

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



CHEUNG KONG PROPERTY HOLDINGS LIMITED 長江實業地產有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1113)

THE CHAIRMAN'S STATEMENT FOR 2016

HIGHLIGHTS

	2016	2015 ^{Note 2}	Change
	HK\$ Million	HK\$ Million	
Revenue ^{Note 1}	69,910	58,793	+19%
Profit before investment property revaluation	18,032	15,568	+16%
Investment property revaluation (net of tax)	1,383	1,545	-10%
Profit attributable to shareholders	19,415	17,113	+13%
Earnings per share	HK\$5.05	HK\$4.43	+14%
Final dividend per share	HK\$1.15	HK\$1.05	+9.5%
Full year dividend per share	HK\$1.53	HK\$1.40	+9.3%

Note 1: Revenue includes the Group's revenue of HK\$69,300 million and the Group's share of revenue of joint ventures of HK\$610 million.

Note 2: Results for 2015 cover (i) the results of the property businesses of the Cheung Kong Group* for the full year and (ii) the results of the property businesses of the Hutchison Group** after the Property Businesses Combination*** for the period from 3 June 2015 to 31 December 2015 (212 days).

PROFIT FOR THE YEAR

The Group's audited profit attributable to shareholders for the year ended 31 December 2016 amounted to HK\$19,415 million. Earnings per share were HK\$5.05.

DIVIDEND

The Directors recommend the payment of a final dividend of HK\$1.15 per share in respect of 2016 to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 17 May 2017. This together with the interim dividend of HK\$0.38 per share paid on 22 September 2016 gives a total of HK\$1.53 per share for the year. The proposed final dividend will be paid on Wednesday, 31 May 2017 following approval at the 2017 Annual General Meeting.

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

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

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

PROSPECTS

Strong Resilience to Market Challenges

Business Review

Several unexpected events occurred in 2016 that reshaped the global political and economic landscape. The repercussions of Brexit, rising U.S. interest rates and the depreciation of various currencies against the U.S. dollar have given rise to an uncertain and difficult economic environment.

Cheung Kong Property Holdings Limited (the “Group”) continues to follow a prudent and disciplined approach to development amid the challenges of a constantly changing marketplace. All of its property businesses recorded steady progress, with a solid overall performance achieved for the year. Meanwhile, the Group has pursued global investment opportunities in line with the criteria set out in the 2015 Annual Report, and consistent with its strategy to broaden its growth prospects through diversification and globalisation. Since late 2016, our footprint is poised to extend to the energy infrastructure and aircraft leasing areas to enhance our recurring revenue streams and mitigate the cyclical nature of cash flows associated with property development.

The Group’s overall results for the year were in line with expectations. For the year ended 31 December 2016, the Group’s audited profit attributable to shareholders was HK\$19,415 million, 13% higher than last year. Profit before investment property revaluation was HK\$18,032 million, an increase of 16% compared with 2015. An increase in fair value of investment properties of HK\$1,383 million after tax was recorded.

Property Businesses

All of the Group's property businesses are progressing steadily according to our schedules, with solid performances achieved in 2016:

Property Development

The property market in Hong Kong generally remained stable although buyers' sentiment was affected by the government measures to stabilise the market in late 2016, and the advent of the U.S. interest rate upcycle. On the Mainland, new measures were introduced in the fourth quarter last year to regulate and moderate growth in property sales, construction and investment. The Group's property sales in 2016 comprised mainly projects in Hong Kong and the Mainland. Contribution for the year was in line with our expectations. Looking to 2017, property projects in Hong Kong and the Mainland will remain our major focus for marketing and sales.

Property Investment

The local retail market continues to consolidate with retail turnover continuing to decrease, albeit at a slower rate in recent months. Despite the downward pressure on retail rentals amid the prevailing difficult market conditions, the Group's contribution from property rental increased when compared with last year, largely attributable to the expansion of the Group's investment property portfolio, and the steady rental contribution from its premium commercial properties. To further strengthen its recurring revenue base, the Group will continue to optimise and enhance its investment property portfolio through investments in high quality projects with stable rental returns.

Hotel and Serviced Suite Operation

Visitor arrivals to Hong Kong increased in December last year, ending the successive declines in the preceding five quarters. The number of Mainland visitors also appeared to have stabilised. However, the average achieved hotel room rate in 2016 was lower than 2015. Inevitably, the Group's hotel operation was affected by the prevailing market conditions while the serviced suite operation remained relatively resilient. Contribution increased moderately in 2016 as a whole. As part of the policies to enhance its quality streams of recurring revenue, the Group will continue to strengthen its hotel and serviced suite portfolio, and increase its competitiveness by enhancing operational efficiency and brand positioning to release the underlying portfolio value in a timely manner.

Property and Project Management

The Group continued to strengthen its property and project management business to support its development and investment properties. An increase in turnover and contribution was registered as compared with the previous year. The total floor area of properties under the Group's property management is expected to increase following the completion of various developments.

