Dah Sing Financial Holdings Limited

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code:0440)

ANNOUNCEMENT OF 2016 FINAL RESULTS

The Directors of Dah Sing Financial Holdings Limited ("DSFH" or the "Company") are pleased to present the consolidated audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

HK$'000	Note	2016	Restated 2015	Variance %
Continuing operations				
Interest income		**5,197,642**	5,067,908	
Interest expense		**(1,540,406)**	(1,714,951)	
Net interest income	4	**3,657,236**	3,352,957	9.1
Fee and commission income		**1,060,016**	1,127,089	
Fee and commission expense		**(228,298)**	(220,151)	
Net fee and commission income	5	**831,718**	906,938	(8.3)
Net trading income	6	**192,330**	259,160	
Net insurance premium and other income		**249,103**	277,537	
Other operating income	7	**76,034**	70,739	
Operating income		**5,006,421**	4,867,331	2.9
Net insurance claims and expenses		**(149,908)**	(179,862)	
Total operating income net of insurance claims		**4,856,513**	4,687,469	3.6
Operating expenses	8	**(2,482,200)**	(2,342,256)	6.0
Operating profit before impairment losses		**2,374,313**	2,345,213	1.2
Loan impairment losses and other credit provisions	9	**(563,567)**	(496,352)	13.5
Operating profit before gains and losses on certain investments and fixed assets		**1,810,746**	1,848,861	(2.1)
Net loss on disposal of other fixed assets		**(306)**	(1,419)	
Net gain/ (loss) on fair value adjustment of investment properties		**3,768**	(9,530)	
Net gain on disposal of available-for-sale securities		**61,964**	35,571	
Loss on deemed disposal of investment in an associate		**-**	(47,617)	
Impairment losses charged on investment in equity securities		**-**	(10,970)	
Share of results of an associate		**602,793**	665,942	
Share of results of jointly controlled entities		**18,593**	21,945	
Profit before taxation		**2,497,558**	2,502,783	(0.2)
Taxation	10	**(305,270)**	(308,790)	
Profit for the year from continuing operations		**2,192,288**	2,193,993	(0.1)
Discontinued operations				
Profit for the year from discontinued operations	16	**246,810**	313,817	(21.4)
Profit for the year		**2,439,098**	2,507,810	(2.7)
Profit attributable to non-controlling interests		**(547,281)**	(560,343)	
Profit attributable to Shareholders of the Company		**1,891,817**	1,947,467	(2.9)
Attributable to:				
Shareholders of the Company				
- From continuing operations		**1,645,401**	1,634,068	
- From discontinued operations		**246,416**	313,399	
		1,891,817	1,947,467	
Dividends				
Interim dividend paid		**97,172**	107,224	
Proposed final dividend/ final dividend paid		**345,127**	335,075	
		442,299	442,299	
Earnings per share				
Basic				
- From continuing operations	11	**HK$4.91**	HK$4.88	
- From discontinued operations	11	**HK$0.74**	HK$0.93	
Diluted				
- From continuing operations	11	**HK$4.91**	HK$4.88	
- From discontinued operations	11	**HK$0.73**	HK$0.93	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

HK$'000	2016	2015
Profit for the year	**2,439,098**	2,507,810
Other comprehensive income for the year		
Items that will not be reclassified subsequently to the consolidated income statement:		
Premises		
Reserves arising from reclassification of premises to investment properties	**29,927**	1,393
Items that may be reclassified to the consolidated income statement:		
Investments in securities		
Fair value gains on available-for-sale securities recognised in equity	**330,160**	73,114
Fair value (gain)/ loss realised and transferred to income statement upon:		
- Disposal of available-for-sale securities	**(61,964)**	(43,563)
- Impairment of available-for-sale securities	**-**	10,970
Deferred income tax on movements in investment revaluation reserve	**(45,599)**	4,689
	222,597	45,210
Exchange differences arising on translation of the financial statements of foreign entities	**(361,895)**	(209,766)
Other comprehensive loss for the year, net of tax	**(109,371)**	(163,163)
Total comprehensive income for the year, net of tax	**2,329,727**	2,344,647
Attributable to:		
Non-controlling interests	**517,507**	519,690
Shareholders of the Company		
- From continuing operations	**1,539,227**	1,485,719
- From discontinued operations	**272,993**	339,238
Total comprehensive income for the year, net of tax	**2,329,727**	2,344,647

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

HK$'000	Note	**2016**	2015
ASSETS			
Cash and balances with banks		**15,083,632**	17,631,716
Placements with banks maturing between one and twelve months		**8,592,164**	7,714,421
Trading securities	12	**8,967,783**	8,766,304
Financial assets designated at fair value through profit or loss	12	**611,159**	11,000,786
Derivative financial instruments		**1,177,322**	1,100,710
Advances and other accounts	13	**121,014,785**	120,776,773
Available-for-sale securities	14	**32,865,500**	24,533,819
Held-to-maturity securities	15	**10,330,237**	10,698,859
Investment in an associate		**4,253,393**	4,099,217
Investments in jointly controlled entities		**75,412**	71,119
Goodwill		**874,603**	950,992
Intangible assets		**81,315**	82,480
Premises and other fixed assets		**2,151,421**	2,222,465
Investment properties		**1,059,226**	886,664
Current income tax assets		**5,098**	5,784
Deferred income tax assets		**68,286**	83,473
Value of in-force long-term life assurance business		**-**	2,166,695
Assets of disposal group classified as held for sale	16	**16,031,674**	-
Total assets		**223,243,010**	212,792,277
LIABILITIES			
Deposits from banks		**2,318,203**	1,550,911
Derivative financial instruments		**1,343,418**	1,500,591
Trading liabilities		**7,748,887**	6,270,630
Deposits from customers		**152,436,415**	149,264,197
Certificates of deposit issued		**6,559,976**	6,231,837
Subordinated notes		**7,146,163**	5,279,340
Other accounts and accruals		**5,399,385**	5,785,899
Current income tax liabilities		**165,320**	208,046
Deferred income tax liabilities		**116,709**	95,950
Liabilities to policyholders under long-term insurance contracts		**-**	10,695,944
Liabilities of disposal group classified as held for sale	16	**12,320,966**	-
Total liabilities		**195,555,442**	186,883,345
EQUITY			
Non-controlling interests		**5,870,786**	5,463,846
Equity attributable to the Company's shareholders			
Share capital		**4,248,559**	4,248,559
Other reserves (including retained earnings)		**17,568,223**	16,196,527
Shareholders' funds	17	**21,816,782**	20,445,086
Total equity		**27,687,568**	25,908,932
Total equity and liabilities		**223,243,010**	212,792,277

Note:

1. Statutory Financial Statements

The information set out in this results announcement does not constitute statutory financial statements.

