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

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

INTERIM RESULTS FOR 2017

HIGHLIGHTS

	Six months ended 30 June		Change
	2017	2016	
	HK\$ Million	HK\$ Million	
Revenue ^{Note}	29,863	27,563	+8%
Profit before investment property revaluation	9,480	8,339	+14%
Investment property revaluation (net of tax)	4,930	267	
Profit attributable to shareholders	14,410	8,606	+67%
Earnings per share - profit before IP revaluation	HK\$2.52	HK\$2.16	+17%
- profit attributable to shareholders	HK\$3.82	HK\$2.23	+71%
Interim dividend per share	HK\$0.42	HK\$0.38	+10.5%

Note: Revenue includes the Group's revenue of HK\$28,931 million and the Group's share of revenue of joint ventures of HK\$932 million.

PROFIT FOR THE FIRST HALF YEAR

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2017 amounted to HK\$14,410 million. Earnings per share were HK\$3.82.

INTERIM DIVIDEND

The Directors have declared an interim dividend for 2017 of HK\$0.42 per share (HK\$0.38 per share in 2016) to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 5 September 2017. The interim dividend will be paid on Thursday, 14 September 2017.

PROSPECTS

Growth Through Diversification

Business Review

Having gone through a highly volatile year in 2016, the global political and economic landscape has shown signs of stabilisation in the first half of 2017, with some improvement in business confidence and investor sentiment. However, certain market uncertainties and challenges have continued.

The Group is progressing on track in meeting its operating targets and executing its development strategy. Several significant investments have been made since late 2016. These investments present to the Group opportunities to further diversify its businesses globally, and enhance its earnings base with a higher proportion of stable recurring revenue and resulting in stronger cash flows on a medium to long term basis. For the six months ended 30 June 2017, the Group's unaudited profit attributable to shareholders was HK\$14,410 million, 67% higher than the same period last year. Profit before investment property revaluation was HK\$9,480 million, an increase of 14% over the corresponding period in 2016. An increase in fair value of investment properties of HK\$4,930 million after tax was recorded, largely due to the rising market value of prime office buildings in Central. Our newly acquired businesses in the energy and infrastructure sector, together with aircraft leasing, have contributed profits to the Group during the period.

Property Businesses

The Group's property business delivered a sound performance in the interim period:

Property Development

The Hong Kong residential market recorded active trading in the first six months of 2017, with increases in both property prices and transactions. On the Mainland, although growth in property prices showed signs of slowing in major cities, market conditions remained largely stable and overall sentiment continued to be positive. Steady performance was achieved by the Group in property sales in Hong Kong, the Mainland and Singapore and total sales exceeded HK\$40 billion during the period under review. We will continue to adopt a cautious and disciplined approach in operating the property development business.

Property Investment

While local retail sales have stabilised since March 2017, growth in per capita tourist spending has yet to resume, and the continued downturn of the retail sector has impacted the Group's retail leasing business. The Group is nevertheless optimistic about the outlook of the retail market. Our retail property portfolio is set to become a stronger platform for rental generation following the completion of a new commercial project. An increase in occupancy rates and rentals was reported for the Group's premium commercial properties as global investor confidence continued to strengthen. As a whole, contribution from property rental improved for the period. The Group will seize suitable opportunities to strengthen its investment property portfolio in order to boost growth in stable returns.

Hotel and Serviced Suite Operation

Inbound tourism has improved with visitor arrivals gradually increasing. The average hotel room occupancy rate has shown a small improvement, while the year-on-year decline in average achieved hotel room rate has stabilised and started to turn around. The Group's hotel business continued to operate in a challenging market while the serviced suite operation remained resilient. During the period under review, the Group transferred its interests in two hotels in Chongqing and Chengdu to Hui Xian Real Estate Investment Trust. An increase in overall operating contribution was recorded in the first half of 2017. Our hotel business will be further enhanced with the addition of a total of approximately 1,200 rooms from two hotel projects in Hong Kong.

Property and Project Management

The property and project management business continued to generate steady recurrent income for the Group. An increase in turnover and contribution was recorded as compared to the corresponding period last year. We expect further expansion of the total floor area of properties under the Group's property management following the completion of upcoming developments.

New Business Ventures

The Group has made several significant investments since late 2016 to broaden its business scope and market coverage, with a view to optimising its asset portfolio mix and diversifying recurring income sources to offer stable returns for shareholders. Some of these investments have provided profit contribution during the period under review.

