Hysan 希慎

Hysan Development Company Limited
希慎興業有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code：00014)

PRELIMINARY ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

- **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

		Year ended 31 December		
		2016	2015	
	Notes	**HK$ million**	HK$ million	Change
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	2015	
		HK$ million	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.*

CHAIRMAN'S STATEMENT

The Bigger Picture

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.

Where we are

We start off with sound financials. We have a strong balance sheet. Both our top line Turnover and our bottom line Recurring Underlying Profit saw growth against the weak economic backdrop in 2016. Occupancy levels for our main commercial portfolio continued to be strong. We will have more details on these figures in our "Results" section.

Our assets are sound. We are not distracted by any distressed assets. We have well planned property enhancement cycles, balancing longer term projects with those that produce immediate returns. Among the projects, Lee Garden Three's development work is expected to complete ahead of schedule. Lee Garden One's refurbishment was completed in 2016, with Valentino opening its flagship store in January 2017.

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 for two residential sites at Tai Po's upscale Lo Fai Road. We are pleased to be partnering HKR International on this project, as the company has a recognised track record for developing quality low density residential projects. 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.

Complementing our quality portfolio, 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 in depth and breadth. Mr. Ricky LUI recently joined Hysan as our Chief Operating Officer. Ricky has more than 25 years of experience as a senior executive in the property industry. His extensive operating experience in the field, with a strong focus on Mainland China and Hong Kong, as well as deep knowledge of a number of overseas markets, will provide further expertise to help us forge ahead.

Our Challenges

All these positive factors contributed to our robust performance in 2016. We are, however, very much aware that we are facing a number of challenges throughout our business. Let us, therefore, start with the structural shift in the retail sector.

We spoke in our interim report about Millennials preferring 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. This change in lifestyle pattern is also influencing our food and beverage offerings. Lighter and healthier eating and drinking choices, offered in stylish and relaxed informal venues, are becoming increasingly popular. Among the changes in shopping habits are the well-documented trends now shown by Mainland Chinese tourists. Although Hysan's portfolio does not rely heavily on their patronage, they still form a significant group when it comes to spending. 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 other 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 had a head start in creating a well-balanced retail portfolio and a sought after loyalty programme. Our competitors are now rapidly catching up.

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, inevitably, 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, hence lower demand for space, is creating further uncertainty for our office leasing business.

Our business units' ability to succeed must be buttressed by effective support functions. Among the most important are the provision of efficient IT system and automated processes to drive efficiency and productivity. Using our customer relationship management system and intensifying our technology to promote social media will help our frontline property management, our leasing team and our marketing team to better service our loyalty programme, and to target and market to our existing and new customers.

Our Recipe to Curate a Community and Destination

Our strong financial position underpinning our sound and diversified property portfolio should place us in a strong position. However, the challenges and structural changes we face, both in the retail and office sectors, are real and will be addressed.

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.

One good example of the interaction involves newer members of the community. Although fewer tourists from across the border are visiting Hong Kong, there is a growing population of Mainland Chinese professionals and their families who work and live in Hong Kong. Their working, shopping and dining habits are increasingly indifferentiable from longer-term Hong Kong residents, both ethnic Chinese and those from other parts of the world. Through their daily interaction with other stakeholders in our portfolio, they have become part of our multinational Lee Gardens community.

Lee Garden Three is our new building with an anticipated completion date in late 2017. Following in the footsteps of our renowned green commercial building Hysan Place, the new structure will aim for the highest BEAM Plus environmental standard. The partial green roof will help reduce the building's heat island effect and improve the area's microclimate. A garden with flora to attract butterflies will also be established to enhance the building's biodiversity. Further green walls will adorn the building's exterior. An indoor jogging track will be installed to promote health and wellness among the office users. With these features, we hope to further contribute both to the community's environment, as well as to the well-being of those who work and shop there. A high quality office and retail building is expected to attract renowned multinational companies as tenants. Again, we are focused on promoting multi-dimensional interaction involving the landlord, tenants, workers and the community.

Business Performance

The Group's 2016 turnover was HK$3,535 million, up 3.1% from HK$3,430 million in 2015. At year-end 2016, our retail portfolio occupancy was 99%. Occupancy of our office portfolio was 96%, and the residential portfolio was 82%.

Recurring Underlying Profit, our key core leasing business performance indicator, and Underlying Profit were both HK$2,369 million (both up 3.8% from HK$2,283 million in 2015). These results primarily reflected the continued improvement in gross profit generated from our retail and office leasing activities. Basic earnings per share based on Recurring Underlying Profit was HK226.29 cents (2015: HK214.83 cents) up 5.3%.

The Group's Reported Profit for 2016 was HK$1,218 million (2015: HK$2,903 million), down 58.0%. This reflected fair value loss of HK$1,187 million (2015: fair value gain of HK$695 million) on the Group's investment properties valuation. As at year-end 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 asset enhancement works completed, as well as the construction costs incurred for the Lee Garden Three project during the year. The capitalisation rates of each portfolio remained unchanged from those used as at 31 December 2015.

Shareholders' Funds decreased by 1.0% to HK$67,490 million (2015: HK$68,172 million), principally reflecting the valuation change of the investment properties.

Our financial position remained strong, with net interest coverage of 23.5 times (2015: 19.5 times) and net debt to equity ratio of 5.4% (2015: 3.0%).

Capital Management

The Board of Directors (the "Board") is pleased to declare a second interim dividend of HK109 cents per share (2015: HK107 cents). Together with the first interim dividend of HK26 cents per share (2015: HK25 cents), the total distribution is HK135 cents per share (2015: HK132 cents), representing a year-on-year increase of 2.3%. The dividend will be payable in cash.

As part of our dynamic capital management, Hysan continued to repurchase its own shares from the market. 12.59 million (2015: 6.75 million) shares were repurchased during the year.

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 in this Chairman's Statement. We believe Hysan is well positioned for the challenges ahead.

Appreciation

I would like to take this opportunity to thank our management team and our colleagues for all the efforts they have made throughout a difficult 2016. I would also like to thank our directors for their support and guidance. My personal thanks go to Mr. Siu Chuen LAU, who stepped down from the roles of Deputy Chairman and Chief Executive Officer during the year. Siu Chuen's work as Hysan's CEO built a strong platform from which we shall continue to develop Lee Gardens into one of Hong Kong's most dynamic retail and office districts.

Irene Yun Lien LEE
Chairman

Hong Kong, 22 February 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hysan's portfolio of retail, office and residential investment properties has a combined gross floor area of approximately 4.1 million square feet, excluding the site of the forthcoming Lee Garden Three.