Certain financial information in this results announcement is extracted from the Group's statutory consolidated financial statements for the year ended 31 December 2016 (the "2016 financial statements") which will be delivered to the Registrar of Companies and available from the website of the Hong Kong Exchanges and Clearing Limited in due course. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2017.

2. Basis of Preparation and Accounting Policies

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs" is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance Cap.622.

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies.

Except as described below, the accounting policies and methods of computation used in the preparation of the 2016 consolidated financial statements are consistent with those used and described in the Group's annual audited financial statements for the year ended 31 December 2015.

The financial information in this results announcement is presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated.

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Clarification of acceptable methods of depreciation and amortisation – Amendments to HKAS 16 and HKAS 38;
- Annual improvements to HKFRSs 2012 – 2014 cycle; and
- Disclosure initiative – amendments to HKAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

2. Basis of Preparation and Accounting Policies (Continued)

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been early adopted in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for the following standards:

HKFRS 9, "Financial instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group is still conducting a detailed assessment of the classification and measurement of financial assets and financial liabilities. The derecognition rules have been transferred from HKAS 39, "Financial instruments: recognition and measurement" and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of HKFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15, "Revenue from contracts with customers", lease receivables, loan commitments and certain financial guarantee contracts. The Group is assessing how its impairment provisions would be affected by this new standard.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption by phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

2. Basis of Preparation and Accounting Policies (Continued)

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

HKFRS 15, “Revenue from contracts with customers”

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group’s financial statements and has identified the following areas that are likely to be affected:

- revenue from service - the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue,
- accounting for certain costs incurred in fulfilling a contract - certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and
- rights of return under HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group has not yet completed the estimate of the impact of the new rules on the Group’s financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, “Leases”

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group’s operating leases. The Group has not yet determined to what extent non-cancellable operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. Operating segment reporting

Segment reporting by the Group is prepared in accordance with HKFRS 8 "Operating Segments". Information reported to the chief operating decision maker, including the Chief Executive and other Executive Committee members, for the purposes of resource allocation and performance assessment, is determined on the basis of banking business and insurance business. For banking business, operating performances are analysed by business activities for local banking business, and on business entity basis for overseas banking business. For insurance business, resources allocation and performance evaluation are based on insurance business entity basis.

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

- Personal banking business includes the acceptance of deposits from individual customers and the extension of residential mortgage lending, personal loans, overdraft, vehicle financing and credit card services, and the provision of insurance sales and investment services.

- Commercial banking business includes the acceptance of deposits from and the advance of loans and working capital finance to commercial, industrial and institutional customers, and the provision of trade financing.

- Treasury activities are mainly the provision of foreign exchange services and centralised cash management for deposit taking and lending, interest rate risk management, management of investment in securities and the overall funding of the Group.

- Overseas banking businesses include personal banking, commercial banking business activities provided by overseas subsidiaries in Macau and China, and the Group's interest in a commercial bank in China.

- Insurance business includes the Group's life assurance and general insurance businesses. Through the Group's wholly-owned subsidiaries in Hong Kong and 96% owned subsidiaries in Macau, the Group offers a variety of life and general insurance products and services.

- Others include results of operations not directly identified under other reportable segments, corporate investments and debt funding (including subordinated notes).

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

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

3. Operating segment reporting (Continued)

For the year ended 31 December 2016

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter-segment	Total
Net interest income/ (expenses)	1,543,802	1,237,593	427,016	500,803	13,980	(65,958)	-	3,657,236
Non-interest income/ (expenses)	630,589	179,277	87,058	116,491	124,497	74,503	(13,138)	1,199,277
Total operating income net of insurance claims	2,174,391	1,416,870	514,074	617,294	138,477	8,545	(13,138)	4,856,513
Operating expenses	(1,374,217)	(420,031)	(144,798)	(462,560)	(88,535)	(5,197)	13,138	(2,482,200)
Operating profit before loan impairment and other credit provisions	800,174	996,839	369,276	154,734	49,942	3,348	-	2,374,313
Loan impairment and other credit provisions (charged)/ written back	(260,201)	(351,916)	-	48,550	-	-	-	(563,567)
Operating profit after loan impairment and other credit provisions	539,973	644,923	369,276	203,284	49,942	3,348	-	1,810,746
Net (loss)/ gain on disposal and fair value adjustment of investment properties and other fixed assets	(104)	-	-	(186)	(7,699)	11,451	-	3,462
Net gain on disposal of available-for-sale securities	-	-	13,219	-	-	48,745	-	61,964
Loss on deemed disposal of investment in an associate	-	-	-	-	-	-	-	-
Impairment losses charged on investment in equity securities	-	-	-	-	-	-	-	-
Share of results of an associate	-	-	-	602,793	-	-	-	602,793
Share of results of jointly controlled entities	-	-	-	-	-	18,593	-	18,593
Profit before taxation	539,869	644,923	382,495	805,891	42,243	82,137	-	2,497,558
Taxation expenses	(89,047)	(106,412)	(63,112)	(43,248)	(2,491)	(960)	-	(305,270)
Profit for the year from continuing operations	450,822	538,511	319,383	762,643	39,752	81,177	-	2,192,288
Profit/ (loss) for the year from discontinued operations	-	-	-	-	254,097	(7,287)	-	246,810
Profit for the year	450,822	538,511	319,383	762,643	293,849	73,890	-	2,439,098
For the year ended 31 December 2016								
Depreciation and amortisation	64,704	13,148	5,949	35,822	2,084	40,757	-	162,464
At 31 December 2016								
Segment assets	46,447,588	54,664,156	69,352,142	35,258,558	2,035,767	6,077,968	(6,624,843)	207,211,336
Assets of disposal group classified as held for sale	-	-	-	-	17,902,706	(590,424)	(1,280,608)	16,031,674
Total Assets	46,447,588	54,664,156	69,352,142	35,258,558	19,938,473	5,487,544	(7,905,451)	223,243,010
Segment liabilities	87,439,836	37,388,274	18,848,415	26,533,708	1,378,734	18,270,352	(6,624,843)	183,234,476
Liabilities of disposal group classified as held for sale	-	-	-	-	13,601,574	-	(1,280,608)	12,320,966
Total Liabilities	87,439,836	37,388,274	18,848,415	26,533,708	14,980,308	18,270,352	(7,905,451)	195,555,442

