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 2017

The Board of Directors (the "Board") of Public Financial Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Interest income	*8*	**1,760,222**	1,667,695
Interest expense	*8*	**(386,590)**	(328,863)
NET INTEREST INCOME		**1,373,632**	1,338,832
Other operating income	*9*	**226,908**	205,785
OPERATING INCOME		**1,600,540**	1,544,617
Operating expenses	*10*	**(852,440)**	(798,761)
Changes in fair value of investment properties		**14,341**	5,826
OPERATING PROFIT BEFORE IMPAIRMENT ALLOWANCES		**762,441**	751,682
Impairment allowances for loans and advances and receivables	*11*	**(146,093)**	(255,737)
OPERATING PROFIT AFTER IMPAIRMENT ALLOWANCES		**616,348**	495,945
Share of profit/(loss) of a joint venture		**102**	(286)
PROFIT BEFORE TAX		**616,450**	495,659
Tax	*12*	**(112,936)**	(89,098)
PROFIT FOR THE YEAR		**503,514**	406,561

* *For identification purpose only*

	Note	Year ended 31 December **2017** ***HK$'000***	2016 *HK$'000*
ATTRIBUTABLE TO:			
Owners of the Company		**503,514**	406,561
EARNINGS PER SHARE (HK$)	*14*		
Basic		**0.459**	0.370
Diluted		**0.459**	0.370

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**503,514**	406,561
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations, net of tax	**68,995**	(52,182)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**572,509**	354,379
ATTRIBUTABLE TO:		
Owners of the Company	**572,509**	354,379

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2017** *HK$'000*	31 December 2016 *HK$'000*
ASSETS			
Cash and short term placements		**4,872,533**	4,256,779
Placements with banks and financial institutions maturing after one month but not more than twelve months		**1,514,095**	2,222,825
Derivative financial instruments		**4,317**	412
Loans and advances and receivables	*15*	**29,582,660**	29,053,368
Available-for-sale financial assets		**6,804**	6,804
Held-to-maturity investments	*16*	**5,671,749**	5,693,861
Investment properties		**328,739**	314,398
Property and equipment		**132,579**	128,083
Land held under finance leases		**634,368**	642,260
Interest in a joint venture		**-**	1,606
Deferred tax assets		**24,526**	28,496
Tax recoverable		**830**	10,241
Goodwill	*17*	**2,774,403**	2,774,403
Intangible assets		**718**	718
Other assets		**228,398**	98,281
TOTAL ASSETS		**45,776,719**	45,232,535
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		**1,123,792**	929,392
Derivative financial instruments		**1,696**	23,157
Customer deposits at amortised cost		**33,984,095**	33,721,280
Certificates of deposit issued at amortised cost		**753,293**	1,072,778
Dividends payable		**175,667**	142,729
Unsecured bank loans at amortised cost		**1,581,852**	1,606,143
Current tax payable		**38,823**	12,974
Deferred tax liabilities		**33,579**	31,719
Other liabilities		**462,671**	413,058
TOTAL LIABILITIES		**38,155,468**	37,953,230
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital		**109,792**	109,792
Reserves	*18*	**7,511,459**	7,169,513
TOTAL EQUITY		**7,621,251**	7,279,305
TOTAL EQUITY AND LIABILITIES		**45,776,719**	45,232,535

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Year ended 31 December	
		2017	2016
	Note	***HK$'000***	*HK$'000*
TOTAL EQUITY			
Balance at the beginning of the year		**7,279,305**	7,122,551
Profit for the year		**503,514**	406,561
Other comprehensive income in translation reserve		**68,995**	(52,182)
Total comprehensive income for the year		**572,509**	354,379
Dividends declared on shares	*13(a)*	**(230,563)**	(197,625)
Balance at the end of the year		**7,621,251**	7,279,305

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 2017. Certain financial information in this announcement is extracted from the statutory financial statements for the year ended 31 December 2017, which will be available in the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company in around mid-February 2018.

The figures in this announcement of the results of the Group for the year ended 31 December 2017 have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year by the Group's auditor, Ernst & Young. The work of Ernst & Young in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. BASIS OF PREPARATION

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

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

3. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017.

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

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

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

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

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

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

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

The subsidiaries consolidated for accounting purposes 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 which is now in members' voluntary liquidation and final meeting was held on 31 October 2017.

4. BASIS OF CAPITAL DISCLOSURES

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

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

The computation of the consolidated total capital ratio and other regulatory capital ratios of the Group is based on the consolidation of the Company, Public Bank (Hong Kong) and Public Finance for regulatory reporting purposes.

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

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

The Group has adopted the provisions of the Banking (Amendment) Ordinance 2012 relating to the Basel III capital standards and the amended Banking (Capital) Rules (the "Capital Rules"). The Capital Rules outline the general requirements on regulatory capital ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate. The Capital Rules have been developed based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision. Under the Capital Rules, the minimum capital ratio requirements are progressively increased during the period from 1 January 2013 to 1 January 2019, and include a phased introduction of a new capital conservation buffer ("CCB") ratio of 2.5%. Additional capital requirements, including a new countercyclical capital buffer ("CCyB") ratio ranging from 0% to 2.5%, have been implemented since 1 January 2016. The required CCyB ratio for 2017 and 2018 is 1.25% and 1.875%, respectively.

5. ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The HKICPA has issued a number of revised HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2017. The Group has adopted the following revised standards for the first time for the current year's financial statements:

- Amendments to HKAS 7 — *Disclosure Initiative*
- Amendments to HKAS 12 — *Recognition of Deferred Tax Assets for Unrealised Losses*
- *Annual Improvements 2014-2016 cycle* — Amendments to a number of HKFRSs

Except for the amendments included in the Annual Improvements 2014-2016 cycle, which are not relevant to the preparation of the Group's financial statements, the nature and impact of the amendments are described below.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group has provided the information for the current period in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group applied the amendments retrospectively. However, the application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences that are in the scope of the amendments.

