

To: Business/Property Editor

 Date: 4 August 2017  
 For immediate release

**HYSAN DEVELOPMENT COMPANY LIMITED  
2017 INTERIM RESULTS**

**HIGHLIGHTS**

- Turnover up 1.8% year-on-year; Recurring Underlying Profit up 4.2%
- Retail portfolio occupancy at 99%; Office portfolio occupancy at 94%
- Demand for quality Grade A office space in core commercial district supports the strong demand in forthcoming Lee Garden Three

**RESULTS**

		Six months ended 30 June		
	<i>Notes</i>	2017	2016	Change
		HK\$ million	HK\$ million	
Turnover	1	1,791	1,760	+1.8%
Recurring Underlying Profit	2	1,227	1,178	+4.2%
Underlying Profit	3	1,227	1,178	+4.2%
Reported Profit	4	746	899	-17.0%
		HK cents	HK cents	
Earnings per share, based on:				
Recurring Underlying Profit	2	117.37	112.41	+4.4%
Underlying Profit	3	117.37	112.41	+4.4%
Reported Profit	4	71.36	85.78	-16.8%
First Interim Dividend per share		26.00	26.00	-
		At 30 June 2017	At 31 December 2016	
		HK\$ million	HK\$ million	
Shareholders' Funds	5	67,163	67,490	-0.5%
		HK\$	HK\$	
Net Asset Value per share	6	64.24	64.56	-0.5%

**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 interim period end/year-end.

## **HYSAN DEVELOPMENT FIRST HALF 2017 RECURRING UNDERLYING PROFIT UP 4.2% TO HK\$1,227 MILLION**

### **Results**

Hysan Development Company Limited (Stock Code: 00014) today (4 August 2017) announced the Group's **turnover** was HK\$1,791 million in the first half of 2017, representing a year-on-year increase of 1.8% from HK\$1,760 million in the first half of 2016.

**Recurring Underlying Profit**, the key measurement of our core leasing business performance, was up 4.2% to HK\$1,227 million (2016: HK\$1,178 million). This primarily reflected the increase in gross profit generated from the Group's retail and office leasing activities. The **Underlying Profit** was also HK\$1,227 million (2016: HK\$1,178 million).

The Group's **Reported Profit** for the first half of 2017 was HK\$746 million (2016: HK\$899 million), a 17.0% decrease from the year before, due to fair value loss on investment properties of HK\$775 million (2016: HK\$280 million). As at 30 June 2017, the external valuation of the Group's investment property portfolio was HK\$69,628 million (31 December 2016: HK\$69,633 million). This reflected the net effect of several factors in play: an uncertain 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 this period.

**Shareholders' Funds** decreased by 0.5% to HK\$67,163 million (31 December 2016: HK\$67,490 million).

### **Dividends**

A first interim dividend of HK26 cents per share (2016: HK26 cents) was announced. The dividend will be payable in cash. Please see the table for all the relevant dates:

Closure of register of members	Monday, 21 August 2017
Ex-dividend date	Thursday, 17 August 2017
Latest time to lodge transfer documents	4pm on Friday, 18 August 2017
Record date for first interim dividend	Monday, 21 August 2017
First interim dividend payment date	On or about Wednesday, 30 August 2017

## **Financial Management**

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

### **Low Gearing**

- Total Gross Debt: HK\$6,392 million (31 Dec 2016: HK\$6,305 million)
- Net Debt to Equity: 4.5% (31 Dec 2016: 5.4%)

### **Stable Debt Profile**

- Fixed Rate Debt: 72.6% of the total gross debt (31 Dec 2016: 73.4% of the total gross debt)
- Average Debt Maturity: 4.8 years (31 Dec 2016: 4.3 years)
- Capital Market Issuance: 72.6% (31 Dec 2016: 73.4%)
- Average Cost of Finance: 3.4% (2016: 3.8%)

### **Strong Credit Rating**

- Net Interest Coverage: 20.0 times (2016: 21.6 times)
- Moody's: A3; Standard and Poor's: BBB+

## COMMENTS BY MS. IRENE YUN LIEN LEE, CHAIRMAN

### Overview

“An overall improvement in trade and industrial output, as well as rising business and consumer confidence, led to a modest growth in the global economy during the first half of 2017.”

