Dah Sing Financial Holdings Limited

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

ANNOUNCEMENT OF 2017 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 2017.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

HK$'000	Note	**2017**	2016	Variance %
Continuing operations				
Interest income		**5,686,531**	5,197,642	
Interest expense		**(1,751,830)**	(1,540,406)	
Net interest income	4	**3,934,701**	3,657,236	7.6
Fee and commission income		**1,325,598**	1,060,016	
Fee and commission expense		**(277,034)**	(228,298)	
Net fee and commission income	5	**1,048,564**	831,718	26.1
Net trading income	6	**162,942**	192,330	
Net insurance premium and other income		**254,230**	249,103	
Other operating income	7	**98,536**	76,034	
Operating income		**5,498,973**	5,006,421	9.8
Net insurance claims and expenses		**(178,610)**	(149,908)	
Total operating income net of insurance claims		**5,320,363**	4,856,513	9.6
Operating expenses	8	**(2,633,243)**	(2,482,200)	6.1
Operating profit before impairment losses		**2,687,120**	2,374,313	13.2
Loan impairment losses	9	**(270,882)**	(563,567)	(51.9)
Operating profit before gains and losses on certain investments and fixed assets		**2,416,238**	1,810,746	33.4
Net loss on disposal of other fixed assets		**(1,017)**	(306)	
Net gain on fair value adjustment of investment properties		**11,835**	3,768	
Net gain on disposal of available-for-sale securities		**288,007**	61,964	
Impairment loss on the investment in an associate	10	**(815,000)**	-	
Share of results of an associate		**628,449**	602,793	
Share of results of jointly controlled entities		**22,485**	18,593	
Profit before taxation		**2,550,997**	2,497,558	2.1
Taxation	11	**(419,415)**	(305,270)	
Profit for the year from continuing operations		**2,131,582**	2,192,288	(2.8)
Discontinued operations				
Profit for the year from discontinued operations	17	**3,831,310**	246,810	
Profit for the year		**5,962,892**	2,439,098	144.5
Profit attributable to non-controlling interests		**(558,118)**	(547,281)	
Profit attributable to Shareholders of the Company		**5,404,774**	1,891,817	185.7
Attributable to:				
Shareholders of the Company				
- From continuing operations		**1,573,994**	1,645,401	
- From discontinued operations		**3,830,780**	246,416	
		5,404,774	1,891,817	
Dividends				
Interim dividend paid		**107,224**	97,172	
Special dividend paid on 25 July 2017		**2,211,496**	-	
Proposed final dividend/ final dividend paid		**345,127**	345,127	
		2,663,847	442,299	
Earnings per share				
Basic				
- From continuing operations	12	**HK$4.70**	HK$4.91	
- From discontinued operations	12	**HK$11.43**	HK$0.74	
Diluted				
- From continuing operations	12	**HK$4.70**	HK$4.91	
- From discontinued operations	12	**HK$11.43**	HK$0.73	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December

HK$'000	2017	2016
Profit for the year	**5,962,892**	2,439,098
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
Items that may be reclassified to the consolidated income statement:		
Investments in securities		
Fair value gains on available-for-sale securities recognised in equity	**210,290**	330,160
Fair value gain realised and transferred to income statement upon disposal of available-for-sale securities	**(288,007)**	(61,964)
Deferred income tax on movements in investment revaluation reserve	**(1,829)**	(45,599)
	(79,546)	222,597
Exchange differences arising on translation of the financial statements of foreign entities	**385,149**	(361,895)
Other comprehensive income/ (loss) for the year, net of tax	**305,603**	(109,371)
Total comprehensive income for the year, net of tax	**6,268,495**	2,329,727
Attributable to:		
Non-controlling interests	**627,251**	517,507
Shareholders of the Company		
- From continuing operations	**1,795,913**	1,539,227
- From discontinued operations	**3,845,331**	272,993
Total comprehensive income for the year, net of tax	**6,268,495**	2,329,727

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

HK$'000	Note	**2017**	2016
ASSETS			
Cash and balances with banks		**18,815,031**	15,083,632
Placements with banks maturing between one and twelve months		**13,614,678**	8,592,164
Trading securities	13	**9,278,454**	8,967,783
Financial assets designated at fair value through profit or loss	13	**1,062,409**	611,159
Derivative financial instruments		**897,967**	1,177,322
Advances and other accounts	14	**128,310,547**	121,014,785
Available-for-sale securities	15	**38,566,382**	32,865,500
Held-to-maturity securities	16	**6,362,779**	10,330,237
Investment in an associate		**4,134,651**	4,253,393
Investments in jointly controlled entities		**81,157**	75,412
Goodwill		**874,603**	874,603
Intangible assets		**80,927**	81,315
Premises and other fixed assets		**2,156,620**	2,151,421
Investment properties		**1,219,840**	1,059,226
Current income tax assets		**137**	5,098
Deferred income tax assets		**81,492**	68,286
Assets of disposal group classified as held for sale	17	**-**	16,031,674
Total assets		**225,537,674**	223,243,010
LIABILITIES			
Deposits from banks		**2,277,391**	2,318,203
Derivative financial instruments		**682,784**	1,343,418
Trading liabilities		**8,668,508**	7,748,887
Deposits from customers		**161,081,720**	152,436,415
Certificates of deposit issued		**7,183,706**	6,559,976
Subordinated notes		**5,487,366**	7,146,163
Other accounts and accruals	18	**8,140,828**	5,399,385
Current income tax liabilities		**459,179**	165,320
Deferred income tax liabilities		**119,789**	116,709
Liabilities of disposal group classified as held for sale	17	**-**	12,320,966
Total liabilities		**194,101,271**	195,555,442
EQUITY			
Non-controlling interests		**6,374,321**	5,870,786
Equity attributable to the Company's shareholders			
Share capital		**4,248,559**	4,248,559
Other reserves (including retained earnings)		**20,813,523**	17,568,223
Shareholders' funds	19	**25,062,082**	21,816,782
Total equity		**31,436,403**	27,687,568
Total equity and liabilities		**225,537,674**	223,243,010

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 2017 (the "2017 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 21 March 2018.

