Dah Sing Banking Group Limited

The holding company of Dah Sing Bank, Limited

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 2356)

ANNOUNCEMENT OF 2017 FINAL RESULTS

The Directors of Dah Sing Banking Group Limited ("DSBG" 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 %
Interest income		**5,655,612**	5,183,824	
Interest expense		**(1,762,790)**	(1,546,305)	
Net interest income	4	**3,892,822**	3,637,519	7.0
Fee and commission income		**1,328,752**	1,064,411	
Fee and commission expense		**(276,345)**	(228,494)	
Net fee and commission income	5	**1,052,407**	835,917	25.9
Net trading income	6	**111,974**	179,831	
Other operating income	7	**75,245**	67,202	
Operating income		**5,132,448**	4,720,469	8.7
Operating expenses	8	**(2,512,928)**	(2,399,445)	4.7
Operating profit before impairment losses		**2,619,520**	2,321,024	12.9
Loan impairment losses	9	**(270,882)**	(563,567)	(51.9)
Operating profit before gains and losses on certain investments and fixed assets		**2,348,638**	1,757,457	33.6
Net loss on disposal of other fixed assets		**(1,006)**	(306)	
Net gain on fair value adjustment of investment properties		**136,643**	13,462	
Net gain on disposal of available-for-sale securities		**280,312**	54,502	
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		**2,600,521**	2,446,501	6.3
Taxation	11	**(414,318)**	(301,043)	
Profit for the year		**2,186,203**	2,145,458	1.9
Loss attributable to non-controlling interests		**33**	33	
Profit attributable to Shareholders of the Company		**2,186,236**	2,145,491	1.9
Dividends				
Interim dividend paid		**154,423**	140,326	
Proposed final dividend/ final dividend paid		**435,287**	392,988	
		589,710	533,314	
Earnings per share				
Basic	12	**HK$1.56**	HK$1.53	
Diluted	12	**HK$1.56**	HK$1.53	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

HK$'000	**2017**	2016
Profit for the year	**2,186,203**	2,145,458
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	**164,350**	317,719
Fair value gain realised and transferred to income statement upon disposal of available-for-sale securities	**(280,312)**	(54,502)
Deferred income tax on movements in investment revaluation reserve	**1,874**	(47,455)
	(114,088)	215,762
Exchange differences arising on translation of the financial statements of foreign entities	**385,151**	(361,896)
Other comprehensive income/ (loss) for the year, net of tax	**271,063**	(116,207)
Total comprehensive income for the year, net of tax	**2,457,266**	2,029,251
Attributable to:		
Non-controlling interests	**(33)**	(33)
Shareholders of the Company	**2,457,299**	2,029,284
Total comprehensive income for the year, net of tax	**2,457,266**	2,029,251

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

HK$'000	Note	2017	2016
ASSETS			
Cash and balances with banks		**17,344,554**	15,058,787
Placements with banks maturing between one and twelve months		**11,856,241**	8,430,854
Trading securities	13	**8,837,554**	8,871,844
Financial assets designated at fair value through profit or loss	13	**700,105**	279,056
Derivative financial instruments	14	**897,967**	1,177,322
Advances and other accounts	15	**126,747,484**	120,096,205
Available-for-sale securities	16	**38,223,264**	32,739,236
Held-to-maturity securities	17	**6,233,704**	10,223,840
Investment in an associate		**4,134,651**	4,253,393
Investments in jointly controlled entities		**81,157**	75,412
Goodwill		**811,690**	811,690
Intangible assets		**58,252**	58,640
Premises and other fixed assets		**2,053,557**	2,098,846
Investment properties		**1,179,440**	964,447
Current income tax assets		**137**	2,791
Deferred income tax assets		**81,492**	68,286
Total assets		**219,241,249**	205,210,649
LIABILITIES			
Deposits from banks		**2,277,391**	2,318,203
Derivative financial instruments	14	**682,784**	1,343,418
Trading liabilities		**8,668,508**	7,748,887
Deposits from customers		**162,459,535**	153,862,973
Certificates of deposit issued		**7,183,706**	6,559,976
Subordinated notes		**5,487,366**	7,146,163
Other accounts and accruals	18	**6,059,987**	2,972,623
Current income tax liabilities		**453,597**	160,096
Deferred income tax liabilities		**89,751**	91,741
Total liabilities		**193,362,625**	182,204,080
EQUITY			
Non-controlling interests		**15,318**	15,351
Equity attributable to the Company's shareholders			
Share capital		**6,873,813**	6,869,593
Other reserves (including retained earnings)		**18,090,906**	16,121,625
Shareholders' funds	19	**24,964,719**	22,991,218
Additional equity instruments		**898,587**	-
Total equity		**25,878,624**	23,006,569
Total equity and liabilities		**219,241,249**	205,210,649

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$136.3 million, the Group plans to elect the irrevocable option to designate all 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$252.0 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 personal banking, commercial banking, treasury and overseas banking business. Operating performances are analysed by business activities for local banking business, and on business entity basis for overseas banking business.