Issued but not yet effective HKFRSs

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

- Amendments to HKFRS 2 — *Classification and Measurement of Share-based Payment Transactions*[1]
- Amendments to HKFRS 4 — *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
- HKFRS 9 — *Financial Instruments*[1]
- Amendments to HKFRS 9 — *Clarifications to HKFRS 9 Financial Instruments*[2]
- HKFRS 15 — *Revenue from Contracts with Customers*[1]
- Amendments to HKFRS 15 — *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
- HKFRS 16 — *Leases*[2]
- *Annual Improvements 2014-2016 cycle* — Amendments to a number of HKFRSs[1]
- Amendments to HKAS 40 — *Transfers of Investment Property*[1]
- HK(IFRIC)-Int 22 — *Foreign Currency Transactions and Advance Consideration*[1]
- HK(IFRIC)-Int 23 — *Uncertainty over Income Tax Treatment*[2]
- HKFRS 17 — *Insurance Contracts*[3]
- Amendments to HKAS 28 — *Investments in Associates and Joint Ventures*[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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 classification and measurement of financial assets will depend on the entity's business model for their management and their contractual cash flow characteristics and result in financial assets being classified and measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss. The classification of financial liabilities is essentially unchanged, except that, for certain liabilities measured at fair value, gains or losses relating to changes in the entity's own credit risk are to be included in OCI.

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables, certain loan commitments and financial guarantee contracts. At initial recognition, impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ("ECL") resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the probability of default occurring over the remaining life of the financial instrument.

As a result of the final HKFRS 9, the recognition and measurement of impairment is intended to be more forward-looking than under HKAS 39.

Currently, most of the Group's financial assets, including loans and advances, held-to-maturity debt securities and placements with banks and financial institutions are classified and measured at amortised cost, and the Group does not expect the adoption of HKFRS 9 to have material impact on the classification and measurement of its financial assets.

The Group expects to adopt HKFRS 9 from 1 January 2018. Based on the Group's exposures of financial assets and commitments as at 31 December 2017, the negative impact on equity upon the adoption of HKFRS 9 is approximately HK$115 million. It is expected that the existing regulatory reserve, as part of equity of the Group, should be able to absorb most of the impact arising from the adoption of HKFRS 9.

The HKICPA issued 2 amendments to HKFRS 9 in November 2017 and December 2017 respectively. The first amendment clarifies that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met instead of at fair value through profit of loss.

The second amendment clarifies, in the Basis for Conclusions, the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in derecognition. HKFRS 9 requires an entity to recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. Any adjustments to the amortised cost of the financial liability would be recognised in profit or loss at the date of the modification or exchange. If entities apply a different accounting treatment for modifications of financial liabilities under HKAS 39, they are required to apply the amendments retrospectively on transition to HKFRS 9.

The amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group has assessed the impact of this standard and expects that the standard will not have significant impact, when applied, on the consolidated financial statements of the Group.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments.

Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. As at 31 December 2017, the Group had non-cancellable operating lease commitments of HK$117,642,000 as set out in note 19(b) to the financial statements. The interest expense on the lease liability and the depreciation expense on the right-of-use asset under HKFRS 16 will replace the rental charge under HKAS 17. The operating lease commitments as shown in off-balance sheet item will be replaced by "right-of-use asset" and "lease liability" in the statement of financial position of the Group. Other than the above, the Group does not anticipate that the application of this standard will have material impact on the consolidated financial statements of the Group.

The HKICPA issued amendments to HKAS 40 in April 2017 to clarify that, to transfer to or from investment properties, there must be a change in use. A change in use would involve (i) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (ii) supporting evidence that a change in use has occurred. The amendments also re-characterised the list of circumstances in HKAS 40.57(a)-(d) as a non-exhaustive list of examples to allow for other circumstances to be accounted for as a transfer, as long as that change is supported by appropriate evidence. The amendments are effective for annual periods beginning on or after 1 January 2018. The Group has assessed the impact of the amendments and expects that the amendments will not have significant impact, when applied, on the consolidated financial statements of the Group.

The HKICPA issued HK(IFRIC)-Int 22 in June 2017 to address the exchange rate to be used in transactions that involve advance consideration paid or received in a foreign currency. The Interpretation is effective for annual periods beginning on or after 1 January 2018. The Group has assessed the impact of this Interpretation and expects that the Interpretation will not have significant impact, when applied, on the consolidated financial statements of the Group.

HK(IFRIC)-Int 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of HKAS 12 and does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply this Interpretation from its effective date. The Group expects that applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

6. SIGNIFICANT ACCOUNTING ESTIMATES

Estimation uncertainty

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

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

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

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGUs") to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2017 and 2016 was HK$2,774,403,000, of which HK$832,321,000 was attributed to Public Bank (Hong Kong) and HK$1,942,082,000 was attributed to Public Finance. Further details are set out in note 17 to the financial statements.

7. SEGMENT INFORMATION

Operating segment information

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

- retail and commercial banking businesses segment mainly comprises the provision of deposit account services, the extension of mortgages and consumer lending, hire purchase and leasing, provision of financing to purchasers of licensed public vehicles such as taxis and public light buses, provision of services and financing activities for customers in trading, manufacturing and various business sectors, foreign exchange activities, centralised cash management for deposit taking and lending, interest rate risk management and the overall funding management of the Group;

- wealth management services, stockbroking and securities management segment comprises management of investments in debt securities and equities, securities dealing and receipt of commission income and the provision of authorised wealth management products and services; and

- other businesses segment comprises taxi trading, leasing of taxis and letting of investment properties.