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 2017 consolidated financial statements are consistent with those used and described in the Group's annual audited financial statements for the year ended 31 December 2016.

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 2017:

- Recognition of deferred tax assets for unrealised losses - Amendments to HKAS 12; and
- Disclosure initiative - amendments to HKAS 7.

The adoption of these amendments did not have any impact on the amounts recognised in the current period or any prior period and is not likely to affect future periods. The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

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 2017, and have not been early adopted in preparing these consolidated financial statements. Key changes of the new standards are summarized as follows:

(1) 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 has reviewed its financial assets and liabilities and is expecting the following impacts from the adoption of HKFRS 9 on 1 January 2018.

(i) Classification and measurement

The Group has assessed that its financial assets currently measured at amortised cost and at fair value through profit or loss will continue with their respective classifications and measurements upon the adoption of HKFRS 9.

With respect to the Group's investments in debt securities currently held in the available-for-sale ("AFS") category with a total carrying value of HK$38.1 billion as at 31 December 2017, the Group considers that investments amounting to HK$4.6 billion thereof qualify for classification at amortised cost on retrospective basis. Consequently, the revaluation deficit of HK$42.6 million relating to these investments in the investment revaluation reserve and the associated deferred tax credit of HK$7.0 million will have to be eliminated on 1 January 2018. In relation to the remaining investments amounting to HK$33.5 billion, the Group considers that they satisfy the conditions for classification as fair value through other comprehensive income ("FVTOCI") and hence there will be no change to the accounting for these assets.

With respect to the Group's investments in equity securities currently held in the AFS category with a total carrying value of HK$459.9 million, the Group plans to elect the irrevocable option to designate certain of these investments as FVTOCI on transition to HKFRS 9. This will give rise to a change in accounting policy as gains or losses realised on the sale of equity investments classified as FVTOCI will no longer be transferred to profit or loss on sale, but will instead be transferred directly from the investment revaluation reserve to retained earnings, after adjusting for tax impact. During 2017, HK$259.7 million of such gains were recognised in profit or loss in relation to the disposal of AFS equity investments.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial instruments: Recognition and measurement" and have not been changed.

2. Basis of Preparation and Accounting Policies (Continued)

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

(1) HKFRS 9, "Financial instruments" (Continued)

(ii) Impairment

Under the expected credit loss ("ECL") model of HKFRS 9, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month ECL or a lifetime ECL, depending on the credit performance of a financial asset, changes in circumstances and outlook. The ECL model applies to financial assets classified at amortised cost, debt instruments measured at FVTOCI, lease receivables, loan commitments and certain financial guarantee contracts. The Group expects that the application of the ECL model will result in an earlier recognition of credit losses.

Based on the assessments undertaken to date, the Group anticipates that if it had adopted the new impairment requirements at 31 December 2017, the accumulated impairment loss provision at that date would increase by nearly 80% as compared to that recognised under HKAS 39. As a consequence, an adjustment of approximately HK$530 million and the related deferred tax credit of approximately HK$90 million, or a net charge of approximately HK$440 million, will be made to the opening balances of net assets and retained earnings of the Group as at 1 January 2018.

(iii) Hedge accounting

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.

The Group has assessed that its current hedge relationships will qualify as continuing hedges upon the adoption of HKFRS 9 and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

(iv) Disclosures

HKFRS 9 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 2018, the year of the adoption of HKFRS 9.

2. Basis of Preparation and Accounting Policies (Continued)

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

(2) 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.

The Group has assessed the impact of this new standard and expects that it will not have a significant effect on the consolidated statements of the Group.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

(3) 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. The Group does not intend to adopt HKFRS 16 before its effective date. The Group also intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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 insurance and pension fund management business. Through the Group's wholly-owned subsidiaries in Hong Kong and 96% owned subsidiaries in Macau, the Group offers a variety of 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. Certain comparative amounts have been revised to conform to the changes in the grouping of intra-group deposits on internal organization responsibility for operating performance adopted in 2017 by management on the review of segment performance.