“Hong Kong’s economy echoed this positive sentiment. Strong consumer spending and a readiness to invest in property were among the factors contributing to economic growth. These trends, together with an increase in trade flows, anchored a healthy employment situation. Tourism figures also saw some recovery after several quarters of weak performance.”

“Against this positive backdrop, local retail sales for the first half of 2017 remained reasonably stable. Even luxury goods’ sales rallied after months of decline. Sales performance in mid-priced to affordable items was varied.”

“Retail is most affected by the structural adjustments generated by e-commerce and the corresponding changes in consumer behaviour. We continue to adapt and position our portfolio to address the changing market.”

“We believe shopping experience must combine quality service with content that is constantly refreshed, relevant and personalised. Although online browsing and purchasing may have advantages in terms of efficiency, we aim to give our shoppers and visitors much more than simple convenience in ways that cannot be replicated online. The physical store definitely continues to play an important but changing role, as it provides the backdrop to supply content and entertainment. When it comes to content, we take an integrated approach on a number of elements: collaborating with tenants and other stakeholders to host activities and events; expanding our loyalty programmes; and making extensive use of technology in our promotions and customer interface.”

“This year we hosted a number of unique events for our customers through collaboration with a range of partners. We launched a successful Cathay Pacific/HSBC Rugby Sevens Fan Walk in the Lee Gardens area in April. The route from the MTR to the Hong Kong Stadium became a festive site with street performers, games and food stalls, a stage for rugby celebrities, as well as a giant TV screen showing live rugby matches. We developed several technology-based games during the event which were well received both in and out of the stadium. A range of e-coupons for dining and shopping were given out to those who made use of the event’s mini website which brought in healthy business for our tenants. Our “Leeisure” programme, which rewarded high-spending shoppers with vouchers, was another successful example of our effort to help enhance tenant sales. This summer, our popular lifestyle and bookstore tenant eslite is turning a number of our Hysan spaces into areas for reading and musical enjoyment.”

“We have also worked closely with a number of district stakeholders in our continual curation of the Lee Gardens community. Together with Lee Gardens Association, the neighbourhood group that promotes the area’s businesses and events, we created the first ever Egglette Festival to celebrate the popular street food, with tens of thousands of people in attendance. Much of the pre-event attention was garnered through a strong online social media campaign. Hysan is also hosting a heritage exhibition this summer to bring back fond memories of the iconic Lee Gardens Hotel.”

“Special marketing efforts are aimed at recruiting new members for our loyalty programmes, namely the Lee Gardens Plus for our commercial tenants’ staff and residential tenants, as well as the VIP Club Avenue. To this end, we are forming partnerships with a number of commercial entities with high-net-worth members, with the intention of creating win-win opportunities both for us and for their members.”

“We have also added resources to our visitors’ marketing programme through a range of commercial partnerships which are expected to enhance our profile in markets beyond Hong Kong. Social media has played a critical role in bringing the news of our latest events and activities to potential Lee Gardens visitors from Mainland China and overseas.”

“We believe our integrated approach towards making our retail portfolio stand out from the others is bearing fruit. What we do should also be enhanced by the clustering effect of having our retail operation entirely in the prime district of Causeway Bay. We will continue to take advantage of our geographical concentration which magnifies the popularity of our shopping and dining offerings.”

“Our office portfolio continues to benefit from the migration of both multinational and local companies from Central to other core districts of Hong Kong Island. This trend is being further encouraged by the natural advantages offered by Causeway Bay and Lee Gardens as convenient and accessible locations, as well as by the broad selection of lifestyle offerings for those who work in the area.”

“The office sector also faces its own structural challenges, so Hysan is responding to the changes by partnering, for example, with up-and-coming co-work space providers to create work-based communities.”

“The need for quality Grade A office space in Hong Kong’s core commercial district is reflected in the strong demand for office space in our forthcoming Lee Garden Three building. The office portion, which takes up about 80% of the tower’s gross floor area, has received rental commitments for more than half of its floor space. The quality of the building, its green and wellness credentials, as well as its location close to the main transportation hubs ensure its popularity with international and local companies. In regard to the building’s retail podium, we expect to see a good number of stylish informal food and beverage venues being established to further enhance the area’s reputation as a dining destination.”

“Our Tai Po Lo Fai Road residential joint-venture project’s master layout plan has been established, and its design and statutory submission are in good progress. The site investigation has also been completed. We will continue to seek similar opportunities to build our new engines of growth beyond our core Lee Gardens portfolio.”