New Business Ventures

Driven by the strategic objective to generate stable, quality returns for shareholders through diversification and globalisation, the Group is poised to expand into new business sectors. Since late 2016, suitable investment opportunities have arisen:

On 14 March 2017, the necessary independent shareholders' approval was obtained by each of the Group, Cheung Kong Infrastructure Holdings Limited and Power Assets Holdings Limited for the formation of a consortium which is held as to 40%, 40% and 20% respectively by each of them to acquire 100% of the stapled securities in issue of the DUET Group which are listed on the Australian Securities Exchange at an offer price of AUD3.00 per share. However, completion of the acquisition is still subject to the approval of DUET Group's securityholders and other governmental approvals. The Group has adequate financial resources to satisfy the required financial commitment. The DUET Group is an owner and operator of energy utility assets in Australia, the United States, the United Kingdom and Europe, and represents an attractive investment opportunity with good growth potential.

In December 2016, the Group purchased from CK Hutchison Holdings Limited the equity interests in CK Capital Limited and Harrier Global Limited, companies engaged in the aircraft leasing business. The acquisition was completed on 15 December 2016 at the adjusted total consideration of approximately US\$988 million (equivalent to approximately HK\$7,690 million). We plan to expand the aircraft leasing business as part of our strategy to broaden our growth prospects through diversification and globalisation, and to generate steady cash flows and predictable returns on a medium to long term basis.

Outlook

2017 is expected to be a year of evolving global political and economic developments. Uncertainties may result following the change of the U.S. government in January this year and a series of government elections across Europe and Asia. The Brexit process and the U.S. interest rate increases will also be the focal points of the market. The global economy is likely to stay on a slow growth trajectory in the year to come.

China's GDP growth in 2016 was in line with expectations with the support of growth stabilising policies. The growth is especially impressive when viewed against the prevailing difficult global economic environment. Policies targeted at deflating asset bubbles and forestalling potential risks will continue to deepen supply-side structural reform and boost the real economy. China is expected to sustain a healthy and steady economic development over the longer term.

Hong Kong is under challenges from the complex and volatile external environment. The local property market is likely to remain stable given the relatively solid economic fundamentals, and the pent-up demand for properties. Government housing policies will continue to be a determining factor for the property market both in Hong Kong and on the Mainland.

The Group is well positioned to diversify globally by building on its strong financial strength, with ample liquidity and a low debt ratio. As guided by the principle "to advance while maintaining stability", we continue to pursue quality investments worldwide with stable recurring revenue, such as infrastructure investment, property investment, and aircraft leasing. It enables us to secure recurring revenue streams in the near term, achieve long-term sustainable business growth, and maximise value for all shareholders. 2017 will be characterised by significant political and economic challenges. The Group will continue to respond to evolving market trends with prudence and adaptability, and with creativity and innovation. We will pursue business and geographic expansion to generate the best returns for shareholders by leveraging on our sound fundamentals and strong financials, and by adhering to a cautious development principle. The Group is reasonably confident in meeting its profitability target for 2017 despite a complex and volatile global political and economic environment.

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

Li Ka-shing
Chairman

Hong Kong, 22 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major Business Activities

1. Developments Completed during 2016:

Name	Location	Gross Floor Area (sq.m.)	Group's Interest
The Beaumont II	Tseung Kwan O Town Lot No. 111	51,000	100%
Crescendo	Lot No. 2086 in D.D. 105 Yuen Long	9,392	100%
La Lumière	Hung Hom Inland Lot No. 556	9,740	100%
Yuccie Square	Yuen Long Town Lot No. 518	61,700	100%
VIVA	The Remaining Portions of Subsections 6, 7, 8, 9 and 10 of Section A of Kowloon Marine Lot No. 53 and The Remaining Portion of Section A of Subsection 8 of Section A of Kowloon Marine Lot No. 53	3,574	100%
The Zumurud	Kowloon Inland Lot No. 11125	36,630	80%
Yuhu Mingdi Phase 2(1)	Huangpu District, Guangzhou	55,967	80%
Regency Park Phases 4A and 4B	Jingyue National High-tech Industrial Development Zone, Changchun	159,075	100%
Regency Hills Land No. 8B	Yangjiashan, Chongqing	11,205	95%

Name	Location	Gross Floor Area (sq.m.)	Group's Interest
Regency Lakeview Land Nos. G18-A and G18-B	Liangjiang New Area, Chongqing	201,363	100%
Emerald Cove Phases 1B, 2A and 2B	Chancheng District, Foshan	166,727	100%
Emerald City Phases 1A, 1B and 2C	Jianye District, Nanjing	115,614	100%
The Harbourfront Land No. 5	Shibei District, Qingdao	253,446	90%
Royal Waterfront Phase 2	Qing Pu District, Shanghai	47,571	100%
Riviera Palace Phase 2A	Qing Pu District, Shanghai	76,188	100%
Century Link Retail and Office Tower 2	Pudong New District, Shanghai	217,921	50%
Millennium Waterfront Phases 2A and 2B	Jiangnan District, Wuhan	301,949	100%
The Metropolitan Wuhan Phase 1	Jiangnan District, Wuhan	205,354	100%
The Greenwich Phase 4B	Xian Hi-Tech Industries Development Zone, Xian	133,231	100%

