新世界發展有限公司
New World Development Company Limited
(incorporated in Hong Kong with limited liability)
(Hong Kong Stock Code: 0017)

Interim Results Announcement 2016/2017

RESULTS

The board of Directors (the "Board") of New World Development Company Limited (新世界發展有限公司) (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2016 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT - UNAUDITED

		For the six months ended 31 December	
		2016	2015
	Note	**HK$m**	HK$m
Revenues	2	**26,639.4**	33,778.2
Cost of sales		**(17,156.3)**	(23,708.9)
Gross profit		**9,483.1**	10,069.3
Other income		**254.6**	71.1
Other gains /(losses), net		**637.9**	(163.5)
Selling and marketing expenses		**(784.5)**	(806.5)
Administrative and other operating expenses		**(3,343.0)**	(3,893.5)
Changes in fair value of investment properties		**346.0**	36.7
Operating profit	3	**6,594.1**	5,313.6
Financing income		**856.5**	435.4
Financing costs		**(1,096.0)**	(744.7)
		6,354.6	5,004.3
Share of results of			
Joint ventures		**1,084.0**	863.0
Associated companies		**387.3**	376.7
Profit before taxation		**7,825.9**	6,244.0
Taxation	4	**(2,250.1)**	(1,752.4)
Profit for the period		**5,575.8**	4,491.6
Attributable to:			
Shareholders of the Company		**4,335.7**	3,300.0
Holders of perpetual capital securities		**129.3**	-
Non-controlling interests		**1,110.8**	1,191.6
		5,575.8	4,491.6
Dividends		**1,258.8**	1,204.7
Earnings per share (HK$)	5		
Basic		**0.46**	0.37
Diluted		**0.46**	0.37

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

	For the six months ended 31 December 2016 HK$m	2015 HK$m
Profit for the period	**5,575.8**	4,491.6
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefit obligation	**(9.4)**	(0.3)
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights	**173.6**	-
- deferred tax arising from revaluation thereof	**(0.6)**	-
Items that had been reclassified/ may be reclassified subsequently to profit or loss		
Fair value changes of available-for-sale financial assets	**153.5**	(633.9)
- deferred tax arising from fair value changes thereof	-	(1.1)
Release of reserves upon disposal of available-for-sale financial assets	**(15.6)**	(239.7)
Release of reserves upon disposal of subsidiaries	**(320.9)**	(4.2)
Release of reserves upon restructuring of a joint venture	**5.7**	-
Release of reserves upon remeasurement of previously held equity interest in a joint venture	**35.6**	-
Release of reserve upon deregistration of a subsidiary	**(15.3)**	-
Share of other comprehensive income of joint ventures and associated companies	**(1,003.0)**	(1,230.9)
Cash flow hedges	**248.5**	(0.4)
Translation differences	**(4,319.7)**	(2,827.1)
Other comprehensive income for the period	**(5,067.6)**	(4,937.6)
Total comprehensive income for the period	**508.2**	(446.0)
Attributable to:		
Shareholders of the Company	**(79.9)**	(96.7)
Holders of perpetual capital securities	**129.3**	-
Non-controlling interests	**458.8**	(349.3)
	508.2	(446.0)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Note	**As at 31 December 2016 HK$m**	As at 30 June 2016 HK$m
ASSETS			
Non-current assets			
Investment properties		**89,469.3**	86,597.0
Property, plant and equipment		**29,843.0**	23,872.5
Land use rights		**1,782.0**	1,932.2
Intangible concession rights		**11,935.9**	12,906.4
Intangible assets		**3,294.8**	2,702.3
Interests in joint ventures		**48,826.6**	50,353.0
Interests in associated companies		**22,385.2**	19,057.0
Available-for-sale financial assets		**9,939.7**	10,079.2
Held-to-maturity investments		**43.6**	42.9
Financial assets at fair value through profit or loss		**718.9**	695.1
Derivative financial instruments		**98.9**	81.4
Properties for development		**18,371.0**	18,556.9
Deferred tax assets		**843.5**	684.9
Other non-current assets		**11,938.0**	5,610.1
		249,490.4	233,170.9
Current assets			
Properties under development		**37,899.7**	50,755.0
Properties held for sale		**32,479.1**	21,163.2
Inventories		**789.7**	665.7
Debtors and prepayments	6	**31,348.1**	25,481.1
Available-for-sale financial assets		**-**	1,799.8
Financial assets at fair value through profit or loss		**0.1**	0.1
Derivative financial instruments		**58.8**	19.3
Restricted bank balances		**183.0**	205.7
Cash and bank balances		**68,023.3**	54,965.1
		170,781.8	155,055.0
Non-current assets classified as assets held for sale	7	**116.7**	3,882.7
		170,898.5	158,937.7
Total assets		**420,388.9**	392,108.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Note	**As at 31 December 2016 HK$m**	As at 30 June 2016 HK$m
EQUITY			
Share capital		**72,016.7**	69,599.8
Reserves		**106,805.6**	109,973.6
Shareholders' funds		**178,822.3**	179,573.4
Perpetual capital securities		**9,453.3**	**-**
Non-controlling interests		**24,198.7**	21,321.9
Total equity		**212,474.3**	200,895.3
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**125,195.2**	114,842.4
Deferred tax liabilities		**8,840.5**	8,453.2
Derivative financial instruments		**558.4**	794.0
Other non-current liabilities		**621.9**	601.2
		135,216.0	124,690.8
Current liabilities			
Creditors and accrued charges	8	**46,432.4**	38,190.9
Current portion of long-term borrowings		**14,426.2**	16,828.1
Derivative financial instruments		**197.7**	186.0
Short-term borrowings		**4,320.3**	3,261.6
Current tax payable		**7,322.0**	7,972.6
		72,698.6	66,439.2
Liabilities directly associated with non-current assets classified as assets held for sale	7	-	83.3
		72,698.6	66,522.5
Total liabilities		**207,914.6**	191,213.3
Total equity and liabilities		**420,388.9**	392,108.6

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements (the "interim financial statements") for the six months ended 31 December 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules"). The interim financial statements should be read in conjunction with the 30 June 2016 annual financial statements.

The accounting policies used in the preparation of these interim financial statements are consistent with those set out in the annual report for the year ended 30 June 2016.

(a) Adoption of new standards and amendments to standards

The Group has adopted the following new standards and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year ending 30 June 2017:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Annual Improvement Project	Annual Improvements 2012 – 2014 Cycle

The adoption of these new standards and amendments to standards does not have any significant effect on the results and financial position of the Group.

(b) Standards and amendments to standards which are not yet effective

The following new standards and amendments to standards are mandatory for accounting periods beginning on or after 1 July 2017 or later periods but which the Group has not early adopted:

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The Group has already commenced an assessment of the impact of these new standards and amendments to standards, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

2. Revenues and segment information

Revenues recognised during the period are as follows:

	For the six months ended 31 December	
	2016	2015
	HK$m	HK$m
Revenues		
Property sales	**13,019.6**	17,820.5
Rental	**1,184.4**	1,255.8
Contracting	**4,704.3**	6,143.6
Provision of services	**3,798.3**	3,847.1
Infrastructure operations	**1,256.3**	1,252.4
Hotel operations	**754.7**	1,074.8
Department store operations	**1,720.4**	1,893.3
Others	**201.4**	490.7
Total	**26,639.4**	33,778.2

The Executive Committee of the Company, being the chief operating decision-maker, determines and reviews the Group's internal reporting in order to assess performance and allocate resources. The operating segments are determined based on the afore-mentioned internal reporting. The Executive Committee considers the business from product and service perspectives, which comprises property development, property investment, service (including facilities management, construction & transport and strategic investments), infrastructure (including roads, environment, logistics and aviation), hotel operations, department stores and others (including telecommunications, media and technology and other strategic businesses) segments.