## **Outlook**

“The global economic growth trajectory looks set to continue in a modest way, despite a climate of geopolitical uncertainty. Hong Kong’s overall fundamentals are also in a better shape than this time last year.

Hysan continues to implement a number of measures to meet the structural changes faced by our core business units, and we look forward to welcoming our new Lee Garden Three tenants upon the building’s completion later this year.”

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### **For enquiries, please contact:**

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## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017 (unaudited)

	<u>Notes</u>	<b>Six months ended 30 June</b>	
		<b><u>2017</u></b>	<b><u>2016</u></b>
		<b>HK\$ million</b>	<b>HK\$ million</b>
Turnover	4	<b>1,791</b>	1,760
Property expenses		<b>(188)</b>	(205)
Gross profit		<b>1,603</b>	1,555
Investment income		<b>38</b>	25
Administrative expenses		<b>(106)</b>	(116)
Finance costs		<b>(75)</b>	(92)
Change in fair value of investment properties		<b>(775)</b>	(280)
Share of results of an associate		<b>106</b>	118
Profit before taxation		<b>791</b>	1,210
Taxation	6	<b>(243)</b>	(229)
<b>Profit for the period</b>	<b>7</b>	<b>548</b>	981
Profit for the period attributable to:			
Owners of the Company		<b>746</b>	899
Non-controlling interests		<b>(198)</b>	82
		<b>548</b>	981
<b>Earnings per share</b> (expressed in HK cents)			
Basic	8	<b>71.36</b>	85.78
Diluted	8	<b>71.34</b>	85.78

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017 (unaudited)

	Six months ended 30 June	
	<u>2017</u>	<u>2016</u>
	HK\$ million	HK\$ million
<b>Profit for the period</b>	<u>548</u>	<u>981</u>
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Revaluation of properties held for own use:		
Gains on revaluation of properties held for own use	26	13
Deferred taxation arising on revaluation	(4)	(2)
	<u>22</u>	<u>11</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Derivatives designated as cash flow hedges:		
Net (losses) gains arising during the period	(60)	64
Reclassification adjustments for net losses included in profit or loss	(10)	(3)
	<u>(70)</u>	<u>61</u>
Share of translation reserve of an associate	108	(74)
	<u>38</u>	<u>(13)</u>
<b>Other comprehensive income (expenses) for the period (net of tax)</b>	<u>60</u>	<u>(2)</u>
<b>Total comprehensive income for the period</b>	<u><u>608</u></u>	<u><u>979</u></u>
Total comprehensive income attributable to:		
Owners of the Company	806	897
Non-controlling interests	(198)	82
	<u><u>608</u></u>	<u><u>979</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 (unaudited)

	<u>Notes</u>	At 30 June <u>2017</u> HK\$ million	At 31 December <u>2016</u> HK\$ million (audited)
<b>Non-current assets</b>			
Investment properties		69,628	69,633
Property, plant and equipment		742	720
Investments in an associate		3,711	3,497
Investment in a joint venture		147	145
Loan to a joint venture		930	873
Term notes		330	733
Other financial assets		3	13
Other receivables	10	158	135
		<u>75,649</u>	<u>75,749</u>
<b>Current assets</b>			
Loan to a joint venture		-	1,018
Accounts and other receivables	10	171	196
Term notes		579	422
Other financial assets		1	6
Time deposits		3,062	2,551
Cash and bank balances		321	79
		<u>4,134</u>	<u>4,272</u>
<b>Current liabilities</b>			
Accounts payable and accruals	11	974	935
Rental deposits from tenants		399	339
Amounts due to non-controlling interests		327	327
Borrowings		150	1,180
Taxation payable		233	112
		<u>2,083</u>	<u>2,893</u>
<b>Net current assets</b>		<u>2,051</u>	<u>1,379</u>
<b>Total assets less current liabilities</b>		<u>77,700</u>	<u>77,128</u>
<b>Non-current liabilities</b>			
Borrowings		6,230	5,113
Other financial liabilities		46	1
Rental deposits from tenants		544	578
Deferred taxation		782	751
		<u>7,602</u>	<u>6,443</u>
<b>Net assets</b>		<u>70,098</u>	<u>70,685</u>
<b>Capital and reserves</b>			
Share capital		7,678	7,673
Reserves		59,485	59,817
<b>Equity attributable to owners of the Company</b>		<u>67,163</u>	<u>67,490</u>
<b>Non-controlling interests</b>		<u>2,935</u>	<u>3,195</u>
<b>Total equity</b>		<u>70,098</u>	<u>70,685</u>

**Notes:****1. Independent Review**

The interim results for the six months ended 30 June 2017 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), by Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements is included in the interim report to be sent to shareholders. The interim results have also been reviewed by the Group’s Audit Committee.

