

Strong Resilience to Market Challenges



CHEUNG KONG PROPERTY HOLDINGS LIMITED

長江實業地產有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 1113

Interim Report 2016

This interim report 2016 (both English and Chinese versions) ("Interim Report") has been posted on the Company's website at www.ckph.com.hk. Shareholders who have chosen (or are deemed to have consented) to read the Company's corporate communications (including but not limited to the Interim Report) published on the Company's website in place of receiving printed copies thereof may request the printed copy of the Interim Report in writing to the Company c/o the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email to ckph.ecom@computershare.com.hk.

Shareholders who have chosen (or are deemed to have consented) to receive the corporate communications using electronic means through the Company's website and who for any reason have difficulty in receiving or gaining access to the Interim Report posted on the Company's website will upon request in writing to the Company c/o the Company's Hong Kong Share Registrar or by email to ckph.ecom@computershare.com.hk promptly be sent the Interim Report in printed form free of charge.

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Shareholders who have chosen to receive printed copy of the corporate communications in either English or Chinese version will receive both English and Chinese versions of the Interim Report since both language versions are bound together into one booklet.



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Corporate Information and Key Dates

Board of Directors

LI Ka-shing *Chairman*
 LI Tzar Kuoi, Victor *Managing Director and Deputy Chairman*
 KAM Hing Lam *Deputy Managing Director*
 IP Tak Chuen, Edmond *Deputy Managing Director*
 CHUNG Sun Keung, Davy *Executive Director*
 CHIU Kwok Hung, Justin *Executive Director*
 CHOW Wai Kam *Executive Director*
 PAU Yee Wan, Ezra *Executive Director*
 WOO Chia Ching, Grace *Executive Director*

CHEONG Ying Chew, Henry *Independent Non-executive Director*
 CHOW Nin Mow, Albert *Independent Non-executive Director*
 HUNG Siu-lin, Katherine *Independent Non-executive Director*
 Simon MURRAY *Independent Non-executive Director*
 YEY Yuan Chang, Anthony *Independent Non-executive Director*

Audit Committee

CHEONG Ying Chew, Henry *(Chairman)*
 CHOW Nin Mow, Albert
 HUNG Siu-lin, Katherine

Remuneration Committee

HUNG Siu-lin, Katherine *(Chairman)*
 LI Ka-shing
 CHEONG Ying Chew, Henry

Executive Committee

LI Tzar Kuoi, Victor *(Chairman)*
 KAM Hing Lam IP Tak Chuen, Edmond
 CHUNG Sun Keung, Davy CHIU Kwok Hung, Justin
 CHOW Wai Kam PAU Yee Wan, Ezra
 WOO Chia Ching, Grace YIP Kin Ming, Emmanuel
 MAN Ka Keung, Simon SHEN Wai Yee, Grace
 KWAN Chi Kin, Anthony Eirene YEUNG
 MA Lai Chee, Gerald KOH Poh Chan

Company Secretary

Eirene YEUNG

Authorised Representatives

IP Tak Chuen, Edmond
 Eirene YEUNG

General Manager, Accounts Department

MAN Ka Keung, Simon

Principal Bankers

China Construction Bank Corporation
 Sumitomo Mitsui Banking Corporation
 Industrial and Commercial Bank of China Limited
 Shanghai Pudong Development Bank Co., Ltd.
 The Bank of Tokyo-Mitsubishi UFJ, Ltd.
 The Hongkong and Shanghai Banking Corporation Limited
 Oversea-Chinese Banking Corporation Limited
 China Merchants Bank Co., Ltd.
 Citibank, N.A.
 Credit Agricole Corporate and Investment Bank

Auditor

Deloitte Touche Tohmatsu

Legal Advisers

Woo, Kwan, Lee & Lo

Registered Office

PO Box 309, Ugland House, Grand Cayman,
 KY1-1104, Cayman Islands

Principal Place of Business

7th Floor, Cheung Kong Center,
 2 Queen's Road Central, Hong Kong

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
 PO Box 1093, Boundary Hall, Cricket Square,
 Grand Cayman, KY1-1102, Cayman Islands

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
 Rooms 1712-1716, 17th Floor, Hopewell Centre,
 183 Queen's Road East, Hong Kong

Stock Codes

The Stock Exchange of Hong Kong Limited: 1113
 Bloomberg: 1113 HK
 Reuters: 1113.HK

Website

www.ckph.com.hk

Key Dates

Interim Results Announcement	11 August 2016
Record Date for Interim Dividend	12 September 2016
Payment of Interim Dividend	22 September 2016

Chairman's Statement

Strong Resilience to Market Challenges

PROFIT FOR THE FIRST HALF YEAR

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2016 amounted to HK\$8,606 million. Earnings per share were HK\$2.23.

INTERIM DIVIDEND

The Directors have declared an interim dividend for 2016 of HK\$0.38 per share (HK\$0.35 per share in 2015) to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 12 September 2016. The interim dividend will be paid on Thursday, 22 September 2016.

PROSPECTS

Business Review

The operations of Cheung Kong Property Holdings Limited (the "Group") during the period under review have been solid, supported by a premium property portfolio and a diversified operating base both in terms of asset type and geographical locations. Various businesses were on track to achieve budgeted targets and timetables, leveraging on strengthened fundamentals in business scale, operating base, and overall capabilities to sustain growth.

This interim report covers (i) the results of the property businesses of the Cheung Kong Group* for the six months ended 30 June 2016 and (ii) the results of the property businesses of the Hutchison Group** for the same six-month period. The interim report for 2015 only covers the results of the property businesses of the Cheung Kong Group for the first six months last year, and the results of the property businesses of the Hutchison Group after the Property Businesses Combination*** for the period from 3 June 2015 to 30 June 2015 (28 days). During the period under review, the Group's overall results were in line with expectations despite the prevailing volatile and difficult market. For the six months ended 30 June 2016, the Group recorded unaudited profit attributable to shareholders of HK\$8,606 million, 25% higher than the same period last year. Profit before investment property revaluation was HK\$8,339 million, an increase of 51% compared with the corresponding period in 2015. The fair value of investment properties has not changed significantly from last year, and an increase in fair value of HK\$267 million after tax was recorded.

* "Cheung Kong Group" refers to CK Hutchison Holdings Limited and its subsidiaries before 3 June 2015.

** "Hutchison Group" refers to Hutchison Whampoa Limited and its subsidiaries before 3 June 2015.

*** "Property Businesses Combination" refers to the combination and transfer to the Group of all the property businesses of the Cheung Kong Group and of the Hutchison Group pursuant to the reorganisation and spin-off plan completed on 3 June 2015.

Chairman's Statement (*continued*)

Property Development

The Group continued to develop and strengthen its property businesses in Hong Kong, the Mainland, Singapore and the United Kingdom as planned. The residential property market in Hong Kong remained challenging, while the Mainland's property market performed solidly in terms of trading activities and home prices, primarily attributable to policies to destock property inventory. The Group's overall contribution from property sales was better than the same period last year, reflecting an increase in property sales and contribution from the Mainland. During the first half of 2016, the Group's property sales exceeded HK\$27,000 million.

Property Investment

The Hong Kong retail sector is faced with increasing difficulties, with a decrease in the value of total retail sales amid a slowdown in Mainland tourist arrivals. However, the Group's contribution from property rental increased favourably in the first half year, attributable to the solid rental contribution from its premium commercial properties. Our investment property is expected to continue to provide a steady stream of recurring income, capitalising on its extensive portfolio which covers an aggregate gross floor area of approximately 1.5 million sq.m. Resilience is provided by the prime locations of its various commercial and retail properties, its loyal, longstanding and high-quality tenant base, and its well-balanced tenant mix.

Hotel and Serviced Suite Operation

A general decline in the average hotel room occupancy rate was recorded in Hong Kong as inbound tourism consolidated in the first half year with a notable decrease in Mainland visitors. Faced with difficulties across the hotel sector, the Group's hotel operation was inevitably affected while the serviced suite operation remained relatively resilient. As a whole, the increase in contribution from the Group's hotel and serviced suite operation when compared with the same period last year was lower than expectations. With a strong portfolio covering over 16,000 rooms in aggregate, as well as a well-established brand positioning, the hotel and serviced suite operation is poised to contribute to the Group's profit when market conditions improve.

Property and Project Management

The Group continued to strengthen its property and project management business to support its development and investment properties. For the period under review, an increase in contribution was recorded as compared with the same period in 2015. The total floor area of properties under the Group's property management is expected to increase following the progressive completion of its various developments which are currently in progress.

Outlook

The United Kingdom will face continuous challenges over the next two to three years as it leaves the European Union. This will present further uncertainty to the global political and economic landscape. The operating environment for businesses in different sectors will continue to be demanding to varying degrees.

China's economy is experiencing inevitable short-term fluctuations as it goes through a period of transformation and adjustment. The Central Government's policies to stabilise growth and to maintain currency stability will support further economic development. For the long run, China's economic prospects will be steady and positive given its large export volume with trade surplus, as well as the substantial contribution from the services industry. In the second half of the year, Hong Kong's economic performance is likely to be affected by increased global uncertainties. From a long-term perspective, Hong Kong is poised to benefit from the various opportunities to be presented by China's long-term development strategy – the "One Belt, One Road" initiative.

