

CK Hutchison Holdings Limited

Income Statement

For the period from 11th December, 2014 (Date of Incorporation) to 31st December, 2014

| | \$'000 |
|----------------------------|-------------|
| Preliminary expenses | (47) |
| Other expenses | (4) |
| Loss for the period | (51) |

CK Hutchison Holdings Limited

Statement of Financial Position

As at 31st December, 2014

| | Note | \$'000 |
|----------------------------|------|-------------|
| Current liabilities | | |
| Accruals | | (51) |
| Representing: | | |
| Share capital | 6 | – |
| Accumulated loss | | (51) |
| Capital and reserve | | (51) |

Li Ka-shing
Director

Ip Tak Chuen, Edmond
Director

CK Hutchison Holdings Limited

Statement of Changes in Equity

For the period from 11th December, 2014 (Date of Incorporation) to 31st December, 2014

| | Share capital \$'000 | Accumulated loss \$'000 | Total \$'000 |
|--|-------------------------|----------------------------|-----------------|
| Share issued upon incorporation (note 6) | – | – | – |
| Loss for the period | – | (51) | (51) |
| Balance at 31st December, 2014 | – | (51) | (51) |

Notes to the Financial Statements

1 General Information

CK Hutchison Holdings Limited (the "Company") is an exempted limited liability company incorporated in the Cayman Islands. The address of its registered office and other corporate information are set out on page 188 of the annual report.

As at 31st December, 2014, the Company was a wholly-owned subsidiary of Cheung Kong (Holdings) Limited ("CKH"), whose shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company did not have any principal activities during the period.

2 Principal Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with the Hong Kong Financial Reporting Standards ("HKFRSs"). The financial statements are prepared under the historical cost convention.

The Company did not have any other comprehensive income and cash flows during the period. Therefore, no statement of comprehensive income and statement of cash flows were presented.

For the new and revised HKFRSs issued by The Hong Kong Institute of Certified Public Accountants which are not yet effective, the Company is in the process of assessing their impact on the Company's results and financial position.

(b) Taxation

Hong Kong profits tax is provided for, using the enacted rate at the period end date, on the estimated assessable profits.

Deferred tax liabilities are provided in full, based on the applicable enacted rates, on all temporary differences between the carrying amounts of assets and liabilities and their tax bases, and deferred tax assets are recognised, based on the applicable enacted rates, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

3 Financial Risks Management and Capital Management

The capital structure of the Company consists of capital and reserve, comprising share capital and accumulated loss, as disclosed in the statement of financial position.

The Company reviews and manages its capital structure and exposure to financial risks on a regular basis.

4 Directors' Emoluments

No directors' emoluments were paid or are payable to any director of the Company during the period.

5 Taxation

No provision for Hong Kong profits tax was required as the Company did not have any assessable profits for the period.

No deferred tax was accounted for as there was no temporary difference between the carrying amount of the liability and its tax base giving rise to such asset or liability.

6 Share Capital

The Company was incorporated in the Cayman Islands on 11th December, 2014 with an authorised share capital of \$380,000 divided into 380,000 shares of \$1 par value each. The authorised share capital of the Company was subsequently increased to \$8,000,000,000 by the creation of 7,999,620,000 shares of \$1 par value each on 2nd March, 2015.

On the date of incorporation, 1 share was issued and nil paid. Subsequently, the share was fully paid up on 18th March, 2015 when additional 2,316,164,337 shares were issued and allotted to the shareholders of CKH upon completion of the Reorganisation Proposal described below.

7 Events after the Period End Date

On 9th January, 2015, CKH and Hutchison Whampoa Limited jointly announced the following proposals:

(a) The Reorganisation Proposal

The Reorganisation Proposal would be implemented whereby the holding company of the group held by CKH (the "CKH Group") would be changed from CKH to the Company by way of a scheme of arrangement ("Scheme"). Shareholders of CKH would become shareholders of the Company thereafter and all the issued shares of CKH would be cancelled and extinguished.

(b) The Merger Proposal

After completion of the Reorganisation Proposal, the following transactions would be implemented subject to the fulfillment of their respective conditions precedent:

(i) The Husky Share Exchange

Hutchison Whampoa Limited would acquire 61,357,010 shares of Husky Energy Inc. from a company indirectly owned by the controlling shareholder of CKH and the consideration for the acquisition would be satisfied by 84,427,246 new shares to be issued by the Company.

(ii) The Hutchison Proposal

The Company would make a conditional share exchange offer to shareholders of Hutchison Whampoa Limited (other than those that are subsidiaries of CKH). On completion of the Hutchison Proposal, Hutchison Whampoa Limited would become a wholly-owned subsidiary of the Company.

(c) The Spin-off Proposal

Immediately following completion of the Hutchison Proposal, the property businesses of the CKH Group and Hutchison Whampoa Limited would be transferred to Cheung Kong Property Holdings Limited ("CK Property"). Thereafter, CK Property would issue shares to all qualifying shareholders of the Company at the ratio of one share of CK Property for every one share of the Company then held.

7 Events after the Period End Date *(continued)*

The Scheme was approved by the shareholders of CKH at the court meeting and general meeting on 25th February, 2015 and sanctioned by the Court of First Instance of the High Court of Hong Kong (the "Court") on 17th March 2015. The Reorganisation Proposal was completed on 18th March, 2015.

On 20th April, 2015, an ordinary resolution to approve the Hutchison Proposal and the proposed issue of new shares of the Company pursuant to the Husky Share Exchange was duly passed at the extraordinary general meeting of the Company.

The Merger Proposal and the Spin-off Proposal are still subject to, among other things, compliance with applicable legal and regulatory requirements, including sanction by the Court and approval of the Stock Exchange and/or other regulators.

8 Approval of Financial Statements

The financial statements reported in Hong Kong dollars and set out on pages 114 to 119 were approved by the Board of Directors of the Company on 24th April, 2015.

Cheung Kong (Holdings) Limited

Consolidated Income Statement

For the year ended 31st December, 2014

| | Note | 2014 \$ Million | 2013 \$ Million |
|---|------|--------------------|--------------------|
| Group turnover | | 24,259 | 17,013 |
| Share of property sales of joint ventures | | 6,959 | 15,301 |
| Turnover | (3) | 31,218 | 32,314 |
| Group turnover | | 24,259 | 17,013 |
| Investment and other income | | 2,125 | 4,467 |
| Operating costs | | | |
| Property and related costs | | (12,980) | (7,983) |
| Salaries and related expenses | | (1,515) | (1,609) |
| Interest and other finance costs | | (328) | (356) |
| Depreciation | | (393) | (325) |
| Other expenses | | (468) | (473) |
| | | (15,684) | (10,746) |
| Share of net profit of joint ventures | | 4,666 | 5,771 |
| Increase in fair value of investment properties | | 4,542 | 1,782 |
| Profit on disposal of property joint ventures | | 2,349 | 798 |
| Profit on disposal of investment properties | | – | 2,760 |
| Operating profit | | 22,257 | 21,845 |
| Share of net profit of associates | | 33,670 | 15,649 |
| Profit before taxation | (4) | 55,927 | 37,494 |
| Taxation | (5) | (1,319) | (1,522) |
| Profit for the year | | 54,608 | 35,972 |
| Profit attributable to | | | |
| Shareholders of the Company | (6) | 53,869 | 35,260 |
| Non-controlling interests and holders of perpetual securities | | 739 | 712 |
| | | 54,608 | 35,972 |
| Earnings per share | (7) | \$23.26 | \$15.22 |

Cheung Kong (Holdings) Limited

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2014

| | 2014 \$ Million | 2013 \$ Million |
|--|--------------------|--------------------|
| Profit for the year | 54,608 | 35,972 |
| Other comprehensive income (loss) – reclassifiable to profit or loss | | |
| Translation of financial statements of operations outside Hong Kong – exchange gain (loss) | (738) | 154 |
| Investments available for sale | | |
| Gain in fair value | 462 | 428 |
| Gain in fair value reclassified to profit or loss upon disposal | (313) | (1,127) |
| Impairment charged to income statement | 44 | 614 |
| Hedging instruments designated and qualify as net investment hedges – gain (loss) in fair value | 1,475 | (338) |
| Share of other comprehensive loss of associates | (13,082) | (2,486) |
| Share of other comprehensive income (loss) of joint ventures | (3,035) | 1,188 |
| Other comprehensive income (loss) – not reclassifiable to profit or loss | | |
| Share of other comprehensive income (loss) of associates | (87) | 537 |
| Share of other comprehensive income (loss) of joint ventures | (221) | 47 |
| Other comprehensive income (loss) | (15,495) | (983) |
| Total comprehensive income for the year | 39,113 | 34,989 |
| Total comprehensive income attributable to | | |
| Shareholders of the Company | 38,375 | 34,271 |
| Non-controlling interests and holders of perpetual securities | 738 | 718 |
| | 39,113 | 34,989 |