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 2017

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter-segment	Total
Net interest income/ (expenses)	1,637,358	1,167,235	604,619	544,865	16,469	(35,845)	-	3,934,701
Non-interest income/ (expenses)	835,271	190,153	(76,222)	137,343	115,284	198,735	(14,902)	1,385,662
Total operating income net of insurance claims	2,472,629	1,357,388	528,397	682,208	131,753	162,890	(14,902)	5,320,363
Operating expenses	(1,441,850)	(454,262)	(155,733)	(482,273)	(103,078)	(10,949)	14,902	(2,633,243)
Operating profit before impairment (losses)/ written back	1,030,779	903,126	372,664	199,935	28,675	151,941	-	2,687,120
Loan impairment (losses)/ written back	(219,092)	(54,228)	-	2,438	-	-	-	(270,882)
Operating profit after impairment (losses)/ written back	811,687	848,898	372,664	202,373	28,675	151,941	-	2,416,238
Net (loss)/ gain on disposal and fair value adjustment of investment properties and other fixed assets	(36)	(302)	-	(658)	4,416	7,398	-	10,818
Net gain on disposal of available-for-sale securities	-	-	100,677	33,337	-	153,993	-	288,007
Impairment loss on the investment in an associate	-	-	-	(815,000)	-	-	-	(815,000)
Share of results of an associate	-	-	-	628,449	-	-	-	628,449
Share of results of jointly controlled entities	-	-	-	-	-	22,485	-	22,485
Profit before taxation	811,651	848,596	473,341	48,501	33,091	335,817	-	2,550,997
Taxation expenses	(133,886)	(140,018)	(78,101)	(20,391)	(3,006)	(44,013)	-	(419,415)
Profit for the year from continuing operations	677,765	708,578	395,240	28,110	30,085	291,804	-	2,131,582
Profit/ (loss) for the year from discontinued operations	-	-	-	-	3,846,189	(14,879)	-	3,831,310
Profit for the year	677,765	708,578	395,240	28,110	3,876,274	276,925	-	5,962,892
For the year ended 31 December 2017								
Depreciation and amortisation	68,946	14,405	6,358	39,470	2,282	48,267	-	179,728
At 31 December 2017								
Segment assets	47,248,470	58,264,178	76,464,789	36,485,129	4,240,639	8,955,102	(6,120,633)	225,537,674
Segment liabilities	96,100,034	37,301,046	18,335,487	28,208,303	1,997,591	18,279,443	(6,120,633)	194,101,271

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 impairment (losses)/ written back	800,174	996,839	369,276	154,734	49,942	3,348	-	2,374,313
Loan impairment (losses)/ written back	(260,201)	(351,916)	-	48,550	-	-	-	(563,567)
Operating profit after impairment (losses)/ written back	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
Impairment loss on the investment in an associate	-	-	-	-	-	-	-	-
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	46,561,760	54,664,156	69,352,142	35,258,558	2,035,767	4,198,840	(4,859,887)	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	46,561,760	54,664,156	69,352,142	35,258,558	19,938,473	3,608,416	(6,140,495)	223,243,010
Segment liabilities	86,449,648	36,320,735	18,848,415	26,533,708	1,378,734	18,563,123	(4,859,887)	183,234,476
Liabilities of disposal group classified as held for sale	-	-	-	-	13,601,574	-	(1,280,608)	12,320,966
Total Liabilities	86,449,648	36,320,735	18,848,415	26,533,708	14,980,308	18,563,123	(6,140,495)	195,555,442

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 2017				
Total operating income net of insurance claims	**4,788,243**	**533,209**	**(1,089)**	**5,320,363**
Profit before taxation	**2,243,235**	**307,762**	**-**	**2,550,997**
At 31 December 2017				
Total assets	**206,897,378**	**21,939,617**	**(3,299,321)**	**225,537,674**
Total liabilities	**178,558,733**	**18,841,859**	**(3,299,321)**	**194,101,271**
Intangible assets and goodwill	**318,667**	**636,863**	**-**	**955,530**
Contingent liabilities and commitments	**82,652,387**	**2,304,889**	**(111,234)**	**84,846,042**

	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

4. Net interest income

HK$'000	**2017**	2016
Interest income		
Cash and balances with banks	**428,822**	295,726
Investments in securities	**1,019,193**	821,651
Advances and other accounts	**4,238,516**	4,080,265
	5,686,531	5,197,642
Interest expense		
Deposits from banks/ Deposits from customers	**1,367,513**	1,226,267
Certificates of deposit issued	**103,666**	75,116
Subordinated notes	**238,612**	226,842
Others	**42,039**	12,181
	1,751,830	1,540,406
Included within interest income		
Interest income on financial assets not at fair value through profit or loss	**5,643,133**	5,179,200
Included within interest expense		
Interest expense on financial liabilities not at fair value through profit or loss	**1,712,347**	1,526,169

For the year ended 31 December 2017 and 2016, there was no interest income recognised on impaired assets.

5. Net fee and commission income

HK$'000	**2017**	2016
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	**161,151**	151,334
- Trade finance	**84,787**	73,596
- Credit card	**338,760**	295,536
Other fee and commission income		
- Securities brokerage	**125,084**	81,725
- Insurance distribution and others	**214,542**	112,291
- Retail investment and wealth management services	**266,238**	226,502
- Bank services and handling fees	**73,474**	69,459
- Other fees	**61,562**	49,573
	1,325,598	1,060,016
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	**255,852**	208,639
- Other fees paid	**21,182**	19,659
	277,034	228,298

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	**2017**	2016
Dividend income from financial assets at fair value through profit or loss	**8,289**	8,535
Net (loss)/ gain arising from dealing in foreign currencies	**(14,782)**	78,509
Net gain on trading securities	**30,030**	3,512
Net gain from derivatives entered into for trading purpose	**29,429**	34,145
Net gain/ (loss) arising from financial instruments subject to fair value hedge	**6,453**	(1,424)
Net gain arising from financial instruments designated at fair value through profit or loss	**103,523**	69,053
	162,942	192,330

7. Other operating income

HK$'000	**2017**	2016
Dividend income from investments in available-for-sale securities		
- Listed investments	**16,898**	14,400
- Unlisted investments	**15,778**	8,112
Gross rental income from investment properties	**37,136**	26,142
Other rental income	**13,474**	12,227
Others	**15,250**	15,153
	98,536	76,034

