



The Artisanal Movement

WE CREATE, WE ARE ARTISANS!

INTERIM REPORT
2016/2017



New World Development Company Limited

(Stock Code: 0017)



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Financial Highlights

	Unaudited	
	For the six months ended	
	31 December	
	2016	2015
	HK\$m	HK\$m
Revenues	26,639.4	33,778.2
Total segment results, including share of results of joint ventures and associated companies ⁽¹⁾	7,742.2	7,422.3
Other gains/(losses), net	637.9	(163.5)
Changes in fair value of investment properties	346.0	36.7
Profit attributable to shareholders of the Company	4,335.7	3,300.0
Underlying profit	5,001.3	3,281.4
	As at	As at
	31 December	30 June
	2016	2016
	HK\$m	HK\$m
Cash and bank balances	68,206.3	55,170.8
Net debt ⁽²⁾	73,050.2	77,048.8
Total equity	212,474.3	200,895.3
Gearing ratio ⁽³⁾	34.4%	38.4%

(1) Excluding changes in fair value of investment properties (net of taxation) of joint ventures and associated companies

(2) The aggregate of bank loans, other loans, fixed rate bonds and notes payable less cash and bank balances

(3) Net debt divided by total equity

Chairman's Statement

To Our Shareholders,

The profile of international affairs changes in an accelerating pace amidst increasingly complicated developments. The volatile performance of global trade, escalating geopolitical risks, as well as the rise of populism and protectionism have added to the uncertainties in the world's future prospects. Since the outbreak of the Asian financial crisis in 1997, political and economic problems emerging in different forms have brought about profound changes in the traditional cycles of economic and social developments, which now tend to be short-lived, volatile and subject to rapid changes.

Zuo's Commentary on the Spring and Autumn Annals (“春秋左傳”), the first chronologically arranged historical records of China mentioned, to “anticipate crises when living in well-being, for with anticipation comes preparation, and if one is well-prepared, there could be no worries.” (“居安思危 · 思則有備 · 有備無患”) One should always stay vigilant, think careful as to what might happen if a crisis comes and plan well beforehand. In a risky and turbulent new era such as the present one, this is exactly what an entrepreneur should do in order to sustain business development and ensure effective administration.

To quote from President Xi Jinping, “bread doesn't fall from heaven, and dreams would come true only as a result of diligent endeavours.” This holds true from a corporate perspective, as the New World Group has always made its best effort to provide premium services and products that would enhance consumers' experience, and has always strived to maximise results for its stakeholders. Dauntless as we are in our ventures, we also pay close attention to developments in the world around us and adjust our strategies in a timely and prudent manner to address any potential risks, so as to ensure the sustainability of the Group.

Amidst the present turmoil of the world economy, China stands out with stable economic performance. Central Government is vigorously implementing a new philosophy for economic growth and stepping up with its effort to drive the development of an affluent society. Under this new mentality, the Belt and Road initiative is progressing rapidly, while the Asian Infrastructure Investment Bank has also officially commenced operation to provide a new driving force for global economies, to the benefit of Hong Kong.

Our Group remains fully confident in the prospects of the country and Hong Kong, and business development in Greater China represents a top priority for us. To cater to our business development, a range of management strategies in relation to our internal structure and resource optimisation have been implemented. The privatisation of NWCL, a move that has given the Group more flexibility and stronger financials to seize the enormous business opportunities in Mainland China, is an excellent example of such implementation.

Given its solid financials, the Group will continue to replenish its land bank in Hong Kong through different approaches to fuel its property development in the territory. As the Group's flagship for property development and investment in Mainland China, NWCL will meanwhile continue to strengthen its effort in the development of selected projects with strong potentials.

All in all, notwithstanding market expectations for increasing conflicts and challenges around the globe in 2017, the New World Group will maintain an optimistic yet pragmatic disposition as it endeavours to enhance the New World brand and add value for Company and stakeholders by bolstering the performance of its property business operations in Mainland China and Hong Kong through flexible approaches, while actively identifying opportunities for structural improvements and resource optimisation to increase synergies among different segments.

Dr. Cheng Kar-Shun, Henry

Chairman

Hong Kong, 22 February 2017

Executive Vice-chairman's Report

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 residential property market 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, has 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" after the launch in January 2017, the Group's attributable contracted sales in Hong Kong 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 of the Group, 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 secure 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, Kowloon, that was 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 retail sales for 21 consecutive months up to November 2016, however, such decline had narrowed. The improvement was mainly attributable to the efforts of most landlords 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 traffics 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, with the sound performance of the key leasing properties in occupancy rates.

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 projects 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 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 the Central Government 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, taxation, 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 momentum of property market development, 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 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 country's development. Business development in Mainland China represents a top priority for NWCL, our Mainland China property flagship, 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-development project company, owned as to 30% and 70% respectively by NWCL and a wholly-owned subsidiary of CTFE, is in charge 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 projects 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 projects 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 national 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 landlords 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.

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.

Stable 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 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 new government, 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.