3. Operating segment reporting (Continued)

For the year ended 31 December 2015 (Restated)

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter-segment	Total
Net interest income/ (expenses)	1,367,555	1,149,755	377,085	508,611	14,067	(64,116)	-	3,352,957
Non-interest income/ (expenses)	632,469	213,035	190,476	126,657	105,524	79,431	(13,080)	1,334,512
Total operating income net of insurance claims	2,000,024	1,362,790	567,561	635,268	119,591	15,315	(13,080)	4,687,469
Operating expenses	(1,260,121)	(378,778)	(140,878)	(469,366)	(87,189)	(19,004)	13,080	(2,342,256)
Operating profit/ (loss) before loan impairment and other credit provisions	739,903	984,012	426,683	165,902	32,402	(3,689)	-	2,345,213
Loan impairment and other credit provisions (charged)/ written back	(230,256)	(237,955)	15,000	(43,141)	-	-	-	(496,352)
Operating profit/ (loss) after loan impairment and other credit provisions	509,647	746,057	441,683	122,761	32,402	(3,689)	-	1,848,861
Net (loss)/ gain on disposal and fair value adjustment of investment properties and other fixed assets	(1,283)	(12)	(13)	7	(9,480)	(168)	-	(10,949)
Net gain on disposal of available-for-sale securities	-	-	16,568	-	-	19,003	-	35,571
Loss on deemed disposal of investment in an associate	-	-	-	(47,617)	-	-	-	(47,617)
Impairment losses charged on investment in equity securities	-	-	-	-	-	(10,970)	-	(10,970)
Share of results of an associate	-	-	-	665,942	-	-	-	665,942
Share of results of jointly controlled entities	-	-	-	-	-	21,945	-	21,945
Profit before taxation	508,364	746,045	458,238	741,093	22,922	26,121	-	2,502,783
Taxation (expenses)/ credit	(83,868)	(123,097)	(75,609)	(25,064)	(1,366)	214	-	(308,790)
Profit for the year from continuing operations	424,496	622,948	382,629	716,029	21,556	26,335	-	2,193,993
Profit for the year from discontinued operations	-	-	-	-	303,173	10,644	-	313,817
Profit for the year	424,496	622,948	382,629	716,029	324,729	36,979	-	2,507,810
For the year ended 31 December 2015								
Depreciation and amortisation	58,882	12,246	6,759	40,746	2,097	38,984	-	159,714
At 31 December 2015								
Segment assets	44,238,858	55,906,000	63,141,488	31,842,489	18,638,943	4,851,310	(5,826,811)	212,792,277
Segment liabilities	85,575,624	37,962,644	16,816,776	23,429,044	14,233,827	14,692,241	(5,826,811)	186,883,345

3. Operating segment reporting (Continued)

More than 90% of the revenues from external customers were contributed from banking subsidiaries in Hong Kong, Macau and People's Republic of China, with major products and services including deposit taking, extension of credit, asset-based finance, securities investment services offered to customers.

The following tables provide information by geographical area, which was determined with reference to the domicile of the legal entities within the Group with business dealing and relationship with, and services to external customers.

HK$'000	**Hong Kong and Others**	**Macau**	**Inter-segment elimination**	**Total**
For the year ended 31 December 2016				
Total operating income net of insurance claims	**4,357,570**	**499,934**	**(991)**	**4,856,513**
Profit before taxation	**2,253,313**	**244,245**	**-**	**2,497,558**
At 31 December 2016				
Segment assets	**189,496,779**	**20,039,881**	**(2,325,324)**	**207,211,336**
Assets of disposal group classified as held for sale	**15,402,930**	**628,744**	**-**	**16,031,674**
Total assets	**204,899,709**	**20,668,625**	**(2,325,324)**	**223,243,010**
Segment liabilities	**168,192,298**	**17,367,502**	**(2,325,324)**	**183,234,476**
Liabilities of disposal group classified as held for sale	**11,983,148**	**337,818**	**-**	**12,320,966**
Total liabilities	**180,175,446**	**17,705,320**	**(2,325,324)**	**195,555,442**
Intangible assets and goodwill	**318,667**	**637,251**	**-**	**955,918**
Contingent liabilities and commitments	**78,450,169**	**1,684,727**	**(112,006)**	**80,022,890**

	Hong Kong and Others	Macau	Inter-segment elimination	Total
For the year ended 31 December 2015 (Restated)				
Total operating income net of insurance claims	4,212,046	476,420	(997)	4,687,469
Profit before taxation	2,271,226	231,557	-	2,502,783
At 31 December 2015				
Total assets	194,868,421	19,569,962	(1,646,106)	212,792,277
Total liabilities	171,615,505	16,913,946	(1,646,106)	186,883,345
Intangible assets and goodwill	318,667	714,805	-	1,033,472
Contingent liabilities and commitments	76,227,916	1,862,414	(32,000)	78,058,330

4. Net interest income

HK$'000	**2016**	Restated 2015
Interest income		
Cash and balances with banks	**295,726**	316,531
Investments in securities	**821,651**	706,217
Advances and other accounts	**4,080,265**	4,045,160
	5,197,642	5,067,908
Interest expense		
Deposits from banks/ Deposits from customers	**1,226,267**	1,436,893
Certificates of deposit issued	**75,116**	78,234
Subordinated notes	**226,842**	198,517
Others	**12,181**	1,307
	1,540,406	1,714,951
Included within interest income		
Interest income on financial assets not at fair value through profit or loss	**5,179,200**	5,061,382
Included within interest expense		
Interest expense on financial liabilities not at fair value through profit or loss	**1,526,169**	1,712,319

For the year ended 31 December 2016 and 2015, there was no interest income recognised on impaired assets.

5. Net fee and commission income

HK$'000	**2016**	Restated 2015
Fee and commission income		
Fee and commission income from financial assets and liabilities not at fair value through profit or loss		
- Credit related fees and commissions	**151,334**	136,538
- Trade finance	**73,596**	91,987
- Credit card	**295,536**	300,974
Other fee and commission income		
- Securities brokerage	**81,725**	132,006
- Insurance distribution and others	**112,291**	96,111
- Retail investment and wealth management services	**226,502**	196,862
- Bank services and handling fees	**69,459**	61,850
- Other fees	**49,573**	110,761
	1,060,016	1,127,089
Fee and commission expense		
Fee and commission expense from financial assets and liabilities not at fair value through profit or loss		
- Handling fees and commission	**208,639**	205,639
- Other fees paid	**19,659**	14,512
	228,298	220,151

The Group provides custody, trustee, corporate administration, and investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements.

