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 2014

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 2014 with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Interest income	*8*	**1,640,033**	1,655,867
Interest expense	*8*	**(389,236)**	(338,703)
NET INTEREST INCOME		**1,250,797**	1,317,164
Other operating income	*9*	**209,201**	213,214
OPERATING INCOME		**1,459,998**	1,530,378
Operating expenses	*10*	**(778,950)**	(760,232)
Changes in fair value of investment properties		**11,949**	6,125
OPERATING PROFIT BEFORE IMPAIRMENT ALLOWANCES		**692,997**	776,271
Impairment allowances for loans and advances and receivables	*11*	**(224,256)**	(324,912)
OPERATING PROFIT AFTER IMPAIRMENT ALLOWANCES		**468,741**	451,359
Share of profit of a joint venture		**180**	–
PROFIT BEFORE TAX		**468,921**	451,359
Tax	*12*	**(84,531)**	(83,598)
PROFIT FOR THE YEAR		**384,390**	367,761

* *For identification purpose only*

		Year ended 31 December	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
ATTRIBUTABLE TO:			
Owners of the Company		**384,390**	367,761
EARNINGS PER SHARE (HK$)	*14*		
Basic		**0.350**	0.335
Diluted		**0.350**	0.335

Details of dividends paid/payable are disclosed in note 13 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**384,390**	367,761
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange (loss)/gain on translating foreign operations, net of tax	**(16,579)**	13,661
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**367,811**	381,422
ATTRIBUTABLE TO:		
Owners of the Company	**367,811**	381,422

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2014 HK$'000	31 December 2013 HK$'000
ASSETS			
Cash and short term placements		**3,982,174**	3,962,374
Placements with banks and financial institutions maturing after one month but not more than twelve months		**927,219**	1,195,991
Derivative financial instruments		**2,170**	771
Loans and advances and receivables	*15*	**28,700,433**	27,255,143
Available-for-sale financial assets		**6,804**	6,804
Held-to-maturity investments	*16*	**4,951,708**	4,780,905
Inventories of taxi licences		**–**	2,676
Investment properties		**256,713**	251,843
Property and equipment		**110,311**	109,720
Land held under finance leases		**650,914**	652,014
Interest in a joint venture		**1,693**	1,513
Deferred tax assets		**26,078**	30,645
Tax recoverable		**133**	8,377
Goodwill	*17*	**2,774,403**	2,774,403
Intangible assets		**718**	718
Other assets		**157,674**	113,721
TOTAL ASSETS		**42,549,145**	41,147,618
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		**515,066**	483,401
Derivative financial instruments		**5,994**	610
Customer deposits at amortised cost		**31,583,813**	29,974,352
Certificates of deposit issued at amortised cost		**1,363,494**	1,794,492
Dividends payable		**120,771**	120,771
Unsecured bank loans at amortised cost		**1,603,269**	1,663,705
Current tax payable		**22,644**	27,318
Deferred tax liabilities		**25,068**	23,983
Other liabilities		**385,834**	327,938
TOTAL LIABILITIES		**35,625,953**	34,416,570
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital		**109,792**	109,792
Reserves	*18*	**6,813,400**	6,621,256
TOTAL EQUITY		**6,923,192**	6,731,048
TOTAL EQUITY AND LIABILITIES		**42,549,145**	41,147,618

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
TOTAL EQUITY		
Balance at the beginning of the year	**6,731,048**	6,525,293
Profit for the year	**384,390**	367,761
Other comprehensive income	**(16,579)**	13,661
Total comprehensive income for the year	**367,811**	381,422
Dividends declared on shares	**(175,667)**	(175,667)
Balance at the end of the year	**6,923,192**	6,731,048

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 2014. Certain financial information in this announcement is extracted from the statutory financial statements for the year ended 31 December 2014, which will be available in the websites of The Stock Exchange of Hong Kong Limited and the Company.

2. BASIS OF PREPARATION

The consolidated 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. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). They also contain certain disclosure information required under the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority ("HKMA").

The consolidated 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 (collectively referred to as the "Group") for the year ended 31 December 2014. 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 in the accounting policy for subsidiaries below. 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 also followed 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 capital adequacy 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 Securities Limited and Public Financial 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 adequacy 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 adequacy ratios are progressively increased from 1 January 2013 to 1 January 2019, and include a phased introduction of a new capital conservation buffer of 2.5%. Additional capital requirements, including a new counter-cyclical buffer ranging from 0% to 2.5%, will be detailed at a later stage.

5. ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The HKICPA has issued a number of new and revised HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2014. The Group has adopted the following revised HKFRSs issued up to 31 December 2014 which are pertinent to its operations and relevant to these financial statements.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
- Amendments to HKAS 32 — Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to HKAS 36 — Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*

• Amendments to HKAS 39	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
• HK(IFRIC)-Int 21	*Levies*
• Amendment to HKFRS 2 included in Annual Improvements 2010-2012 Cycle	*Definition of Vesting Condition*[1]
• Amendment to HKFRS 3 included in Annual Improvements 2010-2012 Cycle	*Accounting for Contingent Consideration in a Business Combination*[1]
• Amendment to HKFRS 13 included in Annual Improvements 2010-2012 Cycle	*Short-term Receivables and Payables*
• Amendment to HKFRS 1 included in Annual Improvements 2011-2013 Cycle	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments do not have any material impact to the Group.

HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set-off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments do not have any material impact to the Group.

The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments do not have any material impact to the Group.

HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation does not have any material impact to the Group.

The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact to the Group.

The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact to the Group.

The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact to the Group.

Impact of new and revised HKFRSs and new disclosure requirements under the Hong Kong Companies Ordinance not yet adopted

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	*Financial Instruments*[4]
• Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
• Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
• HKFRS 14	*Regulatory Deferral Accounts*[5]
• HKFRS 15	*Revenue from Contracts with Customers*[3]
• Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
• Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
• Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
• Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
• Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
• Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
• Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 January 2018
[5] 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

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

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 expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The 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.

The 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 that will apply to 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 structure 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. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

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.

The Annual Improvements to HKFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described under the heading "Changes in accounting policies and disclosures", the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment that is the most applicable to the Group 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.

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 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 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 cash-generating unit 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 2014 and 2013 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.

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 represents revenue and profit information for operating segments for the years ended 31 December 2014 and 2013.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Eliminated on consolidation		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External:										
Net interest income	**1,250,763**	1,317,094	**34**	70	**–**	–	**–**	–	**1,250,797**	1,317,164
Other operating income:										
Fees and commission income	**143,274**	137,520	**31,278**	48,116	**507**	638	**–**	–	**175,059**	186,274
Others	**13,996**	11,649	**(45)**	(6)	**20,191**	15,297	**–**	–	**34,142**	26,940
Inter-segment transactions:										
Fees and commission income	**–**	–	**–**	–	**120**	102	**(120)**	(102)	**–**	–
Operating income	**1,408,033**	1,466,263	**31,267**	48,180	**20,818**	16,037	**(120)**	(102)	**1,459,998**	1,530,378
Operating profit after impairment allowance	**443,132**	422,156	**4,976**	16,690	**20,633**	12,513	**–**	–	**468,741**	451,359
Share of profit of a joint venture									**180**	–
Profit before tax									**468,921**	451,359
Tax									**(84,531)**	(83,598)
Profit for the year									**384,390**	367,761
Other segment information										
Depreciation of property and equipment and land held under finance leases	**(28,401)**	(30,689)	**–**	–	**–**	–	**–**	–	**(28,401)**	(30,689)
Changes in fair value of investment properties	**–**	–	**–**	–	**11,949**	6,125	**–**	–	**11,949**	6,125
Impairment allowances for loans and advances and receivables	**(224,256)**	(324,912)	**–**	–	**–**	–	**–**	–	**(224,256)**	(324,912)
Net losses on disposal of property and equipment	**(125)**	(229)	**–**	–	**–**	–	**–**	–	**(125)**	(229)

The following table represents certain assets and liabilities information regarding operating segments as at 31 December 2014 and 2013.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Eliminated on consolidation		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets other than intangible assets and goodwill	**39,162,950**	37,802,082	**325,495**	274,230	**257,675**	255,650	**–**	–	**39,746,120**	38,331,962
Intangible assets	**–**	–	**718**	718	**–**	–	**–**	–	**718**	718
Goodwill	**2,774,403**	2,774,403	**–**	–	**–**	–	**–**	–	**2,774,403**	2,774,403
Segment assets	**41,937,353**	40,576,485	**326,213**	274,948	**257,675**	255,650	**–**	–	**42,521,241**	41,107,083
Unallocated assets:										
Interest in a joint venture									**1,693**	1,513
Deferred tax assets and tax recoverable									**26,211**	39,022
Total assets									**42,549,145**	41,147,618
Segment liabilities	**35,314,098**	34,150,621	**135,582**	86,457	**7,790**	7,420	**–**	–	**35,457,470**	34,244,498
Unallocated liabilities:										
Deferred tax liabilities and tax payable									**47,712**	51,301
Dividends payable									**120,771**	120,771
Total liabilities									**35,625,953**	34,416,570
Other segment information										
Additions to non-current assets – capital expenditure	**20,937**	20,684	**–**	–	**–**	–	**–**	–	**20,937**	20,684

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 represents segment revenue information for geographical segments for the years ended 31 December 2014 and 2013.