Furthermore, 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 International Monetary Fund ("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. The market anticipates that Hong Kong's economic growth in 2017 will be majorly 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 with 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 feedbacks, 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

Condensed Consolidated Income Statement — Unaudited

For the six months ended 31 December 2016

	Note	2016 HK\$m	2015 HK\$m
Revenues	3	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	4	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	5	(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\$)	6		
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

	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 reserve 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 reserve 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

As at 31 December 2016

	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	8	11,935.9	12,906.4
Intangible assets	9	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	10	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	11	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	12	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	13	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	14	46,432.4	38,190.9
Current portion of long-term borrowings	13	14,426.2	16,828.1
Derivative financial instruments		197.7	186.0
Short-term borrowings	13	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	11	–	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

Condensed Consolidated Statement of Changes in Equity — Unaudited

For the six months ended 31 December 2016

	Share capital	Retained profits	Other reserves	Shareholders' funds	Perpetual capital securities	Non-controlling interests	Total
For the six months ended							
31 December 2016	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
As at 1 July 2016	69,599.8	101,296.6	8,677.0	179,573.4	–	21,321.9	200,895.3
Comprehensive income							
Profit for the period	–	4,335.7	–	4,335.7	129.3	1,110.8	5,575.8
Other comprehensive income							
Remeasurement of post employment benefit obligation	–	(5.8)	–	(5.8)	–	(3.6)	(9.4)
Fair value changes of available-for-sale financial assets	–	–	168.2	168.2	–	(14.7)	153.5
Release of reserve upon disposal of available-for-sale financial assets	–	–	(9.6)	(9.6)	–	(6.0)	(15.6)
Release of reserve upon deregistration of a subsidiary	–	–	(9.4)	(9.4)	–	(5.9)	(15.3)
Release of reserves upon disposal of subsidiaries	–	–	(320.9)	(320.9)	–	–	(320.9)
Release of reserve upon restructuring of a joint venture	–	–	3.5	3.5	–	2.2	5.7
Release of reserves upon remeasurement of previously held equity interest in a joint venture	–	–	21.8	21.8	–	13.8	35.6
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation	–	–	172.5	172.5	–	0.5	173.0
Share of other comprehensive income of joint ventures and associated companies	–	–	(638.0)	(638.0)	–	(365.0)	(1,003.0)
Cash flow hedges	–	–	152.4	152.4	–	96.1	248.5
Translation differences	–	–	(3,950.3)	(3,950.3)	–	(369.4)	(4,319.7)
Other comprehensive income for the period	–	(5.8)	(4,409.8)	(4,415.6)	–	(652.0)	(5,067.6)
Total comprehensive income for the period	–	4,329.9	(4,409.8)	(79.9)	129.3	458.8	508.2
Transactions with owners							
Contributions by/(distributions to) owners							
Dividends	–	(2,912.3)	–	(2,912.3)	–	(511.5)	(3,423.8)
Contributions from non-controlling interests	–	–	–	–	–	2,796.6	2,796.6
Issue of new shares as scrip dividend	2,369.6	–	–	2,369.6	–	–	2,369.6
Issue of new shares upon exercise of share options	47.3	–	–	47.3	–	–	47.3
Employees' share-based payments	–	–	24.6	24.6	–	2.4	27.0
Share options lapsed	–	27.3	(27.3)	–	–	–	–
Issuance of perpetual capital securities	–	–	–	–	9,324.0	–	9,324.0
Transaction costs in relation to the issuance of perpetual capital securities	–	(108.2)	–	(108.2)	–	–	(108.2)
Transfer of reserves	–	(10.2)	10.2	–	–	–	–
	2,416.9	(3,003.4)	7.5	(579.0)	9,324.0	2,287.5	11,032.5
Change in ownership interests in subsidiaries							
Acquisition of additional interests in subsidiaries	–	(46.3)	–	(46.3)	–	13.7	(32.6)
Deemed disposal of interests in subsidiaries	–	(45.9)	–	(45.9)	–	116.8	70.9
	–	(92.2)	–	(92.2)	–	130.5	38.3
Total transactions with owners	2,416.9	(3,095.6)	7.5	(671.2)	9,324.0	2,418.0	11,070.8
As at 31 December 2016	72,016.7	102,530.9	4,274.7	178,822.3	9,453.3	24,198.7	212,474.3

Condensed Consolidated Statement of Changes in Equity — Unaudited

	Share capital	Retained profits	Other reserves	Shareholders' funds	Non- controlling interests	Total
For the six months ended						
31 December 2015	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
As at 1 July 2015	66,711.6	98,427.6	13,779.4	178,918.6	43,439.4	222,358.0
Comprehensive income						
Profit for the period	–	3,300.0	–	3,300.0	1,191.6	4,491.6
Other comprehensive income						
Remeasurement of post employment benefit obligation	–	–	(0.3)	(0.3)	–	(0.3)
Fair value changes of available-for-sale financial assets, net of taxation	–	–	(412.9)	(412.9)	(222.1)	(635.0)
Release of reserve upon disposal of available-for-sale financial assets	–	–	(239.7)	(239.7)	–	(239.7)
Release of reserves upon disposal of subsidiaries	–	–	(2.3)	(2.3)	(1.9)	(4.2)
Share of other comprehensive income of joint ventures and associated companies	–	(2.4)	(759.5)	(761.9)	(469.0)	(1,230.9)
Cash flow hedges	–	–	(0.2)	(0.2)	(0.2)	(0.4)
Translation differences	–	–	(1,979.4)	(1,979.4)	(847.7)	(2,827.1)
Other comprehensive income for the period	–	(2.4)	(3,394.3)	(3,396.7)	(1,540.9)	(4,937.6)
Total comprehensive income for the period	–	3,297.6	(3,394.3)	(96.7)	(349.3)	(446.0)
Transactions with owners						
Contributions by/(distributions to) owners						
Dividends	–	(2,699.1)	–	(2,699.1)	(613.6)	(3,312.7)
Issue of new shares as scrip dividend	1,988.0	–	–	1,988.0	–	1,988.0
Issue of new shares upon exercise of share options	0.9	–	–	0.9	–	0.9
Employees' share-based payments	–	–	45.4	45.4	9.6	55.0
Share options lapsed	–	11.2	(11.2)	–	–	–
Transfer of reserves	–	(20.4)	20.4	–	–	–
	1,988.9	(2,708.3)	54.6	(664.8)	(604.0)	(1,268.8)
Change in ownership interests in subsidiaries						
Acquisition of additional interests in subsidiaries	–	45.8	–	45.8	(3,353.1)	(3,307.3)
Deemed disposal of interests in subsidiaries	–	(12.0)	–	(12.0)	28.5	16.5
	–	33.8	–	33.8	(3,324.6)	(3,290.8)
Total transactions with owners	1,988.9	(2,674.5)	54.6	(631.0)	(3,928.6)	(4,559.6)
As at 31 December 2015	68,700.5	99,050.7	10,439.7	178,190.9	39,161.5	217,352.4

