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大眾金融控股有限公司 PUBLIC FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 626; Website: www.publicfinancial.com.hk)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the “Board”) of Public Financial Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015 with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2015 HK\$'000	2014 HK\$'000
Interest income	8	1,691,906	1,640,033
Interest expense	8	(356,220)	(389,236)
NET INTEREST INCOME		1,335,686	1,250,797
Other operating income	9	225,654	209,201
OPERATING INCOME		1,561,340	1,459,998
Operating expenses	10	(800,484)	(778,950)
Changes in fair value of investment properties		10,671	11,949
OPERATING PROFIT BEFORE IMPAIRMENT ALLOWANCES		771,527	692,997
Impairment allowances for loans and advances and receivables	11	(265,417)	(224,256)
OPERATING PROFIT AFTER IMPAIRMENT ALLOWANCES		506,110	468,741
Share of profit of a joint venture		199	180
PROFIT BEFORE TAX		506,309	468,921
Tax	12	(83,354)	(84,531)
PROFIT FOR THE YEAR		422,955	384,390

* For identification purpose only

		Year ended 31 December	
		2015	2014
	<i>Notes</i>	HK\$'000	HK\$'000
ATTRIBUTABLE TO:			
Owners of the Company		422,955	384,390
EARNINGS PER SHARE (HK\$)			
Basic	14	0.385	0.350
Diluted		0.385	0.350

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2015 HK\$'000	2014 HK\$'000
PROFIT FOR THE YEAR	422,955	384,390
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange loss on translating foreign operations, net of tax	(25,971)	(16,579)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	396,984	367,811
ATTRIBUTABLE TO:		
Owners of the Company	396,984	367,811

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2015 <i>Notes</i>	31 December 2014 <i>HK\$'000</i>
ASSETS		
Cash and short term placements	3,928,212	3,982,174
Placements with banks and financial institutions maturing after one month but not more than twelve months	1,018,133	927,219
Derivative financial instruments	3,864	2,170
Loans and advances and receivables	29,587,136	28,700,433
Available-for-sale financial assets	6,804	6,804
Held-to-maturity investments	5,342,872	4,951,708
Investment properties	267,384	256,713
Property and equipment	108,428	110,311
Land held under finance leases	643,223	650,914
Interest in a joint venture	1,892	1,693
Deferred tax assets	25,986	26,078
Tax recoverable	–	133
Goodwill	2,774,403	2,774,403
Intangible assets	718	718
Other assets	112,007	157,674
TOTAL ASSETS	43,821,062	42,549,145
EQUITY AND LIABILITIES		
LIABILITIES		
Deposits and balances of banks and other financial institution at amortised cost	984,093	515,066
Derivative financial instruments	588	5,994
Customer deposits at amortised cost	33,031,821	31,583,813
Certificates of deposit issued at amortised cost	499,977	1,363,494
Dividends payable	142,729	120,771
Unsecured bank loans at amortised cost	1,642,400	1,603,269
Current tax payable	22,207	22,644
Deferred tax liabilities	26,433	25,068
Other liabilities	348,263	385,834
TOTAL LIABILITIES	36,698,511	35,625,953
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Issued capital	109,792	109,792
Reserves	7,012,759	6,813,400
TOTAL EQUITY	7,122,551	6,923,192
TOTAL EQUITY AND LIABILITIES	43,821,062	42,549,145

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 31 December	
	2015 HK\$'000	2014 HK\$'000
TOTAL EQUITY		
Balance at the beginning of the year	6,923,192	6,731,048
Profit for the year	422,955	384,390
Other comprehensive income in translation reserve	(25,971)	(16,579)
Total comprehensive income for the year	396,984	367,811
Dividends declared on shares	(197,625)	(175,667)
Balance at the end of the year	7,122,551	6,923,192

NOTES TO FINANCIAL STATEMENTS

1. STATUTORY FINANCIAL STATEMENTS

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2015. Certain financial information in this announcement is extracted from the statutory financial statements for the year ended 31 December 2015, which will be available in the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (a collective term which includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int")) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have also complied with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). They also contain certain disclosure information required under the Banking (Disclosure) Rules ("BDR") issued by the Hong Kong Monetary Authority ("HKMA").

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, available-for-sale financial assets, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

3. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The subsidiaries consolidated for accounting purpose are Public Bank (Hong Kong) Limited (“Public Bank (Hong Kong)”), Public Finance Limited (“Public Finance”), Winton (B.V.I.) Limited and their subsidiaries and a joint venture.

4. BASIS OF CAPITAL DISCLOSURES

The Group has complied with the capital requirements during the reporting period related to capital base and the capital adequacy ratio as stipulated by the HKMA, and has referred to the Guideline on the Application of the Banking (Disclosure) Rules issued by the HKMA.

Should the Group have not complied with the externally imposed capital requirements of the HKMA, capital management plans should be submitted to the HKMA for restoration of capital to the minimum required level as soon as possible.

The computation of the consolidated total capital ratio of the Group is based on the ratio of the aggregate of risk weighted exposures to the aggregate of capital bases of the Company, Public Bank (Hong Kong) and Public Finance for regulatory reporting purpose.

There are no major restrictions or impediments on the transfer of capital or funds among the members of the Company’s consolidation group except that liquidity, capital and other performance indicators of Public Financial Securities Limited and Public Securities Limited should satisfy the minimum requirements of the Securities and Futures (Financial Resources) Rules issued by the Securities and Futures Commission of Hong Kong.

A portion of retained profits, based on a percentage of gross loans and advances, is set aside as a non-distributable regulatory reserve as part of Common Equity Tier 1 (“CET1”) capital and is included in the capital base pursuant to the HKMA capital requirements.

The Group has adopted the provisions of the Banking (Amendment) Ordinance 2012 relating to the Basel III capital standards and the amended Banking (Capital) Rules (the “Capital Rules”). The Capital Rules outline the general requirements on regulatory capital ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate. The Capital Rules have been developed based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision. Under the Capital Rules, the minimum capital ratio requirements are progressively increased during the period from 1 January 2013 to 1 January 2019, and include a phased introduction of a new capital conservation buffer of 2.5%. Furthermore, the leverage ratio that forms part of Basel III implementation is under parallel run until January 2017 and relevant information has been submitted by Public Bank (Hong Kong) and Public Finance for regulatory monitoring since 2014. Additional capital requirements, including a new countercyclical capital buffer ranging from 0% to 2.5%, will be implemented from 1 January 2016.

5. ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The HKICPA has issued a number of revised HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2015. The Group has adopted the following revised standards for the first time for the current year’s financial statements.