The Hong Kong residential property market remains stable despite slowing trading volume due to the current macroeconomic conditions and property-related policies. On the Mainland, the housing market continues to stabilise. Property prices in Hong Kong and the Mainland, however, are expected to continue to be affected by high construction costs and development and marketing expenses. Government housing policies will remain a determining factor for the long-term market development.

The Group's contribution is primarily derived from its property operations in Hong Kong and the Mainland. With a major focus on the property businesses, we will continue to strengthen our presence in the property markets in Hong Kong, the Mainland and overseas. As it is presently challenging to identify property investments with reasonable returns in the current cyclical stage of the property market, the Group will also pursue other global investments to extend our reach to new business areas. Serious consideration has been had to new business opportunities that meet the investment criteria set out in our 2015 Annual Report. This meets the objective of generating revenue from different sources to balance the cyclical impact on cash flow associated with property development. Our diversification initiative is always guided by the principle of "advancing while maintaining stability" to optimise capital utilisation and maximise returns for shareholders. Negotiations on certain potential investments of different business nature are underway. These investments should provide further impetus to the long-term sustainable growth of the Group.

The global economic and political landscape is characterised by rapid changes and increasing uncertainties. The Group will closely monitor evolving market trends and equip itself to face the various challenges ahead by following its prudent and effective policy in managing risks. Our strong recurring income base, prudent capital expenditure budget, and low debt ratio have ensured ample liquidity to support steady growth of our various businesses. Building on sound foundations and strong financial capabilities, we will strive to maintain stable and reasonable returns for shareholders by adhering to a disciplined approach to operation and expansion in a constantly changing marketplace. The Group is cautiously optimistic about the prospects of its businesses.

Intelligent, creative, dedicated, experienced and loyal employees are the Group's most valuable asset in this extremely competitive and challenging global environment. I take this opportunity to thank our colleagues on the Board and our diligent employees for their hard work, loyal service and contributions during the period.

Li Ka-shing
Chairman

Management Discussion and Analysis

BUSINESS REVIEW

Major Business Activities

1. Developments Completed and Scheduled for Completion in 2016:

Name	Location	Gross Floor Area (sq.m.)	Group's Interest
The Beaumont II	Tseung Kwan O Town Lot No. 111	51,000	100%
Repulse Bay Road Project	The Remaining Portion of Rural Building Lot No. 177	6,613	100%
Ngau Tam Mei Project	Lot No. 2086 in D.D. 105 Yuen Long	9,392	100%
La Lumière	Hung Hom Inland Lot No. 556	9,740	100%
Yuccie Square	Yuen Long Town Lot No. 518	61,700	100%
VIVA	The Remaining Portions of Subsections 6, 7, 8, 9 and 10 of Section A of Kowloon Marine Lot No. 53 and The Remaining Portion of Section A of Subsection 8 of Section A of Kowloon Marine Lot No. 53	3,575	100%
The Zumurud	Kowloon Inland Lot No. 11125	36,630	80%
La Grande Ville Phase 4	Shun Yi District, Beijing	250,335	100%
Guangzhou Guoji Wanjucheng Phases 2B and 2C1	Huangpu District, Guangzhou	102,137	60%
Yuhu Mingdi Phases 2(1) and 3	Huangpu District, Guangzhou	135,257	80%
Upper West Shanghai Phase 2 Tender 1	Putuo District, Shanghai	62,033	60%
Hupan Mingdi Land No. 911 South	Jiading District, Shanghai	24,312	100%

Name	Location	Gross Floor Area (sq.m.)	Group's Interest
Regency Park Phases 4A and 4B	Jingyue National High-tech Industrial Development Zone, Changchun	159,901	100%
Regency Hills Land No. 8B	Yangjiashan, Chongqing	11,286	95%
Regency Lakeview Lands No. G18-A and G18-B	Liangjiang New Area, Chongqing	201,427	100%
Laguna Verona Phases D2a and H	Hwang Gang Lake, Dongguan	87,548	99.82%
The South Bay Phase 5B	Jinzhou New Area, Dalian	57,445	100%
Emerald Cove Phases 1B, 2A and 2B	Chancheng District, Foshan	163,553	100%
Emerald City Phases 1A, 1B, 1C and 2C	Jianye District, Nanjing	146,305	100%
The Harbourfront Land No. 5	Shibei District, Qingdao	253,612	90%
Royal Waterfront Phase 2	Qing Pu District, Shanghai	47,510	100%
Riviera Palace Phase 2A	Qing Pu District, Shanghai	76,000	100%
Century Link Retail and Office Tower 2	Pudong New District, Shanghai	153,575	50%
Millennium Waterfront Phases 2A and 2B	Jiangnan District, Wuhan	302,056	100%
The Metropolitan Phase 1	Jiangnan District, Wuhan	205,354	100%
The Greenwich Phase 4B	Xian Hi-Tech Industries Development Zone, Xian	131,698	100%
Chelsea Waterfront Chartwell House and Claydon House	Chelsea/Fulham, London	4,266	95%

Management Discussion and Analysis (continued)

2. New Acquisitions and Joint Developments and Other Major Events:

- (1) March and May 2016: The Company bought back 11,525,000 and 2,010,000 shares of HK\$1.00 each in the capital of the Company ("Shares") on 18 March 2016 and 21 March 2016 respectively on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Such aggregate number of 13,535,000 Shares has been cancelled on 18 April 2016. The Company also bought back 645,500 Shares on 23 May 2016 on the Stock Exchange. Such 645,500 Shares have been cancelled on 22 June 2016. The total number of Shares in issue is now 3,845,498,000.
- (2) July 2016: A wholly owned subsidiary of the Group has established a US\$3,000,000,000 Euro Medium Term Note Programme (the "Programme") as guaranteed by the Company for the purpose of issuing notes (the "Notes") which may be denominated in any currency as agreed with the dealer(s) from time to time. The maximum aggregate nominal amount of all Notes outstanding under the Programme from time to time will not exceed US\$3,000,000,000. The Programme provides that the Notes may be listed on the Stock Exchange or such other stock exchanges as may be agreed with the relevant dealer(s).
- (3) During the period under review, the Group continued to actively pursue quality investments in different business areas in order to optimise capital utilisation and maximise returns for shareholders. The Group continued to focus on the property businesses in Hong Kong, the Mainland and overseas, while establishing a global presence with worldwide businesses in its strategic positioning.

Property Sales

Revenue of property sales (including share of joint ventures) recognised for the period was HK\$21,296 million (2015 – HK\$15,765 million), comprising mainly (i) sale of residential units of property projects in Hong Kong – Stars by the Harbour and La Lumière; (ii) sale of residential units of property projects on the Mainland – Hupan Mingdi in Shanghai, Millennium Waterfront in Wuhan, Emerald City in Nanjing, Laguna Verona in Dongguan and The Harbourfront in Qingdao; and (iii) sale of commercial properties in Hong Kong including the property project at Heung Yip Road completed last year, and is summarised by locations as follows:

Location	2016 HK\$ Million	2015 HK\$ Million
Hong Kong	8,663	10,328
Mainland	12,628	5,313
Singapore	–	124
Others	5	–
	21,296	15,765

Contribution from property sales (including share of joint ventures) for the period was HK\$6,856 million (2015 – HK\$3,816 million) and was derived from the following locations:

Location	2016 HK\$ Million	2015 HK\$ Million
Hong Kong	3,464	2,715
Mainland	3,431	1,059
Singapore	(33)	47
Others	(6)	(5)
	6,856	3,816

Property sales contribution for the second half year will mainly be derived from the sale of residential units of The Beaumont II, Yuccie Square and The Zumurud in Hong Kong, La Grande Ville in Beijing, Emerald City in Nanjing, Millennium Waterfront and The Metropolitan in Wuhan, and a few others scheduled for completion.

Most of the residential units of The Beaumont II and Yuccie Square have been presold and sale of the residential units of The Zumurud will be launched in the second half year. The sales and presales of various residential projects on the Mainland are ahead of budget, whereas the presales of residential units of Chelsea Waterfront in the United Kingdom (scheduled for completion in late 2016) and residential and commercial units of Stars of Kovan in Singapore (scheduled for completion in 2019) are also progressing smoothly.

At the interim period end date, the Group had contracted property sales attributable to the Group but not yet recognised as follows:

Location	Sales Revenue HK\$ Million
Hong Kong	11,823
Mainland	15,607
United Kingdom	918
Singapore	500
	28,848

and had a development land bank of approximately 13.1 million sq.m. (excluding agricultural land and completed properties but including developers' interests in joint development projects), of which approximately 0.7 million sq.m., 12.0 million sq.m. and 0.4 million sq.m. were in Hong Kong, the Mainland and overseas respectively.

