Report of the Directors and Audited Financial Statements

ALLIED BANKING CORPORATION (HONG KONG) LIMITED
新聯銀行(香港)有限公司

31 December 2015

ALLIED BANKING CORPORATION (HONG KONG) LIMITED
新聯銀行(香港)有限公司

REPORTS AND AUDITED FINANCIAL STATEMENTS

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REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Allied Banking Corporation (Hong Kong) Limited (the "Company") and its subsidiary, ACR Nominees Limited (collectively referred to as the "Group") for the year ended 31 December 2015.

Principal activities

The principal activity of the Company is commercial banking business, predominantly in Hong Kong, which includes deposit-taking, lending and trade financing, documentary credits, remittances, money exchange, money market and foreign exchange operations, investment and corporate services. The principal activities of the subsidiary are to provide management and nominee services. There were no significant changes in the nature of the Group's principal activities during the year.

Business review

2015 was a year where the global economic performance remained mixed and continued to struggle for growth. Among the most developed economies, the United States economy grew moderately and fared slightly better. Japan and major parts of the European economies struggled to generate any growth at all. China's projected growth rate continued to falter. Following the actions of the US Federal Reserve in December, it appears that that it would raise interest rates further in 2016. The foreign exchange volatility intensified while the stock markets experienced sharp fluctuations worldwide.

The unsettling global economic environment has affected the Hong Kong economy which grew modestly overall. The domestic demand, although seen to be resilient, experienced pressure with a conceivably negative local consumer sentiment over increased uncertainties in the economic outlook. The residential property market cooled down with thinner trading volume in 2015. The transaction volume, however, fell back as sentiment was negatively affected by the slide in the local stock market coupled with the heightened concerns over US interest rate hike.

Against this backdrop of economic environments, the growth in total loans and advances in Hong Kong slowed over the course of 2015. It has moderated as the risk on possible deterioration in the business environment increased that may weaken the fundamentals of corporates.

While we maintained secured lending as our core business, the whole year was a balancing act of maintaining, growing and safeguarding the loan portfolio against the threats from competition, weaker fundamentals, business failures and pessimistic consumer sentiments. We remained focused on our market niche and continued to target markets that will not be directly impacted by the uncertainties surrounding the HK and global economies. We provided flexible banking services to meet the financial needs of prospective customers while strengthening existing customer relations to fulfil their financial goals and operate their businesses.

In summary, the solid performance in 2015 resulted from the relatively steady and managed loan growth and portfolio mix, sustained funding costs, managed income yields, relatively sustainable fee-based income. To balance profit and long-term business needs, we maintained discipline in managing our expenses with efficient cost controls and use of resources. With careful management on the exposure to credit risk, asset quality of loans and advances continued to be good over the last five years. As a result, the non-performing loan asset was low and contributed to the lower requirement for impairment allowance despite taking into account the current economic factors that may affect the assets. The classified loan ratio stood at 0.09% by 31 December 2015.

Our funding position remained healthy, with stable loan-to-deposit ratio maintained at all times during the year 2015. We closely matched our funding to lending commitments in order to achieve efficient yields.

Business review (continued)

FIVE-YEAR FINANCIAL SUMMARY

The performance indicators for the year under review and the immediate past four years are as follows:

FINANCIAL HIGHLIGHTS					
Income Statement					
31 December	2015	2014	2013	2012	2011
(HKD Million)					
Net Interest Income	43	39	33	31	27
Non-interest Income	17	12	10	9	8
Operating Expenses	32	30	29	27	27
Operating Profit Before Impairment Charges	28	21	14	13	8
Impairment Charges / (Recovery)	-	-	(8)	(3)	-
Exceptional and Other Items	5	2	3	-	6
Profit Before Tax	33	23	25	16	14
Net Profit After Tax	28	20	24	16	14

FINANCIAL HIGHLIGHTS					
Size and Strength Measures					
31 December	2015	2014	2013	2012	2011
(HKD Million)					
Total Assets	1,682	1,652	1,583	1,502	1,387
Gross Advances To Customers	1,057	1,036	915	827	783
Impairment allowance against customer advances	2	2	2	7	9
Total Deposits From Customers	1,228	1,220	1,147	1,099	1,010
Total Equity	409	381	363	339	320

KEY RATIOS					
Performance measures					
31 December	2015	2014	2013	2012	2011
Net Customer Loan / Deposit Ratio	85.9%	84.8%	79.6%	74.6%	76.6%
Net Interest Income / Average Total Assets	2.6%	2.4%	2.1%	2.1%	2.0%
Non-interest Income / Total Operating Income	28.3%	23.5%	23.3%	22.5%	22.9%
Cost / Income Ratio	53.3%	58.8%	67.4%	67.5%	77.1%
Return On Assets	1.7%	1.2%	1.6%	1.1%	1.0%
Return On Equity	7.1%	5.4%	6.8%	4.9%	4.5%
Capital Adequacy Ratio	31.3%	30.8%	32.5%	35.3%	34.3%
Average Liquidity Ratio	N.A.	66.9%	81.6%	85.1%	102.8%
Average Maintenance Ratio	51.4%	N.A.	N.A.	N.A.	N.A.

We have maintained adequate capital adequacy and liquidity positions well above the statutory requirements. We have adopted a policy of maintaining a strong capital base to comply with the capital requirements under the Banking (Capital) Rules of the Banking Ordinance and support the stability and business growth in order to provide reasonable returns for shareholders. Our capital management process take into account our strategic focus and business plan in assessing the adequacy of capital to support current and future activities. Our primary objective of ensuring that adequate liquidity is maintained at all times under both normal and stressed conditions has been reflected in our results for the year under review. The ratio as of 31 December 2015 is compiled in accordance with the Banking (Liquidity) Rules effective from 1 January 2015, whereas the ratio as of 31 December 2014 was compiled in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance as in force immediately before 1 January 2015. Accordingly, the ratios of the two periods are not directly comparable.

Business review (continued)
While driving the business forward, we have developed a reasonable level of risk culture within our organization by integrating strategy, risk, people, processes and systems in a holistic approach. Likewise, we integrate environmental, social and governance factors into our business operations. By encouraging employees to adopt a more environmentally-friendly working habits, we streamlined internal administrative procedures and reduce the use of paper, minimized printing and reproduction. We customize our banking services to fit the financing requirements of our customers following the basic principles under the “Treat Customers Fairly Charter” launched by the HKMA.

We attached a high degree of importance to compliance to relevant statutory and regulatory requirements, both local and international. We believe that maintaining good corporate governance standards is vital to the sustainability of our presence in the Hong Kong banking industry. Accordingly, we have ensured awareness among stakeholders on the relevant regulatory changes and the correspondent enhancement of business processes. We have integrated this process into our relevant communications through formal and informal meetings among our management, employees, customers and service providers.

We have maintained a lean personnel headcount with low turnover. We are focused on mainstreaming sustainable business practices that adhere to the core values of ethical and professional behavior of the member employees.

Moving Ahead

On the whole, the economic performance in 2015 across the board ended with a dismal outlook for 2016. It is expected that the growth momentum in 2016 in the global economy will remain uneven with considerable downside risks, giving only a slim chance for a remarkable turnaround in global trade. With the widely-expected moderate growth for the US economy, it is still yet to be seen whether the interest rate hike will continue. The recovery in the Eurozone and Japan would likely continue to be fragile while the growth in the major emerging market economies is seen to be gloomy. The growth in other Asian emerging market economies is seen to be resilient. The Mainland economy is also seen by economists as resilient but expansion pace will remain slow.

ABCHK is going into its 38th year in Hong Kong. Our proven resilience to these uncertain and volatile economic environments, external and domestic, has been challenged in 2015 and will continue to be challenged in 2016.

Our business strategies for 2016 will continue as in previous years and pursue initiatives to augment the core income. We will proactively participate in the HKMC Limited’s SME Financing Guarantee Scheme and provide flexible banking services to meet the diverse financing requirements of our customers for business development. We will continue to grow our loan assets with vigilance and enhanced risk management. Great emphasis will be placed on effectively improving resources allocation, fine-tuning operation procedures and enhancing efficiency e.g. streamlining application and approval service as part of a prompt and flexible financing solution for small businesses.

We believe that our disciplined approach of growth with stability and maintaining a strong balance sheet will ensure our resilience and enable us to support customers through cycles.

Results and dividends
The Group's profit for the year ended 31 December 2015 and the Group’s financial position at that date are set out in the financial statements on pages 7 to 62.

Preference shares dividend of 2015: HK$1.035M (2014: HK$1.035M) has been accrued.

The directors do not recommend the payment of any dividend to ordinary shareholders in respect of current year.

Share capital
There was no movement in the Company's issued capital during the year.

REPORT OF THE DIRECTORS (continued)

Directors
The directors of the Company during the year and up to the date of this report were:

Lucio Chua TAN	(Chairman)
KWAN Kie Yip	
Regnar C. RIVERA	
Lourdes A. SALAZAR	
LIM Bee Lu S.	
Harry Chua TAN	
Michael Gonzales TAN	
Lucio Jr. Khao TAN	
Willy See CO	(Retired on 10 July 2015)

Independent non-executive director

FOK Kam Chu John	
CHONG Kim Chan Kenneth	
Patrick Lim GO	(Appointed on 22 March 2016)

In accordance with article 10A of the Company's articles of association, all remaining directors shall retire from office at every annual general meeting and shall be eligible for re-election.

The persons who were directors of the subsidiary of the Company during the year and up to the date of this report (not including those directors listed above) were as follows:

Allied Banking Corporation (Hong Kong) Limited
CHAN Tak Kan
KO Wai Chun, Andy

Directors' interests in transactions, arrangements or contracts
No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiary or fellow subsidiaries was a party during the year.

Directors' rights to acquire shares and debentures
At no time during the year were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, its subsidiary or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Compliance with the Banking (Disclosure) Rules
The Company has fully complied with the applicable disclosure requirements of the Banking (Disclosure) Rules.

