

To: Business/Property Editor

Date: 22 February 2017
For immediate release**HYSAN DEVELOPMENT COMPANY LIMITED
2016 ANNUAL RESULTS****HIGHLIGHTS**

- Turnover up 3.1% from 2015; Recurring Underlying Profit up 3.8%
- Reported Profit decline reflecting fair value change on investment properties valuation
- Strong occupancy in our commercial portfolio (Retail: 99%; Office 96%)
- With sound financials and a strong balance sheet, Hysan is well positioned for the uncertain times ahead
- Full-year dividends of HK135 cents per share, up 2.3%

RESULTS

	<i>Notes</i>	Year ended 31 December		Change
		2016 HK\$ million	2015 HK\$ million	
Turnover	1	3,535	3,430	+3.1%
Recurring Underlying Profit	2	2,369	2,283	+3.8%
Underlying Profit	3	2,369	2,283	+3.8%
Reported Profit	4	1,218	2,903	-58.0%
		HK cents	HK cents	
Earnings per share, based on:				
Recurring Underlying Profit	2	226.29	214.83	+5.3%
Underlying Profit	3	226.29	214.83	+5.3%
Reported Profit	4	116.35	273.17	-57.4%
Full-year dividends per share		135.00	132.00	+2.3%
		At 31 December		
		2016 HK\$ million	2015 HK\$ million	
Shareholders' Funds	5	67,490	68,172	-1.0%
		HK\$	HK\$	
Net Asset Value per Share	6	64.56	64.48	+0.1%

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 (such as gains or losses on disposal of long-term assets).
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 income statement 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 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 2016 TURNOVER UP 3.1% TO HK\$3,535 MILLION

Results

Hysan Development Company Limited (Stock Code: 00014) today (22 February 2017) announced the Group's **turnover** was HK\$3,535 million in 2016, representing a year-on-year increase of 3.1% from HK\$3,430 million in 2015.

Recurring Underlying Profit, the key measurement of our core leasing business performance, was up 3.8% to HK\$2,369 million (2015: HK\$2,283 million). This primarily reflected the continued improvement in gross profit generated from the Group's retail and office leasing activities. The **Underlying Profit** was also HK\$2,369 million (2015: HK\$2,283 million).

The Group's **Reported Profit** for 2016 was HK\$1,218 million (2015: HK\$2,903 million), a 58.0% decrease from the year before, principally reflecting fair value loss on the Group's investment properties valuation. As at 31 December 2016, the external valuation of the Group's investment property portfolio decreased by 0.3% to HK\$69,633 million (2015: HK\$69,810 million). This reflected the net effect of several factors in play: a worsening retail rental outlook; a sustained positive office rental outlook; a number of enhancement works completed, as well as the construction costs incurred for the Lee Garden Three project during the year.

Shareholders' Funds decreased by 1.0% to HK\$67,490 million (2015: HK\$68,172 million).

Dividends

A second interim dividend of HK109 cents per share (2015: HK107 cents) was announced. The dividend will be payable in cash. Together with the first interim dividend of HK26 cents per share (2015: HK25 cents), there is an aggregate distribution of HK135 cents per share (2015: HK132 cents). Please see the table for all the relevant dates:

Closure of register of members	Thursday, 9 March 2017
Ex-dividend date	Tuesday, 7 March 2017
Latest time to lodge transfer documents	4pm on Wednesday, 8 March 2017
Record date for second interim	Thursday, 9 March 2017
Second interim dividend payment date	On or about Thursday, 23 March 2017

Financial Management

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

Low Gearing

- Total Gross Debt: HK\$6,305 million (31 Dec 2015: HK\$4,875 million)
- Net Debt to Equity: 5.4% (31 Dec 2015: 3.0%)

Stable Debt Profile

- Fixed Rate Debt: 73.4% of the total gross debt (31 Dec 2015: 94.9% of the total gross debt)
- Average Debt Maturity: 4.3 years (31 Dec 2015: 6.3 years)
- Capital Market Issuance: 73.4% (31 Dec 2015: 94.9%)
- Average Cost of Finance: 3.8% (2015: 3.5%)

Strong Credit Rating

- Net Interest Coverage: 23.5 times (2015: 19.5 times)
- Moody's: A3; Standard and Poor's: BBB+

COMMENTS BY MS. IRENE YUN LIEN LEE, CHAIRMAN

Overview

“The anticipated continuation of global political and economic instability in 2016, unfortunately, did materialize, and the United States presidential election in November only added further uncertainty to a year of geopolitical tensions and market volatility.”