- | | |
|---|---|
| <ul style="list-style-type: none">• Annual Improvements 2010-2012 Cycle• Annual Improvements 2011-2013 Cycle• Amendments to HKAS 19 | <p>Amendments to a number of HKFRSs
Amendments to a number of HKFRSs
<i>Defined Benefit Plans: Employee Contributions</i></p> |
|---|---|

The Annual Improvements to HKFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The Group has applied the aggregation criteria in HKFRS 8.12. The Group has disclosed the judgements made by management in applying the aggregation criteria and presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in note 7 to these financial statements.
- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments do not have any material impact on the Group.
- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment does not have any material impact on the Group.

The Annual Improvements to HKFRSs 2011-2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment does not have any material impact on the Group.
- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment does not have any material impact on the Group.
- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment does not have any material impact on the Group.

Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments do not have any material impact on the Group.

In addition, the Company has adopted the amendments to the Listing Rules relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

Issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

• HKFRS 9	<i>Financial Instruments²</i>
• Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
• Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception¹</i>
• Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations¹</i>
• HKFRS 14	<i>Regulatory Deferral Accounts³</i>
• HKFRS 15	<i>Revenue from Contracts with Customers²</i>
• Amendments to HKAS 1	<i>Disclosure Initiative¹</i>
• Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation¹</i>
• Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants¹</i>
• Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements¹</i>
• Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

Amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the income statement and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the income statement. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

6. SIGNIFICANT ACCOUNTING ESTIMATES

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment allowances on loans and advances and receivables, and held-to-maturity investments

The Group reviews its portfolios of loans and advances and receivables, and held-to-maturity investments to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the discounted estimated future cash flows from a portfolio of loans and advances and receivables, and held-to-maturity investments before the decrease can be identified with an individual loan or a held-to-maturity investment in those portfolios. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

For loans and advances and receivables for which no individual impairment is observed, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the loan portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units (“CGUs”) to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 and 2014 was HK\$2,774,403,000, of which HK\$832,321,000 was attributed to Public Bank (Hong Kong) and HK\$1,942,082,000 was attributed to Public Finance. Further details are set out in note 17 to the financial statements.

7. SEGMENT INFORMATION

Operating segment information

In accordance with the Group’s internal financial reporting, the Group has identified operating segments based on similar economic characteristics, products and services and delivery methods. The operating segments are identified by senior management who is designated as the “Chief Operating Decision Maker” to make decisions about resources allocation to the segments and assess their performance. A summary of the operating segments is as follows:

- retail and commercial banking businesses segment mainly comprises the provision of deposit account services, the extension of mortgages and consumer lending, hire purchase and leasing, provision of financing to purchasers of licensed public vehicles such as taxis and public light buses, provision of services and financing activities for customers in trading, manufacturing and various business sectors, foreign exchange activities, centralised cash management for deposit taking and lending, interest rate risk management and the overall funding management of the Group;
- wealth management services, stockbroking and securities management segment comprises management of investments in debt securities and equities, securities dealing and receipt of commission income and the provision of authorised wealth management products and services; and
- other businesses segment comprises taxi trading, leasing of taxis and letting of investment properties.

The Group's inter-segment transactions during the year were mainly related to dealers' commission from referrals of taxi financing loans, and these transactions were entered into on similar terms and conditions as those contracted with third parties at the dates of the transactions.

The following table discloses the revenue and profit information for operating segments for the years ended 31 December 2015 and 2014.

	Wealth management services, stockbroking				Eliminated on consolidation				Total	
	Retail and commercial banking businesses	and securities management	Other businesses		2015	2014	2015	2014	2015	2014
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Segment revenue										
External:										
Net interest income	1,335,681	1,250,763	5	34	-	-	-	-	1,335,686	1,250,797
Other operating income:										
Fees and commission income	144,950	143,274	47,702	31,278	646	507	-	-	193,298	175,059
Others	14,728	13,996	(75)	(45)	17,703	20,191	-	-	32,356	34,142
Inter-segment transactions:										
Fees and commission income	-	-	-	-	45	120	(45)	(120)	-	-
Operating income	1,495,359	1,408,033	47,632	31,267	18,394	20,818	(45)	(120)	1,561,340	1,459,998
Operating profit after impairment allowance	470,835	443,132	18,447	4,976	16,828	20,633	-	-	506,110	468,741
Share of profit of a joint venture									199	180
Profit before tax									506,309	468,921
Tax									(83,354)	(84,531)
Profit for the year									422,955	384,390
Other segment information										
Depreciation of property and equipment and land held under finance leases	(27,004)	(28,401)	-	-	-	-	-	-	(27,004)	(28,401)
Changes in fair value of investment properties	-	-	-	-	10,671	11,949	-	-	10,671	11,949
Impairment allowances for loans and advances and receivables	(265,417)	(224,256)	-	-	-	-	-	-	(265,417)	(224,256)
Net losses on disposal of property and equipment	(31)	(125)	-	-	-	-	-	-	(31)	(125)

The following table discloses certain assets and liabilities information regarding operating segments as at 31 December 2015 and 2014.

	Wealth management services, stockbroking and securities management				Other businesses				Eliminated on consolidation		Total			
	Retail and commercial banking businesses								2015	2014	2015	2014	2015	2014
	2015	2014	HK\$'000	HK\$'000	2015	2014	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets other than intangible assets and goodwill	40,423,442	39,162,950		324,052	325,495		270,569	257,675	-	-	41,018,063	39,746,120		
Intangible assets	-	-		718	718		-	-	-	-	718	718		
Goodwill	2,774,403	2,774,403		-	-		-	-	-	-	2,774,403	2,774,403		
Segment assets	43,197,845	41,937,353		324,770	326,213		270,569	257,675	-	-	43,793,184	42,521,241		
Unallocated assets:											1,892	1,693		
Interest in a joint venture														
Deferred tax assets and tax recoverable											25,986	26,211		
Total assets											43,821,062	42,549,145		
Segment liabilities	36,380,740	35,314,098		118,515	135,582		7,887	7,790	-	-	36,507,142	35,457,470		
Unallocated liabilities:											48,640	47,712		
Deferred tax liabilities and tax payable											142,729	120,771		
Total liabilities											36,698,511	35,625,953		
Other segment information														
Additions to non-current assets - capital expenditure	17,422	20,937		-	-		-	-	-	-	17,422	20,937		

Geographical information

Geographical information is analysed by the Group based on the locations of the principal operations of the branches and subsidiaries which are responsible for reporting the results or booking the assets.

The following table discloses the segment revenue information for geographical segments for the years ended 31 December 2015 and 2014.

	2015 HK\$'000	2014 HK\$'000
Segment revenue from external customers:		
Hong Kong	1,483,324	1,381,208
Mainland China	78,016	78,790
	1,561,340	1,459,998

Segment revenue is allocated to the reportable segments with reference to interest and fees and commission income generated by these segments.

The following table discloses the non-current assets information for geographical segments as at 31 December 2015 and 2014.