The Executive Committee assesses the performance of the operating segments based on each segment's operating profit. The measurement of segment operating profit excludes the effects of unallocated corporate expenses. In addition, financing income, financing cost and taxation are not allocated to segments.

Sales between segments are carried out in accordance with terms agreed by the parties involved.

2. Revenues and segment information (Continued)

	Property development HK$m	Property investment HK$m	Service HK$m	Infra-structure HK$m	Hotel operations HK$m	Department stores HK$m	Others HK$m	Consolidated HK$m
For the six months ended 31 December 2016								
Total revenues	13,101.0	1,278.0	13,150.3	1,256.3	754.7	1,721.3	238.6	31,500.2
Inter-segment	(81.4)	(93.6)	(4,647.7)	-	-	(0.9)	(37.2)	(4,860.8)
Revenues-external	13,019.6	1,184.4	8,502.6	1,256.3	754.7	1,720.4	201.4	26,639.4
Segment results	4,185.8	738.8	391.5	623.7	(14.8)	135.6	91.2	6,151.8
Other gains/(losses), net (Note d)	104.2	-	405.0	454.3	-	2.6	(328.2)	637.9
Changes in fair value of investment properties	-	274.2	71.8	-	-	-	-	346.0
Unallocated corporate expenses								(541.6)
Operating profit								6,594.1
Financing income								856.5
Financing costs								(1,096.0)
								6,354.6
Share of results of								
Joint ventures (Note a)	(0.8)	211.9	225.1	729.0	(12.9)	-	(68.3)	1,084.0
Associated companies (Note b)	72.4	46.8	(4.1)	258.1	-	-	14.1	387.3
Profit before taxation								7,825.9
Taxation								(2,250.1)
Profit for the period								5,575.8
As at 31 December 2016								
Segment assets	110,736.9	97,719.9	17,937.9	15,098.0	17,094.8	5,394.4	15,987.7	279,969.6
Interests in joint ventures	13,861.5	11,948.9	3,127.5	11,552.9	5,940.9	-	2,394.9	48,826.6
Interests in associated companies	788.7	4,336.3	8,055.5	8,984.8	1.1	-	218.8	22,385.2
Unallocated assets								69,207.5
Total assets								420,388.9
Segment liabilities	28,793.9	928.6	9,884.5	1,345.2	585.3	3,920.0	1,596.8	47,054.3
Unallocated liabilities								160,860.3
Total liabilities								207,914.6
For the six months ended 31 December 2016								
Additions to non-current assets (Note c)	1,599.2	1,012.3	4,825.8	19.5	1,858.5	61.8	267.2	9,644.3
Depreciation and amortisation	31.6	14.5	116.0	411.0	168.8	166.3	37.6	945.8

2. Revenues and segment information (Continued)

	Property development HK$m	Property investment HK$m	Service HK$m	Infra-structure HK$m	Hotel operations HK$m	Department stores HK$m	Others HK$m	Consolidated HK$m
For the six months ended 31 December 2015								
Total revenues	17,820.5	1,376.4	13,673.0	1,252.4	1,074.8	1,894.4	532.8	37,624.3
Inter-segment	-	(120.6)	(3,682.3)	-	-	(1.1)	(42.1)	(3,846.1)
Revenues-external	17,820.5	1,255.8	9,990.7	1,252.4	1,074.8	1,893.3	490.7	33,778.2
Segment results	4,155.2	774.5	511.0	530.8	(11.2)	155.6	(45.0)	6,070.9
Other gains/(losses), net (Note d)	91.6	5.1	110.8	92.4	768.7	(6.5)	(1,225.6)	(163.5)
Changes in fair value of investment properties	-	(548.1)	584.8	-	-	-	-	36.7
Unallocated corporate expenses								(630.5)
Operating profit								5,313.6
Financing income								435.4
Financing costs								(744.7)
								5,004.3
Share of results of								
Joint ventures (Note a)	(101.4)	246.9	(94.6)	900.4	(37.9)	-	(50.4)	863.0
Associated companies (Note b)	(0.5)	75.7	(31.6)	329.9	-	-	3.2	376.7
Profit before taxation								6,244.0
Taxation								(1,752.4)
Profit for the period								4,491.6
As at 30 June 2016								
Segment assets	109,285.1	89,474.0	15,318.7	14,569.6	14,613.8	5,599.9	17,881.1	266,742.2
Interests in joint ventures	13,178.9	11,772.6	5,127.8	12,605.9	5,934.3	-	1,733.5	50,353.0
Interests in associated companies	994.5	2,790.4	7,767.9	7,271.6	1.1	-	231.5	19,057.0
Unallocated assets								55,956.4
Total assets								392,108.6
Segment liabilities	21,143.7	1,269.6	10,204.5	673.1	356.1	3,745.2	1,483.2	38,875.4
Unallocated liabilities								152,337.9
Total liabilities								191,213.3
For the six months ended 31 December 2015								
Additions to non-current assets (Note c)	7,201.2	3,001.7	399.2	159.4	1,574.8	97.2	457.1	12,890.6
Depreciation and amortisation	44.4	19.9	89.9	412.2	217.8	189.0	69.7	1,042.9

2. Revenues and segment information (Continued)

	Revenues **Six months ended** **31 December 2016** **HK$m**	**Non-current assets (Note c)** **As at** **31 December 2016** **HK$m**
Hong Kong	**14,632.2**	**89,310.6**
Mainland China	**11,894.8**	**63,971.3**
Others	**112.4**	**1,414.1**
	26,639.4	**154,696.0**
	Six months ended 31 December 2015 HK$m	As at 30 June 2016 HK$m
Hong Kong	21,949.0	84,282.1
Mainland China	11,304.7	61,885.2
Others	524.5	400.0
	33,778.2	146,567.3

Notes:

a. For the six months ended 31 December 2015, the amount in the service segment included the Group's share of impairment loss of HK$177.6 million for Hyva Holding B.V. and the amount in the infrastructure segment included the Group's share of gain of HK$179.3 million arising from deemed disposal of its indirect interest in Chongqing Water Group Co., Ltd..

b. For the six months ended 31 December 2016, Newton Resources Ltd, an associated company, recognised an impairment of its assets for which the Group shared an impairment loss of HK$204.0 million (2015: impairment loss of HK$200.0 million made for the Group's interest in Tharisa plc).

c. Non-current assets represented non-current assets other than financial instruments (financial instruments include interests in joint ventures and associated companies), deferred tax assets and retirement benefit assets.

d. For the six months ended 31 December 2016, the amount in the service segment included gain on remeasuring NWS Transport Services Limited at fair value upon further acquisition as a subsidiary of HK$327.1 million and the infrastructure segment included gain on restructuring of Sino-French Holdings (Hong Kong) Limited of HK$454.3 million, and the others segment included net exchange loss of HK$467.7 million (2015: others segment included net exchange loss of HK$1,565.3 million).