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.

- 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	Others	Inter-segment	Total
Net interest income/ (expenses)	1,637,358	1,167,235	604,619	544,865	(61,255)	-	3,892,822
Non-interest income/ (expenses)	835,271	190,153	(76,222)	137,343	154,077	(996)	1,239,626
Total operating income	2,472,629	1,357,388	528,397	682,208	92,822	(996)	5,132,448
Operating expenses	(1,441,850)	(454,262)	(155,733)	(482,273)	20,194	996	(2,512,928)
Operating profit before impairment (losses)/ written back	1,030,779	903,126	372,664	199,935	113,016	-	2,619,520
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	113,016	-	2,348,638
Net (loss)/ gain on disposal and fair value adjustment of investment properties and other fixed assets	(36)	(302)	-	(658)	136,633	-	135,637
Net gain on disposal of available-for-sale securities	-	-	100,677	33,337	146,298	-	280,312
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	418,432	-	2,600,521
Taxation expenses	(133,886)	(140,018)	(78,101)	(20,391)	(41,922)	-	(414,318)
Profit after taxation	677,765	708,578	395,240	28,110	376,510	-	2,186,203
For the year ended 31 December 2017							
Depreciation and amortisation	68,946	14,405	6,358	39,470	41,009	-	170,188
At 31 December 2017							
Segment assets	47,248,470	58,264,178	76,464,789	36,485,129	5,559,622	(4,780,939)	219,241,249
Segment liabilities	96,100,034	37,301,046	18,335,487	28,208,303	18,198,694	(4,780,939)	193,362,625

3. Operating segment reporting (Continued)

For the year ended 31 December 2016

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter-segment	Total
Net interest income/ (expenses)	1,543,802	1,237,593	427,016	500,803	(71,695)	-	3,637,519
Non-interest income/ (expenses)	630,589	179,277	87,058	116,491	70,535	(1,000)	1,082,950
Total operating income/ (loss)	2,174,391	1,416,870	514,074	617,294	(1,160)	(1,000)	4,720,469
Operating expenses	(1,374,217)	(420,031)	(144,798)	(462,560)	1,161	1,000	(2,399,445)
Operating profit before impairment (losses)/ written back	800,174	996,839	369,276	154,734	1	-	2,321,024
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	1	-	1,757,457
Net (loss)/ gain on disposal and fair value adjustment of investment properties and other fixed assets	(104)	-	-	(186)	13,446	-	13,156
Net gain on disposal of available-for-sale securities	-	-	13,219	-	41,283	-	54,502
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	73,323	-	2,446,501
Taxation (expenses)/ credit	(89,047)	(106,412)	(63,112)	(43,248)	776	-	(301,043)
Profit after taxation	450,822	538,511	319,383	762,643	74,099	-	2,145,458
For the year ended 31 December 2016							
Depreciation and amortisation	64,704	13,148	5,949	35,822	40,072	-	159,695
At 31 December 2016							
Segment assets	46,561,760	54,664,156	69,352,142	35,258,558	3,916,571	(4,542,538)	205,210,649
Segment liabilities	86,449,648	36,320,735	18,848,415	26,533,708	18,594,112	(4,542,538)	182,204,080

3. Operating segment reporting (Continued)

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				
Operating income	**4,679,517**	**453,927**	**(996)**	**5,132,448**
Profit before taxation	**2,311,312**	**289,209**	**-**	**2,600,521**
At 31 December 2017				
Total assets	**201,648,869**	**20,890,338**	**(3,297,958)**	**219,241,249**
Total liabilities	**178,499,376**	**18,161,207**	**(3,297,958)**	**193,362,625**
Intangible assets and goodwill	**318,667**	**551,275**	**-**	**869,942**
Contingent liabilities and commitments	**82,665,576**	**2,304,555**	**(111,234)**	**84,858,897**

