

Notes to Financial Statements

27. GOODWILL

	2016 HK\$'000	2015 HK\$'000
Cost and net carrying amount:		
At the beginning and the end of the year	2,774,403	2,774,403

Impairment test of goodwill

There are two CGUs, namely Public Bank (Hong Kong) and Public Finance, which represent the main operating entities within the business segment "Retail and commercial banking businesses" identified by the Group. Goodwill acquired through business combinations is allocated on a pro-rata basis to the two CGUs based on the ratio of the recoverable amount of a CGU to those of the other CGU at the date of acquisition. The recoverable amounts of the CGUs at each subsequent reporting date are determined based on the value-in-use using the present value of cash flows taking into account the expected operating synergy and profitability and growth of businesses arising from the acquisition of Public Bank (Hong Kong) and its subsidiaries. The cash flow projections are based on financial budgets approved by management covering a 10-year period and assumed growth rates are used to extrapolate the cash flows in the following 40 years. The financial budgets are prepared based on a 10-year business plan which is appropriate after considering the sustainability of business growth, stability of core business developments, long term economic cycle and achievement of business targets extrapolated from a track record of financial results. All cash flows are discounted at discount rates of 3% and 6% under baseline and stressed scenarios, respectively. Management's financial model assumes an average growth rate of 5% to 6% per annum from the eleventh to fiftieth years taking into account long term gross domestic product growth and other relevant economic factors. The discount rates used are based on the rates which reflect specific risks relating to the CGUs.

No impairment loss has been recognised in respect of goodwill for the years ended 31 December 2016 and 2015 as its value-in-use exceeds its carrying amount.

28. INTANGIBLE ASSETS

	2016 HK\$'000	2015 HK\$'000
Cost:		
At the beginning and the end of the year	1,085	1,085
Accumulated impairment:		
At the beginning and the end of the year	367	367
Net carrying amount:		
At the beginning and the end of the year	718	718

Intangible assets represent trading rights held by the Group. The trading rights are retained for stock trading and stockbroking activities, and have indefinite useful lives as the trading rights have no expiry date. They comprise five units (2015: five units) of Stock Exchange Trading Right and one unit (2015: one unit) of Futures Exchange Trading Right in Hong Kong Exchanges and Clearing Limited.