3. Operating profit

Operating profit of the Group is arrived at after crediting/(charging) the following:

	For the six months ended 31 December	
	2016	2015
	HK$m	HK$m
Write back of provision for loans and other receivable	**1.9**	131.2
Gain on partial disposal of interests in subsidiaries and remeasurement of retained interest at fair value after reclassification to a joint venture	**-**	40.0
Gain/(loss) on remeasurement of previously held interests of joint ventures at fair value upon further acquisition to become subsidiaries	**327.1**	(8.0)
Gain on restructuring of a joint venture	**454.3**	-
Net profit/(loss) on disposal/liquidation of		
Available-for-sale financial assets and financial assets at fair value through profit or loss	**84.0**	113.5
Investment properties, property, plant and equipment and intangible concession rights	**71.8**	67.9
Subsidiaries	**(154.3)**	95.0
Assets held for sale	**77.8**	783.9
Net gain on fair value of financial assets at fair value through profit or loss	**200.6**	148.2
Cost of inventories and properties sold	**(9,710.2)**	(14,546.2)
Cost of services rendered	**(6,839.8)**	(8,415.2)
Depreciation and amortisation	**(945.8)**	(1,042.9)
Net exchange loss	**(467.7)**	(1,565.3)

4. Taxation

	For the six months ended 31 December	
	2016	2015
	HK$m	HK$m
Current taxation		
Hong Kong profits tax	**325.1**	548.9
Mainland China and overseas taxation	**578.9**	865.9
Mainland China land appreciation tax	**1,175.8**	213.2
Deferred taxation	**170.3**	124.4
	2,250.1	1,752.4

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period.

Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 12% to 25% (2015: 12% to 25%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% (2015: 30% to 60%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

Share of results of joint ventures and associated companies is stated after deducting the share of taxation of joint ventures and associated companies of HK$351.0 million and HK$130.3 million (2015: HK$372.4 million and HK$102.8 million) respectively.

5. Earnings per share

The calculation of basic and diluted earnings per share for the period is based on the following:

	For the six months ended 31 December	
	2016	2015
	HK$m	HK$m
Profit attributable to shareholders of the Company	**4,335.7**	3,300.0
Adjustment on the effect of dilution in the results of subsidiaries	**-**	(0.6)
Profit for calculating diluted earnings per share	**4,335.7**	3,299.4

	Number of shares (million)	
	For the six months ended 31 December	
	2016	2015
Weighted average number of shares for calculating basic earnings per share	**9,394.3**	8,999.9
Effect of dilutive potential ordinary shares upon the exercise of share options	**9.5**	-
Weighted average number of shares for calculating diluted earnings per share	**9,403.8**	8,999.9

Diluted earnings per share for the six months ended 31 December 2016 assumed the exercise of share options outstanding during the period since the exercise would have a dilutive effect. This effect had not been assumed for the six months ended 31 December 2015 since the exercise would have an anti-dilution effect.

6. Trade debtors

Aging analysis of trade debtors is as follows:

	As at 31 December 2016	As at 30 June 2016
	HK$m	HK$m
Current to 30 days	**3,973.5**	2,274.7
31 to 60 days	**275.9**	260.7
Over 60 days	**444.3**	669.8
	4,693.7	3,205.2

The Group has different credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Sales proceeds receivable from sale of properties and retention receivable in respect of construction and engineering services are settled in accordance with the terms of respective contracts.

7. Non-current assets classified as assets held for sale/ liabilities directly associated with non-current assets classified as assets held for sale

Non-current assets classified as assets held for sale

	As at 31 December 2016 HK$m	As at 30 June 2016 HK$m
Property, plant and equipment	**116.7**	116.7
Assets of a subsidiary classified as held for sale (Note)	-	3,766.0
	116.7	3,882.7

Liabilities directly associated with non-current assets classified as assets held for sale

	As at 31 December 2016 HK$m	As at 30 June 2016 HK$m
Liabilities of a subsidiary classified as held for sale (Note)	-	83.3
	-	83.3

Note:

On 20 June 2016, an agreement was entered into by NWS Holdings Limited ("NWSH"), a subsidiary of the Group in respect of the disposal of its indirect wholly owned subsidiary, Shine Fame Holdings Limited ("Shine Fame", an investment holding company which holds the entire interest in the property where NWS Kwai Chung Logistics Centre is situated) and the assignment of debt at an aggregate cash consideration of HK$3.75 billion. All the conditions precedent to the sale and purchase agreement had been fulfilled and completion of the disposal took place on 31 August 2016.

As at 30 June 2016, the assets and liabilities related to Shine Fame had been classified as assets held for sale and liabilities directly associated with assets held for sale.

8. Trade creditors

Aging analysis of trade creditors is as follows:

	As at 31 December 2016 HK$m	As at 30 June 2016 HK$m
Current to 30 days	**4,639.2**	5,496.4
31 to 60 days	**666.5**	894.3
Over 60 days	**2,277.7**	1,589.4
	7,583.4	7,980.1

9. Pledge of assets

As at 31 December 2016, the assets with an aggregated amount of HK$72,752.9 million (30 June 2016: HK$71,775.7 million) were pledged as securities for certain banking facilities of the Group.

10. Financial guarantee and contingent liabilities

	As at 31 December 2016 HK$m	As at 30 June 2016 HK$m
Financial guarantee contracts:		
Mortgage facilities for certain purchasers of properties	**3,375.0**	2,428.4
Guarantees for credit facilities granted to		
Joint ventures	**4,806.1**	4,421.8
Associated companies	**2,248.9**	1,340.9
Indemnity to non-wholly owned subsidiaries for Mainland China tax liabilities	-	18.0
	10,430.0	8,209.1

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.13 per share for the financial year ending 30 June 2017 to shareholders registered on 20 March 2017.

The interim dividend will be payable in cash but shareholders will be given the option of electing to receive the interim dividend in the form of new shares in lieu of cash in respect of part or all of such dividend. The new shares to be issued pursuant to the scrip dividend scheme are subject to their listing being granted by the Listing Committee of the Hong Kong Stock Exchange. A circular containing details of the scrip dividend scheme will be despatched to shareholders together with the form of election for scrip dividend on or about 6 April 2017. It is expected that dividend warrants and certificates for the scrip shares will be posted to shareholders on or before 19 May 2017.

BOOK CLOSE DATES

Book close dates (both days inclusive)	:	14 March 2017 to 20 March 2017
Latest time to lodge transfer with Share Registrar	:	4:30 pm on Monday, 13 March 2017
Address of Share Registrar	:	Tricor Tengis Limited Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2016, the Company has not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the period.

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2016, about 45,000 staff was employed by entities under the Group’s management. Remuneration policies are reviewed annually. Remuneration and bonuses are awarded to employees based on individual performances and market practices. Education subsidies will be granted to employees who are taking job-related courses. Periodic in-house training programs are also offered. Under the share option schemes of the Company and all the listed subsidiaries of the Group, options may be granted to certain Directors of the Company and certain employees of the Group to subscribe for shares in the Company and/or the respective subsidiaries.

REVIEW OF INTERIM RESULTS

The Company’s unaudited interim results for the six months ended 31 December 2016 have not been reviewed by external auditor, but have been reviewed by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2016 with the exception of code provision A.6.4.

Code provision A.6.4 is in relation to guidelines for securities dealings by relevant employees. As required under code provision A.6.4, the Board should establish for its relevant employees written guidelines no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules in respect of their dealings in the securities of the Company. Instead of following the Model Code strictly, the Board has established its own guidelines which are not on no less exacting terms than the Model Code. Such deviation from the CG Code is considered necessary, mainly because of the huge size of employees of the Group which is about 45,000, and the Group’s diversified businesses. For these reasons, to follow the exact guidelines of the Model Code will cause immense administrative burden to the Company in processing written notifications from the relevant employees when they deal in the securities of the Company, which can be avoided under the Company’s own guidelines.