Cheung Kong (Holdings) Limited

Consolidated Statement of Financial Position

As at 31st December, 2014

| | Note | 2014 \$ Million | 2013 \$ Million |
|--|------|--------------------|--------------------|
| Non-current assets | | | |
| Fixed assets | (8) | 17,454 | 9,977 |
| Investment properties | (9) | 33,285 | 28,777 |
| Associates | (11) | 216,841 | 196,812 |
| Joint ventures | (12) | 68,754 | 65,659 |
| Investments available for sale | (13) | 10,705 | 9,334 |
| Long term loan receivables | | 301 | 1,073 |
| Derivative financial instruments | | 476 | – |
| | | 347,816 | 311,632 |
| Current assets | | | |
| Stock of properties | (14) | 73,199 | 79,784 |
| Debtors, deposits and prepayments | (15) | 2,510 | 2,313 |
| Investments held for trading | (16) | 918 | 1,360 |
| Derivative financial instruments | | 319 | 551 |
| Bank balances and deposits | | 33,179 | 33,197 |
| | | 110,125 | 117,205 |
| Current liabilities | | | |
| Bank and other loans | (17) | 18,352 | 2,438 |
| Creditors and accruals | (18) | 11,451 | 11,699 |
| Derivative financial instruments | | 191 | 167 |
| Provision for taxation | | 1,356 | 1,162 |
| | | 78,775 | 101,739 |
| Net current assets | | | |
| | | 426,591 | 413,371 |
| Total assets less current liabilities | | | |
| Non-current liabilities | | | |
| Bank and other loans | (17) | 19,522 | 39,452 |
| Deferred tax liabilities | (19) | 1,022 | 986 |
| Derivative financial instruments | | – | 112 |
| | | 20,544 | 40,550 |
| Net assets | | | |
| Representing: | | | |
| Share capital | (20) | 10,489 | 1,158 |
| Share premium | (20) | – | 9,331 |
| Reserves | | 383,656 | 350,192 |
| Shareholders' funds | | 394,145 | 360,681 |
| Perpetual securities | (22) | 9,045 | 9,048 |
| Non-controlling interests | | 2,857 | 3,092 |
| Total equity | | 406,047 | 372,821 |

Li Ka-shing
Director

Ip Tak Chuen, Edmond
Director

Cheung Kong (Holdings) Limited

Statement of Financial Position

As at 31st December, 2014

| | Note | 2014 \$ Million | 2013 \$ Million |
|-----------------------------------|------|--------------------|--------------------|
| Non-current assets | | | |
| Fixed assets | (8) | 5 | 5 |
| Subsidiaries | (10) | 27,726 | 30,733 |
| Associates | (11) | 1 | 1 |
| Joint ventures | (12) | 767 | 767 |
| | | 28,499 | 31,506 |
| Current assets | | | |
| Stock of properties | (14) | 3 | 3 |
| Debtors, deposits and prepayments | (15) | 57 | 150 |
| Bank balances and deposits | | 350 | 315 |
| | | 410 | 468 |
| Current liabilities | | | |
| Creditors and accruals | (18) | 314 | 291 |
| Provision for taxation | | 4 | – |
| Net current assets | | 92 | 177 |
| Net assets | | 28,591 | 31,683 |
| Representing: | | | |
| Share capital | (20) | 10,489 | 1,158 |
| Share premium | (20) | – | 9,331 |
| Reserves | (21) | 18,102 | 21,194 |
| Total equity | | 28,591 | 31,683 |

Li Ka-shing
Director

Ip Tak Chuen, Edmond
Director

Cheung Kong (Holdings) Limited

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2014

| | Shareholders' Funds | | | | | | Total Equity \$ Million |
|---|-----------------------------|---|-----------------------------------|---------------------|---|--|-------------------------------|
| | Share capital \$ Million | Share premium and reserves ⁽¹⁾ \$ Million | Retained profits \$ Million | Total \$ Million | Holders of perpetual securities \$ Million | Non- controlling interests \$ Million | |
| Balance at 1st January, 2014 | 1,158 | 16,807 | 342,716 | 360,681 | 9,048 | 3,092 | 372,821 |
| Profit for the year | - | - | 53,869 | 53,869 | 457 | 282 | 54,608 |
| Other comprehensive income (loss) | | | | | | | |
| Translation of financial statements of operations outside Hong Kong – exchange loss | - | (737) | - | (737) | - | (1) | (738) |
| Investments available for sale | | | | | | | |
| Gain in fair value | - | 462 | - | 462 | - | - | 462 |
| Gain in fair value reclassified to profit or loss upon disposal | - | (313) | - | (313) | - | - | (313) |
| Impairment charged to income statement | - | 44 | - | 44 | - | - | 44 |
| Hedging instruments designated and qualify as net investment hedges – gain in fair value | - | 1,475 | - | 1,475 | - | - | 1,475 |
| Share of other comprehensive loss of associates | - | (13,078) | (91) | (13,169) | - | - | (13,169) |
| Share of other comprehensive loss of joint ventures | - | (3,035) | (221) | (3,256) | - | - | (3,256) |
| Total comprehensive income for the year | - | (15,182) | 53,557 | 38,375 | 457 | 281 | 39,113 |
| Transfer from share premium to share capital upon abolition of par value | 9,331 | (9,331) | - | - | - | - | - |
| Share of dilution surplus of associate ⁽²⁾ | - | 19,497 | - | 19,497 | - | - | 19,497 |
| Change in non-controlling interests | - | - | - | - | - | (207) | (207) |
| Distribution paid on perpetual securities | - | - | - | - | (460) | - | (460) |
| Dividend paid to non-controlling interests | - | - | - | - | - | (309) | (309) |
| Dividend paid to shareholders of the Company | | | | | | | |
| Special dividend \$7 per share | - | - | (16,213) | (16,213) | - | - | (16,213) |
| 2013 final dividend \$2.90 per share | - | - | (6,717) | (6,717) | - | - | (6,717) |
| 2014 first interim dividend \$0.638 per share | - | - | (1,478) | (1,478) | - | - | (1,478) |
| Balance at 31st December, 2014 | 10,489 | 11,791 | 371,865 | 394,145 | 9,045 | 2,857 | 406,047 |

| | Shareholders' Funds | | | | | | |
|--|-----------------------------|---|--------------------------------|---------------------|---|---|----------------------------|
| | Share capital \$ Million | Share premium and reserves ⁽¹⁾ \$ Million | Retained profits \$ Million | Total \$ Million | Holders of perpetual securities \$ Million | Non-controlling interests \$ Million | Total Equity \$ Million |
| Balance at 1st January, 2013 | 1,158 | 18,364 | 314,321 | 333,843 | 5,652 | 3,157 | 342,652 |
| Profit for the year | – | – | 35,260 | 35,260 | 447 | 265 | 35,972 |
| Other comprehensive income (loss) | | | | | | | |
| Translation of financial statements of operations outside Hong Kong – exchange gain | – | 148 | – | 148 | – | 6 | 154 |
| Investments available for sale | | | | | | | |
| Gain in fair value | – | 428 | – | 428 | – | – | 428 |
| Gain in fair value reclassified to profit or loss upon disposal | – | (1,127) | – | (1,127) | – | – | (1,127) |
| Impairment charged to income statement | – | 614 | – | 614 | – | – | 614 |
| Hedging instruments designated and qualify as net investment hedges – loss in fair value | – | (338) | – | (338) | – | – | (338) |
| Share of other comprehensive income (loss) of associates | – | (2,470) | 521 | (1,949) | – | – | (1,949) |
| Share of other comprehensive income of joint ventures | – | 1,188 | 47 | 1,235 | – | – | 1,235 |
| Total comprehensive income for the year | – | (1,557) | 35,828 | 34,271 | 447 | 271 | 34,989 |
| Change in non-controlling interests | – | – | – | – | – | (246) | (246) |
| Issue of perpetual securities | – | – | – | – | 3,875 | – | 3,875 |
| Transaction costs for issue of perpetual securities | – | – | (41) | (41) | – | – | (41) |
| Purchase and cancellation of perpetual securities | – | – | 42 | 42 | (579) | – | (537) |
| Distribution paid on perpetual securities | – | – | – | – | (347) | – | (347) |
| Dividend paid to non-controlling interests | – | – | – | – | – | (90) | (90) |
| Dividend paid to shareholders of the Company | | | | | | | |
| 2012 final dividend \$2.63 per share | – | – | (6,091) | (6,091) | – | – | (6,091) |
| 2013 interim dividend \$0.58 per share | – | – | (1,343) | (1,343) | – | – | (1,343) |
| Balance at 31st December, 2013 | 1,158 | 16,807 | 342,716 | 360,681 | 9,048 | 3,092 | 372,821 |