Condensed Consolidated Statement of Cash Flows — Unaudited

For the six months ended 31 December 2016

	2016 HK\$m	2015 HK\$m
Net cash from operating activities	3,481.8	3,277.6
Cash flows from investing activities		
Additions of investment properties, property, plant and equipment, land use rights and intangible concession rights	(5,108.4)	(5,487.0)
Increase in interests in joint ventures	(900.1)	(574.8)
Increase in interests in associated companies	(2,463.0)	(513.0)
Purchase of available-for-sale financial assets and financial assets at fair value through profit or loss	(268.0)	(7,547.5)
Disposal of available-for-sale financial assets and financial assets at fair value through profit or loss	2,256.7	1,116.1
Acquisition of subsidiaries	(1,491.1)	(4,099.4)
Disposal of subsidiaries	16.9	2,966.4
Others	1,659.1	228.5
Net cash used in investing activities	(6,297.9)	(13,910.7)
Cash flows from financing activities		
Net increase in borrowings	7,856.1	18,493.1
Issuance of perpetual capital securities	9,215.8	–
Contributions from non-controlling interests	2,796.6	–
Dividend paid to shareholders of the Company	(542.7)	(711.1)
Dividend paid to non-controlling shareholders	(511.5)	(613.6)
Others	(914.5)	(32.4)
Net cash from financing activities	17,899.8	17,136.0
Net increase in cash and cash equivalents	15,083.7	6,502.9
Cash and cash equivalents at beginning of the period	54,297.5	58,860.5
Translation differences	(1,311.4)	(609.7)
Cash and cash equivalents at end of the period	68,069.8	64,753.7
Analysis of cash and cash equivalents:		
Cash and bank balances	68,069.8	63,905.6
Cash and bank balances of subsidiaries transferred to non-current assets classified as assets held for sale	–	848.1
	68,069.8	64,753.7

Notes to Condensed Accounts

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 Acquisition 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 Financial risk management and fair value estimation

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk.

The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 30 June 2016 annual financial statements.

There have been no changes in the Group's financial risk management policies and procedures since the last year end.

(b) Fair value estimation

The Group's financial instruments that are measured at fair value are disclosed by levels of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the financial instruments of the Group are as follows:

- (i) Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. They are included in level 1.

Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

2 Financial risk management and fair value estimation *(continued)*

(b) Fair value estimation *(continued)*

- (ii) The fair value of long-term financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The following table presents the Group's financial instruments that are measured at fair value at 31 December 2016:

	Level 1 HK\$m	Level 2 HK\$m	Level 3 HK\$m	Total HK\$m
Available-for-sale financial assets	1,920.0	7.3	8,012.4	9,939.7
Financial assets at fair value through profit or loss	0.1	–	718.9	719.0
Derivative financial instruments				
Derivative financial assets	–	98.9	58.8	157.7
	1,920.1	106.2	8,790.1	10,816.4
Derivative financial instruments				
Derivative financial liabilities	–	(649.2)	(106.9)	(756.1)

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2016:

	Level 1 HK\$m	Level 2 HK\$m	Level 3 HK\$m	Total HK\$m
Available-for-sale financial assets	2,162.6	27.8	9,688.6	11,879.0
Financial assets at fair value through profit or loss	0.1	–	695.1	695.2
Derivative financial instruments				
Derivative financial assets	–	41.9	58.8	100.7
	2,162.7	69.7	10,442.5	12,674.9
Derivative financial instruments				
Derivative financial liabilities	–	(857.9)	(122.1)	(980.0)

There were no significant transfer of financial assets between level 1 and level 2 fair value hierarchy classifications.

2 Financial risk management and fair value estimation *(continued)*

(b) Fair value estimation *(continued)*

(ii) *(continued)*

The following table presents the changes in level 3 financial instruments for the six months ended 31 December 2016:

	Available- for-sale financial assets HK\$m	Financial assets at fair value through profit or loss HK\$m	Derivative financial assets HK\$m	Derivative financial liabilities HK\$m
At 1 July 2016	9,688.6	695.1	58.8	(122.1)
Additions	177.3	82.7	–	–
Acquisition of subsidiaries	7.3	–	–	–
Net gain/(loss) recognised in the condensed consolidated statement of comprehensive income/income statement	71.9	(43.4)	–	15.2
Disposals	(1,932.7)	(15.5)	–	–
At 31 December 2016	8,012.4	718.9	58.8	(106.9)

3 Revenues and segment information

Revenues (representing turnover) 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 aforementioned 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.