On 27 July 2017, the Group agreed to acquire 100% of ista Luxemburg GmbH (“ista”) at the consideration of approximately EUR4,500 million (equivalent to approximately HK\$41,400 million). ista is one of the world’s leading fully integrated energy management services providers with strong market positions in Europe including Germany, Denmark, the Netherlands, France, Italy and Spain. Subject to obtaining the respective independent shareholders’ approval and the necessary regulatory clearances, this investment will be held by a consortium comprising the Group (65%) and CK Infrastructure Holdings Limited (“CKI”) (35%).

In mid-July 2017, the Group completed the acquisition of the building equipment services business (the “Business”) which provides water heaters and related services under the consumer brand, “Reliance Home Comfort”, in Canada, at the adjusted consideration of approximately C\$2,800 million (equivalent to approximately HK\$17,160 million). Also in mid-July, the Group entered into an agreement with CKI to dispose of 25% equity interest in the Business to CKI, which will be appointed as the manager of the Business given its experience in owning and operating infrastructure business. The disposal is subject to the approval of the independent shareholders of the Company. The Business provides stable revenue and cash flows.

In May 2017, a consortium which is held as to 40%, 40% and 20% respectively by the Group, CKI and Power Assets Holdings Limited completed the acquisition of all the stapled securities in issue of the DUET Group at the adjusted total consideration of approximately AUD7,410 million (equivalent to approximately HK\$42,690 million). 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 at the adjusted total consideration of approximately US\$988 million (equivalent to approximately HK\$7,690 million). During the period, this aircraft portfolio has been integrated into the aircraft leasing business already owned by the Group. We will continue to strengthen our management platform and expand our asset base pursuant to our predefined return criteria.

Outlook

Global market sentiment and economic confidence have been improving, but the pace of growth is still subject to various uncertainties such as those arising from Brexit negotiations and the still-evolving policy developments under the new U.S. administration. The planned scale-back of the balance sheet of the U.S. Federal Reserve within this year could potentially add to market instability.

China reported stronger than expected growth in the first half of 2017 as its economy continued to grow solidly. With the Central Government's efforts to maintain policy stability and continuity, particularly through proactive fiscal and prudent monetary policies, China is expected to maintain growth momentum in the second half year and realise its full-year growth target. The steady implementation of the 13th Five Year Plan and the Belt and Road initiative also provides impetus to sustaining solid economic progress in achieving medium-to-high growth.

The recent strengthening of the global market and the Mainland's solid economic growth provide a positive backdrop for Hong Kong's sustainable economic development. This will support stable property market conditions despite the current upcycle of U.S. interest rates. Government housing policies will nevertheless continue to be a determining factor for the property market both in Hong Kong and on the Mainland.

The Group has been actively pursuing new growth opportunities to diversify globally in accordance with its stated target to invest in areas beyond property development. Following the principle "to advance while maintaining stability" and bearing in mind the objective of maximising long-term shareholder's value, we are prudent in selecting investments with sound operating base and growth prospects, and a strong capability to generate predictable recurring revenue. Investments have been made in continental Europe, Australia, Canada and the United Kingdom; and in the area of aircraft leasing, accomplishing over half of our new investment targets in or about the past 6 months. In Hong Kong, we have acquired the OP Mall at Tsuen Wan for long-term rental purposes; and invested in two hotel projects, with more than 800 rooms from the newly built hotel at Harbour Glory, North Point, and over 300 rooms from the expansion program of Harbour Grand Kowloon, Hung Hom. These projects will further enhance the Group's hotel business upon completion. Going forward, we will continue to seek investments with steady recurring income in order to strengthen our fundamentals, and recompense the impact of reduced land acquisitions due to our prudent strategy and stringent cost budget amid rising land prices. The Group is poised to benefit from a stronger earnings base while maintaining a healthy debt ratio. Some of the new investments are delivering immediate profit contribution while the others are on track to generating the expected recurring revenue.

The Group has utilised a total of approximately HK\$7 billion in share buy-backs in the first half to reflect the underlying value of the Company, and signify the Group's confidence in its long term growth prospects. With a firm commitment to establishing a strong recurring income base, the Group will press ahead with its globalisation and diversification initiatives to achieve long term value growth through synergies of different functionalities by building on its sound financial strengths and strong management capabilities in business expansion. Given the sound performances of its existing businesses and stable revenue streams generated by the new investments, the Group is confident in its overall results for the full year of 2017.