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

The following table discloses the revenue and profit information for operating segments for the years ended 31 December 2017 and 2016.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Eliminated on consolidation		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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/(expense)	**1,373,860**	1,338,861	**(228)**	(29)	**–**	–	**–**	–	**1,373,632**	1,338,832
Other operating income:										
Fees and commission income	**147,702**	146,012	**44,193**	29,476	**453**	428	**–**	–	**192,348**	175,916
Others	**15,931**	11,475	**20**	(10)	**18,609**	18,404	**–**	–	**34,560**	29,869
Inter-segment transactions:										
Fees and commission income	**–**	–	**–**	–	**9**	11	**(9)**	(11)	**–**	–
Operating income	**1,537,493**	1,496,348	**43,985**	29,437	**19,071**	18,843	**(9)**	(11)	**1,600,540**	1,544,617
Operating profit after impairment allowance	**572,302**	474,999	**21,459**	7,714	**22,587**	13,232	**–**	–	**616,348**	495,945
Share of profit/(loss) of a joint venture									**102**	(286)
Profit before tax									**616,450**	495,659
Tax									**(112,936)**	(89,098)
Profit for the year									**503,514**	406,561
Other segment information										
Depreciation of property and equipment and land held under finance leases	**(29,367)**	(28,537)	**–**	–	**–**	–	**–**	–	**(29,367)**	(28,537)
Changes in fair value of investment properties	**–**	–	**–**	–	**14,341**	5,826	**–**	–	**14,341**	5,826
Impairment allowances for loans and advances and receivables	**(146,093)**	(255,737)	**–**	–	**–**	–	**–**	–	**(146,093)**	(255,737)
Net losses on disposal of property and equipment	**(165)**	(64)	**–**	–	**–**	–	**–**	–	**(165)**	(64)

The following table discloses certain asset and liability information regarding operating segments as at 31 December 2017 and 2016.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Eliminated on consolidation		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**42,275,084**	41,773,603	**370,729**	327,618	**330,429**	315,850	**–**	–	**42,976,242**	42,417,071
Intangible assets	**–**	–	**718**	718	**–**	–	**–**	–	**718**	718
Goodwill	**2,774,403**	2,774,403	**–**	–	**–**	–	**–**	–	**2,774,403**	2,774,403
Segment assets	**45,049,487**	44,548,006	**371,447**	328,336	**330,429**	315,850	**–**	–	**45,751,363**	45,192,192
Unallocated assets:										
Interest in a joint venture									**–**	1,606
Deferred tax assets and tax recoverable									**25,356**	38,737
Total assets									**45,776,719**	45,232,535
Segment liabilities	**37,740,061**	37,637,035	**159,502**	120,472	**7,836**	8,301	**–**	–	**37,907,399**	37,765,808
Unallocated liabilities:										
Deferred tax liabilities and tax payable									**72,402**	44,693
Dividends payable									**175,667**	142,729
Total liabilities									**38,155,468**	37,953,230
Other segment information										
Additions to non-current assets – capital expenditure	**26,136**	88,482	**–**	–	**–**	–	**–**	–	**26,136**	88,482

Geographical information

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

The following table discloses the segment revenue information for geographical segments for the years ended 31 December 2017 and 2016.

	2017 *HK$'000*	2016 *HK$'000*
Segment revenue from external customers:		
Hong Kong	**1,475,325**	1,456,466
Mainland China	**125,215**	88,151
	1,600,540	1,544,617

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

The following table discloses the non-current asset information for geographical segments as at 31 December 2017 and 2016.

	2017 *HK$'000*	2016 *HK$'000*
Non-current assets:		
Hong Kong	**3,853,822**	3,843,400
Mainland China	**16,985**	18,068
	3,870,807	3,861,468

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% (2016: less than 10%) of the Group's total operating income or revenue.

8. INTEREST INCOME AND EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Interest income from:		
Loans and advances and receivables	**1,558,178**	1,541,307
Short term placements and placements with banks	**120,597**	66,679
Held-to-maturity investments	**81,447**	59,709
	1,760,222	1,667,695
Interest expense on:		
Deposits from banks and financial institutions	**14,450**	20,906
Deposits from customers	**343,154**	282,100
Bank loans	**28,986**	25,857
	386,590	328,863

Interest income and interest expense for the year ended 31 December 2017, 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$1,760,222,000 and HK$386,590,000 (2016: HK$1,667,695,000 and HK$328,863,000) respectively. Interest income on the impaired loans and advances for the year ended 31 December 2017 amounted to HK$9,510,000 (2016: HK$6,811,000).

9. OTHER OPERATING INCOME

	2017	2016
	HK$'000	*HK$'000*
Fees and commission income:		
Retail and commercial banking and other businesses	**149,510**	147,861
Wealth management services, stockbroking and securities management	**44,193**	29,476
	193,703	177,337
Less: Fees and commission expenses	**(1,355)**	(1,421)
Net fees and commission income	**192,348**	175,916
Gross rental income	**18,186**	18,347
Less: Direct operating expenses	**(77)**	(111)
Net rental income	**18,109**	18,236
Gains less losses arising from dealing in foreign currencies	**10,883**	31,664
Net gains/(losses) on derivative financial instruments	**2,621**	(22,745)
	13,504	8,919
Net losses on disposal of property and equipment	**(165)**	(64)
Dividend income from listed investments	**83**	78
Dividend income from unlisted investments	**700**	700
Others	**2,329**	2,000
	226,908	205,785

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

There were no net gains or losses arising from available-for-sale financial assets, held-to-maturity investments, loans and advances and receivables, financial liabilities measured at amortised cost and financial assets and liabilities designated at fair value through profit or loss for the years ended 31 December 2017 and 2016.

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

	2017	2016
	HK$'000	*HK$'000*
Staff costs:		
Salaries and other staff costs	**508,195**	471,361
Pension contributions	**22,135**	21,635
Less: Forfeited contributions	**(41)**	(44)
Net contribution to retirement benefit schemes	**22,094**	21,591
	530,289	492,952
Other operating expenses:		
Operating lease rentals on leasehold buildings	**68,253**	66,946
Depreciation of property and equipment and land held under finance leases	**29,367**	28,537
Auditor's remuneration	**4,289**	3,909
Administrative and general expenses	**77,862**	73,238
Others	**142,380**	133,179
Operating expenses before changes in fair value of investment properties	**852,440**	798,761

As at 31 December 2017 and 2016, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years. The credits for the years ended 31 December 2017 and 2016 arose in respect of staff who left the schemes during the years.

