Hysan 希慎

NEWS RELEASE

To: Business/Property Editor

Date: 28 February 2018
For immediate release

HYSAN DEVELOPMENT COMPANY LIMITED
2017 ANNUAL RESULTS

HIGHLIGHTS

- **Turnover increased by 0.4%; against a slight decline in Recurring Underlying Profit of 0.8%**
- **Reported Profit increase reflecting changes in fair value of investment properties**
- **Retail portfolio occupancy at 97%; Office portfolio occupancy at 96%**
- **Completion of Lee Garden Three further building our commitment to lifestyle and community**

RESULTS

		Year ended 31 December		
		2017	2016	
	Notes	**HK$ million**	HK$ million	Change
Turnover	*1*	**3,548**	3,535	+0.4%
Recurring Underlying Profit	*2*	**2,349**	2,369	-0.8%
Underlying Profit	*3*	**2,491**	2,369	+5.1%
Reported Profit	*4*	**3,636**	1,218	n/m
		HK cents	HK cents	
Earnings per share, based on:				
Recurring Underlying Profit	*2*	**224.68**	226.29	-0.7%
Underlying Profit	*3*	**238.26**	226.29	+5.3%
Reported Profit	*4*	**347.78**	116.35	n/m
Full-year dividends per share		**137.00**	135.00	+1.5%

		At 31 December		
		2017	2016	
		HK$ million	HK$ million	
Shareholders' Funds	*5*	**69,953**	67,490	+3.6%
		HK$	HK$	
Net Asset Value per Share	*6*	**66.89**	64.56	+3.6%

n/m: not meaningful

Notes:

1. ***Turnover*** *comprises rental income and management fee income derived from the Group's investment property portfolio in Hong Kong.*
2. ***Recurring Underlying Profit*** *is a performance indicator of the Group's core property investment business and is arrived at by excluding from Underlying Profit items that are non-recurring in nature.*
3. ***Underlying Profit*** *is arrived at by excluding from Reported Profit unrealised fair value changes on investment properties. As a property investor, the Group's results are principally derived from the rental revenues on its investment properties. The inclusion of the unrealised fair value changes on investment properties in the consolidated statement of profit or loss causes an increase in fluctuation in earnings and poses limitations on the use of the unadjusted earning figures, financial ratios, trends and comparison against prior period(s). Accordingly, unrealised fair value changes on investment properties are excluded in arriving at the Underlying Profit.*
4. ***Reported Profit*** *is the profit attributable to owners of the Company. It is prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.*
5. ***Shareholders' Funds*** *is the equity attributable to owners of the Company.*
6. ***Net Asset Value per Share*** *represents Shareholders' Funds divided by the number of issued shares at year-end.*

HYSAN DEVELOPMENT 2017 TURNOVER UP 0.4% TO HK$3,548 MILLION

Results

Hysan Development Company Limited (Stock Code: 00014) today (28 February 2018) announced the Group's **turnover** was HK$3,548 million in 2017, representing a year-on-year increase of 0.4% from HK$3,535 million in 2016.

Recurring Underlying Profit, the key measurement of our core leasing business performance, was down slightly to HK$2,349 million (2016: HK$2,369 million). This primarily reflected the small growth in turnover in light of the market conditions, as well as increase in expenses for Lee Garden Three after its completion.

Underlying Profit, which excludes unrealised changes in fair value of investment properties, was HK$2,491 million, increased by 5.1% from HK$2,369 million in 2016. This principally reflected a one-off compensation of HK$142 million (2016: nil) (net of taxation and non-controlling interests' shares) from a retail tenant during the year. Basic earnings per share based on Underlying Profit correspondingly rose to HK238.26 cents (2016: HK226.29 cents), up 5.3%.

The Group's **Reported Profit** for 2017 was HK$3,636 million (2016: HK$1,218 million). This reflected a fair value gain of HK$853 million (2016: fair value loss of HK$1,187 million) on the Group's investment properties' valuation. As at year-end 2017, the external valuation of the Group's investment property portfolio increased by 4.1% to HK$72,470 million (2016: HK$69,633 million). This reflected a combination of factors: a generally positive office rental outlook; a number of asset enhancement works completed, as well as a higher valuation for the completed Lee Garden Three and an improving retail outlook. The capitalization rates used in valuing each portfolio remained unchanged from those used as at 31 December 2016.