	Hong Kong and Others	Macau	Inter-segment elimination	Total
For the year ended 31 December 2016				
Operating income	4,296,065	425,304	(900)	4,720,469
Profit before taxation	2,226,389	220,112	-	2,446,501
At 31 December 2016				
Total assets	187,933,454	19,602,001	(2,324,806)	205,210,649
Total liabilities	167,543,482	16,985,404	(2,324,806)	182,204,080
Intangible assets and goodwill	318,667	551,663	-	870,330
Contingent liabilities and commitments	78,461,648	1,684,413	(112,006)	80,034,055

4. Net interest income

HK$'000	**2017**	2016
Interest income		
Cash and balances with banks	**408,383**	293,434
Investments in securities	**1,008,713**	810,125
Advances and other accounts	**4,238,516**	4,080,265
	5,655,612	5,183,824
Interest expense		
Deposits from banks/ Deposits from customers	**1,378,473**	1,232,166
Certificates of deposit issued	**103,666**	75,116
Subordinated notes	**238,612**	226,842
Others	**42,039**	12,181
	1,762,790	1,546,305
Included within interest income		
Interest income on financial assets not at fair value through profit or loss	**5,612,214**	5,165,382
Included within interest expense		
Interest expense on financial liabilities not at fair value through profit or loss	**1,723,307**	1,532,068

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	**339,119**	295,806
Other fee and commission income		
- Securities brokerage	**125,207**	81,749
- Insurance distribution and others	**231,365**	129,210
- Retail investment and wealth management services	**251,840**	213,759
- Bank services and handling fees	**73,474**	69,459
- Other fees	**61,809**	49,498
	1,328,752	1,064,411
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	**255,163**	208,835
- Other fees paid	**21,182**	19,659
	276,345	228,494

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
Net (loss)/ gain arising from dealing in foreign currencies	**(18,816)**	79,693
Net gain on trading securities	**8,367**	6,153
Net gain from derivatives entered into for trading purpose	**29,429**	34,158
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	**86,541**	61,251
	111,974	179,831

7. Other operating income

HK$'000	**2017**	2016
Dividend income from investments in available-for-sale securities		
- Listed investments	**12,534**	11,696
- Unlisted investments	**8,539**	8,112
Gross rental income from investment properties	**28,281**	24,305
Other rental income	**13,474**	12,227
Others	**12,417**	10,862
	75,245	67,202

8. Operating expenses

HK$'000	**2017**	2016
Employee compensation and benefit expenses		
- Salaries and other staff costs	**1,581,115**	1,467,856
- Provision for share-based compensation charged	**21,295**	5,083
- Pension costs – defined contribution plans	**96,854**	91,391
Premises and other fixed assets expenses, excluding depreciation		
- Rental of premises	**183,096**	180,448
- Others	**146,980**	158,506
Depreciation	**169,800**	158,530
Advertising and promotion costs	**76,790**	85,695
Printing, stationery and postage	**48,471**	44,902
Amortisation expenses of intangible assets	**388**	1,165
Auditors' remuneration	**9,832**	7,893
Others	**178,307**	197,976
	2,512,928	2,399,445

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.

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	**376,046**	251,689
- Overseas taxation	**45,705**	40,343
- Under-provision in prior years	**126**	1,802
Deferred income tax:		
- Origination and reversal of temporary differences	**(7,559)**	6,912
- Utilisation of tax losses	**-**	297
Taxation	**414,318**	301,043

12. Basic and diluted earnings per share

The calculation of basic earnings per share is based on earnings of HK$2,186,236,000 (2016: HK$2,145,491,000) and the weighted average number of 1,403,668,386 (2016: 1,402,426,008) ordinary shares in issue during the year.

The calculation of fully diluted earnings per share is based on earnings of HK$2,186,236,000 (2016: HK$2,145,491,000) and the weighted average number of 1,404,611,329 (2016: 1,406,170,384) 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
Total trading securities	**8,837,554**	8,871,844
Financial assets designated at fair value through profit or loss:		
Debt securities:		
- Listed outside Hong Kong	**375,187**	279,056
- Unlisted	**324,918**	-
Total financial assets designated at fair value through profit or loss	**700,105**	279,056
Total trading securities and financial assets designated at fair value through profit or loss	**9,537,659**	9,150,900
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 issued by:		
- Corporate entities	**700,105**	279,056
	9,537,659	9,150,900

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.

14. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2017 were as follows:

HK$'000	Contract/ notional amount	Fair values Assets	Fair values Liabilities
1) Derivatives held for trading			
a) *Foreign exchange derivatives*			
Forward and futures contracts	**82,495,665**	**581,964**	**(479,218)**
Currency options purchased and written	**12,675,402**	**7,543**	**(7,536)**
b) *Interest rate derivatives*			
Interest rate futures	**-**	**-**	**-**
Interest rate swaps	**2,385,852**	**16,002**	**(9,965)**
Interest rate options purchased and written	**676,566**	**479**	**(2,801)**
c) *Equity derivatives*			
Equity options purchased and written	**176,360**	**3,495**	**(3,495)**
Total derivative assets/ (liabilities) held for trading	**98,409,845**	**609,483**	**(503,015)**
2) Derivatives held for hedging			
a) *Derivatives designated as fair value hedges*			
Interest rate swaps	**26,856,746**	**288,484**	**(179,769)**
Currency swaps	**-**	**-**	**-**
Total derivative assets/ (liabilities) held for hedging	**26,856,746**	**288,484**	**(179,769)**
Total recognised derivative financial assets/ (liabilities)	**125,266,591**	**897,967**	**(682,784)**

14. Derivative financial instruments (Continued)

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2016 were as follows:

HK$'000	Contract/ notional amount	Fair values Assets	Fair values Liabilities
1) Derivatives held for trading			
a) *Foreign exchange derivatives*			
Forward and futures contracts	73,340,752	601,383	(621,858)
Currency options purchased and written	22,298,022	225,081	(224,946)
b) *Interest rate derivatives*			
Interest rate futures	15,509	24	-
Interest rate swaps	3,567,199	3,829	(28,379)
Interest rate options purchased and written	-	-	-
c) *Equity derivatives*			
Equity options purchased and written	98,752	814	(814)
Total derivative assets/ (liabilities) held for trading	99,320,234	831,131	(875,997)
2) Derivatives held for hedging			
a) *Derivatives designated as fair value hedges*			
Interest rate swaps	27,306,206	346,191	(277,155)
Currency swaps	1,205,962	-	(190,266)
Total derivative assets/ (liabilities) held for hedging	28,512,168	346,191	(467,421)
Total recognised derivative financial assets/ (liabilities)	127,832,402	1,177,322	(1,343,418)

The credit risk weighted amounts of the above off-balance sheet exposures as at 31 December, before taking into account the effect of bilateral netting arrangements that the Group entered into, are as follows:

	As at 31 Dec 2017	As at 31 Dec 2016
Exchange rate contracts	**871,350**	959,439
Interest rate contracts	**148,097**	175,128
Other contracts	**7,862**	3,388
	1,027,309	1,137,955

The contract amounts of these instruments indicate the volume of transactions outstanding as at the end of the reporting period, they do not represent the amounts at risk.

The credit risk weighted amounts are the amounts that have been calculated with reference to the Banking (Capital) Rules issued by the Hong Kong Monetary Authority ("HKMA"). The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

15. 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		
- Individually assessed	**(280,641)**	(435,210)
- Collectively assessed	**(378,405)**	(420,545)
	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	**4,104,805**	3,021,819
Less: impairment allowances		
- Individually assessed	**(10,093)**	(9,351)
- Collectively assessed	**(1,338)**	(625)
	4,093,374	3,011,843
Advances and other accounts	**126,747,484**	120,096,205
Impairment allowances		
- Individually assessed	**(290,734)**	(444,561)
- Collectively assessed	**(393,972)**	(435,748)
	(684,706)	(880,309)

15. 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 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.

15. 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.

15. 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**		As at 31 Dec 2016	
	Gross amount of overdue loans	**% of total**	Gross amount of overdue loans	% of total
Gross advances to customers which have been overdue for:				
- six months or less but over three months	**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.

15. 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.

16. Available-for-sale securities

HK$'000	**As at 31 Dec 2017**	As at 31 Dec 2016
Debt securities:		
- Listed in Hong Kong	**14,538,680**	14,390,816
- Listed outside Hong Kong	**17,654,181**	13,928,043
- Unlisted	**5,894,077**	3,953,915
	38,086,938	32,272,774
Equity securities:		
- Listed in Hong Kong	**53,387**	254,705
- Unlisted	**82,939**	211,757
	136,326	466,462
Total available-for-sale securities	**38,223,264**	32,739,236
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	**28,771,658**	24,672,020
	38,086,938	32,272,774
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	**7,672,393**	3,549,923
- Corporate entities	**21,957,188**	20,982,498
- Others	**2,528**	2,528
	38,223,264	32,739,236