3 Revenues and segment information (continued)

	Property development HK\$m	Property investment HK\$m	Service HK\$m	Infrastructure 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

3 Revenues and segment information (continued)

	Property development HK\$m	Property investment HK\$m	Service HK\$m	Infrastructure 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

3 Revenues and segment information (continued)

	Revenues	Non-current assets (Note c)
	Six months ended 31 December 2016 HK\$m	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).

4 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 receivables	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)

5 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.

5 Taxation (continued)

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.

6 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.

7 Capital expenditure

For the six months ended 31 December 2016, the Group has acquired investment properties, property, plant and equipment, land use rights and intangible concession rights of HK\$9,568.9 million (2015: HK\$5,487.0 million). The Group has disposed of investment properties and property, plant and equipment of net book value of HK\$353.5 million (2015: HK\$537.4 million).

8 Intangible concession rights

	HK\$m
Net book value as at 1 July 2016	12,906.4
Translation difference	(568.7)
Amortisation	(401.8)
Net book value as at 31 December 2016	11,935.9

9 Intangible assets

	Goodwill HK\$m	Operating Rights and others HK\$m	Total HK\$m
Net book value as at 1 July 2016	2,306.3	396.0	2,702.3
Translation differences	(78.1)	–	(78.1)
Acquisition of subsidiaries	–	69.2	69.2
Addition	623.9	–	623.9
Amortisation	–	(22.5)	(22.5)
Net book value as at 31 December 2016	2,852.1	442.7	3,294.8

10 Trade debtors

Aging analysis of trade debtors based on invoice date is as follows:

	As at 31 December 2016 HK\$m	As at 30 June 2016 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.

11 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

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.

12 Share capital

	As at 31 December 2016		As at 30 June 2016	
	Number of shares (million)	HK\$m	Number of shares (million)	HK\$m
Issued and fully paid:				
At beginning of the period	9,388.4	69,599.8	8,996.9	66,711.6
Issue of new shares as scrip dividend (Note a)	288.7	2,369.6	391.0	2,884.6
Issue of new shares upon exercise of share options	6.2	47.3	0.5	3.6
At end of the period	9,683.3	72,016.7	9,388.4	69,599.8

Notes:

- a. Issue of new shares as scrip dividend

During the period, 288,766,086 new shares were issued at HK\$8.2061 per share for the settlement of 2016 final scrip dividend.

- b. Share option schemes

A share option scheme was adopted by the Company on 24 November 2006 and amended on 13 March 2012 which will be valid and effective for a period of ten years from the date of adoption.

On 16 November 2012, 9,400,000 share options were granted by the Company to eligible participants at an initial exercise price of HK\$11.996 per share, subject to adjustments.

On 22 January 2014, 30,100,000 share options were granted by the Company to directors and certain eligible participants at an initial exercise price of HK\$10.400 per share, subject to adjustments.

On 27 October 2014, 34,400,000 share options were granted by the Company to certain eligible participants at an initial exercise price of HK\$9.510 per share, subject to adjustments.

On 7 July 2015, 20,100,000 share options were granted by the Company to certain eligible participants at an initial exercise price of HK\$9.976 per share, subject to adjustments.

On 9 March 2016, 20,200,000 share options were granted by the Company to a director and certain eligible participants at an initial exercise price of HK\$7.200 per share, subject to adjustments.

On 10 June 2016, 68,037,928 share options were granted by the Company to directors and certain eligible participants at an initial exercise price of HK\$7.540 per share, subject to adjustments.

The outstanding number of share options as at 31 December 2016 amounted to 152,415,416 and the number of share options lapsed and exercised for the six months ended 31 December 2016 amounted to 10,986,277 and 6,145,862 respectively.

A new share option scheme was adopted by the Company on 22 November 2016 which will be valid and effective for a period of ten years from the date of adoption. No option has been granted under the new scheme since its adoption.

13 Borrowings

	As at 31 December 2016 HK\$m	As at 30 June 2016 HK\$m
Long-term borrowings		
Secured bank loans	20,240.8	22,130.9
Unsecured bank loans	71,762.6	62,580.7
Other secured loans	2,793.3	2,374.3
Other unsecured loans	1,812.3	1,625.7
Fixed rate bonds and notes payable	42,030.4	41,989.8
Loans from non-controlling shareholders	982.0	969.1
	139,621.4	131,670.5
Current portion of long-term borrowings	(14,426.2)	(16,828.1)
	125,195.2	114,842.4
Short-term borrowings		
Secured bank loans	44.1	49.4
Unsecured bank loans	2,568.0	1,463.8
Other unsecured loans	5.0	5.0
Loans from non-controlling shareholders	1,703.2	1,743.4
	4,320.3	3,261.6
Current portion of long-term borrowings	14,426.2	16,828.1
	18,746.5	20,089.7
Total borrowings	143,941.7	134,932.1

14 Trade creditors

Aging analysis of trade creditors based on invoice date 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

15 Commitments

	As at 31 December 2016 HK\$m	As at 30 June 2016 HK\$m
Contracted but not provided for		
Property, plant and equipment	1,953.1	1,166.5
Investment properties	4,805.2	6,741.7
Associated companies	439.3	437.7
Joint ventures	1,749.6	1,934.9
Other investments	573.8	1,200.5
	9,521.0	11,481.3
The Group's share of capital commitments of the joint ventures not included above are as follows:		
Contracted but not provided for	3,085.9	708.3

16 Financial guarantee and contingent liabilities

	As at	As at
	31 December	30 June
	2016	2016
	HK\$m	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