8. Operating expenses

HK$'000	**2017**	2016
Employee compensation and benefit expenses		
- Salaries and other staff costs	**1,652,185**	1,518,810
- Provision for share-based compensation charged	**27,447**	12,598
- Pension costs – defined contribution plans	**98,950**	94,483
Premises and other fixed assets expenses, excluding depreciation		
- Rental of premises	**178,859**	179,149
- Others	**145,251**	156,684
Depreciation	**179,340**	161,299
Advertising and promotion costs	**82,344**	92,191
Printing, stationery and postage	**49,495**	46,151
Amortisation expenses of intangible assets	**388**	1,165
Auditors' remuneration	**10,777**	8,816
Others	**208,207**	210,854
	2,633,243	2,482,200

9. Loan impairment losses

HK$'000	**2017**	2016
Net charge/ (reversal) of impairment losses on advances and other accounts		
- Trade bills	**5,328**	5,677
- Advances to customers	**264,099**	567,755
- Accrued interest and other accounts	**1,455**	(9,865)
	270,882	563,567
Net charge of impairment losses on advances and other accounts		
- Individually assessed	**91,066**	239,346
- Collectively assessed	**179,816**	324,221
	270,882	563,567
Of which		
- new and additional allowances (including amounts directly written off in the year)	**485,704**	706,806
- releases	**(151,710)**	(88,644)
- recoveries	**(63,112)**	(54,595)
	270,882	563,567

10. Impairment loss on the investment in an associate

Since the Group's initial investment in Bank of Chongqing ("BOCQ") in 2007, the investment in BOCQ (the "Investment") has been accounted for as an associate, with the Group's pro rata share of BOCQ's earnings being reported in the consolidated financial statements of the Group as share of results of an associate. This means that the Investment is held at a carrying amount equivalent to the cost of the Investment, plus the share of BOCQ's earnings, less dividends received by the Group, and adjusted for currency changes etc. The value of the Investment is reported in the financial statements of the Group as "Investment in an associate".

According to Hong Kong Accounting Standard 36 "Impairment of assets", the value of the Investment is subject to regular impairment testing. The impairment test is performed by comparing the recoverable amount of BOCQ, determined by a value in use ('VIU') calculation, with the carrying amount of the investment. The VIU calculation uses discounted cash flow projections based on management's estimates of BOCQ's earnings and dividends to be paid in future, and the estimated probable exit value in future after considering the growth of BOCQ and its net asset value for the medium and longer term. If the VIU remains above the carrying amount, then no impairment is recognized. If, however, the VIU falls below the carrying amount, then an impairment charge, which is equal to the difference in value between the VIU and the carrying amount, has to be recognized. The Group has performed impairment test and assessment of VIU on the Investment on a regular basis in the past.

In performing the VIU calculation to arrive at the recoverable amount of the investment, the Group considers all relevant factors including market views and qualitative factors to ensure that the inputs to the VIU calculation are appropriate. Adjustments need to be made to reflect the latest situation affecting BOCQ and also market outlook for the medium and longer term that are relevant to projecting BOCQ's future performance. Significant management judgement is required in estimating the future cash flows of BOCQ.

In the prior years and the period up to 30 June 2017, the VIU has been above the carrying value, and hence no impairment charge has been made. However, in recent periods, whilst the carrying amount has continued to increase, due to the profit contribution made by BOCQ, the VIU has decreased leading to a narrowing in the difference between the VIU and the carrying amount.

10. Impairment loss on the investment in an associate (Continued)

The latest impairment test performed by the Group for the position as at 31 December 2017 concluded that the recoverable amount, as determined by the VIU calculation and after considering all relevant factors and valuation assumptions, is lower than the carrying amount, and an impairment charge at HK$815 million has to be recognised, which has been included in the consolidated results of the Group for the year ended 31 December 2017. As a result, the carrying amount of the Group's investment in BOCQ at 31 December 2017 has been written down to HK$4,135 million, which is the recoverable amount at 31 December 2017 assessed by the Group. The original cost of the investment in BOCQ is HK$1,213 million.

The impairment charge recognised on the Investment at 31 December 2017 does not have any impact to Dah Sing Bank, Limited ("DSB")'s capital adequacy. The calculation of DSB's capital adequacy does not include the retained earnings from the Investment. Provided that the Investment continues to be held at or above the original cost of the investment, impairment made on the Investment does not affect DSB's capital adequacy.

11. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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	**2017**	2016
Current income tax:		
- Hong Kong profits tax	**381,825**	253,284
- Overseas taxation	**45,705**	43,758
- (Over)/ under-provision in prior years	**(1,468)**	1,802
Deferred income tax:		
- Origination and reversal of temporary differences	**(7,418)**	6,129
- Recognition of tax losses	**771**	297
Taxation	**419,415**	305,270

12. 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$1,573,994,000 and HK$3,830,780,000 respectively (2016: HK$1,645,401,000 and HK$246,416,000 respectively) and the weighted average number of 335,075,100 (2016: 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$1,573,994,000 and HK$3,830,780,000 respectively (2016: HK$1,645,401,000 and HK$246,416,000 respectively) and the weighted average number of 335,102,299 (2016: 335,292,294) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

