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恒隆集團有限公司
HANG LUNG GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00010)

2017 ANNUAL RESULTS

CONTENTS

FINANCIAL HIGHLIGHTS

in HK$ Million (unless otherwise stated)

RESULTS

	2017	2016	Change
Revenue	**11,774**	13,648	-14%
Property Leasing	**8,354**	8,326	-
Property Sales	**3,420**	5,322	-36%
Operating Profit	**8,312**	9,338	-11%
Property Leasing	**6,074**	6,129	-1%
Property Sales	**2,238**	3,209	-30%
Net Profit Attributable to Shareholders	**5,314**	3,713	43%
Earnings Per Share (HK$)	**$3.90**	$2.73	43%
Dividends Per Share (HK$)	**$0.80**	$0.80	-
Interim (Paid)	**$0.19**	$0.19	-
Final (Proposed)	**$0.61**	$0.61	-

UNDERLYING RESULTS

	2017	2016	Change
Underlying Net Profit Attributable to Shareholders	**3,314**	3,772	-12%
Underlying Earnings Per Share (HK$)	**$2.43**	$2.78	-13%

FINANCIAL POSITION

	At December 31		
	2017	2016	Change
Shareholders' Equity	**83,137**	75,658	10%
Net Assets	**149,556**	138,013	8%
Net Debt	**5,816**	6,595	-12%
Financial Ratio			
Net Debt to Equity Ratio	**3.9%**	4.8%	-0.9pt
Debt to Equity Ratio	**18.7%**	22.5%	-3.8pts
Shareholders' Equity Per Share (HK$)	**$61.0**	$55.5	10%
Net Assets Per Share (HK$)	**$109.8**	$101.3	8%

REVIEW OF OPERATIONS

CONSOLIDATED RESULTS

Total revenue of Hang Lung Group Limited (the Company) and its subsidiaries (the Group) decreased 14% to HK$11,774 million for the financial year ended December 31, 2017 because of lower contribution from property sales due to fewer residential units sold this year. Revenue of property leasing was flat at HK$8,354 million, but was up 3% when excluding areas closed for asset upgrading. Income from property sale decreased 36% to HK$3,420 million. Total operating profit decreased 11% to HK$8,312 million.

Underlying net profit retreated 12% to HK$3,314 million. Net profit attributable to shareholders increased 43% to HK$5,314 million, after including a revaluation gain on investment properties. Earnings per share increased similarly to HK$3.90.

Revenue and Operating Profit

	Revenue			Operating Profit		
	2017	2016	Change	**2017**	2016	Change
	HK$ Million	HK$ Million		**HK$ Million**	HK$ Million	
Property Leasing	**8,354**	8,326	-	**6,074**	6,129	-1%
Mainland China	**4,372**	4,427	-1%	**2,734**	2,814	-3%
Hong Kong	**3,982**	3,899	2%	**3,340**	3,315	1%
Property Sales	**3,420**	5,322	-36%	**2,238**	3,209	-30%
Total	**11,774**	13,648	-14%	**8,312**	9,338	-11%

DIVIDEND

The Board of Directors has recommended a final dividend of HK61 cents per share for 2017 (2016: HK61 cents) to be paid by cash on May 16, 2018, to shareholders whose names appeared on the register of members on May 3, 2018. Together with an interim dividend of HK19 cents per share (2016: HK19 cents), the full year dividends for 2017 amounted to HK80 cents per share (2016: HK80 cents).

PROPERTY LEASING

In 2017, both Hong Kong and the Mainland witnessed signs of recovery in retail sales, despite pressure on rents from leases entered into during the peak period and a negative reversion from trade diversification necessitated by a shrinkage in fashion retail.

In mainland China, gross domestic product (GDP) growth for 2017 was 6.9%. The market has started to recover particularly in the luxury sector in tier-one cities. The recovery, which usually begins in tier-one cities, will spill over to other cities. Some brands are beginning to expand again. The government's continued stimulation of private consumption in general has given rise to diversification and expansion in "new retail" sectors such as online to offline (O2O) concept stores, children's learning, wellness, fitness, entertainment and food & beverage. In addition, the growing number of younger consumers buying high-end items for their own use rather than for gifting has fueled the demand for lifestyle luxury and fashion-forward street wear brands.

In Hong Kong, GDP growth for 2017 was 3.7%. Retail sales have shown positive growths over nine months since March 2017 after a drop for 24 consecutive months. Mainland tourists are returning although their places of origin and spending patterns are noticeably different from previously, leading to lower demand for trades such as jewelry & watches and high-end fashion.

Our retail properties in Hong Kong held their ground while other segments were growing moderately. Despite a rental interruption due to asset enhancement programs for Kingston in Causeway Bay and The Peak Galleria, rental income of our Hong Kong leasing portfolio recorded a mild growth year-on-year.

For the financial year ended December 31, 2017, total revenue of our leasing properties was flat at HK$8,354 million. Revenue of the Mainland portfolio stayed flat in RMB terms and that of the Hong Kong leasing portfolio grew 2% year-on-year.

Mainland China

Revenue of the entire mainland China leasing portfolio was flat at RMB3,788 million, but was up 4% when excluding areas closed for asset upgrading. Operating profit dropped 1% to RMB2,373 million. Average margin was 63%.

Rental income from our eight malls in mainland China rose 1% to RMB2,672 million. After the completion of the asset enhancement program, both rental income and retail sales at Shanghai Plaza 66 mall showed a strong growth, of which the rental increase could more than cover the rental interruption due to the asset upgrading works at Shanghai Grand Gateway 66 mall. The performance of our six malls outside of Shanghai improved in terms of retail sales and occupancy. A solid foundation has been laid down for a sustainable rental growth in future.

Income from our five office towers at Shanghai Plaza 66 and Grand Gateway 66, Shenyang Forum 66 and Wuxi Center 66 decreased 3% to RMB980 million. At Plaza 66, transitional voids were associated with a major tenant relocation between the office towers which was completed in October 2017. The enhancement works at Grand Gateway 66 office tower has commenced as part of the asset enhancement programs. The office towers at Forum 66 and Center 66 both collected more in rents with increased occupancy.