Strategy
The Group maintains our commitment to pursue a steady growth of return for our shareholders. The Group's core focus remains in Causeway Bay, our home base for a number of decades, and where the vast majority of our portfolio is situated. In the meantime, the Group actively seeks other investment opportunities beyond our core, as demonstrated by our recent success in a joint-venture bid for two residential sites in Hong Kong's Tai Po.

For our existing properties, we strive to enhance their value through refurbishing, repositioning, redevelopment, and other means of portfolio management. We continue to build a thriving community for our retail and office tenants, underpinned by sound financial management and a dedicated team of employees with invaluable expertise across a broad range of real estate disciplines.

Review of Results
The Group's turnover in 2016 was HK$3,535 million, an increase of 3.1% from HK$3,430 million in 2015. The increase principally reflected overall positive rental reversion within the portfolio. Both the retail and office sectors saw rises, while the residential sector experienced a decline.

The turnover of each sector is shown as below:

	2016 **HK$ million**	2015 HK$ million	Change %
Retail sector	**1,969**	1,902	+3.5
Office sector	**1,292**	1,243	+3.9
Residential sector	**274**	285	-3.9
	3,535	3,430	+3.1

The Group's Recurring Underlying Profit and its Underlying Profit were both HK$2,369 million, up 3.8% from HK$2,283 million in 2015. These indicators primarily reflected the continued improvement in gross profit generated from our retail and office leasing activities. Basic earnings per share based on Recurring Underlying Profit were HK226.29 cents (2015: HK214.83 cents), up 5.3%.

Our Reported Profit for 2016 was HK$1,218 million (2015: HK$2,903 million), a 58.0% decrease from the year before, principally reflecting the fair value loss (2015: fair value gain) on the Group investment properties valuation recorded this year. This also highlighted the net effect of several factors in play: a worsening retail rental outlook; a persistently positive office rental outlook; a number of enhancement works made, as well as the construction costs incurred for the Lee Garden Three project during the year. The capitalisation rates of each portfolio remained unchanged from those used as at 31 December 2015.

	2016 **HK$ million**	2015 HK$ million	Change %
Recurring Underlying Profit and Underlying Profit	**2,369**	2,283	+3.8
Fair value (loss) or gain on investment properties located in			
- Hong Kong (net of effect of non-controlling interests' shares)	**(1,157)**	616	n/m
- Shanghai*	**6**	4	+50.0
Reported Profit	**1,218**	2,903	-58.0

** The investment properties are held by an associate of the Group.*

n/m: not meaningful

Review of Operations
As at 31 December 2016, about 83% of the Group's investment properties by gross floor area were retail and office properties in Causeway Bay, and the remaining 17% was represented by residential properties in the Mid-Levels.

In terms of turnover contributions by the different business portfolios, about 56% was attributable to retail, 36% to office, and 8% to residential properties.

Key Performance Indicators
The Group's turnover growth and occupancy rate are the key measurements used for assessment of our core leasing business' performance. The Group's management also uses the property expenses ratio (as a percentage of turnover) to assess cost effectiveness.

Key Performance Indicators	**Definition**	**Business Performance**
Turnover Growth	Rental revenue in 2016 vs that in 2015	Retail: +3.5% (2015 vs 2014: +5.6%) Office: +3.9% (2015 vs 2014: +9.4%) Residential: -3.9% (2015 vs 2014: -0.7%)
Occupancy Rate	Percentage of total area leased*/ total lettable area* of each portfolio at year end	Retail: 99% (2015: fully-let) Office: 96% (2015: 99%) Residential: 82% (2015: 89%)
Property Expenses Ratio	Property expenses divided by turnover	Remained at 12.1% in both years of 2016 and 2015

**Source of underlying data: Internal company data*

Note: No changes have been made to the source of data or calculation methods used compared to 2015.

Retail Portfolio
- Turnover: +3.5%
- Rental reversion: around +5%
- Occupancy: 99%
- Traffic: around +5%
- Overall estimated tenant sales: around -30%

Hysan's retail portfolio turnover grew 3.5% to HK$1,969 million (2015: HK$1,902 million), including turnover rent of HK$46 million (2015: HK$71 million).

The portfolio saw positive rental reversion in rental renewals, reviews and new lettings, with an average increase of around 5%. The portfolio occupancy was 99% as at 31 December 2016 (31 December 2015: fully-let).

Our creative retail experiences, including but not limited to new food and beverage outlets, as well as innovative in-mall marketing activities, enable the portfolio to maintain an iconic image as a premier shopping destination with hubs of different price points.

This variety helped our total foot traffic to maintain its growth, and it saw an increase of around 5%, as compared to the year before. This robust performance was achieved during a period of decline in the number of overseas visitors to Hong Kong.

The estimated overall tenant sales within the retail portfolio, however, experienced a double-digit percentage decline. The estimated sales decrease of certain electronic goods within the portfolio was a main contributor to this relative weakness. Otherwise, the decline was much milder, and was in fact less severe than the decrease experienced by Hong Kong's overall retail sales during the year.

Our trend-setting hub, Hysan Place, saw a footfall growth of around 5%, as compared to 2015. During the year, we added a number of hip and trendy fashion stores, as well as wellness and sports shops to the tenant mix. These themes also appeared as popular in-mall events, with "Greatest of All Time" iconic sport stars statues and three-pointer shooting games attracting basketball fans from all over the city, while "VR 360 Tennis in the Air" strongly appealed to the racquet and tech-loving crowd. A number of new food and beverage outlets joined the mall in 2016, including the popular Kikusan, Pizza Maru, Green Waffle Diner and Pressed Juices.

The premium Lee Gardens hub continued to register foot traffic growth, against a backdrop of overall decline of visitors in Hong Kong. The footfall increased by more than around 5% in Lee Garden Two, as compared to the 2015 figure. A number of fashion brands opened at Lee Gardens hub, including Loro Piana, Theory, Pinko and Marina Rinaldi, while the hub's food and beverage offerings remained popular. Two new outlets of affordable international fare, Passion by Gerard Dubois and Panino Giusto were added to the line-up during the year.