Proposed Change of Company Name

As announced on 14 July 2017, with a view to aligning the Company's name with the name of other listed companies within the CK Group, and to better reflect the Company's strategy to achieve long-term sustainable business growth and value creation for shareholders through property businesses and the pursuit of quality investments worldwide with stable recurring revenue, such as infrastructure investment, property investment, and aircraft leasing, it was proposed that the English name of the Company be changed to "CK Asset Holdings Limited" from "Cheung Kong Property Holdings Limited", and the Chinese name of the Company be changed to "長江實業集團有限公司" from "長江實業地產有限公司" (together, the "Change of Company Name").

The Change of Company Name is conditional upon (i) the approval of the change of name by the shareholders of the Company by way of a special resolution at the extraordinary general meeting of the Company to be held on 24 August 2017 and (ii) the approval of the proposed new name by the Registrar of Companies in the Cayman Islands.

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 period.

Li Ka-shing
Chairman

Hong Kong, 3 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major Business Activities

1. Developments Completed and Scheduled for Completion in 2017:

Name	Location	Gross Floor Area (sq.ft.)	Group's Interest
Repulse Bay Road Project	The Remaining Portion of Rural Building Lot No. 177	71,182	100%
Seanorama	Sha Tin Town Lot No. 574	562,171	100%
La Grande Ville Phases 3 and 4	Shun Yi District, Beijing	2,737,296	100%
Yuhu Mingdi Phases 2(1) and 3	Huangpu District, Guangzhou	862,587	80%
Upper West Shanghai Phase 2 Tenders 1 and 2 and Phase 4 Tender 1	Putuo District, Shanghai	2,471,434	60%
Hupan Mingdi Land Nos. 905 and 911 South	Jiading District, Shanghai	1,451,114	100%
Noble Hills Phases 4A and 5B	Wangcheng District, Changsha	765,356	100%
Le Parc Phase 6C	Chengdu High-Tech Zone, Chengdu	611,971	100%
Regency Hills Land Nos. 11A and 13A	Yangjiashan, Chongqing	959,699	95%
The South Bay Phase 5B	Jinzhou New Area, Dalian	618,332	100%
Laguna Verona Phases D2a, G1b/G2a Zone 1 & 2 and H	Hwang Gang Lake, Dongguan	2,927,070	99.8%
Cape Coral Phase 4B	Panyu District, Guangzhou	1,041,601	100%

Name	Location	Gross Floor Area (sq.ft.)	Group's Interest
Emerald City Phases 1B and 1C	Jianye District, Nanjing	330,742	100%
The Harbourfront Land No. 7	Shibei District, Qingdao	863,469	90%
City Link Phase 1	Jing An District, Shanghai	726,757	60%
The Greenwich Phase 4B	Xian Hi-Tech Industries Development Zone, Xian	568,635	100%
Chelsea Waterfront Claydon House, Chartwell House and Compton House	Chelsea/Fulham, London	162,914	95%

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

- (1) January 2017: The Company, CK Infrastructure Holdings Limited (“CKI”, formerly Cheung Kong Infrastructure Holdings Limited) and Power Assets Holdings Limited (“PAH”) formed a joint venture with respective interests of 40%, 40% and 20% for the acquisition of all of the stapled securities in issue of the DUET Group, which is an owner and operator of energy utility assets in Australia, the United States, the United Kingdom and Europe. Upon fulfillment of all requisite conditions, the said acquisition was completed in May 2017.
- (2) March 2017: A wholly owned subsidiary of the Group reached a land exchange agreement with the Government in respect of the site at Hung Shui Kiu, Yuen Long, Lot No. 4328 in D.D.124 for an area of approximately 110,222 sq.ft. The site is designated for residential development and estimated to have a developable gross floor area of approximately 138,876 sq.ft.
- (3) March 2017: A wholly owned subsidiary of the Group (“Project Company”) entered into an agreement to acquire the building equipment services business which provides water heaters and related services under the consumer brand of “Reliance Home Comfort” in Canada, with the Company as the guarantor, at the adjusted consideration of approximately C\$2,800 million (equivalent to approximately HK\$17,160 million). Completion of the acquisition took place in mid-July 2017. Also in mid-July 2017, a wholly owned subsidiary of the Group (“Vendor”) entered into a sale and purchase agreement with a wholly owned subsidiary of CKI (“Purchaser”), pursuant to which, conditional upon the obtaining of the independent shareholders’ approval of the Company, the Vendor will sell to the Purchaser 25% equity interest in the Project Company.
- (4) May 2017: A wholly owned subsidiary of the Group issued Guaranteed Senior Perpetual Capital Securities (“Securities”) in an aggregate principal amount of US\$1,500 million with an annual distribution rate of 4.60% which are guaranteed by the Company. The Securities are sold to professional investors only and are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).
- (5) During the period: The Company bought back a total of 126,501,000 shares of a nominal value of HK\$1.00 each in the capital of the Company (“Shares”) in January, March, April, May and June 2017 on the Stock Exchange with the aggregate consideration paid (before expenses) amounting to HK\$6,981,950,600. All the Shares bought back were subsequently cancelled.