Management Discussion and Analysis (*continued*)

Property Rental

Revenue of property rental (including share of joint ventures) for the period was HK\$3,670 million (2015 – HK\$1,550 million) and included six months' income derived from leasing of the property portfolios previously held by CK Hutchison Holdings Limited and its subsidiaries ("Cheung Kong Group") and Hutchison Whampoa Limited and its subsidiaries ("Hutchison Group") respectively, whereas revenue for the comparative period included rental income of the property portfolios previously held by Cheung Kong Group and Hutchison Group for a six-month period and a 28-day period respectively as described in the Company's 2015 interim report.

Property portfolio previously held by	2016 HK\$ Million	2015 HK\$ Million
Cheung Kong Group	1,185	1,160
Hutchison Group	2,485	390
	3,670	1,550

The Group's investment properties are mostly located in Hong Kong and comprise mainly office, retail and industrial properties, which accounted for 42%, 38% and 11% respectively of the revenue of property rental for the period.

Contribution from property rental (including share of joint ventures) for the period was HK\$3,363 million (2015 – HK\$1,331 million) and was derived from the following locations:

Location	2016 HK\$ Million	2015 HK\$ Million
Hong Kong	3,115	1,230
Mainland	209	92
Overseas	39	9
	3,363	1,331

At the interim period end date, the Group had an investment property portfolio (excluding agricultural land) of approximately 1.5 million sq.m. as follows:

Location	Office Million sq.m.	Retail Million sq.m.	Industrial Million sq.m.	Total Million sq.m.
Hong Kong	0.4	0.3	0.6	1.3
Mainland	0.1	0.1	–	0.2
	0.5	0.4	0.6	1.5

and recorded an increase in fair value of HK\$228 million (2015 – HK\$1,291 million) of investment properties based on a professional valuation using capitalisation rates ranging from approximately 4% to 8%. The Group also shared an increase in fair value of HK\$3 million (2015 – HK\$8 million) of investment properties held by joint ventures.

Hotel and Serviced Suite Operation

Revenue of hotel and serviced suite operation (including share of joint ventures) for the period was HK\$2,295 million (2015 – HK\$1,414 million) and included six months' income generated from operation of the hotels and serviced suites previously owned by Cheung Kong Group and Hutchison Group respectively, whereas revenue for the comparative period included income from operation of the hotels and serviced suites previously owned by Cheung Kong Group and Hutchison Group for a six-month period and a 28-day period respectively as described in the Company's 2015 interim report.

Hotels and serviced suites previously owned by	2016 HK\$ Million	2015 HK\$ Million
Cheung Kong Group	1,208	1,236
Hutchison Group	1,087	178
	2,295	1,414

The Group's hotel and serviced suite portfolio comprises 15 hotels and serviced suites in Hong Kong, 4 hotels on the Mainland, 1 hotel in The Bahamas and a total of over 16,000 rooms. During the period, the average room rates achieved by the Group's hotel and serviced suite operation in Hong Kong, on the Mainland and in The Bahamas were HK\$786, HK\$624 and HK\$721 respectively and the average occupancy rates were 84.4%, 59.5% and 55.1% respectively.

Management Discussion and Analysis (continued)

Contribution from hotel and serviced suite operation (including share of joint ventures) for the period after depreciation charge on land and buildings was HK\$633 million (2015 – HK\$505 million) and was derived from the following locations:

Location	2016 HK\$ Million	2015 HK\$ Million
Hong Kong	698	524
Mainland	(17)	(14)
Overseas	(48)	(5)
	633	505

The average hotel operating profit reported by the Group's hotel and serviced suite operation for the period was HK\$166 per square metre per month, representing an annualised yield of 14.4% on the carrying amount of the Group's completed hotel and serviced suite properties at the interim period end date.

Property and Project Management

Revenue of property and project management (including share of joint ventures) for the period was HK\$302 million (2015 – HK\$320 million) and included six months' income earned from management of the properties and projects previously managed by Cheung Kong Group and Hutchison Group respectively, whereas revenue for the comparative period included management income from properties and projects previously managed by Cheung Kong Group and Hutchison Group for a six-month period and a 28-day period respectively as described in the Company's 2015 interim report.

Properties and projects previously managed by	2016 HK\$ Million	2015 HK\$ Million
Cheung Kong Group	195	304
Hutchison Group	107	16
	302	320

Contribution from property and project management (including share of joint ventures) for the period was HK\$133 million (2015 – HK\$118 million) and was derived from the following locations:

Location	2016 HK\$ Million	2015 HK\$ Million
Hong Kong	100	95
Mainland	15	7
Overseas	18	16
	133	118

Revenue of property and project management decreased and contribution increased when compared with the same period last year as project management fees charged to joint ventures between Cheung Kong Group and Hutchison Group on a cost basis were no longer recognised as revenue after the joint ventures became subsidiaries last year.

At the interim period end date, the total floor area of properties managed by the Group was approximately 22 million sq.m. and this is expected to grow steadily following the gradual completion of the Group's property development projects in the years ahead. The Group is committed to providing high quality services to the properties under its management.

Interests in Real Estate Investment Trusts

At the interim period end date, the Group had effective interests in listed real estate investment trusts ("REITs") as follows:

	Principal Activities	Effective Interest
Hui Xian REIT	Investment in office, retail properties, hotels and serviced suites on the Mainland	32.3%
Fortune REIT	Investment in retail properties in Hong Kong	27.8%
Prosperity REIT	Investment in office, retail and industrial properties in Hong Kong	19.0%

and profit contribution for the period amounted to HK\$212 million (2015 – HK\$322 million) including distribution from Fortune REIT and Prosperity REIT and a share of profit of Hui Xian REIT, an associate, whereas a total cash distribution of HK\$423 million was received from these three REITs.

Management Discussion and Analysis (*continued*)

FINANCIAL REVIEW

Liquidity and Financing

The Group monitors its liquidity requirements on a short to medium term basis and arranges bank and other borrowings accordingly.

At the interim period end date, the Group had bank borrowings amounting to HK\$57.2 billion and the maturity profile was spread over a period of nine years, with HK\$4.5 billion repayable within one year, HK\$49.2 billion within two to five years and HK\$3.5 billion beyond five years.

The Group's net debt to net total capital ratio at the interim period end date was approximately 2.5%. Net debt is arrived at by deducting bank balances and deposits of HK\$50.3 billion from the total borrowings and net total capital is the aggregate of total equity and net debt.

With plenty of cash on hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Treasury Policies

The Group maintains a conservative approach on foreign exchange exposure management and borrows principally on a floating rate basis. The Group manages and reviews its exposure to foreign exchange rates and interest rates on a regular basis. At times of exchange rate or interest rate uncertainty or volatility and when appropriate, hedging instruments including swaps and forwards are used in the management of exposure to foreign exchange rate and interest rate fluctuations.

At the interim period end date, approximately 78.6% of the Group's bank borrowings were in HK\$ and US\$, with the balance in RMB mainly for the purpose of financing property projects on the Mainland. The Group derives its revenue from property development mainly in HK\$ and RMB and maintains cash balances substantially in HK\$ and RMB. Income in foreign currencies, including GBP and SGD, is also derived from the Group's overseas property projects and cash in these currencies is maintained for operational requirements.

Charges on Assets

At the interim period end date, certain property assets of the Group amounting to HK\$19,037 million (31 December 2015 – HK\$21,450 million) were charged for bank loans obtained for property projects on the Mainland.

Contingent Liabilities

At the interim period end date, the Group provided guarantees to (i) the land provider of a joint development project for the minimum share of revenue amounting to HK\$564 million (31 December 2015 – HK\$576 million); and (ii) various banks on the Mainland for mortgage loans provided to purchasers of properties developed and sold by the Group amounting to HK\$3,647 million (31 December 2015 – HK\$1,678 million).

Employees

At the interim period end date, the Group employed approximately 21,200 employees for its principal businesses and remuneration for the period (excluding directors' emoluments) amounted to approximately HK\$2,873 million. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group does not have any share option scheme for employees.