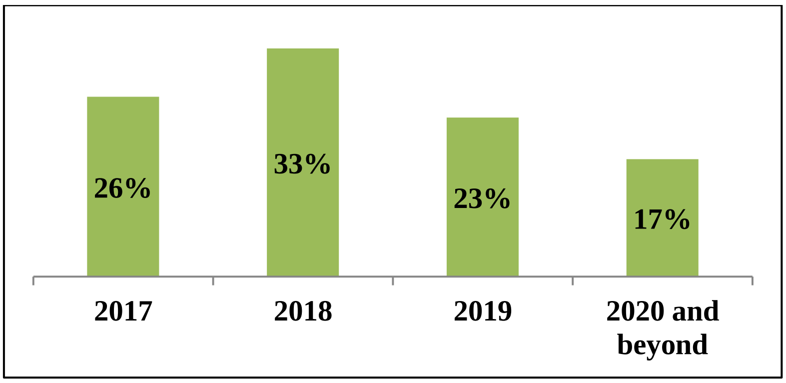
Lee Theatre hub also experienced an increase of around 5% in foot traffic, as compared to 2015. The lower floor flagship stores in Lee Theatre Plaza continued to attract shoppers throughout the year. The Korean brand Dodam Chicken also helped strengthen the dining experience for a younger crowd.

While these three hubs do have their special characteristics, we believe our retail portfolio should be considered in a more holistic manner. We are working to improve the connections among the different hubs, both in terms of physical linkage and the content provided by the tenants, and aim to encourage consumers to shop and dine throughout the portfolio.

In recent years we have run a successful Lee Gardens Office Plus tenant membership programme. In 2016, we upgraded the programme to create a new Lee Gardens Plus and expanded the membership to include staff of retail tenants, as well as residents of Bamboo Grove and Lee Gardens Apartments. We launched this offer-and-reward programme into an application-based one to match the needs of today's tech-savvy users. Offers are now redeemed via the mobile app's QR codes. This initiative is part of our drive to combine online and offline activities.

We also improved our loyalty programme, Club Avenue. An extra tier was added to the structure so that we could cater to more regular moderate spenders. We have also enhanced the Club's facilities and the training of our staff with an aim to provide service that exceeds customer expectations.

Retail Lease Expiry Profile (As at 31 December 2016)



Office Portfolio

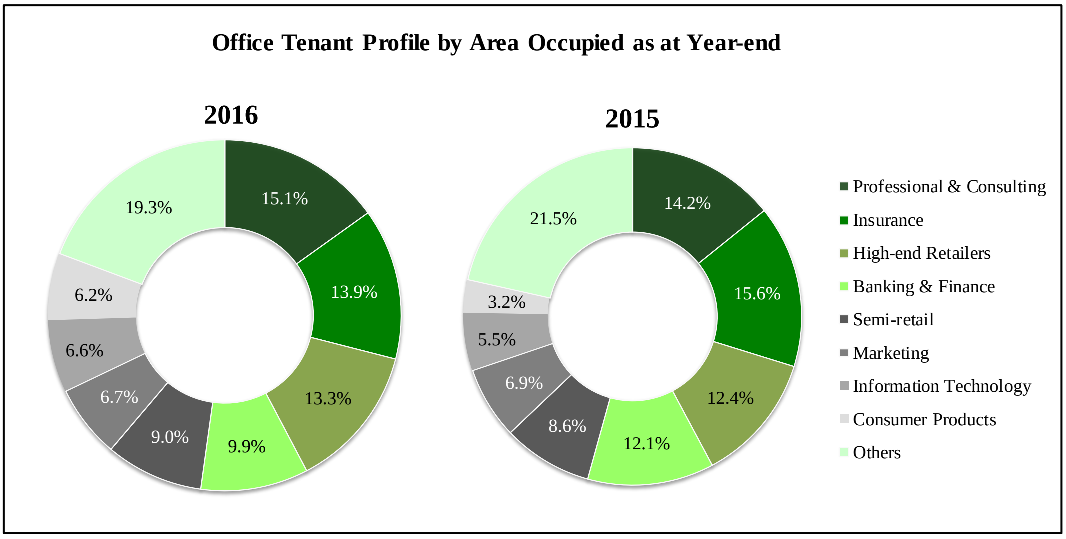
- Turnover: +3.9%
- Rental reversion: around + 25%
- Occupancy: 96%

The Group's office portfolio turnover grew by 3.9% to HK$1,292 million (2015: HK$1,243 million). This reflected positive rental reversion on renewals, reviews and new lettings, with an average rental increase of around 25%.

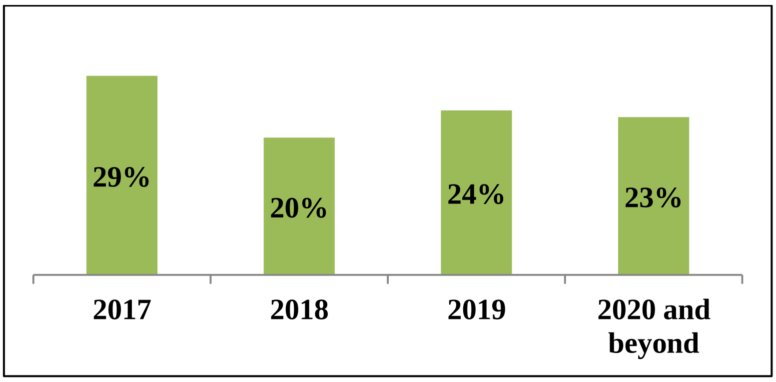
The office portfolio occupancy was 96% as at 31 December 2016 (31 December 2015: 99%). Among the available spaces were a number of small units in non-Grade A buildings.

Mainland Chinese banking and financial entities continued to form the backbone of office space demand in Central and Admiralty. The launch of the Shenzhen-Hong Kong stock connect scheme in late 2016 complemented the existing Shanghai link, and is likely to help maintain these entities' presence and expansion in the market. Companies in other industries, looking for quality space with up-to-date facilities, good transport links and cost effectiveness, are placing Causeway Bay and Lee Gardens high on their list of preferences. In 2016, Uber and AXA were examples of renowned international companies joining the portfolio. Southwest Securities, an established investment and securities company in the Greater China region also took up office space, while Prudential Hong Kong expanded its presence in Lee Gardens.

Our tenant mix saw some minor changes in 2016, with professional and consulting services now being the sector occupying the most area, followed by insurance, high-end retailers and banking and finance. These sectors took up 52.2% of our lettable floor area. The well balanced mix saw no category taking up more than 20% of the total lettable area.



Office Lease Expiry Profile (As at 31 December 2016)



Residential Portfolio

- Turnover: -3.9%
- Rental reversion: around +5%
- Occupancy: 82%

Hysan's residential portfolio (mainly the units in Bamboo Grove on Kennedy Road), recorded a 3.9% turnover decline to HK$274 million (2015: HK$285 million). This was largely due to large scale upgrade and renovations. The portfolio's occupancy was 82% as at 31 December 2016 (31 December 2015: 89%).