**2. Basis of Preparation**

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA.

The financial information relating to the year ended 31 December 2016 that is included in this result announcement as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

**3. Principal Accounting Policies**

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

In the current period, the Group has applied all of the Amendments to Standards issued by the HKICPA 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 Standards had no material effect on the results and financial position of the Group and/or disclosures set out in these unaudited condensed consolidated financial statements for the current and/ or prior accounting periods.

The accounting policies and methods of computations followed in the preparation of the unaudited condensed consolidated financial statements are the same as those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016.

## New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>3</sup>
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>3</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 40	Transfers of Investment Properties <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle except for amendments to HKFRS12 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>2</sup> 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.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

<sup>4</sup> 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 standards, amendments and interpretation to HKFRSs will have no material impact on the results and financial position of the Group.

#### **4. Turnover**

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

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.

## 5. Segment Information

Based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the executive Chairman of the Company) 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> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Consolidated</u> HK\$ million
<i>For the six months ended 30 June 2017 (unaudited)</i>				
<b>Turnover</b>				
Gross rental income from investment properties	<b>912</b>	<b>598</b>	<b>120</b>	<b>1,630</b>
Management fee income	<b>73</b>	<b>74</b>	<b>14</b>	<b>161</b>
<b>Segment revenue</b>	<b>985</b>	<b>672</b>	<b>134</b>	<b>1,791</b>
Property expenses	<b>(103)</b>	<b>(62)</b>	<b>(23)</b>	<b>(188)</b>
<b>Segment profit</b>	<b>882</b>	<b>610</b>	<b>111</b>	<b>1,603</b>
Investment income				<b>38</b>
Administrative expenses				<b>(106)</b>
Finance costs				<b>(75)</b>
Change in fair value of investment properties				<b>(775)</b>
Share of results of an associate				<b>106</b>
Profit before taxation				<b>791</b>

	<u>Retail</u> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Consolidated</u> HK\$ million
<i>For the six months ended 30 June 2016 (unaudited)</i>				
<b>Turnover</b>				
Gross rental income from investment properties	916	560	124	1,600
Management fee income	<u>70</u>	<u>75</u>	<u>15</u>	<u>160</u>
<b>Segment revenue</b>	986	635	139	1,760
Property expenses	<u>(102)</u>	<u>(78)</u>	<u>(25)</u>	<u>(205)</u>
<b>Segment profit</b>	<u>884</u>	<u>557</u>	<u>114</u>	1,555
Investment income				25
Administrative expenses				(116)
Finance costs				(92)
Change in fair value of investment properties				(280)
Share of results of an associate				<u>118</u>
Profit before taxation				<u>1,210</u>

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 administration costs and directors' salaries), finance costs, change in fair value of investment properties and share of results of an associate. This is the measure reported to the executive Chairman of the Company for the purposes 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> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Consolidated</u> HK\$ million
<i>As at 30 June 2017 (unaudited)</i>				
<b>Segment assets</b>	<b>31,836</b>	<b>24,821</b>	<b>7,865</b>	<b>64,522</b>
Investment properties under redevelopment				<b>5,119</b>
Investment in an associate				<b>3,711</b>
Investment in and loan to a joint venture				<b>1,077</b>
Other assets				<b>5,354</b>
Consolidated assets				<b>79,783</b>
<i>As at 31 December 2016 (audited)</i>				
<b>Segment assets</b>	<b>33,089</b>	<b>23,833</b>	<b>7,859</b>	<b>64,781</b>
Investment properties under redevelopment				<b>4,860</b>
Investment in an associate				<b>3,497</b>
Investment in and loan to a joint venture				<b>2,036</b>
Other assets				<b>4,847</b>
Consolidated assets				<b>80,021</b>

No segment liabilities analysis is presented as the Group's liabilities are monitored on a group basis.