Mainland China Property Leasing Portfolio

Name and City of the Property	**Revenue** (RMB Million)			**Occupancy Rate at Year-end 2017**	
	2017	2016	Change	Mall	Office
Shanghai Plaza 66	**1,409**	1,305	8%	96%	89%
Shanghai Grand Gateway 66	**1,241**	1,343	-8%	77% #	90%
Shenyang Palace 66	**155**	142	9%	90%	N/A
Shenyang Forum 66	**213**	230	-7%	83%	80%
Jinan Parc 66	**271**	262	3%	94%	N/A
Wuxi Center 66	**219**	224	-2%	87%	87%
Tianjin Riverside 66	**181**	191	-5%	89%	N/A
Dalian Olympia 66*	**99**	88	13%	71%	N/A
Total	**3,788**	3,785	-		
Total in HK$ Million equivalent	***4,372***	*4,427*	*-1%*		

About 23% of leasable area was temporarily void for major asset upgrading.

* Grand opening on September 9, 2016.

- *Shanghai Plaza 66*

Total revenue of Plaza 66 increased 8% to RMB1,409 million mainly driven by higher contribution from the mall.

The entire basement of Plaza 66 mall was closed for upgrading in March 2016 and re-opened in phases from January 2017. The basement now houses about 30 brands with most of them making their first presence at the mall. More than 2,000 esteemed guests, including senior executives from international brands, business partners and investors, as well as local and overseas media attended the star-studded party held on September 8, 2017 to celebrate the successful completion of the asset enhancement program for the mall. The Very Important Customer (VIC) Lounge designed by a world-acclaimed interior designer also opened in September 2017. Apart from patronage by high spending customers, the Lounge would also generate revenue through commissioning by brands for their product launches and member exclusive events. Plaza 66 mall's positioning as the home to luxury was further strengthened by the expansion of Dior into Dior Maison, a 3-story flagship store, and the opening of new Loro Piana and LOEWE stores in 2017. Retail sales at the mall grew strongly by 26% year-on-year.

The performance of Plaza 66 mall in the year under review was strong, with a 22% growth in revenue. Plaza 66 is poised for continued growth after strengthening its position as the premier mall of luxury brands in Shanghai and in mainland China. Occupancy of the mall increased three points to 96% by the end of 2017.

Revenue of the two office towers at Plaza 66 dropped by 8% due to transitional voids associated with the relocation of a major tenant from Office Tower One to Tower Two during the year and the phased re-letting of some recent lease expiries towards year end. Occupancy rate fell six points to 89% by the end of 2017 but is expected to rebound.

Following the successful execution of the enhancement works for Office Tower One, a similar program for Office Tower Two commenced in the fourth quarter of 2016 and is expected to be completed by mid-2018. The remaining enhancement work will have a minimal adverse impact on the revenue of Plaza 66.

- *Shanghai Grand Gateway 66*

Total revenue of Grand Gateway 66 decreased 8% to RMB1,241 million, but was up 4% when excluding the disruption caused by the major asset upgrading program at the mall.

The 3-year major upgrading program at the mall commenced in January 2017. The whole program, including a new main entrance for the mall, a new subway link to Metro Line 9, and a major layout re-configuration at Level 1 and the basement of the mall, will be carried out in phases until mid-2019. Some of the affected areas will re-open in phases starting from mid-2018 to minimize the adverse impact on income and profit. This carefully planned enhancement will strengthen the mall's long-term competitiveness and profitability.

Revenue of Grand Gateway 66 mall decreased 9% to RMB883 million due to the disruptions caused by the upgrading program. If excluding the affected areas, rental revenue advanced 7%. Occupancy rate retreated 19 points to 77% because of the renovation.

Rents of the office tower decreased 4% because of the transitional void in the first half of 2017. The upgrading works of the tower have commenced which will have a minimal adverse impact on the revenue of Grand Gateway 66. Occupancy rate advanced one point to 90% by the end of 2017.

Revenue of residential and serviced apartments slipped 1%. Occupancy rate was down six points to 86% by the end of 2017 as affected by the renovation works at the mall and operations at nearby construction sites.

- *Shenyang Palace 66*

Rental income of Palace 66 mall increased 9% to RMB155 million. Occupancy rate slipped three points to 90% by the end of 2017 due to some recent lease expiries. With occupancy staying at a high level, renewals and new leasing are being negotiated at higher rental rates. Retails sales also increased by 8% against a year ago because of an improved tenant mix.

- *Shenyang Forum 66*

Total revenue of Forum 66 dropped 7% to RMB213 million.

Forum 66 mall maintained its high-end positioning but was hit by the sluggish spending on luxury goods in Shenyang. The mall had to make downward adjustments in rents to optimize tenant mix and occupancy. Correspondingly, rental income of the mall decreased by 25%. Occupancy rate decreased one point to 83% by the end of 2017. During the year, the mall renewed leases with some key high-end tenants, building a good foundation for future rental growth. Retail sales at the mall increased by 1% year-on-year.

The office tower collected 24% more in rents to RMB102 million due to higher occupancy. Occupancy rate increased 22 points to 80% by the end of 2017. Since the six floors in the high zone, representing 14% of occupancy, will only be ready for leasing in mid-2018, the remaining area currently available for office leasing was only 6%. The top 19 floors of the office tower are being converted into a prestigious Conrad hotel.

- *Jinan Parc 66*

Parc 66 mall collected 3% more in rents to RMB271 million. Occupancy increased three points to 94% by the end of 2017. More contemporary luxury brands and quality food & beverage tenants were introduced during the year. Benefitting from an enhanced tenant mix and high occupancy, retails sales increased by 12% against a year ago.

- *Wuxi Center 66*

Total revenue of Center 66 decreased 2% to RMB219 million, but was up 1% when excluding 9% of the mall's leasable area temporarily closed for the construction of the second office tower.

The performance of Center 66 mall has rebounded. The tenant mix was enhanced during the year with new trades and more food & beverage tenants introduced to enrich the offerings of the mall. Retail sales increased by 16% year-on-year mainly driven by sales growth of various trade categories. Occupancy rate increased seven points to 87% by the end of 2017. The remaining area available for leasing at year-end was only 4% after taking out 9% temporary void area of the mall for the reason stated above. While revenue of the mall was flat in 2017 on a comparable basis, a solid foundation has been built for growth.