17 Related party transactions

The following is a summary of significant related party transactions during the period which were carried out in the normal course of the Group's business:

	For the six months ended	
	31 December	
	2016	2015
	HK\$m	HK\$m
Transactions with joint ventures and associated companies:		
Provision of construction work services	610.3	415.4
Interest income	38.8	43.4
Rental expenses	124.7	135.5
Transactions with other related parties:		
Provision of construction work services	12.2	20.1
Rental income	76.5	60.9
Concessionaires commissions	34.6	42.9
Hotel management services fee income	–	52.5
Sales of goods, prepaid shopping cards and vouchers	19.1	32.1
Purchase of goods	3.0	8.5
Engineering and mechanical services	715.4	708.6
Hotel management services fee and property management services fee expenses	65.9	11.0

These related party transactions were conducted in accordance with the terms as disclosed in the last annual report.

No significant transactions have been entered with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation).

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.

Liquidity and Capital Resources

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.

Other Information

Disclosure Pursuant to Rules 13.20 and 13.22 of the Listing Rules

At 31 December 2016, the Group had given financial assistance and guarantees to its joint ventures and associated companies (collectively "affiliated companies") as set out below:

	As at 31 December 2016 HK\$m	As at 30 June 2016 HK\$m
Amounts due by affiliated companies	31,604.4	27,866.9
Guarantees given for affiliated companies in respect of banking and other credit facilities	7,054.0	5,762.7
Commitments to capital injections and loan contributions	2,188.9	2,372.6
	40,847.3	36,002.2

- The advances were unsecured and were interest free except for an aggregate amount of HK\$11,556.7 million (30 June 2016: HK\$7,401.4 million) which carried interest ranging from 1.3% above HIBOR to 12.15% above The London Interbank Offered Rate per annum (30 June 2016: 1.3% above HIBOR to 10.0% per annum). The advances had no fixed repayment terms.
- Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 31 December 2016 are presented as follows:

	Combined statement of financial position HK\$m	Group's attributable interests HK\$m
Non-current assets	136,589.5	65,642.0
Current assets	29,636.0	15,014.6
Current liabilities	(28,908.7)	(16,071.4)
Total assets less current liabilities	137,316.8	64,585.2
Non-current liabilities	(89,453.6)	(44,678.4)
Net assets	47,863.2	19,906.8

The combined statement of financial position of the affiliated companies was prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 31 December 2016.

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

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

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.

Major Acquisition and Disposal *(continued)*

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 satisfied 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.

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 that is included in the Interim Report 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. 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.

Model Code for Securities Transactions by Directors

The Group has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code. Having made specific enquiry of all Directors, the Directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 31 December 2016.

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors of the Company since the date of the Company's 2016 Annual Report are set out below:

1. Dr. Cheng Chi-Kong, Adrian was re-designated from non-executive director to non-executive vice chairman of Modern Media Holdings Limited on 1 December 2016.
2. Mr. Cha Mou-Sing, Payson was appointed as an independent non-executive director of Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Co., Ltd.), a listed public company in Hong Kong, on 3 October 2016 and subsequently resigned as its independent non-executive director on 23 December 2016.

Investor Relations

The Group values good investor relations and has been committed to maintaining effective communication with investors. We have always offered in a high level of transparency and strived to ensure shareholders' comprehensive and thorough understanding of the Group. Announcements, interim and annual reports, and investor relations website are treated as important public disclosure channels to facilitate investors assessing the company holistically. Besides, we have actively participated in different investor forums and roadshows (both domestic and international), and conducted numerous site visits and meetings with the investment community for effective communication. Feedbacks from the investment community are directly reverted to the management to promote two-way communications between the Board and the investors.

Corporate Sustainability

To achieve sustainable growth, the Group is committed to minimising potential environmental impacts, improving the quality of communities where we operate while providing a reasonable return to our investors. This commitment is translated into the three pillars of the Group's corporate sustainability — Profit, People and Planet. Considerations of the three pillars are rooted in the Group's decision making process and operational practices. The Group recognises the importance of transparency to stakeholders and has published its sustainability report (sr.nwd.com.hk) to report the progress and performance of sustainability programmes in the past year.

Employees and Remuneration Policies

The Group has about 45,000 employees as at 31 December 2016 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.

Directors' Interests in Securities

As at 31 December 2016, the interests of the Directors in shares, underlying shares and debentures of the Company or any of its associated corporations which were recorded in the register required to be kept by the Company under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

(A) Long position in shares

	Number of shares			Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests		
New World Development Company Limited					
(Ordinary shares)					
Mr. Doo Wai-Hoi, William	–	12,787,224	42,896,403 ⁽¹⁾	55,683,627	0.58
Mr. Cheng Kar-Shing, Peter	–	534,911	–	534,911	0.01
Mr. Ho Hau-Hay, Hamilton	–	–	878,353 ⁽²⁾	878,353	0.01
Mr. Liang Cheung-Biu, Thomas	10,429	–	–	10,429	0.00
Ms. Ki Man-Fung, Leonie	90,000	–	–	90,000	0.00
New World Department Store China Limited					
(Ordinary shares of HK\$0.10 each)					
Ms. Ki Man-Fung, Leonie	20,000	–	–	20,000	0.00
Ms. Cheng Chi-Man, Sonia	92,000	–	–	92,000	0.01
NWS Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	18,349,571	–	12,000,000 ⁽³⁾	30,349,571	0.79
Mr. Doo Wai-Hoi, William	–	–	8,554,285 ⁽⁴⁾	8,554,285	0.22
Mr. Cheng Kar-Shing, Peter	312,121	–	6,302,165 ⁽⁵⁾	6,614,286	0.17
Ms. Ki Man-Fung, Leonie	15,000	–	–	15,000	0.00
Sun Legend Investments Limited					
(Ordinary shares)					
Mr. Cheng Kar-Shing, Peter	–	–	500 ⁽⁶⁾	500	50.00

