

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 51

2016 Final Results Announcement

HIGHLIGHTS

- Development Properties (“DP”) in China has been dominating financial performance since 2012. However, 93% of developable GFA have been sold/pre-sold (and 80% recognised) up to the end of 2016. Share of Group core profit declined to 45% in 2016 (2015: 60%).
- Both Investment Properties (“IP”) and Hotel were slowed by soft markets.
- Core earnings per share declined by 36% to HK\$1.08. Total dividend per share will decrease by 29% to HK\$0.50.
- The Murray in Hong Kong has started to ramp up pre-opening expenses to prepare to open in late 2017. Building and land costs will be depreciated over the life of the land lease.
- Projects under development are expected to strain both cash flow and profits in their early years. Substantial net cash outflow is budgeted for 2017.

GROUP RESULTS

Underlying core profit for the year decreased by 36% to HK\$762 million (2015: HK\$1,194 million), representing HK\$1.08 (2015: HK\$1.68) per share.

Group profit attributable to equity shareholders, including investment property revaluation changes, amounted to HK\$692 million (2015: HK\$1,231 million) with a 44% decrease from 2015. Basic earnings per share was HK\$0.98 (2015: HK\$1.74).

DIVIDENDS

A first interim dividend of 14 HK cents per share was paid on 8 September 2016. In lieu of a final dividend, a second interim dividend of 36 HK cents per share will be paid on 20 April 2017 to Shareholders on record as at 30 March 2017. Total distribution for the year of 2016 will amount to 50 HK cents (2015: 70 HK cents) per share.

BUSINESS REVIEW

DP in China has been dominating financial performance since 2012. Its share of Group core profit once ranged up to nearly 70%. However, 93% of developable GFA have been sold/pre-sold (and 80% recognised) up to the end of 2016. The land bank has not been replenished and depletion will continue. In parallel, performance of the recurrent IP and Hotel segments was slowed by soft markets. As a result, Group core profit declined by 36% to HK\$762 million (2015: HK\$1,194 million).

Hong Kong

Investment Properties

Rental income for the Group's portfolio retreated amidst challenging trading conditions. This portfolio was independently revalued as at year-end, and reported a net revaluation deficit of HK\$70 million or 1% for the year.

Hotel

Weakened demand took its toll on the performance of Marco Polo Hongkong Hotel. The hotel has also become less competitive with age. Average room rate exhibited a decline while average occupancy was stable. Revenue decreased by 4% and operating profit by 9%.

The Murray, a 336-room sophisticated urban chic hotel in Central under conversion from the iconic Murray Building, has started to ramp up pre-opening expenses to prepare for opening in late 2017. Building and land costs will be depreciated over the life of the land lease. That may dilute the segment's results until the hotel reaches stabilization in several years.

China

Development Properties

Lower sales recognition, principally from Suzhou Times City, trimmed contribution from subsidiaries. Contribution from joint venture/associate projects also declined resulting from reduced sales recognised for Shanghai South Station.

Attributable land bank (net of recognised sales) was reduced to about 0.7 million square metres. The U World in Chongqing and Changzhou Times Palace were completed in 2016. Full completion of Suzhou Times City and the 27%-owned Shanghai South Station project is scheduled for 2017 and 2022 respectively.

Notwithstanding a more positive market arising from the government's loosening measures, the Group's attributable interest in contracted sales dropped to RMB3.4 billion (2015: RMB5.3 billion), which in part was due to project launch schedule and depletion of land bank. 1,105 residential and retail units (total GFA: 161,400 square metres) were sold/pre-sold in 2016.

The net order book as at year-end was maintained at RMB5.0 billion for 2,010 residential and retail units (total GFA: 249,000 square metres).

Investment Properties

Suzhou International Finance Square (“IFS”), an iconic landmark prominently located in the new CBD overlooking Jinji Lake and adjacent to Xinghu Street MTR station (Line 1), is set to stand out in a soft market. The 299,000 square metres of Grade A offices, a premium boutique hotel, sky residences and luxury apartments are mainly due for completion in 2018.