The office tower recorded a rental growth of 4% to RMB77 million. This Grade A tower has established a leading position in Wuxi. More than 50% of the tenants are well known corporations. Occupancy rate increased from 65% to 87% by the end of 2017 driven by new lettings and tenant expansions.

- *Tianjin Riverside 66*

During the course of tenant reshuffling, income of Riverside 66 mall decreased by 5% year-on-year. The ambience of Level 1 of the mall was enhanced by the arrivals of more contemporary luxury brands. Also, more lifestyle and entertainment tenants were introduced to enrich the offerings, including a new cinema with 570 seats in seven houses in December 2017. Occupancy rate was up seven points to 89% by the end of 2017. Retails sales also increased by

8% year-on-year.

- *Dalian Olympia 66*

Olympia 66 mall, which had its grand opening in September 2016, collected 13% more in rents in 2017. Retail sales also showed a consistent upward trend. Occupancy rate increased by five points to 71%.

Hong Kong

Total revenue and operating profit of our Hong Kong leasing properties advanced 2% and 1% to HK$3,982 million and HK$3,340 million, respectively. Overall rental margin was at 84%. If excluding areas closed for asset upgrading, revenue would increase 4% year-on-year. The performance was satisfactory taking into account the years of sustainable growth that raised our rental to a high level.

Rental income of the commercial portfolio was stable as the renovation programs in Causeway Bay and The Peak Galleria caused short-term rental interruption as expected. Our retail portfolio recorded sales growth of 8% when excluding the affected areas. Both offices and residential posted stable rental growth during the year.

Hong Kong Property Leasing Portfolio

	Revenue (HK$ Million)			**Occupancy Rate at Year-end 2017**
	2017	2016	Change	
Commercial	**2,283**	2,275	-	97%
Offices and Industrial / Offices	**1,396**	1,336	4%	95%
Residential & Serviced Apartments	**303**	288	5%	80%
Total	**3,982**	3,899	2%	

- *Commercial*

Revenue of the Hong Kong commercial portfolio was flat at HK$2,283 million mainly because of major renovation at Kingston in Causeway Bay and The Peak Galleria since early 2017. Rental income was up 3% when excluding the effect of renovation. Overall occupancy was up one point to 97% by the end 2017.

Rental revenue of the **Causeway Bay portfolio** decreased by 3% due to 23% of leasable area was closed for asset upgrading, but was up 1% when excluding affected areas. The final phase of the asset enhancement program of the Causeway Bay retail portfolio, covering Kingston, commenced in early 2017. The enhanced areas have been re-opened progressively since late 2017. This 100,000 square feet of rejuvenated retail space is a hub of 16 special concepts which offer an eccentric mix of sports fashion, lifestyle and food & beverage tenants with strong social experience and entertainment elements.

Retail sales of our tenants in Causeway Bay recorded a 7% growth on a comparable basis.

Benefitting from positive rental reversions and tenants upgrade, rental income of **Kornhill Plaza in Hong Kong East** grew by 9%. Hong Kong's first MX4D technology-enabled movie was launched at the upgraded Grand Kornhill Cinema this year. Together with the refurbished AEON STYLE and the additions of more quality food & beverage tenants, the ambience and offerings of the mall was further uplifted. The mall was fully let by the end of 2017. Retail sales increased by 11% year-on-year.

Revenue of our leasing properties in **Mongkok**, mainly comprising Grand Plaza and Gala Place, was stable year-on-year. The "Where Trends Meet" program was launched to enhance the profile of our malls. Decathlon, a world-famous sports brand from France, unveiled its first flagship store in Hong Kong at Grand Plaza. Together with the opening of the flagship store of Goji Studios, a unique fitness and wellness center, at Grand Plaza, the sport element of Grand Plaza was strengthened. The retail spaces were virtually fully leased by the end of 2017. Total retail sales of our Mongkok properties increased by 10% over a year ago.

Rental income of **Amoy Plaza in Kowloon East** increased by 4% mainly driven by positive rental reversions and tenant upgrades in the mall. A major reshuffle of the tenant mix was undertaken in 2016 to improve its position as an attractive one-stop shopping, dining, entertainment and lifestyle hub. The mall launched its "Food Waste Recycling Service" program to all its food & beverage tenants and various environmental protection measures in order to promote the sustainability of the community.

The Peak Galleria commenced a 3-year renovation in March 2017. Phase 1 of the program, representing closure of 60% of the leasable area, is targeted for completion by mid-2018. It is expected that the renovated area will re-open before the end of 2018. Pre-leasing of the area under renovation was pleasing, with new concepts of trade and excitements. Upon full completion in 2019, the mall will have a new façade and enhanced internal layout reconfigurations, strengthening its position as a unique iconic destination on the Peak. While the renovation was in progress, new additions were introduced to maintain the attractiveness of the mall, including two first-in-Hong Kong pop-up entertainments: The Peak Adventure 5D Theatre and The Art of Chocolate.

- *Offices*

Driven by positive rental reversions and higher occupancy rate, revenue of our Hong Kong office portfolio advanced 4% to HK$1,396 million. By the end of 2017, overall occupancy rate increased three points to 95%. Our offices in Central and Causeway Bay posted a 7% and 4% rental growth, respectively. The Mongkok offices collected 5% more in rents.

- *Residential and Serviced Apartments*

Revenue of residential and serviced apartments advanced 5% to HK$303 million mainly driven by higher occupancy at Kornhill Apartments.

PROPERTY SALES

Taking advantage of the continued strong residential market in Hong Kong, we further sold down our inventory at good profit. Property sales revenue amounted to HK$3,420 million, down 36% year-on-year because fewer residential units were sold in 2017. The sold units comprised 226 units of The Long Beach (2016: 436 units), one semi-detached house at 23-39 Blue Pool Road (2016: two houses) and the last unit (duplex) of The HarbourSide (2016: one duplex unit). Profit from property sales decreased 30% to HK$2,238 million. The overall profit margin realized was 65%.

As at December 31, 2017, the inventory of properties available for sale included 15 semi-detached houses at 23-39 Blue Pool Road, 10 units of The Long Beach and a small number of car parking spaces. The total book cost of these properties was HK$1,634 million.

During the year, 257 car parking spaces at The Long Beach were sold and the resulting gain on disposal of HK$464 million was recorded as part of other income of the statement of profit or loss.