- (6) July 2017: The Group and CKI formed a consortium with respective interests of 65% and 35%, subject to the obtaining of their respective independent shareholders' approval and the necessary regulatory clearances, to acquire 100% of ista Luxemburg GmbH ("ista") at the consideration of approximately EUR4,500 million (equivalent to approximately HK\$41,400 million). ista is one of the world's leading fully integrated energy management services providers with strong market positions in Europe including Germany, Denmark, the Netherlands, France, Italy and Spain.

Property Sales

Revenue of property sales (including share of joint ventures) recognised for the period was HK\$21,831 million (2016 – HK\$21,296 million), comprising mainly (i) sale of residential and commercial units of projects in Hong Kong – Stars by the Harbour and Yuccie Square; and (ii) sale of residential and commercial units of projects on the Mainland – La Grande Ville in Beijing, Cape Coral in Guangzhou, The Harbourfront in Qingdao and Millennium Waterfront in Wuhan, and is summarised by locations as follows:

Location	2017 HK\$ Million	2016 HK\$ Million
Hong Kong	7,535	8,663
The Mainland	14,292	12,628
Overseas	4	5
	21,831	21,296

Contribution from property sales (including share of joint ventures) for the period was HK\$9,132 million (2016 – HK\$6,856 million) and was derived from the following locations:

Location	2017 HK\$ Million	2016 HK\$ Million
Hong Kong	3,018	3,464
The Mainland	6,136	3,431
Overseas	(22)	(39)
	9,132	6,856

In Hong Kong, the presales of residential units of Seanorama, Harbour Glory and Ocean Pride have been well received and profit contribution is expected when sales are recognised upon completion of these projects. On the Mainland, the sales and presales of various projects including Regency Hills and Regency Lakeview in Chongqing, Laguna Verona in Dongguan and The Harbourfront in Qingdao are progressing well, whilst the presales of Chelsea Waterfront in the United Kingdom and Stars of Kovan in Singapore are ongoing.

At the interim period 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 124 million sq.ft., of which 6 million sq.ft., 114 million sq.ft. and 4 million sq.ft. were located in Hong Kong, on 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	27,965
The Mainland	38,101
Overseas	2,669
	68,735

Property Rental

Revenue of property rental (including share of joint ventures) for the period was HK\$3,889 million (2016 – HK\$3,670 million), comprising rental income derived from leasing of office, retail, industrial and other properties as follows:

Use of Property	2017 HK\$ Million	2016 HK\$ Million
Office	1,590	1,566
Retail	1,673	1,484
Industrial	393	392
Others	233	228
	3,889	3,670

The Group's investment properties are mostly located in Hong Kong, including The Center, Cheung Kong Center, China Building and Hutchison House in Central, 1881 Heritage in Tsimshatsui, Whampoa Garden in Hunghom, Hutchison Logistics Centre in Kwai Chung and others.