	2015 HK\$'000	2014 HK\$'000
Non-current assets:		
Hong Kong	3,778,123	3,775,818
Mainland China	17,925	18,934
	3,796,048	3,794,752

Non-current assets consist of investment properties, property and equipment, land held under finance leases, interest in a joint venture, goodwill and intangible assets.

Operating income or revenue from major customers

Operating income or revenue from transactions with each external customer, including a group of entities which are known to be under common control with that customer, amounts to less than 10% of the Group's total operating income or revenue.

8. INTEREST INCOME AND EXPENSE

	2015 HK\$'000	2014 HK\$'000
Interest income from:		
Loans and advances and receivables	1,558,023	1,496,497
Short term placements and placements with banks	67,495	79,595
Held-to-maturity investments	66,388	63,941
	1,691,906	1,640,033
Interest expense on:		
Deposits from banks and financial institutions	12,395	18,814
Deposits from customers	319,179	350,457
Bank loans	24,646	19,965
	356,220	389,236

Interest income and interest expense for the year ended 31 December 2015, calculated using the effective interest method for financial assets and financial liabilities which are not designated at fair value through profit or loss, amounted to HK\$1,691,906,000 and HK\$356,220,000 (2014: HK\$1,640,033,000 and HK\$389,236,000) respectively. Interest income on the impaired loans and advances for the year ended 31 December 2015 amounted to HK\$4,999,000 (2014: HK\$4,783,000).

9. OTHER OPERATING INCOME

	2015 HK\$'000	2014 HK\$'000
Fees and commission income:		
Retail and commercial banking	147,141	145,293
Wealth management services, stockbroking and securities management	47,702	31,278
	194,843	176,571
Less: Fees and commission expenses	(1,545)	(1,512)
Net fees and commission income	193,298	175,059
Gross rental income	17,262	15,920
Less: Direct operating expenses	(83)	(84)
Net rental income	17,179	15,836
Gains less losses arising from dealing in foreign currencies	7,935	15,381
Net gains/(losses) on derivative financial instruments	3,276	(3,824)
	11,211	11,557
Net losses on disposal of property and equipment	(31)	(125)
Dividend income from listed investments	67	52
Dividend income from unlisted investments	800	800
Others	3,130	6,022
	225,654	209,201

Direct operating expenses included repairs and maintenance expenses arising from investment properties.

There were no net gains or losses arising from available-for-sale financial assets, held-to-maturity investments, loans and advances and receivables, financial liabilities measured at amortised cost and financial assets and liabilities designated at fair value through profit or loss for the years ended 31 December 2015 and 2014.

All fees and commission income and expenses are related to financial assets or financial liabilities which are not designated at fair value through profit or loss. No fees and commission income and expenses are related to trust and other fiduciary activities.

10. OPERATING EXPENSES

	2015 HK\$'000	2014 HK\$'000
Staff costs:		
Salaries and other staff costs	475,213	458,467
Pension contributions	22,417	21,319
Less: Forfeited contributions	(38)	(21)
Net contribution to retirement benefit schemes	<u>22,379</u>	21,298
	497,592	479,765
Other operating expenses:		
Operating lease rentals on leasehold buildings	65,379	63,377
Depreciation of property and equipment and land held under finance leases	27,004	28,401
Auditors' remuneration	3,919	3,823
Administrative and general expenses	68,377	67,104
Others	<u>138,213</u>	136,480
Operating expenses before changes in fair value of investment properties	800,484	778,950

At 31 December 2015 and 2014, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years. The credits for the years ended 31 December 2015 and 2014 arose in respect of staff who left the schemes.

11. IMPAIRMENT ALLOWANCES

	2015 HK\$'000	2014 HK\$'000
Net charge for/(write-back of) impairment losses and allowances:		
– loans and advances	263,803	225,714
– trade bills, accrued interest and receivables	<u>1,614</u>	(1,458)
	265,417	224,256
Net charge for/(write-back of) impairment losses and allowances:		
– individually assessed	268,652	226,118
– collectively assessed	<u>(3,235)</u>	(1,862)
	265,417	224,256
Of which:		
– new impairment losses and allowances (including any amount directly written off during the year)	424,110	408,612
– releases and recoveries	<u>(158,693)</u>	(184,356)
Net charge to the consolidated income statement	265,417	224,256

There were no impairment allowances for financial assets other than loans and advances and receivables for the years ended 31 December 2015 and 2014.

12. TAX

	2015 HK\$'000	2014 HK\$'000
Current tax charge:		
Hong Kong	75,815	64,038
Overseas	11,082	14,800
(Over-provision)/under-provision in prior years	(5,000)	41
Deferred tax charge, net	1,457	5,652
	<hr/>	<hr/>
	83,354	84,531
	<hr/>	<hr/>

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company, its subsidiaries and a joint venture are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. statutory tax rates) to the effective tax rates, are as follows:

	2015					
	Hong Kong HK\$'000	%	Mainland China HK\$'000	%	Total HK\$'000	%
Profit before tax	<u>459,212</u>		<u>47,097</u>		<u>506,309</u>	
Tax at the applicable tax rate	<u>75,770</u>	<u>16.5</u>	<u>11,774</u>	<u>25.0</u>	<u>87,544</u>	<u>17.3</u>
Estimated tax losses from previous periods utilised	<u>(189)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(189)</u>	<u>–</u>
Estimated tax effect of net expenses/(income) that are not deductible/(taxable)	<u>1,378</u>	<u>0.3</u>	<u>(379)</u>	<u>(0.8)</u>	<u>999</u>	<u>0.2</u>
Adjustments in respect of current tax of previous periods	<u>(5,000)</u>	<u>(1.1)</u>	<u>–</u>	<u>–</u>	<u>(5,000)</u>	<u>(1.0)</u>
Tax charge at the Group's effective rate	<u>71,959</u>	<u>15.7</u>	<u>11,395</u>	<u>24.2</u>	<u>83,354</u>	<u>16.5</u>

	Hong Kong HK\$'000	%	Mainland China HK\$'000	%	Total HK\$'000	%
Profit before tax	402,439		66,482		468,921	
Tax at the applicable tax rate	66,402	16.5	16,621	25.0	83,023	17.7
Estimated tax losses from previous periods utilised	(7)	–	–	–	(7)	–
Estimated tax effect of net expenses that are not deductible	1,167	0.3	307	0.5	1,474	0.3
Adjustments in respect of current tax of previous periods	41	–	–	–	41	–
Tax charge at the Group's effective rate	67,603	16.8	16,928	25.5	84,531	18.0

13. DIVIDENDS

(a) Dividends attributable during the year

	2015 HK\$ per ordinary share	2014 HK\$ per ordinary share	2015 HK\$'000	2014 HK\$'000
First interim dividend declared and paid	0.05	0.05	54,896	54,896
Second interim dividend declared	0.13	0.11	142,729	120,771
	0.18	0.16	197,625	175,667

(b) Dividends attributable to the previous financial year and paid during the year

	2015 HK\$ per ordinary share	2014 HK\$ per ordinary share	2015 HK\$'000	2014 HK\$'000
Second interim dividend in respect of the previous year	0.11	0.11	120,771	120,771

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the year of HK\$422,955,000 (2014: HK\$384,390,000) and on the weighted average number of ordinary shares in issue of 1,097,917,618 (2014: 1,097,917,618) during the year.