Cheung Kong (Holdings) Limited
Consolidated Statement of Changes in Equity (continued)

(1) Share premium and reserves

| | Share premium \$ Million | Capital reserve \$ Million | Investment revaluation reserve \$ Million | Exchange reserve \$ Million | Share of reserves of associates and joint ventures \$ Million | Total \$ Million |
|---|--------------------------------|----------------------------------|--|-----------------------------------|---|---------------------|
| Balance at 1st January, 2014 | 9,331 | 345 | 3,373 | 508 | 3,250 | 16,807 |
| Other comprehensive income (loss) | - | - | 193 | 738 | (16,113) | (15,182) |
| Transfer from share premium to share capital upon abolition of par value | (9,331) | - | - | - | - | (9,331) |
| Share of dilution surplus of associate ⁽²⁾ | - | - | - | - | 19,497 | 19,497 |
| Balance at 31st December, 2014 | - | 345 | 3,566 | 1,246 | 6,634 | 11,791 |
| Balance at 1st January, 2013 | 9,331 | 345 | 3,458 | 698 | 4,532 | 18,364 |
| Other comprehensive income (loss) | - | - | (85) | (190) | (1,282) | (1,557) |
| Balance at 31st December, 2013 | 9,331 | 345 | 3,373 | 508 | 3,250 | 16,807 |

- (2) Share of dilution surplus of associate represents the Group's share of increase in reserves of Hutchison Whampoa Limited relating to dilution of interest in its subsidiary, A.S. Watson Holdings Limited.

Cheung Kong (Holdings) Limited

Consolidated Statement of Cash Flows

For the year ended 31st December, 2014

| | Note | 2014 \$ Million | 2013 \$ Million |
|---|------|--------------------|--------------------|
| Operating activities | | | |
| Cash generated from operations | (a) | 18,109 | 5,552 |
| Investment in/loan advance to joint ventures | | (3,176) | (695) |
| Dividend/repayment from joint ventures | | 1,904 | 7,118 |
| Dividend from associates | | 19,969 | 4,564 |
| Dividend from investments in securities | | 320 | 401 |
| Interest received | | 1,126 | 827 |
| Dividend paid to shareholders of the Company | | (24,408) | (7,434) |
| Dividend paid to non-controlling interests | | (309) | (90) |
| Distribution paid on perpetual securities | | (460) | (372) |
| Profits tax paid | | (1,089) | (855) |
| Increase in bank deposits maturing over three months | | (1,822) | (1,920) |
| Net cash from operating activities | | 10,164 | 7,096 |
| Investing activities | | | |
| Investment in/loan advance to joint ventures | | (5,278) | (2,525) |
| Dividend/repayment from joint ventures | | 1,711 | 199 |
| Disposal of property joint ventures | | 3,298 | 1,560 |
| Investment in/loan advance to associates | | – | (367) |
| Purchase of investments available for sale | | (182) | (180) |
| Disposal/redemption of investments available for sale | | 595 | 2,946 |
| Addition of investment properties | | (18) | (6) |
| Disposal of investment properties | | – | 5,427 |
| Addition of fixed assets | | (7,849) | (162) |
| Net cash from (used in) investing activities | | (7,723) | 6,892 |
| Financing activities | | | |
| Borrowing of bank and other loans | | – | 4,086 |
| Repayment of bank and other loans | | (3,370) | (10,179) |
| Decrease in funding from non-controlling interests | | (207) | (246) |
| Issue of perpetual securities | | – | 3,834 |
| Purchase and cancellation of perpetual securities | | – | (537) |
| Interest and other finance costs paid | | (704) | (836) |
| Net cash used in financing activities | | (4,281) | (3,878) |
| Net increase (decrease) in cash and cash equivalents | | (1,840) | 10,110 |
| Cash and cash equivalents at 1st January | | 31,277 | 21,167 |
| Cash and cash equivalents at 31st December | (b) | 29,437 | 31,277 |

Cheung Kong (Holdings) Limited
Consolidated Statement of Cash Flows (continued)

Notes:

(a) Cash generated from operations

| | 2014 \$ Million | 2013 \$ Million |
|---|--------------------|--------------------|
| Profit before taxation | 55,927 | 37,494 |
| Interest income | (1,212) | (858) |
| Interest and other finance costs | 328 | 356 |
| Dividend income from investments in securities | (471) | (491) |
| Share of net profit of joint ventures | (4,666) | (5,771) |
| Share of net profit of associates | (33,670) | (15,649) |
| Increase in fair value of investment properties | (4,542) | (1,782) |
| Profit on disposal of property joint ventures | (2,349) | (798) |
| Profit on disposal of investment properties | – | (2,760) |
| (Increase) decrease in long term loan receivables | 772 | (787) |
| Gain on disposal of investments available for sale | (313) | (1,127) |
| Impairment of investments available for sale | 44 | 614 |
| Depreciation | 393 | 325 |
| Exchange difference and other items | (104) | (344) |
| Changes in working capital | | |
| (Increase) decrease in investments held for trading | 442 | (1,124) |
| Decrease in stock of properties | 6,944 | 788 |
| Increase (decrease) in customers' deposits received | (1,154) | 184 |
| Decrease in debtors, deposits and prepayments | 626 | 149 |
| (Increase) decrease in derivative financial instruments | 256 | (1,259) |
| Increase (decrease) in creditors and accruals | 858 | (1,608) |
| | 7,972 | (2,870) |
| | 18,109 | 5,552 |

(b) Cash and cash equivalents

| | 2014 \$ Million | 2013 \$ Million |
|--|--------------------|--------------------|
| Bank balances and deposits | 33,179 | 33,197 |
| Less: Bank deposits maturing over three months | (3,742) | (1,920) |
| | 29,437 | 31,277 |

Cheung Kong (Holdings) Limited

Notes to Financial Statements

1. General Information

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of registered office is 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

2. Principal Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs"). The financial statements are prepared under the historical cost convention except that investments in securities, investment properties and derivative financial instruments, as set out in notes 2(f), 2(h) and 2(l) respectively, are stated at fair values.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised HKFRSs. The adoption of these HKFRSs which are effective for the Group's annual accounting periods beginning on 1st January, 2014 has no significant impact on the Group's results and financial position, and for the following HKFRSs which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

Effective for the Group's annual accounting periods beginning on 1st January, 2015

| | |
|-----------------------------|---|
| Amendments to HKFRSs | Annual Improvements 2010-2012 Cycle |
| Amendments to HKFRSs | Annual Improvements 2011-2013 Cycle |
| HKAS 19 (2011) (Amendments) | Defined Benefit Plans: Employee Contributions |

Effective for the Group's annual accounting periods beginning on 1st January, 2016

| | |
|--|--|
| Amendments to HKFRSs | Annual Improvements 2012-2014 Cycle |
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |
| Amendments to HKAS 27 (2011) | Equity Method in Separate Financial Statements |
| Amendments to HKFRS 10 and HKAS 28 (2011) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | Investment Entities: Applying the Consolidation Exception |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |

Effective for the Group's annual accounting periods beginning on 1st January, 2017

| | |
|----------|---------------------------------------|
| HKFRS 15 | Revenue from Contracts with Customers |
|----------|---------------------------------------|

Effective for the Group's annual accounting periods beginning on 1st January, 2018

| | |
|---------|-----------------------|
| HKFRS 9 | Financial Instruments |
|---------|-----------------------|

2. Principal Accounting Policies (*continued*)

(b) Consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its direct and indirect subsidiaries made up to 31st December, and also incorporate the Group's interests in joint ventures and associates on the basis set out in note 2(d) and note 2(e) respectively.