“Hong Kong’s economy was buffeted by external headwinds throughout the year. The export performance remained weak while tourism, another pillar of Hong Kong’s economy also continued to lose momentum, with Mainland Chinese visitors showing a significant decline. Local consumer sentiment, supported by a low interest rate environment and stable employment conditions, began to show signs of improvement towards the end of the year. Retail sales performance, affected by the further drop in tourist arrivals, also saw some easing in its year-on-year rate of decline in the last months of 2016. While luxury goods still attracted fewer buyers, some mid-priced to affordable items experienced improved sales.”

“The uncertain global economic climate and the continuing strength of the Dollar have affected sentiment and confidence. Local retail sales, coupled with changes in Mainland tourist spending pattern, have been weak for a number of quarters. This is our new normal. We have and will continue to position ourselves dynamically to capture the opportunities which come from these structural changes.”

“We start off with sound financials. We have a strong balance sheet. Both our topline Turnover and our bottom line Recurring Underlying Profit saw growth against the weak economic backdrop in 2016.”

“Our assets are sound. We are not distracted by any distressed assets. We have well planned property enhancements cycles, balancing longer term projects with those that produce immediate returns.”

“We have been exploring investment opportunities beyond our core Causeway Bay area. These include develop for sale projects. Such projects can become a new engine of growth for Hysan. In late 2016, we launched a successful bid, together with HKR International, for two residential sites at Tai Po’s upscale Lo Fai Road. We remain well positioned to seek further high quality projects aligned to Hysan’s portfolio strategy, both in Hong Kong and beyond, while maintaining the Lee Gardens portfolio as our core focus.”

“We understand the need to have a strong team to provide the necessary knowledge, skills and relationships. Taking into account the macro environment with its uncertainties and opportunities, I will continue to lead the Hysan team as its Executive Chairman. We are also ensuring our talent bench continues to improve with the addition of our Chief Operating Officer, Ricky LUI, who has more than 25 years of experience as a senior executive in the property industry, with deep knowledge of the Hong Kong and Mainland China markets.”

“We are, however, very much aware that we are facing a number of challenges throughout our business, including structural shift in the retail sector.”

“We know that Millennials prefer everything digital. Their online and mobile way of life is only likely to evolve further away from the traditional shopping mindset. There has also been a refocusing on life’s priorities, with health, wellness and lifestyle themes being particularly popular.”

“Among the changes in the public’s shopping habits are the well-documented trends now shown by Mainland Chinese tourists. A range of factors has changed their spending pattern in Hong Kong. These include China’s travel and tax policy changes, a desire for Chinese tourists to visit and shop overseas, buying power fuelled by foreign exchange considerations, as well as China’s slower economic growth and its well-known anti-corruption drive.”

“Hysan also faces more direct competition from our fellow local landlords and their shopping malls. These retail property owners are shifting their focus towards targeting more local customers instead of visitors. At the same time, they are also working actively to attract and retain their tenants.”

“We are also mindful that some of our retail tenants may be feeling extra pressure as their occupancy costs increase. Their wish to consolidate could lead to downward pressure on rents and this consolidation in the number of shops will lead to higher vacancy rates.”

“Our office portfolio is experiencing its own share of structural changes. Grade A office building supply on Hong Kong Island is set to increase in the next few years. On the demand side, we see an increasing trend for open plan and activity-based work spaces. In many cases, companies make use of co-work space either as temporary or more permanent space solutions. In addition, with office and personal mobile technology playing an increasingly important part in promoting efficiency and mobility, the need for fewer headcounts may lead to lower demand for space.”

“Lee Gardens is a community. This is a unique and key differentiation. The district has long been appreciated by locals as a distinct part of Causeway Bay, and indeed, of Hong Kong, where the avenue and streets are spacious and green, forming a calming sanctuary from the buzz of busy, fast moving Causeway Bay. Heritage low rise buildings blend into state-of-the-art high rise buildings. Those who live, work, eat and shop in Lee Gardens form an emotional attachment to the community, and they have felt and will continue to feel at home at Lee Gardens for generations to come.”