	2014	2013
	HK$'000	*HK$'000*
Segment revenue from external customers:		
Hong Kong	**1,381,208**	1,452,399
Mainland China	**78,790**	77,979
	1,459,998	1,530,378

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

The following table represents non-current assets information for geographical segments as at 31 December 2014 and 2013.

	2014 ***HK$'000***	2013 *HK$'000*
Non-current assets:		
Hong Kong	**3,775,818**	3,772,797
Mainland China	**18,934**	17,414
	3,794,752	3,790,211

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

	2014 ***HK$'000***	2013 *HK$'000*
Interest income from:		
Loans and advances and receivables	**1,496,497**	1,547,077
Short term placements and placements with banks	**79,595**	59,892
Held-to-maturity investments	**63,941**	48,898
	1,640,033	1,655,867
Interest expense on:		
Deposits from banks and financial institutions	**18,814**	17,658
Deposits from customers	**350,457**	290,228
Bank loans	**19,965**	30,817
	389,236	338,703

Interest income and interest expense for the year ended 31 December 2014, 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$1,640,033,000 and HK$389,236,000 (2013: HK$1,655,867,000 and HK$338,703,000) respectively. Interest income on the impaired loans and advances for the year ended 31 December 2014 amounted to HK$4,783,000 (2013: HK$7,348,000).

9. OTHER OPERATING INCOME

	2014	2013
	HK$'000	*HK$'000*
Fees and commission income:		
Retail and commercial banking	**145,293**	139,797
Wealth management services, stockbroking and securities management	**31,278**	48,116
	176,571	187,913
Less: Fees and commission expenses	**(1,512)**	(1,639)
Net fees and commission income	**175,059**	186,274
Gross rental income	**15,920**	14,966
Less: Direct operating expenses	**(84)**	(78)
Net rental income	**15,836**	14,888
Gains less losses arising from dealing in foreign currencies	**15,381**	8,798
Net (losses)/gains on derivative financial instruments	**(3,824)**	161
	11,557	8,959
Net losses on disposal of property and equipment	**(125)**	(229)
Dividend income from listed investments	**52**	39
Dividend income from unlisted investments	**800**	900
Others	**6,022**	2,383
	209,201	213,214

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 liabilities designated at fair value through profit or loss for the years ended 31 December 2014 and 2013.

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

	2014	2013
	HK$'000	*HK$'000*
Staff costs:		
Salaries and other staff costs	**458,467**	423,319
Pension contributions	**21,319**	20,839
Less: Forfeited contributions	**(21)**	(45)
Net contribution to retirement benefit schemes	**21,298**	20,794
	479,765	444,113
Other operating expenses:		
Operating lease rentals on leasehold buildings	**63,377**	62,902
Depreciation of property and equipment and land held under finance leases	**28,401**	30,689
Auditors' remuneration	**3,823**	3,710
Administrative and general expenses	**67,104**	69,786
Others	**136,480**	149,032
Operating expenses before changes in fair value of investment properties	**778,950**	760,232

At 31 December 2014 and 2013, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years. The current year credits arose in respect of staff who left the schemes during the year.

11. IMPAIRMENT ALLOWANCES

	2014	2013
	HK$'000	*HK$'000*
Net charge for/(write-back of) impairment losses and allowances:		
– loans and advances	**225,714**	324,514
– trade bills, accrued interest and receivables	**(1,458)**	398
	224,256	324,912
Net charge for/(write-back of) impairment losses and allowances:		
– individually assessed	**226,118**	331,909
– collectively assessed	**(1,862)**	(6,997)
	224,256	324,912
Of which:		
– new impairment losses and allowances (including any amount directly written off during the year)	**408,612**	513,031
– releases and recoveries	**(184,356)**	(188,119)
Net charge to the consolidated income statement	**224,256**	324,912

There were no impairment allowances for financial assets other than loans and advances and receivables for the years ended 31 December 2014 and 2013.