Hotel

Performance of Marco Polo Changzhou is improving but still in pre-stabilization mode. The hotel has been building its business through strategic expansion of its client base.

First revenue contribution at the 133-room luxury sky hotel at Suzhou IFS is poised to begin in early 2019 at the earliest.

Outlook

Looking ahead, trading conditions are likely to be uncertain in 2017 but completion of pre-sold DP projects would be positive to Group results. However, DP contribution will substantially decrease after 2017 as the project pipeline will be mostly depleted. Initial expenses for the IP and Hotel projects under development will also put pressure on the Group’s cashflow and profits in their early years. Substantial net cash outflow is budgeted for 2017.

FINANCIAL REVIEW

(I) Review of 2016 Final Results

Amid soft markets and volatile profit recognition for development projects, Group core profit decreased by 36% to HK\$762 million (2015: HK\$1,194 million).

Revenue and Operating Profit

IP revenue declined by 8% to HK\$315 million (2015: HK\$344 million) and operating profit by 8% to HK\$283 million (2015: HK\$309 million). The fall in retail turnover rent from Marco Polo Hongkong Hotel (“MP Hong Kong”) was partially compensated by full year rental contribution from the Star House units which had been under renovation in 2015 to prepare for a new tenant.

Hotel revenue fell by 2% to HK\$616 million (2015: HK\$628 million) and operating profit by 6% to HK\$130 million (2015: HK\$138 million), partially due to lower room rate recorded by MP Hong Kong, although operating loss of Marco Polo Changzhou (“MP Changzhou”) was narrowed.

DP revenue decreased by 37% to HK\$2,482 million (2015: HK\$3,930 million) and operating profit by 59% to HK\$425 million (2015: HK\$1,041 million), which was mainly attributable to lower recognition from Suzhou Times City. Inclusive of joint ventures and associates, DP core profit retreated by 52% to HK\$343 million (2015: HK\$719 million).

Operating profit from Investment and Others, comprising mainly interest and dividend income, fell by 1% to HK\$145 million (2015: HK\$146 million).

On consolidation, Group revenue decreased by 30% to HK\$3,558 million (2015: HK\$5,048 million) and operating profit by 40% to HK\$969 million (2015: HK\$1,622 million).

Contracted DP Sales

Inclusive of joint ventures and associates on an attributable basis, the Group contracted property sales totalling RMB3,355 million (2015: RMB5,264 million). The net order book at year end stood at RMB4,977 million (December 2015: RMB5,056 million) that is available for recognition in stages on completion of various DP projects.

Change in Fair Value of IP

The Group’s completed IP were stated at fair value based on an independent valuation as at 31 December 2016, resulting in a revaluation deficit of HK\$70 million (2015: surplus HK\$37 million). IP under development were carried at cost less impairment, if any, and would not be stated at fair value until the earlier of their fair values first becoming reliably measurable or the dates of completion.

Other Net Income

Other net income decreased by HK\$48 million to HK\$31 million, mainly because a profit of HK\$48 million from the sale of equity investments was recognised through other comprehensive income, following the adoption of the new accounting standard (HKFRS 9), against a profit of HK\$33 million credited to income statement in 2015.

Finance Costs

Net finance costs amounted to HK\$57 million (2015: HK\$59 million) after interest capitalisation of HK\$15 million for the Group's projects.

Share of Results after Tax of Joint Ventures and Associates

Joint venture profit was HK\$176 million (2015: HK\$95 million) with further recognition of The U World in Chongqing.

Associates recorded attributable profit HK\$23 million from Shanghai South Station project (2015: HK\$133 million) in the absence of phased completion.

Income Tax

Taxation charge for the year decreased by 38% to HK\$310 million (2015: HK\$502 million) following lower DP profit recognised for the year.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the year amounted to HK\$692 million (2015: HK\$1,231 million), representing a decrease of 44%. Core profit, excluding IP revaluation differences, decreased by 36% to HK\$762 million (2015: HK\$1,194 million).