REQUIREMENT IN CONNECTION WITH PUBLICATION OF "NON-STATUTORY ACCOUNTS" UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE CAP. 622

The financial information relating to the year ended 30 June 2016 included in this announcement of interim results 2016/2017 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company had delivered the financial statements for the year ended 30 June 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor had reported on those financial statements of the Group. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

MAJOR ACQUISITION AND DISPOSAL

1. On 18 August 2016, Sky Treasure Development Limited, a company indirectly owned as to 30% by the Company and 70% by Chow Tai Fook Enterprises Limited ("CTFE") was awarded a tender by the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone to acquire the land use rights of plots of land (for a term of 40 years) at Guiwan Area, Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone, Shenzhen, Guangdong Province, the PRC for the development of a financial and commercial complex at a consideration of RMB4,207.2 million (equivalent to approximately HK$4,700.8 million).

2. On 5 October 2016, NWSH, The Bank of East Asia, Limited ("BEA") and East Asia Secretaries (BVI) Limited ("East Asia Secretaries") and Trivium Investment Limited ("Trivium") entered into a share purchase agreement for the sale of all the issued shares of Tricor Holdings Limited ("Tricor"), an associated company of the Group, held by East Asia Secretaries to Trivium at a consideration of approximately HK$6.5 billion (the "Disposal"). Tricor is 24.39% owned by NWSH and 75.61% owned by BEA, in each case through East Asia Secretaries. Closing of the Disposal is expected to occur during the first quarter of 2017.

3. On 19 October 2016, Natal Global Limited, an indirect wholly owned subsidiary of NWSH entered into an agreement with the then other shareholders of Goshawk Aviation Limited and Goshawk Management Holdings (Cayman) Limited (collectively the "Goshawk Group", both were associated companies prior to completion of further acquisition), and under which acquired an additional 10% equity interest in Goshawk Group and related shareholder loans at an aggregate consideration of approximately HK$788.0 million. Upon completion of the transactions the equity interest of NWSH in the Goshawk Group was increased from 40% to 50% and joint control was obtained and this investment was accounted for as joint ventures as at 31 December 2016.

4. On 1 November 2016, the shareholders of Sino-French Holdings (Hong Kong) Limited ("SFH"), a then 50% joint venture of NWSH and now known as SUEZ NWS Limited, entered into an agreement to restructure and expand the scope of operations of SFH by injecting cash and their respective waste and wastewater treatment businesses in Greater China into SFH. The directors of NWSH considered all significant conditions precedent were satisified and the restructuring was regarded as completed in December 2016. Gain arising from the restructuring amounted to approximately HK$454.3 million was recognised by NWSH for the six months ended 31 December 2016. NWSH ceased its joint control and owns 42% interest in SFH upon completion of the restructuring. The investment in SFH was accounted for as an associated company as at 31 December 2016.

5. On 15 November 2016, NWS Service Management Limited, ("NWS Service", an indirect wholly owned subsidiary of NWSH) and Enrich Group Limited ("Enrich" a direct wholly owned subsidiary of CTFE) entered into a sale and purchase agreement for NWS Service to purchase the remaining 50% equity interest in NWS Transport Services Limited ("NWST", a then joint venture owned as to 50% by each NWS Service and Enrich) from Enrich at a consideration of approximately HK$1,467.5 million (including adjustment to the consideration upon completion). NWST and its subsidiaries are principally engaged in the provision of public bus, ferry and travel related services in Hong Kong. Completion of the acquisition took place on 30 December 2016. Thereafter NWST and its subsidiaries became indirect wholly owned subsidiaries of NWSH.

6. On 8 December 2016, through bundled public tenders put up by China Merchants Shekou Industrial Zone Holdings Co Ltd ("CMSIZ"), (i) Triumphant Ally Investments Limited (a 51% indirect subsidiary of the Company and a joint venture vehicle with CMSIZ) acquired two plots of land in Prince Bay, Shekou, Nanshan District, Shenzhen, Guangdong Province, the PRC for the development of long-term commercial properties held for investment purposes; and (ii) Guangzhou Xinpei Investment Co., Ltd (an indirect wholly owned subsidiary of the Company) successfully bid the capital injection, representing 49% equity interest, in each of Shenzhen City Prince Bay Shangding Properties Co., Ltd. and Shenzhen City Prince Bay Lewan Properties Co., Ltd. (both companies hold two plots of land in Prince Bay, Shekou, Nanshan District, Shenzhen, Guangdong Province, the PRC for the development of a mixture of commercial/office/service apartment properties held for sale purposes) at aggregate minimum bidding price of approximately RMB8,889.5 million (equivalent to approximately HK$9,932.4 million). The total capital commitment of the Group amounted to approximately RMB10,030.6 million (equivalent to approximately HK$11,207.4 million). The completion of all the relevant procedures is expected to take place in March 2017.

LIQUIDITY AND CAPITAL RESOURCES

Net Debt

	As at 31 December 2016 HK$m	As at 30 June 2016 HK$m
Consolidated net debt	**73,050.2**	77,048.8
NWSH (stock code: 0659)	**5,336.1**	6,141.2
NWDS – net cash and bank balances (stock code: 0825)	**(649.0)**	(207.0)
Net debt (exclude listed subsidiaries)	**68,363.1**	71,114.6

The Group's debts were primarily denominated in Hong Kong dollar and Renminbi. In respect of the Group's operations in Mainland China, the Group maintains an appropriate level of external borrowings in Renminbi for natural hedging of Renminbi contributed to those projects. The Renminbi exposure of the Group is mainly derived from the translation of non-current assets and liabilities of the subsidiaries, associated companies and joint ventures in Mainland China with functional currency of Renminbi and the Renminbi deposits held for future development costs to be expended to Hong Kong Dollar. As at 31 December 2016, the translation of non-current assets and liabilities of subsidiaries, associated companies and joint ventures with functional currency other than Hong Kong Dollar to Hong Kong Dollar by using exchange rates at that day resulted a loss of HK$5,268.9 million are recognised in equity. Apart from this, the Group does not have any material foreign exchange exposure.

The Group's borrowings were mainly arranged on a floating rate basis. The Group used interest rate swaps and foreign currency swap to hedge part of the Group's underlying interest rate and foreign exchange exposure. As at 31 December 2016, the Group had outstanding derivative instruments in the amounts of HK$5,800.0 million and US$600.0 million (equivalent to approximately HK$4,662.0 million). As at 31 December 2016, the Group had outstanding foreign currency swap contracts in the aggregate amounts of HK$3,138.2 million, to hedge for certain foreign currency exposure of the Group.

During the period, the Group had issued 5.75% perpetual capital securities in the aggregate principal amount of US$1,200.0 million (equivalent to approximately HK$9,324.0 million). The net proceeds is used for financing the development projects, land bank expansion and other general working capital purposes.

During the period, Evergrande Real Estate Group Limited had redeemed US$225.0 million (equivalent to approximately HK$1,748.3 million) of the 9% perpetual securities from the Group, representing one-fourth of the aggregate principal amount as subscribed by the Group during the year ended 30 June 2016.

As at 31 December 2016, the Group's cash and bank balances stood at HK$68,206.3 million (30 June 2016: HK$55,170.8 million) and the consolidated net debt amounted to HK$73,050.2 million (30 June 2016: HK$77,048.8 million). The net debt to equity ratio was 34.4%, a decrease of 4.0 percentage points as compared with 30 June 2016.

As at 31 December 2016, the Group's long-term bank loans, other loans and fixed rate bonds and notes payable amounted to HK$138,639.4 million. Short-term bank and other loans as at 31 December 2016 were HK$2,617.1 million. The maturity of bank loans, other loans and fixed rate bonds and notes payable as at 31 December 2016 was as follows:

	HK$m
Within one year	**17,043.4**
In the second year	**16,434.8**
In the third to fifth year	**89,681.3**
After the fifth year	**18,097.0**
	141,256.5

Equity of the Group as at 31 December 2016 increased to HK$212,474.3 million against HK$200,895.3 million as at 30 June 2016.