11. IMPAIRMENT ALLOWANCES

	2017	2016
	HK$'000	*HK$'000*
Net charge for/(write-back of) impairment losses and allowances:		
– loans and advances	**148,420**	255,870
– trade bills, accrued interest and receivables	**(2,327)**	(133)
	146,093	255,737
Net charge for/(write-back of) impairment losses and allowances:		
– individually assessed	**148,456**	259,099
– collectively assessed	**(2,363)**	(3,362)
	146,093	255,737
Of which:		
– new impairment losses and allowances (including any amount directly written off during the year)	**304,192**	409,006
– releases and recoveries	**(158,099)**	(153,269)
Net charge to the consolidated income statement	**146,093**	255,737

There were no impairment allowances for financial assets other than loans and advances and receivables for the years ended 31 December 2017 and 2016.

12. TAX

	2017	2016
	HK$'000	*HK$'000*
Current tax charge:		
Hong Kong	**81,532**	72,466
Overseas	**25,148**	13,856
Under-provision in prior years	**426**	–
Deferred tax charge, net	**5,830**	2,776
	112,936	89,098

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

	2017					
	Hong Kong		**Mainland China**		**Total**	
	HK$'000	*%*	***HK$'000***	*%*	***HK$'000***	*%*
Profit before tax	**509,548**		**106,902**		**616,450**	
Tax at the applicable tax rate	**84,075**	**16.5**	**26,726**	**25.0**	**110,801**	**18.0**
Estimated tax losses from previous periods utilised	**(28)**	**–**	**–**	**–**	**(28)**	**–**
Estimated tax losses not recognised	**–**	**–**	**–**	**–**	**–**	**–**
Estimated tax effect of net expenses/(income) that are not deductible/(taxable)	**2,081**	**0.4**	**(344)**	**(0.3)**	**1,737**	**0.3**
Adjustments in respect of current tax of previous periods	**–**	**–**	**426**	**0.4**	**426**	**0.1**
Tax charge at the Group's effective rate	**86,128**	**16.9**	**26,808**	**25.1**	**112,936**	**18.4**

	2016					
	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before tax	445,489		50,170		495,659	
Tax at the applicable tax rate	73,506	16.5	12,542	25.0	86,048	17.4
Estimated tax losses from previous periods utilised	–	–	–	–	–	–
Estimated tax losses not recognised	3	–	–	–	3	–
Estimated tax effect of net expenses/(income) that are not deductible/(taxable)	3,048	0.7	(1)	–	3,047	0.6
Adjustments in respect of current tax of previous periods	–	–	–	–	–	–
Tax charge at the Group's effective rate	76,557	17.2	12,541	25.0	89,098	18.0

13. DIVIDENDS

(a) Dividends attributable during the year

	2017 *HK$ per ordinary share*	2016 *HK$ per ordinary share*	**2017** *HK$'000*	2016 *HK$'000*
First interim dividend declared and paid	**0.05**	0.05	**54,896**	54,896
Second interim dividend declared	**0.16**	0.13	**175,667**	142,729
	0.21	0.18	**230,563**	197,625

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

	2017 *HK$ per ordinary share*	2016 *HK$ per ordinary share*	**2017** *HK$'000*	2016 *HK$'000*
Second interim dividend in respect of the previous year	**0.13**	0.13	**142,729**	142,729

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$503,514,000 (2016: HK$406,561,000) and on the weighted average number of ordinary shares in issue of 1,097,917,618 (2016: 1,097,917,618) during the year.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2017.

15. LOANS AND ADVANCES AND RECEIVABLES

	2017 *HK$'000*	2016 *HK$'000*
Loans and advances to customers	**29,530,282**	29,027,711
Trade bills	**33,958**	53,012
Loans and advances, and trade bills	**29,564,240**	29,080,723
Accrued interest	**80,419**	82,155
	29,644,659	29,162,878
Other receivables	**22,457**	24,119
Gross loans and advances and receivables	**29,667,116**	29,186,997
Less: Impairment allowances for loans and advances and receivables		
– individually assessed	**(74,418)**	(121,272)
– collectively assessed	**(10,038)**	(12,357)
	(84,456)	(133,629)
Loans and advances and receivables	**29,582,660**	29,053,368

Over 90% (2016: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (2016: 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:

	2017 *HK$'000*	2016 *HK$'000*
Neither past due nor impaired loans and advances and receivables	**28,954,148**	28,384,836
Past due but not impaired loans and advances and receivables	**555,884**	542,779
Individually impaired loans and advances	**154,024**	253,652
Individually impaired receivables	**3,060**	5,730
Gross loans and advances and receivables	**29,667,116**	29,186,997

About 62% (2016: 67%) of "Neither past due nor impaired loans and advances and receivables" were 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

	2017		2016	
	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:				
Six months or less but over three months	**56,869**	**0.19**	82,655	0.29
One year or less but over six months	**4,158**	**0.02**	44,716	0.15
Over one year	**32,630**	**0.11**	23,696	0.08
Loans and advances overdue for more than three months	**93,657**	**0.32**	151,067	0.52
Rescheduled loans and advances overdue for three months or less	**47,478**	**0.16**	62,449	0.21
Impaired loans and advances overdue for three months or less	**12,889**	**0.04**	40,136	0.14
Total overdue and impaired loans and advances	**154,024**	**0.52**	253,652	0.87

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

	2017 *HK$'000*	2016 *HK$'000*
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	**117**	287
One year or less but over six months	**152**	1,781
Over one year	**2,545**	3,169
Trade bills, accrued interest and other receivables overdue for more than three months	**2,814**	5,237
Impaired trade bills, accrued interest and other receivables overdue for three months or less	**246**	493
Total overdue and impaired trade bills, accrued interest and other receivables	**3,060**	5,730

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 impairment allowances

	2017			2016		
	Hong Kong	**Mainland China**	**Total**	Hong Kong	Mainland 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	**82,466**	**14,005**	**96,471**	131,717	24,587	156,304
Individual impairment allowances	**45,398**	**–**	**45,398**	61,208	22,429	83,637
Collective impairment allowances	**–**	**1**	**1**	–	–	–
Current market value and fair value of collateral			**48,444**			104,214
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	**139,291**	**17,793**	**157,084**	234,795	24,587	259,382
Individual impairment allowances	**74,418**	**–**	**74,418**	98,843	22,429	121,272
Collective impairment allowances	**1**	**2**	**3**	–	–	–
Current market value and fair value of collateral			**70,993**			180,108

Over 90% (2016: over 90%) of the Group's gross loans and advances and receivables were derived from operations carried out in Hong Kong. Accordingly, no geographical segment information of gross loans and advances and receivables is presented herein.