Auditors
Ernst & Young retire and a resolution for the reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lourdes A. SALAZAR

Hong Kong
29 April 2016

Independent auditors' report
To the members of Allied Banking Corporation (Hong Kong) Limited
新聯銀行**(**香港**)**有限公司
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Allied Banking Corporation (Hong Kong) Limited (the "Company") and its subsidiary set out on pages 7 to 62, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report (continued)
To the members of Allied Banking Corporation (Hong Kong) Limited
新聯銀行**(**香港**)**有限公司
(Incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiary as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants
Hong Kong
29 April 2016

ALLIED BANKING CORPORATION (HONG KONG) LIMITED
新聯銀行(香港)有限公司

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK$	2014 HK$
INTEREST INCOME ON			
Loans and receivables		46,443,232	41,961,103
Deposits with other banks		1,633,470	2,187,947
Available-for-sale investments		-	90,236
		48,076,702	44,239,286
INTEREST EXPENSE ON DEPOSIT LIABILITIES		(5,377,134)	(5,894,086)
NET INTEREST INCOME		42,699,568	38,345,200
OTHER OPERATING INCOME	7	21,523,609	14,249,818
OPERATING INCOME		64,223,177	52,595,018
OPERATING EXPENSES	8	(31,682,562)	(29,810,684)
OPERATING PROFIT BEFORE IMPAIRMENT LOSSES		32,540,615	22,784,334
NET WRITEBACK OF IMPAIRMENT PROVISION	15	381,285	365,998
PROFIT BEFORE TAX		32,921,900	23,150,332
INCOME TAX	10	(4,566,265)	(3,468,565)
PROFIT FOR THE YEAR		28,355,635	19,681,767
PROFIT ATTRIBUTABLE TO MEMBERS		28,355,635	19,681,767

ALLIED BANKING CORPORATION (HONG KONG) LIMITED
新聯銀行(香港)有限公司

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2015

	Note	2015 HK$	2014 HK$
PROFIT FOR THE YEAR		28,355,635	19,681,767
OTHER COMPREHENSVE INCOME, NET OF TAX			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale investments	14	-	(1,054)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		28,355,635	19,680,713
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS		28,355,635	19,680,713

ALLIED BANKING CORPORATION (HONG KONG) LIMITED
新聯銀行(香港)有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2015

	Notes	2015 HK$	2014 HK$
ASSETS			
Cash and cash equivalents	12	353,499,027	274,629,775
Placements with banks and other financial institutions maturing between one and twelve months		183,673,879	256,884,862
Derivative financial instruments	13	33,948	108,114
Available-for-sale investments	14	-	-
Advances and other accounts	15	1,059,581,962	1,037,810,703
Investment property	16	55,000,000	50,000,000
Property and equipment	17	30,661,588	31,649,962
Deferred tax assets	18	-	1,392,962
Total assets		1,682,450,404	1,652,476,378
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits and balances of banks and other financial institutions		32,658,303	39,294,644
Deposits from customers	20	1,228,377,409	1,220,339,722
Derivative financial instruments	13	30,258	110,860
Other accounts and payables		10,448,756	11,309,135
Current tax liabilities		1,502,413	-
Deferred tax liabilities	18	690,613	-
Total liabilities		1,273,707,752	1,271,054,361
EQUITY			
Share capital	21	185,700,000	185,700,000
Reserves		223,042,652	195,722,017
Total equity		408,742,652	381,422,017
Total liabilities and equity		1,682,450,404	1,652,476,378

The financial statements on pages 7 to 62 were approved and authorised for issue by the Board of Directors on 29 April 2016 and are signed on its behalf by:

Lourdes A. SALAZAR KWAN Kie Yip

ALLIED BANKING CORPORATION (HONG KONG) LIMITED
新聯銀行(香港)有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

	Notes	Share capital HK$ (Note 22)	Reserves: General reserve HK$	Reserves: Investment revaluation reserve HK$	Reserves: Collective impairment reserve HK$	Reserves: Retained profits HK$	Reserves: Total reserves HK$	Total HK$
At 1 January 2014		185,700,000	7,000,000	1,054	9,233,204	160,842,046	177,076,304	362,776,304
Profit for the year		-	-	-	-	19,681,767	19,681,767	19,681,767
Other comprehensive income for the year:								
Changes in fair values of available-for-sale investments net of tax	14	-	-	(1,054)	-	-	(1,054)	(1,054)
Total comprehensive income for the year		-	-	(1,054)	-	19,681,767	19,680,713	19,680,713
2014 preference shares dividend	11	-	-	-	-	(1,035,000)	(1,035,000)	(1,035,000)
Transfer to retained profits		-	-	-	(132,000)	132,000	-	-
At 31 December 2014 and 1 January 2015		185,700,000	7,000,000	-	9,101,204	179,620,813	195,722,017	381,422,017
Profit for the year		-	-	-	-	28,355,635	28,355,635	28,355,635
Other comprehensive income for the year:								
Changes in fair values of available-for-sale investments net of tax	14	-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	28,355,635	28,355,635	28,355,635
2015 preference shares dividend	11	-	-	-	-	(1,035,000)	(1,035,000)	(1,035,000)
At 31 December 2015		185,700,000	7,000,000	-	9,101,204	206,941,448	223,042,652	408,742,652

ALLIED BANKING CORPORATION (HONG KONG) LIMITED
新聯銀行(香港)有限公司
CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK$	2014 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		32,921,900	23,150,332
Adjustments for:			
Recovery from losses on advances and other accounts	15	(381,285)	(365,998)
Depreciation	8	1,093,563	1,098,466
Exchange gain		-	(5,131)
Amortisation of discount on available-for-sale investments		-	(20,693)
Loss on disposal of property and equipment	8	12	1
Change in fair value of an investment property	16	(5,000,000)	(2,000,000)
		28,634,190	21,856,977
Decrease in placements with banks and other financial institutions with maturity more than three months when acquired		26,203,993	31,262,457
Increase in advances and other accounts		(21,389,975)	(120,034,624)
(Increase)/decrease in derivative financial instruments		(6,436)	14,387
Decrease in deposits and balances of banks and other financial institutions		(6,636,341)	(20,932,596)
Increase in deposits from customers		8,037,687	73,266,360
Decrease in other accounts and payables		(860,379)	(1,746,883)
		33,982,739	(16,313,922)
Hong Kong profits tax paid		(980,277)	-
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		33,002,462	(16,313,922)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property and equipment	17	(105,200)	(138,840)
Maturity of available-for-sale investments		-	23,267,280
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		(105,200)	23,128,440
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to preference shareholders	11	(1,035,000)	(1,035,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(1,035,000)	(1,035,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		31,862,262	5,779,518
Cash and cash equivalents at beginning of year		384,000,893	378,221,375
CASH AND CASH EQUIVALENTS AT END OF YEAR		415,863,155	384,000,893

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

	Notes	2015 HK$	2014 HK$
Cash and cash equivalents as stated in the consolidated statement of financial position	12	353,499,027	274,629,775
Placements with banks and other financial institutions repayable within three months when acquired		62,364,128	109,371,118
Cash and cash equivalents as stated in the consolidated statement of cash flows		415,863,155	384,000,893

1. CORPORATE NFORMATION

The Company is a private limited company incorporated in Hong Kong and is licensed as a restricted license bank under the Hong Kong Banking Ordinance. The address of the registered office and the principal place of business is 1402 World-Wide House, 19 Des Voeux Road Central, Hong Kong.

The Company engaged in commercial banking business during the year. In the opinion of the directors, the holding company and the ultimate holding company of the Company is Philippine National Bank (PNB) (formerly Allied Banking Corporation prior to its merger with PNB in February 2013), which is incorporated in the Republic of the Philippines.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which include all HKFRSs, 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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment property and derivative financial instruments, which have been measured at fair values. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest dollar except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiary are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intragroup transactions and dividends are eliminated on consolidation in full.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 19	*Defined Benefits Plan: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle	*Amendments to a number of HKFRSs*
Annual Improvements to HKFRSs 2011-2013 Cycle	*Amendments to a number of HKFRSs*

The adoption of the above revised standards and interpretation has no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10, and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKAS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27 (2011) Cycle	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date yet determined but is available for adoption

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project and to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial asset but no impact on the classification and measurement of the Group's financial liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments to HKFRS 10 also clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Consequential amendments were made to HKFRS 12 to require an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with HKFRS 9 to present the disclosures in respect of investment entities in accordance with HKFRS 12. HKAS 28 (2011) was also amended to allow an investor that is not itself an investment entity, and has an interest in an investment entity associate or joint venture, to retain the fair value measurement applied by the investment entity associate or joint venture to the interest in its subsidiaries. The amendments are not expected to have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
(i) the materiality requirements in HKAS 1;
(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

The HKAS 27 (2011) Amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying HKFRSs and electing to change to the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements are required to apply the change retrospectively. The amendments will not be applicable to the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Annual Improvements 2012-2014 Cycle
The Annual Improvements to HKFRSs 2012-2014 Cycle issued in October 2014 sets out amendments to a number of HKFRSs and shall be applied for a financial period beginning on or after 1 January 2016. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

In addition, the requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition - interest income and expenses
Interest income and expenses are recognised on a time-proportion basis using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes significant fees and transaction costs that are an integral part of the effective interest rate, and premiums or discounts.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognised using the original rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Revenue recognition - fee and commission income
Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment charge are recognised on a straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are provided.

Revenue recognition - rental income
Rental income arising on leased property is accounted for on a time-proportion basis over the lease terms on ongoing lease and is recorded in the consolidated income statement under 'Other income'.

Expense recognition
Expenses are recognised when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognised simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the period in which it arises.

Related parties
A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person
  (i) has control or joint control over the Group;
  (ii) has significant influence over the Group; or
  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:
  (i) the entity and the Group are members of the same group;
  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  (iii) the entity and the Group are joint ventures of the same third party;
  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  (vi) the entity is controlled or jointly controlled by a person identified in (a);
  (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is charged to the consolidated income statement in the period in which it is incurred.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over their estimated useful lives. The principal annual rates used for this purpose are as follows:

Buildings	2.2% - 4%
Furniture and fixtures	20%
Office equipment	20% - 33%
Motor vehicles	25%
Leasehold land under finance lease	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 20%

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the consolidated income statement in the year of the retirement and disposal and is recognised.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases *(continued)*
Group as a lessor
Leases where the Bank does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as income in the period in which they are earned.

Investment property
Investment property is interests in land and building held to earn rental income and/or for capital appreciation. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of an investment property are included in the consolidated income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of the retirement or disposal.

Investments and other financial assets
Initial recognition and measurement
Financial assets are classified, at inception, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses and losses in the consolidated income statement. These net fair value changes do not include any interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included in the consolidated income statement. The loss arising from impairment is recognised in the consolidated income statement in other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to the consolidated income statement in other gains or losses. Interest earned whilst holding available-for-sale financial investments are reported as interest income, respectively, and are recognised in the consolidated income statement as other income in accordance with the policies set out for "Revenue recognition" above.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, and the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cashflows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognised in the consolidated income statement.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets *(continued)*

Available-for-sale financial investments (continued)

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated income statement. Impairment losses on debt instruments are reversed through the consolidated income statement if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include deposits and balances of banks and other financial institutions, deposits from customers, derivative financial instruments and other accounts and payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains or losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities *(continued)*

Loans and borrowings (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included in the consolidated income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle, on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement *(continued)*
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated income statement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and in banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions
A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Fiduciary assets

The assets of the staff provident funds and assets held in trust in a fiduciary capacity are not assets of the Group, and accordingly are not reported in the financial statements.

Repossessed assets

Repossessed collateral assets are accounted as "Assets held for sale" and reported in "Other assets" and the relevant loans are derecognised. The repossessed collateral assets are measured at lower of carrying amount and fair value less costs to sell.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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

Impairment allowances on loans and advances
The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Fair value of investment property
Investment property is carried in the statements of financial position at their fair value. The fair value was based on a valuation on the property conducted by an independent firm of professional valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment property.