Contribution from property rental (including share of joint ventures) for the period was HK\$3,594 million (2016 – HK\$3,363 million), an increase of HK\$231 million when compared with the same period last year, and was derived from the following locations:

Location	2017 HK\$ Million	2016 HK\$ Million
Hong Kong	3,205	3,115
The Mainland	226	209
Overseas	163	39
	3,594	3,363

At the interim period end date, the Group had an investment property portfolio of approximately 17 million sq.ft. (including share of joint ventures but excluding car parking spaces) as follows:

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

An increase in fair value of investment properties of HK\$4,832 million (2016 – HK\$228 million), mainly due to increase in fair value of office properties in Hong Kong, was recorded at the interim period end date based on a professional valuation using capitalisation rates ranging from approximately 4% to 8%. The Group also shared an increase in fair value of investment properties of HK\$5 million (2016 – HK\$3 million) of joint ventures.

Hotel and Serviced Suite Operation

Revenue of hotel and serviced suite operation (including share of joint ventures) for the period was HK\$2,228 million (2016 – HK\$2,295 million), comprising revenue generated mainly by Harbour Grand Hotels, Harbour Plaza Hotels & Resorts and Horizon Hotels & Suites located in Hong Kong and operated by the Group.

Contribution (including share of joint ventures) after depreciation charge of HK\$200 million on properties was HK\$685 million (2016 – HK\$633 million), an increase of HK\$52 million when compared with the same period last year, and was derived from the following locations:

Location	2017 HK\$ Million	2016 HK\$ Million
Hong Kong	765	698
The Mainland	(30)	(17)
Overseas	(50)	(48)
	685	633

During the period, the average occupancy rate of the Group's hotels and serviced suites was 86.9% (2016 – 79.1%) and the average hotel operating profit per square foot was HK\$19 per month, representing an annualised yield of 16.7% on the carrying amount of the Group's completed hotel and serviced suite properties at the interim period end date.

In early 2017, the Group's interests in 2 hotels on the Mainland, namely Harbour Plaza Chongqing and Sheraton Chengdu Lido Hotel, were disposed of to Hui Xian Real Estate Investment Trust at a profit of HK\$363 million.

At the interim period end date, the Group's completed hotel and serviced suite portfolio comprised 15 hotels and serviced suites in Hong Kong, 2 hotels on the Mainland, 1 hotel in The Bahamas and a total of over 15,000 rooms.

Property and Project Management

Revenue of property and project management (including share of joint ventures) for the period was HK\$309 million (2016 – HK\$302 million), comprising mainly management fee received for provision of property management and related services to property development projects completed and sold.

Contribution from property and project management (including share of joint ventures) for the period was HK\$138 million (2016 – HK\$133 million), an increase of HK\$5 million when compared with the same period last year, and was derived from the following locations:

Location	2017 HK\$ Million	2016 HK\$ Million
Hong Kong	108	100
The Mainland	17	15
Overseas	13	18
	138	133

At the interim period end date, the total floor area of properties managed by the Group was approximately 262 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

Revenue of aircraft leasing (including share of joint ventures) for the period was HK\$1,057 million (2016 – Nil), comprising lease income derived from leasing of narrow body and wide body aircraft to airlines.

Contribution (including share of joint ventures) after depreciation charge of HK\$526 million on aircraft was HK\$517 million (2016 – Nil) and is analysed by location with reference to lessee's place of operation as follows:

Location	2017 HK\$ Million	2016 HK\$ Million
Asia	185	-
Europe	154	-
North America	111	-
Latin America	67	-
	517	-

At the interim period end date, the Group (including interest in joint ventures) owned a total of 66 narrow body and 5 wide body aircraft with an average age of 5 years and an average remaining lease term of 5.8 years, and was committed to acquiring another 43 aircraft for an aggregate consideration of approximately HK\$15.6 billion.

Energy and Infrastructure Assets

During the period, the Group together with CK Infrastructure Holdings Limited (“CKI”) and Power Assets Holdings Limited successfully acquired DUET Group, an owner and operator of energy utility assets in Australia, the United States, the United Kingdom and Europe. Since completion of the acquisition in May this year, the DUET Group has begun to make contribution to group profit and the Group’s 40% share of revenue and profit contribution up to the interim period end date amounted to HK\$549 million and HK\$247 million respectively.

The Group has recently completed the acquisition of a Canadian group of companies which is principally engaged in the building equipment sector providing water heaters, HVAC (heating, ventilation and air conditioning) equipment, comfort protection plans and other services to homeowners in Canada, under the consumer brand identity of “Reliance Home Comfort”. Subject to independent shareholders’ approval at an extraordinary general meeting to be held later this month, the Group together with CKI will own and operate this business through a 75/25 joint venture. Contribution to group profit is expected to take place in the second half year.

