the prior period audited consolidated financial statements are not comparable with the audited 2005 and the unaudited interim 2006 results.

Caution must be exercised when using such data to evaluate the future financial condition, results of operations and prospect of the Group.

The Group published the effect of changes in the accounting policies on the opening consolidated financial statements as at 1st January, 2005 in the audited consolidated financial statements for fiscal year 2005 due to the adoption of new HKFRSs. This listed out the impact of the adoption of HKFRSs in particular HKFRS 2 Share-based payments, HK(SIC) Int 21 Income taxes — Recovery of revalued non-depreciable assets, and HKAS 39 Financial instruments: Recognition and Measurement. HKAS 39 requires prospective adoption and has the most significant impact on the Group’s financial statements.

CAPITALISATION AND INDEBTEDNESS OF DAH SING BANK, LIMITED

The unaudited consolidated capitalisation and indebtedness of the Bank as at 30th June, 2006 was as follows:

| | (Unaudited) | |
|---|-----------------------|------------------------------|
| | As at 30th June, 2006 | |
| | HK\$ millions | US\$ millions ⁽¹⁾ |
| Short-term liabilities: | | |
| Deposits and balances of banks and other financial institutions | 5,090 | 655 |
| Derivatives financial instruments | 533 | 69 |
| Trading liabilities | 7,741 | 997 |
| Customer deposits | 52,649 | 6,778 |
| Deposits from customers designated at fair value through profit or loss | 2,352 | 303 |
| Certificates of deposit issued, short-term portion | 2,330 | 300 |
| Other accounts and provisions | 1,782 | 229 |
| Total short-term liabilities | 72,477 | 9,331 |
| Long-term liabilities: | | |
| Certificates of deposit issued, long-term portion | 6,227 | 802 |
| Issued debt securities | 2,266 | 292 |
| Subordinated notes | 3,440 | 443 |
| Total long-term liabilities | 11,933 | 1,537 |
| Shareholders' funds: | | |
| Share capital ⁽²⁾ | 2,300 | 296 |
| Reserves | 5,928 | 763 |
| Total shareholders' funds | 8,228 | 1,059 |
| Total capitalisation and indebtedness | 92,638 | 11,927 |

Notes:

- (1) Translated into US dollars at HK\$7.76725 = US\$1, being the rate of exchange of US dollars into Hong Kong dollars on 30th June, 2006 as used by the Bank for its period-end translation.
- (2) As at 30th June, 2006, the Bank had an authorised, issued and fully paid share capital of HK\$2,300 million (approximately US\$296 million), consisting of 23,000,000 ordinary shares of HK\$100 each.
- (3) Save as disclosed herein, there has been no material change in the consolidated capitalisation and indebtedness of the Bank and its subsidiaries since 30th June, 2006.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing on or after 22nd June, 1998, to a person other than a financial institution, on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, inter alia, a financial institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) are exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Provided no prospectus involving the issue of the Notes is registered under the Companies Ordinance (Cap. 32) of Hong Kong, the issue of the Notes by DSB is expected to constitute a deposit to which the above exemption from payment will apply. However, the exemption will not apply to Notes issued by the Guaranteed Issuers, assuming that the Guaranteed Issuers are not financial institutions in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided either:

- (i) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue.

No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfers of Registered Notes provided that either:

- (i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 commenced operation on 11th February, 2006. Estates of persons who pass away on or after the commencement date of that ordinance are not subject to Hong Kong estate duty.

British Virgin Islands

The following is a general description of certain British Virgin Islands tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the British Virgin Islands of acquiring, holding and disposing of Notes and receiving payments of interests, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

As DSMFL and DSSFL are incorporated pursuant to the International Business Companies Act Cap. 291 of the British Virgin Islands, (i) payment of principal and interest in respect of the Notes issued by them will not be subject to taxation in the British Virgin Islands and no withholding tax will be required to be deducted by DSMFL or DSSFL on such payments to any holder of a Note provided such Note holder is

not an individual resident in an EU Member State. Furthermore, so long as payments are made by a paying agent that is situated in an EU Member State. On 1st January, 2007, DSMFL and DSSFL will be registered under the BVI Business Companies Act 2004; this will not affect the tax position. Harney Westwood & Riegels, British Virgin Islands counsel to DSMFL and DSSFL, further consider that no British Virgin Islands withholding or deduction for or on account of British Virgin Islands taxation will be required in respect of a payment in respect of the Notes even if to an EU resident individual.

EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**Directive**”), Member States are required, from 1st July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries), although the Directive provides that there should be no such withholding where the beneficial owner of the payments authorises an exchange of information and/or where the beneficial owner represents a certificate from the tax authority of the Member State in which the beneficial owner is resident. A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

Under the Directive, DSMFL and DSSFL would not be obliged to levy withholding tax in respect of interest payments made by them pursuant to the Notes to a paying agent situated in an EU Member State.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or the CMU Service (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that DSB and the Guaranteed Issuers believe to be reliable, but neither DSB, the Guaranteed Issuers nor any Dealer or the Arranger takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither DSB, the Guaranteed Issuers nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

The Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system’s rules and procedures.

CMU

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the “**HKMA**”) for the safe custody and electronic trading between the members of this service (“**CMU Members**”) of capital markets instruments (“**CMU Instruments**”) which are specified in the CMU Service Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and “authorized institutions” under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Service Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-US beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU Service will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

Book-Entry Ownership

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The relevant Issuer may also apply to have Bearer Notes accepted for clearance through the CMU Service. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depository for Euroclear and Clearstream, Luxembourg or a sub-custodian for the CMU Service. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU Service, Euroclear and Clearstream, Luxembourg.

Registered Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. Each Global Certificate will have an International Securities Identification Number (“**ISIN**”) and a Common Code. Investors in Notes of such Series may hold their interests in a Global Certificate only through Euroclear or Clearstream, Luxembourg.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a Dealer Agreement dated 14th June, 2002 as amended and restated by an Amended and Restated Dealer Agreement dated 19th December, 2006 (the “**Dealer Agreement**”) between DSB, DSMFL, DSSFL, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the relevant Issuer to the Permanent Dealers. However, each of DSB and the Guaranteed Issuers has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the relevant Issuer through the Dealers, acting as agents of the relevant Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The relevant Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. Each of DSB and the Guaranteed Issuers has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Pricing Supplement.

Each of DSB and the Guaranteed Issuers has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

Selling Restrictions

United States

The Notes and the Guarantees have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the relevant Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to

purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States is prohibited.

United Kingdom

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are subject to the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-Exempt Offer**), in the period beginning on the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, and ending on the date specified in such prospectus or final terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of the Notes referred to in (b) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each Dealer has further represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as

principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

In relation to each Tranche of Notes, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

- (i) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong (the “**Companies Ordinance**”) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

British Virgin Islands

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that, with respect to offers and sales of any Notes, it has not and will not offer or sell any Notes to persons resident in the British Virgin Islands.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “**Securities and Exchange Law**”). Accordingly, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed that

it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Note:

Where Notes are subscribed or purchased under Section 275 by a relevant person which is:

- (a) a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except:

- (i) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (ii) where no consideration is or will be given for the transferor; or
- (iii) where the transfer is by operation of law.

General

These selling restrictions may be modified by the agreement of the relevant Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular, any other offering material or any Pricing Supplement and none of DSB, the Guaranteed Issuers nor any other Dealer shall have responsibility therefor.