Results of subsidiaries, joint ventures and associates acquired or disposed of during the year are included as from their effective dates of acquisition to the end of the year or up to the dates of disposal as the case may be. Goodwill on acquisition of subsidiaries is carried at cost and reviewed for impairment annually. Impairment, if any, is charged to income statement.

(c) Subsidiaries

A subsidiary is an entity which after considering the relevant facts, the Group has (i) power over the entity; (ii) exposure, or rights, to variable returns from involvement with the entity; and (iii) ability to use power over the entity to affect the amount of return.

Subsidiaries are accounted for in the consolidated financial statements as described in note 2(b) above. In the financial statements of the Company, investments in subsidiaries are carried at cost less provision for impairment.

(d) Joint ventures

A joint venture is an entity in which the Group has a long term equity interest and of which the Group shares joint control with other parties under contractual arrangements on decisions that significantly affect its returns.

Investments in joint ventures are carried in the consolidated financial statements at cost plus the Group's share of their post-acquisition results less dividends received and provision for impairment.

Results of joint ventures are incorporated in the consolidated financial statements to the extent of the Group's share of their total comprehensive income based on their financial statements made up to 31st December and after adjusting, where necessary, to ensure consistency with the Group's accounting policies.

(e) Associates

An associate is an entity, other than a subsidiary or a joint venture, in which the Group has a long term equity interest and significant influence over its management.

Investments in associates are carried in the consolidated financial statements at cost plus the Group's share of their post-acquisition results less dividends received and provision for impairment.

Results of associates are incorporated in the consolidated financial statements to the extent of the Group's share of their total comprehensive income based on their financial statements made up to 31st December and after adjusting, where necessary, to ensure consistency with the Group's accounting policies.

2. Principal Accounting Policies *(continued)*

(f) Investments in securities

Investments in securities, other than subsidiaries, joint ventures or associates, are classified as either investments held for trading or investments available for sale, and are stated at fair value. Changes in fair value of investments held for trading are included in income statement. Changes in fair value of investments available for sale are recognised in other comprehensive income and reclassified to profit or loss upon disposal.

Investments available for sale are reviewed for impairment when there are significant or prolonged declines in fair value of equity securities below costs or when there are observable evidences that debt securities cannot be recovered in full. Impairment, if any, is charged to income statement and is not reversible unless for debt securities, increase in fair value in a subsequent period can be objectively related to events occurring after the impairment is recognised.

Purchase and sale of investments in securities are accounted for on a trade date basis.

(g) Fixed assets

Fixed assets are stated at cost less depreciation and provision for impairment.

For hotel and serviced suite properties, leasehold land is amortised over the remaining term of the lease on a straight-line basis and buildings are depreciated over the shorter of 50 years or the remaining term of the lease of the underlying leasehold land. Aircraft are depreciated on a straight-line basis, after taking into account a residual value of 10% of their costs, over an expected useful life of 25 years from their respective dates of first use. Other fixed assets are depreciated on a straight-line basis at annual rates of 5% to 33 $\frac{1}{3}$ % based on their respective estimated useful lives.

(h) Investment properties

Investment properties, which are held for rental, are stated at fair value. Investment properties under development are stated at fair value when their fair values become reliably determinable or upon completion of their construction, whichever is the earlier, otherwise at cost less provision for impairment. Changes in fair value are included in income statement.

(i) Loan receivables

Loan receivables are non-derivative financial assets with fixed or determinable payments. Loan receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method less provision for impairment.

2. Principal Accounting Policies (continued)

(j) Stock of properties

Stock of properties are stated at the lower of cost and net realisable value. Net realisable value is determined with reference to sale proceeds received after year end date less selling expenses, or by management estimates based on prevailing market conditions.

Costs of properties include acquisition costs, development expenditure, interest and other direct costs attributable to the properties. The carrying values of properties held by subsidiaries are adjusted in the consolidated financial statements to reflect the Group's actual costs incurred where appropriate.

(k) Debtors

Debtors are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method less provision for impairment.

(l) Derivative financial instruments and hedge accounting

Derivative financial instruments are used for investment and financial purposes and are stated at fair value.

For derivative financial instruments that qualify for hedge accounting, if they are designated as fair value hedges, changes in their fair value are included in income statement together with any changes in fair value of the hedged assets or liabilities that are attributable to the hedged risk; if they are designated as net investment hedges, changes in their fair value are recognised in other comprehensive income. Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are included in income statement.

Gain or loss on other financial liabilities that are designated and qualify as net investment hedges are recognised in other comprehensive income.

Any cumulative gain or loss on net investment hedges, previously recognised in other comprehensive income, is reclassified to profit or loss upon disposal of the investment hedged.

(m) Bank and other loans

Bank and other loans are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

(n) Creditors

Creditors are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

2. Principal Accounting Policies *(continued)*

(o) Revenue recognition

When properties under development are sold, income is recognised when the property development is completed with the relevant occupation permit issued by the Authorities and the significant risks and rewards of the properties are passed to the purchasers. Payments received from purchasers prior to this stage are accounted for as customers' deposits received.

Property rental income and aircraft leasing income are recognised on a straight-line basis over the term of the lease. Income from property and project management is recognised when services are rendered. Revenue from hotel and serviced suite operation is recognised upon provision of services. Interest income is recognised on a time proportion basis using the effective interest method; and dividend income is recognised when the right to receive payment is certain.

(p) Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the year end date. Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Exchange differences are included in income statement.

For translation of the financial statements of subsidiaries, joint ventures and associates denominated in foreign currencies into presentation currency of the Company, assets and liabilities are translated at the exchange rates prevailing at the year end date and results are translated at the average rates of exchange for the year. Exchange differences are recognised in other comprehensive income.

(q) Taxation

Hong Kong profits tax is provided for, using the enacted rate at the year end date, on the estimated assessable profits less available tax relief for losses brought forward of each individual company comprising the Group. Tax outside Hong Kong is provided for, using the local enacted rates at the year end date, on the estimated assessable profits of the individual company concerned.

Deferred tax liabilities are provided in full, based on the applicable enacted rates, on all temporary differences between the carrying amounts of assets and liabilities and their tax bases, and deferred tax assets are recognised, based on the applicable enacted rates, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

(r) Borrowing costs

Borrowing costs are charged to income statement when they are incurred unless they are capitalised as being directly attributable to the acquisition and development of properties which necessarily take a substantial period of time to complete.

Cheung Kong (Holdings) Limited
Notes to Financial Statements (continued)

3. Turnover and Contribution

The principal activities of the Group are property development and investment, hotel and serviced suite operation, property and project management, aircraft leasing, investment in infrastructure business and securities.

Turnover of Group activities comprises proceeds from property sales, property rental income, revenue from hotel and serviced suite operation, income from property and project management and aircraft leasing income. In addition, the Group also includes its proportionate share of proceeds from property sales of joint ventures as turnover. Turnover of joint ventures (save for proceeds from property sales shared by the Group) and turnover of listed and unlisted associates are not included.