Interests in Real Estate Investment Trusts

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

	Principal Activities	Effective Interest
Hui Xian REIT	Investment in hotels and serviced suites, office and retail properties on the Mainland	32.2%
Fortune REIT	Investment in retail properties in Hong Kong	27.6%
Prosperity REIT	Investment in office, retail and industrial properties in Hong Kong	18.8%

Profit contribution for the period was HK\$393 million (2016 – HK\$212 million), including (i) distribution received from Fortune REIT and Prosperity REIT amounting to HK\$153 million and (ii) a share of profit of HK\$240 million of Hui Xian REIT which reported a significant exchange gain in its results for the period, whereas cash flows generated during the period by the Group’s interests in REITs amounted to HK\$416 million.

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 period, the Group issued notes amounting to HK\$1.1 billion with a 10-year term under the Euro Medium Term Note programme. The Group also issued perpetual capital securities with an annual distribution rate of 4.60% in the amount of US\$1.5 billion in May 2017. Redeemable at the Group's option on or after 18 May 2020, the perpetual capital securities have no fixed maturity and are taken as long term equity.

At the interim period end date, the Group's bank and other borrowings amounted to HK\$85.2 billion, an increase of HK\$15.0 billion from last year. The maturity profile was spread over a period of 10 years, with HK\$44.0 billion repayable within 1 year, HK\$31.7 billion within 2 to 5 years and HK\$9.5 billion beyond 5 years.

The Group's net debt to net total capital ratio at the interim period end date was approximately 0.8%. Net debt is arrived at by deducting bank balances and deposits of HK\$82.7 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 and interest rate uncertainty or volatility and when appropriate, hedging instruments including swaps and forwards are used in the management of exposure to foreign exchange rate and interest rate fluctuations.

At the interim period end date, approximately 84.1% of the Group's borrowings were in HK\$ and US\$, with the balance in RMB and AUD mainly for the purposes of financing property development projects on the Mainland and investment in energy and infrastructure assets in Australia. 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, SGD and AUD, is derived from the Group's overseas projects and investments, and cash in these currencies is maintained for operational requirements.

Charges on Assets

At the interim period end date, (i) properties amounting to HK\$14,732 million (31 December 2016 – HK\$15,089 million) were charged to secure bank loans arranged for property projects on the Mainland; and (ii) aircraft amounting to HK\$12,436 million (31 December 2016 – HK\$12,733 million) were charged to secure bank loans arranged for aircraft acquisitions.

Contingent Liabilities

At the interim period end date, the Group provided guarantees to (i) land owner of a hotel project for its share of revenue amounting to HK\$552 million (31 December 2016 – HK\$564 million); (ii) banks for mortgage loans provided to purchasers of properties developed and sold by the Group on the Mainland amounting to HK\$4,312 million (31 December 2016 – HK\$5,385 million); and (iii) banks for loans lent to a joint venture amounting to HK\$1,073 million (31 December 2016 – HK\$1,164 million).

Employees

At the interim period end date, the Group (including its subsidiaries) employed approximately 20,000 employees and remuneration for the period (excluding directors' emoluments) amounted to approximately HK\$2,905 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 six months ended 30 June 2017, the Company bought back a total of 126,501,000 Shares on the Stock Exchange, with the aggregate consideration paid (before expenses) amounting to HK\$6,981,950,600. All the Shares bought back were subsequently cancelled. As at 30 June 2017, the total number of Shares in issue was 3,707,720,000 (out of which, 10,221,500 Shares bought back in June 2017 were cancelled on 12 July 2017). As at the date of this Announcement, the total number of Shares in issue is 3,697,498,500.

Particulars of the share buy-backs are as follows:

Month	Number of Shares bought back	Purchase price per Share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2017	23,805,000	52.40	49.15	1,218,199,525
March 2017	23,749,500	54.50	52.80	1,281,750,825
April 2017	33,925,500	55.45	52.35	1,818,529,225
May 2017	20,806,000	58.10	55.70	1,182,354,750
June 2017	24,215,000	61.85	59.10	1,481,116,275
	<u>126,501,000</u>			<u>6,981,950,600</u>

Save as disclosed above, during the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

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

Save as disclosed below, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the six months ended 30 June 2017. 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 and the Managing Director. In respect of code provision A.6.7 of the CG Code, two Independent Non-executive Directors were not in a position to attend the extraordinary general meeting of the Company held on 14 March 2017 due to an overseas commitment and indisposition respectively, and two Independent Non-executive Directors were not in a position to attend the annual general meeting of the Company held on 11 May 2017 due to indisposition.