Shareholders' Funds increased by 3.6% to HK$69,953 million (2016: HK$67,490 million).

Dividends

A second interim dividend of HK111 cents per share (2016: HK109 cents) was announced. The dividend will be payable in cash. Together with the first interim dividend of HK26 cents per share (2016: HK26 cents), there is an aggregate distribution of HK137 cents per share (2016: HK135 cents). Please see the table for all the relevant dates:

Closure of register of members	Thursday, 15 March 2018
Ex-dividend date	Tuesday, 13 March 2018
Latest time to lodge transfer documents	4pm on Wednesday, 14 March 2018
Record date for second interim	Thursday, 15 March 2018
Second interim dividend payment date	On or about Thursday, 29 March 2018

Financial Management

Hysan adhered to a policy of financial prudence and maintained a strong financial position.

Low Gearing

- Total Gross Debt: HK$6,176 million (31 Dec 2016: HK$6,305 million)
- Net Debt to Equity: 5.0% (31 Dec 2016: 5.4%)

Stable Debt Profile

- Fixed Rate Debt: 74.9% of the total gross debt (31 Dec 2016: 73.4% of the total gross debt)
- Average Debt Maturity: 4.3 years (31 Dec 2016: 4.3 years)
- Capital Market Issuance: 74.9% (31 Dec 2016: 73.4%)
- Average Cost of Finance: 3.4% (2016: 3.8%)

Strong Credit Rating

- Net Interest Coverage:17.1 times (2016: 20.5 times)
- Moody's: A3; Standard and Poor's: BBB+

COMMENTS BY MS. IRENE YUN LIEN LEE, CHAIRMAN

Overview

"The global economy experienced reasonable growth in 2017, due to a combination of monetary policy accommodation, fiscal policy stimulation and an overall improvement in trade."

"The Hong Kong economy also shrugged off the gloom of 2016. Good labour market conditions, strong asset prices and stock market all helped to create a wealth effect which drove an improvement in domestic spending. In addition, the statistics for visitor arrivals were also encouraging, including an increase of 3.9% in inbound Mainland Chinese tourists in 2017, as compared to 2016."

"As a result of positive macro conditions, Hong Kong's retail sales saw a slight uptick in growth after several years of decline. Jewellery and watches were the strongest performers, and almost all mid-priced to affordable item categories registered healthy growth."

"Although the economic recovery appears fairly robust, structural changes cannot be ignored. Here we provide updates on the challenges we are facing. More importantly, we highlight the actions we took in 2017 to address these issues, as well as our plans to respond to these changes in the near to medium term."

Retail

"Among the most significant retail structural changes is the "generational shift". The Millennials and Generation Z'ers have different needs to the older generations, and these needs are driving changes in the where, what, how and when products and services are delivered. There is also a clear "demographic change" in Hong Kong whereby Mainland Chinese tourists, as well as "New Hong Kong" residents are revealing themselves as mature and sophisticated spenders who demand quality products and services. We need to cater simultaneously to the needs of tourists, newer residents who came to settle in Hong Kong over the past 10 to 20 years, and the "old" Hong Kong."

"Technological advancements clearly represent another facet of structural change within the retail industry. The relentless growth of e-commerce, the ever-increasing dominance of mobile technology, the prevalence of social media in our everyday lives: these factors place serious demands on retailers to make swift and drastic changes. As the landlord and venue provider for a wide range of retailers, we have to constantly enhance our retail environment to cater to these changes. Our tenant collaboration programmes, as noted below on Hysan's progress in 2017, highlight the importance we place on our partnerships with tenants."

"Generational and demographic changes, as well as the extensive use of technology are causing many shoppers to look further into what they really want when they shop. Brands and retailers, as well as online operators, are making their moves to address these issues. Hysan, as a landlord mall operator, needs to re-invent and re-imagine both strategically and operationally. Giving shoppers special attention is now just as important as providing for the straightforward sale of goods. To provide that "extra special" touch, retailers and mall operators now try to make the shopping experience socially pleasant and interesting by offering personalised and unique services to delight and surprise, while making use of technology to enhance these special offerings. All shopping malls in Hong Kong are now seeking to entice shoppers with this experiential approach. Hysan has started the journey into new retail and we will continuously adapt our offerings."