Recognition of deferred tax assets
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 18 to the financial statements.

5. FINANCIAL RISK MANAGEMENT

The Board of Directors has the overall responsibility for the management of all types of risk exposures. In the delivery of its responsibility, the Board has established specialised committees to identify, measure, monitor and control different types of risks. The Board or the appropriate specialised committees review and approve policies and procedures for the identification, measurement, control and monitoring of both financial and non-financial risks. Such policies and procedures are reviewed by the relevant committees or senior management on a regular basis.

The most important types of risk are credit risk, market risk and liquidity risk. Market risk includes currency risk and interest rate risk.

The Group's total operating income, profit before taxation, total assets, total liabilities and contingent liabilities and commitments are derived predominantly from Hong Kong.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. Impairment allowances are made for losses that have been incurred at the end of the reporting period. Significant changes in the economy, or in the health of a particular industry segment, could result in losses that are different from those provided for at the end of the reporting period. Management therefore carefully manages its exposure to credit risk.

5.1.1 Management of credit risk

The Group's lending policies have been formulated based on its own experience, the Banking Ordinance, the Hong Kong Monetary Authority guidelines and other statutory requirements.

The Group's primary credit approval bodies are the Credit Risk Management Committee and the Executive Committee. The Credit Risk Management Committee is responsible for evaluating and monitoring lending-related activities, reviewing existing credit limits and industry limits and managing the lending portfolio and overall credit risk of the Group. It comprises two non-executive directors, the Chief Executive, two Alternate Chief Executives, who are also Head of Treasury and Head of Operation, and the Senior Managers of Credit. The Executive Committee is responsible for reviewing and confirming all credit approvals. The members of the Executive Committee include the directors of the Board of the parent bank and other directors.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are typically monitored on a revolving basis and are subject to periodic reviews. Limits on the level of credit risk by product, industry sector and by country are approved annually by the Board.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular reviews of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.2 Risk mitigation policies

Some specific control and mitigation measures are outlined below.

Collateral
The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

In addition, in order to minimise credit losses, the Group will seek additional collaterals from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

Derivatives
The Group does not carry interest and foreign exchange rate positions on its trading book. The derivatives are used to manage the Group's own exposures to market risks as part of its asset and liability management process. The principal derivatives instruments used by the Group are interest and foreign exchange rate related contracts, which are over-the-counter derivatives. Most of the Group's foreign exchange rate and interest rate contracts have been entered into to meet customer demand and manage the Group's own risk.

The Group maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), in terms of amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e., assets where their fair values are positive), which is generally only a small fraction of the nominal value of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.2 Risk mitigation policies (continued)

Credit-related commitments
The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit - which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties - carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisation to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the amount of loss is likely to be less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

5.1.3 Impairment and provisioning policies

Impairment allowances are recognised for losses that have been incurred at the end of the reporting period based on objective evidence of impairment.

The impairment allowances shown in the consolidated statement of financial position at year end is derived from the 5-grade loan classification adopted by the Hong Kong Monetary Authority. The table below shows the percentage of the Group's loans and advances and the associated impairment allowances for each of the rating categories:

	2015		2014	
	Loans and advances (%)	Impairment allowances (%)	Loans and advances (%)	Impairment allowances (%)
1. Pass	100	98	98	82
2. Special Mention	-	-	2	16
3. Substandard	-	2	-	2
4. Doubtful	-	-	-	-
5. Loss	-	-	-	-
	100	100	100	100

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.3 Impairment and provisioning policies (continued)

The rating tool assists management to determine whether objective evidence of impairment exists under HKAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The Group's policy requires review to be performed on individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the end of the reporting period on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

5.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to on-balance sheet assets are as follows:

	2015 HK$	2014 HK$
ASSETS		
Cash and cash equivalents	353,499,027	274,629,775
Placements with banks and other financial institutions maturing between one and twelve months	183,673,879	256,884,862
Derivative financial instruments	33,948	108,114
Available-for-sale investments	-	-
Advances and other accounts	1,059,581,962	1,037,810,703
	1,596,788,816	1,569,433,454

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

Credit risk exposures relating to off-balance sheet items are as follows:

	2015 HK$	2014 HK$
Guaranteed, acceptance and other financial liabilities	490,119	749,103
Loan commitments	42,214,787	50,797,751
	42,704,906	51,546,854

5.1.5 Credit quality

Credit quality of loans and advances to customers are summarised as follows:

	2015 HK$	2014 HK$
Neither past due nor impaired	1,055,657,201	1,012,799,710
Past due but not impaired	1,636,908	22,781,390
Impaired	182,176	206,176
Gross loans and advances to customers	1,057,476,285	1,035,787,276
Less: impairment allowance	(1,928,312)	(1,936,630)
	1,055,547,973	1,033,850,646

Advances neither past due nor impaired

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group and are summarised as follows:

At 31 December 2015

	Individual (retail customers)			Corporate entities		Total
	Overdrafts HK$	Term loans HK$	Mortgages HK$	Large corporate customers HK$	SMEs HK$	loans and advances to customers HK$
GRADES:						
1. Pass	21,172,082	30,998,230	223,223,694	-	780,263,195	1,055,657,201
2. Special mention	-	-	-	-	-	-
Total	21,172,082	30,998,230	223,223,694	-	780,263,195	1,055,657,201

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.5 Credit quality (continued)

At 31 December 2014

	Individual (retail customers)			Corporate entities		Total
	Overdrafts	Term loans	Mortgages	Large corporate customers	SMEs	Total loans and advances to customers
	HK$	HK$	HK$	HK$	HK$	HK$
GRADES:						
1. Pass	17,439,530	26,800,000	239,934,722	-	728,625,458	1,012,799,710
2. Special mention	-	-	-	-	-	-
Total	17,439,530	26,800,000	239,934,722	-	728,625,458	1,012,799,710

Advances past due but not impaired

The distribution of loans and advances to customers that were past due but not impaired are summarised as follows:

At 31 December 2015

	Individual (retail customers)			Corporate entities		Total
	Overdrafts	Term loans	Mortgages	Large corporate customers	SMEs	Total loans and advances to customers
	HK$	HK$	HK$	HK$	HK$	HK$
Past due up to 30 days	3,411	-	27,184	-	836,466	867,061
31-60 days	-	-	-	-	24,455	24,455
61-90 days	-	-	-	-	-	-
Over 90 days	-	-	745,392	-	-	745,392
Total	3,411	-	772,576	-	860,921	1,636,908

At 31 December 2014

	Individual (retail customers)			Corporate entities		Total
	Overdrafts	Term loans	Mortgages	Large corporate customers	SMEs	Total loans and advances to customers
	HK$	HK$	HK$	HK$	HK$	HK$
Past due up to 30 days	-	-	22,870	-	69,923	92,793
31-60 days	-	-	-	-	10,768,315	10,768,315
61-90 days	-	-	-	-	6,097,426	6,097,426
Over 90 days	-	-	732,042	-	5,090,814	5,822,856
Total	-	-	754,912	-	22,026,478	22,781,390

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.5 Credit quality (continued)

Advances individually impaired

Advances to customers
The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

At 31 December 2015

	Individual (retail customers)			Corporate entities		Total
	Overdrafts	Term loans	Mortgages	Large corporate customers	SMEs	loans and advances to customers
	HK$	HK$	HK$	HK$	HK$	HK$
Individually impaired loans	-	-	182,022	-	154	182,176
Fair value of collateral	-	-	-	-	-	-

At 31 December 2014

	Individual (retail customers)			Corporate entities		Total
	Overdrafts	Term loans	Mortgages	Large corporate customers	SMEs	loans and advances to customers
	HK$	HK$	HK$	HK$	HK$	HK$
Individually impaired loans	-	-	206,022	-	154	206,176
Fair value of collateral	-	-	-	-	-	-

During the year, there is no asset obtained by the Group for taking possession of collateral held as security.

Loans and advances to banks
There are no individually impaired loans and advances to banks as at 31 December 2015 and 2014.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.5 Credit quality (continued)

Advances individually impaired (continued)

Loans and advances renegotiated
Restructuring activities include extended payment arrangements, approved external management plans, and modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to normal status and managed together with accounts of similar status. Restructuring policies and practices are based on indicators or criteria which, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans.

They are retained in classified loans for as long as we do not have sufficiently good reasons to believe that the obligor will be able to sustainably meet the re-scheduled loan repayment terms.

There are no renegotiated loans that would otherwise be past due or impaired as at 31 December 2015 and 2014.

Debt securities

Financial investments by rating agency designation
The following table presents an analysis of financial securities, other than loans and advances, at the end of the reporting period based on Standard and Poor's ratings or their equivalents to the respective issues of the financial securities.

	2015 HK$	2014 HK$
AA- to AA+	-	-
A- to A+	-	-
Lower than A-	-	-
Total	-	-

5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Market risk

The Group is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Market risk is managed by the Asset and Liability Management Committee ("ALCO"). ALCO directs the Group's overall acquisition, allocation and pricing of funds, within the established target/guidelines, while managing and monitoring the overall treasury risk exposure. It comprises two non-executive directors, the Chief Executive, two Alternate Chief Executives, who are also the Head of Treasury and Head of Operation, the Senior Managers of Credit and the Head of Marketing, the Compliance Officer and the FX Manager.

5.2.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within the approved policy parameters by utilising forward foreign exchange contracts.

The Group does not have any significant foreign exchange risk as foreign exchange dealing is moderate. Day-to-day foreign exchange management is performed by the Treasury Management Department within the approved limits.

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. ALCO sets both overnight and intra-day positions limits and monitors the level of exposure by currencies and in total on a daily basis.

5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Market risk (continued)

5.2.1 Currency risk (continued)

The following table, presented in Hong Kong dollars, indicates the concentration of currency risk at the end of the reporting period.