In November 2017, we reached an agreement with a third party to sell our entire interest in the retail arcade and car parking spaces at Carmel-on-the-Hill in Hong Kong. The transaction was completed in January 2018. In December 2017, we also concluded an agreement with another third party to part with our entire interest in the commercial units, kindergarten premise and car parking spaces at Bayview Garden in Hong Kong. This transaction is expected to be completed in March 2018. The profit from sale shall not be recognized until the transaction is completed. Accordingly, the investment properties of these two assets were revalued up with reference to the contracted selling price and the resulting gain was recorded as part of the fair value gain of the year. The properties were reclassified as assets held for sale as at December 31, 2017.

PROPERTY REVALUATION

As at December 31, 2017, the investment properties of the Group were revalued by Savills, an independent valuer. The total value of the investment properties was HK$142,406 million at the year-end of 2017. The value of the Hong Kong portfolio was HK$64,004 million. The total value of the properties in mainland China amounted to HK$78,402 million.

For the year ended December 31, 2017, an overall revaluation gain of HK$3,085 million was recorded (2016: loss of HK$254 million), representing a 2% year-on-year growth. The Hong Kong portfolio had a revaluation gain of HK$3,352 million. The value of our properties in mainland China decreased by HK$267 million during the year mainly because of lower valuation at Forum 66 in Shenyang and Olympia 66 in Dalian.

On November 20, 2017, the Company’s listed subsidiary, Hang Lung Properties Limited (HLP) consolidated its interest at Amoycan Industrial Centre (AIC) in Ngau Tau Kok, Kowloon by acquiring four units at AIC from a fellow subsidiary at a total consideration of HK$225 million. After the acquisition, HLP’s interests in AIC reached 84.85%. This was an important step for HLP to prepare for the re-development of AIC. In December 2017, an application for a Land Compulsory Sale for re-development for the remaining 15.15% interests in AIC was submitted to the Lands Tribunal. A total revaluation gain of HK$798 million from AIC was recorded based on the re-development valuation approach.

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

The total value of investment properties under development was HK$21,592 million as at December 31, 2017. They represented mainland China projects in Kunming, Wuhan and the remaining phases of the developments in Shenyang and Wuxi. The portfolio consists of malls, office towers, hotel and serviced apartments.

The construction work for Kunming Spring City 66 is progressing well. Total gross floor area of the entire mixed-use development is 432,000 square meters, comprising a world-class mall, a Grade A office tower, serviced apartments and car parking spaces. The mall is expected to be opened in mid-2019. Leasing activities for the mall have commenced and the progress is satisfactory.

Wuhan Heartland 66 is planned for completion in stages from 2019 onwards. This prestigious commercial project, covering a total gross floor area of 460,000 square meters, will house a mall of 177,000 square meters, a Grade A office tower, serviced apartments and car parking spaces. Leasing activities for the mall have commenced.

The conversion of the upper 19 floors of the office tower at Shenyang Forum 66 into a five-star Conrad hotel is making good progress. The addition of this five-star hotel will complement our vision of the Forum 66 as the destination of choice for customers seeking a high-end shopping, entertainment, business and hospitality experiences. This hotel will have 315 keys and is expected to open in 2019.

Construction of the second office tower at Wuxi Center 66 is in progress and is scheduled for completion in mid-2019. This 30-story tower will have a gross floor area of 52,000 square meters. It is being built above the southeastern part of the Center 66 mall. About 9% of the leasable area of Center 66 mall has been vacated while the new tower is being built. It is planned that the vacated area will re-open in the fourth quarter of 2018.

In May 2017, we took possession of land for Wuxi Phase 2 development. This plot of land with 16,700 square meters is planned mainly for serviced apartments. The master layout plan is being finalized. The testing piling works were started in November 2017.

These projects represented the majority of the Group's capital commitments at the reporting date, amounting to HK$36 billion. They will be completed in phases over a number of years. The

Group has a solid base of recurrent income and ample financial resources to meet the funding requirements of the projects and to seize new investment opportunities as they arise.

LIQUIDITY AND FINANCIAL RESOURCES

The Group centrally manages liquidity and financial resources at the corporate level. The aims are to maintain an appropriate degree of liquidity and ample financial resources to support business growth and capture new investment opportunities. Multiple channels of debt finance have also been established to mitigate financial risks.

- *Liquidity Management*

The cash flow position and funding needs are closely reviewed and monitored to ensure that the Group has a good degree of financial flexibility and liquidity. This is achieved by keeping sufficient cash resources, having adequate undrawn committed banking facilities available, and maintaining the Medium Term Note (MTN) Program for bond issuance if and when needed.

As at December 31, 2017, the Group had total cash and bank balances of HK$22,223 million (December 31, 2016: HK$24,524 million). All deposits are placed with banks with strong credit ratings and counterparty risk is monitored on a regular basis.

The currencies of cash and bank balances at the reporting date were as follows:

	At December 31, 2017		At December 31, 2016	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**12,805**	*57.6%*	2,950	*12.0%*
RMB	**9,408**	*42.3%*	21,563	*87.9%*
USD	**10**	*0.1%*	11	*0.1%*
Total cash and bank balances	**22,223**	*100%*	24,524	*100%*

As at December 31, 2017, the amount of undrawn committed banking facilities amounted to HK$15,009 million. The available balance of the USD3 billion MTN Program was equivalent to HK$10,645 million.

- *Financing Management*

The Group manages the debt portfolio with a focus on mitigating the re-financing and interest rate risks. These risks are well managed by maintaining an appropriate mix of fixed / floating rate borrowings, a staggered debt repayment profile and a diversified source of funding.

In September 2017, the Company's listed subsidiary, Hang Lung Properties Limited submitted an application to the National Association of Financial Market Institutional Investors (NAFMII) in mainland China to establish an on-shore RMB10 billion bond issuance platform. This RMB bond issuance platform when approved will enable us to further diversify the source of debt financing in mainland China.