Directors' Biographical Information

LI Ka-shing, GBM, KBE, Commandeur de la Légion d'Honneur, Grand Officer of the Order Vasco Nunez de Balboa, Commandeur de l'Ordre de Léopold, aged 88, is the founder of the Cheung Kong Group. He was appointed to the Board and designated as the Chairman and an Executive Director of the Company and a member of the Remuneration Committee of the Company on 26 February 2015. He is the Chairman of CK Hutchison Holdings Limited ("CK Hutchison"), a listed company, and a member of the Remuneration Committee of CK Hutchison. He is also a Director of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited. He is the Chairman of Li Ka Shing Foundation Limited, Li Ka Shing (Overseas) Foundation and Li Ka Shing (Canada) Foundation. He has been engaged in many major commercial developments in Hong Kong for more than 60 years. Mr. Li served as a member of the Hong Kong Special Administrative Region's Basic Law Drafting Committee, Hong Kong Affairs Adviser and the Preparatory Committee for the Hong Kong Special Administrative Region. He is also an Honorary Citizen of a number of cities on the Mainland and overseas. Mr. Li is a keen supporter of community service organisations, and has served as honorary chairman of many such groups over the years. Mr. Li has received Honorary Doctorates from Peking University, the University of Hong Kong, The Hong Kong University of Science and Technology, The Chinese University of Hong Kong, City University of Hong Kong, The Open University of Hong Kong, University of Calgary in Canada and Cambridge University in the United Kingdom. Mr. Li has been awarded Entrepreneur of the Millennium, the Carnegie Medal of Philanthropy and The Berkeley Medal. He is the recipient of many other major honors and awards from renowned institutions on the Mainland and abroad. Mr. Li Ka-shing is the father of Mr. Li Tzar Kuoi, Victor, the Managing Director and Deputy Chairman and the Chairman of the Executive Committee of the Company, and the brother-in-law of Mr. Kam Hing Lam, Deputy Managing Director and a Member of the Executive Committee of the Company. Mr. Li Ka-shing also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

LI Tzar Kuoi, Victor, aged 52, joined the Cheung Kong Group in 1985, was appointed as a Director on 5 January 2015 and designated as the Managing Director and Deputy Chairman and an Executive Director of the Company on 26 February 2015. He was also appointed as the Chairman of the Executive Committee of the Company on 3 June 2015. Mr. Victor Li is the Group Co-Managing Director and Deputy Chairman of CK Hutchison Holdings Limited. He is also a Director of Cheung Kong (Holdings) Limited (“CKH”) and Hutchison Whampoa Limited (“HWL”). Mr. Victor Li is also the Chairman of Cheung Kong Infrastructure Holdings Limited and CK Life Sciences Int’l., (Holdings) Inc., a Non-executive Director of Power Assets Holdings Limited and HK Electric Investments Manager Limited (“HKEIM”) which is the trustee-manager of HK Electric Investments, a Non-executive Director and the Deputy Chairman of HK Electric Investments Limited and Co-Chairman of Husky Energy Inc. Except for CKH, HWL and HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong or overseas. Mr. Victor Li is also the Deputy Chairman of Li Ka Shing Foundation Limited, Li Ka Shing (Overseas) Foundation and Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 12th National Committee of the Chinese People’s Political Consultative Conference of the People’s Republic of China. He is also a member of the Commission on Strategic Development of the Hong Kong Special Administrative Region and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. Victor Li is the Honorary Consul of Barbados in Hong Kong. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D.). Mr. Victor Li is a son of Mr. Li Ka-shing, the Chairman of the Company and a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), and a nephew of Mr. Kam Hing Lam, Deputy Managing Director and a Member of the Executive Committee of the Company. Mr. Victor Li is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

KAM Hing Lam, aged 69, joined the Cheung Kong Group in 1993, was appointed as an Executive Director and designated as Deputy Managing Director of the Company on 26 February 2015. He was also appointed as a Member of the Executive Committee of the Company on 3 June 2015. He is Deputy Managing Director of CK Hutchison Holdings Limited, and a Director of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited. He is also the Group Managing Director of Cheung Kong Infrastructure Holdings Limited, the President and Chief Executive Officer of CK Life Sciences Int’l., (Holdings) Inc. Except for CKH and HWL, all the companies mentioned above are listed companies. Mr. Kam is also the Chairman of Hui Xian Asset Management Limited as the manager of Hui Xian REIT (listed in Hong Kong). He is an Advisor of the 12th Beijing Municipal Committee of the Chinese People’s Political Consultative Conference of the People’s Republic of China. He holds a Bachelor of Science degree in Engineering and a Master’s degree in Business Administration. Mr. Kam is the brother-in-law of Mr. Li Ka-shing, the Chairman of the Company and a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, and an uncle of Mr. Li Tzar Kuoi, Victor, the Managing Director and Deputy Chairman and the Chairman of the Executive Committee of the Company.

Directors' Biographical Information (*continued*)

IP Tak Chuen, Edmond, aged 64, joined the Cheung Kong Group in 1993, was appointed as a Director on 5 January 2015 and designated as Deputy Managing Director and an Executive Director of the Company on 26 February 2015. He was also appointed as a Member of the Executive Committee of the Company on 3 June 2015. He is Deputy Managing Director of CK Hutchison Holdings Limited and a Director of Cheung Kong (Holdings) Limited. He is also an Executive Director and Deputy Chairman of Cheung Kong Infrastructure Holdings Limited, the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc., a Non-executive Director of ARA Asset Management Limited (an Asian real estate fund management company listed in Singapore), TOM Group Limited and Shougang Concord International Enterprises Company Limited. Mr. Ip was previously a Non-executive Director of Real Nutraceutical Group Limited. Except for CKH, all the companies mentioned above are listed companies. Mr. Ip is also a Non-executive Director of Hui Xian Asset Management Limited as the manager of Hui Xian REIT (listed in Hong Kong). He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration. Mr. Ip is a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

CHUNG Sun Keung, Davy, aged 65, joined the Cheung Kong Group in 1978, was appointed as an Executive Director of the Company on 26 February 2015 and a Member of the Executive Committee of the Company on 3 June 2015. Mr. Chung is a Registered Architect. He was a member of the 11th Guangzhou Committee of the Chinese People's Political Consultative Conference of the People's Republic of China.

CHIU Kwok Hung, Justin, aged 66, joined the Cheung Kong Group in 1997, was appointed as an Executive Director of the Company on 26 February 2015 and a Member of the Executive Committee of the Company on 3 June 2015. He is the Chairman of ARA Asset Management Limited (an Asian real estate fund management company listed in Singapore), ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong and Singapore) and ARA Asset Management (Prosperity) Limited as the manager of Prosperity REIT (listed in Hong Kong). Mr. Chiu is also a Director of ARA Fund Management (Asia Dragon) Limited as the manager of the ARA Asia Dragon Fund, and a Director of ARA Asia Dragon Limited. Mr. Chiu has more than 30 years of international experience in real estate in Hong Kong and various countries. He serves as a member of the Standing Committee of the 12th Shanghai Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Mr. Chiu is a Council Member and a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators, a member of the Board of Governors of Hong Kong Baptist University Foundation and an Honorary Associate Member of Business of Trent University, Canada. He holds Bachelor of Arts degree in Sociology and Economics, and was conferred with the degree of Doctor of Social Sciences, honoris causa by Hong Kong Baptist University and the degree of Doctor of Laws, honoris causa by Trent University, Canada. Mr. Chiu is a director of a company controlled by a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

CHOW Wai Kam, JP, aged 68, was appointed as an Executive Director of the Company on 26 February 2015 and a Member of the Executive Committee of the Company on 3 June 2015. He joined the Hutchison Group in July 1995 and before his appointment on the Board, he was previously the Group Managing Director of the property and hotels divisions of the Hutchison Group. Mr. Chow is currently the Group Managing Director of Hutchison Property Group Limited, a wholly owned subsidiary of the Company. He is also a Non-executive Director of AVIC International Holding (HK) Limited, a listed company. He has over 40 years of experience in project management and architectural design for various developments, including hotel, residential, commercial, industrial and school projects in Hong Kong, the Mainland and overseas. He holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from the University of Hong Kong. He is an Authorised Person (List of Architects) and a Registered Architect. He was also admitted as a Fellow of The Hong Kong Institute of Architects since August 2001.

PAU Yee Wan, Ezra, aged 60, joined the Cheung Kong Group in 1982, was appointed as an Executive Director of the Company on 26 February 2015 and a Member of the Executive Committee of the Company on 3 June 2015. Ms. Pau is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance, and a director of certain companies controlled by certain substantial shareholders of the Company.

WOO Chia Ching, Grace, aged 59, joined the Cheung Kong Group in 1987, was appointed as an Executive Director of the Company on 26 February 2015 and a Member of the Executive Committee of the Company on 3 June 2015. She holds a Bachelor of Arts degree from the University of Pennsylvania, U.S.A. and a Master's degree in City and Regional Planning from Harvard University, U.S.A. Ms. Woo is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

CHEONG Ying Chew, Henry, aged 68, was appointed as an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company on 26 February 2015. Mr. Cheong is also an Independent Non-executive Director of Cheung Kong Infrastructure Holdings Limited, CNNC International Limited, Greenland Hong Kong Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), New World Department Store China Limited, Skyworth Digital Holdings Limited and TOM Group Limited, an Independent Director of BTS Group Holdings Public Company Limited, and an Alternate Director to Dr. Wong Yick-ming, Rosanna, an Independent Non-executive Director of HTHKH. Mr. Cheong is an Executive Director and Deputy Chairman of Worldsec Limited. All companies mentioned above are listed companies. Mr. Cheong holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

Directors' Biographical Information (*continued*)

CHOW Nin Mow, Albert, aged 67, was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company on 26 February 2015. Mr. Chow is the Chairman and Managing Director of Wah Yip (Holdings) Limited.