"The luxury sector has been challenging. Despite the fact that consumer sentiment for purchasing certain luxury goods, such as jewellery and watches, has rebounded to a level close to that seen earlier in the decade, consumer behaviour and taste for the high-end subsectors have changed in the past few years. The definition of luxury stretches beyond buying exclusive or expensive goods. It now encompasses health and well-being as well as children-centric offerings, all within a highly demanding enhanced environment."

<u>Office</u>

"Office leasing faces its own set of significant challenges, much of which is related, again, to generational change. The younger and incoming members of the workforce now subscribe to a more fluid and mobile work style, instead of being tied down to a desk, or even an office. They prefer to work in a social setting, not just with colleagues, but in an environment where they can exchange ideas and contacts with people from other fields and disciplines."

"Co-working space is a major disruptor and is a growing trend. Several internationally-renowned co-working brands have obtained footholds in Hong Kong, while other more regional and local names are making an impact by adopting unique ways to attract short or longer-term office space users. Hysan has embraced the collaborative work model with an increase of our office portfolio's exposure to over 5%."

"Looking at office leasing through a more traditional lens, Hong Kong's Central district is still the favourite destination of Mainland Chinese financial institutions, with a number of professional firms servicing these clients also taking up Central spaces with record or near-record high rents. Non-Central core areas are generally still supported by the spill-over effect, with some multinational companies opting to relocate to these popular districts, such as Causeway Bay, that are just two or three MTR stops away from Central. Outside Central, we note that while the value for money differential between Causeway Bay and other office areas on the Island and on Kowloon side still exists, the competition from these areas remains strong."

<u>Hysan's Progress in 2017</u>

"Hysan continued to launch new initiatives to address challenges in our retail and office portfolios."

"A new addition to our already well-balanced Causeway Bay commercial portfolio is Lee Garden Three. The building is positioned as our area's lifestyle extension. The commercial building received its first new office tenant in December 2017. A number of other multinational enterprises, from a diverse business background, are putting the final touches to their interior works and will soon be operating in the office portion of the building. Spaces, a well-known community-based co-working brand, has chosen Lee Gardens as it flagship base in Hong Kong. It highlights our commitment to participate in the future growth of the co-working sector. In addition, the retail podium will see the launch of a range of exciting food and beverage outlets, as well as lifestyle shops complementing existing ones in the Lee Gardens area."

"For our retail portfolio in general, while retaining top name tenants, we have also enhanced the trade mix by introducing a significant number of popular lifestyle brands. These complement our more established food and beverage venues."

“We have focused our marketing efforts in new tenant collaboration programmes. Some examples include a partnership with the revamped Louis Vuitton shop, a much-talked-about eslite summer programme, and a colourful I.T. showcase. All of these have attracted considerable media attention, extensive footfall and healthy spending. Our popular sales incentive programmes have also achieved good sales figures. Our loyalty clubs, including both the VIP Club Avenue and the general shoppers’ Lee Gardens Plus, recorded significant percentage growth of year-on-year membership numbers, and importantly, also achieved healthy sales growth.”

“As for our office portfolio, we continued to provide tenancy for office users from different business sectors and different types of users. We are creating an inclusive office community that fits the needs and demands of modern-day users. We have a diverse portfolio of office tenants which includes sales, banking, finance, insurance, technology, health and wellness, as well as high-end brands.”

“Further, we have offered offices at Leighton Centre to three up-and-coming NGOs from different backgrounds: design and elderly services, performing arts and technological development. The initiative represents Hysan’s continuing commitment to foster innovation and serve our community.”

Looking Ahead

“Lee Gardens’ retail portfolio has long been associated with brands that sell the finer things in life. While we will continue to support brands that offer classic luxury, our commitment to promote lifestyle through food and beverage, as well as health and wellness in an environment with a strong sense of community, will define the new retail where emerging consumers demand quality expressed through sustainability, honesty and individuality.”