(b) Diluted earnings per share

All the share options expired and lapsed on 10 June 2015. The share options outstanding during the years ended 31 December 2015 and 2014 had no dilutive effect on the basic earnings per share for these years. The calculation of diluted earnings per share for the year ended 31 December 2015 was based on the profit for the year of HK\$422,955,000 (2014: HK\$384,390,000) and on the weighted average number of ordinary shares of 1,097,917,618 (2014: 1,097,917,618), being the weighted average number of ordinary shares in issue of 1,097,917,618 (2014: 1,097,917,618) during the year as used in the basic earnings per share calculation.

15. LOANS AND ADVANCES AND RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Loans and advances to customers	29,535,457	28,654,066
Trade bills	64,552	39,935
	<hr/>	<hr/>
Loans and advances, and trade bills	29,600,009	28,694,001
Accrued interest	80,779	77,985
	<hr/>	<hr/>
Other receivables	29,680,788	28,771,986
	28,621	33,636
	<hr/>	<hr/>
Gross loans and advances and receivables	29,709,409	28,805,622
	<hr/>	<hr/>
Less: Impairment allowances for loans and advances and receivables		
– individually assessed	(106,509)	(86,174)
– collectively assessed	(15,764)	(19,015)
	<hr/>	<hr/>
	(122,273)	(105,189)
	<hr/>	<hr/>
Loans and advances and receivables	29,587,136	28,700,433
	<hr/>	<hr/>

Over 90% (2014: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (2014: over 90%) of the collateral for the secured loans and advances and receivables were customer deposits, properties, listed shares, taxi licences, public light bus licences and vehicles.

Loans and advances and receivables are summarised as follows:

	2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired loans and advances and receivables	29,127,545	28,292,991
Past due but not impaired loans and advances and receivables	392,599	374,435
Individually impaired loans and advances	185,253	135,944
Individually impaired receivables	4,012	2,252
 Gross loans and advances and receivables	29,709,409	28,805,622

About 66% (2014: 65%) of “Neither past due nor impaired loans and advances and receivables” were residential property mortgage loans, commercial property mortgage loans and hire purchase loans secured by properties, taxi licences, public light bus licences and vehicles.

(a) (i) Ageing analysis of overdue and impaired loans and advances

	2015 Gross amount HK\$'000	Percentage of total loans and advances %	2014 Gross amount HK\$'000	Percentage of total loans and advances %
Loans and advances overdue for:				
Six months or less but over three months	85,958	0.29	70,250	0.25
One year or less but over six months	15,568	0.05	8,190	0.03
Over one year	24,767	0.09	21,120	0.07
 Loans and advances overdue for more than three months	 126,293	 0.43	 99,560	 0.35
 Rescheduled loans and advances overdue for three months or less	 35,162	 0.12	 31,338	 0.11
 Impaired loans and advances overdue for three months or less	 23,798	 0.08	 5,046	 0.01
 Total overdue and impaired loans and advances	 185,253	 0.63	 135,944	 0.47

(ii) Ageing analysis of overdue and impaired trade bills, accrued interest and other receivables

	2015 HK\$'000	2014 HK\$'000
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	288	115
One year or less but over six months	384	447
Over one year	3,181	1,655
Trade bills, accrued interest and other receivables overdue for more than three months	3,853	2,217
Impaired trade bills, accrued interest and other receivables overdue for three months or less	159	35
Total overdue and impaired trade bills, accrued interest and other receivables	4,012	2,252

Impaired loans and advances and receivables are individually determined to be impaired after considering the overdue ageing analysis and other qualitative factors such as bankruptcy proceedings and individual voluntary arrangements.

(b) Geographical analysis of overdue and impaired loans and advances and receivables, and individual impairment allowances

	2015			2014					
	Mainland			Hong Kong	China	Total	Hong Kong	China	Total
	Hong Kong	China	Total	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(i) Analysis of overdue loans and advances and receivables									
Loans and advances and receivables overdue for more than three months	117,398	12,748	130,146	89,587	12,190	101,777			
Individual impairment allowances	73,889	11,457	85,346	57,855	5,545	63,400			
Current market value and fair value of collateral			69,165						45,582
(ii) Analysis of impaired loans and advances and receivables									
Impaired loans and advances and receivables	176,409	12,856	189,265	125,945	12,251	138,196			
Individual impairment allowances	94,944	11,565	106,509	80,568	5,606	86,174			
Current market value and fair value of collateral			128,237						47,988

Over 90% (2014: over 90%) of the Group's gross loans and advances and receivables were derived from operations carried out in Hong Kong. Accordingly, no geographical segment information of gross loans and advances and receivables is presented herein.

- (c) The value of collateral held in respect of the overdue loans and advances and the split between the portion of the overdue loans and advances covered by credit protection (covered portion) and the remaining portion (uncovered portion) are as follows:

	2015 HK\$'000	2014 HK\$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	69,165	45,582
Covered portion of overdue loans and advances	24,324	15,552
Uncovered portion of overdue loans and advances	101,969	84,008

The assets taken as collateral should satisfy the following criteria:

- The market value of the asset is readily determinable or can be reasonably established and verified.
- The asset is marketable and there exists a readily available secondary market for disposal of the asset.
- The Group's right to repossess the asset is legally enforceable without impediment.
- The Group is able to secure control over the asset if necessary.

The main types of guarantors for credit risk mitigation are as follows:

- Central governments with a grading of Aa3 or above
- Unrated public sector enterprises
- Banks with a grading of Baa2 or above
- Unrated corporations
- Individual shareholders and directors of corporate customers

(d) Repossessed assets

There was no reposessed asset of the Group as at 31 December 2015 (2014: HK\$25,730,000).