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

HK$'000	**As at 31 Dec 2017**	As at 31 Dec 2016
Trading securities:		
Debt securities:		
- Listed in Hong Kong	**97,672**	104,751
- Unlisted	**8,739,882**	8,767,093
	8,837,554	8,871,844
Equity securities:		
- Listed in Hong Kong	**79,680**	61,990
- Listed outside Hong Kong	**12,815**	33,949
- Unlisted, interests in investment funds	**348,405**	-
	440,900	95,939
Total trading securities	**9,278,454**	8,967,783
Financial assets designated at fair value through profit or loss:		
Debt securities:		
- Listed in Hong Kong	**69,797**	61,732
- Listed outside Hong Kong	**507,024**	423,288
- Unlisted	**342,660**	-
	919,481	485,020
Equity securities:		
- Listed in Hong Kong	**40,485**	33,076
- Listed outside Hong Kong	**102,443**	83,471
- Unlisted	**-**	9,592
	142,928	126,139
Total financial assets designated at fair value through profit or loss	**1,062,409**	611,159
Total trading securities and financial assets designated at fair value through profit or loss	**10,340,863**	9,578,942

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

HK$'000	**As at 31 Dec 2017**	As at 31 Dec 2016
Included within debt securities are:		
- Treasury bills which are cash equivalents	**1,122,876**	2,148,217
- Other treasury bills	**7,677,149**	6,678,945
- Government bonds	**37,529**	44,682
- Other debt securities	**919,481**	485,020
	9,757,035	9,356,864

As at 31 December 2017 and 2016, 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	**8,837,554**	8,871,844
- Public sector entities	**57,739**	-
- Banks and other financial institutions	**165,395**	132,285
- Corporate entities	**1,280,175**	574,813
	10,340,863	9,578,942

14. Advances and other accounts

HK$'000	**As at 31 Dec 2017**	As at 31 Dec 2016
Gross advances to customers	**119,261,984**	113,654,721
Less: impairment allowances	**(280,641)**	(435,210)
- Individually assessed	**(378,405)**	(420,545)
- Collectively assessed	**118,602,938**	112,798,966
Trade bills	**4,065,401**	4,299,974
Less: impairment allowances		
- Collectively assessed	**(14,229)**	(14,578)
	4,051,172	4,285,396
Other assets	**5,667,868**	3,940,399
Less: impairment allowances		
- Individually assessed	**(10,093)**	(9,351)
- Collectively assessed	**(1,338)**	(625)
	5,656,437	3,930,423
Advances and other accounts	**128,310,547**	121,014,785
Impairment allowances		
- Individually assessed	**(290,734)**	(444,561)
- Collectively assessed	**(393,972)**	(435,748)
	(684,706)	(880,309)

14. 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 2017**		As at 31 Dec 2016	
	Outstanding balance	**% of gross advances**	Outstanding balance	% of gross advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	**3,927,651**	**3.3**	2,317,648	2.0
- Property investment	**14,933,223**	**12.5**	15,095,225	13.3
- Financial concerns	**3,814,050**	**3.2**	4,259,982	3.7
- Stockbrokers	**2,141,027**	**1.8**	1,804,854	1.6
- Wholesale and retail trade	**7,202,373**	**6.0**	4,543,621	4.0
- Manufacturing	**1,900,894**	**1.6**	2,435,207	2.1
- Transport and transport equipment	**3,932,189**	**3.3**	3,508,563	3.1
- Recreational activities	**96,881**	**0.1**	78,395	0.1
- Information technology	**68,986**	**0.1**	74,186	0.1
- Others	**4,114,396**	**3.4**	5,180,298	4.6
	42,131,670	**35.3**	39,297,979	34.6
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**687,074**	**0.6**	756,457	0.7
- Loans for the purchase of other residential properties	**22,988,102**	**19.3**	22,230,051	19.5
- Credit card advances	**3,613,411**	**3.0**	4,377,622	3.8
- Others	**12,308,030**	**10.3**	11,092,297	9.8
	39,596,617	**33.2**	38,456,427	33.8
Loans for use in Hong Kong	**81,728,287**	**68.5**	77,754,406	68.4
Trade finance (Note (1))	**8,766,204**	**7.4**	7,723,386	6.8
Loans for use outside Hong Kong (Note (2))	**28,767,493**	**24.1**	28,176,929	24.8
	119,261,984	**100.0**	113,654,721	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 DSB) totalling HK$476,119,000 (31 December 2016: HK$ 297,335,000) 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.

14. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets

(i) Impaired loans

HK$'000	**As at 31 Dec 2017**	As at 31 Dec 2016
Impaired loans and advances		
- Individually impaired (Note (a))	**755,264**	1,174,209
- Collectively impaired (Note (b))	**19,033**	21,617
	774,297	1,195,826
Impairment allowances made		
- Individually assessed (Note (c))	**(280,641)**	(435,210)
- Collectively assessed (Note (b))	**(17,447)**	(19,637)
	(298,088)	(454,847)
	476,209	740,979
Fair value of collaterals held*	**563,247**	904,293
Impaired loans and advances as a % of total loans and advances to customers	**0.65%**	1.05%

* Fair value of collateral 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.