The rental reversion was positive on renewals, review and new lettings, with an average rental increase of around 5%.

Lee Garden Three Project

The above-ground construction was up to 22/F as of mid-February 2017 and was making good progress towards its expected completion date in the fourth quarter of 2017.

Lee Garden One Enhancement Project

The final phase of the ground floor lobby and higher floors' retail space enhancement project was completed in the middle of 2016 as scheduled. Two new food and beverage outlets were added to enhance our restaurant offerings in the building, while Valentino opened its new expanded store in January 2017.

Financial Review

A review of the Group's results and operations is featured in the preceding sections. This section deals with other significant financial matters.

Operating Costs

The Group's operating costs are generally classified as property expenses (direct costs and front-line staff wages and benefits) and administrative expenses (indirect costs largely representing payroll related costs of management and head office staff).

Property expenses increased by 3.4% to HK$428 million (2015: HK$414 million), mainly due to higher fees to external leasing agents. The property expenses to turnover ratio remained the same at 12.1% for both years of 2016 and that of 2015.

Administrative expenses dropped by 6.4% to HK$219 million (2015: HK$234 million). This mainly reflected the reduced payroll related costs due to the resignation of Executive Directors in both years.

Finance Costs

Finance costs, after capitalisation of HK$14 million (2015: nil) interest expenses and related borrowing costs which were a part of the construction costs of Lee Garden Three, recorded a decrease of 12.7% to HK$178 million (2015: HK$204 million). If the capitalised interest expenses and related borrowing costs were included, the Group's finance costs in 2016 would have been HK$192 million, a decrease of 5.9% from HK$204 million in 2015. The decrease was attributable to the lower average debt level in 2016 as compared to 2015 after debt repayments in both years. A HK$500 million bank loan was drawn down in the first half of 2016 but the related finance costs were capitalised as part of the construction costs of Lee Garden Three.

The debt repaid in both years were mainly structured on a floating rate basis, which generally carried lower finance costs as compared with fixed rate debts. As a result, the Group's average cost of finance in 2016 was 3.8%, slightly higher than 3.5% reported for 2015.

Further discussion of the Group's treasury policy, including debt and interest rate management, is set out in the "Treasury Policy" section.

Revaluation of Investment Properties

Fair value loss on investment properties (excluding capital expenditure spent on the Group's investment properties) of HK$1,187 million (2015: fair value gain of HK$695 million) was recognised in the Group's consolidated income statement for the year. This principally reflected the net effect of several factors: a worsening retail rental outlook; a sustained positive office rental outlook; a number of asset enhancement works completed, as well as the construction costs incurred for the Lee Garden Three project.

As at 31 December 2016, the Group's investment property portfolio (including property under redevelopment) was HK$69,633 million, a slight decrease of 0.3% from HK$69,810 million at 31 December 2015. This valuation was carried out by Knight Frank Petty Limited, an independent professional valuer, on the basis of open market value. The capitalisation rates of each portfolio remained unchanged from those used as at 31 December 2015.

The following shows the property valuation of each portfolio at year-end.

	2016 HK$ million	2015 HK$ million	Change %
Retail	**33,082**	34,230	-3.4
Office	**23,832**	23,110	+3.1
Residential	**7,859**	7,833	+0.3
	64,773	65,173	-0.6
Property under redevelopment (Lee Garden Three)	**4,860**	4,637	+4.8
	69,633	69,810	-0.3

Investment in an Associate

The Group's share of results of an associate decreased by 3.7% to HK$237 million (2015: HK$246 million). This decline was mainly due to the Renminbi devaluation during the year, which impacts on the value of the Group's share (24.7%) in the Shanghai Grand Gateway project. As at 31 December 2016, properties at Shanghai Grand Gateway had been revalued at fair value by an independent professional valuer. The Group's share of the revaluation gain, net of the corresponding deferred tax thereon, of the associate amounted to HK$6 million (2015: HK$4 million).

Other Investments

In addition to placing surplus funds as time deposits in banks with strong credit ratings, the Group also invested in investment grade debt securities. This helped to preserve the Group's liquidity and to enhance interest yields.

Investment income, comprising mainly interest income, amounted to HK$50 million (2015: HK$54 million). This principally reflected a lower average investment amount after repayment of matured debts and the use of cash for share repurchases.

Cash Flow

Cash flow of the Group during the year is summarised below.

	2016 HK$ million	2015 HK$ million	Change %
Operating cash inflow	3,326	2,908	+14.4
Investments	1,331	1,250	+6.5
Financing	1,427	(1,587)	n/m
Advance to a joint venture company	(2,036)	-	n/m
Interest and taxation	(523)	(480)	+9.0
Dividends paid and proceeds on exercise of options	(1,500)	(1,454)	+3.2
Capital expenditure	(847)	(414)	n/m
Consideration for shares repurchased	(395)	(215)	+83.7
Net cash inflow	783	8	n/m

n/m: not meaningful

The Group's net operating cash inflow was HK$3,326 million (2015: HK$2,908 million), HK$418 million higher than in 2015, reflecting the growth in our core leasing business. Net cash from investments was HK$1,331 million (2015: HK$1,250 million), mainly attributable to reduction in investments in time deposits and term notes with longer tenors, as compared to 2015. Net cash from financing was HK$1,427 million (2015: net cash used in financing: HK$1,587 million), reflecting new bank loans of HK$1,680 million and repayment of a HK$250 million bank loan during the year. In 2015, net cash used in financing was HK$1,587 million, principally due to the repayment of HK$850 million bank loans and HK$732 million medium term notes.

Cash in advance to a joint venture company was for residential sites' development in Tai Po. The Group paid dividends of HK$1,394 million (2015: HK$1,330 million), being the 2015 second interim dividend of HK107 cents per share and the 2016 first interim dividend of HK26 cents per share.

Capital Expenditure and Management

The Group is committed to enhancing the asset value of its investment property portfolio through selective asset enhancement and redevelopment. The Group has also in place a portfolio-wide whole-life cycle maintenance programme as part of its ongoing strategy to pro-actively implement preventive maintenance activities. Total cash outlay of capital expenditure during the year was HK$847 million (2015: HK$414 million), including the payment of the construction costs of Lee Garden Three.

Share Repurchase

As part of Hysan's capital management strategy, the Group repurchased 12.59 million (2015: 6.75 million) of its own shares during 2016, which should further enhance shareholders' value, at an aggregate consideration of HK$395 million (2015: HK$215 million). The average purchase price per share was HK$31.24 (2015: HK$31.78).