17. 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	**3,453,810**	3,325,098
	6,233,704	10,223,840
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	**2,733,013**	6,898,742
	6,233,704	10,223,840
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	**1,714,336**	2,615,100
- Corporate entities	**1,765,490**	4,683,642
	6,233,704	10,223,840

18. Other accounts and accruals

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

On 19 June 2017, DSB entered into the Hong Kong Distribution Agreement with Dah Sing Life Assurance Company Limited ("DSLA") after DSLA ceased to be a fellow 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 Macau Life Insurance Company Limited ("MLIC") after MLIC ceased to be a fellow 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	**6,873,813**	6,869,593
Consolidation reserve	**(220,986)**	(220,986)
Premises revaluation reserve	**270,120**	270,120
Investment revaluation reserve	**318,224**	432,312
Exchange reserve	**96,578**	(288,573)
General reserve	**700,254**	700,254
Reserve for share-based compensation	**5,518**	6,030
Retained earnings	**16,921,198**	15,222,468
	24,964,719	22,991,218
Proposed final dividends included in retained earnings	**435,287**	392,971

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 ("DSB China"), 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.

20. Contingent liabilities and commitments

(a) Capital commitments

Capital expenditure in respect of projects and acquisition of fixed assets as at 31 December but not yet incurred is as follows:

HK$'000	**As at 31 Dec 2017**	As at 31 Dec 2016
Expenditure contracted but not provided for	**55,462**	62,717

(b) Credit commitments

The contract and credit risk weighted amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers are as follows:

	Contract amount	
	As at 31 Dec 2017	As at 31 Dec 2016
Direct credit substitutes	**321,146**	507,886
Transaction-related contingencies	**525,329**	468,367
Trade-related contingencies	**627,706**	593,956
Commitments that are unconditionally cancellable without prior notice	**71,273,512**	66,088,547
Other commitments with an original maturity of:		
- under 1 year	**3,125,645**	2,870,509
- 1 year and over	**799,392**	548,658
Forward forward deposits placed	**-**	21,029
	76,672,730	71,098,952

	Credit risk weighted amount	
	As at 31 Dec 2017	As at 31 Dec 2016
Contingent liabilities and commitments	**1,473,077**	1,289,997

20. Contingent liabilities and commitments (Continued)

(c) Assets pledged

Exchange Fund debts pledged with the HKMA to facilitate the Group's trading and market-making activities in Exchange Fund debts are as follows:

HK$'000	**As at 31 Dec 2017**	As at 31 Dec 2016
Assets pledged with HKMA:		
Trading securities	**6,064,992**	6,036,748
Available-for-sale securities	**725,732**	1,148,005
	6,790,724	7,184,753
Associated liabilities:		
Trading liabilities	**8,668,508**	7,748,887

The carrying amounts of the non-government bonds pledged with unrelated financial institutions under repurchase agreements and the associated liabilities are as follows:

	As at 31 Dec 2017	As at 31 Dec 2016
Assets pledged under repurchase agreements:		
Available-for-sale securities	**462,403**	691,634
Associated liabilities:		
Deposits from banks	**453,740**	466,306
Other accounts and accruals	**-**	186,987
	453,740	653,293

The fair value of the transferred securities and associated liabilities approximate the carrying amount of the transferred securities.

The Group cannot use, sell or pledge the above securities for the duration of the repurchase agreements and is exposed to the credit risk of the issuers of the transferred securities.

(d) Operating lease commitments

Where a Group company is the lessee, the future minimum lease payments under non-cancellable building operating leases are as follows:

	As at 31 Dec 2017	As at 31 Dec 2016
Not later than 1 year	**182,950**	185,896
Later than 1 year and not later than 5 years	**460,828**	489,608
Later than 5 years	**233,800**	320,495
	877,578	995,999

Where a Group company is the lessor, the future minimum lease payments under non-cancellable building operating leases are as follows:

	As at 31 Dec 2017	As at 31 Dec 2016
Not later than 1 year	**30,173**	34,100
Later than 1 year and not later than 5 years	**5,997**	33,930
	36,170	68,030

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1. Additional analysis on claims and exposures

(a) Gross advances to customers by industry sector classified according to the usage of loans and analysed by percentage covered by collateral