(e) Past due but not impaired loans and advances and receivables

	2015 Gross amount HK\$'000	2015 Percentage of total loans and advances %	2014 Gross amount HK\$'000	2014 Percentage of total loans and advances %
Loans and advances overdue for three months or less	391,302	1.32	373,622	1.30
Trade bills, accrued interest and other receivables overdue for three months or less	1,297	—	813	—

(f) Movements in impairment losses and allowances on loans and advances and receivables

	Individual impairment allowances HK\$'000	2015 Collective impairment allowances HK\$'000	Total HK\$'000
At 1 January 2015	86,174	19,015	105,189
Amounts written off	(396,338)	–	(396,338)
Impairment losses and allowances charged to the consolidated income statement	423,799	311	424,110
Impairment losses and allowances released to the consolidated income statement	(155,147)	(3,546)	(158,693)
Net charge/(release) of impairment losses and allowances	268,652	(3,235)	265,417
Loans and advances and receivables recovered	148,620	–	148,620
Exchange difference	(599)	(16)	(615)
At 31 December 2015	106,509	15,764	122,273
Deducted from:			
Loans and advances	104,202	15,538	119,740
Trade bills, accrued interest and other receivables	2,307	226	2,533
	106,509	15,764	122,273
	Individual impairment allowances HK\$'000	2014 Collective impairment allowances HK\$'000	Total HK\$'000
At 1 January 2014	119,480	20,894	140,374
Amounts written off	(425,848)	–	(425,848)
Impairment losses and allowances charged to the consolidated income statement	407,268	1,344	408,612
Impairment losses and allowances released to the consolidated income statement	(181,150)	(3,206)	(184,356)
Net charge/(release) of impairment losses and allowances	226,118	(1,862)	224,256
Loans and advances and receivables recovered	166,937	–	166,937
Exchange difference	(513)	(17)	(530)
At 31 December 2014	86,174	19,015	105,189
Deducted from:			
Loans and advances	85,281	18,989	104,270
Trade bills, accrued interest and other receivables	893	26	919
	86,174	19,015	105,189

(g) Finance lease receivables

Included in loans and advances and receivables were receivables in respect of assets leased under finance leases as set out below:

	2015	2014	2015	2014
	Minimum lease payments	HK\$'000	Present value of minimum lease payments	HK\$'000
Amounts receivable under finance leases:				
Within one year	356,016	385,062	270,140	289,005
In the second to fifth years, inclusive	1,022,923	1,131,124	750,335	823,990
Over five years	3,425,481	3,912,312	2,862,167	3,269,129
	4,804,420	5,428,498	3,882,642	4,382,124
Less: Unearned finance income	(921,778)	(1,046,374)		
Present value of minimum lease payments receivable	3,882,642	4,382,124		

The Group has entered into finance lease arrangements with customers in respect of motor vehicles and equipment. The terms of the finance leases entered into range from 1 to 25 years.

16. HELD-TO-MATURITY INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Certificates of deposit held	2,816,789	2,361,458
Treasury bills and government bonds (including Exchange Fund Bills)	1,767,836	1,816,022
Other debt securities	758,247	774,228
	5,342,872	4,951,708
Listed or unlisted:		
– Listed in Hong Kong	1,557,815	1,155,047
– Listed outside Hong Kong	58,025	98,791
– Unlisted	3,727,032	3,697,870
	5,342,872	4,951,708
Analysed by types of issuers:		
– Central government	1,767,836	1,816,022
– Banks and other financial institutions	3,575,036	3,135,686
	5,342,872	4,951,708

There were no impairment allowances made against held-to-maturity investments as at 31 December 2015 and 2014. There were no movements in impairment allowances for the years ended 31 December 2015 and 2014.

There were neither impaired nor overdue held-to-maturity investments as at 31 December 2015 and 2014.

All exposures attributed to the held-to-maturity investments were rated with a grading of A3 or above based on the credit rating of an external credit agency, Moody's as at 31 December 2015 and 2014.

17. GOODWILL

	2015 HK\$'000	2014 HK\$'000
Cost and net carrying amount:		
At the beginning and the end of the year	2,774,403	2,774,403

Impairment test of goodwill

There are two CGUs, namely Public Bank (Hong Kong) and Public Finance, which represent the main operating entities within the business segment “Retail and commercial banking businesses” identified by the Group. Goodwill acquired through business combinations is allocated on a pro-rata basis to the two CGUs based on the ratio of recoverable amounts of a CGU to those of the other CGU at the date of acquisition. The recoverable amounts of the CGUs at each subsequent reporting date are determined based on the value in use using the present value of cash flows taking into account the expected operating synergy and profitability and growth of businesses arising from the acquisition of Public Bank (Hong Kong) and its subsidiaries. The cash flow projections are based on financial budgets approved by management covering a 10-year period and assumed growth rates are used to extrapolate the cash flows in the following 40 years. The financial budgets are prepared based on a 10-year business plan which is appropriate after considering the sustainability of business growth, stability of core business developments, long term economic cycle and achievement of business targets extrapolated from a track record of financial results. All cash flows are discounted at discount rates of 3% and 6% under baseline and stressed scenarios, respectively. Management’s financial model assumes an average growth rate of 5% to 6% per annum from the eleventh to fiftieth year taking into account long term gross domestic product growth and other relevant economic factors. The discount rates used are based on the rates which reflect specific risks relating to the CGUs.

No impairment loss has been recognised in respect of goodwill for the years ended 31 December 2015 and 2014 as its value in use exceeds the carrying amount.

18. RESERVES

Note	Share premium account	Capital redemption reserve	Contributed surplus	Employee share-based compensation reserve (Note 1)	Regulatory reserve (Note 2)	Retained profits	Translation reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	4,013,296	829	96,116	45,765	410,145	1,970,373	84,732	6,621,256
Profit for the year	—	—	—	—	—	384,390	—	384,390
Other comprehensive income	—	—	—	—	—	—	(16,579)	(16,579)
Transfer from retained profits	—	—	—	—	28,791	(28,791)	—	—
Dividends for 2014	13	—	—	—	—	(175,667)	—	(175,667)
At 31 December 2014 and 1 January 2015	4,013,296	829	96,116	45,765	438,936	2,150,305	68,153	6,813,400
Profit for the year	—	—	—	—	—	422,955	—	422,955
Other comprehensive income	—	—	—	—	—	—	(25,971)	(25,971)
Transfer of employee share-based compensation reserve upon the lapse or expiry of share options	—	—	—	(45,765)	—	45,765	—	—
Transfer from retained profits	—	—	—	—	16,507	(16,507)	—	—
Dividends for 2015	13	—	—	—	—	(197,625)	—	(197,625)
At 31 December 2015	4,013,296	829	96,116	—	455,443	2,404,893	42,182	7,012,759

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation in September 1991 over the nominal value of the Company's shares issued in exchange therefor.

Deducted from the contributed surplus of the Group as at 31 December 2015 was positive goodwill of HK\$98,406,000 (2014: HK\$98,406,000), which arose from the acquisition of certain subsidiaries in prior years.

Notes:

1. The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or lapse.
2. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose. It is held as a buffer of capital to absorb potential financial losses in excess of the accounting standards' requirements pursuant to HKMA's guideline.

19. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, and the terms of the leases range from 1 to 5 years.

At 31 December 2015 and 2014, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	9,380	7,923
In the second to fifth years, inclusive	3,692	3,673
	13,072	11,596

(b) As lessee

The Group has entered into non-cancellable operating lease arrangements with landlords, and the terms of the leases range from 1 to 10 years.