12. TAX

	2014 *HK$'000*	2013 *HK$'000*
Current tax charge:		
Hong Kong	**64,038**	63,849
Overseas	**14,800**	14,494
Under-provision/(over-provision) in prior years	**41**	(139)
Deferred tax charge, net	**5,652**	5,394
	84,531	83,598

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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 countries 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 locations 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 to the effective tax rates, are as follows:

	2014					
	Hong Kong		**Mainland China**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*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**

	2013					
	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before tax	383,618		67,741		451,359	
Tax at the applicable tax rate	63,297	16.5	16,935	25.0	80,232	17.8
Estimated tax losses from previous periods utilised	(6)	–	–	–	(6)	–
Estimated tax effect of net expenses that are not deductible	3,344	0.8	167	0.2	3,511	0.7
Adjustments in respect of current tax of previous periods	(186)	–	47	0.1	(139)	–
Tax charge at the Group's effective rate	66,449	17.3	17,149	25.3	83,598	18.5

13. DIVIDENDS

	2014	2013	**2014**	2013
	HK$ per ordinary share	*HK$ per ordinary share*	***HK$'000***	*HK$'000*
Interim:				
First	**0.05**	0.05	**54,896**	54,896
Second	**0.11**	0.11	**120,771**	120,771
	0.16	0.16	**175,667**	175,667

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$384,390,000 (2013: HK$367,761,000) and on the weighted average number of ordinary shares in issue of 1,097,917,618 (2013: 1,097,917,618) during the year.

(b) Diluted earnings per share

The share options outstanding during the years ended 31 December 2014 and 2013 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 2014 was based on the profit for the year of HK$384,390,000 (2013: HK$367,761,000) and on the weighted average number of ordinary shares of 1,097,917,618 (2013: 1,097,917,618), being the weighted average number of ordinary shares in issue of 1,097,917,618 (2013: 1,097,917,618) during the year as used in the basic earnings per share calculation.

15. LOANS AND ADVANCES AND RECEIVABLES

	2014 *HK$'000*	2013 *HK$'000*
Loans and advances to customers	**28,654,066**	27,223,903
Trade bills	**39,935**	55,322
Loans and advances, and trade bills	**28,694,001**	27,279,225
Accrued interest	**77,985**	76,119
	28,771,986	27,355,344
Other receivables	**33,636**	40,173
Gross loans and advances and receivables	**28,805,622**	27,395,517
Less: Impairment allowances for loans and advances and receivables		
– individually assessed	**(86,174)**	(119,480)
– collectively assessed	**(19,015)**	(20,894)
	(105,189)	(140,374)
Loans and advances and receivables	**28,700,433**	27,255,143

Over 90% of the loans and advances and receivables were unrated exposures. 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:

	2014 *HK$'000*	2013 *HK$'000*
Neither past due nor impaired loans and advances and receivables	**28,292,991**	26,860,899
Past due but not impaired loans and advances and receivables	**374,435**	358,671
Individually impaired loans and advances	**135,944**	171,837
Individually impaired receivables	**2,252**	4,110
Total loans and advances and receivables	**28,805,622**	27,395,517

About 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

	2014		2013	
	Gross amount	**Percentage of total loans and advances**	Gross amount	Percentage of total loans and advances
	HK$'000	***%***	*HK$'000*	*%*
Loans and advances overdue for:				
Six months or less but over three months	**70,250**	**0.25**	107,681	0.40
One year or less but over six months	**8,190**	**0.03**	3,176	0.01
Over one year	**21,120**	**0.07**	23,022	0.08
Loans and advances overdue for more than three months	**99,560**	**0.35**	133,879	0.49
Rescheduled loans and advances overdue for three months or less	**31,338**	**0.11**	34,291	0.13
Impaired loans and advances overdue for three months or less	**5,046**	**0.01**	3,667	0.01
Total overdue and impaired loans and advances	**135,944**	**0.47**	171,837	0.63

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

	2014	2013
	HK$'000	*HK$'000*
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	**115**	192
One year or less but over six months	**447**	23
Over one year	**1,655**	3,797
Trade bills, accrued interest and other receivables overdue for more than three months	**2,217**	4,012
Impaired trade bills, accrued interest and other receivables overdue for three months or less	**35**	98
Total overdue and impaired trade bills, accrued interest and other receivables	**2,252**	4,110