HUNG Siu-lin, Katherine, aged 68, joined the Cheung Kong Group in March 1972, was appointed as an Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company on 26 February 2015. Ms. Hung is a member of the Tianjin Committee of the 13th Chinese People's Political Consultative Conference of the People's Republic of China; also a member of the Supervisory Board of Hong Kong Housing Society, a Governing Committee Member of The Hong Kong Polytechnic University Foundation, an Honorary Court Member of The Hong Kong Polytechnic University, an Honorary Court Member of Lingnan University, President Consultant of Tianjin University and Vice Chairman of Chinese Academy of Governance (HK) Industrial and Commercial Professionals Alumni Association. She was a Court Member of The Hong Kong University of Science and Technology for the period from 2011 to May 2016, an Executive Committee Member of Hong Kong Housing Society from September 2008 to August 2014, a Member of HKSAR Estate Agents Authority during the period from November 2006 to October 2012, and a Steering Committee Member of the Institute for Enterprise of The Hong Kong Polytechnic University from April 2000 to August 2011. Ms. Hung is a University Fellow of The Hong Kong Polytechnic University.

Simon MURRAY, CBE, aged 76, was appointed as an Independent Non-executive Director of the Company on 26 February 2015. Mr. Murray is currently the Non-executive Chairman of General Enterprise Management Services Limited ("GEMS Ltd."), a private equity fund management company. He is a Non-executive Director of Greenheart Group Limited and China LNG Group Limited, and an Independent Non-executive Director of IRC Limited (re-designated from a Non-executive Director to an Independent Non-executive Director since 16 March 2016), Orient Overseas (International) Limited, Wing Tai Properties Limited and Spring Asset Management Limited ("SAML") as the manager of Spring Real Estate Investment Trust. He is also a Non-executive Director of Compagnie Financière Richemont SA. Except for GEMS Ltd. and SAML, all the companies/investment trust mentioned above are listed in Hong Kong or overseas.

YEH Yuan Chang, Anthony, aged 93, was appointed as an Independent Non-executive Director of the Company on 26 February 2015. Mr. Yeh holds a Master's degree in Science (Mechanical Engineering). He is the Honorary Life President of Tai Ping Carpets International Limited, a listed company.

Disclosure of Interests

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the “Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

1. Long Positions in Shares

(a) The Company

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
		Personal Interest	Family Interest	Corporate Interest	Other Interest		
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts	-	-	133,150,256 (Note 1)	1,028,753,254 (Note 2)	1,161,903,510	30.21%
Li Tzar Kuoi, Victor	Beneficial owner, interest of child or spouse, interest of controlled corporations & beneficiary of trusts	220,000	405,200	3,572,350 (Note 3)	1,028,753,254 (Note 2)	1,032,950,804	26.86%
Kam Hing Lam	Beneficial owner & interest of child or spouse	51,040	57,360	-	-	108,400	0.0028%
Chow Nin Mow, Albert	Beneficial owner	66	-	-	-	66	=0%
Hung Siu-lin, Katherine	Beneficial owner	43,256	-	-	-	43,256	0.0011%
Yeh Yuan Chang, Anthony	Interest of child or spouse	-	91,920	-	-	91,920	0.0024%

Disclosure of Interests (*continued*)1. Long Positions in Shares (*continued*)

(b) Associated Corporations

Name of Company	Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
			Personal Interest	Family Interest	Corporate Interest	Other Interest		
Precise Result Global Limited	Li Ka-shing	Founder of discretionary trusts	-	-	-	15 (Note 4)	15	15%
	Li Tzar Kuoi, Victor	Beneficiary of trusts	-	-	-	15 (Note 4)	15	15%
Jabrin Limited	Li Ka-shing	Founder of discretionary trusts	-	-	-	2,000 (Note 4)	2,000	20%
	Li Tzar Kuoi, Victor	Beneficiary of trusts	-	-	-	2,000 (Note 4)	2,000	20%
Mightycity Company Limited	Li Ka-shing	Founder of discretionary trusts	-	-	-	168,375 (Note 4)	168,375	1.53%
	Li Tzar Kuoi, Victor	Beneficiary of trusts	-	-	-	168,375 (Note 4)	168,375	1.53%

Notes:

- (1) The 133,150,256 shares of the Company comprise:
- 131,850,256 shares held by certain companies of which Mr. Li Ka-shing is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
 - 1,300,000 shares held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr. Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.

(2) The two references to 1,028,753,254 shares of the Company relate to the same block of shares comprising:

- (a) 936,462,744 shares held by Li Ka-Shing Unity Trustee Company Limited (“TUT1”) as trustee of The Li Ka-Shing Unity Trust (“UT1”) and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings (“TUT1 related companies”). Mr. Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and another discretionary trust (“DT2”). Each of Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”, which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited (“TDT2”, which is the trustee of DT2) holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard.

The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited (“Unity Holdco”). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Unity Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as aforesaid.

As Mr. Li Ka-shing may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO and Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT1 and DT2, and by virtue of the above, both Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the shares of the Company held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO as Directors of the Company.

- (b) 7,863,264 shares held by Li Ka-Shing Castle Trustee Company Limited (“TUT3”) as trustee of The Li Ka-Shing Castle Trust (“UT3”). Mr. Li Ka-shing is the settlor of each of the two discretionary trusts (“DT3” and “DT4”). Each of Li Ka-Shing Castle Trustee Corporation Limited (“TDT3”, which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited (“TDT4”, which is the trustee of DT4) holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard.

The entire issued share capital of TUT3, TDT3 and TDT4 are owned by Li Ka-Shing Castle Holdings Limited (“Castle Holdco”). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Castle Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Castle Holdco as aforesaid.

Disclosure of Interests (*continued*)

As Mr. Li Ka-shing may be regarded as a founder of each of DT3 and DT4 for the purpose of the SFO and Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT3 and DT4, and by virtue of the above, both Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the said shares of the Company held by TUT3 as trustee of UT3 under the SFO as Directors of the Company.

- (c) 84,427,246 shares held by a company controlled by TDT3 as trustee of DT3.
- (3) The 3,572,350 shares of the Company comprise:
- (a) 2,272,350 shares held by certain companies of which Mr. Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
 - (b) 1,300,000 shares held by LKSF. By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.
- (4) These are subsidiaries of the Company and such shares are held through TUT1 as trustee of UT1. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, as Directors, by virtue of their deemed interests in TUT1 as trustee of UT1 as described in Note (2)(a) above, are taken to have a duty of disclosure in relation to such shares under the SFO.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2016, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30 June 2016, shareholders of the Company (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

1. Long Positions of Substantial Shareholders in the Shares of the Company

Name of Shareholder	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	936,462,744 (Note 1)	24.35%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	936,462,744 (Note 1)	24.35%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	936,462,744 (Note 1)	24.35%

2. (a) Long Positions of Other Persons in the Shares and Underlying Shares of the Company

Name of Shareholder	Capacity	Number of Shares/ Underlying Shares	Total	Approximate % of Shareholding
JPMorgan Chase & Co.	(i) Beneficial owner	9,041,937)	277,135,188 (Note 2)	7.21%
	(ii) Investment manager	47,665,621)		
	(iii) Trustee	27,364)		
	(iv) Custodian corporation/ approved lending agent	220,400,266)		
JPMorgan Chase Bank, N.A.	(i) Investment manager	2,998,249)	201,408,652 (Note 3)	5.24%
	(ii) Trustee	27,364)		
	(iii) Custodian corporation/ approved lending agent	198,383,039)		
The Capital Group Companies, Inc.	Interest of controlled corporations	230,982,628	230,982,628	6.01%

Disclosure of Interests (*continued*)**(b) Short Positions of Other Persons in the Shares and Underlying Shares of the Company**

Name of Shareholder	Capacity	Number of Shares/ Underlying Shares	Total	Approximate % of Shareholding
JPMorgan Chase & Co.	Beneficial owner	4,114,000	4,114,000 (Note 4)	0.11%

(c) Lending Pool of Other Persons in the Shares and Underlying Shares of the Company

Name of Shareholder	Capacity	Number of Shares/ Underlying Shares	Total	Approximate % of Shareholding
JPMorgan Chase & Co.	Custodian corporation/ approved lending agent	220,400,266	220,400,266	5.73%
JPMorgan Chase Bank, N.A.	Custodian corporation/ approved lending agent	198,383,039	198,383,039 (Note 5)	5.16%

Notes:

- (1) The three references to 936,462,744 shares relate to the same block of shares in the Company. Of these 936,462,744 shares of the Company, 913,378,704 shares of the Company are held by TUT1 as trustee of UT1 and 23,084,040 shares of the Company are held by companies controlled by TUT1 as trustee of UT1. Each of TUT1 as trustee of UT1, TDT1 as trustee of DT1 and TDT2 as trustee of another discretionary trust is taken to have a duty of disclosure in relation to the said shares of the Company as described in Note (2) under the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" under the SFO.
- (2) Such long position includes derivative interests in 566,500 underlying shares of the Company of which 19,500 underlying shares are derived from listed and cash settled derivatives, 390,500 underlying shares are derived from unlisted and physically settled derivatives and 156,500 underlying shares are derived from unlisted and cash settled derivatives.
- (3) Such long position is included in the long position of JPMorgan Chase & Co. in the Company described above as JPMorgan Chase Bank, N.A. is a wholly owned subsidiary of JPMorgan Chase & Co.
- (4) Such short position includes listed and cash settled derivatives interests in 4,114,000 underlying shares of the Company.
- (5) Such lending pool is included in the lending pool of JPMorgan Chase & Co. in the Company described above as JPMorgan Chase Bank, N.A. is a wholly owned subsidiary of JPMorgan Chase & Co.