2. Developments in Progress and Scheduled for Completion in 2017:

Name	Location	Gross Floor Area (sq.m.)	Group's Interest
Repulse Bay Road Project	The Remaining Portion of Rural Building Lot No. 177	6,613	100%
Seanorama	Sha Tin Town Lot No. 574	52,227	100%
La Grande Ville Phases 3 and 4	Shun Yi District, Beijing	254,303	100%
Yuhu Mingdi Phases 2(1) and 3	Huangpu District, Guangzhou	80,137	80%
Upper West Shanghai Phase 2 Tenders 1 and 2 and Phase 4 Tender 1	Putuo District, Shanghai	229,604	60%
Hupan Mingdi Land Nos. 905 and 911 South	Jiading District, Shanghai	134,828	100%
Noble Hills Phases 4A and 5B	Wangcheng District, Changsha	71,104	100%
Le Parc Phase 6C	Chengdu High-Tech Zone, Chengdu	56,854	100%
Regency Hills Land Nos. 11A and 13A	Yangjiashan, Chongqing	89,159	95%
The South Bay Phase 5B	Jinzhou New Area, Dalian	57,445	100%
Laguna Verona Phases D2a, G1b/G2a Zone 1 & 2 and H	Hwang Gang Lake, Dongguan	271,934	99.82%
Cape Coral Phase 4B	Panyu District, Guangzhou	96,768	100%
Noble Hills Phase 2	Zengcheng, Guangzhou	96,012	100%
Emerald City Phases 1B and 1C	Jianye District, Nanjing	30,727	100%
The Harbourfront Land No. 7	Shibei District, Qingdao	80,219	90%

Name	Location	Gross Floor Area (sq.m.)	Group's Interest
City Link Phase 1	Jing An District, Shanghai	67,518	60%
The Greenwich Phase 4B	Xian Hi-Tech Industries Development Zone, Xian	52,828	100%
Chelsea Waterfront Claydon House, Chartwell House and Compton House	Chelsea/Fulham, London	15,135	95%

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

- (1) March and May 2016: The Company bought back 11,525,000 and 2,010,000 shares of HK\$1.00 each in the capital of the Company (“Shares”) on 18 March 2016 and 21 March 2016 respectively on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The total number of 13,535,000 Shares were cancelled on 18 April 2016. The Company also bought back 645,500 Shares on 23 May 2016 on the Stock Exchange. Such 645,500 Shares were cancelled on 22 June 2016.
- (2) July 2016: A wholly owned subsidiary of the Company has established a US\$3,000,000,000 Euro Medium Term Note Programme (the “Programme”) which is guaranteed by the Company for the purpose of issuing notes (the “Notes”) that may be denominated in any currency as agreed with the dealer(s) from time to time. The maximum aggregate nominal amount of all Notes outstanding under the Programme from time to time will not exceed US\$3,000,000,000. The Programme provides that the Notes may be listed on the Stock Exchange or such other stock exchanges as may be agreed with the relevant dealer(s).
- (3) September 2016: A wholly owned subsidiary of the Group was awarded a Government tender for a site, Sha Tin Town Lot No. 614, at Lai Ping Road, Kau To, Sha Tin, New Territories. With an area of approximately 67,800 sq.ft. (approximately 6,299 sq.m.), the site is designated for a residential development estimated to have a developable gross floor area of approximately 244,080 sq.ft. (approximately 22,676 sq.m.).
- (4) October 2016: Two indirect wholly owned subsidiaries of the Group and a direct wholly owned subsidiary of Li Ka Shing (Overseas) Foundation (“LKSOFF”) (“LKSOFF Sub”) (as the Sellers), the Company (as seller guarantor for the two indirect wholly owned subsidiaries of the Group), LKSOFF (as seller guarantor for LKSOFF Sub) and Mapleleaf Century Limited (as the Purchaser) entered into a sale and purchase agreement (“SPA”) in relation to, inter alia, the sale of the entire issued share capital of Mapleleaf Developments Limited (“MDL”) (the “Disposal”) which indirectly owns a property development known as Century Link located in Shanghai, the Mainland (the “Property”) at a consideration determined by taking the agreed value of the Property at RMB20 billion (approximately HK\$23 billion) and deducting the Onshore Vendor Financing Principal Amount (as defined in the SPA) (subject to adjustments). The two indirect wholly owned subsidiaries of the Group and LKSOFF Sub own 25%, 25% and 50% of the issued share capital of MDL respectively. Completion of the Disposal is expected to take place in or about 2017/2018.
- (5) December 2016: A wholly owned subsidiary of the Group and CK Capital Investment Limited (“CKCI”), a wholly owned subsidiary of CK Hutchison Holdings Limited, entered into a sale and purchase agreement, pursuant by which CKCI agreed to sell and the Group’s wholly owned subsidiary agreed to purchase all the issued shares in CK Capital Limited owned by CKCI and the entire issued share capital of Harrier Global Limited owned by CKCI, both engaged in the aircraft leasing businesses, for an adjusted total consideration of approximately US\$988 million (equivalent to approximately HK\$7,690 million). The acquisition was completed on 15 December 2016.