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

The Group's interim results for the six months ended 30 June 2017 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

In compliance with the CG Code, the Company established its remuneration committee ("Remuneration Committee") on 26 February 2015 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman of the Board, 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.



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)

**NOTICE OF PAYMENT
OF INTERIM DIVIDEND, 2017**

The Board of Directors of Cheung Kong Property Holdings Limited announces that the Group's unaudited profit attributable to shareholders for the six months ended 30 June 2017 amounted to HK\$14,410 million which represents earnings of HK\$3.82 per share. The Directors have declared an interim dividend for 2017 of HK\$0.42 per share to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 5 September 2017, being the record date for determination of entitlement to the interim dividend. The dividend will be paid on Thursday, 14 September 2017.

In order to qualify for the interim 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, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 5 September 2017.

By Order of the Board
CHEUNG KONG PROPERTY HOLDINGS LIMITED
Eirene Yeung
Company Secretary

Hong Kong, 3 August 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. YEH Yuan Chang, Anthony, Mr. Colin Stevens RUSSEL and Mr. Donald Jeffrey ROBERTS as Independent Non-executive Directors.

Consolidated Income Statement
For the six months ended 30 June 2017

	(Unaudited)	
	2017	2016
	HK\$ Million	HK\$ Million
Group revenue	28,931	27,252
Share of revenue of joint ventures	932	311
Total	<u>29,863</u>	<u>27,563</u>
Group revenue	28,931	27,252
Investment and other income	737	341
Operating costs		
Property and related costs	(12,392)	(14,092)
Salaries and related expenses	(1,920)	(1,885)
Interest and other finance costs	(576)	(318)
Depreciation	(768)	(340)
Other expenses	(256)	(223)
	(15,912)	(16,858)
Increase in fair value of investment properties	4,832	228
Profit on disposal of hotel properties	363	-
Share of profit of joint ventures	(7)	66
Share of profit of associates	240	64
Profit before taxation	<u>19,184</u>	<u>11,093</u>
Taxation	(4,576)	(2,314)
Profit after taxation	<u>14,608</u>	<u>8,779</u>
Profit attributable to		
Shareholders	14,410	8,606
Non-controlling interests and holders of perpetual capital securities	198	173
	<u>14,608</u>	<u>8,779</u>
Earnings per share	HK\$3.82	HK\$2.23

	2017	2016
	HK\$ Million	HK\$ Million
Interim dividend	<u>1,553</u>	<u>1,461</u>
Dividend per share	HK\$0.42	HK\$0.38

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2017

	(Unaudited)	
	2017	2016
	HK\$ Million	HK\$ Million
Profit after taxation	14,608	8,779
Other comprehensive income (loss) - reclassifiable to income statement		
Translation of financial statements of operations outside Hong Kong		
Exchange gain (loss)	2,177	(2,293)
Exchange loss reclassified to income statement	180	-
Investments available for sale - gain in fair value	567	890
Derivative financial instruments for hedging - loss in fair value	(816)	-
Share of other comprehensive income (loss) of joint ventures	290	(93)
Other comprehensive income (loss)	2,398	(1,496)
Total comprehensive income	17,006	7,283
Total comprehensive income attributable to		
Shareholders	16,809	7,233
Non-controlling interests and holders of perpetual capital securities	197	50
	17,006	7,283