HK$'000	**As at 31 Dec 2017**		As at 31 Dec 2016	
	Outstanding balance	**% of gross advances covered by collateral**	Outstanding balance	% of gross advances covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	**3,927,651**	**87.5**	2,317,648	82.0
- Property investment	**14,933,223**	**96.3**	15,095,225	99.3
- Financial concerns	**3,814,050**	**7.9**	4,259,982	26.6
- Stockbrokers	**2,141,027**	**54.2**	1,804,854	44.9
- Wholesale and retail trade	**7,202,373**	**85.9**	4,543,621	88.5
- Manufacturing	**1,900,894**	**80.0**	2,435,207	94.0
- Transport and transport equipment	**3,932,189**	**76.6**	3,508,563	78.8
- Recreational activities	**96,881**	**100.0**	78,395	97.4
- Information technology	**68,986**	**90.7**	74,186	87.7
- Others	**4,114,396**	**72.0**	5,180,298	82.2
	42,131,670	**78.6**	39,297,979	82.2
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**687,074**	**100.0**	756,457	100.0
- Loans for the purchase of other residential properties	**22,988,102**	**99.9**	22,230,051	99.9
- Credit card advances	**3,613,411**	**-**	4,377,622	-
- Others	**12,308,030**	**34.4**	11,092,297	43.9
	39,596,617	**70.4**	38,456,427	72.4
Loans for use in Hong Kong	**81,728,287**	**74.6**	77,754,406	77.4
Trade finance (Note (1))	**8,766,204**	**62.6**	7,723,386	66.2
Loans for use outside Hong Kong (Note (2))	**28,767,493**	**68.1**	28,176,929	74.0
	119,261,984	**72.2**	113,654,721	75.8

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 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.

1. Additional analysis on claims and exposures (Continued)

(a) Gross advances to customers by industry sector classified according to the usage of loans and analysed by percentage covered by collateral (Continued)

For each industry sector reported above with loan balance constituting 10% or more of the total balance of advances to customers, the attributable amount of impaired loans, overdue loans, and individually and collectively assessed loan impairment allowances are as follows:

HK$'000	**As at 31 Dec 2017**				
	Outstanding balance	**Impaired loans**	**Gross advances overdue for over 3 months**	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property investment	**14,933,223**	**78,968**	**59,897**	**6,925**	**47,835**
Individuals					
- Loans for the purchase of other residential properties	**22,988,102**	**6,305**	**9,337**	**-**	**4,107**
Loans for use outside Hong Kong	**28,767,493**	**187,828**	**258,196**	**100,236**	**106,550**

	As at 31 Dec 2016				
	Outstanding balance	Impaired loans	Gross advances overdue for over 3 months	Individually assessed impairment allowances	Collectively assessed impairment allowances
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property investment	15,095,225	92,594	89,700	10,276	51,607
Individuals					
- Loans for the purchase of other residential properties	22,230,051	10,670	24,893	-	4,552
Loans for use outside Hong Kong	28,176,929	364,972	380,615	189,010	145,416

1. Additional analysis on claims and exposures (Continued)

(b) Mainland activities exposures

The analysis of Mainland activities exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA Return of Mainland Activities, which includes the Mainland activities exposures extended by DSB and its Mainland subsidiary bank only.

HK$'000

2017	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Total exposures**
1. Central government, central government-owned entities and their subsidiaries and joint ventures ("JV"s)	**7,145,507**	**70,194**	**7,215,701**
2. Local governments, local government-owned entities and their subsidiaries and JVs	**896,387**	**78,815**	**975,202**
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	**13,523,930**	**1,113,634**	**14,637,564**
4. Other entities of central government not reported in item 1 above	**1,635,173**	**15,391**	**1,650,564**
5. Other entities of local governments not reported in item 2 above	**835,183**	**-**	**835,183**
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	**8,511,455**	**206,141**	**8,717,596**
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	**1,113,077**	**48,625**	**1,161,702**
	33,660,712	**1,532,800**	**35,193,512**
Total assets of DSB and its Mainland subsidiary bank after provision	**201,200,282**		
On-balance sheet exposures as percentage of total assets	**16.73%**		

Note: The balances of exposures reported above include gross advances and other balances of claims on the customers.

1. Additional analysis on claims and exposures (Continued)

(b) Mainland activities exposures (Continued)

HK$'000

2016	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
1. Central government, central government-owned entities and their subsidiaries and JVs	6,982,813	335,952	7,318,765
2. Local governments, local government-owned entities and their subsidiaries and JVs	2,067,880	639,122	2,707,002
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	8,442,337	1,717,472	10,159,809
4. Other entities of central government not reported in item 1 above	1,579,550	153,473	1,733,023
5. Other entities of local governments not reported in item 2 above	569,977	11,774	581,751
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	8,070,905	542,543	8,613,448
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	579,554	-	579,554
	28,293,016	3,400,336	31,693,352

Total assets of DSB and its Mainland subsidiary bank after provision	189,622,746
On-balance sheet exposures as percentage of total assets	14.92%

1. Additional analysis on claims and exposures (Continued)

(c) Analysis of gross advances to customers and overdue loans by geographical area

Advances to customers by geographical area are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when an advance is guaranteed by a party located in an area which is different from that of the counterparty.