Notes:

- (1) These shares are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.
- (2) These shares are beneficially owned by a company in which Mr. Ho Hau-Hay, Hamilton owns 40.0% of its issued share capital.
- (3) These shares are beneficially owned by a company which is wholly owned by Dr. Cheng Kar-Shun, Henry.
- (4) These shares are beneficially owned by a company which is wholly owned by Mr. Doo Wai-Hoi, William.
- (5) These shares are beneficially owned by a company which is wholly owned by Mr. Cheng Kar-Shing, Peter.
- (6) These shares are beneficially owned by a controlled corporation of Mr. Cheng Kar-Shing, Peter.

Directors' Interests in Securities *(continued)***(B) Long position in underlying shares — share options**

During the six months ended 31 December 2016, certain Directors of the Company have interests in share options to subscribe for shares in the Company and certain of its subsidiaries. Details of such interests and movement of share options granted by the Company and its subsidiaries under their respective share option schemes are shown below:

(1) Long position in underlying shares of the Company — share options

Share options granted to Directors of the Company

Name	Date of grant	Exercisable period (Note)	Number of share options					Balance as at 31 December 2016	Exercise price per share HK\$
			Balance as at 1 July 2016	Granted during the period	Adjusted during the period	Exercised during the period	Lapsed during the period		
Dr. Cheng Kar-Shun, Henry	10 June 2016	(1)	10,675,637	-	-	-	-	10,675,637	7.540
Mr. Doo Wai-Hoi, William	22 January 2014	(2)	532,982	-	-	-	-	532,982	9.756
Dr. Cheng Chi-Kong, Adrian	9 March 2016	(3)	4,500,000	-	-	-	-	4,500,000	7.200
	10 June 2016	(1)	3,736,471	-	-	-	-	3,736,471	7.540
Mr. Chen Guanzhan	10 June 2016	(1)	3,736,471	-	-	-	-	3,736,471	7.540
Mr. Yeung Ping-Leung, Howard	10 June 2016	(1)	533,779	-	-	-	-	533,779	7.540
Mr. Cha Mou-Sing, Payson	10 June 2016	(1)	533,779	-	-	-	-	533,779	7.540
Mr. Cheng Kar-Shing, Peter	10 June 2016	(1)	533,779	-	-	-	-	533,779	7.540
Mr. Ho Hau-Hay, Hamilton	10 June 2016	(1)	533,779	-	-	-	-	533,779	7.540
Mr. Lee Luen-Wai, John	10 June 2016	(1)	533,779	-	-	-	-	533,779	7.540
Mr. Liang Cheung-Biu, Thomas	10 June 2016	(1)	533,779	-	-	-	-	533,779	7.540
Ms. Ki Man-Fung, Leonie	10 June 2016	(1)	3,202,688	-	-	(800,672) ⁽⁴⁾	-	2,402,016	7.540
Mr. Cheng Chi-Heng	10 June 2016	(1)	533,779	-	-	-	-	533,779	7.540
Ms. Cheng Chi-Man, Sonia	10 June 2016	(1)	3,202,688	-	-	-	-	3,202,688	7.540
Mr. Au Tak-Cheong	22 January 2014	(2)	532,982	-	-	-	-	532,982	9.756
	10 June 2016	(1)	1,346,693	-	-	-	-	1,346,693	7.540
			35,203,065	-	-	(800,672)	-	34,402,393	

Notes:

- (1) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.
- (2) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.
- (3) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.
- (4) The exercise date was 21 July 2016. On the trading date immediately before the exercise date, the closing price per share was HK\$8.72.
- (5) The cash consideration paid by each Director for each grant of share options is HK\$10.0.

Directors' Interests in Securities *(continued)***(B) Long position in underlying shares — share options** *(continued)***(1) Long position in underlying shares of the Company — share options** *(continued)**Share options granted to other eligible participants*

Date of grant	Exercisable period (Note)	Number of share options					Balance as at 31 December 2016	Exercise price per share HK\$
		Balance as at 1 July 2016	Granted during the period	Exercised during the period	Adjusted during the period	Lapsed during the period		
16 November 2012	(1)	6,324,673	–	–	–	(6,324,673)	–	11.238
22 January 2014	(2)	25,622,991	–	(110,000) ⁽⁷⁾	–	(1,808,738)	23,704,253	9.756
27 October 2014	(3)	31,606,074	–	(250,255) ⁽⁸⁾	–	(802,054)	30,553,765	9.485
7 July 2015	(4)	18,718,972	–	(200,406) ⁽⁹⁾	–	(800,812)	17,717,754	9.966
9 March 2016	(5)	14,525,000	–	(1,015,000) ⁽¹⁰⁾	–	(1,250,000)	12,260,000	7.200
10 June 2016	(6)	37,546,780	–	(3,769,529) ⁽¹¹⁾	–	–	33,777,251	7.540
		134,344,490	–	(5,345,190)	–	(10,986,277)	118,013,023	

Notes:

- (1) Divided into 4 tranches exercisable from 16 November 2012, 16 November 2013, 16 November 2014 and 16 November 2015 respectively to 15 November 2016.
- (2) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.
- (3) Divided into 4 tranches exercisable from 27 October 2014, 27 October 2015, 27 October 2016 and 27 October 2017 respectively to 26 October 2018.
- (4) Divided into 4 tranches exercisable from 7 July 2015, 7 July 2016, 7 July 2017 and 7 July 2018 respectively to 6 July 2019.
- (5) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.
- (6) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.
- (7) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$10.267.
- (8) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$10.108.
- (9) The exercise date was 22 September 2016. On the trading date immediately before the exercise date, the closing price per share was HK\$10.300.
- (10) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$9.151.
- (11) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$9.450.
- (12) The cash consideration paid by each participant for each grant of share options is HK\$10.0.