14. Advances and other accounts (Continued)

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

(ii) Gross amount of overdue loans

HK$'000	**As at 31 Dec 2017** Gross amount of overdue loans	**% of total**	As at 31 Dec 2016 Gross amount of overdue loans	% of total
Gross advances to customers which have been overdue for:				
- six months or less but over three months	**91,458**	**0.08**	188,025	0.17
- one year or less but over six months	**126,354**	**0.11**	425,466	0.37
- over one year	**582,967**	**0.49**	473,646	0.42
	800,779	**0.68**	1,087,137	0.96
Market value of securities held against the secured overdue advances	**798,711**		1,095,775	
Secured overdue advances	**593,375**		839,520	
Unsecured overdue advances	**207,404**		247,617	
Individual impairment allowances	**258,988**		349,070	

Collateral held mainly represented pledged deposits, mortgages 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 2017	**% of total**	As at 31 Dec 2016	% of total
Advances to customers	**344,868**	**0.29**	394,408	0.35
Impairment allowances	**1,640**		24,982	

(c) Trade bills

	As at 31 Dec 2017	As at 31 Dec 2016
Trade bills which have been overdue for:		
- one year or less but over six months	**4,397**	4,644
- over one year	**10,868**	6,337
	15,265	10,981

As at 31 December 2017 and 2016, no trade bills were impaired.

14. Advances and other accounts (Continued)

(d) Repossessed collateral

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

HK$'000	**As at 31 Dec 2017**	As at 31 Dec 2016
Nature of assets		
Repossessed properties	**282,643**	131,243
Others	**21,343**	6,842
	303,986	138,085

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$65,433,000 (2016: HK$58,933,000), 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.

15. Available-for-sale securities

HK$'000	**As at 31 Dec 2017**	As at 31 Dec 2016
Debt securities:		
- Listed in Hong Kong	**14,558,256**	14,411,087
- Listed outside Hong Kong	**17,654,181**	13,928,043
- Unlisted	**5,894,077**	3,953,915
	38,106,514	32,293,045
Equity securities:		
- Listed in Hong Kong	**260,629**	304,448
- Listed outside Hong Kong	**116,295**	56,245
- Unlisted	**82,944**	211,762
	459,868	572,455
Total available-for-sale securities	**38,566,382**	32,865,500
Included within debt securities are:		
- Certificates of deposit held	**1,363,762**	-
- Treasury bills which are cash equivalents	**1,999,211**	1,899,588
- Other treasury bills	**5,760,110**	5,462,256
- Government bonds	**192,197**	238,910
- Other debt securities	**28,791,234**	24,692,291
	38,106,514	32,293,045
Available-for-sale securities are analysed by categories of issuers as follows:		
- Central governments and central banks	**7,951,518**	7,600,754
- Public sector entities	**639,637**	603,533
- Banks and other financial institutions	**7,681,123**	3,556,417
- Corporate entities	**22,291,576**	21,102,268
- Others	**2,528**	2,528
	38,566,382	32,865,500

16. Held-to-maturity securities

HK$'000	**As at 31 Dec 2017**	As at 31 Dec 2016
Debt securities:		
- Listed in Hong Kong	**1,751,107**	3,167,081
- Listed outside Hong Kong	**1,028,787**	3,731,661
- Unlisted	**3,582,885**	3,431,495
	6,362,779	10,330,237
Included within debt securities are:		
- Certificates of deposit held	**746,813**	400,000
- Treasury bills	**2,179,817**	2,401,808
- Government bonds	**574,061**	523,290
- Other debt securities	**2,862,088**	7,005,139
	6,362,779	10,330,237
Held-to-maturity securities are analysed by categories of issuers as follows:		
- Central governments and central banks	**2,753,878**	2,925,098
- Banks and other financial institutions	**1,771,071**	2,656,551
- Corporate entities	**1,837,830**	4,748,588
	6,362,779	10,330,237

17. 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. 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.

Upon completion of the sale of DSLA and DSIS and the sale of MLIC on 19 June 2017 and 9 November 2017 respectively, the disposed entities have ceased to be the subsidiaries of the Company.

In accordance with the requirements of HKFRS 5, the Company has reported the operating results of the Disposal Group for the period to the date of disposal and the net disposal gain as results of discontinued operations in the consolidated income statement and comprehensive income statement. 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.

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.

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

(a) The results of the discontinued operations

HK$'000	**2017**	2016
Net interest income	**168,318**	333,367
Net fee and commission income	**(57,571)**	(112,186)
Net trading income	**785,062**	276,505
Net insurance premium and other income	**1,421,870**	1,795,036
Other operating income	**(10,365)**	3,852
Operating income	**2,307,314**	2,296,574
Net insurance claims and expenses	**(1,896,719)**	(1,774,430)
Total operating income net of insurance claims	**410,595**	522,144
Operating expenses	**(136,935)**	(223,369)
Net loss on disposal of and fair value adjustment on investment properties	**-**	(58,456)
Profit before taxation	**273,660**	240,319
Taxation (expenses)/ credit	**(7,119)**	6,491
Profit after taxation	**266,541**	246,810
Gain on disposal of discontinued operations	**3,564,769**	-
Profit for the year from discontinued operations	**3,831,310**	246,810

Note:

The results of discontinued operations presented above comprise 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) for the period to the date of disposal, and the effects of the adjustments that are made when these results are included in the Group's consolidated financial statements.

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

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

HK$'000	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
Liabilities to policyholders under long-term insurance contracts and other liabilities	12,250,766
Total liabilities	12,320,966
Net amount	3,710,708

Note:

The amounts of assets and liabilities presented above comprise the combined assets and liabilities of the Disposal Group, and the effects of the adjustments that are made when these assets and liabilities are included in the Group's consolidated financial statements.