Earnings per share ("EPS") was reported at HK\$0.98 (2015: HK\$1.74) based on 708.8 million issued shares. Excluding IP revaluation differences, EPS was HK\$1.08 (2015: HK\$1.68).

Early Adoption of HKFRS 9 "Financial Instruments"

The Group has early adopted the complete version of HKFRS 9 "Financial Instruments" in its consolidated financial statements with effect from 1 January 2016. As a result, the investments in equity securities of HK\$2,301 million that were previously classified as available-for-sale investments under HKAS 39 have been re-designated as equity investments measured at fair value through other comprehensive income. Based on this new standard, HK\$48 million gain on disposal of equity securities in the year was recognised through other comprehensive income instead of the income statement as previously accounted for (2015: HK\$33 million profit through the income statement).

(II) Review of Financial Position, Liquidity, Resources and Commitments**Shareholders' and Total Equity**

As at 31 December 2016, shareholders' equity stood at HK\$15,829 million (2015: HK\$16,185 million), equivalent to HK\$22.33 per share (2015: HK\$22.84 per share), net of an exchange deficit of HK\$405 million on translation of the Group's RMB5.3 billion of net assets and an attributable investment revaluation deficit of HK\$151 million. Including non-controlling interests, the Group's total equity amounted to HK\$16,546 million (2015: HK\$17,330 million).

MP Hong Kong and MP Changzhou hotel properties are stated at cost less accumulated depreciation in accordance with prevailing Hong Kong Financial Reporting Standards ("HKFRSs"). Restating these hotel properties to independent valuation as at 31 December 2016 would give rise to an additional revaluation surplus totalling

HK\$3,903 million and increase the Group's shareholders' equity as at 31 December 2016 to HK\$19,732 million, equivalent to HK\$27.84 per share.

Assets and Liabilities

Group total assets decreased by 5% to HK\$28,114 million (2015: HK\$29,651 million). Total business assets, excluding bank deposits and cash, equity investments, deferred tax assets and other derivative financial assets, maintained at HK\$20,659 million (2015: HK\$20,707 million) mainly due to increase in Hotel and IP under development offset by DP from sales recognition.

Geographically, business assets in the Mainland decreased by 8% to HK\$9,245 million (2015: HK\$10,002 million), representing 45% (2015: 48%) of the Group total.

IP

IP increased by 5% to HK\$8,277 million (2015: HK\$7,876 million), representing 40% (2015: 38%) of the Group total business assets. Hong Kong IP amounted to HK\$5,344 million (2015: HK\$5,414 million), comprising mainly MP Hong Kong's podium valued at HK\$4,760 million. Mainland IP, mainly Suzhou IFS under development, was stated at book cost of HK\$2,933 million (2015: HK\$2,462 million).

Properties for Sale / Interests in Associates and Joint Ventures

Mainland DP decreased by 27% to HK\$1,957 million (2015: HK\$2,699 million) reflecting sales recognition at Suzhou Times City and Changzhou Times Palace. In addition, DP undertaken through associates and joint ventures amounted to HK\$3,225 million (2015: HK\$3,647 million).

Other Business Assets

Other major business assets included hotel properties at MP Hong Kong, The Murray, MP Changzhou and other property and equipment with book cost totalling HK\$6,529 million (2015: HK\$5,677 million).

Pre-sale Deposits and Proceeds

Pre-sale deposits and proceeds increased by 7% to HK\$5,030 million (2015: HK\$4,691 million), reflecting contracted sales to be recognised as revenue by stage in the future.

Net Cash and Gearing

Net cash increased to HK\$1,904 million (2015: HK\$1,647 million), consisting of HK\$5,154 million in cash and HK\$3,250 million in bank borrowings.

Finance and Availability of Facilities and Funds

As at 31 December 2016, available loan facilities amounted to HK\$4,850 million, of which HK\$3,250 million were utilised.

Debts were principally denominated in Hong Kong dollar ("HKD") and in floating rate. Further borrowings will be sourced to finance the property and hotel development projects.