6. Net trading income

HK$'000	2016	Restated 2015
Dividend income from financial assets at fair value through profit or loss	**8,535**	7,780
Net gain arising from dealing in foreign currencies	**78,509**	136,728
Net gain/ (loss) on trading securities	**3,512**	(13,094)
Net gain from derivatives entered into for trading purpose	**34,145**	57,334
Net loss arising from financial instruments subject to fair value hedge	**(1,424)**	(8,774)
Net gain arising from financial instruments designated at fair value through profit or loss	**69,053**	79,186
	192,330	259,160

7. Other operating income

HK$'000	2016	Restated 2015
Dividend income from investments in available-for-sale securities	**22,512**	20,147
Gross rental income from investment properties	**26,142**	24,490
Other rental income	**12,227**	11,423
Others	**15,153**	14,679
	76,034	70,739

8. Operating expenses

HK$'000	2016	Restated 2015
Employee compensation and benefit expenses (including directors' remuneration)	**1,625,891**	1,511,085
Premises and other fixed assets expenses, excluding depreciation		
- Rental of premises	**179,149**	166,561
- Others	**156,684**	129,153
Depreciation	**161,299**	157,675
Advertising and promotion costs	**92,191**	80,216
Printing, stationery and postage	**46,151**	52,906
Amortisation expenses of intangible assets	**1,165**	2,039
Auditors' remuneration	**8,816**	8,608
Others	**210,854**	234,013
	2,482,200	2,342,256

9. Loan impairment losses and other credit provisions

HK$'000	**2016**	2015
Loan impairment losses		
Net charge/ (reversal) of impairment losses on advances and other accounts		
- Trade bills	**5,677**	3,670
- Advances to customers	**567,755**	508,713
- Accrued interest and other accounts	**(9,865)**	(1,031)
	563,567	511,352
Net charge of impairment losses on advances and other accounts		
- Individually assessed	**239,346**	218,941
- Collectively assessed	**324,221**	292,411
	563,567	511,352
Of which		
- new and additional allowances (including amounts directly written off in the year)	**706,806**	641,447
- releases	**(88,644)**	(76,697)
- recoveries	**(54,595)**	(53,398)
	563,567	511,352
Other credit provisions		
Net reversal of impairment losses on available-for-sale securities		
- Collectively assessed	**-**	(15,000)
Net charge to income statement	**563,567**	496,352

10. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Deferred taxation is calculated in full on temporary differences under the liability method at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised.

HK$'000	**2016**	Restated 2015
Current income tax:		
- Hong Kong profits tax	**253,284**	287,525
- Overseas taxation	**43,758**	41,475
- Under-provision in prior years	**1,802**	825
Deferred income tax:		
- Origination and reversal of temporary differences	**6,129**	(20,968)
- Utilisation/ (recognition) of tax losses	**297**	(67)
Taxation	**305,270**	308,790

11. Basic and diluted earnings per share

The calculation of basic earnings per share is based on earnings from continuing operations and discontinued operations of HK$1,645,401,000 and HK$246,416,000 respectively (2015: HK$1,634,068,000 and HK$313,399,000 respectively) and the weighted average number of 335,075,100 (2015: 335,075,100) ordinary shares in issue during the year.

The calculation of fully diluted earnings per share is based on earnings from continuing operations and discontinued operations of HK$1,645,401,000 and HK$246,416,000 respectively (2015: HK$1,634,068,000 and HK$313,399,000 respectively) and the weighted average number of 335,292,294 (2015: 335,254,509) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

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

HK$'000	**As at 31 Dec 2016**	As at 31 Dec 2015
Trading securities:		
Debt securities:		
- Listed in Hong Kong	**104,751**	58,398
- Unlisted	**8,767,093**	8,513,996
	8,871,844	8,572,394
Equity securities:		
- Listed in Hong Kong	**61,990**	61,592
- Listed outside Hong Kong	**33,949**	126,915
- Unlisted, interests in investment funds	**-**	5,403
	95,939	193,910
Total trading securities	**8,967,783**	8,766,304
Financial assets designated at fair value through profit or loss:		
Debt securities:		
- Listed in Hong Kong	**61,732**	936,627
- Listed outside Hong Kong	**423,288**	2,965,456
- Unlisted	**-**	3,603,684
	485,020	7,505,767
Equity securities:		
- Listed in Hong Kong	**33,076**	966,514
- Listed outside Hong Kong	**83,471**	1,075,113
- Unlisted	**9,592**	1,453,392
	126,139	3,495,019
Total financial assets designated at fair value through profit or loss	**611,159**	11,000,786
Total trading securities and financial assets designated at fair value through profit or loss	**9,578,942**	19,767,090

12. Trading securities and financial assets designated at fair value through profit or loss (Continued)

HK$'000	**As at 31 Dec 2016**	As at 31 Dec 2015
Included within debt securities are:		
- Treasury bills	**8,827,162**	8,543,135
- Government bonds	**44,682**	425,851
- Other debt securities	**485,020**	7,109,175
	9,356,864	16,078,161

As at 31 December 2016 and 2015, there were no certificates of deposit held included in the above balances of trading or fair value debt securities.