Treasury Policy

Market Highlights

2016 was filled with uncertainties and unexpected outcomes that will have a significant impact on the years to come. The slowdown of China's economic growth was a major concern in 2016 and the spillover effect had global repercussions especially in the first half of the year. Although China met its target growth rate for 2016, uncertainty remains in 2017 as growth deceleration continues and the debt problem persists. Adding to these concerns are the U.K.'s direction of travel following the referendum vote for "Brexit", the upcoming elections in several European Union countries, and the expected shifts in U.S. economic and trade policy following the election of President Trump.

Although global economic growth continued to be weak in 2016, the U.S. economy showed signs of improvement. The Federal Reserve raised the federal funds rate in December 2016 and signalled further interest rate hikes to come during 2017. Despite changes in U.S. monetary policy, the central banks of the Eurozone and Japan have maintained ultra-low interest rates. Nevertheless, the Hong Kong interest rate outlook will be affected largely by that of the U.S.

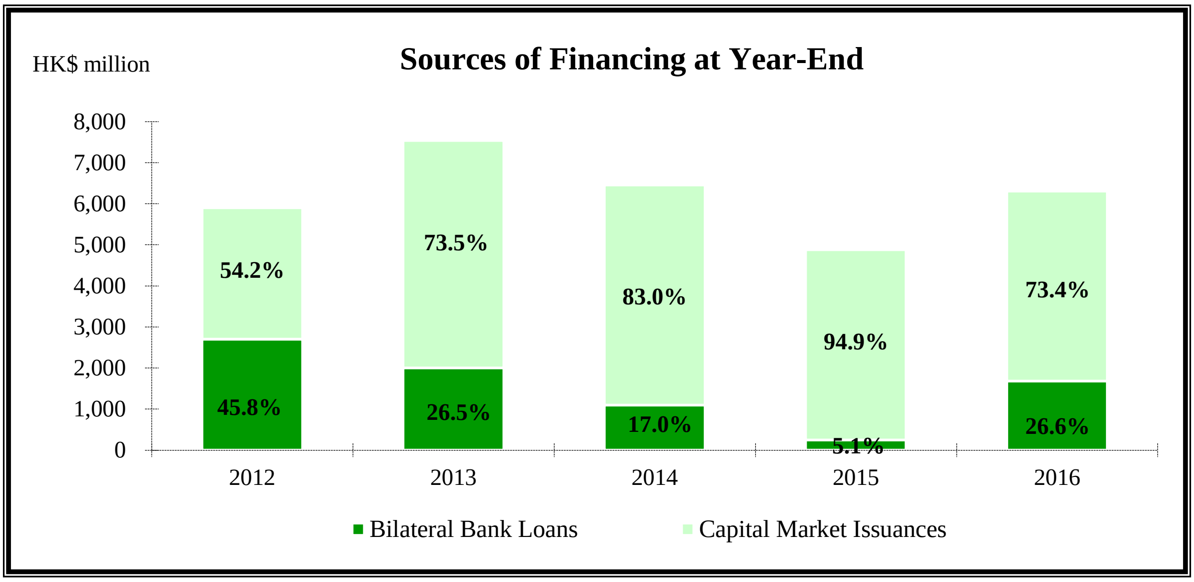
Capital Structure Management

The 3-month HKD Hibor increased from around 0.4% in 2015 to around 1.0% at the end of 2016. Despite the increase in Hibor, the Hong Kong bank loans market continued to have ample liquidity as the credit margin of bank loans for companies with investment grade credit ratings declined moderately in 2016 as compared with 2015.

The outstanding gross debt[1] of the Group increased to HK$6,305 million (2015: HK$4,875 million) at year-end 2016, after debt repayment of HK$250 million and new drawdown of HK$1,680 million for general funding purposes during the year. All the outstanding borrowings are on an unsecured basis. The Group also arranged a new HK$500 million committed facility in 2016, which remained undrawn as at year-end 2016.

The Group always strives to lower the borrowing margin, to diversify the funding sources and to maintain a suitable maturity profile relative to the overall use of funds. Because of the new bank loans in 2016, debts sourced from the capital market decreased to 73.4% (2015: 94.9%) at year-end of 2016. The Group continued to maintain long-term relationships with a number of local and overseas banks in order to diversify the funding sources. At year-end 2016, seven local and overseas banks provided bilateral banking facilities to the Group as funding alternatives.

The following graph shows the percentages of total outstanding gross debts sourced from banks and the debt capital markets in the past five years.



The Group also strives to maintain an appropriate debt maturity profile. As at 31 December 2016, the average maturity of the debt portfolio was about 4.3 years (2015: 6.3 years), of which about HK$1,180 million or 18.7% of the outstanding gross debt will be due in less than one year. With ample liquidity in the bank loans market, established relationship with various banks and the investment-grade credit rating, the Group expects to refinance the maturing loans in 2017 without significant refinancing pressure.

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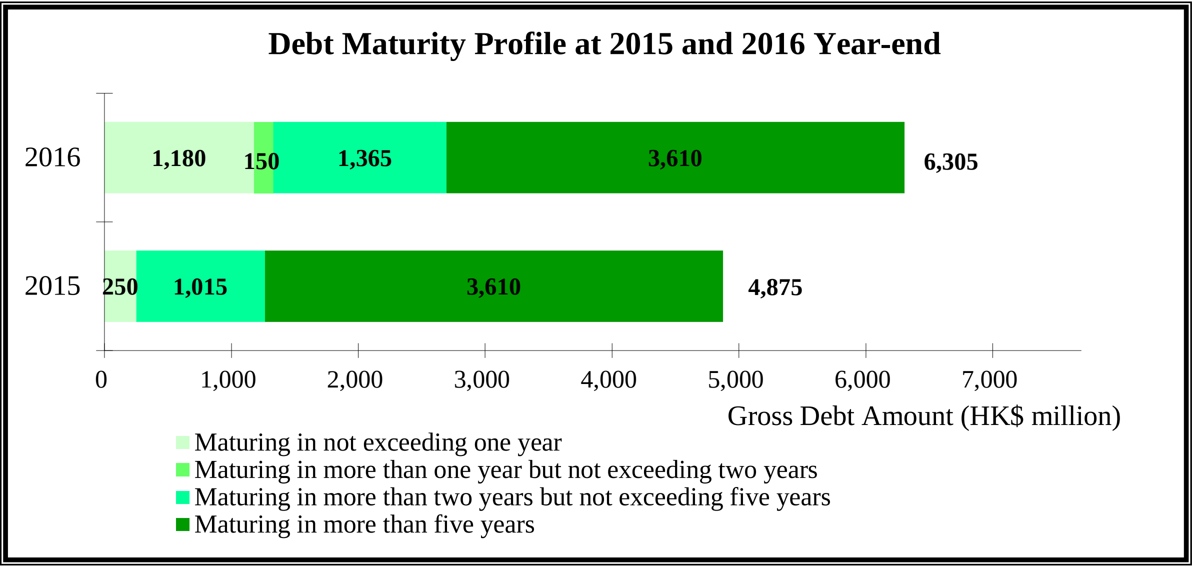
[1] The gross debt represents the contractual principal payment obligations at 31 December 2016. However, in accordance with the Group's accounting policies, the debt is measured at amortised costs, using the effective interest method. As disclosed in the consolidated statement of financial position as at 31 December 2016, the book value of the outstanding debt of the Group was HK$6,293 million (31 December 2015: HK$4,859 million).