“Lee Gardens should be a front-of-mind destination, both for locals and visitors. We strive to innovate and curate content for our physical space and venues. These include refreshing our hardware (real estate), as well as our software (customer service, technology, marketing and events). These are further influenced by the enrichment of our portfolio’s trade and tenant mix, together with our involvement and commitment to our neighbourhood and our community.”

“The above factors are interrelated. Hysan, our tenants, the wider members of the Lee Gardens community, regular and casual consumers and office visitors alike are all our stakeholders, and they all contribute to and benefit from our multi-dimensional curation. By encouraging interaction and collaboration amongst all parties, Hysan ensures that these stakeholders will help shape Lee Gardens as a retail, office and residential venue not just for today, but as a sustainable destination for the long term.”

Outlook

“Political and economic volatility in the global environment remain. The anticipated U.S. interest rate hike and the Chinese economic slowdown are among a number of factors that will keep local consumer sentiment relatively weak in 2017.

We have laid out our strategy to curate Lee Gardens as a community. We believe Hysan is well positioned for the challenges ahead.”

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	<u>Notes</u>	<u>2016</u> <i>HK\$ million</i>	<u>2015</u> <i>HK\$ million</i>
Turnover	3	3,535	3,430
Property expenses		(428)	(414)
Gross profit		3,107	3,016
Investment income		50	54
Administrative expenses		(219)	(234)
Finance costs		(178)	(204)
Change in fair value of investment properties		(1,187)	695
Share of results of an associate		237	246
Profit before taxation		1,810	3,573
Taxation	5	(463)	(438)
Profit for the year	6	1,347	3,135
Profit for the year attributable to:			
Owners of the Company		1,218	2,903
Non-controlling interests		129	232
		1,347	3,135
Earnings per share (expressed in HK cents)	7		
Basic		116.35	273.17
Diluted		116.33	273.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<u>Note</u>	<u>2016</u> <i>HK\$ million</i>	<u>2015</u> <i>HK\$ million</i>
Profit for the year		<u>1,347</u>	<u>3,135</u>
Other comprehensive income	8		
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value change of equity investments		-	36
Gains on revaluation of properties held for own use		<u>18</u>	<u>9</u>
		<u>18</u>	<u>45</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net adjustments to hedging reserve		78	(40)
Share of translation reserve of an associate		<u>(236)</u>	<u>(240)</u>
		<u>(158)</u>	<u>(280)</u>
Other comprehensive expense for the year (net of tax)		<u>(140)</u>	<u>(235)</u>
Total comprehensive income for the year		<u><u>1,207</u></u>	<u><u>2,900</u></u>
Total comprehensive income attributable to:			
Owners of the Company		1,078	2,668
Non-controlling interests		<u>129</u>	<u>232</u>
		<u><u>1,207</u></u>	<u><u>2,900</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<u>Notes</u>	<u>2016</u> <i>HK\$ million</i>	<u>2015</u> <i>HK\$ million</i>
Non-current assets			
Investment properties		69,633	69,810
Property, plant and equipment		720	705
Investment in an associate		3,497	3,683
Investment in a joint venture		145	-
Loan to a joint venture		873	-
Term notes		733	935
Other financial assets		13	7
Other receivables	10	135	227
		<u>75,749</u>	<u>75,367</u>
Current assets			
Loan to a joint venture		1,018	-
Accounts and other receivables	10	196	201
Term notes		422	415
Other financial assets		6	1
Time deposits		2,551	2,743
Cash and bank balances		79	61
		<u>4,272</u>	<u>3,421</u>
Current liabilities			
Accounts payable and accruals	11	935	470
Rental deposits from tenants		339	296
Amounts due to non-controlling interests		327	327
Borrowings		1,180	250
Taxation payable		112	120
		<u>2,893</u>	<u>1,463</u>
Net current assets		<u>1,379</u>	<u>1,958</u>
Total assets less current liabilities		<u>77,128</u>	<u>77,325</u>
Non-current liabilities			
Borrowings		5,113	4,609
Other financial liabilities		1	71
Rental deposits from tenants		578	594
Deferred taxation		751	683
		<u>6,443</u>	<u>5,957</u>
Net assets		<u>70,685</u>	<u>71,368</u>
Capital and reserves			
Share capital		7,673	7,642
Reserves		59,817	60,530
Equity attributable to owners of the Company		<u>67,490</u>	<u>68,172</u>
Non-controlling interests		<u>3,195</u>	<u>3,196</u>
Total equity		<u>70,685</u>	<u>71,368</u>

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 2015.