Trading securities and financial assets designated at fair value through profit or loss are analysed by categories of issuers as follows:		
- Central governments and central banks	**8,871,844**	8,968,986
- Public sector entities	**-**	77,047
- Banks and other financial institutions	**132,285**	1,333,728
- Corporate entities	**574,813**	9,387,329
	9,578,942	19,767,090

13. Advances and other accounts

HK$'000	**As at 31 Dec 2016**	As at 31 Dec 2015
Gross advances to customers	**113,654,721**	109,625,324
Trade bills	**4,299,974**	6,469,899
Other assets		
- Other accounts receivable and prepayments	**3,940,399**	5,396,317
	121,895,094	121,491,540
Less: impairment allowances		
- Individually assessed	**(444,561)**	(347,538)
- Collectively assessed	**(435,748)**	(367,229)
	(880,309)	(714,767)
Advances and other accounts	**121,014,785**	120,776,773

13. Advances and other accounts (Continued)

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

HK$'000	**As at 31 Dec 2016**		As at 31 Dec 2015	
	Outstanding balance	**% of gross advances**	Outstanding balance	% of gross advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	**2,317,648**	**2.0**	1,909,605	1.7
- Property investment	**15,095,225**	**13.3**	16,136,906	14.7
- Financial concerns	**4,259,982**	**3.7**	1,118,110	1.0
- Stockbrokers	**1,804,854**	**1.6**	965,931	0.9
- Wholesale and retail trade	**4,543,621**	**4.0**	4,144,996	3.8
- Manufacturing	**2,435,207**	**2.1**	3,026,032	2.8
- Transport and transport equipment	**3,508,563**	**3.1**	3,713,584	3.4
- Recreational activities	**78,395**	**0.1**	262,522	0.2
- Information technology	**74,186**	**0.1**	72,019	0.1
- Others	**5,180,298**	**4.6**	5,454,602	5.0
	39,297,979	**34.6**	36,804,307	33.6
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**756,457**	**0.7**	869,023	0.8
- Loans for the purchase of other residential properties	**22,230,051**	**19.5**	21,260,300	19.4
- Credit card advances	**4,377,622**	**3.8**	4,465,225	4.1
- Others	**11,092,297**	**9.8**	9,217,401	8.4
	38,456,427	**33.8**	35,811,949	32.7
Loans for use in Hong Kong	**77,754,406**	**68.4**	72,616,256	66.3
Trade finance (Note (1))	**7,723,386**	**6.8**	7,394,880	6.7
Loans for use outside Hong Kong (Note (2))	**28,176,929**	**24.8**	29,614,188	27.0
	113,654,721	**100.0**	109,625,324	100.0

Note:

(1) Trade finance shown above represents loans covering finance of imports to Hong Kong, exports and re-exports from Hong Kong and merchandising trade classified with reference to the relevant guidelines issued by the Hong Kong Monetary Authority ("HKMA").

Trade finance loans not involving Hong Kong (including trade finance extended by the overseas subsidiary banks of Dah Sing Bank, Limited ("DSB")) totalling HK$297,335,000 (31 December 2015: HK$ 592,075,000) are classified under Loans for use outside Hong Kong.

(2) Loans for use outside Hong Kong include loans extended to customers located in Hong Kong with the finance used outside Hong Kong.

13. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets

(i) Impaired loans

HK$'000	**As at 31 Dec 2016**	As at 31 Dec 2015
Impaired loans and advances		
- Individually impaired (Note (a))	**1,174,209**	796,319
- Collectively impaired (Note (b))	**21,617**	21,815
	1,195,826	818,134
Impairment allowances made		
- Individually assessed (Note (c))	**(435,210)**	(327,953)
- Collectively assessed (Note (b))	**(19,637)**	(20,026)
	(454,847)	(347,979)
	740,979	470,155
Fair value of collaterals held*	**904,293**	582,726
Impaired loans and advances as a % of total loans and advances to customers	**1.05%**	0.75%

* Fair value of collaterals is determined at the lower of the market value of collateral and outstanding loan balance.

Note:

(a) Individually impaired loans are defined as those loans having objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated cash flows of the loans that can be reliably estimated.

(b) Collectively impaired loans and advances refer to those unsecured loans and advances assessed for impairment on a collective basis and which have become overdue for more than 90 days as at the reporting date. The collective impairment allowance for these impaired loans, which is a part of the overall collective impairment allowances, is shown above.

(c) The above individual impairment allowances were made after taking into account the value of collaterals in respect of such advances as at 31 December.

13. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets (Continued)

(ii) Gross amount of overdue loans

HK$'000	**As at 31 Dec 2016**		As at 31 Dec 2015	
	Gross amount of overdue loans	**% of total**	Gross amount of overdue loans	% of total
Gross advances to customers which have been overdue for:				
- six months or less but over three months	**188,025**	**0.17**	229,892	0.21
- one year or less but over six months	**425,466**	**0.37**	260,593	0.24
- over one year	**473,646**	**0.42**	209,635	0.19
	1,087,137	**0.96**	700,120	0.64
Market value of securities held against the secured overdue advances	**1,095,775**		1,196,607	
Secured overdue advances	**839,520**		525,584	
Unsecured overdue advances	**247,617**		174,536	
Individual impairment allowances	**349,070**		213,854	

Collateral held mainly represented pledged deposits, mortgage over properties and charges over other fixed assets such as equipment.

(iii) Rescheduled advances net of amounts included in overdue advances shown above

	As at 31 Dec 2016	**% of total**	As at 31 Dec 2015	% of total
Advances to customers	**394,408**	**0.35**	243,284	0.22
Impairment allowances	**24,982**		15,825	

(c) Trade bills

	As at 31 Dec 2016	As at 31 Dec 2015
Trade bills which have been overdue for:		
- six months or less but over three months	**-**	1,975
- one year or less but over six months	**4,644**	3,070
- over one year	**6,337**	-
	10,981	5,045

As at 31 December 2016 and 2015, no trade bills were impaired.

13. Advances and other accounts (Continued)

(d) Repossessed collateral

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

HK$'000	**As at 31 Dec 2016**	As at 31 Dec 2015
Nature of assets		
Repossessed properties	**131,243**	140,163
Others	**6,842**	7,464
	138,085	147,627

Repossessed collaterals are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness of the borrowers concerned.

Certain other properties in the Mainland China with a total estimated realisable value of HK$58,933,000 (2015: HK$63,255,000), which had been foreclosed and repossessed by the Group pursuant to orders issued by courts in the Mainland China, represent assets held by the Group for resale and have been reported under "Other assets". The relevant loans had been derecognised.

14. Available-for-sale securities

HK$'000	**As at 31 Dec 2016**	As at 31 Dec 2015
Debt securities:		
- Listed in Hong Kong	**14,411,087**	12,724,190
- Listed outside Hong Kong	**13,928,043**	9,060,290
- Unlisted	**3,953,915**	1,989,770
	32,293,045	23,774,250
Equity securities:		
- Listed in Hong Kong	**304,448**	391,038
- Listed outside Hong Kong	**56,245**	47,662
- Unlisted	**211,762**	320,869
	572,455	759,569
Total available-for-sale securities	**32,865,500**	24,533,819
Included within debt securities are:		
- Treasury bills	**7,361,844**	3,610,091
- Government bonds	**238,910**	238,109
- Other debt securities	**24,692,291**	19,926,050
	32,293,045	23,774,250

Note:

As at 31 December 2016 and 2015, there were no certificates of deposit held included in the above balances of investments in debt securities.