The use of derivative financial instruments is strictly controlled. The majority of the derivative financial instruments entered into by the Group are primarily used for managing and hedging the Group's interest rate and currency exposures.

The Group continued to maintain a reasonable level of surplus cash denominated principally in HKD and RMB to facilitate business and investment activities. As at 31 December 2016, the Group also maintained a portfolio of equity investments mainly consisting of blue chip listed securities with an aggregate market value of HK\$2,301 million (2015: HK\$2,450 million), which is available for liquidation to meet needs if they arise. The performance of the portfolio was largely in line with the general market.

Net Cash Flows for Operating and Investing Activities

For the year under review, the Group generated a net cash inflow from operating activities of HK\$2,792 million (2015: HK\$3,056 million), mainly attributable to pre-sales proceeds net of construction cost payment for the Mainland development projects. For investing activities, the Group recorded a net cash outflow of HK\$1,423 million (2015: HK\$1,451 million), primarily for The Murray and Suzhou IFS projects.

Commitments to Capital and Development Expenditure

Major capital and development expenditure in the coming years totalled HK\$7.8 billion. HK\$3.3 billion of that was committed (HK\$1.4 billion for The Murray and HK\$1.9 billion for Mainland projects). Uncommitted expenditure of HK\$4.5 billion is mainly for the existing Mainland DP projects to be incurred by stage in the coming years.

The above expenditures will be funded by internal financial resources, including cash currently on hand, as well as bank loans. Other available resources include equity investments that can be liquidated when in need.

(III) Human Resources

The Group had approximately 900 employees as at 31 December 2016. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the Group's achievement and results.

CONSOLIDATED INCOME STATEMENT
For The Year Ended 31 December 2016

	Note	2016 HK\$ Million	2015 HK\$ Million
Revenue	2	3,558	5,048
Direct costs and operating expenses		(2,332)	(3,136)
Selling and marketing expenses		(131)	(138)
Administrative and corporate expenses		(74)	(90)
Operating profit before depreciation, interest and tax		1,021	1,684
Depreciation		(52)	(62)
Operating profit	2&3	969	1,622
Change in fair value of investment properties		(70)	37
Other net income	4	31	79
		930	1,738
Finance costs	5	(57)	(59)
Share of results after tax of:			
Joint ventures		176	95
Associates		23	133
Profit before taxation		1,072	1,907
Income tax	6(a)	(310)	(502)
Profit for the year		762	1,405
Profit attributable to:			
Equity shareholders		692	1,231
Non-controlling interests		70	174
		762	1,405
Earnings per share	7		
Basic		HK\$0.98	HK\$1.74
Diluted		HK\$0.98	HK\$1.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2016

	2016	2015
	HK\$ Million	HK\$ Million
Profit for the year	762	1,405
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of the operations of:	(460)	(627)
- subsidiaries	(419)	(515)
- joint ventures	(41)	(112)
Fair value changes on available-for-sale investments:	-	(255)
- deficit on revaluation	-	(219)
- transferred to profit or loss on disposal	-	(36)
Items that will not be classified to profit or loss:		
Fair value changes on equity investments	(151)	-
Others	4	-
Other comprehensive income for the year	(607)	(882)
Total comprehensive income of the year	155	523
Total comprehensive income attributable to:		
Equity shareholders	140	419
Non-controlling interests	15	104
	155	523