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

(c) Net cash inflow on disposal of discontinued operations

The aggregate cash inflows arising from the disposal of discontinued operations were:

HK$'000	**2017**
Net assets disposed (as below)	**4,592,975**
Gain on disposal	**3,564,769**
Cash proceeds from disposal, net of expenses	**8,157,744**
Less: Cash and cash equivalents disposed of	**(1,847,949)**
Net cash inflows	**6,309,795**
Carrying amounts of assets and liabilities disposed:	
Cash and balances with banks	**1,847,949**
Trading securities	**136,543**
Financial assets designated at fair value through profit or loss	**12,749,351**
Available-for-sale securities	**206,880**
Held-to-maturity securities	**158,266**
Other assets	**1,565,679**
Value of in-force long-term life assurance business	**2,955,809**
Total assets	**19,620,477**
Liabilities to policyholders under long-term insurance contracts and other liabilities	**15,027,502**
Total liabilities	**15,027,502**
Net amount	**4,592,975**

18. Other accounts and accruals

Other accounts and accruals comprise predominantly of liabilities under insurance contracts, interest payable, trade payables, deferred income and accrual of operating expenses.

On 19 June 2017, DSB entered into the Hong Kong Distribution Agreement with DSLA after DSLA ceased to be a subsidiary of the Company on the same date. On 9 November 2017, Banco Comercial de Macau, S.A. ("BCM", the Macau banking subsidiary of the Company) entered into the Macau Distribution Agreement with MLIC after MLIC ceased to be a subsidiary of the Company on the same date.

The upfront payments received and the deferred payments receivable under the Hong Kong Distribution Agreement and the Macau Distribution Agreement, totalling HK$2.6 billion for the exclusivity to be provided by DSB and BCM in respect of the distribution of DSLA's life insurance products in Hong Kong and MLIC's life insurance products in Macau respectively, are amortised and recognised as fee and commission income over the life of the agreements.

As at 31 December 2017, the unamortised portion of these payments amounting to HK$2,509,600,000 is included in other accounts and accruals (2016: Nil).

19. Shareholders' funds

HK$'000	**As at 31 Dec 2017**	As at 31 Dec 2016
Share capital	**4,248,559**	4,248,559
Premises revaluation reserve	**249,454**	249,454
Investment revaluation reserve	**247,464**	414,007
Exchange reserve	**71,612**	(215,247)
Capital reserve	**16,810**	12,716
General reserve	**484,289**	484,289
Reserve for share-based compensation	**4,121**	4,503
Retained earnings	**19,739,773**	16,618,501
	25,062,082	21,816,782
Proposed final dividends included in retained earnings	**345,127**	345,127

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 BCM 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 2017, DSB has earmarked a regulatory reserve of HK$1,427,215,000 (2016: HK$1,398,280,000) 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 2017	Year ended 31 Dec 2016
Net interest income/ operating income (Note 1)	**74.0%**	75.3%
Cost to income ratio (Note 1)	**49.5%**	51.1%
Return on average total assets	**2.4%**	0.9%
Adjusted return on average total assets (Note 2)	**1.1%**	0.9%
Return on average shareholders' funds	**23.1%**	9.0%
Adjusted return on average shareholders' funds (Note 2)	**11.1%**	9.0%
Net interest margin	**1.98%**	1.98%

Note:

1. These indicators reflect the performance and results of continuing operations
2. Excluding the gain on disposal of life insurance subsidiaries and the impairment loss on the investment in an associate

FINAL DIVIDEND

At the forthcoming annual general meeting ("AGM") of the Company to be held on Friday, 25 May 2018, the Directors will propose a final dividend of HK$1.03 per share for 2017 to shareholders whose names are on the Register of Shareholders as at the close of business on Thursday, 7 June 2018. The final dividend is payable on Thursday, 14 June 2018.

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)	21 May 2018 (Monday) to 25 May 2018 (Friday)
Latest time to lodge transfers	4:30 p.m. on 18 May 2018 (Friday)
Record date	25 May 2018 (Friday)
AGM	25 May 2018 (Friday)

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

Closure dates of Register of Shareholders (both days inclusive)	5 June 2018 (Tuesday) to 7 June 2018 (Thursday)
Latest time to lodge transfers	4:30 p.m. on 4 June 2018 (Monday)
Record date	7 June 2018 (Thursday)
Proposed final dividend payment date	14 June 2018 (Thursday)

*(*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

2017 was the best year for the Hong Kong economy for some time. GDP growth was 3.8%, up from 2.1% in 2016. Exports of goods and services both grew, and unemployment in the fourth quarter of 2017 fell to a near 20-year low of 2.9%. Wages and earnings saw sustained real improvement. The Hong Kong stock market performed strongly, rising by more than 30% during the year, one of the best performing markets in the world. Property prices also continued their upward momentum, despite a number of cooling measures that have been introduced. Inflation remained modest during the year at 1.7%, from 2.3% in 2016, marking the sixth consecutive year of decrease.

Globally, conditions were also somewhat improved. Economic growth in the Mainland improved to 6.9% for the year, and the RMB strengthened during the year, after declines in 2016, particularly in the second half of the year. The US economy also continued to recover, with GDP growth of 2.3% for the year, compared with 1.5% in the prior year. Employment figures also improved, with unemployment falling to 4.1% by the year end, from 4.8% at the beginning of the year. The European Union also posted its best economic growth in a decade at 2.5%.

The US Federal Reserve raised the Fed Funds rate three times in 2017, and market interest rates generally followed suit. Whilst Hong Kong market interest rates also increased particularly in the fourth quarter, they remained generally below US interest rates, reflecting continued strong liquidity in the Hong Kong domestic market.