Available-for-sale securities are analysed by categories of issuers as follows:		
- Central governments and central banks	**7,600,754**	3,848,200
- Public sector entities	**603,533**	500,463
- Banks and other financial institutions	**3,556,417**	4,158,534
- Corporate entities	**21,102,268**	16,024,094
- Others	**2,528**	2,528
	32,865,500	24,533,819

15. Held-to-maturity securities

HK$'000	**As at 31 Dec 2016**	As at 31 Dec 2015
Debt securities:		
- Listed in Hong Kong	**3,167,081**	2,384,910
- Listed outside Hong Kong	**3,731,661**	4,441,722
- Unlisted	**3,431,495**	3,872,227
	10,330,237	10,698,859
Included within debt securities are:		
- Certificates of deposit held	**400,000**	1,177,533
- Treasury bills	**2,401,808**	1,994,337
- Government bonds	**523,290**	442,147
- Other debt securities	**7,005,139**	7,084,842
	10,330,237	10,698,859
Held-to-maturity securities are analysed by categories of issuers as follows:		
- Central governments and central banks	**2,925,098**	2,436,484
- Public sector entities	**-**	3,912
- Banks and other financial institutions	**2,656,551**	3,673,686
- Corporate entities	**4,748,588**	4,584,777
	10,330,237	10,698,859

16. Discontinued operations, and assets and liabilities of disposal group classified as held for sale

On 2 June 2016, the Group announced that it had entered into a share sale agreement with companies owned by Fujian Thai Hot Investment Co., Ltd. ("Thai Hot") pursuant to which it conditionally agreed to sell (the "Sale") to the latter the entire issued share capital of certain of its subsidiaries, namely Dah Sing Life Assurance Company Limited ("DSLA"), Dah Sing Insurance Services Limited ("DSIS") and Macau Life Insurance Company Limited ("MLIC") (excluding the pension fund management business of MLIC which is not covered by the Sale) (collectively, the "Disposal Group"), whose collective core business is the sale and underwriting of life insurance products in Hong Kong and Macau. The completion of the Sale is conditional on a number of conditions which include obtaining the approval from shareholders of the Company and the relevant regulatory authorities.

As at the date of these consolidated financial statements, the Company has obtained approval for the Sale in the resolution passed by its shareholders in the extraordinary general meeting held on 25 August 2016. Separately, the Company understands that the review by the relevant regulatory authorities of Thai Hot's application for approval as the shareholder controller of DSLA and MLIC is in progress. Management has performed assessment on the availability of Disposal Group for immediate sale in its present condition and the probability of completing the transaction in accordance with the requirements of Hong Kong Financial Reporting Standard No.5 entitled "Non-current Assets Held for Sale and Discontinued Operations" ("HKFRS 5") and concluded that the Disposal Group meets the definition of assets of disposal group classified as held for sale and discontinued operations.

After considering the circumstances including development relating to the Sale and the Disposal Group, and in accordance with the requirements of HKFRS 5, the Company has reported the operating results of the Disposal Group for the year ended 31 December 2016 as results of discontinued operations in the consolidated income statement and comprehensive income statement and has restated the comparative figures accordingly. The assets and liabilities of the Disposal Group as at 31 December 2016 have also been presented separately as assets and liabilities of the Disposal Group classified as held for sale in the consolidated statement of assets and liabilities.

16. Discontinued operations, and assets and liabilities of disposal group classified as held for sale (Continued)

Under HKFRS 5, amounts relating to discontinued operations and the Disposal Group are presented from the perspective of the holding company. They do not necessarily reflect the operating results and the assets and liabilities of the Disposal Group on a standalone basis.

(a) The results of the discontinued operations

	2016	2015
Net interest income	**333,367**	300,336
Net fee and commission income	**(112,186)**	(103,489)
Net trading income	**276,505**	(227,450)
Net insurance premium and other income	**1,795,036**	1,751,773
Other operating income	**3,852**	4,242
Operating income	**2,296,574**	1,725,412
Net insurance claims and expenses	**(1,774,430)**	(1,126,180)
Total operating income net insurance claims	**522,144**	599,232
Operating expenses	**(223,369)**	(192,041)
Operating profit before gains or losses on certain investments and fixed assets	**298,775**	407,191
Net loss on disposal and revaluation of premises and other fixed assets	**-**	(8)
Net loss on disposal of and fair value adjustment on investment properties	**(58,456)**	(65,333)
Net gain on disposal of available-for-sale securities	**-**	7,992
Profit before taxation	**240,319**	349,842
Taxation credit/ (expenses)	**6,491**	(36,025)
Profit for the year from discontinued operations	**246,810**	313,817

Note:

The results of discontinued operations presented above comprised the combined results of operations of DSLA, DSIS and MLIC (excluding the results of the pension fund management business being operated in Macau, which is retained by the Group and is included as a part of the Group's continuing operations), and the effects of the adjustments that are made when these results are included in the Group's consolidated financial statements.

16. Discontinued operations, and assets and liabilities of disposal group classified as held for sale (Continued)

(b) Assets and liabilities of Disposal Group classified as held for sale

	As at 31 Dec 2016
ASSETS	
Cash and balances with banks	**452,343**
Placements with banks maturing between one and twelve months	**45,035**
Trading securities	**129,426**
Financial assets designated at fair value through profit or loss	**11,300,546**
Derivative financial instruments	**39,283**
Available-for-sale securities	**192,501**
Held-to-maturity securities	**158,051**
Goodwill	**76,389**
Other assets	**1,329,030**
Value of in-force long-term life assurance business	**2,309,070**
Total assets	**16,031,674**
LIABILITIES	
Derivative financial instruments	**70,200**
Other liabilities	**696,856**
Liabilities to policyholders under long-term insurance contracts	**11,553,910**
Total liabilities	**12,320,966**
Net amount	**3,710,708**

Note:

The amounts of assets and liabilities presented above comprised the combined assets and liabilities of DSLA, DSIS and MLIC, and the effects of the adjustments that are made when these assets and liabilities are included in the Group’s consolidated financial statements.