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 2016. 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.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ⁴
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
Amendments to HKFRS 15	Classification to HKFRS 15 Revenue from Contracts with Customers ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 7	Disclosure Initiatives ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹

¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ 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.

⁴ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

⁵ Effective for annual periods beginning on or after a date to be determined.

The Directors of the Company anticipate that the application of these new and amendments to HKFRSs will have no material impact on the results and financial position of the Group.

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

Segment turnover and results

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

	<u>Retail</u> <i>HK\$ million</i>	<u>Office</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
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

For the year ended 31 December 2015

Turnover				
Gross rental income from investment properties	1,767	1,096	254	3,117
Management fee income	135	147	31	313
Segment revenue	1,902	1,243	285	3,430
Property expenses	(239)	(124)	(51)	(414)
Segment profit	1,663	1,119	234	3,016
Investment income				54
Administrative expenses				(234)
Finance costs				(204)
Change in fair value of investment properties				695
Share of results of an associate				246
Profit before taxation				3,573

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

Segment profit represents the profit earned by each segment without allocation of 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.

	<u>Retail</u> <i>HK\$ million</i>	<u>Office</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
As at 31 December 2016				
Segment assets	33,089	23,833	7,859	64,781
Investment properties under redevelopment				4,860
Investment in an associate				3,497
Investment in and loan to a joint venture				2,036
Other assets				4,847
				<hr/>
Consolidated assets				80,021 <hr/> <hr/>
As at 31 December 2015				
Segment assets	34,236	23,111	7,834	65,181
Investment properties under redevelopment				4,637
Investments in an associate				3,683
Other assets				5,287
				<hr/>
Consolidated assets				78,788 <hr/> <hr/>

Segment assets represented the investment properties and accounts receivable of each segment without allocation of investment properties under redevelopment, property, plant and equipment, investments in an associate, investment in and loan to a joint venture, 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\$3,497 million (2015: HK\$3,683 million), all the Group's assets are located in Hong Kong.

Other segment information

	<u>Retail</u> <i>HK\$ million</i>	<u>Office</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
For the year ended 31 December 2016				
Additions to non-current assets	325	95	20	440
Additions to investment properties under redevelopment				<u>570</u>
				<u><u>1,010</u></u>
For the year ended 31 December 2015				
Additions to non-current assets	99	57	11	167
Additions to investment properties under redevelopment				<u>213</u>
				<u><u>380</u></u>

5. Taxation

	<u>2016</u> <i>HK\$ million</i>	<u>2015</u> <i>HK\$ million</i>
Current tax		
Hong Kong profits tax		
- current year	400	382
- (overprovision) underprovision in prior years	<u>(1)</u>	<u>2</u>
	399	384
Deferred tax	<u>64</u>	<u>54</u>
	<u><u>463</u></u>	<u><u>438</u></u>

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

6. Profit For The Year

	<u>2016</u> <i>HK\$ million</i>	<u>2015</u> <i>HK\$ million</i>
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	<u>3</u>	<u>3</u>
Depreciation of property, plant and equipment	<u>22</u>	<u>21</u>
Gross rental income from investment properties including contingent rentals of HK\$46 million (2015: HK\$71 million)	(3,215)	(3,117)
Less:		
- Direct operating expenses arising from properties that generated rental income	410	403
- Direct operating expenses arising from properties that did not generate rental income	<u>18</u>	<u>11</u>
	<u>(2,787)</u>	<u>(2,703)</u>
Staff costs, comprising:		
- Directors' emoluments	23	38
- Share-based payments	3	3
- Other staff costs	<u>233</u>	<u>239</u>
	<u>259</u>	<u>280</u>
Share of income tax of an associate (included in share of results of an associate)	<u>101</u>	<u>104</u>

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:

	<u>Earnings</u>	
	<u>2016</u> <i>HK\$ million</i>	<u>2015</u> <i>HK\$ million</i>
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	<u>1,218</u>	<u>2,903</u>

	<u>Number of shares</u>	
	<u>2016</u>	<u>2015</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,046,870,824	1,062,690,556
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>170,710</u>	<u>216,828</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,047,041,534</u>	<u>1,062,907,384</u>