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

	2014			2013		
		Mainland			Mainland	
	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	**89,587**	**12,190**	**101,777**	115,047	22,844	137,891
Individual impairment allowances	**57,855**	**5,545**	**63,400**	76,582	18,921	95,503
Current market value and fair value of collateral			**45,582**			63,853
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	**125,945**	**12,251**	**138,196**	152,098	23,849	175,947
Individual impairment allowances	**80,568**	**5,606**	**86,174**	99,553	19,927	119,480
Current market value and fair value of collateral			**47,988**			65,056

Over 90% of the gross loans and advances and receivables are 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:

	2014 *HK$'000*	2013 *HK$'000*
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	**45,582**	63,853
Covered portion of overdue loans and advances	**15,552**	23,646
Uncovered portion of overdue loans and advances	**84,008**	110,233

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

As at 31 December 2014, the total value of repossessed assets of the Group amounted to HK$25,730,000 (2013: HK$6,200,000).

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

	2014		2013	
	Gross amount *HK$'000*	**Percentage of total loans and advances** *%*	Gross amount *HK$'000*	Percentage of total loans and advances *%*
Loans and advances overdue for three months or less	**373,622**	**1.30**	356,544	1.31
Trade bills, accrued interest and other receivables overdue for three months or less	**813**		2,127	

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

	2014 Individual impairment allowances *HK$'000*	**Collective impairment allowances** *HK$'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**

	2013 Individual impairment allowances *HK$'000*	Collective impairment allowances *HK$'000*	Total *HK$'000*
At 1 January 2013	124,367	27,455	151,822
Amounts written off	(494,992)	–	(494,992)
Impairment losses and allowances charged to the consolidated income statement	512,724	307	513,031
Impairment losses and allowances released to the consolidated income statement	(180,815)	(7,304)	(188,119)
Net charge/(release) of impairment losses and allowances	331,909	(6,997)	324,912
Loans and advances and receivables recovered	157,841	–	157,841
Exchange difference	355	436	791
At 31 December 2013	119,480	20,894	140,374
Deducted from:			
Loans and advances	117,223	20,785	138,008
Trade bills, accrued interest and other receivables	2,257	109	2,366
	119,480	20,894	140,374

(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:

	2014	2013	**2014**	2013
	Minimum lease payments		**Present value of minimum lease payments**	
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts receivable under finance leases:				
Within one year	**385,062**	390,656	**289,005**	294,974
In the second to fifth years, inclusive	**1,131,124**	1,118,977	**823,990**	816,322
Over five years	**3,912,312**	3,850,125	**3,269,129**	3,215,212
	5,428,498	5,359,758	**4,382,124**	4,326,508
Less: Unearned finance income	**(1,046,374)**	(1,033,250)		
Present value of minimum lease payments receivable	**4,382,124**	4,326,508		

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

	2014 *HK$'000*	2013 *HK$'000*
Certificates of deposit held	**2,361,458**	1,894,973
Treasury bills (including Exchange Fund Bills)	**1,816,022**	1,993,645
Other debt securities	**774,228**	892,287
	4,951,708	4,780,905
Listed or unlisted:		
– Listed in Hong Kong	**1,155,047**	644,484
– Listed outside Hong Kong	**98,791**	282,261
– Unlisted	**3,697,870**	3,854,160
	4,951,708	4,780,905
Analysed by types of issuers:		
– Central government	**1,816,022**	1,993,645
– Banks and other financial institutions	**3,135,686**	2,787,260
	4,951,708	4,780,905

There were no impairment allowances made against held-to-maturity investments as at 31 December 2014 and 2013. There were no movements in impairment allowances for the years ended 31 December 2014 and 2013.

There were neither impaired nor overdue held-to-maturity investments as at 31 December 2014 and 2013.

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.

17. GOODWILL

	2014	2013
	HK$'000	*HK$'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 cash-generating units (the "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 2014 and 2013 as its value in use exceeds the carrying amount.

18. RESERVES

	Note	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Employee share-based compensation reserve HK$'000	Regulatory reserve HK$'000	Retained profits HK$'000	Translation reserve HK$'000	Total HK$'000
At 1 January 2013		4,013,296	829	96,116	45,765	409,367	1,779,057	71,071	6,415,501
Profit for the year		–	–	–	–	–	367,761	–	367,761
Other comprehensive income		–	–	–	–	–	–	13,661	13,661
Transfer from retained profits		–	–	–	–	778	(778)	–	–
Dividends for 2013	*13*	–	–	–	–	–	(175,667)	–	(175,667)
At 31 December 2013 and 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		**4,013,296**	**829**	**96,116**	**45,765**	**438,936**	**2,150,305**	**68,153**	**6,813,400**

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.