At 31 December 2015	US$	HK$	Euro	GBP	Other	Total
ASSETS						
Cash and cash equivalents	324,098,669	15,518,857	217,365	216,227	13,447,909	353,499,027
Placements with banks and other financial institutions between one and twelve months	144,368,154	6,195,885	-	11,138,535	21,971,305	183,673,879
Derivative financial instruments	16,974	6,946	10,028	-	-	33,948
Advances and other accounts	29,756,693	1,029,098,343	623,019	2,841	101,066	1,059,581,962
Investment property	-	55,000,000	-	-	-	55,000,000
Property and equipment	-	30,661,588	-	-	-	30,661,588
Deferred tax assets	-	-	-	-	-	-
Total assets	498,240,490	1,136,481,619	850,412	11,357,603	35,520,280	1,682,450,404
LIABILITIES						
Deposits and balances of banks and other financial institutions	3,773,562	28,882,101	-	-	2,640	32,658,303
Deposits from customers	869,209,735	306,397,126	6,435,020	11,501,039	34,834,489	1,228,377,409
Derivative financial instruments	15,129	15,129	-	-	-	30,258
Other accounts and payable	712,216	9,572,410	-	2,659	161,471	10,448,756
Current tax liabilities	-	1,502,413	-	-	-	1,502,413
Deferred tax liabilities	-	690,613	-	-	-	690,613
Total liabilities	873,710,642	347,059,792	6,435,020	11,503,698	34,998,600	1,273,707,752
Net on-balance sheet position	(375,470,152)	789,421,827	(5,584,608)	(146,095)	521,680	408,742,652

At 31 December 2014	US$	HK$	Euro	GBP	Other	Total
ASSETS						
Cash and cash equivalents	256,639,417	9,449,378	217,110	227,334	8,096,536	274,629,775
Placements with banks and other financial institutions between one and twelve months	207,429,133	6,154,252	-	11,651,402	31,650,075	256,884,862
Derivative financial instruments	-	108,114	-	-	-	108,114
Advances and other accounts	41,431,957	996,207,658	-	6,435	164,653	1,037,810,703
Investment property	-	50,000,000	-	-	-	50,000,000
Property and equipment	-	31,649,962	-	-	-	31,649,962
Deferred tax assets	-	1,392,962	-	-	-	1,392,962
Total assets	505,500,507	1,094,962,326	217,110	11,885,171	39,911,264	1,652,476,378
LIABILITIES						
Deposits and balances of banks and other financial institutions	7,742,394	31,549,094	-	-	3,156	39,294,644
Deposits from customers	851,318,032	310,621,230	7,030,329	12,060,295	39,309,836	1,220,339,722
Derivative financial instruments	-	110,860	-	-	-	110,860
Other accounts and payables	706,286	10,483,671	6	1,796	117,376	11,309,135
Current tax liabilities	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Total liabilities	859,766,712	352,764,855	7,030,335	12,062,091	39,430,368	1,271,054,361
Net on-balance sheet position	(354,266,205)	742,197,471	(6,813,225)	(176,920)	480,896	381,422,017

5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Market risk (continued)

5.2.1 Currency risk (continued)

Foreign currency sensitivity

The Group and the Company are mainly exposed to US dollars. The following shows the sensitivity analysis on the Group's profit before tax of reasonably possible movement in US dollars exchange rates (i.e., 1 percent depreciation/appreciation of US dollar against HK dollar).

	2015		2014	
	Change in percent		Change in percent	
	+1	-1	+1	-1
	HK$	HK$	HK$	HK$
Profit before tax	3,754,702	(3,754,702)	3,542,662	(3,542,662)

5.2.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly.

5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Market risk (continued)

5.2.2 Interest rate risk (continued)

	Effective interest rate	Up to 1 month HK$	1 - 3 months HK$	4 - 12 months HK$	1 - 5 years HK$	Over 5 years HK$	Non-interest bearing HK$	Total HK$
At 31 December 2015								
ASSETS								
Cash and cash equivalents	0.32%	323,087,750	-	-	-	-	30,411,277	353,499,027
Placements with banks and other financial institutions between one and twelve months	0.48%	-	119,631,449	64,042,430	-	-	-	183,673,879
Derivative financial instruments	0.00%	-	-	-	-	-	33,948	33,948
Advances and other accounts	4.70%	1,052,418,859	1,702,681	-	-	-	5,460,422	1,059,581,962
Investment property	0.00%	-	-	-	-	-	55,000,000	55,000,000
Property and equipment	0.00%	-	-	-	-	-	30,661,588	30,661,588
Deferred tax assets	0.00%	-	-	-	-	-	-	-
Total assets		1,375,506,609	121,334,130	64,042,430	-	-	121,567,235	1,682,450,404
LIABILITIES								
Deposits and balances of banks and other financial institutions	4.55%	32,658,303	-	-	-	-	-	32,658,303
Deposits from customers	0.30%	598,063,439	415,634,602	214,679,368	-	-	-	1,228,377,409
Derivative financial instruments	0.00%	-	-	-	-	-	30,258	30,258
Other accounts and payables	0.00%	-	-	-	-	-	10,448,756	10,448,756
Current tax liabilities	0.00%	-	-	-	-	-	1,502,413	1,502,413
Deferred tax liabilities	0.00%	-	-	-	-	-	690,613	690,613
Total liabilities		630,721,742	415,634,602	214,679,368	-	-	12,672,040	1,273,707,752
Total interest sensitivity gap		744,784,867	(294,300,472)	(150,636,938)	-	-	108,895,195	408,742,652

5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Market risk (continued)

5.2.2 Interest rate risk (continued)

	Effective interest rate	Up to 1 month HK$	1 - 3 months HK$	4 - 12 months HK$	1 - 5 years HK$	Over 5 years HK$	Non-interest bearing HK$	Total HK$
At 31 December 2014								
ASSETS								
Cash and cash equivalents	0.21%	240,468,982	-	-	-	-	34,160,793	274,629,775
Placements with banks and other financial institutions between one and twelve months	0.52%	-	219,916,947	36,967,915	-	-	-	256,884,862
Derivative financial instruments	0.00%	-	-	-	-	-	108,114	108,114
Advances and other accounts	4.63%	1,031,135,499	1,897,995	-	-	-	4,777,209	1,037,810,703
Investment property	0.00%	-	-	-	-	-	50,000,000	50,000,000
Property and equipment	0.00%	-	-	-	-	-	31,649,962	31,649,962
Deferred tax assets	0.00%	-	-	-	-	-	1,392,962	1,392,962
Total assets		1,271,604,481	221,814,942	36,967,915	-	-	122,089,040	1,652,476,378
LIABILITIES								
Deposits and balances of banks and other financial institutions	4.10%	39,294,644	-	-	-	-	-	39,294,644
Deposits from customers	0.39%	560,230,002	448,388,612	211,721,108	-	-	-	1,220,339,722
Derivative financial instruments	0.00%	-	-	-	-	-	110,860	110,860
Other accounts and payables	0.00%	-	-	-	-	-	11,309,135	11,309,135
Current tax liabilities	0.00%	-	-	-	-	-	-	-
Deferred tax liabilities	0.00%	-	-	-	-	-	-	-
Total liabilities		599,524,646	448,388,612	211,721,108	-	-	11,419,995	1,271,054,361
Total interest sensitivity gap		672,079,835	(226,573,670)	(174,753,193)	-	-	110,669,045	381,422,017

5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Market risk (continued)

5.2.2 Interest rate risk (continued)

Interest rate sensitivity

The sensitivity analyses below are determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point change is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

	2015		2014	
	Change in basis points		Change in basis points	
	+100	-100	+100	-100
	HK$	HK$	HK$	HK$
Profit before tax	2,998,475	(2,998,475)	2,707,530	(2,707,530)

5.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

5.3.1 Management of liquidity risk

ALCO is responsible for monitoring the Group's liquidity position through periodic review of statutory liquidity ratio, maturity profile of assets and liabilities, loan-to-deposit ratio and inter-bank transactions. Liquidity policy is monitored by ALCO and reviewed regularly by the Board of Directors of the Company. The Group's policy is to maintain a conservative level of liquid funds on a daily basis so that the Group is prepared to meet its obligations when they fall due in the normal course of business, to satisfy statutory liquidity ratio requirements, and to deal with any funding crises that may arise. Limits are set on the minimum proportion of maturing funds to be maintained in order to meet all the calls on cash resources such as overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees, margin calls and other calls on cash-settled derivatives. Limits are also set on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at an unexpected level of demand.

5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Liquidity risk (continued)

5.3.1 Management of liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative financial instruments. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities.

	Less than 1 month HK$	1 - 3 months HK$	3 - 12 months HK$	1 - 5 years HK$	Over 5 years HK$	Undated HK$	Total HK$
At 31 December 2015							
Liabilities							
Deposits and balances of banks and other financial institutions	32,791,130	-	-	-	-	-	32,791,130
Deposits from customers	598,464,590	416,075,930	215,120,754	-	-	-	1,229,661,274
Other accounts and payables	2,065,726	476,405	1,903,661	643,190	-	5,359,774	10,448,756
	633,321,446	416,552,335	217,024,415	643,190	-	5,359,774	1,272,901,160
Derivative cash flow							
Derivative financial instruments settled on net basis	35,178	3,501	-	-	-	-	38,679
Total outflow	(240,242,909)	(15,497,939)	-	-	-	-	(255,740,848)
Total inflow	240,278,087	15,501,440	-	-	-	-	255,779,527
Derivative financial instruments settled on gross basis							
Total outflow	(54,256,540)	(38,743,000)	(100,713,200)	-	-	-	(193,712,740)
Total inflow	54,255,200	38,753,600	100,759,360	-	-	-	193,768,160

	Less than 1 month HK$	1 - 3 months HK$	3 - 12 months HK$	1 - 5 years HK$	Over 5 years HK$	Undated HK$	Total HK$
At 31 December 2014							
Liabilities							
Deposits and balances of banks and other financial institutions	39,320,742	-	-	-	-	-	39,320,742
Deposits from customers	560,616,801	449,000,110	212,250,365	-	-	-	1,221,867,276
Other accounts and payables	1,521,581	480,656	1,890,409			7,416,489	11,309,135
	601,459,124	449,480,766	214,140,774	-	-	7,416,489	1,272,497,153
Derivative cash flow							
Derivative financial instruments settled on net basis	(22,427)	(1,870)	-	-	-	-	(24,297)
Total outflow	(245,590,562)	(7,757,630)	-	-	-	-	(253,348,192)
Total inflow	245,568,135	7,755,760	-	-	-	-	253,323,895
Derivative financial instruments settled on gross basis							
Total outflow	(15,510,600)	(20,157,800)	(73,707,150)	-	-	-	(109,375,550)
Total inflow	15,511,520	20,164,976	73,679,720	-	-	-	109,356,216

5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Liquidity risk (continued)

5.3.2 Off-balance sheet items

The tables below summarised the Group's off-balance sheet financial instruments by maturity based on the remaining period at the end of the reporting period to the contractual maturity date.

	Less than 1 year HK$	1-5 years HK$	Over 5 years HK$	Total HK$
At 31 December 2015				
Loan commitments	42,214,787	-	-	42,214,787
Guarantee, acceptances and other financial facilities	490,119	-	-	490,119
Total	42,704,906	-	-	42,704,906

	Less than 1 year HK$	1-5 years HK$	Over 5 years HK$	Total HK$
At 31 December 2014				
Loan commitments	50,797,751	-	-	50,797,751
Guarantee, acceptances and other financial facilities	749,103	-	-	749,103
Total	51,546,854	-	-	51,546,854

5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Liquidity risk (continued)

5.3.3 Analysis of assets and liabilities by remaining maturity

The maturity analysis based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the guideline issued by the Hong Kong Monetary Authority is shown below.