The following table analyses gross advances to customers, individually impaired advances to customers, overdue advances to customers and individually and collectively assessed impairment allowances by geographical area.

As at 31 Dec 2017

HK$'000	**Gross advances to customers**	**Individually impaired advances to customers**	**Overdue advances to customers**	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Hong Kong	**95,759,022**	**702,373**	**662,535**	**246,470**	**282,407**
China	**8,229,210**	**26,578**	**66,982**	**20,955**	**51,365**
Macau	**13,200,459**	**26,302**	**60,870**	**13,205**	**38,645**
Others	**2,073,293**	**11**	**10,392**	**11**	**5,988**
	119,261,984	**755,264**	**800,779**	**280,641**	**378,405**

As at 31 Dec 2016

	Gross advances to customers	Individually impaired advances to customers	Overdue advances to customers	Individually assessed impairment allowances	Collectively assessed impairment allowances
Hong Kong	90,514,829	1,044,157	892,925	391,466	294,687
China	7,573,907	72,815	127,256	30,499	67,881
Macau	12,793,705	55,200	60,641	12,552	48,779
Others	2,772,280	2,037	6,315	693	9,198
	113,654,721	1,174,209	1,087,137	435,210	420,545

1. Additional analysis on claims and exposures (Continued)

(d) International claims

The information of international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, transfer of risk from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country. Only regions constituting 10% or more of the aggregate international claims after taking into account any recognised risk transfer are disclosed.

At 31 Dec 2017 In millions of HK$	**Banks**	**Official sector**	**Non-bank private sector** **Non-bank financial institutions**	**Non-bank private sector** **Non-financial private sector**	**Total claims**
Offshore centres	**6,903**	**17,445**	**7,429**	**114,262**	**146,039**
- of which: Hong Kong	**5,781**	**15,164**	**7,133**	**98,814**	**126,892**
Developing Asia and Pacific	**32,271**	**2,083**	**1,058**	**12,780**	**48,192**
- of which: Mainland China	**26,357**	**2,005**	**694**	**11,135**	**40,191**

At 31 Dec 2016 In millions of HK$	Banks	Official sector	Non-bank private sector Non-bank financial institutions	Non-bank private sector Non-financial private sector	Total claims
Offshore centres	1,867	17,682	6,684	113,351	139,584
- of which: Hong Kong	1,430	15,171	6,684	97,608	120,893
Developing Asia and Pacific	24,301	1,730	1,149	10,070	37,250
- of which: Mainland China	20,282	1,730	1,133	8,561	31,706

(e) Credit commitments and contingent liabilities analysed by percentage covered by collateral

HK$'000	**2017** **Contract amount**	**2017** **% covered by collateral**	2016 Contract amount	2016 % covered by collateral
Financial guarantees and other credit related contingent liabilities	**1,474,181**	**23.7**	1,570,209	29.3
Loan commitments and other credit related commitments	**75,198,549**	**3.0**	69,528,743	3.6
	76,672,730	**3.4**	71,098,952	4.2

2. Currency concentrations

The following sets out the net foreign exchange position in USD and other individual currency that constitutes more than 10% of the total net position in all foreign currencies as at 31 December 2017 and the corresponding comparative balances.

The Group did not have any structural foreign exchange position as at 31 December 2017 and 2016.

	As at 31 December 2017			
Equivalent in HK$ millions	**US dollars**	**Macau Pataca**	**Other foreign currencies**	**Total foreign currencies**
Spot assets	**69,163**	**9,139**	**18,957**	**97,259**
Spot liabilities	**(32,744)**	**(10,817)**	**(22,919)**	**(66,480)**
Forward purchases	**26,575**	**-**	**18,272**	**44,847**
Forward sales	**(62,053)**	**-**	**(14,330)**	**(76,383)**
Net options position	**1**	**-**	**(1)**	**-**
Net long/ (short) position	**942**	**(1,678)**	**(21)**	**(757)**