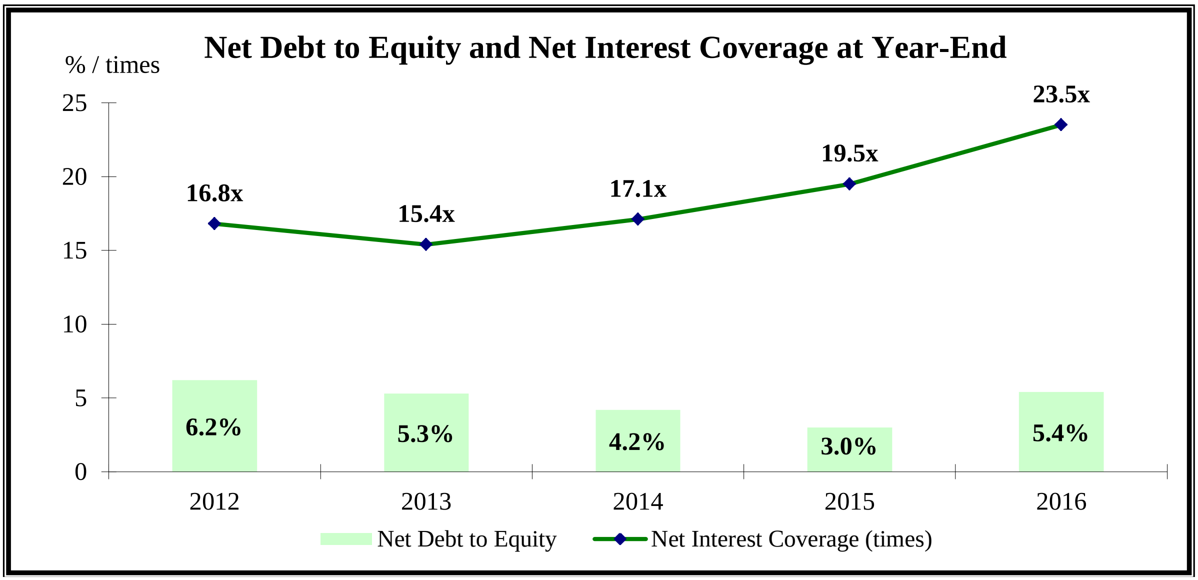
The graph below shows the debt maturity profile of the Group at year-end 2016 and 2015.



As part of Hysan's capital management strategy, the Group completed repurchases of 12.59 million (2015: 6.75 million) shares through the Hong Kong Stock Exchange in 2016, which would further enhance shareholders' value. Reflecting the stable recurring cash flows from our business, the Group maintained investment-grade credit ratings of A3 as rated by Moody's and BBB+ as rated by Standard and Poor's.

The Group's gearing ratio, as measured by Net Debt to Equity ratio[1], increased to 5.4% at year-end of 2016 (2015: 3.0%), mainly due to a new drawdown in 2016. The Group's Net Interest Coverage[2] further improved to 23.5 times for 2016 (2015: 19.5 times) as cash inflow from the business remained strong. The low gearing and strong ability to meet interest payments reflected the Group's resilience and capability to raise further debt if there is any need.

The graph below shows the level of leverage and our ability to meet interest payment obligations in the past five years.



[1] Net Debt to Equity is defined as borrowings less time deposits, cash and bank balances divided by shareholders' funds.
[2] Net Interest Coverage is defined as gross profit less administrative expense before depreciation divided by net interest expenses.

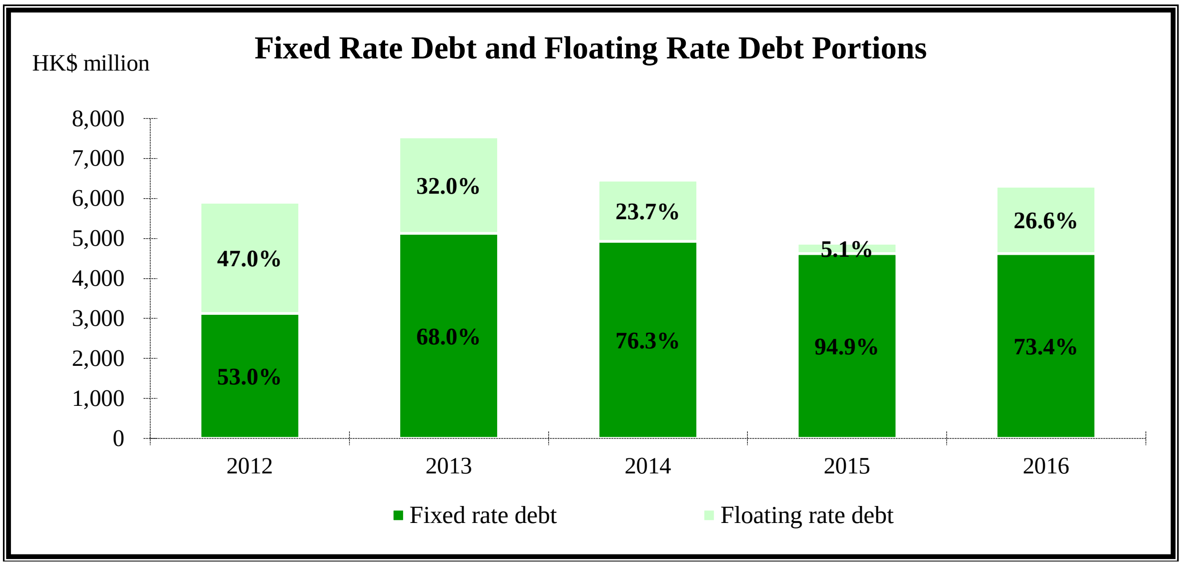
Liquidity Management
As at 31 December 2016, the Group had cash and bank deposits totalling about HK$2,630 million (2015: HK$2,804 million). All the deposits are placed with banks with strong credit ratings and the counterparty risk is monitored on a regular basis. In order to preserve liquidity and enhance interest yields, the Group invested HK$1,155 million (2015: HK$1,350 million) in debt securities.