Save as disclosed above, as at 30 June 2016, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Corporate Governance

The Board of Directors (“Board”) and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

Save as disclosed below, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the six months ended 30 June 2016. In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company does not have a nomination committee. At present, the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman of the Board (“Chairman”) and the Managing Director. In respect of code provision A.6.7 of the CG Code, an Independent Non-executive Director was not in a position to attend the annual general meeting of the Company held on 13 May 2016 (“2016 AGM”) due to health reason. In respect of code provision E.1.2 of the CG Code, the Chairman was unable to attend the 2016 AGM due to sudden indisposition. The Managing Director and Deputy Chairman of the Company chaired the 2016 AGM on behalf of the Chairman pursuant to the Company’s amended and restated articles of association and was available to answer questions.

The Group is committed to achieving and maintaining standards of openness, probity and accountability. In line with this commitment and in compliance with the CG Code, the Company has established the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters. In addition, the Company has also established the Policy on Handling of Confidential Information, Information Disclosure, and Securities Dealing for compliance by the Company’s employees.

BOARD COMPOSITION AND BOARD PRACTICES

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders’ value. The Board consists of a total of fourteen Directors, comprising nine Executive Directors and five Independent Non-executive Directors. More than one-third of the Board are Independent Non-executive Directors and more than one of them have appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. All Directors (including Independent Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company’s Amended and Restated Articles of Association and the CG Code.

The positions of the Chairman and the Managing Director are currently held by separate individuals with a view to maintaining an effective segregation of duties respecting management of the Board and the day-to-day management of the Group’s business.

Corporate Governance (*continued*)

All Directors have made active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group. In addition to regular Board meetings, the Chairman shall meet with the Independent Non-executive Directors without the presence of Executive Directors at least once every year.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and for ensuring that the Board is briefed on all legislative, regulatory and corporate governance developments and that the Board has regard to them when making decisions. The Company Secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, the Securities and Futures Ordinance and other applicable laws, rules and regulations.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the model code for securities transactions by directors of listed issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions, effective from 3 June 2015, which will be revised and adopted from time to time. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2016.

Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Employee Handbook of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has an internal audit function in place to provide an independent assessment of the Group's risk management and internal control systems and review of their effectiveness in accordance with the CG Code. The Internal Audit Department prepares its audit plan using a risk based methodology in consultation with, but independent of, the management for review by the audit committee of the Company ("Audit Committee"). The audit work focuses on financial, operational and compliance controls review and those areas of the Group's activities with significant perceived risks. An integral part of the internal audit function is to monitor and ensure effective implementation of the risk management and internal control systems.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the six months ended 30 June 2016.

AUDIT COMMITTEE

The Company established an Audit Committee on 26 February 2015 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Audit Committee), Mr. Chow Nin Mow, Albert and Ms. Hung Siu-lin, Katherine. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, risk management and internal control systems, review of the Group's financial information, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

The Group's interim report for the six months ended 30 June 2016 has been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

In compliance with the CG Code, the Company established its remuneration committee ("Remuneration Committee") on 26 February 2015 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman, Mr. Li Ka-shing and two Independent Non-executive Directors, namely, Ms. Hung Siu-lin, Katherine (Chairman of the Remuneration Committee) and Mr. Cheong Ying Chew, Henry.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and the management, and reviewing the remuneration packages of all Executive Directors and the management with reference to the corporate goals and objectives of the Board resolved from time to time.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules, and shareholders can choose to receive such documents using electronic means through the Company's website; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its shareholders and stakeholders; (v) press conferences and briefing meetings with analysts are arranged from time to time to update on the performance of the Group; (vi) the Company's Hong Kong Share Registrar deals with shareholders for share registration and related matters; and (vii) the Corporate Affairs Department of the Company handles enquiries from shareholders and investors generally.

In compliance with the CG Code, the Company has established a shareholders communication policy on 26 February 2015 which is subject to review on a regular basis to ensure its effectiveness.

Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2016, the Company bought back a total of 14,180,500 shares of HK\$1.00 each in the capital of the Company ("Shares") on the Stock Exchange, with the aggregate consideration paid (before expenses) amounting to HK\$661,626,725. All the Shares bought back were subsequently cancelled. As at 30 June 2016, the total number of Shares in issue was 3,845,498,000.

Particulars of the share buy-backs are as follows:

Month	Number of Shares bought back	Purchase price per Share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
March 2016	13,535,000	48.50	45.85	632,425,925
May 2016	645,500	45.30	45.15	29,200,800
	14,180,500			661,626,725

Save as disclosed above, during the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

RISK FACTORS

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial condition, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. In addition, this Interim Report does not constitute a recommendation or advice to invest in the shares of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

Property Developments

There exist general risks inherent in property development and in the ownership of properties, including, among other things, rising construction costs, risks that financing for developments may not be available on favourable terms, that construction may not be completed on schedule or within budget especially due to issues such as aging workforce, labour shortage, skills mismatch and succession gap as well as the escalation of material prices, that long-term financing may not be available on completion of construction, that developed properties may not be sold or leased on profitable terms, that there will be intense competition from other developers or property owners which may lead to vacant properties or an inability to sell or rent properties on favourable terms, that purchasers or tenants may default, that properties held for rental purpose will need to be renovated, repaired and re-let on a periodic basis, that it may not be possible to renew leases or re-let spaces when existing leases expire, and that the property market conditions are subject to changes in environmental laws and regulations and zoning laws and other governmental rules and fiscal policies. Property values and rental values are also affected by factors such as the changes in the relationships between countries or sovereign states, the state of the local economy, political and societal developments, governmental regulations and changes in planning or tax laws, levels of interest rates and consumer prices, the overall supply of properties, and the imposition of governmental measures to dampen property prices. Taxes, levies, stamp duties and similar taxes or charges payable for the sale or transfer of residential properties may be imposed by the relevant authorities from time to time.

Investment in property is generally illiquid, which may limit the ability of the Group in timely realising property assets into cash.

Supply of land is subject to the development of land policies in different markets. Acquisition of land in Hong Kong, the Mainland and other overseas markets may be subject to various regulatory requirements or restrictions as well as changes in demand and supply dynamics. Future growth prospects of the property development business are therefore affected by the availability and price levels of prime sites in Hong Kong, the Mainland and other overseas markets.

Other Information (*continued*)

The Group may be subject to fines or sanctions if it does not pay land premiums or does not develop properties according to the terms of the land grant documents. Under the Mainland laws and regulations relating to idle land, if a developer fails to develop land according to the terms of the land grant contracts (including but not limited to, the payment of fees, the designated uses of land and the time for commencement and completion of development of the land), the relevant authorities may issue a warning to or impose a fine on the developer or require the developer to forfeit the land use rights. Any violation of the terms of the land grant contracts may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Furthermore, there are specific requirements regarding idle land and other aspects of land use rights grant contracts in many cities on the Mainland, and the local authorities are expected to enforce such rules in accordance with the instructions from the central government of the Mainland.

Circumstances leading to the repossession of land or delays in the completion of a property development may arise and if the Group's land is repossessed, the Group will not be able to continue its property development on the forfeited land, recover the costs incurred for the initial acquisition of the repossessed land or recover development costs and other costs incurred up to the date of the repossession. Furthermore, regulations relating to idle land or other aspects of land use rights may become more restrictive or punitive in the future. If the Group does not comply with the terms of any land use rights grant contracts as a result of delays in project development, or as a result of other factors, the Group may lose the opportunity to develop the project, as well as its past investments in the land, which may materially and adversely impact its business, financial condition, results of operations and growth prospects.

Properties could suffer physical damage by fire or other causes and the Group may be exposed to any potential risks associated with public liability claims, resulting in losses (including loss of rent and value of properties) which may not be fully compensated for by insurance proceeds, and such events may in turn affect the Group's financial condition or results of operations. There is also the possibility of other losses for which the Group may not obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, payment of compensation may be required and this may affect the returns on capital invested in that property. The Group would also remain liable for any debt or other financial obligation, such as committed capital expenditures, related to that property. In addition, insurance policies will have to be renewed every year and acceptable terms for coverage will have to be negotiated, thus exposing the Group to the volatility of the insurance markets, including the possibility of rate increases. Any such factors may adversely affect the Group's businesses, financial condition, results of operations or growth prospects.

Industry Trends and Interest Rates

The trends in the industries in which the Group operates, including the property market sentiment and conditions, property values, the mark to market value of investment securities, the currency environment and interest rates cycles, may pose significant risks to the Group's businesses, financial condition, results of operations or growth prospects. There can be no assurance that the combination of industry trends and interest rates the Group experiences in the future will not adversely affect its businesses, financial condition, results of operations or growth prospects.

In particular, income from finance and treasury operations is dependent upon the capital markets, interest rate and currency environment, and the worldwide economic and market conditions, and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's businesses, financial condition, results of operations or growth prospects. The volatility in the financial markets may also adversely affect the income to be derived by the Group from its finance and treasury activities.