- (6) December 2016 and January 2017: The Company bought back 2,115,000, 10,183,500 and 9,200,000 Shares on 5 December 2016, 7 December 2016 and 8 December 2016 respectively on the Stock Exchange. The total number of 21,498,500 Shares were cancelled on 16 December 2016. The Company also bought back 4,244,000, 3,619,000, 3,717,500, 5,247,500 and 6,977,000 Shares on 16 January 2017, 17 January 2017, 18 January 2017, 19 January 2017 and 20 January 2017 respectively on the Stock Exchange. The total number of 23,805,000 Shares were cancelled on 27 January 2017.
- (7) January 2017: The Company, Cheung Kong Infrastructure Holdings Limited (“CKI”) and Power Assets Holdings Limited (“PAH”) (together, the “Consortium Members”) entered into a consortium formation agreement for the acquisition of all of the stapled securities in issue of the DUET Group by way of schemes of arrangement and a trust scheme as described in the Company’s announcement of 16 January 2017 (the “Acquisition”) (“Joint Venture Transaction”). The DUET Group, securities of which are listed on the Australian Securities Exchange, is an owner and operator of energy utility assets in Australia, the United States, the United Kingdom and Europe. The necessary independent shareholders’ approvals in respect of the Joint Venture Transaction between the Company, CKI and PAH as to 40%, 40% and 20% respectively were obtained on 14 March 2017. However, completion of the Acquisition is still subject to the approval of DUET Group’s securityholders and other governmental approvals.

Property Sales

Revenue of property sales (including share of joint ventures) recognised for the year was HK\$56,804 million (2015 – HK\$49,059 million), comprising mainly (i) sale of residential units of property projects in Hong Kong – Stars by the Harbour, La Lumière, The Beaumont II and Yuccie Square; (ii) sale of residential units of property projects on the Mainland – Hupan Mingdi and Riviera Palace in Shanghai, Millennium Waterfront and The Metropolitan in Wuhan, Emerald City in Nanjing, Laguna Verona in Dongguan and The Harbourfront in Qingdao; and (iii) sale of commercial properties in Hong Kong including the property project at Heung Yip Road completed last year, and is summarised by locations as follows:

Location	2016 HK\$ Million	2015 HK\$ Million
Hong Kong	20,882	15,924
The Mainland	35,914	29,405
Singapore	-	3,724
Others	8	6
	56,804	49,059

Contribution from property sales (including share of joint ventures) for the year was HK\$17,667 million (2015 – HK\$15,522 million) and was derived from the following locations:

Location	2016 HK\$ Million	2015 HK\$ Million
Hong Kong	7,108	4,769
The Mainland	10,635	10,093
Singapore	(53)	688
Others	(23)	(28)
	17,667	15,522

Property sales contribution for 2017 will mainly be derived from the sale of residential units of Stars by the Harbour, The Zumurud and Seanorama in Hong Kong, La Grande Ville in Beijing, Upper West Shanghai and Hupan Mingdi in Shanghai, Cape Coral in Guangzhou, Laguna Verona in Dongguan, Chelsea Waterfront in the United Kingdom, and a few others scheduled for completion.

In Hong Kong, the presale of residential units of Seanorama has been launched recently whereas the presales of residential units of Harbour Glory and Ocean Pride (scheduled for completion in 2018) will be launched later this year. On the Mainland, the sales and presales of various property projects in the major cities are progressing well, while the presales of Chelsea Waterfront in the United Kingdom (rescheduled for completion in 2017) and Stars of Kovan in Singapore (scheduled for completion in 2019) are underway.

The Group has also entered into a sale and purchase agreement for the disposal of its 50% interest in a joint venture which completed the development of Century Link, a commercial property in Shanghai, and profit will be recognised upon fulfilment of the terms and conditions of the agreement.

At the year end date, the Group had a development land bank (excluding agricultural land and completed properties but including developers' interests in joint development projects) of approximately 135 million sq.ft. (12.6 million sq.m.), of which 6 million sq.ft. (0.6 million sq.m.), 125 million sq.ft. (11.6 million sq.m.) and 4 million sq.ft. (0.4 million sq.m.) were in Hong Kong, the Mainland and overseas respectively; and property sales contracted (including share of joint ventures) but not yet recognised were as follows:

Location	Contracted Sales Amount HK\$ Million
Hong Kong	8,805
The Mainland	38,035
Singapore	972
The United Kingdom	928
	48,740

Property Rental

Revenue of property rental (including share of joint ventures) for the year was HK\$7,430 million (2015 – HK\$5,138 million) and included a full year's revenue derived from leasing of the properties previously held by CK Hutchison Holdings Limited and its subsidiaries ("Cheung Kong Group") and also from those previously held by Hutchison Whampoa Limited and its subsidiaries ("Hutchison Group"), whereas revenue for 2015 included a full year's revenue derived from leasing of the properties previously held by the Cheung Kong Group and revenue for a 212-day period only from those previously held by the Hutchison Group (please refer to Property Businesses Combination as described in the Company's 2015 annual report).