17. Shareholders' funds

HK$'000	**As at 31 Dec 2016**	As at 31 Dec 2015
Share capital	**4,248,559**	4,248,559
Capital reserve	**12,716**	18,871
Premises revaluation reserve	**249,454**	227,161
Investment revaluation reserve	**414,007**	246,192
Exchange reserve	**(215,247)**	54,458
General reserve	**484,289**	484,289
Reserve for share-based compensation	**4,503**	6,625
Retained earnings	**16,618,501**	15,158,931
	21,816,782	20,445,086
Proposed final dividends included in retained earnings	**345,127**	335,075

Note:

(a) DSB as a locally incorporated bank in Hong Kong is required to maintain minimum impairment provisions in excess of those required under HKFRS in the form of regulatory reserve. The regulatory reserve, which also covers Banco Comercial de Macau, S.A. and Dah Sing Bank (China) Limited, is maintained to satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes. The regulatory reserve restricts the amount of reserves which can be distributed to shareholders. Movements in the regulatory reserve are made directly through equity reserve and in consultation with the HKMA.

(b) As at 31 December 2016, DSB has earmarked a regulatory reserve of HK$1,398,280,000 (2015: HK$1,528,440,000) first against its consolidated general reserve; and for any excess amount, the balance is earmarked against its consolidated retained earnings.

FINANCIAL RATIOS

	Year ended 31 Dec 2016	Restated Year ended 31 Dec 2015
Net interest income/ operating income	**75.3%**	71.5%
Cost to income ratio	**51.1%**	50.0%
Return on average total assets	**0.9%**	0.9%
Return on average shareholders' funds	**9.0%**	9.9%
Net interest margin	**1.98%**	1.83%

FINAL DIVIDEND

At the forthcoming annual general meeting ("AGM") of the Company to be held on Friday, 26 May 2017, the Directors will propose a final dividend of HK$1.03 per share for 2016 to shareholders whose names are on the Register of Shareholders as at the close of business on Thursday, 8 June 2017. The final dividend is payable on Wednesday, 14 June 2017.

CLOSURE OF REGISTER OF SHAREHOLDERS

For determining shareholders' right to attend and vote at the AGM:

Closure dates of Register of Shareholders (both days inclusive)	23 May 2017 (Tuesday) to 26 May 2017 (Friday)
Latest time to lodge transfers	4:30 p.m. on 22 May 2017 (Monday)
Record date	26 May 2017 (Friday)
AGM	26 May 2017 (Friday)

For determining shareholders' entitlement to receive the proposed final dividend*:

Closure dates of Register of Shareholders (both days inclusive)	6 June 2017 (Tuesday) to 8 June 2017 (Thursday)
Latest time to lodge transfers	4:30 p.m. on 5 June 2017 (Monday)
Record date	8 June 2017 (Thursday)
Proposed final dividend payment date	14 June 2017 (Wednesday)

*(*subject to shareholders' approval at the AGM)*

During the periods of the closure of Register of Shareholders, no share transfers will be registered. For registration, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before the relevant latest time to lodge transfers.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

The local Hong Kong economy recovered somewhat in the second half of the year, with GDP growth increasing to 1.9% for full year 2016, compared with 1.2% in the first half. Domestic demand strengthened moderately, with household income and earnings registering improvement, and unemployment remained at the low level of 3.3% at the end of the year. The Hong Kong stock market also rallied in the second half of the year, despite a sell-off towards the year end. Therefore, in general terms, conditions in Hong Kong in the second half of the year were somewhat better than in the first half.

Globally, however, conditions remained quite volatile. Following the Brexit vote towards the mid-year, the Presidential election in the US was held in November, with the new President taking office early in 2017. Closer to home, whilst economic growth in the Mainland was broadly in line with expectations at 6.7% for the year, the RMB continued to weaken significantly in the second half of the year. Notwithstanding the moves in the RMB, local Hong Kong liquidity conditions remained strong, and local interest rates remained low until nearly the end of the year, when they rose in tandem with those in the US, and in line with the decision of the Federal Reserve in the US to increase interest rates in December.

With local market conditions having improved somewhat in the second half of the year, our profit attributable to shareholders for 2016 was relatively stable, decreasing slightly by approximately 2.9% to HK$1,892 million compared with the prior year. The overall performance was driven mainly by fairly stable earnings reported by our banking operations, and moderately lower profitability reported by our insurance operations.

We announced the sale of our life insurance business on 2 June 2016, with the completion of the transaction subject to the satisfaction of a number of conditions, including regulatory approvals. Although the completion of the sale of the life insurance business is still pending final regulatory approvals, we have decided to classify our life insurance business as a “discontinued operation” at the end of 2016, and the results of our life insurance business are disclosed accordingly.

BUSINESS AND FINANCIAL REVIEW

With more stable conditions in the second half of the year, the Banking Group’s performance was also steady, with profit attributable to shareholders in the second half of the year of HK$1,072 million being similar to that in the first half. For the full year, net interest income grew by 9.0% to HK$3,638 million, despite relatively sluggish loan growth, mainly due to an improvement in net interest margin from 1.83% to 1.98%. The margin was helped by continued low interest rates up until the last part of the year, when the Federal Reserve in the US raised short term interest rates by 0.5%. Net fee and commission income was down by 8.1% mainly due to a weaker performance from our commercial banking and treasury activities, and lower securities brokerage fee, whilst other retail banking fees were stable, and wealth management fee and commission income was up. Our bancassurance business also reported increased commissions over the prior year.

Our overseas banking business reported higher profit as a whole, due to improved performance from our wholly owned subsidiaries, Banco Comercial de Macau and Dah Sing Bank (China), despite a reduction in the contribution from our associate Bank of Chongqing (“BOCQ”). The reduction in the contribution from BOCQ was due to the dilution in our shareholding to approximately 14.7% in 2016 from approximately 17.0% in 2015, after the completion of BOCQ’s share placement towards the end of 2015.

Credit costs overall were up for the year, led mainly by increases in loan impairments in our Hong Kong based commercial banking business due to financial difficulties experienced by some SME borrowers, as well as some increase in collective impairment charges for the commercial and SME business to reflect a slight worsening in asset quality when compared with the prior year, and in our retail banking business driven mainly by increases in volumes of unsecured personal loans. Overall impairment charges dropped half on half, reflecting a stabilization in the underlying asset quality of our loan portfolio during the second half.

BUSINESS AND FINANCIAL REVIEW (Continued)

Our overall net insurance premium income was slightly higher than 2015 due mainly to high levels of persistency, as well as respectable new sales during the course of the year. Overall, new business sales were slightly lower for the year, with an improved performance from our bancassurance business being offset by lower sales from our agency force. Against a very strong profit performance in 2015, the net profit from our insurance business was lower, but was still respectable at HK$294 million.