Directors' Interests in Securities *(continued)***(B) Long position in underlying shares — share options** *(continued)***(2) Long position in underlying shares of NWS Holdings Limited (“NWSH”) — share options***Share options granted to Directors of the Company*

Name	Date of grant	Exercisable period (Note)	Number of share options			Balance as at 31 December 2016	Exercise price per share ⁽²⁾ HK\$
			Balance as at 1 July 2016	Adjusted during the period ⁽²⁾	Exercised during the period		
Dr. Cheng Kar-Shun, Henry	9 March 2015	(1)	7,412,058	5,633	–	7,417,691	14.126

Notes:

- (1) 60.0% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40.0% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.
- (2) NWSH declared final dividend for the year ended 30 June 2016 in scrip form (with cash option) during the period. Accordingly, adjustments were made to the number and exercise price of outstanding share options. The exercise price per share of the share options was adjusted from HK\$14.137 to HK\$14.126 on 29 December 2016.
- (3) The cash consideration paid by the above Director for the grant of share options is HK\$10.0.

Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options				Balance as at 31 December 2016	Exercise price per share ⁽²⁾ HK\$
		Balance as at 1 July 2016	Adjusted during the period ⁽²⁾	Exercised during the period	Lapsed during the period		
9 March 2015	(1)	47,863,765	35,895	–	(586,952)	47,312,708	14.126

Notes:

- (1) 60.0% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40.0% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.
- (2) NWSH declared final dividend for the year ended 30 June 2016 in scrip form (with cash option) during the period. Accordingly, adjustments were made to the number and exercise price of outstanding share options. The exercise price per share of the share options was adjusted from HK\$14.137 to HK\$14.126 on 29 December 2016.
- (3) The cash consideration paid by each eligible participant for the grant of share options is HK\$10.0.

Directors' Interests in Securities *(continued)***(C) Long position in debentures****(1) Fita International Limited ("Fita")**

Name	Amount of debentures in US\$ issued by Fita				Approximate % to the total amount of debentures in issue as at 31 December 2016
	Personal interests	Family interests	Corporate interests	Total	
	US\$	US\$	US\$	US\$	
Mr. Doo Wai-Hoi, William	–	2,900,000	12,890,000 ⁽¹⁾	15,790,000	2.11
Mr. Lee Luen-Wai, John	1,000,000	1,000,000	–	2,000,000	0.27
	1,000,000	3,900,000	12,890,000	17,790,000	

Note:

(1) These debentures are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.

(2) NWCL

Name	Amount of debentures issued by NWCL				Approximate % to the total amount of debentures in issue as at 31 December 2016
	Personal interests	Family interests	Corporate interests	Total	
	RMB	RMB	RMB	RMB	
Mr. Doo Wai-Hoi, William	–	65,896,000 ⁽¹⁾	1,142,041,200 ⁽²⁾	1,207,937,200	12.89
Mr. Cheng Kar-Shing, Peter	–	12,256,000 ⁽³⁾	16,000,000 ⁽⁴⁾	28,256,000	0.30
	–	78,152,000	1,158,041,200	1,236,193,200	

Notes:

(1) These debentures are held by the spouse of Mr. Doo Wai-Hoi, William, of which RMB42,896,000 debentures were issued in US\$ and had been translated into RMB using the rate of US\$1.0=RMB6.128.

(2) These debentures are held by companies which are wholly owned by Mr. Doo Wai-Hoi, William, of which RMB584,611,200 debentures were issued in US\$ and had been translated into RMB using the rate of US\$1.0=RMB6.128 and RMB118,800,000 debentures were issued in HK\$ and had been translated into RMB using the rate of HK\$1.0=RMB0.8.

(3) These debentures are jointly-held by Mr. Cheng Kar-Shing, Peter and his spouse, all of which were issued in US\$ and had been translated into RMB using the rate of US\$1.0=RMB6.128.

(4) These debentures are beneficially owned by a company which is wholly owned by Mr. Cheng Kar-Shing, Peter.

Directors' Interests in Securities *(continued)***(C) Long position in debentures** *(continued)***(3) NWD Finance (BVI) Limited ("NWD Finance")**

Name	Amount of debentures in US\$ issued by NWD Finance				Approximate % to the total amount of debentures in issue as at 31 December 2016
	Personal interests	Family interests	Corporate interests	Total	
	US\$	US\$	US\$	US\$	
Mr. Doo Wai-Hoi, William	–	–	21,550,000 ⁽¹⁾	21,550,000	1.80
Ms. Ki Man-Fung, Leonie	1,000,000	–	–	1,000,000	0.08
	1,000,000	–	21,550,000	22,550,000	

Note:

(1) These debentures are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.