As at December 31, 2017, total borrowings of the Group were HK$28,039 million. The lower debt balance compared to last year was mainly the result of prepayment of some bank borrowings. More RMB bank loans were raised, as part of the hedging strategy, for financing the construction projects on the Mainland. The following table shows the mix of floating rate bank borrowings and fixed rate bonds:

	At December 31, 2017		At December 31, 2016	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Floating rate HKD bank loans	**3,515**	*12.5%*	8,145	*26.2%*
Floating rate RMB bank loans	**11,814**	*42.1%*	10,345	*33.2%*
Fixed rate bonds	**12,710**	*45.4%*	12,629	*40.6%*
Denominated in USD	***7,816***	*27.9%*	*7,756*	*24.9%*
Denominated in HKD	***4,894***	*17.5%*	*4,873*	*15.7%*
Total borrowings	**28,039**	*100%*	31,119	*100%*

At the balance sheet date, the average tenor of the entire loan portfolio was 3.2 years (December 31, 2016: 3.7 years). The maturity profile was well staggered and spread over a period of 7 years, with around 72% of loans repayable after 2 years.

	At December 31, 2017		At December 31, 2016	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Repayable:				
Within 1 year	**3,017**	*10.8%*	568	*1.8%*
After 1 but within 2 years	**4,845**	*17.3%*	4,844	*15.6%*
After 2 but within 5 years	**17,055**	*60.8%*	17,154	*55.1%*
Over 5 years	**3,122**	*11.1%*	8,553	*27.5%*
Total borrowings	**28,039**	*100%*	31,119	*100%*

- *Gearing Ratios & Interest Cover*

As at December 31, 2017, the Group had a net debt balance of HK$5,816 million (December 31, 2016: HK$6,595 million). Net debt to equity ratio was 3.9% (December 31, 2016: 4.8%) while the debt to equity ratio was 18.7% (December 31, 2016: 22.5%).

For the financial year ended December 31, 2017, the amount of total gross interest expense was HK$1,350 million (2016: HK$1,425 million). The decrease in gross interest expense was mainly due to lower average bank borrowings balance in Hong Kong. However, the amount of finance costs charged to the statement of profit or loss for the financial year of 2017 increased HK$92 million to HK$1,294 million year-on-year because of a smaller amount of interest capitalization.

For the year ended December 31, 2017, interest income was HK$567 million (2016: HK$809 million). The decrease in interest income was mainly due to a lower average balance of RMB deposits which had higher yields.

With lower interest income and a higher amount of finance costs, the amount of net interest expense, i.e. the excess of finance costs over interest income, for the financial year of 2017 increased to HK$727 million.

As part of the foreign exchange risk management strategy, more RMB debts were used to finance development projects in mainland China. Consequently, the average effective cost of borrowings for 2017 increased to 4.8% (2016: 4.0%).

Interest cover, a key indicator for debt servicing capability, for 2017 was 10 times (2016: 14 times).

- *Foreign Exchange Management*

The activities of the Group are exposed to foreign currency risks which mainly arise from its operations in mainland China and certain bank deposits denominated in RMB held in and relating to mainland China entities. In addition, it has exposure to USD arising from the two USD500 million bonds issued. Appropriate measures have been taken to mitigate the foreign exchange risk exposures.

(a) RMB Exposure

The RMB exposure of the Group is mainly derived from two respects of the operations. These are, firstly, the currency translation risk arising from the net assets of our Mainland subsidiaries. Secondly, they are the RMB deposits held in and relating to mainland China entities which are primarily for the purposes of settling future construction payments in RMB.

At December 31, 2017, net assets on the Mainland amounted to RMB64 billion. The re-translation of these net assets denominated in RMB into HKD using the exchange rate as at the reporting date resulted in a re-translation gain of HK$5,088 million, as the RMB appreciated by about 7% against the HKD compared to December 31, 2016. By the same token, the RMB3,885 million deposits held in Hong Kong had to be re-translated into HKD as well and they accounted for HK$417 million of the re-translation gain for the financial year of 2017. The total re-translation gain of HK$5,505 million for 2017 (2016: total re-translation loss of HK$5,972 million) was recognized in other comprehensive income / exchange reserve.

RMB bank deposits were held as a natural hedge for meeting funding needs for projects under development in mainland China. We have adopted an enterprise risk management approach to mitigate the currency risks rather than forming a view on which side the currency will move. Regular business reviews are conducted to assess the level of funding needs for the Mainland projects under development, after taking account of various factors such as regulatory constraints, project development timelines and the business environment. Appropriate modifications to the currency hedging program will be conducted in light of the outcome of the periodic reviews.

(b) USD Exposure

The USD foreign exchange exposure is related to the two USD500 million fixed rate bonds issued, equivalent to HK$7,816 million at the reporting date. The related currency exchange risk was covered back-to-back by two USD/HKD cross currency swap contracts. The swap contracts were entered into in order to effectively fix the exchange rate between USD and HKD for future interest payments and principal repayments.

The changes in the fair value of both swap contracts did not impact the cash flows and the profit or loss materially as they qualified for cash flow hedge accounting.

- *Charge of Assets*

Assets of the Group were not charged to any third parties as at December 31, 2017.

- *Contingent Liabilities*

The Group did not have any material contingent liabilities as at December 31, 2017.

OUTLOOK

After several years of excess supply and macro policy changes in mainland China, the market has started to recover particularly in the luxury sector in tier-one cities. We have strengthened our management and streamlined the operations to meet the needs of the expanding business. Our world-class facilities are well positioned to benefit from the recovery. A solid foundation has been laid down for a sustainable rental growth through assets and tenant/trade upgrades.

Our focus for 2018 is to drive retail sales and rental growth in Hong Kong and Shanghai, while raising the level of occupancy and tenant quality in cities outside Shanghai. There are also plans to further improve cost efficiency as it is vital to improve rental margins.

The malls are now the social places for entertainment, services and food & beverage. We will continue to watch over this consumer trend and add experiential tenants such as cinemas and online to offline (O2O) concept stores, where appropriate, in order to generate footfall and retail sales. We have also invested in new technologies such as mobile applications, mobile payment and smart parking on top of excellent customer service delivery.