Turnover of the Group by operating activities for the year is as follows:

| | 2014 \$ Million | 2013 \$ Million |
|---|--------------------|--------------------|
| Property sales | 19,389 | 12,288 |
| Property rental | 1,908 | 1,960 |
| Hotel and serviced suite operation | 2,213 | 2,368 |
| Property and project management | 528 | 397 |
| Aircraft leasing | 221 | – |
| Group turnover | 24,259 | 17,013 |
| Share of property sales of joint ventures | 6,959 | 15,301 |
| Turnover | 31,218 | 32,314 |

During the year, turnover of the Group's operating activities outside Hong Kong (including property sales of joint ventures) accounted for approximately 24% (2013 – 54%) of the turnover and was derived from the following locations:

| | 2014 \$ Million | 2013 \$ Million |
|--------------|--------------------|--------------------|
| The Mainland | 6,039 | 16,454 |
| Singapore | 1,210 | 980 |
| Others | 127 | – |
| | 7,376 | 17,434 |

3. Turnover and Contribution *(continued)*

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

| | Company and subsidiaries | | Joint ventures | | Total | |
|--|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million | 2014 \$ Million | 2013 \$ Million | 2014 \$ Million | 2013 \$ Million |
| Property sales | 6,523 | 4,710 | 1,913 | 5,474 | 8,436 | 10,184 |
| Property rental | 1,750 | 1,790 | 300 | 322 | 2,050 | 2,112 |
| Hotel and serviced suite operation | 942 | 989 | 279 | 284 | 1,221 | 1,273 |
| Property and project management | 153 | 136 | 61 | 46 | 214 | 182 |
| | 9,368 | 7,625 | 2,553 | 6,126 | 11,921 | 13,751 |
| Infrastructure business | – | – | 1,798 | 1,602 | 1,798 | 1,602 |
| Aircraft leasing | 112 | – | 222 | – | 334 | – |
| | 9,480 | 7,625 | 4,573 | 7,728 | 14,053 | 15,353 |
| Investment and finance | | | | | 1,688 | 3,741 |
| Interest and other finance costs | | | | | (328) | (356) |
| Increase in fair value of investment properties | | | | | | |
| Subsidiaries | | | | | 4,542 | 1,782 |
| Joint ventures | | | | | 510 | 24 |
| Profit on disposal of property joint ventures | | | | | 2,349 | 798 |
| Profit on disposal of investment properties | | | | | – | 2,760 |
| Others | | | | | 152 | 428 |
| Taxation | | | | | | |
| Company and subsidiaries | | | | | (1,319) | (1,522) |
| Joint ventures | | | | | (709) | (2,684) |
| Profit attributable to non-controlling interests and holders of perpetual securities | | | | | (739) | (712) |
| | | | | | 20,199 | 19,612 |
| Share of net profit of listed associates | | | | | | |
| Hutchison Whampoa Limited | | | | | | |
| Net profit (excluding investment property revaluation and share of associate's exceptional gain) | | | | | 12,985 | 15,544 |
| Investment property revaluation | | | | | 12,540 | – |
| Share of associate's gain on separate listing of Hong Kong electricity business | | | | | 8,026 | – |
| CK Life Sciences Int'l., (Holdings) Inc. | | | | | 119 | 104 |
| Profit attributable to shareholders of the Company | | | | | 53,869 | 35,260 |

Cheung Kong (Holdings) Limited
Notes to Financial Statements (continued)

4. Profit before Taxation

| | 2014 \$ Million | 2013 \$ Million |
|--|--------------------|--------------------|
| Profit before taxation is arrived at after charging: | | |
| Interest and other finance costs | | |
| Bank loans and other loans repayable within 5 years | 703 | 847 |
| Other loans not repayable within 5 years | 79 | 79 |
| Gain on loan hedging | (86) | (98) |
| | 696 | 828 |
| Less: Amount capitalised (note (a)) | (368) | (472) |
| | 328 | 356 |
| Directors' emoluments (note (b)) | | |
| Salaries, allowances and benefits in kind | 129 | 121 |
| Pension scheme contribution | 12 | 12 |
| Discretionary bonus | 104 | 98 |
| | 245 | 231 |
| Less: Emoluments from listed associates paid back | (13) | (12) |
| | 232 | 219 |
| Auditors' remuneration | 8 | 8 |
| Costs of properties sold | 11,708 | 6,894 |
| Impairment of investments available for sale | 44 | 614 |
| Operating lease charges – properties | 218 | 242 |
| and after crediting: | | |
| Net property rental income | 1,888 | 1,909 |
| Interest income from banks | 353 | 91 |
| Interest income from loan receivables | 21 | 12 |
| Interest income from joint ventures | 767 | 714 |
| Interest income from associates | 16 | 14 |
| Income from listed investments in securities | | |
| Dividend income from equity securities | 467 | 467 |
| Interest income from debt securities | 42 | 12 |
| Income from unlisted investments in securities | | |
| Dividend income from equity securities | 4 | 24 |
| Interest income from debt securities | 13 | 15 |
| Exchange difference | 92 | 259 |
| Gain on investments held for trading | 28 | 855 |
| Gain on disposal of investments available for sale | 313 | 1,127 |

Notes:

- (a) Interest and other finance costs were capitalised at annual rates of approximately 1.5% (2013 – 1.8%) on average to various property development projects.

4. Profit before Taxation (continued)

- (b) Directors' emoluments comprised payments to the Company's directors (including the five highest paid individuals in the Group) in connection with the management of the affairs of the Group. The independent non-executive directors receive an annual director's fee of \$220,000 (2013 – \$120,000) each; and for those acting as members of the Audit Committee and/or Remuneration Committee, additional annual fee of \$130,000 (2013 – \$130,000) each is paid for the former and \$60,000 (2013 – \$60,000) each is paid for the latter. The emoluments of the Company's directors, excluding emoluments received by them from listed associates, are as follows:

| | Director's Fees \$ Million | Salaries, Allowances and Benefits in Kind \$ Million | Pension Scheme Contribution \$ Million | Discretionary Bonus \$ Million | Inducement or Compensation Fee \$ Million | 2014 Total \$ Million | 2013 Total \$ Million |
|-------------------------------------|----------------------------------|--|---|--------------------------------------|--|-----------------------------|-----------------------------|
| Li Ka-shing ⁽¹⁾ | 0.01 | - | - | - | - | 0.01 | 0.01 |
| Li Tzar Kuoi, Victor ⁽²⁾ | 0.22 | 41.85 | 4.18 | 23.41 | - | 69.66 | 65.91 |
| Kam Hing Lam ⁽³⁾ | 0.22 | 20.43 | 2.04 | 0.88 | - | 23.57 | 22.36 |
| Ip Tak Chuen, Edmond ⁽⁴⁾ | 0.22 | 16.75 | 1.67 | 10.24 | - | 28.88 | 27.23 |
| Chung Sun Keung, Davy | 0.22 | 10.40 | 1.04 | 18.27 | - | 29.93 | 28.42 |
| Pau Yee Wan, Ezra | 0.22 | 11.79 | 1.18 | 14.50 | - | 27.69 | 26.28 |
| Woo Chia Ching, Grace | 0.22 | 11.80 | 1.18 | 18.20 | - | 31.40 | 29.81 |
| Chiu Kwok Hung, Justin | 0.22 | 10.57 | 1.05 | 18.28 | - | 30.12 | 28.61 |
| Leung Siu Hon | 0.22 | - | - | - | - | 0.22 | 0.12 |
| Fok Kin Ning, Canning | 0.22 | - | - | - | - | 0.22 | 0.12 |
| Frank John Sixt | 0.22 | - | - | - | - | 0.22 | 0.12 |
| Chow Kun Chee, Roland | 0.22 | - | - | - | - | 0.22 | 0.12 |
| George Colin Magnus | 0.22 | - | - | - | - | 0.22 | 0.12 |
| Lee Yeh Kwong, Charles | 0.22 | - | - | - | - | 0.22 | 0.11 |
| Kwok Tun-li, Stanley | 0.41 | - | - | - | - | 0.41 | 0.31 |
| Yeh Yuan Chang, Anthony | 0.22 | - | - | - | - | 0.22 | 0.12 |
| Simon Murray | 0.22 | - | - | - | - | 0.22 | 0.12 |
| Chow Nin Mow, Albert | 0.22 | - | - | - | - | 0.22 | 0.12 |
| Hung Siu-lin, Katherine | 0.35 | - | - | - | - | 0.35 | 0.25 |
| Wong Yick-ming, Rosanna | 0.28 | - | - | - | - | 0.28 | 0.18 |
| Cheong Ying Chew, Henry | 0.35 | - | - | - | - | 0.35 | 0.25 |
| Total for the year 2014 | 4.92 | 123.59 | 12.34 | 103.78 | - | 244.63 | |
| Total for the year 2013 | 2.91 | 117.73 | 11.74 | 98.31 | - | | 230.69 |

- (1) Other than a director's fee of \$5,000, no other remuneration was paid to the Chairman, Mr. Li Ka-shing. The amount of director's fee shown above is a result of rounding. The director's fee of \$50,000 received by Mr. Li Ka-shing from Hutchison Whampoa Limited was paid back to the Company.
- (2) Part of the directors' emoluments in the sum of \$3,864,000 received by Mr. Li Tzar Kuoi, Victor from the Hutchison Whampoa Group and the director's fee of \$75,000 received by him from CK Life Sciences Int'l., (Holdings) Inc. were paid back to the Company.
- (3) Part of the directors' emoluments in the sum of \$1,620,000 received by Mr. Kam Hing Lam from the Hutchison Whampoa Group and the directors' emoluments of \$3,575,000 received by him from CK Life Sciences Int'l., (Holdings) Inc. were paid back to the Company.
- (4) Part of the directors' emoluments in the sum of \$1,875,000 received by Mr. Ip Tak Chuen, Edmond from Cheung Kong Infrastructure Holdings Limited and the directors' emoluments of \$1,875,000 received by him from CK Life Sciences Int'l., (Holdings) Inc. were paid back to the Company.