With stronger local and international market conditions, our operating profit after credit impairment losses increased by 33% to HK$2,416 million. Due to the write-down of our investment in Bank of Chongqing (“BOCQ”) by HK$815 million as a result of a lower Value in Use (see below), our profit before taxation was up marginally by 2% to HK$2,551 million, but including the gain on disposal of our life assurance business, as well the profits of that business accruing up to disposal, the profit attributable to shareholders increased by 186% to HK$5,405 million, a record for our group.

BUSINESS AND FINANCIAL REVIEW

With better economic conditions for the year, our Banking Group’s operating performance continued to improve, with operating profit after impairment losses up by 34% to HK$2,349 million. Most major areas of Dah Sing Banking Group Limited (“DSBG”) performed well, with net interest income increasing by 7% to HK$3,893 million despite relatively modest loan growth, with an increase in net interest margin to 2.02% for the second half of the year. Full year average net interest margin ended at 1.98%, same as 2016. Net fee and commission income increased by 26% to HK$1,052 million. The improved economy also brought better credit quality, with the result that loan and credit impairment charges fell by 52% to HK$271 million.

We announced on 5 December 2017 that it was possible that the Value in Use of our investment in BOCQ might fall below the carrying value of the investment as at 31 December 2017, in which case an impairment charge would be necessary. This indeed proved to be the case and an impairment charge of HK$815 million was made to reduce the carrying value to HK$4,135 million. It is important to note that the impairment charge is a non-cash item, and does not affect the cash position or liquidity of any of Dah Sing Bank, Limited (“DSB”), DSBG or Dah Sing Financial Holdings Limited (“DSFH”), nor does it affect the capital adequacy of DSB or DSBG.

The operating performance of BOCQ remained satisfactory, and our share of its profit was HK$628 million for the year, around 4% higher than the prior year. DSB’s wholly owned subsidiaries, Banco Comercial de Macau and Dah Sing Bank (China), performed well, and recorded an increase in profit in the year.

As mentioned above, credit costs overall were down for the year, led mainly by decreases in loan impairments in our Hong Kong and Mainland based commercial banking businesses, and it was encouraging to note that the improvement continued sequentially in the second half of the year. The credit quality in our retail banking business remained satisfactory throughout the year.

The completion of the sale of the life insurance businesses in 2017 had brought to the Group an exceptional gain at HK$3,565 million on the disposal in 2017.

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Return on assets of 2.4% and ROE of 23.1% were much higher than in 2016, due to the gain on disposal of our life assurance businesses. Excluding this exceptional gain, our return on assets and ROE were down slightly due to the stable profitability against modest balance sheet growth. Our cost to income ratio on continuing operations improved from 51.1% to 49.5% during the year, a result of stronger rate of growth in operating income and continued efforts on cost control.

As at 31 December 2017, the consolidated Common Equity Tier 1 ratio of DSB strengthened to 13.4%, compared with 12.7% at the end of 2016, driven mainly by higher retained earnings. In December 2017, DSB issued US$115 million of Additional Tier 1 subordinated debt to DSFH, further strengthening the overall Tier 1 capital ratio of DSB to 14.0% at the year end. Taking into account DSB's outstanding Tier 2 subordinated debts, DSB's overall capital adequacy level at the year end was a robust 18.7%. We continued to comply with the Liquidity Maintenance Ratio, which was maintained at an average level of 44% 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.

PROSPECTS

With better economic conditions in 2017, the stage is set for a continued relatively robust global economy in 2018. Hong Kong should also benefit from this trend, particularly with the Mainland economy generating stable growth, and efforts by the Central Government to ensure the stability of the financial system in the Mainland. Whilst US interest rates are forecast to continue to increase, it is likely that they will do so at a moderate pace, with perhaps three small rate increases in 2018. Assuming that financial markets globally continue to absorb interest rate rises without excessive volatility, modest interest rate increases are likely to be generally or modestly favourable to banks.

However, with financial markets having performed exceptionally well in 2017, and some volatility already having been experienced in the early part of 2018, it is important to remind ourselves that there are also risks to be faced. If markets do not perform well this year, there is likely to be some impact in terms of our fee and commission income, in particular on our broking and wealth management revenues. Again, whilst credit costs have generally been benign in the recent past, and whilst our base case is that they will remain stable, an increase from current low levels is not impossible, with credit provisions to be made on the new expected credit loss accounting treatment starting from January 2018. In addition, we will also perform a further review of the Value in Use of BOCQ during the course of 2018, and it remains uncertain whether any further impairment charge may be needed at that time.

Not forgetting the risks in the market, we are generally optimistic, and believe that there are opportunities in 2018 to continue to grow our business, and to provide a greater range and depth of products and services to our retail and commercial customers.

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 2017, 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 2017.

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 the consolidated financial statements of the Group for the year ended 31 December 2017.

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 2017.

ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The 2017 Annual Report of the Group containing all the information required by the Listing Rules will be published on the websites of HKEX and Dah Sing Bank in due course. Printed copies of the 2017 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 2018.

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) and Gary Pak-Ling Wang (Deputy Chief Executive) as Executive Directors; Messrs. Eiichi Yoshikawa (Hidekazu Horikoshi as alternate), Kenichi Yamato and John Wai-Wai Chow as Non-Executive Directors; Messrs. Robert Tsai-To Sze, Lon Dounn, Seiji Nakamura and Andrew Kwan-Yuen Leung as Independent Non-Executive Directors.

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

Hong Kong, Wednesday, 21 March 2018