BUSINESS REVIEW

For the first half of FY2017, the Group's revenues amounted to HK$26,639.4 million. Profit attributable to shareholders of the Company amounted to HK$4,335.7 million, up 31.4%. The Group's underlying profit amounted to HK$5,001.3 million, up 52.4%.

Hong Kong Property Development

After getting through a turbulent ride in the global financial market in the first half-year of 2016, Hong Kong's primary market for residential properties regained momentum in the third quarter supported by stable, local end-user demand. Selected developments with prime school-net locations and offering sound ancillary facilities were chasing after by homebuyers. According to the Hong Kong Rating and Valuation Department, a total of 6,244 transactions in first-hand sales and purchases of private residential units with an aggregate worth of HK$54,912 million had been recorded in the third quarter of 2016, representing year-on-year increase of 79.0% and 41.4%, respectively.

Concerned with the continuous exuberant state of the residential property market and with a view to procuring healthier development for the property market, on 5 November 2016, the Hong Kong SAR Government raised the stamp duty for residential property transactions by non-first time buyers to 15% with immediate effect. This is the fourth adjustment to the stamp duty for residential property transactions by the Hong Kong SAR Government since October 2010.

The transactions in the primary market for residential properties, however, have not significantly adjusted as the market originally expected after the announcement of the new policy. First-hand sales and purchases of private residential units in November 2016 increased by 110.9% year-on-year, as potential buyers in the secondary market had shifted to the more price-competitive primary market in view of reduced supply in the secondary market owing to the new policy which had discouraged existing owners to sell their properties because of the higher costs to buy in future.

Having seen property prices soaring over the years despite the introduction of various property market policies, some potential buyers decided to enter the market as they believed that continuous hesitance would only serve to further undermine their buying powers. Meanwhile, anticipations for further RMB devaluation had also driven the demand for property in Hong Kong on the part of Mainland China homebuyers.

On 15 December 2016, the U.S. Federal Reserve announced a 0.25% increase in interest rate, being its second interest-rate hike since mid-2006. The Federal Reserve made it clear that the interest rate will be raised three times in 2017 in tandem with U.S. economic development and further normalisation to its monetary policy. While it is beyond dispute that the U.S. rate hike cycle has started, the market is of the general view that the pace for interest-rate hikes in Hong Kong will be adjusted in an orderly manner based on the actual conditions of Hong Kong's financial regime. In fact, while rate hikes would result in rising costs for property purchases, it also signals improvement in economic performance and hence stronger ability of homebuyers to pay off mortgages. As such, the debt-servicing ratio is expected to stay at a healthy level.

The Group's revenue and segment contributions from property development in Hong Kong during the period under review, including the contribution from the joint-development projects, amounted to HK$5,608.4 million and HK$1,601.0 million, respectively. The contribution from property sales was mainly attributable to the sales of residential units completed and recognised within this financial year, including "SKYPARK" in Mong Kok and "Double Cove Summit" in Ma On Shan, as well as residential units of projects completed in previous financial years.

The Group is committed to the creation of style and class unique to the New World brand with craftsmanship under the Artisanal Movement, with a view to bringing superb experience in residential living to homebuyers. In this connection, the launch of "THE PAVILIA BAY" in Tsuen Wan in January 2017 has been an immense success.

In response to the popular quest for discerned residential housing styles, the Group engaged top-tier international superyacht designer Philippe Briand to create the "BLUE PAVILION", a meticulously designed crossover clubhouse with distinctive superyacht features, being the first of its kind in Hong Kong. The project offers a total of 983 residential units in two blocks and the sales performance was strong, with the 400 units set for debut being snatched up on the first day of launch.

For the period under review, the Group's attributable contracted sales in Hong Kong amounted to HK$4,727.5 million. Including the sales of residential units of "THE PAVILIA BAY" in January 2017, the Group's attributable contracted sales in Hong Kong would have exceeded FY2017 sales target HK$10 billion up to mid-February 2017.

The Group has been paying close attention to market conditions and the needs of homebuyers, conducting active reviews of the timing for new project launch to ensure that flexible product mix is being offered timely in response to the demand and voice of customers. For example, "THE MOUNT PAVILIA" in Clear Water Bay, one of the large-scale residential development in the PAVILIA series, provided 680 residential units with a variety of layouts for buyers to choose.

In addition to the aforementioned projects, the Group also plans to launch the ARTISAN HOUSE (previously known as "Sai Yuen Lane project") in Sai Ying Pun, the Heung Sze Wui Road project in Tuen Mun, PARK VILLA and Tong Yan San Tsuen project in Yuen Long.

Hong Kong Landbank

It is the Group's policy to resort to diversified channels for the replenishment of its Hong Kong landbank. Apart from public auctions and tenders, the Group has also been actively engaged in old building acquisition and agricultural land usage conversion, with a view to securing a stable supply of land resources for future development. As at 31 December 2016, the Group possessed a landbank with attributable gross floor area ("GFA") of approximately 9.0 million sq ft available for immediate development, including attributable residential GFA of approximately 5.0 million sq ft. The Group also held agricultural land in the New Territories pending for land usage conversion with an attributable land area of approximately 17.6 million sq ft in aggregate.

Landbank by location	**Attributable GFA (sq ft)**
Central and Western District	**347,367**
Eastern District	**716,820**
Yau Tsim Mong District, Kowloon City District, Kwun Tong District, Sham Shui Po District and Wong Tai Sin District	**4,212,256**
Tsuen Wan District, Yuen Long District and Tuen Mun District	**742,893**
Sha Tin District and Sai Kung District	**2,836,339**
Islands District	**107,920**
Total	**8,963,595***

**After the inclusive of the total GFA of 997,839 sq ft from King Lam Street project, Cheung Sha Wan, West Kowloon, that was newly acquired in February 2017, the landbank attributable GFA of the Group was increased to approximately 9.96 million sq ft*

Agricultural landbank by location	Total land area (sq ft)	Attributable land area (sq ft)
Yuen Long District	**13,111,239**	**12,108,681**
Fanling District	**2,635,131**	**2,287,868**
Sha Tin District and Tai Po District	**1,975,527**	**1,975,527**
Sai Kung District	**1,357,901**	**1,160,794**
Tuen Mun District	**28,260**	**28,260**
Total	**19,108,058**	**17,561,130**

On 15 February 2017, the Group has won the tender for the commercial site, New Kowloon Inland Lot No. 6505 at King Lam Street, Cheung Sha Wan, Kowloon. The project having a maximum total GFA of approximately 997,800 sq ft is designated for non-residential purposes. The project is planned to build two grade A office towers with retail provision in the podium.

The Group has been vigorously engaged in the sizeable acquisition of old buildings for redevelopment. The acquisition procedures of the joint-development old building redevelopment project of 4A-4P Seymour Road in Mid-levels were completed during the period under review. The Group holds a 35% stake in this project with an attributable GFA of approximately 165,300 sq ft.

The land premium for change in use of land from industrial to residential/commercial of Nos. 27-29 Tonkin Street project in Cheung Sha Wan, Kowloon, in which the Group holds 100% stake, were completed during the period under review. The maximum total GFA is approximately 232,800 sq ft, of which, residential GFA approximates to 194,000 sq ft.