	2016	2015
Properties previously held by	HK\$ Million	HK\$ Million
Cheung Kong Group	2,441	2,339
Hutchison Group	4,989	2,799
	7,430	5,138

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

Contribution from property rental (including share of joint ventures) for the year was HK\$6,784 million (2015 – HK\$4,513 million) and was derived from the following locations:

Location	2016	2015
	HK\$ Million	HK\$ Million
Hong Kong	6,290	4,195
The Mainland	398	272
The United Kingdom	30	11
Others	66	35
	6,784	4,513

At the year end date, the Group held an investment property portfolio of approximately 17 million sq.ft. as follows:

Location	Office	Retail	Industrial	Total
	Million sq.ft.	Million sq.ft.	Million sq.ft.	Million sq.ft.
Hong Kong	4	3	7	14
The Mainland	1	1	-	2
Others	-	1	-	1
	5	5	7	17

and recorded an increase in fair value of HK\$1,262 million (2015 – HK\$1,408 million) of investment properties based on a professional valuation using capitalisation rates ranging from approximately 4% to 8%. The Group also shared an increase in fair value of HK\$3 million (2015 – HK\$16 million) of investment properties held by joint ventures.

Hotel and Serviced Suite Operation

Revenue of hotel and serviced suite operation (including share of joint ventures) for the year was HK\$4,850 million (2015 – HK\$4,005 million) and included a full year’s revenue derived from operation of the hotels and serviced suites previously owned by the Cheung Kong Group and also from those previously owned by the Hutchison Group, whereas revenue for 2015 included a full year’s revenue derived from operation of the hotels and serviced suites previously owned by the Cheung Kong Group and revenue for a 212-day period only from those previously owned by the Hutchison Group.

	2016	2015
Hotels and serviced suites previously owned by	HK\$ Million	HK\$ Million
Cheung Kong Group	2,577	2,589
Hutchison Group	2,273	1,416
	4,850	4,005

The Group’s hotel and serviced suite portfolio comprises 15 hotels and serviced suites in Hong Kong, 4 hotels on the Mainland, 1 hotel in The Bahamas and a total of over 16,000 rooms. During the year, the average room rates achieved by the Group’s hotel and serviced suite operation in Hong Kong, on the Mainland and in The Bahamas were HK\$795, HK\$599 and HK\$751 respectively and the average occupancy rates were 88.6%, 63.4% and 49.8% respectively.

Contribution from hotel and serviced suite operation (including share of joint ventures) for the year after depreciation charge of HK\$423 million on land and buildings was HK\$1,509 million (2015 – HK\$1,279 million) and was derived from the following locations:

	2016	2015
Location	HK\$ Million	HK\$ Million
Hong Kong	1,619	1,387
The Mainland	(24)	(27)
The Bahamas	(86)	(81)
	1,509	1,279

The average hotel operating profit of the Group’s hotel and serviced suite operation for the year was HK\$18 per square foot per month, representing an annual yield of 16.9% on the carrying amount of the Group’s completed hotel and serviced suite properties at the year end date.

Property and Project Management

Revenue of property and project management (including share of joint ventures) for the year was HK\$620 million (2015 – HK\$591 million) and included a full year’s revenue derived from management of the properties and projects previously managed by the Cheung Kong Group and also from those previously managed by the Hutchison Group, whereas revenue for 2015 included a full year’s revenue derived from management of the properties and projects previously managed by the Cheung Kong Group and revenue for a 212-day period only from those previously managed by the Hutchison Group.

	2016	2015
Properties and projects previously managed by	HK\$ Million	HK\$ Million
Cheung Kong Group	390	468
Hutchison Group	230	123
	620	591

Contribution from property and project management (including share of joint ventures) for the year was HK\$267 million (2015 – HK\$257 million) and was derived from the following locations:

	2016	2015
Location	HK\$ Million	HK\$ Million
Hong Kong	209	185
The Mainland	35	30
Others	23	42
	267	257

At the year end date, the total floor area of properties managed by the Group was approximately 252 million sq.ft. and this is expected to grow steadily following gradual completion of the Group’s property development projects in the years ahead. The Group is committed to providing high quality services to the properties under its management.

Aircraft Leasing

During the second half year, the Group invested in aircraft leasing business to broaden its future income growth prospects and acquired or committed to acquire a total of 108 aircraft for an aggregate consideration of approximately HK\$35 billion. The aircraft leasing business provides a steady income on a medium to long term basis and mitigates the cyclical nature of cash flows associated with property development.