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

	2017	2016
	HK$'000	*HK$'000*
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	**48,444**	104,214
Covered portion of overdue loans and advances	**24,740**	57,424
Uncovered portion of overdue loans and advances	**68,917**	93,643

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 2017, the total value of repossessed assets of the Group amounted to HK$12,440,000 (2016: HK$7,210,000).

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

	2017		2016	
	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 three months or less	**553,371**	**1.87**	526,139	1.81
Trade bills, accrued interest and other receivables overdue for three months or less	**2,513**		16,640	

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

	2017		
	Individual impairment allowances	**Collective impairment allowances**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
As at 1 January 2017	**121,272**	**12,357**	**133,629**
Amounts written off	**(330,339)**	**–**	**(330,339)**
Impairment losses and allowances charged to the consolidated income statement	**302,931**	**1,261**	**304,192**
Impairment losses and allowances released to the consolidated income statement	**(154,475)**	**(3,624)**	**(158,099)**
Net charge/(release) of impairment losses and allowances to the consolidated income statement	**148,456**	**(2,363)**	**146,093**
Loans and advances and receivables recovered	**134,864**	**–**	**134,864**
Exchange difference	**165**	**44**	**209**
As at 31 December 2017	**74,418**	**10,038**	**84,456**
Deducted from:			
Loans and advances	**74,108**	**9,931**	**84,039**
Trade bills, accrued interest and other receivables	**310**	**107**	**417**
	74,418	**10,038**	**84,456**

	Individual impairment allowances HK$'000	2016 Collective impairment allowances HK$'000	Total HK$'000
As at 1 January 2016	106,509	15,764	122,273
Amounts written off	(382,302)	–	(382,302)
Impairment losses and allowances charged to the consolidated income statement	408,852	154	409,006
Impairment losses and allowances released to the consolidated income statement	(149,753)	(3,516)	(153,269)
Net charge/(release) of impairment losses and allowances to the consolidated income statement	259,099	(3,362)	255,737
Loans and advances and receivables recovered	138,630	–	138,630
Exchange difference	(664)	(45)	(709)
As at 31 December 2016	121,272	12,357	133,629
Deducted from:			
Loans and advances	119,157	12,072	131,229
Trade bills, accrued interest and other receivables	2,115	285	2,400
	121,272	12,357	133,629

(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:

	2017	2016	**2017**	2016
	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	**368,156**	364,112	**270,373**	270,685
In the second to fifth years, inclusive	**1,103,310**	1,064,155	**779,899**	759,367
Over five years	**4,009,209**	3,717,836	**3,336,063**	3,088,024
	5,480,675	5,146,103	**4,386,335**	4,118,076
Less: Unearned finance income	**(1,094,340)**	(1,028,027)		
Present value of minimum lease payments receivable	**4,386,335**	4,118,076		

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

	2017	2016
	HK\$'000	*HK\$'000*
Certificates of deposit held	**2,190,411**	2,530,788
Treasury bills and government bonds (including Exchange Fund Bills)	**1,664,246**	1,682,974
Other debt securities	**1,817,092**	1,480,099
	5,671,749	5,693,861
Listed or unlisted:		
– Listed in Hong Kong	**1,601,770**	1,617,360
– Listed outside Hong Kong	**30,390**	81,784
– Unlisted	**4,039,589**	3,994,717
	5,671,749	5,693,861
Analysed by types of issuers:		
– Central governments	**1,664,246**	1,682,974
– Public sector entities	**299,846**	–
– Banks and other financial institutions	**3,707,657**	4,010,887
	5,671,749	5,693,861

There were no impairment allowances made against held-to-maturity investments as at 31 December 2017 and 2016. There were no movements in impairment allowances for the years ended 31 December 2017 and 2016.

There were neither impaired nor overdue held-to-maturity investments as at 31 December 2017 and 2016.

All exposures attributed to the held-to-maturity investments were rated with a grading of A3 or above based on the credit rating of Moody's, an external credit agency, as at 31 December 2017 and 2016.

17. GOODWILL

	2017	2016
	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 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 the recoverable amount 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 stress scenarios, respectively. Management's financial model assumes an average growth rate of 5% to 6% per annum from the eleventh to fiftieth years 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 2017 and 2016 as its value-in-use exceeds its carrying amount.

18. RESERVES

	Note	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Contributed surplus *HK$'000*	Regulatory reserve (Note) *HK$'000*	Retained profits *HK$'000*	Translation reserve *HK$'000*	Total *HK$'000*
As at 1 January 2016		4,013,296	829	96,116	455,443	2,404,893	42,182	7,012,759
Profit for the year		–	–	–	–	406,561	–	406,561
Other comprehensive income		–	–	–	–	–	(52,182)	(52,182)
Transfer to retained profits		–	–	–	(16,705)	16,705	–	–
Dividends for 2016	*13*	–	–	–	–	(197,625)	–	(197,625)
As at 31 December 2016 and 1 January 2017		**4,013,296**	**829**	**96,116**	**438,738**	**2,630,534**	**(10,000)**	**7,169,513**
Profit for the year		**–**	**–**	**–**	**–**	**503,514**	**–**	**503,514**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**68,995**	**68,995**
Transfer from retained profits		**–**	**–**	**–**	**1,024**	**(1,024)**	**–**	**–**
Dividends for 2017	*13*	**–**	**–**	**–**	**–**	**(230,563)**	**–**	**(230,563)**
As at 31 December 2017		**4,013,296**	**829**	**96,116**	**439,762**	**2,902,461**	**58,995**	**7,511,459**

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

Deducted from the contributed surplus of the Group as at 31 December 2017 was positive goodwill of HK$98,406,000 (2016: HK$98,406,000), which arose from the acquisition of certain subsidiaries in prior years.