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Note	2016 HK\$ Million	2015 HK\$ Million
Non-current assets			
Investment properties		8,277	7,876
Hotel properties, plant and equipment		6,529	5,677
Interest in associates		1,417	1,608
Interest in joint ventures		1,808	2,039
Equity investments		2,301	-
Available-for-sale investments		-	2,450
Deferred tax assets		-	46
Other non-current assets		20	16
		20,352	19,712
Current assets			
Properties for sale		1,957	2,699
Inventories		3	3
Trade and other receivables	9	484	660
Derivative financial assets		-	1
Prepaid tax		164	129
Bank deposits and cash		5,154	6,447
		7,762	9,939
Total assets		28,114	29,651
Non-current liabilities			
Deferred tax liabilities		(44)	(69)
Bank loans		(2,450)	(4,400)
		(2,494)	(4,469)
Current liabilities			
Trade and other payables	10	(3,165)	(2,600)
Pre-sale deposits and proceeds		(5,030)	(4,691)
Derivative financial liabilities		-	(2)
Taxation payable		(79)	(159)
Bank loans		(800)	(400)
		(9,074)	(7,852)
Total liabilities		(11,568)	(12,321)
NET ASSETS		16,546	17,330
Capital and reserves			
Share capital		3,641	3,641
Reserves		12,188	12,544
Shareholders' equity		15,829	16,185
Non-controlling interests		717	1,145
TOTAL EQUITY		16,546	17,330

NOTES TO THE FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

This financial information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, 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 Companies Ordinance (Cap. 622 of the laws of Hong Kong). This financial information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the financial information are consistent with those used in the annual financial statements for the year ended 31 December 2015 except for the changes mentioned below.

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Company. None of these developments have had a material effect on how the Company’s results and financial position for the current or prior periods have been prepared or presented.

The Group has early adopted the complete version of HKFRS 9, “Financial Instruments” in the consolidated financial statements for the year ended 31 December 2016. Except for the foregoing, the Group has not adopted any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 introduces new classification and measurement requirements for financial assets on the basis of the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, a new expected credit loss model that replaces the incurred loss impairment model used in HKAS 39, “Financial Instruments: Recognition and Measurement”, with the result that a loss event will no longer need to occur before an impairment allowance is recognised, and a new hedge accounting model where the hedged ratio is required to be the same as the one used by an entity’s management for risk management purposes.

As at 1 January 2016, the Directors of the Group have reviewed and reassessed the Group’s financial assets on that date and the results for the period. The initial application of HKFRS 9 has had impacts on the following financial assets and results of the Group:

- (i) investments in equity securities (not held for trading) of HK\$2,301 million that were previously classified as available-for-sale investments and measured at fair value at each reporting date under HKAS 39 have been designated as equity investments measured at fair value through other comprehensive income (“FVTOCI”). Group profit for the period has been reduced by HK\$48 million, representing the gain on disposal of equity securities recognised through other comprehensive income instead of the income statement as previously accounted for (2015: HK\$33 million profit).
- (ii) impairment based on expected credit loss model on the Group’s rental, sales and trade receivables have no significant financial impacts.

The financial information relating to the financial years ended 31 December 2016 and 2015 included in this announcement of annual results does not constitute the Company's statutory annual financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course. The Company's auditor has reported on those financial statements 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 section 406(2), 407(2) or (3) of the Companies Ordinance.

2. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined three reportable operating segments for measuring performance and allocating resources. The segments are development property, investment property and hotel. No operating segment has been aggregated to form reportable segments.

Development property segment encompasses activities relating to the acquisition, development, design, construction, sales and marketing of the Group's trading properties primarily in Mainland China.

Investment property segment primarily represents the property leasing of the Group's investment properties in Hong Kong. Some of the Group's development projects in Mainland China include properties which are intended to be held for investment purposes on completion.

Hotel segment represents the operations of Marco Polo Hongkong Hotel and Marco Polo Changzhou. It also includes The Murray which is under construction.

Management evaluates performance based on operating profit as well as the equity share of results of associates and joint ventures of each segment.

Segment business assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of bank deposits and cash, equity investments, derivative financial instruments and deferred tax assets.

Revenue and expenses are allocated with reference to income generated by those segments and expenses incurred by those segments or which arise from the depreciation of assets attributable to those segments.