In connection with the joint-development old building redevelopment project of 74–74C Waterloo Road and 15–25 Yau Moon Street in Ho Man Tin in which the Group holds 51% stake, an application for compulsory sale under the “Land (Compulsory Sale for Redevelopment) Ordinance” has been made to the court and it is expected to complete in the second quarter of 2017. This project is expected to provide attributable residential GFA of approximately 43,600 sq ft upon redevelopment.

Besides, the Group added three industrial property development projects during the period under review. They are located at Tsun Yip Street, Kwun Tong and Luk Hop Street, San Po Kong providing attributable GFA of approximately 262,400 sq ft in aggregate.

Hong Kong Property Investment

Continuous growth in the leasing market for premium office space in core business districts in Hong Kong in 2016 was underpinned by a number of factors, including low vacancy rates, companies from Mainland China establishing presence in Hong Kong and the absence of new supply. In December 2016, the vacancy rates for Central, Tsim Sha Tsui, Wan Chai and Island East recorded at a low level, ranged from 1.7% to 2.7%. Despite some enterprises had plans to relocate or expand to districts beyond Central owing to the increasing gap between core commercial districts and non-core commercial districts in office rental costs, premium properties at prime locations continued to hold strong appealing to Mainland Chinese companies. Meanwhile, the launch of Shenzhen-Hong Kong Stock Connect further stimulates the demand for office space in Central by financial service companies from the Mainland China, offering good support for property leasing in the district.

Hong Kong's retail market remained in a stage of adjustment in 2016, as the impact of the decrease in inbound travellers from Mainland China and changing patterns in retail spending continued. According to data released by the Census and Statistics Department, Hong Kong recorded decline in retails sales for 21 consecutive months up to November 2016, however, such decline had narrowed. The improvement was mainly attributable to the efforts of most property owners to optimise their tenant mix and attract consumers by resorting to target-specific business strategies highlighted by introducing mass-market luxury goods, feature restaurants and tailored shopping experience, in contrast to their dependence on the sales of upmarket luxury goods in the past. Meanwhile, shopping malls commanding assured visitor flows hold an edge over street shops, as most leading brands resorted to shop consolidation and reallocation of resources as their principal strategies for this year and the next.

During the period under review, the Group's gross rental income in Hong Kong amounted to HK$778.9 million. If stripping out the effect from the contract expiry of 2 MacDonnell Road and the disposal of certain area in Chevalier Commercial Centre during the period under review, the Group's gross rental income in Hong Kong grew 5.5% year-on-year, due to the sound performance of the key leasing properties in occupancy rates despite a lacklustre retail market.

Hong Kong K11, which is located in the traditional core retail and tourism district in Tsim Sha Tsui, recorded 100% occupancy rate for the period under review, with an average monthly pedestrian flow approximately 1.4 million. As an international high-end artisanal brand, Hong Kong K11 continues to introduce more new food and beverage concepts and brands bracing their debuts in Hong Kong. Regarding office buildings, strong occupancy rates and rental performances were reported for New World Tower and Manning House, the Group's two Grade-A office towers at the heart of Central, which were benefited from low vacancy rates at prime locations. In the meantime, the development of New World Centre redevelopment project located in the core area of the Tsim Sha Tsui promenade in Kowloon, is progressing well as scheduled.

Property Development in Mainland China

The Central Economic Work Conference in December 2015 have laid down "eliminating surplus capacity, destocking, deleveraging, cost reduction and filling up gaps" as the five major tasks in economic development for 2016. Guided by this government policy, most Mainland China property developers were engaged in vigorous sales effort in 2016 to expedite the return of funds. In the meantime, fixed assets became a prime choice for investment amidst continuously strong end-user demand for residential properties coupled with RMB devaluation and global stock market volatility in 2016. The property market was steamed up as more properties were launched to meet the demand. In particular, major cities outperformed with gains both in price and volume.

According to data announced by the National Bureau of Statistics, real estate investment in China for the period from January to September 2016 increased by 5.8% on a cumulative basis, while sales of commodity housing grew by 27.1% in terms of GFA, or 43.2% in terms of sales amount. The Central Government had introduced regulatory measures with different extents in some 20 cities since the third quarter of 2016, seeking to cool down excessive buying interests through purchase restriction, loan limitation and other measures.

At the meeting of the Central Economic Work Conference held in December 2016, it was stated that "housing properties should be used for accommodation, not for speculative trading". It was also agreed that China should step up with the effort to primary regulations and long-term mechanisms for the prevention of extreme volatility in the property market through a combination of financial, land, fiscal, investment and legislative measures, while such regulations and mechanisms should be tailored to the country's specific conditions and in line with market-oriented principles. For 2017, government policy is expected to remain a dominant factor in the development of the property market, which will likely be underpinned by stability.

The Company's privatisation offer for New World China Land Limited ("NWCL") was completed during the period under review. Following the official delisting of NWCL shares from the Hong Kong Stock Exchange on 4 August 2016, NWCL has become the Company's indirect wholly owned subsidiary which will continue to manage all property projects of the Group in Mainland China.

For the period under review, the revenue and segment results from property development in Mainland China, including the revenue from joint-development projects, amounted to HK$7,411.2 million and HK$2,656.4 million, respectively. The contribution from property development in Mainland China was mainly attributable to the sales of the projects located in Shenzhen, Guangzhou, Shenyang and Zhaoqing. Overall contracted property sales in Mainland China for the period from July to December 2016 reached 654,074 sq m in GFA and RMB12,786.0 million in gross sales proceeds.

Property development projects for sale in Mainland China with an aggregate GFA of 797,980 sq m are estimated for completion in FY2017.

The Group holds out strong optimism about the economic prospect of Mainland China and remains fully confident in the nation's development. Business development in Mainland China represents a top priority for NWCL, our China property flagship in Mainland China, which will strengthen the investment in key property projects with strong development potential under the leadership of its new management team.

FY2017 estimated project completion in Mainland China – Development property for sale

Project name	**Residential GFA (sq m)**	**Non-residential GFA (sq m)**	**Total GFA (sq m)**
Canton First Estate	**49,074**	-	**49,074**
Beijing Yuzhuang Project	**127,664**	-	**127,664**
Shenyang New World Garden	**231,406**	**40,061**	**271,467**
Langfang New World Centre	**56,594**	**21,688**	**78,282**
Langfang New World Garden	**89,615**	**31,170**	**120,785**
Wuhan Guanggu New World	-	**34,859**	**34,859**
Yiyang New World Scenic Heights	**15,033**	-	**15,033**
Anshan New World Garden	**87,530**	**13,286**	**100,816**
Grand total	**656,916**	**141,064**	**797,980**

In August 2016, the Group and Chow Tai Fook Enterprise Limited ("CTFE") were awarded the tender by Qianhai Authority to acquire the land use rights of the land parcel T201-0092 at Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen at a consideration of RMB4,207.2 million. The joint venture, owned as to 30% and 70% respectively by NWCL and a wholly-owned subsidiary of CTFE, is in change of the project development.

T201-0092 is located in Guiwan area, being the core financial business district in Qianhai, Shenzhen, and designated for commercial use with a site area of approximately 18,218 sq m and permissible total GFA of 170,000 sq m, of which 148,360 sq m will be allocated for office use. The Group intends to develop the site into a financial and commercial complex. Pursuant to the terms of the tender, GFA of no less than 45,000 sq m but no more than 55,000 sq m of the office premises plus GFA of no more than 1,000 sq m of the commercial space shall be sold one-off to a foreign financial institution listed among Fortune 500 in 2015 as its regional or functional headquarters. The Group is in active negotiation with potential buyers.