Further liquidity, if needed, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities, amounted to HK$500 million at year-end 2016 (2015: HK$750 million), essentially allowing the Group to obtain additional liquidity as the need arises.

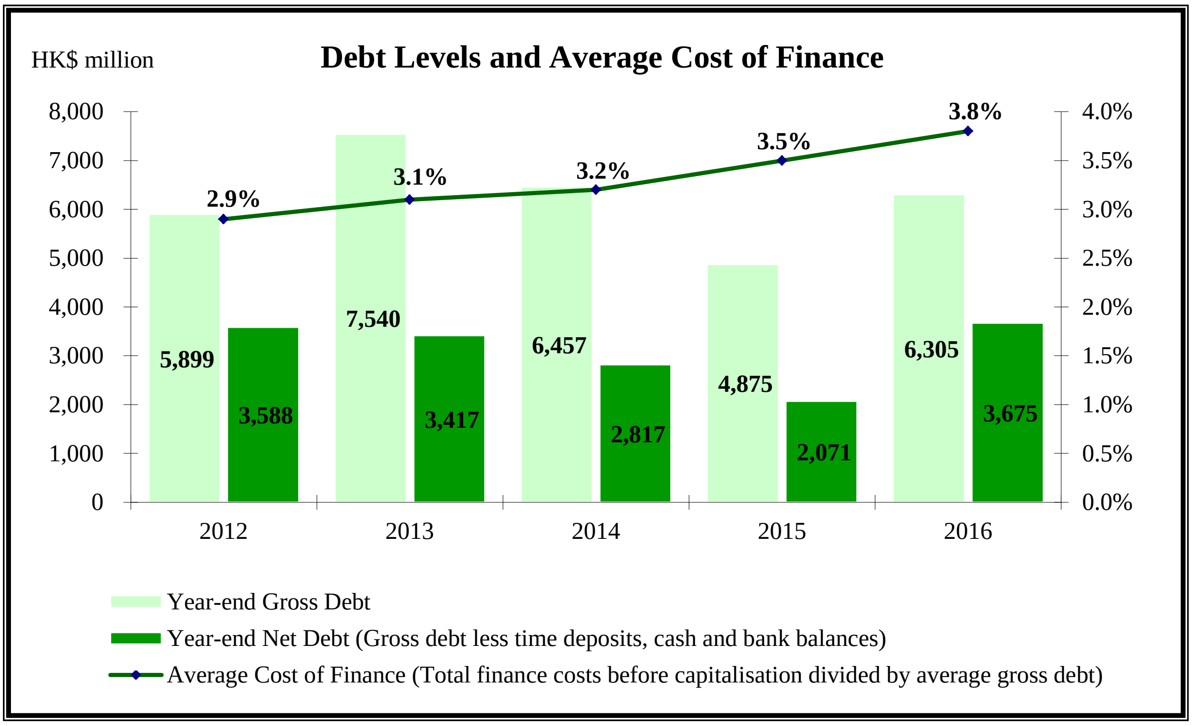
Interest Rate Management
Appropriate hedging strategies, if necessary, are adopted to manage exposure to projected movements in the interest rate. Bank loans generally carry lower interest rate as compared with medium term notes. As a result of less bank loans during 2016, the average cost of finance increased slightly to 3.8% in 2016 as compared with 3.5% in 2015.

The fixed debt ratio decreased to 73.4% at year-end 2016 from 94.9% at year-end 2015 following new borrowing of HK$1,680 million bank loans during 2016. As the U.S. has entered the interest rate normalisation cycle, the Group believes that interest rates will rise in coming few years. We expect the current fixed debt ratio allows the Group to weather the risk of an interest rate hike cycle.

The diagram below shows the fixed rate debt and floating rate debt portions in the past five years.



The diagram below shows the Group's debt levels and average cost of finance in the past five years.



Foreign Exchange Management

The Group aims to have minimal mismatches in currency and does not speculate in currency movements for debt management. With the exception US$300 million fixed rate notes, which have been hedged by an appropriate hedging instrument, all of the Group's borrowings were denominated in Hong Kong dollars. For the US$300 million fixed rate notes issued in January 2013, a hedge was entered to effectively convert the borrowing into Hong Kong dollars.

On the investment side, the Group's outstanding foreign currency balances in cash, time deposits, and debt securities amounted to US$180 million (2015: US$160 million) and RMB55 million (2015: RMB 135 million), of which US$98 million (2015: US$93 million) and RMB55 million (2015: RMB135 million) were hedged by foreign exchange forward contracts.

Other foreign exchange exposure mainly relates to investments in the Shanghai project. These unhedged foreign exchange exposures amounted to the equivalent of HK$3,497 million (2015: HK$3,683 million) or 4.4% (2015: 4.7%) of total assets.

Use of Derivatives

As at 31 December 2016, outstanding derivatives were mainly related to the hedging of foreign exchange exposures. Strict internal guidelines have been established to ensure derivatives are used to manage volatilities or adjust the appropriate risk profile of the Group's treasury assets and liabilities.

Before entering into any hedging transaction, the Group will ensure that its counterparty possesses strong investment-grade ratings to control credit risk. As part of our risk management, a limit on maximum risk-adjusted credit exposure is assigned to each counterparty, which basically reflects the credit quality of the counterparty.

FINANCIAL INFORMATION

The financial information relating to the years ended 31 December 2016 and 2015 in this announcement does not constitute the Company's statutory consolidated financial statements for those years, but represents an extract from those consolidated financial statements. The final results of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee of the Company.

The Company has delivered the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2016 in due course. The Company's auditor has reported on the consolidated financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Notes	**2016** *HK$ million*	2015 *HK$ million*
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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$ million	2015 HK$ million
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
		75,749	75,367
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
		4,272	3,421
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
		2,893	1,463
Net current assets		**1,379**	1,958
Total assets less current liabilities		**77,128**	77,325
Non-current liabilities			
Borrowings		**5,113**	4,609
Other financial liabilities		**1**	71
Rental deposits from tenants		**578**	594
Deferred taxation		**751**	683
		6,443	5,957
Net assets		**70,685**	71,368
Capital and reserves			
Share capital		**7,673**	7,642
Reserves		**59,817**	60,530
Equity attributable to owners of the Company		**67,490**	68,172
Non-controlling interests		**3,195**	3,196
Total equity		**70,685**	71,368

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.