Highly Competitive Markets

The Group's principal business operations face significant competition across the markets in which they operate. New market entrants and intensified price competition among existing market players could adversely affect the Group's businesses, financial condition, results of operations or growth prospects. Competition risks faced by the Group include (a) an increasing number of developers undertaking property investment and development in Hong Kong, the Mainland and in other overseas markets, which may affect the market share and returns of the Group; and (b) significant competition and pricing pressure from other developers which may adversely affect the Group's businesses, financial condition, results of operations or growth prospects.

New Business Ventures

To balance and mitigate the inherent risks associated with cyclical nature of property development, or generally, the Group is committed to balancing and strengthening its business portfolio through diversification and globalisation. The Group will explore ways to create new sources of revenue by making ventures into new business sectors and geographical regions if appropriate. However, there is no assurance that the Group will implement its diversification and globalisation strategies successfully or that its strategies will be able to deliver the results as anticipated. Also, expansion into new sectors and markets may expose the Group to new uncertainties including but not limited to risks relating to insufficient operating experience in certain sectors and markets, changes in governmental policies and regulations and other adverse developments affecting such sectors and markets. There is also no assurance that all investors would favour the new ventures that may be made by the Group.

Other Information (*continued*)

Currency Fluctuations

The results of the Group are reported in Hong Kong dollars but its various subsidiaries, associates and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, associates and joint ventures and also on the repatriation of earnings, equity investments and loans may therefore impact on the Group's businesses, financial condition, results of operations or growth prospects. Although currency exposures have been managed by the Group, a depreciation or fluctuation of the currencies in which the Group conducts operations relative to the Hong Kong dollars could adversely affect its businesses, financial condition, results of operations or growth prospects. For instance, the recent depreciation of the British pounds relative to the Hong Kong dollars subsequent to the referendum in the United Kingdom in favour of Brexit could adversely affect the Group's results of operations.

Strategic Partners

Some of the businesses of the Group are conducted through non-wholly owned subsidiaries, associates and joint ventures in which the Group shares control (in whole or in part) and strategic alliances have been formed by the Group with other strategic or business partners. There can be no assurance that any of these strategic or business partners will continue their relationships with the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non-wholly owned subsidiaries, associates and joint ventures and the markets in which they operate. Furthermore, the joint venture partners may (a) have economic or business interests or goals that are inconsistent with those of the Group; (b) take actions contrary to the Group's policies or objectives; (c) undergo a change of control; (d) experience financial and other difficulties; or (e) be unable or unwilling to fulfil their obligations under the joint ventures, which may affect the Group's businesses, financial condition, results of operations or growth prospects.

Impact of Local, National and International Regulations

The local business risks in different countries and cities in which the Group operates could have a material impact on the businesses, financial condition, results of operations or growth prospects. The Group has investments in different countries and cities around the world and the Group is, and may increasingly become, exposed to different and changing political, social, legal, tax, regulatory and environmental requirements at the local, national or international level. Also, new guidelines, directives, policies or measures by governments, whether fiscal, tax, regulatory, environmental or other competitive changes, may lead to an increase in additional or unplanned operating expenses and capital expenditures, increase in market capacity, reduction in government subsidies, pose a risk to the overall investment return of the Group's businesses and may delay or prevent the commercial operation of a business with resulting loss of revenue and profit, which may adversely affect the Group's businesses, financial condition, results of operations or growth prospects.

Impact of New Accounting Standards

The International Accounting Standards Board has from time to time issued new and revised International Financial Reporting Standards (“IFRS”). As accounting standards continue to develop, the International Accounting Standards Board may in the future issue more new and revised IFRS and the Group may be required to adopt new accounting policies which might or could have a significant impact on the Group’s businesses, financial condition, results of operations or growth prospects.

Outbreak of Highly Contagious Disease

In 2003, there was an outbreak of Severe Acute Respiratory Syndrome (“SARS”) in Hong Kong, the Mainland and other places. The SARS outbreak had a significant adverse impact on the economies of the affected areas. The spread of Influenza and other communicable diseases from time to time have also affected many areas of the world. The outbreak of the Ebola virus disease also poses a significant threat to global industries. Additional outbreaks of other epidemic diseases may adversely affect the Group’s businesses, financial condition, results of operations or growth prospects.

Natural Disasters

Some of the Group’s assets and businesses, customers and suppliers are located in areas at risk of damage from earthquakes, floods and similar events and the occurrence of any of these events could disrupt the Group’s businesses and materially and adversely affect the Group’s businesses, financial condition, results of operations or growth prospects.

Although the Group has not experienced any major structural damage to its property development projects or assets or facilities from earthquakes or natural disasters to date, there can be no assurance that future earthquakes or other natural disasters will not occur and result in major damage to the Group’s property development projects, or assets or facilities or on the general supporting infrastructure facilities in the vicinity, which could adversely affect the Group’s businesses, financial condition, results of operations or growth prospects.

Past Performance and Forward-Looking Statements

The performance and the results of operations of the Group as contained in this Interim Report are historical in nature and past performance can be no guarantee of future results of the Group. This Interim Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume (a) any obligation to correct or update the forward-looking statements or opinions contained in this Interim Report; and (b) any liability in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

Interim Financial Statements

Consolidated Income Statement

For the six months ended 30 June 2016

	Note	(Unaudited)	
		2016 HK\$ Million	2015 HK\$ Million
Group revenue		27,252	17,740
Share of revenue of joint ventures		311	1,309
Total	(2)	27,563	19,049
Group revenue		27,252	17,740
Investment and other income		341	396
Operating costs			
Property and related costs		(14,092)	(11,203)
Salaries and related expenses		(1,885)	(437)
Interest and other finance costs		(318)	(252)
Depreciation		(340)	(176)
Service fees		–	(357)
Other expenses		(223)	(123)
		(16,858)	(12,548)
Share of profit of joint ventures		66	243
Share of profit of associates		64	35
Increase in fair value of investment properties		228	1,291
Profit on disposal of joint ventures		–	1,366
Profit before taxation	(3)	11,093	8,523
Taxation	(4)	(2,314)	(1,253)
Profit after taxation		8,779	7,270
Profit attributable to			
Shareholders		8,606	6,890
Non-controlling interests		173	380
		8,779	7,270
Earnings per share	(6)	HK\$2.23	HK\$1.79

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	(Unaudited)	
	2016 HK\$ Million	2015 HK\$ Million
Profit after taxation	8,779	7,270
Other comprehensive income (loss) – reclassifiable to profit or loss		
Translation of financial statements of operations outside Hong Kong – exchange gain (loss)	(2,293)	665
Investments available for sale – gain in fair value	890	68
Share of other comprehensive loss of joint ventures	(93)	(17)
Other comprehensive income (loss)	(1,496)	716
Total comprehensive income	7,283	7,986
Total comprehensive income attributable to		
Shareholders	7,233	7,567
Non-controlling interests	50	419
	7,283	7,986

Interim Financial Statements (continued)

Consolidated Statement of Financial Position

As at 30 June 2016

	(Unaudited) 30/6/2016 HK\$ Million	(Audited) 31/12/2015 HK\$ Million
Non-current assets		
Fixed assets	20,687	18,614
Investment properties	120,450	119,959
Joint ventures	4,817	4,393
Associates	7,575	7,743
Investments available for sale	6,341	5,451
Long term loan receivables	1,876	1,892
Deferred tax assets	2,139	2,256
	163,885	160,308
Current assets		
Stock of properties	147,906	153,301
Debtors, deposits and prepayments	10,233	12,335
Bank balances and deposits	50,332	45,861
	208,471	211,497
Current liabilities		
Bank loans	4,450	5,772
Creditors and accruals	13,023	14,785
Customers' deposits received	18,290	11,832
Provision for taxation	1,583	4,238
	37,346	36,627
Net current assets	171,125	174,870
Non-current liabilities		
Bank loans	52,767	55,217
Deferred tax liabilities	10,013	10,096
Pension obligations	186	178
	62,966	65,491
Net assets	272,044	269,687
Representing:		
Share capital	3,846	3,860
Share premium	250,287	250,951
Reserves	11,494	8,285
Shareholders' funds	265,627	263,096
Non-controlling interests	6,417	6,591
Total equity	272,044	269,687