31 December 2015	On Demand HK$	Up to 1 month HK$	1 - 3 months HK$	4 - 12 months HK$	1 - 5 years HK$	Over 5 years HK$	Indefinite Period HK$	Total HK$
ASSETS								
Cash and cash equivalents	30,411,277	323,087,750	-	-	-	-	-	353,499,027
Placements with banks and other financial institutions between one and twelve months	-	-	119,631,449	64,042,430	-	-	-	183,673,879
Derivative financial instruments	-	28,678	260	5,010	-	-	-	33,948
Advance and other accounts	-	290,171,999	126,667,212	74,616,326	260,439,618	303,706,785	3,980,022	1,059,581,962
Investment property	-	-	-	-	-	-	55,000,000	55,000,000
Property and equipment	-	-	-	-	-	-	30,661,588	30,661,588
Deferred tax assets	-	-	-	-	-	-	-	-
Total assets	30,411,277	613,288,427	246,298,921	138,663,766	260,439,618	303,706,785	89,641,610	1,682,450,404
LIABILITIES								
Deposits and balances of banks and other financial institutions	-	32,658,303	-	-	-	-	-	32,658,303
Deposits from customers	-	598,063,439	415,634,602	214,679,368	-	-	-	1,228,377,409
Derivative financial instruments	-	17,858	11,400	1,000	-	-	-	30,258
Other accounts and payables	-	2,065,726	476,405	1,903,661	643,190	-	5,359,774	10,448,756
Current tax liabilities	-	326,760	-	1,175,653	-	-	-	1,502,413
Deferred tax liabilities	-	-	-	-	-	-	690,613	690,613
Total liabilities	-	633,132,086	416,122,407	217,759,682	643,190	-	6,050,387	1,273,707,752
Total liquidity gap	30,411,277	(19,843,659)	(169,823,486)	(79,095,916)	259,796,428	303,706,785	83,591,223	408,742,652

5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Liquidity risk (continued)

5.3.3 Analysis of assets and liabilities by remaining maturity (continued)

31 December 2014	On Demand HK$	Up to 1 month HK$	1 - 3 months HK$	4 - 12 months HK$	1 - 5 years HK$	Over 5 years HK$	Indefinite Period HK$	Total HK$
ASSETS								
Cash and cash equivalents	34,160,793	240,468,982	-	-	-	-	-	274,629,775
Placements with banks and other financial institutions between one and twelve months	-	-	219,916,947	36,967,915	-	-	-	256,884,862
Derivative financial instruments	-	96,118	11,076	920	-	-	-	108,114
Advance and other accounts	-	228,653,690	75,128,934	93,887,243	281,479,507	355,583,403	3,077,926	1,037,810,703
Investment property	-	-	-	-	-	-	50,000,000	50,000,000
Property and equipment	-	-	-	-	-	-	31,649,962	31,649,962
Deferred tax assets	-	-	-	-	-	-	1,392,962	1,392,962
Total assets	34,160,793	469,218,790	295,056,957	130,856,078	281,479,507	355,583,403	86,120,850	1,652,476,378
LIABILITIES								
Deposits and balances of banks and other financial institutions	-	39,294,644	-	-	-	-	-	39,294,644
Deposits from customers	-	560,230,002	448,388,612	211,721,108	-	-	-	1,220,339,722
Derivative financial instruments	-	93,005	1,255	16,600	-	-	-	110,860
Other accounts and payables	-	1,521,581	480,656	1,890,409	-	-	7,416,489	11,309,135
Current tax liabilities	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-
Total liabilities	-	601,139,232	448,870,523	213,628,117	-	-	7,416,489	1,271,054,361
Total liquidity gap	34,160,793	(131,920,442)	(153,813,566)	(82,772,039)	281,479,507	355,583,403	78,704,361	381,422,017

5. FINANCIAL RISK MANAGEMENT (continued)

5.4 Capital management

The Group has adopted a policy of maintaining a strong capital base to:

- comply with the capital requirements under the Banking (Capital) Rules of the Banking Ordinance; and

- support the Group's stability and business growth so as to provide reasonable returns for members.

Capital adequacy ratio, computed as a ratio of total regulatory capital to the risk-weighted asset, of the Group was maintained at a level above the required minimum ratio.

Capital adequacy position and the use of regulatory capital are monitored closely by the Group's management, employing techniques based on the Banking (Capital) Rules. The required information is filed with the Hong Kong Monetary Authority on a quarterly basis in the form of a statistical return. The disclosure of capital adequacy and capital base are shown in Note 10 of Supplementary Financial Information.

The Group has an established capital planning process to assess the adequacy of its capital to support current and future activities. The process states the Group's capital adequacy goals in relation to risk, taking into account its strategic focus and business plan.

6. FAIR VALUE MEASUREMENT

6.1 Fair values of assets and liabilities measured at fair value

Assets measured at fair value as at 31 December 2015

	Fair value measurement using			
	Quoted prices in active market (Level 1) HK$	Significant observable inputs (Level 2) HK$	Significant unobservable inputs (Level 3) HK$	Total HK$
Recurring fair value measurements				
Financial assets				
Derivative financial instruments	-	33,948	-	33,948
	-	33,948	-	33,948
Non-financial assets				
Investment property	-	-	55,000,000	55,000,000
	-	-	55,000,000	55,000,000
Total	-	33,948	55,000,000	55,033,948

6. FAIR VALUE MEASUREMENT (continued)

6.1 Fair values of assets and liabilities measured at fair value (continued)

Liabilities measured at fair value as at 31 December 2015

	Fair value measurement using			
	Quoted prices in active market (Level 1) HK$	Significant observable inputs (Level 2) HK$	Significant unobservable inputs (Level 3) HK$	Total HK$
Recurring fair value measurement				
Financial liabilities				
Derivative financial instruments	-	30,258	-	30,258

Assets measured at fair value as at 31 December 2014

	Fair value measurement using			
	Quoted prices in active market (Level 1) HK$	Significant observable inputs (Level 2) HK$	Significant unobservable inputs (Level 3) HK$	Total HK$
Recurring fair value measurements				
Financial assets				
Derivative financial instruments	-	108,114	-	108,114
	-	108,114	-	108,114
Non-financial assets				
Investment property	-	-	50,000,000	50,000,000
	-	-	50,000,000	50,000,000
Total	-	108,114	50,000,000	50,108,114

6. FAIR VALUE MEASUREMENT (continued)

6.1 Fair values of assets and liabilities measured at fair value (continued)

Liabilities measured at fair value as at 31 December 2014

	Fair value measurement using			
	Quoted prices in active market (Level 1) HK$	Significant observable inputs (Level 2) HK$	Significant unobservable inputs (Level 3) HK$	Total HK$
Recurring fair value measurement				
Financial liabilities				
Derivative financial instruments	-	110,860	-	110,860

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2014: Nil) and no transfers into or out of Level 3 (2014: Nil).

6.2 Information about Level 3 fair value measurements

The fair value of the Group's investment property is determined by adoption of direct comparison approach by Century 21 Surveyors Limited, an independent professional qualified valuer. Valuations were derived on the basis of assuming sale of the property in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. In the course of valuation, reference has been made to comparable market transactions of properties in the same development as well as other similar developments and taking into account the general market trends and other economic factors which may reasonably affect the open market value of the investment property as at 31 December 2015 and 2014.

The table below summarises the valuation techniques used and the significant unobservable inputs valuation for the investment property held by the Group:

Description	Fair Value at 31 December 2015	Valuation Techniques	Unobservable Input
Investment Property (Note 16)			
Land & Buildings	HK$55,000,000 (31 December 2014: HK$50,000,000)	Direct comparison approach	Location: Commercial centre of Central, predominated by Class A high rise commercial building and skyscrapers Size: Gross floor area: 2,615 s.f.

6. FAIR VALUE MEASUREMENT (continued)

6.3 Fair values of financial instruments not measured at fair value

Management has assessed that the fair values of cash and cash equivalents, placements with banks and other financial institutions, financial assets included in advances and other accounts, deposits and balances of banks and other financial institutions, deposits from customers and financial liabilities included in other accounts and payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

7. OTHER OPERATING INCOME

	2015 HK$	(restated) 2014 HK$
Other income		
Handling fee	2,500,186	2,257,698
Commission income from foreign exchange	535,971	597,482
Commission income from trade finance	425,117	489,722
Commitment charge	820,895	532,825
Rental income	1,758,036	1,569,194
Service fee	936,110	1,014,531
Penalty fee	909,703	305,453
Others	972,697	606,286
	8,858,715	7,373,191
Gains		
Net gains arising from dealing in foreign currencies	7,664,894	4,876,627
Gain on change in fair value of investment property (Note 16)	5,000,000	2,000,000
	12,664,894	6,876,627
	21,523,609	14,249,818

Handling fee and service fee are related to income from services provided by the subsidiary. Others consist of sundry income, insurance referral fee and charges recovered from customers.

Certain comparative amounts of other income have been reclassified to conform with the current year's presentation.

8. OPERATING EXPENSES

	2015 HK$	2014 HK$
Employee benefit expense (including directors' remuneration):		
Staff cost	23,019,166	21,174,115
Retirement benefits costs	1,076,709	1,112,402
Depreciation (Note 17)	1,093,563	1,098,466
Auditors' remuneration	1,152,000	1,092,000
Premises and equipment expenses	799,012	751,911
Loss on disposal of property and equipment	12	1
Other operating expenses	4,542,100	4,581,789
	31,682,562	29,810,684

For the year ended 31 December 2015, the Group had forfeited contributions amounting to HK$69,781 (2014: HK$12,690) available to reduce its contribution to the pension scheme in future years.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to section 383(1)(a) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 HK$	2014 HK$
Fee	-	-
Other emoluments:		
Salaries and allowances	5,571,050	5,353,504
Pension scheme contributions	172,622	287,780
	5,743,672	5,641,284
	5,743,672	5,641,284

The key management personnel of the Group comprise directors of the Company.

10. INCOME TAX

	2015 HK$	2014 HK$
Hong Kong profits tax		
Current tax	2,482,690	-
Deferred tax (Note 18)	2,083,575	3,468,565
	4,566,265	3,468,565

Hong Kong profits tax has been provided in 2015 at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made in 2014 as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective rate is as follows:

	2015		2014	
	HK$	%	HK$	%
Profit before tax	32,921,900		23,150,332	
Tax at statutory rate of 16.5% (2014: 16.5%)	5,432,114	16.50	3,819,804	16.50
Income not subject to tax	(835,452)	(2.54)	(340,252)	(1.47)
Temporary difference not recognised	(197,743)	(0.60)	(119,583)	(0.52)
Expenses not deductible for tax	167,346	0.51	108,596	0.47
Tax charge at the Group's effective rate	4,566,265	13.87	3,468,565	14.98

11. PREFERENCE SHARES DIVIDEND

Dividend amounting to HK$1,035,000 (2014: HK$1,035,000) has been accrued for preference shares by the directors.