Backed by our financial strength, various asset enhancement programs will continue in both Hong Kong and Shanghai. Projects under development in mainland China will continue to proceed as planned.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2017 (AUDITED)

				For information purpose only	
	Note	**2017 HK$ Million**	2016 HK$ Million	**2017 RMB Million**	2016 RMB Million
Revenue	*2(a)*	**11,774**	13,648	**10,233**	11,743
Direct costs and operating expenses		**(3,462)**	(4,310)	**(3,006)**	(3,709)
Gross profit		**8,312**	9,338	**7,227**	8,034
Other net income	*3*	**550**	228	**472**	196
Administrative expenses		**(656)**	(671)	**(569)**	(575)
Operating profit before changes in fair value of properties		**8,206**	8,895	**7,130**	7,655
Net increase / (decrease) in fair value of properties		**3,085**	(254)	**2,606**	(226)
Operating profit after changes in fair value of properties		**11,291**	8,641	**9,736**	7,429
Interest income		**567**	809	**494**	692
Finance costs		**(1,294)**	(1,202)	**(1,123)**	(1,031)
Net interest expense	*4*	**(727)**	(393)	**(629)**	(339)
Share of profits of joint ventures		**221**	129	**190**	110
Profit before taxation	*2(a) & 5*	**10,785**	8,377	**9,297**	7,200
Taxation	*6(a)*	**(1,447)**	(1,472)	**(1,259)**	(1,259)
Profit for the year		**9,338**	6,905	**8,038**	5,941
Attributable to:					
Shareholders		**5,314**	3,713	**4,571**	3,196
Non-controlling interests		**4,024**	3,192	**3,467**	2,745
		9,338	6,905	**8,038**	5,941
Earnings per share	*8(a)*				
Basic		**HK$3.90**	HK$2.73	**RMB3.36**	RMB2.36
Diluted		**HK$3.90**	HK$2.73	**RMB3.36**	RMB2.36

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017 (AUDITED)

				For information purpose only	
	Note	**2017 HK$ Million**	2016 HK$ Million	**2017 RMB Million**	2016 RMB Million
Profit for the year		**9,338**	6,905	**8,038**	5,941
Other comprehensive income	*6(b)*				
Items that are or may be reclassified subsequently to profit or loss:					
Exchange difference arising from translation of foreign subsidiaries / to presentation currency		**5,505**	(5,972)	**(3,868)**	2,348
Movement in hedging reserve:					
Effective portion of changes in fair value		**(86)**	-	**(77)**	-
Net amount transferred to profit or loss		**(48)**	-	**(42)**	-
Item that will not be reclassified to profit or loss:					
Net change in fair value of equity investments		**1**	-	**1**	-
		5,372	(5,972)	**(3,986)**	2,348
Total comprehensive income for the year		**14,710**	933	**4,052**	8,289
Total comprehensive income attributable to:					
Shareholders		**8,198**	543	**2,311**	4,553
Non-controlling interests		**6,512**	390	**1,741**	3,736
		14,710	933	**4,052**	8,289

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2017 (AUDITED)

	Note	2017 HK$ Million	2016 HK$ Million	*For information purpose only* 2017 RMB Million	*For information purpose only* 2016 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties	*9*	**142,406**	133,005	**119,030**	119,212
Investment properties under development	*9*	**21,592**	17,282	**18,049**	15,459
Other property, plant and equipment		**218**	324	**182**	290
		164,216	150,611	**137,261**	134,961
Interest in joint ventures		**3,650**	3,539	**3,051**	3,180
Other assets		**1,445**	1,341	**1,208**	1,205
Deposits with banks		**3,705**	-	**3,097**	-
Deferred tax assets		**2**	22	**2**	20
		173,018	155,513	**144,619**	139,366
Current assets					
Cash and deposits with banks		**18,518**	24,524	**15,477**	22,010
Trade and other receivables	*10*	**2,078**	3,958	**1,737**	3,552
Properties for sale		**1,634**	2,374	**1,366**	2,133
Assets held for sale	*12*	**540**	-	**451**	-
		22,770	30,856	**19,031**	27,695
Current liabilities					
Bank loans and other borrowings		**3,017**	568	**2,522**	508
Trade and other payables	*11*	**7,169**	6,761	**5,992**	6,058
Finance lease obligations		**19**	-	**16**	-
Taxation payable		**511**	982	**427**	881
Liabilities directly associated with the assets held for sale	*12*	**2**	-	**2**	-
		10,718	8,311	**8,959**	7,447
Net current assets		**12,052**	22,545	**10,072**	20,248
Total assets less current liabilities		**185,070**	178,058	**154,691**	159,614
Non-current liabilities					
Bank loans and other borrowings		**25,022**	30,551	**20,914**	27,416
Finance lease obligations		**319**	-	**267**	-
Deferred tax liabilities		**10,173**	9,494	**8,504**	8,494
		35,514	40,045	**29,685**	35,910
NET ASSETS		**149,556**	138,013	**125,006**	123,704
Capital and reserves					
Share capital		**4,065**	4,065	**3,164**	3,164
Reserves		**79,072**	71,593	**66,326**	64,651
Shareholders' equity		**83,137**	75,658	**69,490**	67,815
Non-controlling interests		**66,419**	62,355	**55,516**	55,889
TOTAL EQUITY		**149,556**	138,013	**125,006**	123,704

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The financial information relating to the years ended December 31, 2017 and 2016 included in this announcement of annual results does not constitute the statutory annual consolidated financial statements of Hang Lung Group Limited (the "Company") and its subsidiaries (collectively the "Group") for those years but is derived from those consolidated financial statements in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622). The Company has delivered the consolidated financial statements for the year ended December 31, 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 and will deliver the consolidated financial statements for the year ended December 31, 2017 in due course. The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified and they 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 Hong Kong Companies Ordinance.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group. The adoption of these amendments to HKFRSs does not have significant impact on the Group's annual financial statements.

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

1. Basis of preparation (Continued)

Impact of early adoption of HKFRS 9, Financial Instruments

The Group's equity investments of HK$130,720 which were previously classified as available-for-sale investments and measured at cost less impairment under HKAS 39, *Financial Instruments: Recognition and Measurement*, have been designated as at fair value through other comprehensive income. The estimated fair value of these equity investments was HK$105 million as at January 1, 2017. Consequently, the opening balance of the Group's other reserves and non-controlling interests as at January 1, 2017 was impacted.