At 31 December 2015 and 2014, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	52,277	53,338
In the second to fifth years, inclusive	41,878	40,415
Over five years	382	–
	94,537	93,753

20. OFF-BALANCE SHEET EXPOSURE

Contingent liabilities, commitments and derivatives

The following is a summary of the contractual amount of each significant class of contingent liabilities, commitments and derivatives of the Group outstanding at the end of the year:

	2015				
	Contractual amount HK\$'000	Credit equivalent amount HK\$'000	Credit risk-weighted amount HK\$'000	Positive fair value- assets HK\$'000	Negative fair value- liabilities HK\$'000
Direct credit substitutes	171,846	171,846	89,632	-	-
Transaction-related contingencies	14,363	7,181	1,649	-	-
Trade-related contingencies	45,298	9,060	6,660	-	-
Forward forward deposits placed	-	-	-	-	-
Forward asset purchases	1,513	1,513	303	-	-
	233,020	189,600	98,244	-	-
Derivatives held for trading:					
Foreign exchange rate contracts	2,344,121	27,040	4,894	3,864	588
Other commitments with an original maturity of:					
More than one year	17,333	8,667	8,667	-	-
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	3,876,373	-	-	-	-
	6,470,847	225,307	111,805	3,864	588
	2015				
	Contractual amount HK\$'000				
Capital commitments contracted for, but not provided in the consolidated statement of financial position					17,031

	Contractual amount HK\$'000	Credit equivalent amount HK\$'000	Credit risk-weighted amount HK\$'000	Positive fair value-assets HK\$'000	Negative fair value-liabilities HK\$'000
	2014				
Direct credit substitutes	227,329	227,329	98,883	–	–
Transaction-related contingencies	14,923	7,462	2,734	–	–
Trade-related contingencies	39,393	7,878	7,661	–	–
Forward forward deposits placed	253,079	253,079	50,616	–	–
Forward asset purchases	513	513	103	–	–
	535,237	496,261	159,997	–	–
Derivatives held for trading:					
Foreign exchange rate contracts	665,872	6,461	151	2,170	5,994
Other commitments with an original maturity of:					
More than one year	–	–	–	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	4,406,010	–	–	–	–
	5,607,119	502,722	160,148	2,170	5,994
	2014 Contractual amount HK\$'000				
Capital commitments contracted for, but not provided in the consolidated statement of financial position				6,032	

The Group had not entered into any bilateral netting arrangements and accordingly the above amounts are shown on a gross basis. The credit risk-weighted amounts are calculated in accordance with the Capital Rules and guidelines issued by the HKMA. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities, commitments and derivatives.

At 31 December 2015 and 2014, the Group had no material outstanding contingent liabilities and commitments save as disclosed above.

21. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below shows an analysis of financial assets and financial liabilities analysed by principal according to the periods that they are expected to be recovered or settled.

	2015							
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over more than 3 months HK\$'000	Over but not 12 months HK\$'000	Over but not 5 years HK\$'000	Over but not 5 years HK\$'000	Repayable within an indefinite period HK\$'000	Total HK\$'000
Financial assets:								
Cash and short term placements	1,028,166	2,900,046		-	-	-	-	3,928,212
Placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	444,339	573,794	-	-	-	1,018,133
Loans and advances and receivables (gross)	993,656	1,676,926	1,800,867	3,123,903	6,386,847	15,537,945	189,265	29,709,409
Available-for-sale financial assets	-	-	-	-	-	-	6,804	6,804
Held-to-maturity investments	-	204,276	792,086	3,313,255	1,033,255	-	-	5,342,872
Other assets	72	55,780	6,457	33,707	-	-	15,991	112,007
Foreign exchange contracts (gross)	-	1,521,753	512,407	309,961	-	-	-	2,344,121
Total financial assets	2,021,894	6,358,781	3,556,156	7,354,620	7,420,102	15,537,945	212,060	42,461,558
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	49,824	674,269	200,000	60,000	-	-	-	984,093
Customer deposits at amortised cost	8,151,701	8,947,867	10,517,342	5,396,063	18,848	-	-	33,031,821
Certificates of deposit issued at amortised cost	-	-	499,977	-	-	-	-	499,977
Unsecured bank loans at amortised cost	-	455,000	-	100,000	1,087,400	-	-	1,642,400
Other liabilities	92	81,588	22,279	50,389	2,381	-	191,534	348,263
Foreign exchange contracts (gross)	-	1,519,405	511,681	309,759	-	-	-	2,340,845
Total financial liabilities	8,201,617	11,678,129	11,751,279	5,916,211	1,108,629	-	191,534	38,847,399
Net liquidity gap	(6,179,723)	(5,319,348)	(8,195,123)	1,438,409	6,311,473	15,537,945	20,526	3,614,159

	2014							
	Over 1 month but not more than 1 month	Over 3 months but not more than 3 months	Over 1 year but not more than 12 months	Over 5 years but not more than 5 years	Over 5 years	Repayable within an indefinite period	Total	
Repayable on demand	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Financial assets:								
Cash and short term placements	804,412	3,177,762	–	–	–	–	–	3,982,174
Placements with banks and financial institutions maturing after one month but not more than twelve months	–	–	346,573	580,646	–	–	–	927,219
Loans and advances and receivables (gross)	645,578	1,653,590	1,578,812	3,506,179	6,437,815	14,874,930	108,718	28,805,622
Available-for-sale financial assets	–	–	–	–	–	–	6,804	6,804
Held-to-maturity investments	–	633,829	478,357	2,785,486	1,054,036	–	–	4,951,708
Other assets	154	98,241	5,317	8,908	–	–	45,054	157,674
Foreign exchange contracts (gross)	–	661,182	4,690	–	–	–	–	665,872
Total financial assets	<u>1,450,144</u>	<u>6,224,604</u>	<u>2,413,749</u>	<u>6,881,219</u>	<u>7,491,851</u>	<u>14,874,930</u>	<u>160,576</u>	<u>39,497,073</u>
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	37,174	327,892	50,000	100,000	–	–	–	515,066
Customer deposits at amortised cost	7,270,348	10,117,654	10,969,078	2,724,462	502,271	–	–	31,583,813
Certificates of deposit issued at amortised cost	–	–	409,980	953,514	–	–	–	1,363,494
Unsecured bank loans at amortised cost	–	520,000	–	–	1,083,269	–	–	1,603,269
Other liabilities	239	132,574	32,443	34,310	12,723	–	173,545	385,834
Foreign exchange contracts (gross)	–	665,020	4,676	–	–	–	–	669,696
Total financial liabilities	<u>7,307,761</u>	<u>11,763,140</u>	<u>11,466,177</u>	<u>3,812,286</u>	<u>1,598,263</u>	<u>–</u>	<u>173,545</u>	<u>36,121,172</u>
Net liquidity gap	<u>(5,857,617)</u>	<u>(5,538,536)</u>	<u>(9,052,428)</u>	<u>3,068,933</u>	<u>5,893,588</u>	<u>14,874,930</u>	<u>(12,969)</u>	<u>3,375,901</u>

CORPORATE GOVERNANCE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not or was not, for any part of the accounting year covered by the 2015 Annual Report, in compliance with the code provisions (“Code Provision(s)”) of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules, except for certain deviations as specified and explained below with considered reasons for such deviations. The principles as set out in the CG Code have been applied in our corporate governance structure.