Return on assets of 0.9% and ROE of 9.0% were slightly lower than in 2015, due to the lower level of profit reported, as well as the higher level of equity due to retained earnings over the period. Our cost to income ratio (of continuing operations) was also slightly higher at 51.1%, vs 50.0% in 2015, a result of higher rate of cost increase relative to the more subdued growth in operating income in the year.

As at 31 December 2016, the consolidated Common Equity Tier 1 ratio of Dah Sing Bank, Limited (“DSB”) strengthened to 12.7%, compared with 12.2% at the end of 2015, driven by slower asset growth and higher retained earnings. In November 2016, DSB issued US$250 million of Tier 2 subordinated debt, in advance of the call of its prior issues of S$225 million of Lower Tier 2 subordinated debt and US$55 million of Upper Tier 2 subordinated debt in February 2017. Together with the build-up of CET1, this resulted in capital levels as at 31 December 2016 that were substantially higher than the prior year, at 18.3% overall. It should however be noted that the subsequent call of the two subordinated debt issues referred to above in February 2017 has lowered the overall capital ratio on a pro forma basis by 72 basis points. We continued to comply with the Liquidity Maintenance Ratio, which was maintained at 42% average level during the year, well above the regulatory minimum level of 25%. We believe that our capital and liquidity ratios are maintained at levels within the market range for both peer banks in Hong Kong, and indeed for banks internationally.

The Company announced on 2 June 2016 the entering into of the share sale agreement (the “Share Sale Agreement”) with a wholly owned subsidiary of Fujian Thai Hot Investment Company, Limited (“Thai Hot”) in respect of the sale of Dah Sing Life Assurance Company Limited (“DSLA”) and Macau Life Insurance Company Limited (“MLIC”) (the life insurance subsidiaries of the Company) to Thai Hot, subject to certain conditions precedents including regulatory approvals.

Under the Share Sale Agreement, it was proposed that new bancassurance distribution agreements for 15 years (“New DAs”) between DSB and its wholly owned Macau subsidiary bank (Banco Comercial de Macau “BCM”) on the one hand, and DSLA and MLIC on the other side be entered into and take effect on completion of the Share Sale Agreement. DSLA and MLIC will become subsidiaries of Thai Hot on completion of the Share Sale Agreement. DSB and BCM are wholly owned subsidiaries of Dah Sing Banking Group Limited (“DSBG”).

Shareholders of DSBG approved the entering into of the New DAs respectively by DSB and BCM on 5 August 2016, and shareholders of the Company approved the disposal of DSLA and MLIC under the Share Sale Agreement on 25 August 2016. The completion of the transaction remains subject to various regulatory approvals.

PROSPECTS

Conditions in 2016 were generally sluggish in our core markets. There are early signs that there may be some modest improvement in 2017. For example, the latest Hong Kong government forecast for 2017 GDP growth is 2-3%, which is somewhat better than 2016 GDP growth of less than 2%. It also seems that the Mainland economy has been stabilizing, and is on track to deliver growth in excess of 6% for 2017. US interest rates have been gradually moving up, and look set to increase further in 2017. If the pace of increase is, as expected, relatively modest, this should give banks some opportunity to work to increase net interest margin over time, although in the short term there could be some margin pressure due to the different speed of repricing of assets and liabilities. There are also early signs that the relatively rapid increase in credit cost in the first half of last year has slowed, and that credit quality may be more stable this year than last. Whilst there is still likely to be some pressure on operating costs, this is unlikely to be too severe.

Against these more positive indicators, it is important not to forget that there are also many risks to be faced during the year. It is likely that markets will remain volatile, and whilst interest rates are forecast only to increase gradually, this will depend very much on the direction of the US economy, not that of Hong Kong. Property prices domestically, despite various rounds of government led cooling measures, remain high. The future direction of the RMB remains uncertain, which could also impact on levels of FX related activity both onshore and offshore. Currency and interest rate movements could lead to funds flows internationally, and whilst to date the Hong Kong market has remained very liquid, it is important to remember that this is not always the case. Although economic growth in Hong Kong may be somewhat stronger than last year, growth of 2-3% domestically is unlikely to give rise to opportunities for strong loan growth in our home market, and whilst there are more growth opportunities in the Mainland, these often come with higher levels of credit risk.

We therefore believe that it is appropriate, whilst doing our best to take advantage of any opportunities to grow our business, to remain cautious. Growth is still likely to be modest, and we remain mindful that although credit cost appears to have stabilized, this can change quickly if there are unexpected events during the year. Following the US Presidential election and the Brexit vote last year, there are a number of important elections to be held in 2017, which could also produce unexpected results. It is of critical importance to us to continue to build our brand, products and services to best serve our customers, and grow together with our customers in line with our Dah Sing theme of “Together we progress and prosper”.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the code provisions as set out in the Corporate Governance Code ("CG Code") under Appendix 14 of the Listing Rules throughout the year ended 31 December 2016, with the exception of code provision A.4.1.

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

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct for directors' securities dealing ("Directors' Dealing Code") on terms no less exacting than the prevailing required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") under Appendix 10 of the Listing Rules. Following specific enquiry, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code and the Directors' Dealing Code throughout the year ended 31 December 2016.

AUDIT COMMITTEE

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this financial report and the consolidated financial statements of the Group for the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the year ended 31 December 2016.

ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkexnews.hk and Dah Sing Bank at www.dahsing.com.

The 2016 Annual Report of the Group containing all the information required by the Listing Rules will be published on the websites of the HKEX and Dah Sing Bank in due course. Printed copies of the 2016 Annual Report will be sent to shareholders who have elected to receive printed versions of the Company's corporate communications before the end of April 2017.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of the Company comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Managing Director and Chief Executive), Gary Pak-Ling Wang and Nicholas John Mayhew as Executive Directors; Messrs. Eiichi Yoshikawa (Hidekazu Horikoshi as alternate), Toshihide Motoshita and John Wai-Wai Chow as Non-Executive Directors; Messrs. Robert Tsai-To Sze, Lon Dounn, Seiji Nakamura and Blair Chilton Pickerell as Independent Non-Executive Directors.

By Order of the Board
Doris W. N. Wong
Company Secretary

Hong Kong, Wednesday, 22 March 2017