“We expect our office portfolio to be relatively stable. We will maintain our focus on growing a sustainable, community-based working environment, where a balanced lifestyle for tenants’ workers is valued. We will also provide a more technology-friendly environment, with more opportunities for collaboration and experience sharing. Looking ahead, we will explore more aspects of the sharing economy, including an enhanced co-working community, as well as co-living arrangements.”

“For our two main business sectors, we need to bring new initiatives to the market with speed. We are keen to foster innovation within the commercial real estate sector and to implement disruptive technology while still leveraging our prime strengths to drive long-term growth. Going forward, we will be more digitalised and more data driven, but we will also ensure that technology is adopted at the consumer level to help customers interact with the brand.”

“Finally, as we illustrated in our last annual report, Hysan always strives to innovate and curate relevant content for the Lee Gardens community. Throughout 2017, we have continued to introduce small-scale but significant improvements, such as supporting Lee Gardens Association’s Egglette and Ice-Cream festivals, as well as providing the setting for Cathay Pacific/HSBC’s Rugby Sevens Fan Walk. The year-end recreation of Lee Gardens Hotel’s Yum Sing Bar also proved to be a nostalgia-filled success. We will continue to explore short and longer-term ways to enhance the Lee Gardens area in which a broad leafy avenue, quirky side streets, state-of-the-art high-rise buildings, heritage low-rise, eclectic businesses, as well as workers and visitors fuse together to form a unique community.”

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017	2016
		HK$ million	*HK$ million*
Turnover	3	**3,548**	3,535
Property expenses		**(449)**	(428)
Gross profit		**3,099**	3,107
Other income		**261**	-
Investment income		**69**	50
Administrative expenses		**(247)**	(219)
Finance costs		**(158)**	(178)
Change in fair value of investment properties		**853**	(1,187)
Share of results of associates		**220**	237
Profit before taxation		**4,097**	1,810
Taxation	5	**(484)**	(463)
Profit for the year	6	**3,613**	1,347
Profit for the year attributable to:			
Owners of the Company		**3,636**	1,218
Non-controlling interests		**(23)**	129
		3,613	1,347
Earnings per share (expressed in HK cents)	7		
Basic		**347.78**	116.35
Diluted		**347.68**	116.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	**2017** *HK$ million*	2016 *HK$ million*
Profit for the year		**3,613**	1,347
Other comprehensive income	8		
Items that will not be reclassified subsequently to profit or loss:			
Gains on revaluation of properties held for own use		**38**	18
Items that may be reclassified subsequently to profit or loss:			
Net adjustments to hedging reserve		**(55)**	78
Share of translation reserve of associates		**240**	(236)
		185	(158)
Other comprehensive income (expense) for the year (net of tax)		**223**	(140)
Total comprehensive income for the year		**3,836**	1,207
Total comprehensive income attributable to:			
Owners of the Company		**3,859**	1,078
Non-controlling interests		**(23)**	129
		3,836	1,207

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017	2016
		HK$ million	*HK$ million*
Non-current assets			
Investment properties		**72,470**	69,633
Property, plant and equipment		**751**	720
Investments in associates		**3,779**	3,497
Loans to associates		**10**	-
Investment in a joint venture		**147**	145
Loans to a joint venture		**982**	873
Fund investment		**21**	-
Term notes		**228**	733
Other financial assets		**2**	13
Other receivables	10	**332**	135
		78,722	75,749
Current assets			
Loans to a joint venture		**-**	1,018
Accounts and other receivables	10	**226**	196
Term notes		**509**	422
Other financial assets		**1**	6
Time deposits		**2,505**	2,551
Cash and bank balances		**157**	79
		3,398	4,272
Current liabilities			
Accounts payable and accruals	11	**736**	935
Other financial liabilities		**1**	-
Rental deposits from tenants		**389**	339
Amounts due to non-controlling interests		**327**	327
Borrowings		**150**	1,180
Taxation payable		**158**	112
		1,761	2,893
Net current assets		**1,637**	1,379
Total assets less current liabilities		**80,359**	77,128
Non-current liabilities			
Borrowings		**6,035**	5,113
Other financial liabilities		**30**	1
Rental deposits from tenants		**506**	578
Deferred taxation		**787**	751
		7,358	6,443
Net assets		**73,001**	70,685
Capital and reserves			
Share capital		**7,692**	7,673
Reserves		**62,261**	59,817
Equity attributable to owners of the Company		**69,953**	67,490
Non-controlling interests		**3,048**	3,195
Total equity		**73,001**	70,685