Following the successful acquisition of the commercial land site in Guiwan Area, Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone, Shenzhen in August 2016, the Group was awarded with another important project situated at a prime location in a key city. On 8 December 2016, the Group made joint-development arrangements with China Merchants Shekou Industrial Zone Holdings Co Ltd in respect of the development of four premium sites in Prince Bay, Shenzhen.

The four land parcels have an aggregate site area of approximately 94,000 sq m and a permissible GFA of approximately 380,000 sq m. Two sites with GFA of approximately 220,000 sq m, in which the Group holds 51% interests, will be developed into commercial properties held for long-term investment. The remaining two sites with GFA of approximately 160,000 sq m, in which the Group holds 49% interests, will be developed into commercial properties, offices and serviced apartments for sale.

The project will be well-supported by comprehensive facilities in and around Prince Bay, a location in Shenzhen's Qianhai Shekou Free Trade Zone with intrinsic advantages for its position as a base port for world-class cruisers in tandem with the Belt and Road strategy. It will be developed into a seaport gateway connecting Shenzhen with Hong Kong and the rest of the world to facilitate rapid development of modernised service industries in western Shenzhen and will ultimately contribute to the internationalisation of Shenzhen and other cities within the Guangdong-Hong Kong-Macau region.

Property Investment in Mainland China

Consumer spending in Mainland China was gradually assuming a hedonic nature, as the lifestyles and spending experiences of the emerging middle class and young generation orientation had given rise to more specific consumer demands. This development was orchestrating changes in the business environment for commercial properties in Mainland China, where leading retail brands as well as property owners were actively modifying their traditional business models to address rapid changes in the retail market.

Given the challenge of online platforms, themed campaigns with live experiences have become a major component in strategies adopted by shopping mall in recent years to attract visitor flow for potential spending. Meanwhile, entertainment and dining facilities have also become important segments for property owners striving for market dominance, as further upgrades have been made to facilitate their complementary operation. In Shanghai, for example, many shopping malls are adjusting their business formats and brand mix to optimise operating performance. Shopping malls opened in 2016 have predominantly assumed a mid-market positioning.

For property leasing in Mainland China, the opening of Shanghai K11, an organic integration of art, culture, fashion and design, has enhanced rental performance of the Group's trophy asset Shanghai Hong Kong New World Tower, which reported an average monthly pedestrian flow of more than 800,000 persons for the period under review. During the third quarter of 2016, an annual grand exhibition showcasing more than 300 bags spanning 400 years in history as well as works of 15 contemporary artists was held, aptly branded "BAGISM" as the first-ever crossover between classic bag design and contemporary art which took the visitors through a journey in fashion and art beyond the boundaries of space and time.

Outstanding rental performance was reported at Wuhan New World International Trade Tower, a leading super Grade-A office in Central China, with solid rental contributions. Furthermore, the high-end residential cluster of the luxurious serviced apartment Canton Residence in Pearl River New Town, Guangzhou continued to generate strong rental contribution.

Furthermore, phase 2 of Qianhai Chow Tai Fook Global Goods Shopping Center, a joint development by CTFE, Chow Tai Fook Jewellery Group Limited and the Company through their wholly owned subsidiaries, was opened in December 2016 with an area of approximately 12,000 sq m.

Hotel Operations

Hong Kong's tourism industry had been affected by the "One Trip Per Week" scheme coupled with changing travel and spending habits of Mainland Chinese tourists, as evidenced by the drop in overall arrivals in Hong Kong since 2015. Starting from the final quarter of 2016, such figures have been improving.

According to data released by the Hong Kong Tourism Board, overall arrivals for the period from October to December 2016 rose by 0.4%, year-on-year, among which overnight arrivals rose by 2.4%, year-on-year, underpinned by visitors from long-haul markets and short-haul markets (excluding Mainland China).

Tariff A hotels in Hong Kong targeting mainly business travellers and high-end customers reported stable performance, as they benefited from robust economic activities in the region and the drive from customer loyalty programmes, as well as the limited supply of new hotels.

The Group's premium hotels in Hong Kong targeted at business travellers represents a major source of revenue contribution for the Group's hotel operations. Following the completion of its guestroom renovation, Grand Hyatt Hong Kong reported substantial growth in its average occupancy rate to 77.5% for the period under review, while sustaining a sound average room rate. Renaissance Harbour View Hotel adjacent to Hong Kong Convention and Exhibition Centre benefited from the continual growth of conventions and exhibitions to report growth in average occupancy rate to 83.1%. In the meantime, Hyatt Regency Hong Kong, Tsim Sha Tsui, centrally located at the heart of Kowloon, achieved an average occupancy of 92.3% for the period under review.

As at 31 December 2016, the Group had a total of 17 hotel properties in Hong Kong, Mainland China and Southeast Asia, providing over 7,700 guest rooms.

Infrastructure and Service

During the period under review, NWS Holdings Limited ("NWSH") recorded the profit attributable to shareholders of HK$2,600.1 million, representing an increase of 10.4%.

Driven by the organic growth of the roads operation and the increased contribution from Hangzhou Ring Road since becoming a wholly owned subsidiary of NWSH in January 2016, the infrastructure business recorded a growth, despite the impact of Renminbi depreciation. The contribution of the services business increased mainly due to the steady growth of the construction business and the improved performance of the strategic investments.

The contribution from the roads operation further increased. Traffic volume of the NWSH's road portfolio grew by 12% during the period under review which was supported by the increase in passenger cars from ongoing urbanisation in Mainland China.

China United International Rail Containers Co., Limited delivered continuous growth in contribution during the period under review. Benefiting from the launching of containerized break-bulk cargo services in January 2015, its throughput rose swiftly by 34% to 1,311,000 TEUs during the period under review.

With confidence in the long-term prospects of the commercial aircraft leasing business amid globalisation trends and growing demand for air travel, Goshawk Aviation Limited continues to focus on commercial aircraft that are young, modern and in demand. The fleet size grew from 68 aircraft as at 30 June 2016 to 76 aircraft as at 31 December 2016, reaching US$3 billion in total assets under management.

Moreover, the second commercial aircraft leasing platform, Bauhinia Aviation Capital Limited, a joint venture of NWSH with CTFE and Aviation Capital Group Corp., commenced business with a fleet size of four aircraft as at 31 December 2016.

The overall water and wastewater treatment revenue of SUEZ NWS Limited ("SNL") grew by 7%. The restructuring of SNL has been duly completed and the strengthened cooperation with SUEZ hence well positions NWSH to capture the growth of a wide range of environmental businesses in Hong Kong, Mainland China, Macau and Taiwan.

Gleneagles Hong Kong Hospital in Wong Chuk Hang, in which NWSH owns 40% interest, is making final preparation for its opening in March 2017. This new 500-bed hospital will provide a comprehensive range of medical services and the recruitment process for doctors, nurses and healthcare professionals is progressing well.

During the period under review, 560 events were held at Hong Kong Convention and Exhibition Centre with a total patronage of approximately 3.7 million. Meanwhile, NWSH is pleased to have won a competitive bid to continue its duty free concessions for five years at the MTR Hung Hom, Lo Wu and Lok Ma Chau Stations until 2022 in the current period.

The contribution from the construction business increased steadily. As at 31 December 2016, the gross value of contracts on hand for the construction business was approximately HK$73.7 billion and the remaining works to be completed amounted to approximately HK$39.9 billion.

The corporate services businesses of Tricor Holdings Limited ("Tricor") performed steadily during the period under review. The closing of the disposal of NWSH's entire interest in Tricor is expected to occur during the first quarter of 2017 and NWSH is expected to recognise a profit in the amount of approximately HK$900 million, as announced previously.