Note:

The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose. It is held as a buffer of capital to absorb potential financial losses in excess of the accounting standards' requirements pursuant to the HKMA's guideline.

19. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

As at 31 December 2017 and 2016, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Within one year	**9,366**	8,969
In the second to fifth years, inclusive	**3,835**	5,341
	13,201	14,310

(b) As lessee

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

As at 31 December 2017 and 2016, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**57,433**	58,432
In the second to fifth years, inclusive	**59,570**	45,832
Over five years	**639**	872
	117,642	105,136

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:

			2017		
	Contractual amount	**Credit equivalent amount**	**Credit risk-weighted amount**	**Positive fair value-assets**	**Negative fair value-liabilities**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Direct credit substitutes	**26,801**	**26,801**	**20,098**	**–**	**–**
Transaction-related contingencies	**11,806**	**5,903**	**1,121**	**–**	**–**
Trade-related contingencies	**37,546**	**7,510**	**7,016**	**–**	**–**
Forward forward deposits placed	**–**	**–**	**–**	**–**	**–**
Forward asset purchases	**–**	**–**	**–**	**–**	**–**
	76,153	**40,214**	**28,235**	**–**	**–**
Derivatives held for trading:					
Foreign exchange rate contracts	**1,310,892**	**17,429**	**3,486**	**4,317**	**1,696**
Other commitments with an original maturity of:					
More than one year	**18,737**	**9,368**	**9,368**	**–**	**–**
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	**2,996,905**	**–**	**–**	**–**	**–**
	4,402,687	**67,011**	**41,089**	**4,317**	**1,696**

	2017 Contractual amount
	HK$'000
Capital commitments contracted for, but not provided in the consolidated statement of financial position	**9,577**

	2016				
	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	723,281	723,281	197,661	–	–
Transaction-related contingencies	15,235	7,618	2,569	–	–
Trade-related contingencies	101,475	20,294	5,687	–	–
Forward forward deposits placed	–	–	–	–	–
Forward asset purchases	–	–	–	–	–
	839,991	751,193	205,917	–	–
Derivatives held for trading:					
Foreign exchange rate contracts	1,214,516	12,557	2,529	412	23,157
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	3,789,134	–	–	–	–
	5,843,641	763,750	208,446	412	23,157

	2016 Contractual amount *HK$'000*
Capital commitments contracted for, but not provided in the consolidated statement of financial position	11,643

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.

As at 31 December 2017 and 2016, the Group had no material outstanding contingent liabilities and commitments save as disclosed above.

21. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	2017							
	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	**1,177,541**	**3,694,992**	**–**	**–**	**–**	**–**	**–**	**4,872,533**
Placements with banks and financial institutions maturing after one month but not more than twelve months	**–**	**–**	**772,667**	**741,428**	**–**	**–**	**–**	**1,514,095**
Loans and advances and receivables (gross)	**1,088,833**	**3,042,193**	**1,047,003**	**2,976,115**	**6,319,096**	**15,036,792**	**157,084**	**29,667,116**
Available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**–**	**6,804**	**6,804**
Held-to-maturity investments	**–**	**480,115**	**1,056,466**	**2,004,538**	**2,130,630**	**–**	**–**	**5,671,749**
Other assets	**236**	**138,452**	**21,668**	**37,600**	**–**	**–**	**30,442**	**228,398**
Foreign exchange contracts (gross)	**–**	**1,155,332**	**155,560**	**–**	**–**	**–**	**–**	**1,310,892**
Total financial assets	**2,266,610**	**8,511,084**	**3,053,364**	**5,759,681**	**8,449,726**	**15,036,792**	**194,330**	**43,271,587**
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	**45,728**	**848,064**	**200,000**	**30,000**	**–**	**–**	**–**	**1,123,792**
Customer deposits at amortised cost	**11,439,939**	**7,302,196**	**8,062,858**	**6,153,066**	**1,026,036**	**–**	**–**	**33,984,095**
Certificates of deposit issued at amortised cost	**–**	**–**	**753,293**	**–**	**–**	**–**	**–**	**753,293**
Unsecured bank loans at amortised cost	**–**	**385,000**	**–**	**1,196,852**	**–**	**–**	**–**	**1,581,852**
Other liabilities	**1,449**	**173,058**	**31,355**	**36,262**	**33,905**	**–**	**186,642**	**462,671**
Foreign exchange contracts (gross)	**–**	**1,152,127**	**156,144**	**–**	**–**	**–**	**–**	**1,308,271**
Total financial liabilities	**11,487,116**	**9,860,445**	**9,203,650**	**7,416,180**	**1,059,941**	**–**	**186,642**	**39,213,974**
Net liquidity gap	**(9,220,506)**	**(1,349,361)**	**(6,150,286)**	**(1,656,499)**	**7,389,785**	**15,036,792**	**7,688**	**4,057,613**