Revenue of aircraft leasing (including share of joint ventures) derived during the year was HK\$206 million and contribution after aircraft depreciation charge of HK\$99 million amounted to HK\$84 million, which was derived from the following locations (with reference to lessee's place of operation):

Location	2016 HK\$ Million	2015 HK\$ Million
Asia	15	-
Europe	6	-
North America	43	-
Latin America	20	-
	84	-

At the year end date, the Group (including interest in joint ventures) owned a total of 67 narrow body and 6 wide body aircraft with an average age of 4.5 years and an average remaining lease term of 6.4 years.

Interests in Real Estate Investment Trusts

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

	Principal Activities	Effective Interest
Hui Xian REIT	Investment in hotels and serviced suites, office and retail properties on the Mainland	32.4%
Fortune REIT	Investment in retail properties in Hong Kong	27.7%
Prosperity REIT	Investment in office, retail and industrial properties in Hong Kong	18.9%

Profit contribution for the year was HK\$347 million (2015 – HK\$500 million), including distribution from Fortune REIT and Prosperity REIT recognised as income and a share of the profit of Hui Xian REIT, an associate, which reported a decrease in current year profit due to exchange loss, whereas cash flows generated by investments in these REITs amounted to HK\$871 million during the year.

FINANCIAL REVIEW

Liquidity and Financing

The Group monitors its liquidity requirements on a short to medium term basis and arranges bank and other borrowings accordingly. During the year, the Group issued notes amounting to HK\$4.6 billion with 5-year and 10-year terms under the Euro Medium Term Note programme.

At the year end date, the Group's bank and other borrowings amounted to HK\$70.2 billion, an increase of HK\$9.2 billion from last year. The maturity profile was spread over a period of 10 years, with HK\$4.4 billion repayable within 1 year, HK\$56.9 billion within 2 to 5 years and HK\$8.9 billion beyond 5 years.

The Group's net debt to net total capital ratio at the year end date was approximately 2.7%. Net debt is arrived at by deducting bank balances and deposits of HK\$62.6 billion from bank and other borrowings and net total capital is the aggregate of total equity and net debt.

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

Treasury Policies

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

At the year end date, approximately 87.8% of the Group's borrowings were in HK\$ and US\$, with the balance in RMB mainly for the purpose of financing property projects on the Mainland. The Group derives its revenue from property development mainly in HK\$ and RMB and maintains cash balances substantially in HK\$ and RMB. Income in foreign currencies, including US\$, GBP and SGD, is derived from the Group's overseas property projects and aircraft leasing business, and cash in these currencies is maintained for operational requirements.

Charges on Assets

At the year end date, (i) properties amounting to HK\$15,089 million (2015 – HK\$21,450 million) were charged to secure bank loans arranged for property projects on the Mainland; and (ii) aircraft amounting to HK\$12,733 million were charged to secure bank loans arranged for aircraft acquisitions.

Contingent Liabilities

At the year end date, the Group provided guarantees to (i) land owner of a hotel project for its share of revenue amounting to HK\$564 million (2015 – HK\$576 million); (ii) banks for mortgage loans provided to purchasers of properties developed and sold by the Group on the Mainland amounting to HK\$5,385 million (2015 – HK\$1,678 million); and (iii) banks for loans lent to a joint venture amounting to HK\$1,164 million.

Employees

At the year end date, the Group employed approximately 21,300 employees for its principal businesses and remuneration for the year (excluding directors' emoluments) amounted to approximately HK\$6,078 million. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group does not have any share option scheme for employees.

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

During the year ended 31 December 2016, the Company bought back a total of 35,679,000 Shares on the Stock Exchange, with the aggregate consideration paid (before expenses) amounting to HK\$1,766,127,850. All the Shares bought back were subsequently cancelled during the year. As at 31 December 2016, the total number of Shares in issue was 3,823,999,500.

Particulars of the share buy-backs during the year are as follows:

Month	Number of Shares bought back	Purchase price per Share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
March 2016	13,535,000	48.50	45.85	632,425,925
May 2016	645,500	45.30	45.15	29,200,800
December 2016	21,498,500	52.00	50.25	1,104,501,125
	<u>35,679,000</u>			<u>1,766,127,850</u>

Save as disclosed above, during the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Subsequent to 31 December 2016, the Company bought back a total of 23,805,000 Shares on the Stock Exchange, with the aggregate consideration paid (before expenses) amounting HK\$1,218,199,525. All the Shares bought back were subsequently cancelled. As at the date of this document, the total number of Shares in issue is 3,800,194,500.