## 6. Taxation

	<b>Six months ended 30 June</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
Current tax		
Hong Kong profits tax (for current period)	<b>216</b>	200
Deferred tax	<b>27</b>	29
	<b>243</b>	229

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

## 7. Profit for the Period

	<b>Six months ended 30 June</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<b>12</b>	<b>9</b>
Gross rental income from investment properties including contingent rental of HK\$25 million (2016: HK\$28 million)	<b>(1,630)</b>	<b>(1,600)</b>
Less:		
- Direct operating expenses arising from properties that generated rental income	<b>183</b>	<b>198</b>
- Direct operating expenses arising from properties that did not generate rental income	<b>5</b>	<b>7</b>
	<b>(1,442)</b>	<b>(1,395)</b>
Net interest income	<b>(38)</b>	<b>(25)</b>
Staff costs, comprising:		
- Directors' emoluments	<b>8</b>	<b>16</b>
- Other staff costs	<b>112</b>	<b>129</b>
	<b>120</b>	<b>145</b>
Share of income tax of an associate (included in share of results of an associate)	<b>46</b>	<b>52</b>

## 8. 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:

	<b>Earnings</b>	
	<b>Six months ended 30 June</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	<b>746</b>	<b>899</b>
	<b>1,045,374,861</b>	<b>1,047,978,938</b>
	<b>282,061</b>	<b>66,139</b>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,045,656,922</b>	<b>1,048,045,077</b>

In both periods, 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 were 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 period attributable to the owners of the Company should be adjusted in the calculation of basic earnings per share as follows:

	Six months ended 30 June			
	2017		2016	
	<u>Profit</u>	<u>Basic earnings per share</u>	<u>Profit</u>	<u>Basic earnings per share</u>
	HK\$ million	HK cents	HK\$ million	HK cents
Profit for the period attributable to owners of the Company	746	71.36	899	85.78
Change in fair value of investment properties	775		280	
Effect of non-controlling interests' shares	(280)		1	
Share of change in fair value of investment properties (net of deferred taxation) of an associate	(1)		(2)	
Imputed interest income on the non-current interest-free loan to a joint venture	(13)		-	
<b>Underlying Profit</b>	<b>1,227</b>	<b>117.37</b>	<b>1,178</b>	<b>112.41</b>
<b>Recurring Underlying Profit</b>	<b>1,227</b>	<b>117.37</b>	<b>1,178</b>	<b>112.41</b>

*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 the six months ended 30 June 2017 and 30 June 2016, the Recurring Underlying Profit is the same as the Underlying Profit.
- (2) The denominators used in calculating the adjusted earnings per share are the same as those detailed above for basic earnings per share.

## 9. Dividends

(a) Dividends recognised as distribution during the period:

	<b>Six months ended 30 June</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
2016 second interim dividend paid – HK109 cents per share	<b>1,139</b>	-
2015 second interim dividend paid – HK107 cents per share	-	1,122
	<b><u>1,139</u></b>	<b><u>1,122</u></b>

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

	<b>Six months ended 30 June</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
First interim dividend declared – HK26 cents per share (2016: HK26 cents per share)	<b>272</b>	272

The first interim dividend is not recognised as a liability as at 30 June 2017 and 30 June 2016 because it has been declared after the end of the reporting period.

The declared 2017 first interim dividend will be payable in cash.

## 10. Accounts and Other Receivables

	<b>At 30 June</b>	<b>At 31 December</b>
	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
Accounts receivable	<b>13</b>	8
Interest receivable	<b>45</b>	50
Prepayments in respect of investment properties	<b>76</b>	76
Other receivables and prepayments	<b>195</b>	197
	<b><u>329</u></b>	<b><u>331</u></b>
Analysis for reporting purposes as:		
Current assets	<b>171</b>	196
Non-current assets	<b>158</b>	135
	<b><u>329</u></b>	<b><u>331</u></b>

Rents from leasing of investment properties are normally received in advance. At 30 June 2017, accounts receivable of the Group with carrying amount of HK\$13 million (31 December 2016: HK\$8 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

## 11. Accounts Payable and Accruals

	<b>At 30 June 2017 HK\$ million</b>	At 31 December 2016 HK\$ million
Accounts payable	133	149
Interest payable	87	75
Other payables	493	450
Compensation received in advance ( <i>Note</i> )	261	261
	<u>974</u>	<u>935</u>

*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.*

As at 30 June 2017, accounts payable of the Group with carrying amount of HK\$67 million (31 December 2016: HK\$103 million) were aged less than 90 days.