(a) Analysis of segment revenue and results

	Revenue HK\$ Million	Operating profit HK\$ Million	Change in fair value of investment properties HK\$ Million	Other net income HK\$ Million	Finance costs HK\$ Million	Joint ventures HK\$ Million	Associates HK\$ Million	Profit before taxation HK\$ Million
2016								
Development property	2,482	425	-	23	(8)	176	23	639
Investment property	315	283	(70)	-	(14)	-	-	199
Hotel	616	130	-	-	(4)	-	-	126
Segment total	3,413	838	(70)	23	(26)	176	23	964
Investment and others	145	145	-	8	(31)	-	-	122
Corporate expenses	-	(14)	-	-	-	-	-	(14)
Group total	3,558	969	(70)	31	(57)	176	23	1,072
2015								
Development property	3,930	1,041	-	50	(13)	95	133	1,306
Investment property	344	309	37	-	(15)	-	-	331
Hotel	628	138	-	-	(4)	-	-	134
Segment total	4,902	1,488	37	50	(32)	95	133	1,771
Investment and others	146	146	-	29	(27)	-	-	148
Corporate expenses	-	(12)	-	-	-	-	-	(12)
Group total	5,048	1,622	37	79	(59)	95	133	1,907

- (i) Substantially all depreciation was attributable to the Hotel Segment.
- (ii) No inter-segment revenue has been recorded during the current and prior years.

(b) Analysis of segment business assets

	2016	2015
	HK\$ Million	HK\$ Million
Development property	5,710	6,885
Investment property	8,326	8,049
Hotel	6,623	5,773
Total segment business assets	20,659	20,707
Unallocated corporate assets	7,455	8,944
Total assets	28,114	29,651

- (i) Hotel is stated at amortised cost. Should the completed hotel properties be stated based on the valuation as at 31 December 2016 of HK\$4,464 million (2015: HK\$4,754 million), the total segment business assets would be increased to HK\$24,562 million (2015: HK\$24,846 million).
- (ii) Unallocated corporate assets mainly comprise equity investments, deferred tax assets, derivative financial assets and bank deposits and cash.

(c) Geographical information

	Revenue		Operating profit	
	2016	2015	2016	2015
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	907	946	473	503
Mainland China	2,606	4,064	451	1,081
Singapore	45	38	45	38
Group total	3,558	5,048	969	1,622

	Specified non-current assets		Total business assets	
	2016	2015	2016	2015
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	11,275	10,438	11,414	10,705
Mainland China	6,756	6,762	9,245	10,002
Group total	18,031	17,200	20,659	20,707

Specified non-current assets exclude equity investments, deferred tax assets, derivative financial assets and other non-current assets.

The geographical location of revenue and operating profit is analysed based on the location at which services are provided and in the case of equity instruments, where they are listed. The geographical location of specified non-current assets and total business assets is based on the physical location of operations.

3. OPERATING PROFIT

Operating profit is arrived at:

	2016 HK\$ Million	2015 HK\$ Million
After charging/(crediting):		
Depreciation	52	62
Staff costs (Note i)	208	215
Auditors' remuneration	2	2
Cost of trading properties for recognised sales	1,968	2,768
Rental charges under operating leases	16	14
Gross rental revenue from investment property (Note ii)	(315)	(344)
Direct operating expenses of investment property	20	25
Interest income	(69)	(90)
Dividend income from listed investments	(76)	(56)

Notes:

(i) Staff costs included defined contribution pension schemes costs HK\$7 million (2015: HK\$6 million).

(ii) Rental income included contingent rentals of HK\$60 million (2015: HK\$112 million).

4. OTHER NET INCOME

	2016 HK\$ Million	2015 HK\$ Million
Profit on disposal of available-for-sale investments, including revaluation surplus of HK\$Nil (2015: HK\$36 million) transferred from the investments revaluation reserve	-	33
Net exchange gain, including the impact of forward foreign exchange contracts	31	46
	31	79

5. FINANCE COSTS

	2016 HK\$ Million	2015 HK\$ Million
Interest on bank borrowings	43	60
Other finance costs	29	31
	72	91
Less: Amount capitalised	(15)	(32)
	57	59

6. INCOME TAX

(a) Taxation charged to the consolidated income statement represents:

	2016 HK\$ Million	2015 HK\$ Million
Current income tax		
Hong Kong		
- provision for the year	71	80
- overprovision in respect of prior years	(2)	(2)
Mainland China		
- provision for the year	215	329
- overprovision in respect of prior years	(2)	-
	282	407
Land appreciation tax ("LAT") (Note (d))	9	89
Deferred tax		
Origination and reversal of temporary differences	19	6
Total	310	502

(b) The provision for Hong Kong profits tax is at the rate of 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

(c) Income tax on profits assessable in Mainland China are China corporate income tax calculated at a rate of 25% (2015: 25%) and China withholding tax at a rate of up to 10%.