Note:

In accordance with the HKMA's guideline "Impact of the New Hong Kong Accounting Standards on Authorised Institutions' Capital Base and Regulatory Reporting" (the "Guideline"), the Group's regulatory reserve and collective impairment allowances were included as CET1 capital in the Group's capital base at 31 December 2014 as defined in the Guideline. The regulatory reserve was held as a buffer of capital to absorb potential financial losses in excess of the accounting standards' requirements pursuant to the Guideline from the HKMA.

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 2014 and 2013, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**7,923**	9,771
In the second to fifth years, inclusive	**3,673**	5,677
	11,596	15,448

(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 5 years.

At 31 December 2014 and 2013, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**53,338**	51,499
In the second to fifth years, inclusive	**40,415**	34,698
	93,753	86,197

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:

	2014				
	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	**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**
Capital commitments contracted for, but not provided in the consolidated statement of financial position	**6,032**				

	2013				
	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	172,109	172,109	61,526	–	–
Transaction-related contingencies	11,080	5,540	2,150	–	–
Trade-related contingencies	53,464	10,693	10,216	–	–
Forward forward deposits placed	6,916	6,916	1,383	–	–
Forward asset purchases	2,970	2,970	594	–	–
	246,539	198,228	75,869	–	–
Derivatives held for trading:					
Foreign exchange rate contracts	434,721	3,101	19	771	610
Other commitments with an original maturity of:					
More than one year	115,829	57,914	57,914	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	3,982,241	–	–	–	–
	4,779,330	259,243	133,802	771	610
Capital commitments contracted for, but not provided in the consolidated statement of financial position	4,064				

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 2014 and 2013, 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 period that they are expected to be recovered or settled.

	2014							
	Repayable on demand *HK$'000*	Up to 1 month *HK$'000*	Over 1 month but not more than 3 months *HK$'000*	Over 3 months but not more than 12 months *HK$'000*	Over 1 year but not more than 5 years *HK$'000*	Over 5 years *HK$'000*	Repayable within an indefinite period *HK$'000*	Total *HK$'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	**1,450,144**	**6,224,604**	**2,413,749**	**6,881,219**	**7,491,851**	**14,874,930**	**160,576**	**39,497,073**
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	**7,307,761**	**11,763,140**	**11,466,177**	**3,812,286**	**1,598,263**	**–**	**173,545**	**36,121,172**

	2013							
	Repayable on demand	Up to 1 month	Over 1 month but not more than 3 months	Over 3 months but not more than 12 months	Over 1 year but not more than 5 years	Over 5 years	Repayable within an indefinite period	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets:								
Cash and short term placements	1,228,656	2,733,718	–	–	–	–	–	3,962,374
Placements with banks and financial institutions maturing after one month but not more than twelve months	–	–	987,374	208,617	–	–	–	1,195,991
Loans and advances and receivables (gross)	604,386	1,121,638	1,572,326	3,474,264	6,519,184	13,974,951	128,768	27,395,517
Available-for-sale financial assets	–	–	–	–	–	–	6,804	6,804
Held-to-maturity investments	–	1,110,396	651,539	2,355,704	663,266	–	–	4,780,905
Other assets	123	60,006	3,435	4,605	–	–	45,552	113,721
Foreign exchange contracts (gross)	–	433,194	1,527	–	–	–	–	434,721
Total financial assets	1,833,165	5,458,952	3,216,201	6,043,190	7,182,450	13,974,951	181,124	37,890,033
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	24,555	258,846	100,000	100,000	–	–	–	483,401
Customer deposits at amortised cost	6,422,009	9,153,909	10,981,098	3,101,896	315,440	–	–	29,974,352
Certificates of deposit issued at amortised cost	–	–	199,876	1,184,767	409,849	–	–	1,794,492
Unsecured bank loans at amortised cost	–	496,000	–	1,167,705	–	–	–	1,663,705
Other liabilities	416	85,850	31,784	32,462	8,576	–	168,850	327,938
Foreign exchange contracts (gross)	–	433,042	1,518	–	–	–	–	434,560
Total financial liabilities	6,446,980	10,427,647	11,314,276	5,586,830	733,865	–	168,850	34,678,448

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 2014 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 2014 due to other engagement. The last AGM was chaired by the Co-Chairman of the Company, Tan Sri Datuk Seri Utama Thong Yaw Hong.