Notes:

1. Basis of Preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

2. Principal Accounting Policies

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current year, the Group has applied all of the amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2017. The adoption of these amendments to HKFRSs had no material effect on the results and financial position of the Group for the current and/or prior accounting years.

Except for HKFRS 9, which has been partially adopted by the Group as stated below, the Group has not early applied the following new, revised and amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[3]
HKFRS 17	Insurance Contract[5]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures[3]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[3]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, except for the 2010 version of HKFRS 9 and the new requirements for hedge accounting issued in 2013, which the Group early adopted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined.
[5] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

Except for the new HKFRSs mentioned below, the Directors of the Company anticipate that the application of these new standards, amendments and interpretations to HKFRSs will have no material impact on the Group's accounting policies, results and financial position.

The application of HKFRS 9 (except for those sections that were early adopted by the Group) may result in changes in the Group's accounting policies in respect of measuring debt instruments at fair value through other comprehensive income, if applicable, and recognition of impairment of financial assets at amortised cost by applying the expected credit loss model of HKFRS 9. Based on the financial instruments and business model of the Group as at 31 December 2017, the directors of the Company anticipated that the application of HKFRS 9 will have no material impact on the results and financial position of the Group.

The Group currently considers refundable rental deposits received of HK$895 million as at 31 December 2017 as obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of rental deposits may be adjusted to amortised cost upon application of HKFRS 16. Adjustments to refundable rental deposits received would be considered as advance lease payments from lessees. The directors of the Company are in the process of assessing the impact on the application of HKFRS 16 in the foreseeable future.

3. Turnover

Turnover represents gross rental income from investment properties and management fee income for the year.

The Group's principal activities are property investment, management and development, and its turnover and results are principally derived from investment properties located in Hong Kong.

4. Segment Information

Based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance, the Group's operating and reportable segments are as follows:

Retail segment – leasing of space and related facilities to a variety of retail and leisure operators

Office segment – leasing of high quality office space and related facilities

Residential segment – leasing of luxury residential properties and related facilities

Property development segment – development and sale of properties

In 2017, the Group's management began to monitor and review the operation of the Group's joint venture separately from other segments of the Group on a regular basis. Therefore, a separate operating and reportable segment is disclosed as property development. The figures for the year ended 31 December 2016 has been represented accordingly for comparative purpose.

Segment turnover and results

The following is an analysis of the Group's turnover and results by operating and reportable segment.

	Retail *HK$ million*	Office *HK$ million*	Residential *HK$ million*	Property Development *HK$ million*	Consolidated *HK$ million*
For the year ended 31 December 2017					
Turnover					
Gross rental income from investment properties	**1,781**	**1,210**	**236**	**-**	**3,227**
Management fee income	**144**	**149**	**28**	**-**	**321**
Segment revenue	**1,925**	**1,359**	**264**	**-**	**3,548**
Property expenses	**(253)**	**(142)**	**(54)**	**-**	**(449)**
Segment profit	**1,672**	**1,217**	**210**	**-**	**3,099**
Other income					**261**
Investment income					**69**
Administrative expenses					**(247)**
Finance costs					**(158)**
Change in fair value of investment properties					**853**
Share of results of associates					**220**
Profit before taxation					**4,097**
For the year ended 31 December 2016					
Turnover					
Gross rental income from investment properties	1,829	1,142	244	-	3,215
Management fee income	140	150	30	-	320
Segment revenue	1,969	1,292	274	-	3,535
Property expenses	(227)	(149)	(52)	-	(428)
Segment profit	1,742	1,143	222	-	3,107
Investment income					50
Administrative expenses					(219)
Finance costs					(178)
Change in fair value of investment properties					(1,187)
Share of results of an associate					237
Profit before taxation					1,810

All of the segment turnover reported above is from external customers.