12. CASH AND CASH EQUIVALENTS

	2015 HK$	2014 HK$
Cash and bank balances	30,411,277	34,160,793
Money at call and short notice	323,087,750	240,468,982
Cash and cash equivalents	353,499,027	274,629,775

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 HK$	2014 HK$
Forward foreign currency contracts		
- Assets	33,948	108,114
- Liabilities	(30,258)	(110,860)

The Group entered into a variety of foreign currency forward contracts to manage its exchange rate exposures. At the end of the reporting period, all derivatives are stated at fair value determined based on valuation techniques.

The total notional amount of outstanding forward foreign currency contracts to which the Group and the Company are committed, at the end of the reporting period, are as follows:

	2015 HK$	2014 HK$
Forward foreign currency contracts	449,547,688	362,723,742

14. AVAILABLE-FOR-SALE INVESTMENTS

As of 31 December 2015 and 2014, the Group did not have any outstanding available-for-sale investments.

The movement in net unrealised gains/(losses) on available-for-sale investments is as follows:

	2015 HK$	2014 HK$
Balance at beginning of year	-	1,054
Changes in fair value of available-for-sale investments	-	(1,054)
Disposal, redemption or maturity of available-for-sale investments reclassified to profit or loss	-	-
Balance at end of year	-	-

15. ADVANCES AND OTHER ACCOUNTS

	2015 HK$	2014 HK$
Advances to customers	1,057,476,285	1,035,787,276
Impairment allowances		
- Individually assessed	(32,312)	(40,630)
- Collectively assessed	(1,896,000)	(1,896,000)
	1,055,547,973	1,033,850,646
Other accounts	4,033,989	3,960,057
	1,059,581,962	1,037,810,703

Other accounts include unquoted equity securities valued at cost amounting to HK$520,000 as of 31 December 2015 and 2014.

15. ADVANCES AND OTHER ACCOUNTS (continued)

Movement in impairment allowance on advances:

	Individual assessment HK$	Collective assessment HK$	Total assessment HK$
Balance at 1 January 2015	40,630	1,896,000	1,936,630
Impairment losses	1,032	-	1,032
Amounts written-back	(382,317)	-	(382,317)
Net write-back to the income statement	(381,285)	-	(381,285)
Amounts recovered	373,999	-	373,999
Amounts written off	(1,032)	-	(1,032)
	372,967	-	372,967
Balance at 31 December 2015	32,312	1,896,000	1,928,312

	Individual assessment HK$	Collective assessment HK$	Total assessment HK$
Balance at 1 January 2014	49,749	1,764,000	1,813,749
Impairment losses	799	132,000	132,799
Amounts written-back	(498,797)	-	(498,797)
Net write-back to the income statement	(497,998)	132,000	(365,998)
Amounts recovered	489,679	-	489,679
Amounts written off	(800)	-	(800)
	488,879	-	488,879
Balance at 31 December 2014	40,630	1,896,000	1,936,630

15. ADVANCES AND OTHER ACCOUNTS (continued)

Details of the impaired loans are as follows:

	2015 HK$	2014 HK$
Gross impaired loans	182,176	206,176
Less: Impairment allowances under individual assessment	(32,312)	(40,630)
Net impaired loans	149,864	165,546
Gross impaired loans as a percentage of gross advances to customers	0.02%	0.02%

16. INVESTMENT PROPERTY

	2015 HK$	2014 HK$
Carrying amount at 1 January	50,000,000	48,000,000
Net gain from fair value adjustment	5,000,000	2,000,000
Carrying amount at 31 December	55,000,000	50,000,000

The Group's investment property was revalued on 31 December 2015 by Century 21 Surveyors Limited, an independent professional qualified valuer, at HK$55,000,000.

The investment property is held for rental purpose.

The Group's investment property is situated in Hong Kong and held under the following lease terms:

	2015 HK$	2014 HK$
Medium term lease	55,000,000	50,000,000

17. PROPERTY AND EQUIPMENT

	Land and buildings HK$	Leasehold improvements HK$	Furniture and fixtures HK$	Office equipment HK$	Motor vehicles HK$	Total HK$
COST						
At 1 January 2014	45,145,394	1,209,576	1,039,361	2,213,005	332,122	49,939,458
Additions	-	-	-	138,840	-	138,840
Disposals	-	-	-	(7,000)	-	(7,000)
At 31 December 2014 and 1 January 2015	45,145,394	1,209,576	1,039,361	2,344,845	332,122	50,071,298
Additions	-	-	-	105,200	-	105,200
Disposals	-	-	-	(168,050)	-	(168,050)
At 31 December 2015	45,145,394	1,209,576	1,039,361	2,281,995	332,122	50,008,448
DEPRECIATION						
At 1 January 2014	12,822,086	1,209,567	1,039,324	1,926,770	332,122	17,329,869
Provided for the year	965,456	-	-	133,010	-	1,098,466
Eliminated on disposals	-	-	-	(6,999)	-	(6,999)
At 31 December 2014 and 1 January 2015	13,787,542	1,209,567	1,039,324	2,052,781	332,122	18,421,336
Provided for the year	965,456	-	-	128,107	-	1,093,563
Eliminated on disposals	-	-	-	(168,039)	-	(168,039)
At 31 December 2015	14,752,998	1,209,567	1,039,324	2,012,849	332,122	19,346,860
NET CARRYING AMOUNTS						
At 31 December 2015	30,392,396	9	37	269,146	-	30,661,588
At 31 December 2014	31,357,852	9	37	292,064	-	31,649,962

The Group's land is included in property and equipment with a net carrying amount of HK$26,968,488 (2014: HK$27,825,247).

The Group's premises are situated in Hong Kong and held under the following lease terms:

	2015 HK$	2014 HK$
Long term lease	30,392,396	31,357,852

18. DEFERRED TAXATION

The following are the deferred tax assets/(liabilities) recognised by the Group and the movement thereon during the current reporting periods.

	Accelerated tax depreciation HK$	Collective impairment allowance HK$	Tax losses HK$	Total HK$
At 1 January 2014	(1,003,201)	291,060	5,573,668	4,861,527
Deferred tax credited/(charged) to the income statements during the year (Note 10)	(80,252)	21,780	(3,410,093)	(3,468,565)
At 31 December 2014 and 1 January 2015	(1,083,453)	312,840	2,163,575	1,392,962
Deferred tax credited/(charged) to the income statements of during the year (Note 10)	80,000	-	(2,163,575)	(2,083,575)
At 31 December 2015	(1,003,453)	312,840	-	(690,613)

At 31 December 2015, the Group has no estimated unused tax losses (2014: HK$13,112,573) available for offset against future profits. In 2014, deferred tax asset has been recognised in respect of these unused tax losses.

19. INVESTMENT IN A SUBSIDIARY

	2015 HK$	2014 HK$
Unlisted shares, at cost	1,000,000	1,000,000

The wholly-owned subsidiary, ACR Nominees Limited, is a private limited company incorporated in Hong Kong. Its principal activities are to provide management and nominee services.

The total assets and total equity reported on the financial statements of the subsidiary are as follows:

	2015 HK$	2014 HK$
Total assets	11,983,970	9,370,603
Total equity	9,228,193	6,377,654

20. DEPOSITS FROM CUSTOMERS

	2015 HK$	2014 HK$
Time, call and notice deposits	1,226,629,084	1,218,590,278
Demand deposits and current accounts	1,748,325	1,749,444
	1,228,377,409	1,220,339,722

21. SHARE CAPITAL

	2015 HK$	2014 HK$
Issued and fully paid:		
18,920,925 (2014: 18,920,925) ordinary shares	165,000,000	165,000,000
2,070,000 (2014: 2,070,000) 5% non-cumulative and non-redeemable preference shares (Note)	20,700,000	20,700,000
	185,700,000	185,700,000

Note:

1. The 5% non-cumulative and non-redeemable preference shares ("Preference Shares") shall entitle the holders thereof upon winding-up to receive in priority to the holders of all other classes of shares repayment of the amount paid up or deemed to be paid up thereon but not to participate further in any surplus assets.

2. In addition, the Preference Shares shall entitle the holders to receive from the profits of the Company for each individual financial year as a first charge preference dividends at the rate 5% per annum on the amount of issued Preference Shares ("Capital"), but shall not entitle the holders to participate further in the profits of the Company.

   If the Company sustains a loss for a particular financial year, no preferential dividend will be paid for that year, or if the profit for that financial year is not sufficient to cover the full 5% preferential dividend, the profit will be paid as preferential dividend in proportion among the holders of the Capital for the time being paid up on such Preference Shares and the remaining portion of preference dividend will be treated as waived by the holders.

3. The Preference Shares shall not entitle the holders thereof to vote at any general meeting of shareholders.

22. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 HK$	2014 HK$
ASSETS		
Cash and cash equivalents	348,648,527	271,955,785
Placements with banks and other financial institutions maturing between one and twelve months	177,477,994	250,730,610
Derivative financial instruments	33,948	108,114
Available-for-sale investments	-	-
Advances and other accounts	1,058,644,377	1,037,268,343
Investment in a subsidiary	1,000,000	1,000,000
Investment property	55,000,000	50,000,000
Property and equipment	30,661,588	31,649,962
Deferred tax assets	-	1,392,962
Total assets	1,671,466,434	1,644,105,776
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits and balances of banks and other financial institutions	32,658,303	39,294,644
Deposits from customers	1,228,377,409	1,220,339,722
Derivative financial instruments	30,258	110,860
Other accounts and payables	8,222,669	8,316,186
Current tax liabilities	972,723	-
Deferred tax liabilities	690,613	-
Total liabilities	1,270,951,975	1,268,061,412
EQUITY		
Share capital	185,700,000	185,700,000
Reserves	214,814,459	190,344,364
Total equity	400,514,459	376,044,364
Total liabilities and equity	1,671,466,434	1,644,105,776

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22. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:
A summary of the Company's reserves is as follows:

	General reserve HK$	Investment revaluation reserve HK$	Collective impairment reserve HK$	Retained profits HK$	Total HK$
At 1 January 2014	7,000,000	1,054	9,233,204	155,533,637	171,767,895
Total comprehensive income for the year, net of tax	-	(1,054)	-	19,612,523	19,611,469
Proposed 2014 preference shares dividend (Note 11)	-	-	-	(1,035,000)	(1,035,000)
Transfer to retained profits	-	-	(132,000)	132,000	-
At 31 December 2014 and 1 January 2015	7,000,000	-	9,101,204	174,243,160	190,344,364
Total comprehensive income for the year, net of tax	-	-	-	25,505,095	25,505,095
Proposed 2015 preference shares dividend (Note 11)	-	-	-	(1,035,000)	(1,035,000)
Transfer to retained profits	-	-	-	-	-
At 31 December 2015	7,000,000	-	9,101,204	198,713,255	214,814,459

23. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2015 HK$	2014 HK$
Management fee income from subsidiary	-	3,120,000
Fellow subsidiaries:		
Interest expense to fellow subsidiaries	-	58,209

(b) Outstanding balances with related parties:

	2015 HK$	2014 HK$
Parent bank:		
Deposits and balances of banks and other financial institutions	1,055,994	3,683,407
Fellow subsidiaries and affiliates and key personnel:		
Cash and cash equivalents	216,227	227,334
Deposits and balances of banks and other financial institutions	912,590	1,505,492
Deposit from customers	344,296,644	303,927,246

23. RELATED PARTY TRANSACTIONS (continued)

The above outstanding balances bear interest at rates similar to those available to non-related parties.