	As at 31 December 2016				
Equivalent in HK$ millions	US dollars	Renminbi	Macau Pataca	Other foreign currencies	Total foreign currencies
Spot assets	64,651	13,702	9,347	4,923	92,623
Spot liabilities	(33,722)	(13,522)	(10,993)	(8,437)	(66,674)
Forward purchases	25,926	12,881	-	5,379	44,186
Forward sales	(55,094)	(13,047)	-	(1,865)	(70,006)
Net options position	-	-	-	(6)	(6)
Net long/ (short) position	1,761	14	(1,646)	(6)	123

3. Capital adequacy ratio

	As at 31 Dec 2017	As at 31 Dec 2016
Capital adequacy ratio		
- Common Equity Tier 1	**13.4%**	12.7%
- Tier 1	**14.0%**	12.7%
- Total	**18.7%**	18.3%

The capital adequacy ratio as at 31 December 2017 and 31 December 2016 represents the consolidated position of DSB (covering BCM and DSB China) computed on Basel III basis in accordance with the Banking (Capital) Rules. This capital adequacy ratio takes into account market risk and operational risk.

DSB as a locally incorporated bank in Hong Kong is subject to the minimum capital adequacy ratio requirement under the Hong Kong Banking Ordinance. BCM is subject to Macau banking regulations and DSB China is subject to China banking regulations.

4. Capital buffers

	As at 31 Dec 2017	As at 31 Dec 2016
Capital conservation buffer ratio	**1.250%**	0.625%
Countercyclical capital buffer ratio	**0.925%**	0.462%
	2.175%	1.087%

With effect from 1 January 2016, the above capital buffers are phased-in and applicable to DSB. The countercyclical capital buffer ratio is computed on the same consolidated basis as the capital adequacy ratio.

5. Leverage ratio

	As at 31 Dec 2017	As at 31 Dec 2016
Leverage ratio	**8.9%**	8.2%

The disclosure on leverage ratio is required under section 24A(6) of the Banking (Disclosure) Rules. The above ratios represent the consolidated position of DSB and are computed on the same consolidated basis as the capital adequacy ratio.

6. Liquidity maintenance ratio

	2017	2016
Liquidity maintenance ratio	**44.0%**	41.9%

The liquidity maintenance ratio is calculated as the simple average of each calendar month's average consolidated liquidity maintenance ratio of DSB (covering BCM and DSB China) for the financial year. The liquidity maintenance ratio is computed in accordance with the Banking (Liquidity) Rules.

DSB as a locally incorporated bank in Hong Kong is subject to the liquidity requirement under the Hong Kong Banking Ordinance. BCM is subject to Macau banking regulations and DSB China is subject to China banking regulations.

FINANCIAL RATIOS

	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Net interest income/ operating income	**75.8%**	77.1%
Cost to income ratio	**49.0%**	50.8%
Return on average total assets	**1.0%**	1.1%
Adjusted return on average total assets (Note 1)	**1.4%**	1.1%
Return on average shareholders' funds	**9.1%**	9.7%
Adjusted return on average shareholders' funds (Note 1)	**12.3%**	9.7%
Net interest margin	**1.98%**	1.98%

	As at 31 Dec 2017	As at 31 Dec 2016
Loan to deposit ratio	**70.3%**	70.8%

Note:
1. Excluding 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$0.31 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 34% to HK$2,349 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 attributable to shareholders only increased by 1.9% to HK$2,186 million.

BUSINESS AND FINANCIAL REVIEW

Most major areas of the Group 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"), Dah Sing Banking Group Limited ("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. Our 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.

Return on assets of 1.0% and ROE of 9.1% were slightly lower than in 2016, due to the impairment charge on BOCQ. If the exceptional non-cash impairment charge on BOCQ is excluded, our adjusted return on assets and ROE in the year would be 1.4% and 12.3% respectively, and higher than 2016's 1.1% and 9.7% respectively, reflecting stronger operating performance. Our cost to income ratio improved from 50.8% to 49.0% during the year, a result of stronger rate of growth in operating income and continued efforts on cost control.

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

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 set out in the Corporate Governance Code ("CG Code") contained in 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 this financial report and 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 the 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 the 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 Directors of the Company comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Vice Chairman, Managing Director and Chief Executive), Gary Pak-Ling Wang (Group Chief Financial and Operating Officer) and Nicholas John Mayhew (Deputy Chief Executive) as Executive Directors; Mr. Jun Fujimoto as Non-Executive Director; Messrs. Robert Tsai-To Sze, Seng-Lee Chan, Yuen-Tin Ng and Blair Chilton Pickerell as Independent Non-Executive Directors.

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

Hong Kong, Wednesday, 21 March 2018