Cheung Kong (Holdings) Limited
Notes to Financial Statements (continued)

5. Taxation

| | 2014 \$ Million | 2013 \$ Million |
|-----------------------|--------------------|--------------------|
| Current tax | | |
| Hong Kong profits tax | 1,398 | 1,026 |
| Tax outside Hong Kong | (115) | 330 |
| Deferred tax | 36 | 166 |
| | 1,319 | 1,522 |

Hong Kong profits tax has been provided for at the rate of 16.5% (2013 – 16.5%) on the estimated assessable profits for the year and operating profit (after adjusting for share of taxation of joint ventures) is reconciled with taxation as follows:

| | 2014 \$ Million | 2013 \$ Million |
|---|--------------------|--------------------|
| Adjusted operating profit at Hong Kong tax rate of 16.5% (2013 – 16.5%) | 3,789 | 4,047 |
| Effect of tax rate differences at locations outside Hong Kong | 261 | 2,087 |
| Effect of change of tax rate on deferred tax liabilities at location outside Hong Kong | – | (696) |
| Tax assessment differences at locations outside Hong Kong | (534) | – |
| Interest income from infrastructure business | (119) | (108) |
| Dividend income | (115) | (110) |
| Increase in fair value of investment properties | (819) | (297) |
| Profit on disposal of investment properties | – | (455) |
| Net effect of tax losses and deductible temporary differences utilised/not recognised | (256) | (55) |
| Net effect of non-assessable/deductible items | (14) | (203) |
| Tax provision in prior year written back | (167) | – |
| Others | 2 | (4) |
| | 2,028 | 4,206 |
| Less: Share of taxation of joint ventures | (709) | (2,684) |
| | 1,319 | 1,522 |

6. Profit Attributable to Shareholders of the Company

Profit attributable to shareholders of the Company dealt with in the income statement of the Company is \$21,316 million (2013 – \$8,560 million) and dividends paid and declared for the year by the Company are as follows:

| | 2014 \$ Million | 2013 \$ Million |
|--|--------------------|--------------------|
| Special dividend paid at \$7 (2013 – Nil) per share | 16,213 | – |
| First interim dividend paid at \$0.638 (2013 – \$0.58) per share | 1,478 | 1,343 |
| Second interim dividend declared in lieu of final dividend at \$3.016 (2013 – final dividend at \$2.90) per share | 6,985 | 6,717 |
| | 24,676 | 8,060 |

7. Earnings Per Share

The calculation of earnings per share is based on profit attributable to shareholders of the Company and on 2,316,164,338 shares (2013 – 2,316,164,338 shares) in issue during the year.

8. Fixed Assets

| Group | Hotels and serviced suites | | Aircraft \$ Million | Other assets \$ Million | Total \$ Million |
|---|----------------------------|--|------------------------|-------------------------------|---------------------|
| | Hong Kong \$ Million | in Hong Kong outside \$ Million | | | |
| Cost | | | | | |
| At 1st January, 2013 | 11,998 | 721 | – | 1,350 | 14,069 |
| Translation difference | – | 23 | – | 8 | 31 |
| Additions/transfers | 97 | 10 | – | 38 | 145 |
| Disposals | – | – | – | (29) | (29) |
| At 31st December, 2013 | 12,095 | 754 | – | 1,367 | 14,216 |
| Translation difference | – | (2) | – | (1) | (3) |
| Additions/transfers | 143 | 37 | 7,599 | 105 | 7,884 |
| Disposals | – | – | – | (99) | (99) |
| At 31st December, 2014 | 12,238 | 789 | 7,599 | 1,372 | 21,998 |
| Accumulated depreciation/ provisions | | | | | |
| At 1st January, 2013 | 2,531 | 221 | – | 1,172 | 3,924 |
| Translation difference | – | 7 | – | 8 | 15 |
| Depreciation | 225 | 17 | – | 83 | 325 |
| Disposals | – | – | – | (25) | (25) |
| At 31st December, 2013 | 2,756 | 245 | – | 1,238 | 4,239 |
| Translation difference | – | (1) | – | (1) | (2) |
| Depreciation | 226 | 16 | 93 | 58 | 393 |
| Disposals | – | – | – | (86) | (86) |
| At 31st December, 2014 | 2,982 | 260 | 93 | 1,209 | 4,544 |
| Net book value | | | | | |
| At 31st December, 2014 | 9,256 | 529 | 7,506 | 163 | 17,454 |
| At 31st December, 2013 | 9,339 | 509 | – | 129 | 9,977 |

At the year end date, hotels and serviced suites in Hong Kong with carrying values of \$8,744 million (2013 – \$8,817 million) and \$512 million (2013 – \$522 million) were held under medium-term and long leases respectively, and hotels and serviced suites outside Hong Kong with carrying value of \$529 million (2013 – \$509 million) were held under medium-term leases.

Aircraft are movable assets and are leased to airline operators. Analysis of their geographical location is not practicable.

Cheung Kong (Holdings) Limited
Notes to Financial Statements (continued)

8. Fixed Assets (continued)

| Company | Other assets | |
|---------------------------------|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million |
| Cost | | |
| At 1st January | 191 | 189 |
| Additions | 3 | 2 |
| Disposals | (8) | – |
| At 31st December | 186 | 191 |
| Accumulated depreciation | | |
| At 1st January | 186 | 183 |
| Depreciation | 3 | 3 |
| Disposals | (8) | – |
| At 31st December | 181 | 186 |
| Net book value at 31st December | 5 | 5 |

9. Investment Properties

| | Group | |
|------------------------------------|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million |
| Investment properties in Hong Kong | | |
| At 1st January | 28,777 | 29,656 |
| Additions/cost adjustments | (34) | 2 |
| Disposals | – | (2,663) |
| Increase in fair value | 4,542 | 1,782 |
| At 31st December | 33,285 | 28,777 |

At the year end date:

- (a) investment properties were fair valued by DTZ Debenham Tie Leung Limited, independent professional valuers;
- (b) fair values of investment properties are generally derived using the income capitalisation method which is based on the capitalisation of net income and reversionary income potential by appropriate capitalisation rates; the capitalisation rates adopted, ranging between 4% to 8% generally and inversely related to the values derived, are based on analysis of relevant sale transactions and interpretation of prevailing market expectations and capitalisation rates adopted for major investment properties were as follows:
 - (i) The Center (commercial office property) 5.00%
 - (ii) 1881 Heritage (retail shopping mall) 5.25%
- (c) investment properties with carrying value of \$32,050 million (2013 – \$27,768 million) and \$1,235 million (2013 – \$1,009 million) were held under medium-term and long leases respectively; and
- (d) gross rental income and direct operating expenses of investment properties for the year amounted to \$1,761 million (2013 – \$1,802 million) and \$12 million (2013 – \$46 million) respectively.

10. Subsidiaries

| | Company | |
|---------------------------------|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million |
| Unlisted shares in subsidiaries | 7,922 | 3,222 |
| Amounts due from subsidiaries | 19,964 | 27,702 |
| Amounts due to subsidiaries | (160) | (191) |
| | 27,726 | 30,733 |

Particulars regarding the principal subsidiaries are set out in Appendix I.