Particulars of the share buy-back subsequent to 31 December 2016 are as follows:

Month	Number of Shares bought back	Purchase price per Share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2017	<u>23,805,000</u>	52.40	49.15	<u>1,218,199,525</u>

CORPORATE GOVERNANCE CODE

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

Save as disclosed below, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the year ended 31 December 2016. In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company does not have a nomination committee. At present, the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman of the Board (“Chairman”) and the Managing Director. In respect of code provision A.6.7 of the CG Code, an Independent Non-executive Director was not in a position to attend the annual general meeting of the Company held on 13 May 2016 (“2016 AGM”) due to health reason. In respect of code provision E.1.2 of the CG Code, the Chairman was unable to attend the 2016 AGM due to sudden indisposition. The Managing Director and Deputy Chairman of the Company chaired the 2016 AGM on behalf of the Chairman pursuant to the Company’s Amended and Restated Articles of Association and was available to answer questions.

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

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee (“Audit Committee”) on 26 February 2015 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code.

The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Audit Committee), Mr. Chow Nin Mow, Albert and Ms. Hung Siu-lin, Katherine. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting system, risk management and internal control systems, review of the Group’s financial information, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

The Group’s annual results for the year ended 31 December 2016 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

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

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of the shareholders of the Company will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 11 May 2017 at 2:45 p.m. and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 8 May 2017 to Thursday, 11 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2017 Annual General Meeting, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Friday, 5 May 2017.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 17 May 2017, being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 17 May 2017.

The Directors of the Company as at the date of this document are Mr. LI Ka-shing (*Chairman*), Mr. LI Tzar Kuoi, Victor (*Managing Director and Deputy Chairman*), Mr. KAM Hing Lam (*Deputy Managing Director*), Mr. IP Tak Chuen, Edmond (*Deputy Managing Director*), Mr. CHUNG Sun Keung, Davy, Mr. CHIU Kwok Hung, Justin, Mr. CHOW Wai Kam, Ms. PAU Yee Wan, Ezra and Ms. WOO Chia Ching, Grace as Executive Directors; and Mr. CHEONG Ying Chew, Henry, Mr. CHOW Nin Mow, Albert, Ms. HUNG Siu-lin, Katherine, Mr. Simon MURRAY and Mr. YEH Yuan Chang, Anthony as Independent Non-executive Directors.

Consolidated Income Statement
For the year ended 31 December 2016

	2016 HK\$ Million	2015 HK\$ Million
Group revenue	69,300	57,280
Share of revenue of joint ventures	610	1,513
Total	69,910	58,793
Group revenue	69,300	57,280
Investment and other income	720	580
Operating costs		
Property and related costs	(38,301)	(32,587)
Salaries and related expenses	(3,990)	(2,475)
Interest and other finance costs	(645)	(549)
Depreciation	(779)	(508)
Service fees	-	(357)
Other expenses	(530)	(323)
	(44,245)	(36,799)
Share of profit of joint ventures	93	311
Share of profit of associates	44	67
Increase in fair value of investment properties	1,262	1,408
Profit on disposal of joint ventures	-	1,366
Profit before taxation	27,174	24,213
Taxation	(7,365)	(6,305)
Profit after taxation	19,809	17,908
Profit attributable to		
Shareholders	19,415	17,113
Non-controlling interests	394	795
	19,809	17,908
Earnings per share	HK\$5.05	HK\$4.43

	2016 HK\$ Million	2015 HK\$ Million
Dividends		
Interim dividend paid	1,461	1,351
Final dividend proposed	4,370	4,038
	5,831	5,389
Dividends per share		
Interim dividend	HK\$0.38	HK\$0.35
Final dividend	HK\$1.15	HK\$1.05

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

	2016	2015
	HK\$ Million	HK\$ Million
Profit after taxation	19,809	17,908
Other comprehensive income (loss) - reclassifiable to income statement		
Translation of financial statements of operations outside Hong Kong - exchange loss	(5,982)	(3,476)
Investments available for sale - gain (loss) in fair value	713	(80)
Derivative financial instruments for hedging - gain in fair value	104	-
Share of other comprehensive loss of joint ventures	(227)	(175)
Other comprehensive income (loss) - not reclassifiable to income statement		
Gain (loss) on remeasurement of defined benefit obligations	22	(46)
Other comprehensive loss	(5,370)	(3,777)
Total comprehensive income	14,439	14,131
Total comprehensive income attributable to		
Shareholders	14,374	13,643
Non-controlling interests	65	488
	14,439	14,131

**Consolidated Statement of Financial Position
As at 31 December 2016**

	2016 HK\$ Million	2015 HK\$ Million
Non-current assets		
Fixed assets	33,695	18,614
Investment properties	125,306	119,959
Joint ventures	7,907	4,393
Associates	7,333	7,743
Investments available for sale	6,233	5,451
Long term receivables and others	1,715	1,892
Deferred tax assets	1,843	2,256
	<u>184,032</u>	<u>160,308</u>
Current assets		
Stock of properties	137,548	153,301
Debtors, prepayments and others	12,655	12,335
Bank balances and deposits	62,601	45,861
	<u>212,804</u>	<u>211,497</u>
Current liabilities		
Bank and other loans	4,378	5,772
Creditors and accruals	17,396	14,785
Customers' deposits received	19,527	11,832
Provision for taxation	2,456	4,238
	<u>43,757</u>	<u>36,627</u>
Net current assets	<u>169,047</u>	<u>174,870</u>
Non-current liabilities		
Bank and other loans	65,798	55,217
Deferred tax liabilities	10,824	10,096
Pension obligations	183	178
	<u>76,805</u>	<u>65,491</u>
Net assets	<u>276,274</u>	<u>269,687</u>
Representing:		
Share capital	3,824	3,860
Share premium	249,179	250,951
Reserves	17,196	8,285
Shareholders' funds	<u>270,199</u>	<u>263,096</u>
Non-controlling interests	6,075	6,591
Total equity	<u>276,274</u>	<u>269,687</u>