	Retail *HK$ million*	Office *HK$ million*	Residential *HK$ million*	Consolidated *HK$ million*
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.

	Retail *HK$ million*	Office *HK$ million*	Residential *HK$ million*	Consolidated *HK$ million*
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**
Consolidated assets				**80,021**
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
Consolidated assets				78,788

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

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

5. Taxation

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

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

6. Profit For The Year

	2016 *HK$ million*	2015 *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**	21
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	**18**	11
	(2,787)	(2,703)
Staff costs, comprising:		
- Directors' emoluments	**23**	38
- Share-based payments	**3**	3
- Other staff costs	**233**	239
	259	280
Share of income tax of an associate (included in share of results of an associate)	**101**	104

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

	Number of shares 2016	2015
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	**170,710**	216,828
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,047,041,534**	1,062,907,384

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:

	2016		2015	
	Profit *HK$ million*	**Basic earnings per share** *HK cents*	Profit *HK$ million*	Basic earnings per share *HK cents*
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	**(6)**	**(0.58)**	(4)	(0.37)
Underlying Profit	**2,369**	**226.29**	2,283	214.83
Recurring Underlying Profit	**2,369**	**226.29**	2,283	214.83

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

	2016 *HK$ million*	2015 *HK$ million*
Other comprehensive income comprises:		
Items that will not be reclassified subsequently to profit or loss:		
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)
	18	9
	18	45
Items that may be reclassified subsequently to profit or loss:		
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)
	78	(42)
Amortisation of forward element excluded from hedge designation	**-**	2
	78	(40)
Share of translation reserve of an associate	**(236)**	(240)
	(158)	(280)
Other comprehensive expenses for the year (net of tax)	**(140)**	(235)

9. Dividends

(a) Dividends recognised as distribution during the year:

	2016 *HK$ million*	2015 *HK$ million*
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
	1,394	1,330

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

	2016 *HK$ million*	2015 *HK$ million*
Second interim dividend (in lieu of a final dividend) - HK109 cents per share (2015: HK107 cents per share)	**1,139**	1,122

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

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

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

	2016 *HK$ million*	2015 *HK$ million*
Accounts payable	**149**	146
Interest payable	**75**	73
Other payables	**450**	251
Compensation received in advance *(Note)*	**261**	-
	935	470

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.

ADDITIONAL INFORMATION

Corporate Governance

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Board had adopted a Statement of Corporate Governance Policy which gives guidance on how corporate governance principles are applied to the Company. In addition to complying with applicable statutory requirements, we aim to continually review and enhance our corporate governance practices in the light of local and international best practices.

The Company meets the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The Board reviews its corporate governance practices continuously to cope with the evolving needs of the Group. Further information on the Company's corporate governance practices is available on our website at www.hysan.com.hk.

Corporate Responsibility and Sustainability

The Group's first Corporate Responsibility Report was published in 2006. This year's "Responsible Business" section is the 11th report we have produced focusing on our social and environmental efforts.

The Group's corporate responsibility and sustainability performance are set out in the "Responsible Business" section of the Annual Report 2016 in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules. The reported information has been verified by Hong Kong Quality Assurance Agency.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the review year.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company was authorised at its Annual General Meetings to repurchase its own ordinary shares not exceeding 10% of the total number of its issued shares as at the dates of resolutions being passed. During the year, the Company repurchased its ordinary shares on the Stock Exchange when they were trading at a significant discount to the Company's net asset value in order to enhance shareholder value.

During the year, the Company repurchased an aggregate of 12.59 million ordinary shares for a total consideration of approximately HK$393 million (excluding relevant trading costs directly attributable to share repurchase) on the Stock Exchange. The repurchased shares were cancelled during the year. Details of the shares repurchased are as follows:

Month of repurchase in 2016	Number of shares repurchased	Consideration per share		Aggregate consideration paid
		Highest HK$	Lowest HK$	HK$ million
January	8,560,000	31.85	28.95	262
February	325,000	30.60	29.75	10
March	299,000	32.50	32.05	10
April	304,000	31.70	31.30	9
May	2,180,000	33.60	31.60	70
June	65,000	33.20	32.45	2
November	861,000	34.90	33.55	30
	12,594,000			393

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Human Resources Practices

The Group aims to attract, retain and develop high calibre individuals committed to attaining our objectives. The total number of employees as at 31 December 2016 was 640 (31 December 2015: 688). The Group's human resources practices are aligned with our corporate objectives so as to maximise shareholder value and achieve growth. Details on our human resources programs, training and development are set out in the "Responsible Business" section of the Annual Report 2016.

Closure of Register of Members

The second interim dividend will be paid to shareholders whose names appear on the register of members on Thursday, 9 March 2017 and the payment date will be on or about Thursday, 23 March 2017. The register of members will be closed on Thursday, 9 March 2017, on which date no transfer of shares will be registered. The ex-dividend date will be Tuesday, 7 March 2017. In order to qualify for the second interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 8 March 2017.

The register of members will also be closed from Friday, 12 May 2017 to Monday, 15 May 2017, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Company's forthcoming annual general meeting (the "AGM"), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited at the abovementioned address, not later than 4:00 p.m. on Thursday, 11 May 2017.

AGM

The AGM will be held at Meeting Room N101, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong (use Expo Drive Entrance) on Monday, 15 May 2017. The Notice of AGM will be published on the website of the Company (www.hysan.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk), and despatched to shareholders around end of March 2017.

By Order of the Board
Irene Yun Lien LEE
Chairman

Hong Kong, 22 February 2017

*As at the date of this announcement, the Board comprises: Irene Yun Lien LEE (Chairman), Frederick Peter CHURCHOUSE**, Philip Yan Hok FAN**, Lawrence Juen-Yee LAU**, Joseph Chung Yin POON**, Hans Michael JEBSEN* (Trevor Chi-Hsin YANG as his alternate), Siu Chuen LAU*, Anthony Hsien Pin LEE* (Irene Yun Lien LEE as his alternate), Chien LEE*and Michael Tze Hau LEE*.*

* *Non-Executive Directors*
** *Independent Non-Executive Directors*

This final results announcement is published on the website of the Company (www.hysan.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The Annual Report 2016 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around end of March 2017.