On 23 January 2017, NWSH disposed of 20% of its stake in Newton Resources Ltd and thereby reduced its shareholding to 15.5%.

Department Store

The increasing popularity of the Internet and mobile devices has changed the shopping behavior of consumers nowadays. In the meantime, the surge in salary and rental costs prompted physical retailers to make radical transformation in order to achieve a steady long-term growth amidst fierce market competition.

During the period under review, New World Department Store China Limited ("NWDS") recorded a profit attributable to shareholders of HK$92.8 million, up 55.1%. The commission income from concessionaire sales was the major income contributor to NWDS, accounting for 50.0% of the total revenue. Proceeds from direct sales and rental income accounted for 30.9% and 18.7% respectively of the total revenue. The remaining 0.4% was derived from management and consultancy fees. Region-wise, Northern China Region contributed the most to the revenue of NWDS, amounting to 46.1% of total revenue, followed by the Eastern China Region and the Central Western China Region, which accounted for 33.5% and 20.4% of the total revenue respectively.

As at 31 December 2016, NWDS operated and managed a total of 40 stores and two shopping malls spreading across 22 cities in Mainland China with total GFA of over 1.6 million sq m.

OUTLOOK

While the performance of the global economy has generally improved since the latter half of 2016, downside risks have nevertheless been further exacerbated by uncertainties arising from the uneven pace of development for different economies and escalating geopolitical tensions.

With the new president of the United States ("US") taking office and the White House and Congress coming under uni-partisan control for the first time in six years, the market expects the US fiscal policy to become more expansionary, underpinned by possible increase in infrastructure and defense expenditure. In the meantime, the rate-hike cycle of the US Federal Reserve will likely be accelerated.

While the further economic recovery of the US, the largest economy in the world, might provide a positive drive to global economic performance, the market is currently uncertain about the impact of the financial legislations to be proposed by the Trump administration, including those in relation to the percentage of net increase in government expenditure, federal deficit and USD valuation.

Moreover, potential protectionist measures might bring pressure to certain emerging markets and low-income countries as the US economy improves. Meanwhile, US stances in the global political arena and regional diplomacy, such as those in connection with the Middle East, the South China Sea and NATO, will have a strong bearing on global stability.

In Europe, the withdrawal of the United Kingdom ("UK") from the European Union ("EU") has aggravated the problem of the excessive gap among current EU members in competitive strengths. Moreover, Eurosceptic camps in certain major EU member nations being encouraged by the Brexit might result in political instability and regime change in these countries, which will increase the uncertainty of EU's prospects and affect regional harmony.

In the UK, debates have been focused on the Brexit timetable and related arrangements since the Britons voted to leave EU in the Brexit referendum on 23 June 2016. Although Prime Minister Theresa May announced her Brexit strategy in January 2017, by far the most detailed version since she took office, there are still question marks hanging over the detailed proceedings of a "hard Brexit", as well as its impact on the European economy as a whole.

Elsewhere, the economic outlook of Germany, the largest economy within the EU, has been blemished under the combined effect of the Brexit, U.S. presidential election, domestic populism and terrorist attacks.

As a major driving force behind global economic development, China enters into a new stage of economic development against the background of the New Normal, characterised by a slightly declining GDP growth curve, change of pace, structural corrections and switch of growth drivers since 2013. In view of the ongoing rapid growth in loans, the indebtedness of enterprises and pending adjustments to SOE reforms, the Central Government is expected to continue to offer policy support in order to alleviate the risk of a drastic or detrimental slowdown.

According to the latest "World Economic Outlook Update" published by the IMF in January 2017 entitled "A Shifting Global Economic Landscape", global economic activity could accelerate more robustly if the policy stimulus adopted by the US or China in 2017 is stronger than currently projected. The IMF estimated global growth at 3.1% for 2016, rising to 3.4% for 2017 and 3.6% for 2018.

Hong Kong reported a year-on-year growth of 1.4% for the first three quarters of 2016. Growth somewhat accelerated in the third quarter with a real growth of 1.9%, year-on-year. Economic growth for the full year of 2016 is estimated at 1.5%, which is in line with the earlier forecast of the Hong Kong SAR Government putting full-year growth at 1%-2%.

As an international financial centre, Hong Kong will inevitably be affected by the global factors mentioned above. As our economic prospects are profoundly associated with global developments as aforesaid, the market anticipates that Hong Kong's economic growth in 2017 will be dictated by China's economic performance and the pace of US interest rate hikes.

During the period under review, the Group continued to showcase its craftsmanship for all services and products through The Artisanal Movement, with excellent results that we all take pride in. Looking to 2017, the New World Group will continue to hold a positive and optimistic outlook, as it embraces challenges as well as opportunities with an open and innovative mindset.

With regard to property sales in Hong Kong, a range of meticulously designed residential developments featuring a blend of different elements will be launched at appropriate times. Following the overwhelming success of “THE PAVILIA BAY” in Tsuen Wan, we are actively planning for the launch of “MOUNT PAVILIA” in Clear Water Bay, “PARK VILLA” and Tong Yan San Tsuen project in Yuen Long, “ARTISAN HOUSE” in Sai Ying Pun, and the Heung Sze Wui Road project in Tuen Mun.

In connection with its landbank in Hong Kong, the Group will identify suitable development opportunities through careful research with reference to future market supply and the preferences of homebuyers. On that basis, the Group will seek premium land resources that are unique and conducive to sustainable development, taking into account the flexibility allowed under the development conditions of relevant projects.

Regarding property leasing in Hong Kong, our Group’s defensive portfolio of investment properties provides us with sound recurring income. Meanwhile, the development of New World Centre redevelopment project located at the core area of the Tsim Sha Tsui promenade in Kowloon, set to be a prime stimulus for the Group’s catalyst, is progressing as scheduled.

Turning to property development and leasing in Mainland China, the Group has further consolidated its resources and enhanced synergies between its operations in Mainland China and in Hong Kong following the privatisation of NWCL, to the benefit of its property business in the Mainland. NWCL will continue to apply a strategic focus on key cities in its investments, as well as engaging in the development of key projects strong potentials.

Meanwhile, K11 has expanded our portfolio of diversified retail brands and attracted major consumer groups under the new pattern of retail spending by bringing about new experiences for consumers and delivering added brand value. In future, the K11 brand will seek further expansion in Mainland China.

In an ever-changing marketplace, it is imperative that we constantly seek to adapt. The Group will continue to enhance customers’ experience with upgraded services and products by extensively seeking their feedback, with a view to consolidating superior standing of the New World brand and maximising the interests of our stakeholders.

Dr. Cheng Chi-Kong, Adrian
Executive Vice-chairman & Joint General Manager

Hong Kong, 22 February 2017

As at the date of this announcement, (a) the Executive Directors of the Company are Dr. CHENG Kar-Shun, Henry, Dr. CHENG Chi-Kong, Adrian, Mr. CHEN Guanzhan, Ms. KI Man-Fung, Leonie, Mr. CHENG Chi-Heng, Ms. CHENG Chi-Man, Sonia and Mr. AU Tak-Cheong; (b) the Non-executive Directors of the Company are Mr. DOO Wai-Hoi, William and Mr. CHENG Kar-Shing, Peter; and (c) the Independent Non-executive Directors of the Company are Mr. YEUNG Ping-Leung, Howard, Mr. CHA Mou-Sing, Payson (alternate director to Mr. CHA Mou-Sing, Payson: Mr. CHA Mou-Zing, Victor), Mr. HO Hau-Hay, Hamilton, Mr. LEE Luen-Wai, John and Mr. LIANG Cheung-Biu, Thomas.