GENERAL INFORMATION

- (1) The establishment of the Programme, the issue of Notes thereunder and, in the case of DSB, the giving of the Guarantees, have been duly authorised by resolutions of the respective Boards of Directors of DSB, DSSFL and DSMFL, dated (in the case of DSB) 29th April, 2002 and 13th June, 2002 and (in the case of DSSFL and DSMFL) 13th June, 2002. DSB, DSMFL and DSSFL have obtained and have agreed to obtain from time to time all necessary internal consents, approvals and authorisations for the issue of Notes under the Programme. The issue of this Offering Circular has been duly authorised by resolutions of the respective Boards of Directors of DSB, DSMFL and DSSFL dated 16th December, 2006.
- (2) DSB and each of the Guaranteed Issuers has obtained all necessary consents, approvals and authorisations in Hong Kong and the British Virgin Islands, respectively, in connection with the establishment of the Programme and the Guarantees relating to the Programme.
- (3) Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of DSB or of the Group since 31st December, 2005 and no material adverse change in the financial position or prospects of DSB or of the Group since 31st December, 2005.
- (4) Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position or prospects of DSMFL or DSSFL since their respective dates of incorporation.
- (5) None of DSB or the Guaranteed Issuers nor any of DSB's Subsidiaries is or has been involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of the issue of the Notes nor so far as DSB or the Guaranteed Issuers are aware is any such litigation or arbitration pending or threatened.
- (6) Each Bearer Note, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
- (7) Application has been made to the SGX-ST for permission to deal in, and for quotation of, any Notes which are agreed at the time of issue to be listed on the SGX-ST. There can be no assurance that an application to the SGX-ST will be approved. So long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, if any of the Global Notes is exchanged for definitive Notes, announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.
- (8) For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of DSB and from the specified office of the Paying Agent for the time being in London:
 - (i) the Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);
 - (ii) the Dealer Agreement;
 - (iii) the Deed of Covenant;
 - (iv) the Deed of Guarantee;
 - (v) the Memorandum and Articles of Association of DSB, DSMFL and DSSFL;

- (vi) the audited consolidated financial statements of DSB in respect of the financial years ended 31st December, 2003, 2004 and 2005 and the audited non-consolidated audited balance sheet of DSB as at the respective dates (DSB currently prepares audited accounts on an annual basis and does not prepare annual non-consolidated financial statements other than the balance sheet);
- (vii) the most recently published audited annual financial statements of DSB and the most recently published unaudited interim financial statements of DSB from time to time (at the date of this Offering Circular, DSMFL and DSSFL are not required under British Virgin Islands law to publish, and have not published, any audited or unaudited financial statements and do not propose to publish any financial statements. DSB currently prepares unaudited consolidated interim accounts on a half-yearly basis);
- (viii) a copy of this Offering Circular;
- (ix) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to DSB or the relevant Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference;
- (x) a copy of the subscription agreement for Notes issued on a syndicated basis that are listed on any stock exchange; and
- (xi) a copy of each Deed of Adherence and each New Deed of Covenant executed by each New Issuer.

Copies of the documents referred to in sub-paragraphs (v) to (ix) above will also be available free of charge during the hours referred to above from the specified office of the Paying Agent for the time being in London.

- (9) The appropriate Common Code and ISIN for each Tranche of Notes and Notes to be listed on the SGX-ST allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. The relevant Issuer may also apply to have Bearer Notes accepted for clearance through the CMU Service. The relevant CMU instrument number will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.
- (10) PricewaterhouseCoopers have audited DSB's accounts, without qualification, in accordance with generally accepted auditing standards in Hong Kong for the three financial years ended 31st December, 2003, 2004 and 2005. Each of DSSFL and DSMFL does not and has no current intention to, publish any audited or unaudited financial statements.

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2 Queen's Road Central
Hong Kong

Registrar

Deutsche Bank AG, Hong Kong Branch

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* Unless otherwise specified in the applicable Pricing Supplement, Deutsche Bank AG, London Branch will act as Fiscal Agent.

CMU Lodging Agent

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Arranger

The Hongkong and Shanghai Banking Corporation Limited

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Hong Kong

Auditors

To the Guarantor

PricewaterhouseCoopers

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2 Queen's Road Central
Hong Kong

Legal Advisers

To the Dealers

as to English and Hong Kong law

Linklaters

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Chater Road
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To the Guaranteed Issuers

as to British Virgin Islands law

Harney Westwood & Riegels

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大新銀行

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