(4) NWD (MTN) Limited ("NWD (MTN)")

Name	Amount of debentures issued by NWD (MTN)				Approximate % to the total amount of debentures in issue as at 31 December 2016
	Personal interests	Family interests	Corporate interests	Total	
	HK\$	HK\$	HK\$	HK\$	
Mr. Doo Wai-Hoi, William	–	23,400,000 ⁽¹⁾	156,000,000 ⁽²⁾	179,400,000	0.90
Ms. Ki Man-Fung, Leonie	11,800,000 ⁽³⁾	–	–	11,800,000	0.06
	11,800,000	23,400,000	156,000,000	191,200,000	

Notes:

(1) These debentures were issued in US\$ and had been translated into HK\$ using the rate of US\$1.0=HK\$7.8.

(2) These debentures are beneficially owned by a company which is wholly owned by Mr. Doo Wai-Hoi, William and were issued in US\$ and had been translated into HK\$ using the rate of US\$1.0=HK\$7.8.

(3) This amount includes HK\$7,800,000 debentures which were issued in US\$ and had been translated into HK\$ using the rate of US\$1.0=HK\$7.8.

Directors' Interests in Securities *(continued)***(C) Long position in debentures** *(continued)***(5) Rosy Unicorn Limited ("Rosy Unicorn")**

Name	Amount of debentures in US\$ issued by Rosy Unicorn				Approximate % to the total amount of debentures in issue as at 31 December 2016
	Personal interests	Family interests	Corporate interests	Total	
	US\$	US\$	US\$	US\$	
Mr. Doo Wai-Hoi, William	–	51,500,000	28,330,000 ⁽¹⁾	79,830,000	15.97

Note:

(1) These debentures are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive had or deemed to have any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Securities

As at 31 December 2016, the interests or short positions of substantial shareholders (as defined in the Listing Rules) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in shares

Name	Number of shares held			Approximate % of shareholding
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") ⁽¹⁾	–	4,282,209,354	4,282,209,354	44.22
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II") ⁽²⁾	–	4,282,209,354	4,282,209,354	44.22
Chow Tai Fook Capital Limited ("CTFC") ⁽³⁾	–	4,282,209,354	4,282,209,354	44.22
Chow Tai Fook (Holding) Limited ("CTFHL") ⁽⁴⁾	–	4,282,209,354	4,282,209,354	44.22
Chow Tai Fook Enterprises Limited ("CTFE") ⁽⁵⁾	3,893,094,377	389,114,977	4,282,209,354	44.22

Notes:

- (1) CYTFH holds 48.98% direct interest in CTFC and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.
- (2) CYTFH-II holds 46.65% direct interest in CTFC and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.
- (3) CTFC holds 78.58% direct interest in CTFHL and is accordingly deemed to have an interest in the shares deemed to be interested by CTFHL.
- (4) CTFHL holds 100% direct interest in CTFE and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTFE.
- (5) CTFE together with its subsidiaries.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under section 336 of the SFO as at 31 December 2016.

Corporate Information

Board of Directors

Executive Directors

Dr. Cheng Kar-Shun, Henry GBS (*Chairman*)

Dr. Cheng Chi-Kong, Adrian JP

(*Executive Vice-chairman and Joint General Manager*)

Mr. Chen Guanzhan (*Joint General Manager*)

Ms. Ki Man-Fung, Leonie GBS JP

Mr. Cheng Chi-Heng

Ms. Cheng Chi-Man, Sonia

Mr. Au Tak-Cheong

Non-executive Directors

Mr. Doo Wai-Hoi, William JP (*Non-executive Vice-chairman*)

Mr. Cheng Kar-Shing, Peter

Independent Non-executive Directors

Mr. Yeung Ping-Leung, Howard

Mr. Cha Mou-Sing, Payson JP

Mr. Cha Mou-Zing, Victor

(Alternate Director to Mr. Cha Mou-Sing, Payson)

Mr. Ho Hau-Hay, Hamilton

Mr. Lee Luen-Wai, John BBS JP

Mr. Liang Cheung-Biu, Thomas

Company Secretary

Mr. Wong Man-Hoi

Auditor

PricewaterhouseCoopers

Solicitors

Woo, Kwan, Lee & Lo

Kao, Lee & Yip

Vincent T.K. Cheung, Yap & Co

Iu, Lai & Li

Eversheds

Share Registrar and Transfer Office

Tricor Tengis Limited

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183 Queen's Road East,

Hong Kong

Registered Office

30/F., New World Tower,

18 Queen's Road Central, Hong Kong

Tel: (852) 2523 1056

Fax: (852) 2810 4673

Principal Bankers

Agricultural Bank of China

Bank of China (Hong Kong)

Bank of Communications

Bank of East Asia

China Construction Bank (Asia)

China Development Bank

China Merchants Bank

Citibank N.A.

DBS Bank

Hang Seng Bank

Industrial and Commercial Bank of China (Asia)

Mizuho Bank

Nanyang Commercial Bank

Sumitomo Mitsui Banking Corporation

Standard Chartered Bank

The Hongkong and Shanghai Banking Corporation

The Bank of Tokyo-Mitsubishi UFJ

Stock Code

Hong Kong Stock Exchange 0017

Reuters 0017.HK

Bloomberg 17 HK

Information for Investors

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Chinese Version

The Chinese version of this Interim Report is available on request from New World Development Company Limited. Where the English and the Chinese texts conflict, the English text prevails.

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New World Development Company Limited

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New World Development Company Limited takes every practicable measure to conserve resources and minimise waste.