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:

	<u>2016</u>		<u>2015</u>	
	Basic earnings per share		Basic earnings per share	
	<u>Profit</u>	<u>share</u>	<u>Profit</u>	<u>share</u>
	<i>HK\$ million</i>	<i>HK cents</i>	<i>HK\$ million</i>	<i>HK cents</i>
Profit for the year attributable to owners of the Company	1,218	116.35	2,903	273.17
Change in fair value of investment properties	1,187	113.39	(695)	(65.40)
Effect of non-controlling interests' shares	(30)	(2.87)	79	7.43
Share of change in fair value of investment properties (net of deferred taxation) of an associate	<u>(6)</u>	<u>(0.58)</u>	<u>(4)</u>	<u>(0.37)</u>
Underlying Profit	<u>2,369</u>	<u>226.29</u>	<u>2,283</u>	<u>214.83</u>
Recurring Underlying Profit	<u>2,369</u>	<u>226.29</u>	<u>2,283</u>	<u>214.83</u>

Notes:

- (1) Recurring Underlying Profit is arrived at by excluding from Underlying Profit items that are non-recurring in nature (such as gains or losses on disposal of long-term assets). As there were no such adjustments in both years, the Recurring Underlying Profit is 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

	<u>2016</u> <i>HK\$ million</i>	<u>2015</u> <i>HK\$ million</i>
Other comprehensive income comprises:		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value change of equity investments	-	36
Revaluation of properties held for own use:		
Gains on revaluation of properties held for own use	22	10
Deferred taxation arising on revaluation	(4)	(1)
	<u>18</u>	<u>9</u>
	<u>18</u>	<u>45</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Derivatives designated as cash flow hedges:		
Net gains (losses) arising during the year	77	(39)
Reclassification adjustments for net gains (losses) included in profit or loss	1	(3)
	<u>78</u>	<u>(42)</u>
Amortisation of forward element excluded from hedge designation	-	2
	<u>78</u>	<u>(40)</u>
Share of translation reserve of an associate	(236)	(240)
	<u>(158)</u>	<u>(280)</u>
Other comprehensive expenses for the year (net of tax)	<u>(140)</u>	<u>(235)</u>

9. Dividends

(a) Dividends recognised as distribution during the year:

	<u>2016</u> <i>HK\$ million</i>	<u>2015</u> <i>HK\$ million</i>
2016 first interim dividend paid – HK26 cents per share	272	-
2015 first interim dividend paid – HK25 cents per share	-	266
2015 second interim dividend paid – HK107 cents per share	1,122	-
2014 second interim dividend paid – HK100 cents per share	-	1,064
	<u>1,394</u>	<u>1,330</u>

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

	<u>2016</u> <i>HK\$ million</i>	<u>2015</u> <i>HK\$ million</i>
Second interim dividend (in lieu of a final dividend) - HK109 cents per share (2015: HK107 cents per share)	<u>1,139</u>	<u>1,122</u>

The second interim dividend is not recognised as a liability as at 31 December 2016 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 2017.

The declared second interim dividend will be payable in cash.

10. Accounts and Other Receivables

	<u>2016</u> <i>HK\$ million</i>	<u>2015</u> <i>HK\$ million</i>
Accounts receivable	8	8
Interest receivable	50	59
Prepayments in respect of investment properties	76	121
Other receivables and prepayments	197	240
	<hr/>	<hr/>
Total	331	428
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Current assets	196	201
Non-current assets	135	227
	<hr/>	<hr/>
	331	428
	<hr/> <hr/>	<hr/> <hr/>

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\$8 million (2015: HK\$8 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

At the end of the reporting period, none of the accounts receivable was past due but not impaired.

11. Accounts Payable and Accruals

	<u>2016</u> <i>HK\$ million</i>	<u>2015</u> <i>HK\$ million</i>
Accounts payable	149	146
Interest payable	75	73
Other payables	450	251
Compensation received in advance (<i>Note</i>)	261	-
	<hr/>	<hr/>
	935	470
	<hr/> <hr/>	<hr/> <hr/>

Note:

The amount represents a one-off early surrender compensation received from a tenant which will be recognised as compensation income upon 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\$103 million (2015: HK\$99 million) were aged less than 90 days.