Under Code Provision A.4.1 of the CG Code, Non-Executive directors should be appointed for a specific term and subject to re-election. The Board is of the view that the current practice of appointing Non-Executive Directors without a specific term but otherwise subject to rotation and re-election by shareholders at an annual general meeting (“AGM”) of the Company is fair and reasonable, and does not intend to change the current practice at the moment.

Under Code Provision E.1.2 of the CG Code, the chairman of the board shall attend the AGM. Tan Sri Dato’ Sri Dr. Teh Hong Piow, the Chairman of the Company, was absent from the last AGM of the Company held in March 2015 due to other engagement, while the late Tan Sri Datuk Seri Utama Thong Yaw Hong, Co-Chairman and Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company then, was on medical leave. The last AGM was chaired by an Executive Director of the Company, Mr. Tan Yoke Kong, with the consent of the members present.

The Board will review the relevant bye-laws from time to time and propose any amendment, if necessary, to ensure compliance with the CG Code.

DIVIDENDS

The first interim dividend of HK\$0.05 (2014: HK\$0.05) per ordinary share was paid on 3 August 2015. The second interim dividend of HK\$0.13 (2014: HK\$0.11) per ordinary share was declared on 29 December 2015 and will be payable on 23 February 2016 to shareholders of the Company whose names appear on the register of members on 22 January 2016. The Directors do not recommend the payment of a final dividend for the year (2014: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 16 March 2016 to Friday, 18 March 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 15 March 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The operating environment for financial institutions remained challenging in Hong Kong in the year under review. The weak merchandise exports and retail sales and signs of consolidation in property market coupled with low Purchasing Managers' Index and the slowdown of corporate credit demand pointed to the moderation of economic activities in Hong Kong. The slowdown in economic growth momentum in Mainland China attributed to excessive industrial production capacity and potential deflation risk had impacted business developments of Hong Kong enterprises based in Mainland China. Demands for credit from customers of the Group was also affected during the year under review.

FINANCIAL REVIEW

Revenue and earnings

For the year ended 31 December 2015, the Group recorded a profit after tax of HK\$423.0 million, representing an increase of HK\$38.6 million or 10.0% when compared to the previous year.

The Group's basic earnings per share for 2015 was HK\$0.39. The Board had declared a first interim dividend of HK\$0.05 per share in June 2015 and a second interim dividend of HK\$0.13 per share in December 2015. The Board did not recommend the payment of a final dividend, making a total dividend for the year of HK\$0.18 per share (2014: HK\$0.16 per share).

For the year under review, the Group's interest income increased by HK\$51.9 million or 3.2% to HK\$1.69 billion whilst interest expense decreased by HK\$33.0 million or 8.5% to HK\$356.2 million mainly due to lower funding costs of customer deposits. Consequently, the Group's net interest income increased by HK\$84.9 million or 6.8% to HK\$1.34 billion with increase in net interest margin of the Group. Total operating income of the Group increased by HK\$101.3 million or 6.9% to HK\$1.56 billion from increase in net interest income and increase in income from fee-based businesses.

Total operating expenses (before changes in fair value of investment properties) increased by HK\$21.5 million or 2.8% to HK\$800.5 million, mainly due to increase in staff costs and costs on branch premises. Gains from the change in fair value of investment properties decreased by HK\$1.3 million to HK\$10.7 million as compared to the previous year.

Impairment allowances for loans and advances increased by HK\$41.1 million or 18.4% to HK\$265.4 million in 2015 as compared to HK\$224.3 million in the previous year, partly due to the recovery of some impaired loans in the previous year.

Loans and advances, customer deposits and total assets

The Group's total loans and advances (including trade bills) increased by HK\$906.0 million or 3.2% to HK\$29.60 billion as at 31 December 2015 from HK\$28.69 billion as at 31 December 2014. Customer deposits increased by HK\$1.45 billion or 4.6% to HK\$33.03 billion as at 31 December 2015 from HK\$31.58 billion as at 31 December 2014.

As at 31 December 2015, the Group's total assets stood at HK\$43.82 billion with an increase of HK\$1.27 billion when compared to the position as at 31 December 2014.

Group's Branch network

Public Bank (Hong Kong), a subsidiary of the Company, has 32 branches in Hong Kong and 3 branches in Shenzhen in People's Republic of China to provide a broad range of commercial and retail banking services. Public Finance, a subsidiary of Public Bank (Hong Kong), has a network of 42 branches in Hong Kong. Winton Financial Limited ("Winton Financial"), another operating subsidiary of the Company, which operates under a money lenders licence, has a network of 9 branches in Hong Kong to provide personal financing to its target customer segment. In total, the Group has a combined branch network of 86 branches as at 31 December 2015 to serve its customers.

Business Performance in loans and customer deposits

Public Bank (Hong Kong)

During the year under review, total loans and advances (including trade bills) of Public Bank (Hong Kong) recorded an increase of HK\$596.1 million or 2.5% to HK\$24.08 billion as at 31 December 2015 from HK\$23.49 billion as at 31 December 2014. Customer deposits (excluding intra-group's deposits) increased by HK\$1.08 billion or 3.9% to HK\$28.59 billion as at 31 December 2015 from HK\$27.51 billion as at 31 December 2014. Impaired loans to total loans ratio of Public Bank (Hong Kong) was 0.27% as at 31 December 2015.

Public Bank (Hong Kong) will continue to develop and expand its retail banking business and customer base, identify suitable locations for the establishment of new branch and relocation of its branches to better sites in order to expand its reach of existing and potential customers, and develop its banking related financial services and stockbroking businesses.

Public Finance

Total loans and advances of Public Finance recorded a growth of HK\$271.3 million or 5.5% to HK\$5.25 billion as at 31 December 2015 from HK\$4.97 billion as at 31 December 2014. Customer deposits increased by HK\$471.9 million or 10.9% to HK\$4.80 billion as at 31 December 2015 from HK\$4.33 billion as at 31 December 2014. Impaired loans to total loans ratio of Public Finance was 1.94% as at 31 December 2015.

Public Finance will continue to focus on its consumer financing business and deposit takings business.

Segmental information

The Group's businesses comprise three main segments: (i) retail and commercial banking businesses, (ii) stockbroking services and wealth management services, and (iii) other businesses. 95.8% of the Group's operating income and 93.0% of the profit before tax were contributed by retail and commercial banking businesses for the year under review. When compared to the previous year, the Group's operating income from retail and commercial banking businesses increased by HK\$87.3 million or 6.2% to HK\$1.50 billion mainly due to increase in net interest income of the Group. Profit before tax from retail and commercial banking businesses for 2015 increased by HK\$27.7 million or 6.3% to HK\$470.8 million due to the increase in net interest income and increase in fee and commission income in the current year.