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Shareholders' funds					Non-controlling interests	(Unaudited) Total equity
	Share capital	Share premium	Combined capital	Reserves ⁽¹⁾	Total		
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Balance at 1 January 2015	-	-	93	96,161	96,254	2,817	99,071
Total comprehensive income	-	-	-	7,567	7,567	419	7,986
Elimination of combined capital upon completion of Property Businesses Combination (as described in the Company's 2015 interim report)	-	-	(93)	-	(93)	-	(93)
Reserve established as a result of Property Businesses Combination	-	-	-	(69,014)	(69,014)	-	(69,014)
Share premium established pursuant to Property Businesses Combination	-	254,811	-	-	254,811	-	254,811
Non-controlling interests resulting from Property Businesses Combination	-	-	-	-	-	6,779	6,779
Issuance of shares by way of capitalisation of share premium	3,860	(3,860)	-	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	(285)	(285)
Dividend paid to non-controlling interests	-	-	-	-	-	(97)	(97)
Dividend paid to Cheung Kong (Holdings) Limited and its subsidiaries	-	-	-	(31,154)	(31,154)	-	(31,154)
Balance at 30 June 2015	3,860	250,951	-	3,560	258,371	9,633	268,004
Balance at 1 January 2016	3,860	250,951	-	8,285	263,096	6,591	269,687
Total comprehensive income	-	-	-	7,233	7,233	50	7,283
Change in non-controlling interests	-	-	-	-	-	(91)	(91)
Buy-back and cancellation of issued shares (Note 8)	(14)	(664)	-	14	(664)	-	(664)
Dividend paid to non-controlling interests	-	-	-	-	-	(133)	(133)
Dividend paid to shareholders 2015 final dividend HK\$1.05 per share	-	-	-	(4,038)	(4,038)	-	(4,038)
Balance at 30 June 2016	3,846	250,287	-	11,494	265,627	6,417	272,044

Interim Financial Statements (continued)

Condensed Consolidated Statement of Changes in Equity (continued)

(1) Reserves

	Other reserve HK\$ Million	Capital redemption reserve HK\$ Million	Investment revaluation reserve HK\$ Million	Exchange reserve HK\$ Million	Retained profits HK\$ Million	Total HK\$ Million
Balance at 1 January 2015	–	–	2,037	4,245	89,879	96,161
Total comprehensive income	–	–	322	355	6,890	7,567
Reserve established as a result of Property Businesses Combination	(69,014)	–	–	–	–	(69,014)
Dividend paid to Cheung Kong (Holdings) Limited and its subsidiaries	–	–	–	–	(31,154)	(31,154)
Balance at 30 June 2015	(69,014)	–	2,359	4,600	65,615	3,560
Balance at 1 January 2016	(69,014)	–	2,211	650	74,438	8,285
Total comprehensive income	–	–	890	(2,263)	8,606	7,233
Buy-back and cancellation of issued shares	–	14	–	–	–	14
Dividend paid to shareholders 2015 final dividend HK\$1.05 per share	–	–	–	–	(4,038)	(4,038)
Balance at 30 June 2016	(69,014)	14	3,101	(1,613)	79,006	11,494

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Note	(Unaudited)	
		2016 HK\$ Million	2015 HK\$ Million
Net cash from (used in) operating activities		16,694	(1,014)
Net cash from (used in) investing activities		(2,714)	8,722
Net cash from (used in) financing activities		(9,007)	26,260
Net increase in cash and cash equivalents		4,973	33,968
Translation difference		(614)	–
Cash and cash equivalents at 1 January		44,540	10,354
Cash and cash equivalents at 30 June	(a)	48,899	44,322

Note:

(a) Cash and cash equivalents

	30/6/2016 HK\$ Million	30/6/2015 HK\$ Million
Bank balances and deposits	50,332	46,102
Less: Restricted bank balances	(1,433)	(1,780)
	48,899	44,322

Restricted bank balances represent sale proceeds placed with banks in accordance with the requirements of property development on the Mainland and are restricted for use before certain conditions of the property development are met.

Interim Financial Statements (continued)

Notes to Interim Financial Statements

1. Basis of preparation

The interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The principal accounting policies used in the preparation of the interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2015.

For the comparative figures, please refer to the basis of preparation as described in the Company’s 2015 interim report.

The International Accounting Standards Board has issued a number of new and revised International Financial Reporting Standards (“IFRSs”). The adoption of these IFRSs which are effective for the Group’s annual accounting periods beginning on 1 January 2016 has no significant impact on the Group’s results and financial position, and for those which are not yet effective, the Group is in the process of assessing their impact on the Group’s results and financial position.

2. Revenue and profit contribution

Revenue by operating activities for the period is as follows:

	Six months ended 30 June					
	Group		Joint ventures		Total	
	2016 HK\$ Million	2015 HK\$ Million	2016 HK\$ Million	2015 HK\$ Million	2016 HK\$ Million	2015 HK\$ Million
Property sales	21,111	14,926	185	839	21,296	15,765
Property rental	3,622	1,379	48	171	3,670	1,550
Hotel and serviced suite operation	2,282	1,191	13	223	2,295	1,414
Property and project management	237	244	65	76	302	320
	27,252	17,740	311	1,309	27,563	19,049

During the period, revenue generated outside Hong Kong by the Group’s operating activities including joint ventures accounted for 49% (2015 – 30%) of the total revenue and was derived from the following locations:

	Six months ended 30 June	
	2016 HK\$ Million	2015 HK\$ Million
The Mainland	13,180	5,613
Singapore	25	146
Others	174	35
	13,379	5,794

2. Revenue and profit contribution (continued)

Profit contribution by operating activities for the period is as follows:

	Six months ended 30 June					
	Group		Joint ventures		Total	
	2016 HK\$ Million	2015 HK\$ Million	2016 HK\$ Million	2015 HK\$ Million	2016 HK\$ Million	2015 HK\$ Million
Property sales	6,757	3,798	99	18	6,856	3,816
Property rental	3,356	1,222	7	109	3,363	1,331
Hotel and serviced suite operation	640	425	(7)	80	633	505
Property and project management	104	73	29	45	133	118
	10,857	5,518	128	252	10,985	5,770
Interests in real estate investment trusts					212	322
					11,197	6,092
Interest and other finance costs					(318)	(252)
Increase in fair value of investment properties						
Group					228	1,291
Joint ventures					3	8
Profit on disposal of joint ventures					–	1,366
Others					35	132
Taxation						
Group					(2,314)	(1,253)
Joint ventures					(52)	(114)
Profit attributable to non-controlling interests					(173)	(380)
Profit attributable to shareholders					8,606	6,890

Management discussion and analysis of operating activities is set out on pages 6 to 15 of the interim report.

Interim Financial Statements (continued)

3. Profit before taxation

	Six months ended 30 June	
	2016 HK\$ Million	2015 HK\$ Million
Profit before taxation is arrived at after charging:		
Interest and other finance costs		
Bank and others	708	163
Cheung Kong (Holdings) Limited and its subsidiaries	–	355
Less: Amount capitalised	(390)	(266)
	318	252
Costs of properties sold	12,427	10,022

4. Taxation

	Six months ended 30 June	
	2016 HK\$ Million	2015 HK\$ Million
Current tax		
Hong Kong	677	660
Outside Hong Kong	1,491	507
Deferred tax	146	86
	2,314	1,253

Hong Kong profits tax has been provided for at the rate of 16.5% (2015 – 16.5%) on the estimated assessable profits for the period. Tax outside Hong Kong has been provided for at the local enacted rates on the estimated assessable profits of the individual company concerned. Deferred tax has been provided on temporary differences based on the applicable enacted rates.

5. Interim dividend

Interim dividend of HK\$0.38 (2015 – HK\$0.35) per share was declared by the Directors on 11 August 2016 and amounted to HK\$1,461 million (2015 – HK\$1,351 million).

6. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders and on the weighted average of 3,851,764,657 shares in issue during the period (2015 – 3,859,678,500 shares issued on 3 June 2015, the listing date, as if such number of shares had been in issue throughout the period).

7. Ageing analysis of trade debtors and trade creditors

The Group's trade debtors comprise mainly receivables for sales and leasing of properties. Sales terms vary for different development projects and are determined with reference to the prevailing market conditions. Sales of properties are normally completed when sales prices are fully paid in accordance with the terms of sale and purchase agreements and deferred payment terms are sometimes offered to purchasers at a premium. Rentals and deposits are payable in advance by tenants as set out in the terms of tenancy agreements.

At the period/year end date, ageing analysis of trade debtors with reference to the terms of the agreements was as follows:

	30/6/2016 HK\$ Million	31/12/2015 HK\$ Million
Current to one month	6,806	9,244
Two to three months	50	60
Over three months	52	55
	6,908	9,359

At the period/year end date, ageing analysis of trade creditors with reference to invoice dates and credit terms was as follows:

	30/6/2016 HK\$ Million	31/12/2015 HK\$ Million
Current to one month	4,650	4,956
Two to three months	31	48
Over three months	28	52
	4,709	5,056

Interim Financial Statements (*continued*)

8. Buy-back and cancellation of issued shares

During the period, the Company bought back 14,180,500 of its own issued shares on The Stock Exchange of Hong Kong Limited for a total consideration (including expenses) of HK\$664 million and cancelled all the shares bought back. The share capital and share premium of the Company were thus reduced by HK\$14 million and HK\$664 million respectively.

9. Related party transactions

During the period, there were no significant related party transactions requiring disclosure in the interim financial statements.

10. Fair value of financial assets and financial liabilities

At the period end date, investments available for sale were measured at fair value based on quoted prices in active markets and the carrying amounts of the Group's other financial assets and financial liabilities approximated their fair values.

11. Commitments

At the period end date, the Group had capital commitments for additions of (i) fixed assets amounting to HK\$1,585 million; and (ii) investment properties amounting to HK\$329 million.

12. Review of interim financial statements

The interim financial statements are unaudited, but have been reviewed by the Audit Committee.