The remuneration of directors during the year is disclosed in Note 9 to the financial statements.

24. LOANS TO OFFICERS

No loans were granted to officers by the Company during the year pursuant to section 383(1)(d) of Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation.

25. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

HKFRS 7 requires the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the tables below.

31 December 2015

Financial assets recognised at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position [a-b]	Effect of remaining rights of set-off (including rights to set-off financial collateral) that do not meet HKAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative financial assets	25,478	-	25,478	17,858	-	7,620
Derivative financial liabilities	17,858	-	17,858	17,858	-	-

31 December 2014

Financial assets recognised at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position [a-b]	Effect of remaining rights of set-off (including rights to set-off financial collateral) that do not meet HKAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative financial assets	93,597	-	93,597	93,597	-	-
Derivative financial liabilities	94,260	-	94,260	93,597	-	663

26. OFF-BALANCE SHEET EXPOSURES

(a) Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment:

	2015 HK$	2014 HK$
Trade-related contingencies	490,119	749,103
Other commitments:		
With an original maturity of under one year or which are unconditionally cancellable	42,214,787	50,797,751
	42,704,906	51,546,854
Aggregate credit risk weighted amount	98,024	149,821

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client defaults.

(b) Derivatives financial instruments

The replacement costs and credit risk weighted amounts of the derivatives financial instrument of the Group are as follows:

	2015		2014	
	Replacement cost HK$	Credit risk weighted amount HK$	Replacement cost HK$	Credit risk weighted amount HK$
Exchange rate contracts	34,494	531,830	91,610	440,736

The replacement costs and credit risk weighted amounts of the derivatives financial instrument do not take into account the effects of bilateral netting arrangements.

27. RETIREMENT BENEFITS PLAN

The Company participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Company, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Company are offered a one-off choice to join the MPF Scheme or the ORSO Scheme.

For members of the MPF Scheme, the Company contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Company at 5% and 7% of the employee's basic salary respectively, depending on the length of service with the Company.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 April 2016.

ALLIED BANKING CORPORATION (HONG KONG) LIMITED

新聯銀行(香港)有限公司

Unaudited Supplementary Financial Information

For the year ended 31 December 2015

ALLIED BANKING CORPORATION (HONG KONG) LIMITED
新聯銀行(香港)有限公司

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2015

The basis of consolidation for regulatory purposes is different from the basis of consolidation for accounting purposes. The subsidiary of the Company is included within the accounting scope of consolidation but not included within the regulatory scope of consolidation. The unaudited supplementary financial information regarding corporate governance, risk management, segmental information, average liquidity ratio, foreign currency position, overdue and rescheduled assets, capital, repossessed assets and international claims disclosed pursuant to Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority as follows:

1. CORPORATE GOVERNANCE

In addition to Board of Directors Meetings, there are several governance committees formed under the Board of Directors. The roles, functions and composition of these key committees are as follows:

(i) Executive Committee - responsible for reviewing and confirming all credit approvals. The members include the directors of the Board of the parent bank and other directors.

(ii) Credit Risk Management Committee - responsible for evaluation and monitoring of lending-related activities, reviewing existing credit limits and industry limits and managing the lending portfolio and overall credit risk of the Group. It comprises two non-executive directors, the Chief Executive, two Alternate Chief Executives, who are also Head of Treasury and Head of Operation and Senior Managers of Credit.

(iii) Asset and Liability Management Committee ("ALCO") - responsible for managing the Group's assets and liabilities on a functional basis. The Committee directs the Group's overall acquisition, allocation and pricing of funds, within the established target/guidelines, while managing and monitoring the overall treasury risk exposure. It comprises two non-executive directors, the Chief Executive, two Alternate Chief Executives, who are also the Head of Treasury and Head of Operation, the Senior Managers of Credit and the Head of Marketing, the Compliance Officer and the FX Manager.

(iv) The Audit Committee is an oversight body monitoring the internal control framework, risk management systems and financial reports. The Committee consists of three non-executive directors, two of whom are independent non-executives.

(v) Remuneration Committee

The Remuneration Committee of the Company comprises one non-executive director and one independent non-executive director. The Remuneration Committee was formed in June 2010 and meetings shall be held as a need basis.

The guiding principles for the remuneration framework of the Company are consistent with its ethical values, objectives, strategies and control environment and are as follows:

(a) Simplicity in providing appropriate compensation to its employees for the services they provide to the company;

(b) Fairness in its conduct to attract and retain employees with skills required to effectively manage the operations and growth of the business;

1. CORPORATE GOVERNANCE (continued)

(c) Alignment of values in the management of its remuneration system to motivate employees to perform in the best interests of the Company and its stakeholders;

(d) Transparency in the appropriate level of the organisation with specific regard to the remuneration of senior management who are responsible for oversight of the business strategy, key personnel whose duties involve the assumption of material risk on behalf of the Company; and

(e) Ensure a level of equity and consistency across its branch and subsidiaries and the Group as a whole.

The major roles and functions of the Company's Remuneration Committee are as follows:

(a) Making recommendations to the Board of Directors in respect of remuneration packages for the Company's senior management and key personnel in cases where the approval authority for such remuneration packages rests solely with the Board;

(b) Ensuring that a regular, at least annual, review of the Company's remuneration system and its operations, which includes an assessment of consistency with the guidelines, is conducted independently of management.

(c) Review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) Review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and

(e) To ensure that no director (executive or non-executive) or any of his/her associates is involved in deciding his/her own remuneration.

(vi) Managers' Committee - responsible for managing day to day operation. The members consist of Chief Executive, two Alternate Chief Executives, who are also the Head of Treasury and Head of Operation, all department heads and the Compliance Officer.

The terms of reference of the Committees, together with all the policies within the corporate governance scheme, are subject to review as necessary in order to cope with the latest development in the Banking industry as well as other changes in the regulatory environment. In addition, the Company is committed to maintain high standards of corporate governance practices and has fully complied with the module set out in the Supervisory Policy Manual entitled "Corporate Governance of Locally Incorporated Authorized Institutions" issued by the Hong Kong Monetary Authority on 3 August 2012 throughout the financial year ended 31 December 2015.

2. RISK MANAGEMENT

The Board of Directors has the overall responsibility for the management of all types of risk exposures. In the delivery of its responsibility, the Board has established specialised committees to identify, measure, monitor and control different types of risks. The Board or the appropriate specialised committees review and approve policies and procedures for the identification, measurement, control and monitoring of both financial and non-financial risks. Such policies and procedures are reviewed by the relevant committees or senior management on a regular basis.

(i) Capital management

The Group has adopted a policy of maintaining a strong capital base to support its business growth. Capital adequacy ratio, computed as a ratio of total regulatory capital to the risk-weighted asset, of the Group was maintained at a level above the required minimum ratio.

(ii) Operational and legal risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud, or inadequate internal controls and procedures.

Executive directors, department heads, external legal counsels, and internal auditors collaborate to manage operational and legal risks through proper human resources policies, delegation of authorities, segregation of duties, and timely and accurate management information. Senior management and the Audit Committee are accountable to the Board for maintaining a strong and disciplined control environment to provide reasonable assurance that the operational and legal risks are prudently managed.

A comprehensive contingency plan is available to ensure that key business functions continue and normal operations are restored effectively and efficiently in the event of business interruption.

(iii) Reputation risk

Reputation risk is the risk to earnings or capital arising from negative public opinion.

Reputation risk is managed by ensuring proper and adequate communications and public relation efforts to foster the reputation of the Group. A risk management mechanism guided by the senior management including executive directors and senior managers has been established to manage the media exposure, handle customers' and other relevant parties' complaints and suggestions, and to ensure that new business activities and agents acting on the Group's behalf do not jeopardise the Group's reputation.

3. SEGMENTAL INFORMATION

The Company's total operating income, profit before taxation, total assets, total liabilities and contingent liabilities and commitments are derived predominantly from Hong Kong.

The Company's gross advances to customers analysed and reported by industry sectors are as follows:

	2015		2014	
	HK$'000	% of Gross advances covered by collateral	HK$'000	% of Gross advances covered by collateral
Loans for use in Hong Kong				
Manufacturing	184,396	100%	185,935	96.77%
Building & construction				
Property investment	304,834	100%	308,713	100%
Civil engineering works	56,237	100%	58,809	100%
Wholesale and retail trade	143,087	100%	139,582	100%
Transport and transport equipment	19,431	100%	15,314	100%
Hotels, boarding houses & catering	7,800	100%	-	-
Non-stockbroking companies & individuals				
For the purchase of shares – others	26,968	100%	-	-
Professional & private Individuals				
Loans for the purchase of other residential properties	140,111	100%	143,627	100%
Loans for other business purpose	24,089	100%	24,545	100%
Loans for other private purpose	71,287	99.74%	75,330	99.73%
Trade finance	43,002	100%	44,650	65.91%
Loans and advances for use outside Hong Kong				
Non-bank Mainland China exposures				
Companies and individuals outside China where the credit is granted for use in China	-	-	-	-
Loans for use outside Hong Kong	35,340	100%	38,762	100%
	1,056,582		1,035,267	

The advances are predominantly made to customers in Hong Kong. No geographical analysis is disclosed as the Company derives the majority of its income from its commercial banking business where the customers' principal operations are in Hong Kong.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SEGMENTAL INFORMATION (continued)

Gross and impaired loans and advances to customers, impairment allowances, impaired loans and advances written off and collateral are analysed by industry sectors pursuant to the HKMA's guidelines as follows:

Advances to customers by industry sectors as at 31 December 2015

	Gross loans and advances HK$'000	Collective impairment allowances HK$'000	Individual impairment allowances HK$'000	New impairment allowances charged to income statement HK$'000	Amount of impaired loans and advances written off HK$'000	Collateral HK$'000	Percentage of gross advances covered by collateral %	Impaired loans and advances HK$'000	Loans and advances overdue For more than three months HK$'000
Manufacturing	184,395	331	-	-	-	184,395	100%	-	-
Property investment	304,834	547	-	-	-	304,834	100%	-	-
Wholesale and retail trade	143,087	257	-	-	-	143,087	100%	-	-
Loans for the purchase of other residential properties	140,111	251	-	-	-	140,111	100%	-	745