Initial application of hedge accounting

The Group uses USD/HKD cross currency swaps (entered into in 2015) to hedge the variability in cash flows arising from changes in foreign exchange rates relating to the USD-denominated Medium Term Notes. Starting from January 1, 2017, the Group has designated the cross currency swaps in their entirety as the hedging instruments of the foreign currency risk arising from the USD denominated bonds. The effective portion of changes in fair value of the hedging instruments is recognized in other comprehensive income and accumulated in a hedging reserve as a separate component of equity. Any ineffective portion of changes in fair value is recognized immediately in profit or loss. The associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

The presentation currency of these consolidated financial statements is Hong Kong dollar. In view of the Group’s significant business operations in mainland China, management has included additional financial information prepared in Renminbi in the consolidated financial statements. Such supplementary information is prepared on the same basis as 2016.

2. Revenue and segment information

The Group manages its businesses according to the nature of services and products provided. Management has determined three reportable operating segments for the measurement of performance and the allocation of resources. The segments are property leasing in Hong Kong and mainland China and property sales in Hong Kong.

Property leasing segment includes property leasing operation. The Group's investment properties portfolio, which mainly consists of retail, office, residential, serviced apartments and carparks are primarily located in Hong Kong and mainland China. Property sales segment includes development and sale of the Group's trading properties in Hong Kong.

Management evaluates performance primarily based on profit before taxation.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interest in joint ventures, other assets, deferred tax assets, cash and deposits with banks and assets held for sale. The investment properties of the Group are included in segment assets at their fair values whilst the changes in fair value of properties are not included in segment profits. No segment liabilities analysis is presented as the Group monitors and manages its liabilities on a group basis.

2. Revenue and segment information (Continued)

(a) Revenue and results by segments

	Revenue		Profit before taxation	
	2017	2016	**2017**	2016
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Segment				
Property leasing				
- Mainland China	**4,372**	4,427	**2,734**	2,814
- Hong Kong	**3,982**	3,899	**3,340**	3,315
	8,354	8,326	**6,074**	6,129
Property sales				
- Hong Kong	**3,420**	5,322	**2,238**	3,209
Segment total	**11,774**	13,648	**8,312**	9,338
Other net income			**550**	228
Administrative expenses			**(656)**	(671)
Operating profit before changes in fair value of properties			**8,206**	8,895
Net increase / (decrease) in fair value of properties			**3,085**	(254)
- Property leasing in Hong Kong			**3,352**	204
- Property leasing in mainland China			**(267)**	(798)
- Upon transfer from completed properties for sale to investment properties			**-**	340
Net interest expense			**(727)**	(393)
- Interest income			**567**	809
- Finance costs			**(1,294)**	(1,202)
Share of profits of joint ventures			**221**	129
Profit before taxation			**10,785**	8,377

2. Revenue and segment information (Continued)

(b) Total assets by segments

	Total assets	
	2017	2016
	HK$ Million	HK$ Million
Segment		
Property leasing		
- Mainland China	**101,283**	90,973
- Hong Kong	**64,479**	60,999
	165,762	151,972
Property sales		
- Hong Kong	**2,166**	4,971
Segment total	**167,928**	156,943
Interest in joint ventures	**3,650**	3,539
Other assets	**1,445**	1,341
Deferred tax assets	**2**	22
Cash and deposits with banks	**22,223**	24,524
Assets held for sale	**540**	-
Total assets	**195,788**	186,369

3. Other net income

	2017	2016
	HK$ Million	HK$ Million
Gain on disposal of investment properties	**464**	8
Dividend income from unlisted investments	**-**	20
Fair value gain on derivative financial instruments (Note)	**-**	203
Ineffectiveness on cash flow hedge (Note)	**(5)**	-
Net exchange gain / (loss)	**89**	(3)
Others	**2**	-
	550	228

Note: The Group entered into USD/HKD cross currency swaps for the purpose of fixing the exchange rate for the USD-denominated Medium Term Notes. Starting from January 1, 2017, the Group has designated the cross currency swaps as the hedging instruments in cash flow hedges.

4. Net interest expense

	2017 HK$ Million	2016 HK$ Million
Interest income on bank deposits	**567**	809
Interest expense on bank loans and other borrowings	**1,225**	1,321
Finance charges on finance lease obligations	**8**	-
Other borrowing costs	**117**	104
Total borrowing costs	**1,350**	1,425
Less: Borrowing costs capitalized	**(56)**	(223)
Finance costs	**1,294**	1,202
Net interest expense	**(727)**	(393)

5. Profit before taxation

	2017 HK$ Million	2016 HK$ Million
Profit before taxation is arrived at after charging:		
Cost of properties sold	**938**	1,815
Staff costs, including employee share-based payments of HK$78 million (2016: HK$103 million)	**1,509**	1,438
Depreciation	**44**	57

6. Taxation

(a) Provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year. Mainland China Income Tax mainly represents mainland China Corporate Income Tax calculated at 25% (2016: 25%) and mainland China withholding income tax at the applicable rates. A withholding tax of 5% is levied on the Hong Kong companies in respect of dividend distributions arising from profits of foreign investment enterprises in mainland China earned after January 1, 2008.

	2017	2016
	HK$ Million	HK$ Million
Current tax		
Hong Kong Profits Tax	**723**	869
Over-provision in prior years	**-**	(10)
	723	859
Mainland China Income Tax	**648**	664
	1,371	1,523
Deferred tax		
Changes in fair value of properties	**(4)**	(145)
Other origination and reversal of temporary differences	**80**	94
	76	(51)
Total income tax expense	**1,447**	1,472

(b) There is no tax effect relating to the components of the other comprehensive income for the year.

7. Dividends

(a) Dividends attributable to the year

	2017	2016
	HK$ Million	HK$ Million
Interim dividend declared and paid of HK19 cents (2016: HK19 cents) per share	**258**	258
Final dividend of HK61 cents (2016: HK61 cents) per share proposed after the end of the reporting period	**831**	831
Total dividends attributable to the year	**1,089**	1,089

The dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(b) The final dividend of HK$831 million (calculated based on HK61 cents per share and the total number of issued shares as at the dividend pay-out date) for the year ended December 31, 2016 was approved and paid in the year ended December 31, 2017 (2016: HK$827 million).