Consolidated Statement of Financial Position
As at 30 June 2017

	(Unaudited) 30/6/2017 HK\$ Million	(Audited) 31/12/2016 HK\$ Million
Non-current assets		
Fixed assets	32,777	33,695
Investment properties	133,670	125,306
Joint ventures	25,822	7,907
Associates	7,365	7,333
Investments available for sale	6,681	6,233
Long term receivables and others	1,928	1,715
Deferred tax assets	2,477	1,843
	<u>210,720</u>	<u>184,032</u>
Current assets		
Stock of properties	132,118	137,548
Debtors, prepayments and others	6,325	12,655
Bank balances and deposits	82,744	62,601
	<u>221,187</u>	<u>212,804</u>
Current liabilities		
Bank and other loans	43,977	4,378
Creditors, accruals and others	16,240	17,396
Customers' deposits received	22,300	19,527
Provision for taxation	3,203	2,456
	<u>85,720</u>	<u>43,757</u>
Net current assets	<u>135,467</u>	<u>169,047</u>
Non-current liabilities		
Bank and other loans	41,190	65,798
Deferred tax liabilities	11,440	10,824
Pension obligations	193	183
	<u>52,823</u>	<u>76,805</u>
Net assets	<u>293,364</u>	<u>276,274</u>
Representing:		
Share capital	3,708	3,824
Share premium	242,177	249,179
Reserves	29,738	17,196
Shareholders' funds	275,623	270,199
Perpetual capital securities	11,670	-
Non-controlling interests	6,071	6,075
Total equity	<u>293,364</u>	<u>276,274</u>

Notes:

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

Revenue for the period by principal activities is as follows:

	Six months ended 30 June					
	Group		Joint ventures		Total	
	2017	2016	2017	2016	2017	2016
HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	
Property sales	21,810	21,111	21	185	21,831	21,296
Property rental	3,823	3,622	66	48	3,889	3,670
Hotel and serviced suite operation	2,216	2,282	12	13	2,228	2,295
Property and project management	251	237	58	65	309	302
Aircraft leasing	831	-	226	-	1,057	-
Energy and infrastructure assets	-	-	549	-	549	-
	28,931	27,252	932	311	29,863	27,563

and is derived from the following locations:

	Six months ended 30 June	
	2017	2016
	HK\$ Million	HK\$ Million
Hong Kong	13,227	14,184
The Mainland	14,961	13,180
Overseas	1,675	199
	29,863	27,563

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

	Six months ended 30 June					
	Group		Joint ventures		Total	
	2017	2016	2017	2016	2017	2016
HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	
Property sales	9,119	6,757	13	99	9,132	6,856
Property rental	3,539	3,356	55	7	3,594	3,363
Hotel and serviced suite operation	692	640	(7)	(7)	685	633
Property and project management	113	104	25	29	138	133
Aircraft leasing	342	-	175	-	517	-
Energy and infrastructure assets	-	-	247	-	247	-
	13,805	10,857	508	128	14,313	10,985
Interest and other finance costs	(576)	(318)	(123)	-	(699)	(318)
	13,229	10,539	385	128	13,614	10,667
Interests in real estate investment trusts					393	212
Increase in fair value of investment properties						
Group					4,832	228
Joint ventures					5	3
Profit on disposal of hotel properties					363	-
Others					46	35
Taxation						
Group					(4,576)	(2,314)
Joint ventures					(69)	(52)
Profit attributable to non-controlling interests and holders of perpetual capital securities					(198)	(173)
Profit attributable to shareholders					14,410	8,606

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

	Six months ended 30 June	
	2017	2016
	HK\$ Million	HK\$ Million
Interest and other finance costs		
Bank and other loans	836	708
Less: Amount capitalised	(260)	(390)
	576	318
Costs of properties sold	10,797	12,427

(3) Taxation

	Six months ended 30 June	
	2017	2016
	HK\$ Million	HK\$ Million
Current tax		
Hong Kong	984	677
Outside Hong Kong	3,657	1,491
Deferred tax	(65)	146
	4,576	2,314

(4) During the period, the Company bought back 126,501,000 of its own issued shares on The Stock Exchange of Hong Kong Limited for a total consideration (including expenses) of HK\$7,002 million. Of the 126,501,000 shares bought back, 116,279,500 shares were cancelled before the period end date and 10,221,500 shares were cancelled after the period end date.

The calculation of earnings per share is based on profit attributable to shareholders and on the weighted average of 3,767,484,133 shares (2016 - 3,851,764,657 shares) in issue during the period.

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

	30/6/2017	31/12/2016
	HK\$ Million	HK\$ Million
Current to one month	1,522	9,057
Two to three months	61	46
Over three months	22	44
	1,605	9,147

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

	30/6/2017	31/12/2016
	HK\$ Million	HK\$ Million
Current to one month	4,818	5,814
Two to three months	29	36
Over three months	8	15
	4,855	5,865

(6) The principal accounting policies used in the preparation of the interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2016.

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 2017 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 interim financial statements are unaudited, but have been reviewed by the Audit Committee.