- (d) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.
- (e) Tax attributable to joint ventures and associates for the year ended 31 December 2016 of HK\$152 million (2015: HK\$135 million) is included in the share of results of joint ventures and associates.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders for the year of HK\$692 million (2015: HK\$1,231 million) and the weighted average of 709 million ordinary shares (2015: 709 million shares) in issue during the year.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2016	2016	2015	2015
	HK\$	HK\$	HK\$	HK\$
	Per share	Million	Per share	Million
First interim dividend declared and paid	0.14	99	0.14	99
Second interim dividend declared after the end of the reporting period	0.36	255	0.56	397
	0.50	354	0.70	496

- (a) The second interim dividend based on 709 million issued ordinary shares (2015: 709 million shares) declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- (b) The second interim dividend of HK\$397 million for 2015 was approved and paid in 2016.

9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for doubtful debts) with an ageing analysis based on invoice date as at 31 December 2016 as follows:

	2016 HK\$ Million	2015 HK\$ Million
Trade receivables		
0 - 30 days	44	168
31 - 60 days	2	1
Over 60 days	8	4
	54	173
Prepayments	351	399
Other receivables	39	48
Amounts due from fellow subsidiaries	40	40
	484	660

The Group has established credit policies for each of its core business. The general credit terms allowed range from 0 to 60 days, except for sale of properties the proceeds from which are receivable pursuant to the terms of the agreements. The amounts due from fellow subsidiaries are unsecured, interest free and recoverable on demand. All the trade and other receivables are expected to be recoverable within one year.

10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on invoice date as at 31 December 2016 as follows:

	2016 HK\$ Million	2015 HK\$ Million
Trade payables		
0 - 30 days	17	34
31 - 60 days	5	1
	22	35
Other payables and provisions	474	292
Construction costs payable	1,216	1,022
Amounts due to fellow subsidiaries	30	42
Amounts due to associates	1	1
Amounts due to joint ventures	1,422	1,208
	3,165	2,600

11. REVIEW OF RESULTS

The financial results for the year ended 31 December 2016 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Company's Auditors to the amounts set out in the Group's consolidated financial statements for the year.

CORPORATE GOVERNANCE CODE

During the financial year ended 31 December 2016, all the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, with one exception as regards Code Provision A.2.1 providing for the roles of chairman and chief executive to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with more than half of them being Independent Non-executive Directors.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the financial year under review.

BOOK CLOSURE

To ascertain Shareholders' entitlement to the abovementioned second interim dividend, the Register of Members will be closed from Thursday, 30 March 2017 to Friday, 31 March 2017, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the second interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 29 March 2017.

To ascertain Shareholders' rights to attend and to vote at the forthcoming Annual General Meeting ("AGM") to be held on Friday, 5 May 2017, the Register of Members will be closed from Friday, 28 April 2017 to Friday, 5 May 2017, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to be eligible for attending and voting at the AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 27 April 2017.

By Order of the Board

Kevin C. Y. Hui

Director and Company Secretary

Hong Kong, 2 March 2017

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Stephen T. H. Ng, Hon. Frankie C. M. Yick and Mr. Kevin C. Y. Hui, together with five Independent Non-executive Directors, namely Dr. Joseph M. K. Chow, Mr. H. M. V. de Lacy Staunton, Hon. Andrew K. Y. Leung, Mr. Michael T. P. Sze and Mr. Brian S. K. Tang.