8. Earnings per share

(a) The calculation of basic and diluted earnings per share is based on the following data:

	2017	2016
	HK$ Million	HK$ Million
Earnings used in calculating basic and diluted earnings per share (net profit attributable to shareholders)	**5,314**	3,713

8. Earnings per share (Continued)

(a) (Continued)

	Number of shares	
	2017	2016
	(Million)	(Million)
Weighted average number of shares used in calculating basic and diluted earnings per share (Note)	**1,362**	1,358

Note: Diluted earnings per share were the same as the basic earnings per share for the periods as there were no dilutive potential ordinary shares in existence during both years.

(b) The underlying net profit attributable to shareholders which excluded changes in fair value of properties net of related deferred tax and non-controlling interests, is calculated as follows:

	2017	2016
	HK$ Million	HK$ Million
Net profit attributable to shareholders	**5,314**	3,713
Effect of changes in fair value of properties	**(3,085)**	254
Effect of corresponding deferred tax	**(4)**	(145)
Effect of changes in fair value of investment properties of joint ventures	**(92)**	4
	(3,181)	113
Non-controlling interests	**1,181**	(54)
	(2,000)	59
Underlying net profit attributable to shareholders	**3,314**	3,772

8. Earnings per share (Continued)

The earnings per share based on underlying net profit attributable to shareholders are:

	2017	2016
Basic	**HK$2.43**	HK$2.78
Diluted	**HK$2.43**	HK$2.78

9. Investment properties and investment properties under development

(a) Addition

During the year, additions to investment properties and investment properties under development amounted to HK$4,491 million (2016: HK$2,475 million).

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as of December 31, 2017 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis.

10. Trade and other receivables

(a) Included in trade and other receivables are trade receivables (based on the due date) with the following aging analysis:

	2017	2016
	HK$ Million	HK$ Million
Not past due or less than 1 month past due (Note)	**511**	2,621
1 - 3 months past due	**6**	22
More than 3 months past due	**3**	13
	520	2,656

Note: Not past due or less than one month past due receivables mainly represented property sales receivables for residential units sold in the second half of the years. Most of the sales receivables would be settled over the next few months upon sales completion.

10. Trade and other receivables (Continued)

The allowance for expected credit losses is insignificant. The Group maintains a defined credit policy including stringent credit evaluation on and payment of a rental deposit from tenants. Proceeds from property sales are receivable pursuant to the terms of the sale and purchase agreements. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. Except for sale of properties developed by the Group, it does not hold any collateral over the receivables. Receivables are regularly reviewed and closely monitored to minimize any associated credit risk.

(b) Included in other receivables of the Group is deposit of land acquisition in mainland China of HK$299 million (2016: HK$279 million).

11. Trade and other payables

Included in trade and other payables are trade creditors with the following aging analysis:

	2017	2016
	HK$ Million	HK$ Million
Due within 3 months	**2,063**	1,690
Due after 3 months	**1,977**	1,855
	4,040	3,545

12. Assets held for sale

(a) On November 22, 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of its indirect wholly owned subsidiaries and the shareholder's loan. The assets held by the subsidiaries were the retail arcade and some car parking spaces at Carmel-on-the-Hill in Hong Kong. After the end of the reporting period, the completion of the transaction took place on January 22, 2018.

(b) On December 13, 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of investment properties at Bayview Garden in Hong Kong. The completion of the transaction is scheduled to take place on March 15, 2018.

12. Assets held for sale (Continued)

Accordingly, the following assets and liabilities are presented as a disposal group / assets held for sale.

	2017 **HK$ Million**
Investment properties	**539**
Properties for sale	**1**
Assets held for sale	**540**
Deposits received	**2**
Liabilities directly associated with the assets held for sale	**2**

The fair value of investment properties was determined by reference to the selling price on the sale and purchase agreements signed with independent third parties.

OTHER INFORMATION

Employees

As at December 31, 2017, the number of employees was 4,643 (comprising 1,253 Hong Kong employees and 3,390 mainland China employees). The total employee costs for the year ended December 31, 2017 amounted to HK$1,509 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable based on individual performance. We regularly review the remuneration packages to ensure that they comply with relevant regulatory requirements and market conditions. The Group has share option schemes for the executives and provides professional and high-quality training for all employees.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

Compliance with Corporate Governance Code

During the year, the Company complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Audit Committee

The annual results for the year ended December 31, 2017, have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, KPMG, and it has issued an unmodified opinion.

Book Close Dates

For ascertaining shareholders' right to attend and vote at the Annual General Meeting (AGM)

Book close dates (both days inclusive)	April 23 to 26, 2018
Latest time to lodge transfers	4:30 pm on April 20, 2018
Record date	April 26, 2018
AGM	April 26, 2018

For ascertaining shareholders' entitlement to the proposed final dividend

Book close date	May 3, 2018
Latest time to lodge transfers	4:30 pm on May 2, 2018
Record date	May 3, 2018
Final dividend payment date	May 16, 2018

On Behalf of the Board
Ronnie C. Chan
Chairman

Hong Kong, January 30, 2018

As at the date of this announcement, the board of directors of the Company comprises the following directors:
Executive Directors: Mr. Ronnie C. CHAN, Mr. Philip N.L. CHEN, Mr. H.C. HO and Mr. Adriel W. CHAN
Non-Executive Directors: Mr. Gerald L. CHAN, Mr. George K.K. CHANG and Mr. Roy Y.C. CHEN
Independent Non-Executive Directors: Mr. Simon S.O. IP, Prof. L.C. TSUI, Mr. Martin C.K. LIAO and Prof. P.W. LIU

GLOSSARY

Financial Terms

Finance costs: Total of interest expense on total borrowings and other borrowing costs, net of amount capitalized

Total borrowings: Total of bank loans & other borrowings, net of unamortized other borrowing costs

Net debt: Total borrowings net of cash and deposits with banks

Net profit attributable to shareholders: Profit for the year (after tax) less amounts attributable to non-controlling interests

Underlying net profit attributable to shareholders: Net profit attributable to shareholders excluded changes in fair value of properties net of related deferred tax and non-controlling interests

Financial Ratios

$$\text{Basic earnings per share} = \frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Debt to equity} = \frac{\text{Total borrowings}}{\text{Total equity}}$$

$$\text{Net assets per share} = \frac{\text{Net assets}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Net debt to equity} = \frac{\text{Net debt}}{\text{Total equity}}$$

$$\text{Interest cover} = \frac{\text{Operating profit before changes in fair value of properties}}{\text{Finance costs before capitalization less interest income}}$$