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 (2013: HK$0.05) per ordinary share was paid on 30 July 2014. The second interim dividend of HK$0.11 (2013: HK$0.11) per ordinary share was declared on 30 December 2014 and will be payable on 16 February 2015 to shareholders of the Company whose names appear on the register of members on 23 January 2015. The Directors do not recommend the payment of a final dividend for the year (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 18 March 2015 to Friday, 20 March 2015, 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, 17 March 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The operating environment for financial institutions in Hong Kong was challenging in the year under review. Keen competition for customer deposits and also the removal of the conversion limit in Renminbi for Hong Kong residents caused funding costs in Hong Kong dollars to edge higher. Uncertainties in the timing, pace and magnitude of interest rates rise in the US coupled with anticipation of increase in funding costs of Hong Kong dollars in the near term remain the concerns for the volatility of fund flows and the narrowing of net interest margins of interest-bearing assets in Hong Kong. The various measures implemented by the Hong Kong government to discourage speculative property transactions continued to affect adversely the volume of property transactions in Hong Kong. The slowing of merchandise exports and retail sales coupled with lower Purchasing Managers' Index pointed to the moderation of economic activities in Hong Kong. The domestic loan demand, in particular on property lending and consumer financing, of the Group was also affected during the year under review.

FINANCIAL REVIEW

Revenue and earnings

For the year ended 31 December 2014, the Group recorded a profit after tax of HK$384.4 million, representing an increase of HK$16.6 million or 4.5% when compared to the previous year.

The Group's basic earnings per share for 2014 was HK$0.35. The Board had declared a first interim dividend of HK$0.05 per share in June 2014 and a second interim dividend of HK$0.11 per share in December 2014. The Board did not recommend the payment of a final dividend, making a total dividend for the year of HK$0.16 per share (2013: HK$0.16 per share).

For the year under review, the Group's interest income decreased by HK$15.8 million or 1.0% to HK$1.64 billion whilst interest expense increased by HK$50.6 million or 14.9% to HK$389.2 million due to rising funding costs. Consequently, the Group's net interest income decreased by HK$66.4 million or 5.0% to HK$1.25 billion. Total operating income of the Group decreased by HK$70.4 million or 4.6% to HK$1.46 billion due to the decrease in net interest income.

Total operating expenses (before changes in fair value of investment properties) increased by HK$18.7 million or 2.5% to HK$778.9 million, mainly due to increase in staff costs and rental costs on branch premises. Gains from the change in fair value of investment properties increased by HK$5.8 million to HK$11.9 million as compared to the previous year.

Impairment allowances for loans and advances decreased by HK$100.6 million or 31.0% to HK$224.3 million in 2014 as compared to HK$324.9 million in the previous year. The Group's impaired loans ratio improved by 0.16% to 0.47% as at 31 December 2014 from 0.63% as at 31 December 2013.

Loans and advances, customer deposits and total assets

The Group's total loans and advances (including trade bills) increased by HK$1.41 billion or 5.2% to HK$28.69 billion as at 31 December 2014 from HK$27.28 billion as at 31 December 2013. Customer deposits increased by HK$1.61 billion or 5.4% to HK$31.58 billion as at 31 December 2014 from HK$29.97 billion as at 31 December 2013.

As at 31 December 2014, the Group's total assets stood at HK$42.55 billion, an increase of HK$1.40 billion when compared to the position as at 31 December 2013.

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 2014 to serve its customers.

Business performance

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$935.4 million or 4.1% to HK$23.49 billion as at 31 December 2014 from HK$22.55 billion as at 31 December 2013. Customer deposits (excluding intra-group's deposits) increased by HK$1.31 billion or 5.0% to HK$27.51 billion as at 31 December 2014 from HK$26.20 billion as at 31 December 2013.

The consolidated capital adequacy ratio of Public Bank (Hong Kong) stood at 17.9% as at 31 December 2014.

Public Bank (Hong Kong) will continue to develop and expand its retail banking business and customer base, identify suitable locations for the 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 stock-broking businesses.