	2016							
	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	1,378,755	2,878,024	–	–	–	–	–	4,256,779
Placements with banks and financial institutions maturing after one month but not more than twelve months	–	–	1,750,984	471,841	–	–	–	2,222,825
Loans and advances and receivables (gross)	715,197	1,989,010	1,424,888	2,858,509	6,315,552	15,624,459	259,382	29,186,997
Available-for-sale financial assets	–	–	–	–	–	–	6,804	6,804
Held-to-maturity investments	–	155,009	1,244,144	3,094,868	1,199,840	–	–	5,693,861
Other assets	293	31,631	15,413	31,197	–	–	19,747	98,281
Foreign exchange contracts (gross)	–	824,229	208,616	181,671	–	–	–	1,214,516
Total financial assets	2,094,245	5,877,903	4,644,045	6,638,086	7,515,392	15,624,459	285,933	42,680,063
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	58,788	597,212	151,152	122,240	–	–	–	929,392
Customer deposits at amortised cost	8,957,430	6,713,868	11,244,633	6,170,097	635,252	–	–	33,721,280
Certificates of deposit issued at amortised cost	–	529,990	542,788	–	–	–	–	1,072,778
Unsecured bank loans at amortised cost	–	414,000	–	100,000	1,092,143	–	–	1,606,143
Other liabilities	361	56,776	19,709	27,110	10,788	–	298,314	413,058
Foreign exchange contracts (gross)	–	841,281	212,083	183,897	–	–	–	1,237,261
Total financial liabilities	9,016,579	9,153,127	12,170,365	6,603,344	1,738,183	–	298,314	38,979,912
Net liquidity gap	(6,922,334)	(3,275,224)	(7,526,320)	34,742	5,777,209	15,624,459	(12,381)	3,700,151

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 2017 Annual Report, in compliance with the code provisions ("Code Provision(s)") in 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 shall 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 Board Chairman of the Company, was absent from the 2017 AGM of the Company held in March 2017 due to other engagement. The 2017 AGM was chaired by the Co-Chairman of the Board, Mr. Lai Wan. The Chairmen of the Company's Audit Committee, Remuneration Committee and Nomination Committee, and the respective Chairmen of Risk Management Committees of Public Bank (Hong Kong) and Public Finance also attended the 2017 AGM to answer questions raised therein, if any.

The Board will keep on reviewing the relevant Bye-laws and propose any amendment, if necessary, to ensure compliance with the CG Code as set out in the Listing Rules.

DIVIDENDS

The first interim dividend of HK$0.05 (2016: HK$0.05) per ordinary share was paid on 9 August 2017. The second interim dividend of HK$0.16 (2016: HK$0.13) per ordinary share was declared on 26 December 2017 and will be payable on 23 February 2018 to shareholders of the Company whose names appear on the register of members on 2 February 2018. The Directors do not recommend the payment of a final dividend for the year (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 19 March 2018 to Friday, 23 March 2018, 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 Friday, 16 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

There were signs of economic recovery momentum driven partly by growth in exports, retail sales and inbound tourism in the year under review. The increase in interest rates by the US Federal Reserve did not exert significant adverse impact on loan asset quality and profitability of financial institutions in Hong Kong. Business outlook and operating environment in Hong Kong for financial institutions remained uncertain and challenging in the year under review. Competition in the banking and financing industry intensified with financial institutions seeking greater market share in mortgage loan business.

FINANCIAL REVIEW

Revenue and earnings

For the year ended 31 December 2017, the Group recorded a profit after tax of HK$503.5 million, representing an increase of HK$97.0 million or 23.8% when compared to the previous year.

The Group's basic earnings per share for 2017 was HK$0.46. The Board declared a first interim dividend of HK$0.05 per share in June 2017 and a second interim dividend of HK$0.16 per share in December 2017, making a total dividend for the year of HK$0.21 per share (2016: HK$0.18 per share). The Board did not recommend the payment of a final dividend.

For the year under review, the Group's interest income increased by HK$92.5 million or 5.5% to HK$1.76 billion due to higher yield on loan portfolio and bank placements whilst the Group's interest expense increased by HK$57.7 million or 17.6% to HK$386.6 million mainly due to higher funding costs of customer deposits. Consequently, the Group's net interest income increased by HK$34.8 million or 2.6% to HK$1.37 billion. Total operating income of the Group increased by HK$55.9 million or 3.6% to HK$1.60 billion. Gain from the change in fair value of investment properties also increased by HK$8.5 million to HK$14.3 million in the year under review.

Total operating expenses (before changes in fair value of investment properties) increased by HK$53.7 million or 6.7% to HK$852.4 million, mainly due to increase in staff and marketing related costs.

Impairment allowances for loans and advances decreased by HK$109.6 million or 42.9% to HK$146.1 million in 2017 due to improvement of loan asset quality and increase in recovery of impaired loans as compared to HK$255.7 million in the previous year.

Loans and advances, customer deposits and total assets

The Group's total loans and advances (including trade bills) increased by HK$483.5 million or 1.7% to HK$29.56 billion as at 31 December 2017 from HK$29.08 billion as at 31 December 2016. Customer deposits increased by HK$262.8 million or 0.8% to HK$33.98 billion as at 31 December 2017 from HK$33.72 billion as at 31 December 2016.

As at 31 December 2017, the Group's total assets stood at HK$45.78 billion, representing an increase of HK$544.2 million when compared to the position as at 31 December 2016.

Group's Branch network

Public Bank (Hong Kong), a subsidiary of the Company, has 32 branches in Hong Kong and 4 branches in Shenzhen in the 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), is a deposit-taking company and 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 5 branches in Hong Kong to provide personal financing to its target customer segment. In total, the Group has a combined branch network of 83 branches as at 31 December 2017 to serve its customers.

Business performance in loans and customer deposits

Public Bank (Hong Kong)

During the year under review, total loans and advances (including trade bills) of Public Bank (Hong Kong) recorded an increase of HK$89.5 million or 0.4% to HK$23.58 billion as at 31 December 2017 from HK$23.49 billion as at 31 December 2016. Customer deposits increased by HK$55.0 million or 0.2% to HK$29.20 billion as at 31 December 2017 from HK$29.15 billion as at 31 December 2016. The ratio of impaired loans to total loans of Public Bank (Hong Kong) improved by 0.30% to 0.14% as at 31 December 2017 from 0.44% as at 31 December 2016.