Notes:

- (1) The principal activities of the Group are property development and investment, hotel and serviced suite operation, property and project management, and aircraft leasing.

Revenue for the year by principal activities is as follows:

	Group		Joint ventures		Total	
	2016 HK\$ Million	2015 HK\$ Million	2016 HK\$ Million	2015 HK\$ Million	2016 HK\$ Million	2015 HK\$ Million
Property sales	56,475	48,141	329	918	56,804	49,059
Property rental	7,316	4,935	114	203	7,430	5,138
Hotel and serviced suite operation	4,823	3,767	27	238	4,850	4,005
Property and project management	500	437	120	154	620	591
Aircraft leasing	186	-	20	-	206	-
	69,300	57,280	610	1,513	69,910	58,793

and is derived from the following locations:

	2016 HK\$ Million	2015 HK\$ Million
Hong Kong	32,305	24,566
The Mainland	37,065	30,271
Singapore	41	3,781
Others	499	175
	69,910	58,793

Profit contribution for the year by principal activities is as follows:

	Group		Joint ventures		Total	
	2016 HK\$ Million	2015 HK\$ Million	2016 HK\$ Million	2015 HK\$ Million	2016 HK\$ Million	2015 HK\$ Million
Property sales	17,490	15,469	177	53	17,667	15,522
Property rental	6,761	4,398	23	115	6,784	4,513
Hotel and serviced suite operation	1,521	1,206	(12)	73	1,509	1,279
Property and project management	223	176	44	81	267	257
Aircraft leasing	78	-	6	-	84	-
	26,073	21,249	238	322	26,311	21,571
Interests in real estate investment trusts					347	500
					26,658	22,071
Interest and other finance costs					(645)	(549)
Increase in fair value of investment properties						
Group					1,262	1,408
Joint ventures					3	16
Profit on disposal of joint ventures					-	1,366
Others					(28)	43
Taxation						
Group					(7,365)	(6,305)
Joint ventures					(76)	(142)
Profit attributable to non-controlling interests					(394)	(795)
Profit attributable to shareholders					19,415	17,113

- (2) Profit before taxation is arrived at after charging:

	2016 HK\$ Million	2015 HK\$ Million
Interest and other finance costs		
Bank and other loans	1,326	1,032
Cheung Kong (Holdings) Limited and its subsidiaries	-	355
Less: Amount capitalised	(681)	(838)
	645	549
Costs of properties sold	34,797	29,797

- (3) Profits tax is provided for, using the applicable enacted rates at the year end date, on the estimated assessable profits of each individual company comprising the Group. Deferred tax is provided for, using the applicable enacted rates, on temporary differences.

	2016	2015
	HK\$ Million	HK\$ Million
Current tax		
Hong Kong	2,024	1,414
Outside Hong Kong	3,841	3,359
Deferred tax	1,500	1,532
	<u>7,365</u>	<u>6,305</u>

- (4) During the year, the Company bought back 35,679,000 of its own issued shares on The Stock Exchange of Hong Kong Limited for a total consideration (including expenses) of HK\$1,772 million and cancelled all the shares bought back.

The calculation of earnings per share is based on profit attributable to shareholders and on the weighted average of 3,847,159,309 shares in issue during the year (2015 – 3,859,678,500 shares issued on the listing date as if such number of shares had been in issue throughout the year).

- (5) Trade debtors comprise mainly receivables for sales of properties and leasing of properties and aircraft. Sales terms vary for different development projects and are determined with reference to the prevailing market conditions. Sales of properties are normally completed when sales prices are fully paid in accordance with the terms of sale and purchase agreements and deferred payment terms are sometimes offered to purchasers at a premium. Rentals and deposits are payable in advance by lessees as set out in the lease agreements.

Ageing analysis of trade debtors with reference to the terms of the agreements is as follows:

	2016	2015
	HK\$ Million	HK\$ Million
Current to one month	9,057	9,244
Two to three months	46	60
Over three months	44	55
	<u>9,147</u>	<u>9,359</u>

Ageing analysis of trade creditors with reference to invoice dates and credit terms is as follows:

	2016	2015
	HK\$ Million	HK\$ Million
Current to one month	5,814	4,956
Two to three months	36	48
Over three months	15	52
	<u>5,865</u>	<u>5,056</u>

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

- (7) The annual results have been reviewed by the Audit Committee.