Public Finance

Total loans and advances of Public Finance recorded a growth of HK$435.8 million or 9.6% to HK$4.97 billion as at 31 December 2014 from HK$4.54 billion as at 31 December 2013. Customer deposits increased by HK$275.1 million or 6.8% to HK$4.33 billion as at 31 December 2014 from HK$4.05 billion as at 31 December 2013. Public Finance's capital adequacy ratio stood at 25.0% as at 31 December 2014.

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 and wealth management services, and (iii) other businesses. 96.4% of the Group's operating income and 94.5% 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 decreased by HK$58.2 million or 4.0% to HK$1.41 billion mainly due to decrease in net interest income of Public Finance. Profit before tax from retail and commercial banking businesses for 2014 increased by HK$21.0 million or 5.0% to HK$443.1 million mainly due to decrease in impairment allowance for loans and advances 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. As at 31 December 2014, 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 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 was reduced by HK$60.4 million to HK$1.60 billion as at the end of 2014 with the repayment of some bilateral bank loans. 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 2014. The bank borrowings have remaining maturity periods of more than three 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 during the year under review.

Asset quality

The Group's impaired loans to total loans ratio improved to 0.47% as at 31 December 2014 from 0.63% as at 31 December 2013. The Group will continue to adopt prudent credit underwriting standards, pursue recovery of problem loans diligently, safeguard its capital adequacy and liquidity positions, and set prudent yet flexible business development strategies to strike a balance between business growth and managing risks.

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 enrolled 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 are also encouraged to 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 2014, no options to subscribe for shares in the Company were exercised by employees of the Group. As at 31 December 2014, options to subscribe for 22,961,000 shares in the Company remained unexercised.

As at 31 December 2014, the Group's staff force stood at 1,443 employees. For the year ended 31 December 2014, the Group's total staff-related costs amounted to HK$479.8 million.

PROSPECTS

The economic outlook of Hong Kong and Mainland China in the year 2015 is anticipated to remain challenging and will continue to be affected by global external factors. The recent slump in oil prices coupled with slowing economic growth and deflation risks in some global regions may pose risks of currency depreciation and outflow of fund from these regions, which will be likely to affect liquidity and credit conditions of Hong Kong and Mainland China. The uncertainties in the timing, pace and magnitude of the US interest rate rises are also likely to have adverse impact to debt servicing ability of consumers and investment spending of investors, and will add volatility of fund flow in Hong Kong and Mainland China. The economic growth momentum in Mainland China, indicated by recent slowdown of gross domestic growth and decline in producer price index of industrial products, is expected to moderate in the near term. The recent moderation of gross domestic product growth and slowing of retail sales growth in Hong Kong will have uncertainty effect over the economic outlook of Hong Kong in the near term.

Competition in the banking and financing industry in Hong Kong is expected to remain keen and will intensify with financial institutions seeking greater market share in loans and advances, customer deposits, and other banking and financing businesses. The competitive and volatile environment will continue to exert pressure on the pricing of banking and financing products in Hong Kong. Demand for property lending is expected to be moderate in the near term. The Group will continue to seek property related loans at higher yields in anticipation of higher funding costs affected by external factors. The removal of Renminbi conversion limit for Hong Kong residents coupled with the launching of the Shanghai-Hong Kong Stock Connect in Hong Kong may drive up demand for Renminbi and migrations of deposits from other currencies to Renminbi, leading to funding costs in Hong Kong dollars deposits of banks and financial institutions in Hong Kong to rise. Thus net interest margin on loans of financial institutions in Hong Kong will remain under pressure and will have adverse potential impact on the earnings of financial institutions due to rising funding costs.

Notwithstanding the aforesaid, the Group will adjust the business strategies and exercise cost control measures where appropriate to maintain stable profit margins from loans and deposits businesses. The Group will also continue to focus on expanding its retail and commercial banking business and its consumer finance business cautiously with sound marketing strategies and excellent customer service. The Group will continue to seek greater synergies within its business operations to cross-sell the Group's products and services through the combined branch network of Public Bank (Hong Kong), Public Finance and Winton Financial.

The Group will continue to pursue long-term business growth objectives, and take steps to align business strategies with future expansion plans and earnings growth with prudent capital and funding management in meeting the challenges ahead.

Barring unforeseen circumstances, the Group expects to register growth in its businesses and financial performance. 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 2014 annual results have been reviewed by the Company's Audit Committee which comprises four 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, 15 January 2015

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 Tan Sri Datuk Seri Utama Thong Yaw Hong, Mr. Lee Chin Guan, Mr. Tang Wing Chew and Mr. Lai Wan as Independent Non-Executive Directors.