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

Public Finance

Total loans and advances of Public Finance recorded a growth of HK$361.7 million or 6.7% to HK$5.73 billion as at 31 December 2017 from HK$5.36 billion as at 31 December 2016. Customer deposits increased by HK$101.5 million or 2.0% to HK$5.08 billion as at 31 December 2017 from HK$4.98 billion as at 31 December 2016. The ratio of impaired loans to total loans of Public Finance improved by 0.54% to 1.77% as at 31 December 2017 from 2.31% as at 31 December 2016.

Public Finance will continue to focus on its consumer financing business and deposit taking 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. For the year under review, 96.1% of the Group's operating income and 92.9% of the operating profit before tax were contributed by retail and commercial banking businesses. When compared to the previous year, the Group's operating income from retail and commercial banking businesses increased by HK$41.1 million or 2.7% to HK$1.54 billion mainly due to the increase in net interest income of the Group. Profit before tax from retail and commercial banking businesses for 2017 increased by HK$97.3 million or 20.5% to HK$572.3 million due to the increase in net interest income and 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 arising from the normal course of its banking and finance businesses related to treasury and trade finance activities and loan commitments as disclosed in the notes to the financial statements) as at the end of the year under review. The Group did not incur any material capital expenditure or enter into any material commitments in respect of capital expenditure during the year under review. There was no material funding required for capital expenditure and its commitments. The Group did not have plans for material investments or purchases of capital assets in the near term. As at 31 December 2017, there was no charge over the assets of the Group. There was also no important event affecting the Group which had occurred since 31 December 2017.

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-sufficient in funding their business growth. The Group did not have material acquisitions or disposals of subsidiaries and associates during the year under review.

The Group relies principally on its internally generated capital, customer deposits, deposits from financial institutions and the issuance of certificates of deposit to fund its consumer financing business and its retail and commercial banking business. The Group's bank borrowings in the form of term loans denominated in Hong Kong dollars at floating interest rates stood at HK$1.58 billion as at the end of 2017. 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 0.21 times as at 31 December 2017. The bank borrowings as at 31 December 2017 had average remaining maturity period of less than one year, and would be refinanced with expected tenor of about four years. In the normal course of its commercial banking business, Public Bank (Hong Kong) had entered into foreign exchange and interest rate swaps and forward contracts to reduce the foreign exchange rate risk and interest rate risk exposures of the Group. Exposures to fluctuations in foreign exchange rates and interest rates were minimal. There were also no foreign currency net investments hedged by foreign currency borrowings and other hedging instruments during the year under review.

The consolidated Common Equity Tier 1 capital ratio and total capital ratio of Public Bank (Hong Kong) Group (inclusive of Public Bank (Hong Kong) and Public Finance) stood at 18.0% and 19.2% respectively as at 31 December 2017.

Asset quality and credit management

The Group will continue to safeguard its capital adequacy position, manage risks cautiously and undertake prudent yet flexible business development strategies to strike a balance between business growth and prudent risk management. The Group's impaired loans to total loans ratio improved by 0.35% to 0.52% as at 31 December 2017 from 0.87% as at 31 December 2016.

The direct exposures to United Kingdom and Europe were assessed as insignificant and manageable as the core operations of the Group are principally based in Hong Kong.

Human resources management

The objective of the Group's human resources 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 are enrolled in external training courses, seminars, professional and technical courses in order to update their technical knowledge and skills, to increase their awareness of the market and regulatory developments, and to improve their management and business skills. Staff also participate in social activities organised by the Group to promote team spirit and social responsibility to the community.

As at 31 December 2017, the Group's staff force stood at 1,372 employees. For the year ended 31 December 2017, the Group's total staff related costs amounted to HK$530.3 million.

PROSPECTS

The economic outlook of Hong Kong and Mainland China is anticipated to be challenging in the year 2018 in light of the uncertainties over near-term economic growth prospects and changing domestic and external environment of Hong Kong and Mainland China. The US Federal Reserve is expected to gradually normalise its monetary policy with balance sheet reduction and more federal funds target interest rate rise. These will have potential impact on consumer/investment sentiment, corporate leverage and household debt-servicing burden of individuals and corporates in Hong Kong and Mainland China. The volatility in property, equity and commodity prices in Hong Kong and Mainland China is expected to persist.

The competitive and volatile operating environment in the banking and financing industry in Hong Kong will continue to exert pressure on the pricing of banking and financing products. The increase in compliance related and system related costs in meeting the regulatory and supervisory requirements are expected to impact the cost efficiency and earnings growth of banks and financial institutions in Hong Kong. Despite the foregoing, the Group will continue to pursue long-term business and profitability growth in line with its corporate mission and goals. The Group will continue to adopt prudent capital management and liquidity risk management policies and practices to preserve adequate buffer to meet the challenges ahead.

The Group will continue to seek loans at higher yields in anticipation of higher funding costs consistent with the Group's prudent lending policy. The Group will continue to adopt sound and flexible marketing strategies to expand customer base and channels of services, launch attractive marketing promotions at reasonable costs, and optimise the utilisation of system resources to enhance service quality and efficiency of banking operations. The Group will also strive for the diversification of income streams by actively promoting fee-based businesses in stockbroking and insurance businesses.

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

Barring unforeseen circumstances, the Group expects to register moderate growth in its banking and financing businesses and improvement in its financial performance in 2018. 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 Audit Committee of the Company comprises three Independent Non-Executive Directors, namely Mr. Tang Wing Chew, Mr. Lee Chin Guan and Mr. Lai Wan, and one Non-Executive Director, namely Mr. Quah Poh Keat. The annual results for the year ended 31 December 2017 as set out in this announcement has been reviewed by the Audit Committee.

PUBLICATION OF 2017 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 December 2017 is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.publicfinancial.com.hk. The 2017 Annual Report containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in or around mid-February 2018.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff of the Group for their commitment and contribution during the year. I would also like to express my appreciation to the guidance from the regulators and continued support from our shareholders and customers.

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

Hong Kong, 22 January 2018

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