Contingent liabilities and commitments

The Group has no material contingent liabilities (other than those in the normal course of its banking and finance businesses related to treasury and trade finance activities and loan commitments disclosed in the notes to the financial statements) as at the end of the year under review. The Group did not incur any material capital expenditure or enter into any material commitments in respect of capital expenditure during the year under review. There was no material funding required for capital expenditure and its commitments. The Group did not have plans for material investments or purchases of capital assets in the near term. As at 31 December 2015, there was no charge over the assets of the Group.

OPERATIONAL REVIEW

Funding and capital management

The main objective of the Group's funding activities is to ensure the availability of funds at reasonable cost to meet all contractual financial commitments, to fund growth in loans and advances and to generate reasonable returns from available funds. The Group also encourages its subsidiaries to be self-reliant on the funding of their business growth. The Group did not have material acquisitions or disposals of subsidiaries, associates and joint ventures during the year under review.

The Group relies principally on its internally generated capital, customer deposits, deposits from financial institutions and the issuance of certificates of deposit to fund its retail consumer financing business and its retail and commercial banking business. The Group's bank borrowings in the form of term loans denominated in Hong Kong dollars at floating interest rates stood at HK\$1.64 billion as at the end of 2015. Based on the level of bank borrowings as compared to the equity of the Group, the Group's gearing ratio stood at a healthy level of 0.23 times as at 31 December 2015. The bank borrowings have remaining average maturity period of more than two years. In the normal course of its commercial banking business, Public Bank (Hong Kong) had entered into foreign exchange and interest rate swaps and forward contracts to reduce the foreign exchange rate risk and interest rate risk exposures of the Group. Exposures to fluctuations in foreign exchange rates and interest rates were minimal. There were also no foreign currency net investments hedged by currency borrowings and other hedging instruments during the year under review.

The consolidated total capital ratio of Public Bank (Hong Kong) Group (inclusive of Public Bank (Hong Kong) and Public Finance) stood at 18.0% as at 31 December 2015.

Asset quality

The Group will continue to safeguard its capital adequacy position, manage risks cautiously and set prudent yet flexible business development strategies to strike a balance between business growth and prudent risk management. The Group's impaired loans to total loans ratio stood at healthy level of 0.63% as at 31 December 2015.

Human resource management

The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group. Staff enrol in external training courses, seminars, professional and technical courses with appropriate sponsorship from the Group in order to update their technical knowledge and skills, to increase their awareness of the market developments, and to improve their management and business skills. Staff also participate in social activities organised by the Group to promote team spirit and build a cohesive workforce.

Options to subscribe for 66,526,000 shares in the Company were granted to employees of the Group in May 2005 pursuant to the Company's share option scheme approved by shareholders on 28 February 2002. In the year of 2015, no share options to subscribe for shares in the Company were exercised by employees of the Group. All the options to subscribe for shares as aforesaid had expired on 10 June 2015 and there were no outstanding options to subscribe for shares as at 31 December 2015.

As at 31 December 2015, the Group's staff force stood at 1,426 employees. For the year ended 31 December 2015, the Group's total staff-related costs amounted to HK\$497.6 million.

PROSPECTS

The economic momentum of Hong Kong and Mainland China is anticipated to continue to be slow and will continue to be affected by global external factors in the year 2016. The divergence of monetary policies in various nations with the expectation of further rises of federal funds target interest rates in the US will be likely to contribute to the volatility of liquidity, credit and economic conditions in Hong Kong and Mainland China. The economic growth momentum in Mainland China, as seen in its recent slowdown of gross domestic product growth and decline in Producer Price Index of industrial products, is expected to continue to moderate in the near term. The capital investments, private consumption and credit demand in Hong Kong are expected to moderate due to weak business sentiment, adverse wealth effect from asset price volatility and expected rise in interest rates in the year ahead. The recent slowdown of retail sales growth and inbound tourism and the softening of exports in Hong Kong will also have uncertainty effect over the economic outlook of Hong Kong.

The potential rise in funding costs, and decline in credit demand, couple with the increase in compliance related and system related costs in meeting the regulatory and supervisory requirements, are expected to have adverse impact on the earnings growth of banks and financial institutions in Hong Kong. Despite the foregoing, the Group will continue to seek long-term business and earnings growth and take steps to align the business strategies of the Group with its corporate mission and goals. The Group will also adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

The competitive and volatile operating environment in the banking and financing industry in Hong Kong will continue to exert pressure on the pricing of banking and financing products. The US interest rate rises are expected to cause an escalation of funding costs in Hong Kong dollar and USD dollar deposits for banks and financial institutions in Hong Kong. Thus, net interest margin on loans and other interest-bearing assets of banks and financial institutions in Hong Kong will be under pressure and would have an adverse potential impact on the earnings of financial institutions. The Group will continue to seek pricing of loans at higher yields in anticipation of higher funding costs. The Group will continue to adopt sound and flexible marketing strategies to expand customer base and channels of services, to launch promotions with attractive marketing promotions and features at reasonable costs, and to optimise the utilisation of system resources to enhance service quality and efficiency of banking operations. The Group will also strive for the diversification of income streams by development of fee-based businesses in stockbroking and insurance businesses.

The Group will continue to focus on expanding its retail and commercial banking and lending business and its consumer financing business through its branch network, offering of premium business service, and supporting of growth in loans and fee-based businesses. The Group will continue to target at selected market segments of Public Bank (Hong Kong), Public Finance and Winton Financial to grow its retail and commercial lending business and consumer financing business.

Barring unforeseen circumstances, the Group expects to register moderate growth in its banking and financing businesses and improvement in its financial performance in 2016. The Group is also committed to fostering a healthy and strong corporate culture to enhance the Group's cohesiveness with shared vision and values by every staff in the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

REVIEW BY AUDIT COMMITTEE

The 2015 annual results have been reviewed by the Company's Audit Committee which comprises three Independent Non-Executive Directors and one Non-Executive Director.

By Order of the Board
Tan Sri Dato' Sri Dr. Teh Hong Piow
Chairman

Hong Kong, 14 January 2016

As at the date of this announcement, the Board of the Company comprises Tan Sri Dato' Sri Dr. Teh Hong Piow, Mr. Quah Poh Keat, Dato' Chang Kat Kiam and Mr. Chong Yam Kiang as Non-Executive Directors, Mr. Tan Yoke Kong and Mr. Lee Huat Oon as Executive Directors, and Mr. Lai Wan, Mr. Lee Chin Guan and Mr. Tang Wing Chew as Independent Non-Executive Directors.