Advances to customers by industry sectors as at 31 December 2014

	Gross loans and advances HK$'000	Collective impairment allowances HK$'000	Individual impairment allowances HK$'000	New impairment allowances charged to income statement HK$'000	Amount of impaired loans and advances written off HK$'000	Collateral HK$'000	Percentage of gross advances covered by collateral %	Impaired loans and advances HK$'000	Loans and advances overdue For more than three months HK$'000
Manufacturing	185,935	317	-	24	-	179,935	96.77%	-	-
Property investment	308,713	526	-	39	-	308,713	100%	-	-
Wholesale and retail trade	139,582	238	-	19	-	139,582	100%	-	5,091
Loans for the purchase of other residential properties	143,627	245	-	18	-	143,627	100%	-	732

3. SEGMENTAL INFORMATION (continued)

Non-Bank Mainland China Exposures

The following table illustrates the disclosure required to be made in respect of the Company's Mainland China exposures to non-bank counterparties:

As at 31 December 2015

Types of Counterparties	On-balance sheet exposure HK$ '000	Off-balance sheet exposure HK$ '000	Total exposures HK$ '000
PRC nationals residing outside Mainland China or entities incorporated outside mainland China where the credit is granted for use in Mainland China	-	-	-
Total	-	-	-
Total assets after provision	1,671,447		
On-balance sheet exposures as percentage of total assets	0%		

As at 31 December 2014

Types of Counterparties	On-balance sheet exposure HK$ '000	Off-balance sheet exposure HK$ '000	Total exposures HK$ '000
PRC nationals residing outside Mainland China or entities incorporated outside mainland China where the credit is granted for use in Mainland China	-	-	-
Total	-	-	-
Total assets after provision	1,644,042		
On-balance sheet exposures as percentage of total assets	0%		

4. LIQUIDITY INFORMATION

	2015	2014
	%	%
Average liquidity maintenance ratio for the year	51.39	N.A.
Average liquidity ratio for the year	N.A.	66.87

The Liquidity Ratio specified under section 102 of the Banking Ordinance, which was replaced by the liquidity maintenance ratio ("LMR") on 1 January 2015. LMR was complied in accordance with the Banking (Liquidity) Rules issued by the HKMA with effective from 1 January 2015 for the implementation of the Basel III capital framework.

5. LEVERAGE RATIO

	2015	2014
	%	%
Leverage ratio	20.75	N.A.

To comply with the Banking (Disclosure) Rules, all additional information in relation to the Company's leverage ratio are published by using the standard disclosure templates, as specified by the HKMA under the "Regulator Disclosures" Section on the Bank's website at www.abchkl.com.hk

6. COUNTERCYCLICAL CAPITAL BUFFER RATIO

There is no information disclosed relating to the Countercyclical capital buffer ratio pursuant to section 24B of the Banking (Disclosure) Rules for this year because the applicable JCCyB ratios for Hong Kong and for jurisdiction outside Hong Kong are at 0% before 1 January 2016 according to section 3P and section 3Q of the Capital Rules.

7. CAPITAL CONSERVATION BUFFER RATIO

Under section 3M of the Banking (Capital) Rules, the capital conservation buffer ratio for calculating the Company's buffer level is 0% for 2015.

8. FOREIGN CURRENCY POSITION

2015

	AUD HK$'000	CAD HK$'000	EUR HK$'000	GBP HK$'000	JPY HK$'000	NZD HK$'000	SGD HK$'000	USD HK$'000
Spot assets	21,912	9,242	851	11,358	245	4,034	87	498,279
Spot liabilities	(21,697)	(9,313)	(6,435)	(11,504)	(224)	(3,764)	-	(873,696)
Forward purchased	-	-	6,354	-	-	-	-	412,191
Forward sales	-	-	(627)	-	-	-	-	(37,343)
Net long/(short) position	215	(71)	143	(146)	21	270	87	(569)

2014

	AUD HK$'000	CAD HK$'000	EUR HK$'000	GBP HK$'000	JPY HK$'000	NZD HK$'000	SGD HK$'000	USD HK$'000
Spot assets	24,046	11,,012	217	11,885	299	4,458	96	505,576
Spot liabilities	(23,911)	(11,091)	(7,077)	(12,062)	(226)	(4,202)	-	(859,768)
Forward purchased	-	-	6,691	-	-	-	-	355,989
Forward sales	-	-	-	-	-	-	-	(6,785)
Net long/(short) position	135	(79)	(169)	(177)	73	256	96	(4,988)

9. OVERDUE AND RESCHEDULED ASSETS

	2015 HK$'000	2014 HK$'000	As a percentage of total advances 2015	As a percentage of total advances 2014
Advances to customers overdue for				
more than 3 months and up to 6 months	-	-	0.00%	0.00%
more than 6 months and up to 1 year	-	5,823	0.00%	0.56%
over 1 year	745	-	0.07%	0.00%
	745	5,823		
Rescheduled advances to customers	-	-	0.00%	0.00%
	745	5,823		
Fair value of collateral held in respect of the overdue advances	2,500	31,000		
Individual impairment allowance made in respect of the overdue advances	-	-		

9. OVERDUE AND RESCHEDULED ASSETS (continued)

The reconciliation between overdue advances and impaired advances is as follows:

	2015 HK$'000	2014 HK$'000
Advances to customers overdue for more than 3 months	745	5,823
Rescheduled advances to customers	-	-
	745	5,823
Add: Impaired advances which are not overdue or rescheduled	182	206
Impaired advances which are overdue less than 3 months	892	16,958
Total impaired advances	1,819	22,987

10. CAPITAL DISCLOSURES

The Company has adopted the foundation basic approach (BSC approach) to calculate the credit risk capital charge for all on-balance sheet exposures and off-balance sheet exposures. The Company has adopted the standardized (market risk) (STM approach) to calculate the market risk capital charge for foreign exchange and interest rate exposures. The Company has adopted the standardized (operational risk) STO approach to calculate the minimum capital charge for operational risk.

The capital ratios of the Company as at 31 December 2015 and 31 December 2014 and reported to the Hong Kong Monetary Authority are as follows:

	2015	2014
CET1 capital ratio	28.12%	27.49%
Tier 1 capital ratio	29.31%	28.91%
Total capital ratio	31.27%	30.76%

10. CAPITAL DISCLOSURES (continued)

The components of the Company's total capital base after deductions used in the calculation of the above capital ratios as at 31 December 2015 and 31 December 2014 and reported to the Hong Kong Monetary Authority are as follows:

	2015 HK$'000	2014 HK$'000
Category I – Common equity Tier 1 ("CET1) Capital		
CET1 capital instruments	165,000	165,000
Retained earnings	198,713	174,244
Disclosed reserves	7,000	7,000
CET1 Capital before deductions	370,713	346,244
CET1 Capital: regulatory deductions		
Cumulative fair value gains arising from the revaluation of land and buildings	28,555	23,555
Deferred tax assets in excess of deferred tax liabilities	-	1,393
Total regulatory deductions to CET1 Capital	28,555	24,948
CET1 Capital after deductions	342,158	321,296
Category II – Additional Tier 1 Capital		
Additional Tier 1 capital instruments issued and share premium if any (subject to phase out arrangements from AT1 Capital)	14,490	16,560
Additional Tier 1 Capital	14,490	16,560
Tier 1 Capital after deductions	356,648	337,856
Category III – Tier 2 Capital		
Reserve attributable to fair value gains on revaluation of holdings of land and buildings	12,850	10,600
Collective provisions	10,997	10,997
Tier 2 Capital	23,847	21,597
Total Capital Base	380,495	359,453

To comply with the Banking (Disclosure) Rules, a section "Regulatory Disclosures" will be available on the company's website at www.abchkl.com.hk on 30 April 2016 and include the following information :

- A detailed breakdown of the Company's capital base and regulatory deductions, using the standard template as specified by the Hong Kong Monetary authority.

- A reconciliation of capital components to the Company's balance sheet, using the standard template as specified by the Hong Kong Monetary Authority.

- A description of the main features and the full terms and conditions of the Company's issued capital instruments.

11. INTERNATIONAL CLAIMS

The Company's country risk exposures in the tables below are prepared in according to the location and types of the counterparties as defined by HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of International Banking Statistics. International claims are on-balance sheet exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies. International claims attributable to individual countries or areas not less than 10% of the Company's total international claims, after recognised risk transfer, are shown as follows:

			Non-bank Private Sector			
	Banks HK$'000	Official Sector HK$'000	Non-bank Financial Institutions HK$'000	Non-financial Private Sector HK$'000	Others HK$'000	Total HK$'000
As at 31 December 2015						
Counterparty country/ jurisdiction						
Developed countries	322,246	-	-	-	-	322,246
Offshore countries	172,963	-	-	1,061,344	-	1,234,307
- of which: Hong Kong	138,040	-	-	1,045,989	-	1,184,029
Developing Europe	-	-	-	-	-	-
Developing Latin America and Caribbean	-	-	-	-	-	-
Developing Africa and Middle East	-	-	-	-	-	-
Developing Asia and Pacific	31,158	-	-	-	-	31,158
International Organisations	-	-	-	-	-	-
Unallocated	-	-	-	-	-	-
Total	526,367	-	-	1,061,344	-	1,587,711

11. INTERNATIONAL CLAIMS (continued)

		Non-bank Private Sector				
	Banks HK$'000	Official Sector HK$'000	Non-bank Financial Institutions HK$'000	Non-financial Private Sector HK$'000	Others HK$'000	Total HK$'000
As at 31 December 2014						
Counterparty country/ jurisdiction						
Developed countries	340,461	-	-	-	-	340,461
Offshore countries	151,389	-	-	1,041,347	-	1,192,736
- of which: Hong Kong	151,389	-	-	1,022,746	-	1,174,135
Developing Europe	-	-	-	-	-	-
Developing Latin America and Caribbean	-	-	-	-	-	-
Developing Africa and Middle East	-	-	-	-	-	-
Developing Asia and Pacific	31,132	-	-	-	-	31,132
International Organisations	-	-	-	-	-	-
Unallocated	-	-	-	-	-	-
Total	522,982	-	-	1,041,347	-	1,564,329

12. SENIOR EXECUTIVE COMPENSATION

The Remuneration Committee annually reviews and Board of Directors approves the remuneration packages of the Chief Executive, members of the senior management and key personnel. The aggregate payouts for these 6 (2014: 6) senior executives for 2015 are shown in the table below in accordance with the disclosure requirement of 3.2.3 of the "Guideline on a Sound Remuneration System" issued by the Hong Kong Monetary Authority in March 2010.

Fixed Remuneration Salaries		Variable Remuneration Cash Bonus		Award of Deferred Variable Remuneration	
2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
9,239	8,727	Nil	Nil	Nil	Nil

Included in the above table of the senior executives compensation were the emoluments of 1 director (2014: 1 director). The directors' emoluments have been included in Note 9 to the financial statements.

In determining the remuneration packages of the Chief Executive, senior management, and key personnel, the Remuneration Committee takes into account individual performances of respective divisions and departments, and the Company's overall business goals and objectives.

13. STATEMENT OF COMPLIANCE

The Company has fully complied with the applicable disclosure requirements of the Banking (Disclosure) Rules.