Segment profit represents the profit earned by each segment without allocation of other income, investment income, administrative expenses (including central administrative costs and directors' salaries), finance costs, change in fair value of investment properties and share of results of associates. This is the measure reported to the chief operating decision maker of the Group for the purpose of resource allocation and performance assessment.

Segment assets

The following is an analysis of the Group's assets by operating and reportable segment.

	Retail	Office	Residential	Property Development	Consolidated
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
As at 31 December 2017					
Segment assets	**33,195**	**31,325**	**7,961**	**1,129**	**73,610**
Investments in and loans to associates					**3,789**
Fund investment					**21**
Other assets					**4,700**
Consolidated assets					**82,120**
As at 31 December 2016					
Segment assets	33,089	23,833	7,859	2,036	66,817
Investment properties under Redevelopment *(note)*					4,860
Investment in an associate					3,497
Other assets					4,847
Consolidated assets					80,021

Segment assets represented the investment properties and accounts receivable of each segment; and investment in and loans to a joint venture of property development segment without allocation of investment properties under redevelopment, property, plant and equipment, investments in and loans to associates, fund investment, term notes, other financial assets, other receivables, time deposits, cash and bank balances. This is the measure reported to the chief operating decision maker of the Group for the purpose of monitoring segment performances and allocating resources between segments. The investment properties are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment profit.

No segment liabilities analysis is presented as the Group's management monitors and manages all the liabilities on a group basis.

Other than the investment in an associate, which operated in the People's Republic of China (the "PRC") with carrying amounts of HK$3,779 million (2016: HK$3,497 million), all the Group's assets are located in Hong Kong.

Other segment information

	Retail *HK$ million*	Office *HK$ million*	Residential *HK$ million*	Property Development *HK$ million*	Consolidated *HK$ million*
For the year ended 31 December 2017					
Additions to non-current assets	**172**	**22**	**7**	**-**	**201**
Acquisition of investment properties through acquiring subsidiaries	**654**	**-**	**-**	**-**	**654**
Additions to investment properties under redevelopment *(note)*					**1,129**
					1,984
For the year ended 31 December 2016					
Additions to non-current assets	325	95	20	-	440
Additions to investment properties under redevelopment *(note)*					570
					1,010

Note:
The investment properties under redevelopment were completed during the year ended 31 December 2017.

5. Taxation

	2017 ***HK$ million***	2016 *HK$ million*
Current tax		
Hong Kong profits tax		
- current year	**458**	400
- overprovision in prior years	**(2)**	(1)
	456	399
Deferred tax	**28**	64
	484	463

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

6. Profit For The Year

	2017	2016
	HK$ million	*HK$ million*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**3**	3
Depreciation of property, plant and equipment	**22**	22
Gross rental income from investment properties including contingent rentals of HK$48 million (2016: HK$46 million)	**(3,227)**	(3,215)
Less:		
- Direct operating expenses arising from properties that generated rental income	**400**	410
- Direct operating expenses arising from properties that did not generate rental income	**49**	18
	(2,778)	(2,787)
Staff costs, comprising:		
- Directors' emoluments	**25**	23
- Other staff costs including share-based payments of HK$2 million (2016: HK$3 million)	**246**	236
	271	259
Share of income tax of associates (included in share of results of associates)	**94**	101

7. Earnings Per Share

(a) Basic and diluted earnings per share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Earnings	
	2017	2016
	HK$ million	*HK$ million*
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**3,636**	1,218

	Number of shares 2017	2016
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,045,495,841**	1,046,870,824
Effect of dilutive potential ordinary shares: Share options issued by the Company	**283,181**	170,710
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,045,779,022**	1,047,041,534

In both years, the computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options are higher than the average market price for shares.

(b) Adjusted basic earnings per share

For the purpose of assessing the performance of the Group's principal activities (i.e. leasing of investment properties), the management is of the view that the profit for the year attributable to the owners of the Company should be adjusted in the calculation of basic earnings per share as follows:

	2017		2016	
	Profit	**Basic earnings per share**	Profit	Basic earnings per share
	HK$ million	***HK cents***	*HK$ million*	*HK cents*
Profit for the year attributable to owners of the Company	**3,636**	**347.78**	1,218	116.35
Change in fair value of investment properties	**(853)**	**(81.59)**	1,187	113.39
Effect of non-controlling interests' shares	**(253)**	**(24.20)**	(30)	(2.87)
Share of change in fair value of investment properties (net of deferred taxation) of associates	**(11)**	**(1.05)**	(6)	(0.58)
Imputed interest income on interest-free loan to a joint venture	**(28)**	**(2.68)**	-	-
Underlying Profit	**2,491**	**238.26**	2,369	226.29
One-off early surrender compensation income (net of effect of taxation and non-controlling interests' share)	**(142)**	**(13.58)**	-	-
Recurring Underlying Profit	**2,349**	**224.68**	2,369	226.29

Notes:

(1) Recurring Underlying Profit is arrived at by excluding from Underlying Profit items that are non-recurring in nature. As there were no such adjustments in 2016, the Recurring Underlying Profit was the same as the Underlying Profit.

(2) The denominators in calculating the adjusted earnings per share used are the same as those detailed above for basic earnings per share.

8. Other Comprehensive Income

	2017 *HK$ million*	2016 *HK$ million*
Other comprehensive income comprises:		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation of properties held for own use:		
Gains on revaluation of properties held for own use	**46**	22
Deferred taxation arising on revaluation	**(8)**	(4)
	38	18
Items that may be reclassified subsequently to profit or loss:		
Derivatives designated as cash flow hedges:		
Net (losses) gains arising during the year	**(49)**	77
Reclassification adjustments for net (losses) gains included in profit or loss	**(6)**	1
	(55)	78
Share of translation reserve of an associate	**240**	(236)
	185	(158)
Other comprehensive income (expenses) for the year (net of tax)	**223**	(140)

9. Dividends

(a) Dividends recognised as distribution during the year:

	2017 *HK$ million*	2016 *HK$ million*
2017 first interim dividend paid – HK26 cents per share	**272**	-
2016 first interim dividend paid – HK26 cents per share	-	272
2016 second interim dividend paid – HK109 cents per share	**1,139**	-
2015 second interim dividend paid – HK107 cents per share	-	1,122
	1,411	1,394

(b) Dividends declared after the end of the reporting period:

	2017 *HK$ million*	2016 *HK$ million*
Second interim dividend (in lieu of a final dividend) - HK111 cents per share (2016: HK109 cents per share)	**1,161**	1,139

The second interim dividend is not recognised as a liability as at 31 December 2017 because it has been declared after the end of the reporting period. Such dividend will be accounted for as an appropriation of the retained profits in the year ending 31 December 2018.

The declared second interim dividend will be payable in cash.

10. Accounts and Other Receivables

	2017	2016
	HK$ million	*HK$ million*
Accounts receivable	**11**	8
Interest receivable	**44**	50
Prepayments in respect of investment properties	**283**	76
Other receivables and prepayments	**220**	197
Total	**558**	331
Analysed for reporting purposes as:		
Current assets	**226**	196
Non-current assets	**332**	135
	558	331

Rents from leasing of investment properties are normally received in advance. At the end of the reporting period, accounts receivable of the Group with carrying amount of HK$11 million (2016: HK$8 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

At the end of the reporting period, HK$3 million (2016: nil) of the accounts receivable were past due but not impaired as the accounts receivables are generally fully covered by the rental deposits from corresponding tenants.

11. Accounts Payable and Accruals

	2017	2016
	HK$ million	*HK$ million*
Accounts payable	**215**	149
Interest payable	**74**	75
Other payables	**447**	450
Compensation received in advance *(note)*	**-**	261
	736	935

Note:
The amount represented a one-off early surrender compensation received from a tenant which has been recognised as compensation income under other income during the year ended 31 December 2017 at the date of fulfilment of all conditions set out in the surrender agreement.

At the end of the reporting period, accounts payable of the Group with carrying amount of HK$157 million (2016: HK$103 million) were aged less than 90 days.