11. Associates

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million | 2014 \$ Million | 2013 \$ Million |
| Investments in listed associates (note (a)) | 28,132 | 28,132 | – | – |
| Share of results less dividends | 187,894 | 167,865 | – | – |
| | 216,026 | 195,997 | – | – |
| Investments in unlisted associates (note (b)) | 6 | 6 | 1 | 1 |
| Share of results less dividends | (5) | (5) | – | – |
| | 1 | 1 | 1 | 1 |
| Amounts due from associates (note (c)) | 814 | 814 | – | – |
| | 216,841 | 196,812 | 1 | 1 |

Notes:

- (a) Reconciliations of published financial information of Hutchison Whampoa Limited (“Hutchison Whampoa”) and CK Life Sciences Int’l., (Holdings) Inc. (“CK Life Sciences”), the listed associates, to the Group’s carrying amounts are as follows:

| | Hutchison Whampoa | | CK Life Sciences | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million | 2014 \$ Million | 2013 \$ Million |
| Published financial information of listed associates | | | | |
| Share capital | 29,425 | 1,066 | 961 | 961 |
| Share premium and reserves | 397,155 | 385,299 | 3,702 | 4,016 |
| Capital and reserves | 426,580 | 386,365 | 4,663 | 4,977 |
| Shared by the Group: | | | | |
| Capital and reserves | 213,119 | 193,048 | 2,113 | 2,256 |
| Other costs/differences | 799 | 761 | (5) | (68) |
| Carrying amount | 213,918 | 193,809 | 2,108 | 2,188 |

Cheung Kong (Holdings) Limited
Notes to Financial Statements (continued)

11. Associates (continued)

Notes: (continued)

Extracts of published financial information of Hutchison Whampoa and CK Life Sciences are set out in Appendix IV and Appendix V respectively.

During the year, dividends received from Hutchison Whampoa and CK Life Sciences amounted to \$19,939 million (2013 – \$4,537 million) and \$30 million (2013 – \$26 million) respectively.

At the year end date, market values of the Group's investments in Hutchison Whampoa and CK Life Sciences based on quoted market price were \$190,121 million (2013 – \$224,523 million) and \$3,441 million (2013 – \$3,136 million) respectively.

(b) The Group's share of results of unlisted associates for the year are as follows:

| | 2014 \$ Million | 2013 \$ Million |
|----------------------------|--------------------|--------------------|
| Net profit | – | 1 |
| Other comprehensive income | – | 12 |
| Total comprehensive income | – | 13 |

(c) At the year end date, amounts due from associates included the followings:

| | 2014 \$ Million | 2013 \$ Million |
|---|--------------------|--------------------|
| Interest bearing loans – repayable within 5 years | 814 | 679 |
| Interest bearing loans – repayable after 5 years | – | 135 |
| | 814 | 814 |

12. Joint Ventures

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million | 2014 \$ Million | 2013 \$ Million |
| Investments in joint ventures | | | | |
| – unlisted (note (a)) | 25,712 | 21,826 | 191 | 191 |
| Share of results less dividends | 25,213 | 28,085 | – | – |
| | 50,925 | 49,911 | 191 | 191 |
| Amounts due from joint ventures (note (b)) | 17,829 | 15,748 | 576 | 576 |
| | 68,754 | 65,659 | 767 | 767 |

Notes:

(a) The Group's share of results of joint ventures for the year are as follows:

| | 2014 \$ Million | 2013 \$ Million |
|-----------------------------------|--------------------|--------------------|
| Net profit | 4,666 | 5,771 |
| Other comprehensive income (loss) | (3,256) | 1,235 |
| Total comprehensive income | 1,410 | 7,006 |

(b) At the year end date, amounts due from joint ventures included the followings:

| | 2014 \$ Million | 2013 \$ Million |
|---|--------------------|--------------------|
| Interest bearing loans – repayable within 5 years | 955 | 993 |
| Interest bearing loans – repayable after 5 years | 1,945 | 2,120 |
| Interest bearing loans – no fixed repayment terms | 622 | 648 |
| Subordinated interest bearing loans – repayable after 5 years | 5,013 | 5,306 |
| Non-interest bearing loans – no fixed repayment terms | 9,294 | 6,681 |
| | 17,829 | 15,748 |

Cheung Kong (Holdings) Limited
Notes to Financial Statements (continued)

13. Investments Available for Sale

| | Group | |
|--|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million |
| Listed investments | | |
| Equity securities – listed in Hong Kong | 6,594 | 5,050 |
| Equity securities – listed outside Hong Kong | 3,593 | 3,752 |
| Debt securities – listed outside Hong Kong | 23 | 41 |
| | 10,210 | 8,843 |
| Unlisted investments | | |
| Equity securities | 177 | 193 |
| Debt securities | 318 | 298 |
| | 495 | 491 |
| | 10,705 | 9,334 |

14. Stock of Properties

| | Group | | Company | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million | 2014 \$ Million | 2013 \$ Million |
| Properties for/under development | 47,232 | 50,607 | – | – |
| Joint development projects | 21,903 | 27,420 | – | – |
| Properties for sale | 4,064 | 1,757 | 3 | 3 |
| | 73,199 | 79,784 | 3 | 3 |

At the year end date, properties for/under development and joint development projects amounting to \$43,175 million (2013 – \$54,455 million) were not scheduled for completion within twelve months.

15. Debtors, Deposits and Prepayments

| | Group | | Company | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million | 2014 \$ Million | 2013 \$ Million |
| Trade debtors | 1,781 | 1,600 | – | – |
| Loan receivables | 13 | 21 | – | – |
| Deposits, prepayments and others | 716 | 692 | 57 | 150 |
| | 2,510 | 2,313 | 57 | 150 |

The Group's trade debtors mainly comprise receivables for sales of properties and leasing of properties and aircraft. Sales terms vary for each property project and are determined with reference to the prevailing market conditions. Sales of properties are normally completed when sales prices are fully paid and deferred payment terms are sometimes offered to purchasers at a premium. Rentals and deposits are payable in advance by lessees.

At the year end date, ageing analysis of the Group's trade debtors was as follows:

| | 2014 \$ Million | 2013 \$ Million |
|----------------------|--------------------|--------------------|
| Current to one month | 1,718 | 1,513 |
| Two to three months | 44 | 66 |
| Over three months | 19 | 21 |
| | 1,781 | 1,600 |

and ageing analysis of trade debtors past due but not impaired was as follows:

| | 2014 \$ Million | 2013 \$ Million |
|---------------------------------|--------------------|--------------------|
| Overdue within one month | 56 | 142 |
| Overdue for two to three months | 40 | 37 |
| Overdue over three months | 18 | 19 |
| | 114 | 198 |

Cheung Kong (Holdings) Limited
Notes to Financial Statements (continued)

16. Investments Held for Trading

| | Group | |
|--|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million |
| Listed investments | | |
| Equity securities – listed in Hong Kong | 116 | 69 |
| Equity securities – listed outside Hong Kong | 182 | 176 |
| Debt securities – listed outside Hong Kong | 620 | 1,115 |
| | 918 | 1,360 |

17. Bank and Other Loans

| | Group | |
|--|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million |
| Bank loans repayable | | |
| within 1 year | 12,409 | 2,438 |
| after 1 year but not exceeding 2 years | 4,300 | 13,517 |
| after 2 years but not exceeding 5 years | 8,591 | 13,141 |
| | 25,300 | 29,096 |
| Other loans repayable | | |
| within 1 year | 5,943 | – |
| after 1 year but not exceeding 2 years | 1,960 | 6,008 |
| after 2 years but not exceeding 5 years | 2,671 | 4,786 |
| after 5 years | 2,000 | 2,000 |
| | 12,574 | 12,794 |
| | 37,874 | 41,890 |
| Less: Amounts classified under current liabilities | 18,352 | 2,438 |
| Amounts classified under non-current liabilities | 19,522 | 39,452 |

17. Bank and Other Loans *(continued)*

At the year end date:

- (a) bank loans denominated in GBP and EUR amounted to \$2,959 million (2013 – \$3,146 million) and \$1,840 million (2013 – \$2,091 million) respectively were designated as net investment hedges for investments in GBP and EUR;
- (b) other loans included fixed rate notes issued by wholly owned subsidiaries and guaranteed by the Company as follows:
- (i) issued by Cheung Kong Bond Finance Limited in Hong Kong:
- | | |
|-----------------|--|
| HK\$500,000,000 | 4.4% due April 2015 (issued in 2005) |
| HK\$150,000,000 | 5.1% due April 2016 (issued in 2006) |
| HK\$500,000,000 | 4.88% due August 2018 (issued in 2008) |
- (ii) issued by Joynote Ltd and listed in Singapore:
- | | |
|----------------|--|
| SGD225,000,000 | 2.25% due November 2015 (issued in 2010) |
| SGD180,000,000 | 2.585% due July 2016 (issued in 2011) |
| SGD320,000,000 | 3.408% due July 2018 (issued in 2011) |
- (iii) issued by Cheung Kong Finance (MTN) Limited in Hong Kong:
- | | |
|-----------------|---|
| HK\$500,000,000 | 4.3% due January 2020 (issued in 2010) |
| HK\$500,000,000 | 4.35% due January 2020 (issued in 2010) |
| HK\$300,000,000 | 3.9% due April 2020 (issued in 2010) |
| HK\$330,000,000 | 2.45% due September 2016 (issued in 2011) |
| HK\$377,000,000 | 2.56% due October 2016 (issued in 2011) |
| HK\$400,000,000 | 3.45% due October 2021 (issued in 2011) |
| HK\$300,000,000 | 3.35% due November 2021 (issued in 2011) |
| US\$500,000,000 | LIBOR+1.5% due June 2015 (issued in 2012) |
- and listed in Hong Kong
- (c) swaps for interest rate hedging purposes with notional principal amounting to \$2,450 million (2013 – \$2,450 million) had been arranged to convert the rates and related terms of the fixed rate notes to a floating rate basis and the fair value of which, as quoted by financial institutions, amounted to a net asset of \$192 million (2013 – \$220 million);
- (d) bank and other loans, where appropriate after interest rate hedging, approximated their fair values and carried interest at effective rates generally based on inter-bank offered rates of the relevant currency plus a margin of approximately 1.3% per annum.

Cheung Kong (Holdings) Limited
Notes to Financial Statements (continued)

18. Creditors and Accruals

| | Group | | Company | |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million | 2014 \$ Million | 2013 \$ Million |
| Trade creditors | 1,663 | 1,232 | – | – |
| Accruals and other creditors | 3,797 | 3,260 | 314 | 291 |
| Customers' deposits received | 5,991 | 7,207 | – | – |
| | 11,451 | 11,699 | 314 | 291 |

At the year end date, ageing analysis of the Group's trade creditors was as follows:

| | 2014 \$ Million | 2013 \$ Million |
|----------------------|--------------------|--------------------|
| Current to one month | 1,605 | 1,171 |
| Two to three months | 25 | 32 |
| Over three months | 33 | 29 |
| | 1,663 | 1,232 |

19. Deferred Tax Liabilities

At the year end date:

- deferred tax liabilities amounting to \$900 million (2013 – \$810 million), \$42 million (2013 – \$35 million) and \$80 million (2013 – \$141 million) were provided for accelerated tax depreciation, withholding tax on undistributed profits and other temporary differences respectively; and
- unutilised tax losses and deductible temporary differences amounting to a total of \$2,727 million (2013 – \$2,905 million) were not accounted for and had no expiry date (2013 – \$96 million had expiry date within 5 years).

20. Share Capital / Share Premium

| | Company | | | |
|--|-----------------------|-----------------------|--------------------|--------------------|
| | 2014 No. of shares | 2013 No. of shares | 2014 \$ Million | 2013 \$ Million |
| Authorised share capital of \$0.5 each | – | 3,800,000,000 | – | 1,900 |
| Share capital (2013: \$0.5 each) | 2,316,164,338 | 2,316,164,338 | 10,489 | 1,158 |
| Share premium | | | – | 9,331 |

The new Companies Ordinance, which came into effect on 3rd March, 2014, abolished the concepts of par value, share premium and authorised share capital. Accordingly, \$9,331 million in the share premium account was transferred to the share capital account on the effective date.

21. Reserves

| | Company | | | 2013 Total \$ Million |
|---------------------|----------------------------------|-----------------------------------|-----------------------------|-----------------------------|
| | Capital reserve \$ Million | Retained profits \$ Million | 2014 Total \$ Million | |
| At 1st January | 199 | 20,995 | 21,194 | 20,068 |
| Profit for the year | – | 21,316 | 21,316 | 8,560 |
| Dividend paid | – | (24,408) | (24,408) | (7,434) |
| At 31st December | 199 | 17,903 | 18,102 | 21,194 |

At the year end date, the Company's reserves available for distribution to shareholders of the Company amounted to \$17,903 million (2013 – \$20,995 million). Proposed final dividend for 2013 was approved by shareholders of the Company on 16th May, 2014 and paid on 5th June, 2014.

22. Perpetual Securities

| | Group | |
|---|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million |
| SGD730 million issued in 2011 (note (a)) | 4,647 | 4,650 |
| HK\$1,000 million issued in 2012 (note (b)) | 1,025 | 1,025 |
| US\$425.3 million issued in 2013 (note (c)) | 3,373 | 3,373 |
| | 9,045 | 9,048 |

Perpetual securities were issued by wholly owned subsidiaries and guaranteed by the Company. The perpetual securities have no fixed maturity and distributions are paid semi-annually in arrears. Distribution may be deferred at the Group's discretion and in which event, the Company and the issuer will not declare/pay any dividends or distributions, redeem, reduce, cancel or buy-back any of the Company's and/or the issuer's share capital.

Notes:

- Listed in Singapore, the perpetual securities carry an annual distribution rate of 5.125% and are redeemable at the Group's option on or after 9th September, 2016.
- Listed in Hong Kong, the perpetual securities carry an annual distribution rate of 5.25% for the first five years and 6.25% thereafter, and are redeemable at the Group's option on or after 9th July, 2017.
- Listed in Hong Kong, the perpetual securities carry an annual distribution rate of 5.375% and are redeemable at the Group's option on or after 24th January, 2018.

Cheung Kong (Holdings) Limited
Notes to Financial Statements (continued)

23. Operating Lease

Operating leases for property rental and aircraft leasing are mainly on 2 to 3 year terms and 5 to 14 year terms respectively. Analysis of future minimum lease income receivable by the Group under non-cancellable operating leases at the year end date is as follows:

| | Group | |
|--|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million |
| Future minimum lease income receivable | | |
| not later than 1 year | 1,963 | 1,644 |
| later than 1 year but not later than 5 years | 3,773 | 920 |
| later than 5 years | 1,241 | – |
| | 6,977 | 2,564 |

Analysis of future minimum lease charges payable by the Group and the Company under non-cancellable operating leases at the year end date are as follows:

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2014 \$ Million | 2013 \$ Million | 2014 \$ Million | 2013 \$ Million |
| Future minimum lease charges payable | | | | |
| not later than 1 year | 187 | 167 | 127 | 82 |
| later than 1 year but not later than 5 years | 248 | 59 | 211 | – |
| later than 5 years | 6 | – | – | – |
| | 441 | 226 | 338 | 82 |

24. Segment Information

Depreciation for the year analysed by operating activities is as follows:

| | 2014 \$ Million | 2013 \$ Million |
|------------------------------------|--------------------|--------------------|
| Hotel and serviced suite operation | 282 | 294 |
| Property and project management | 10 | 14 |
| Aircraft leasing | 93 | – |
| | 385 | 308 |
| Others | 8 | 17 |
| | 393 | 325 |

25. Commitments and Contingent Liabilities

At the year end date:

- (a) the Group had capital commitments as follows:
 - (i) contracted but not provided for
 - fixed assets – \$7,185 million (2013 – \$501 million)
 - investment in joint ventures – \$853 million (2013 – Nil)
 - investments in associates – \$693 million (2013 – \$693 million)
 - others – \$63 million (2013 – \$108 million)
 - (ii) authorised but not contracted for
 - fixed assets – \$254 million (2013 – \$5 million)
 - investment in joint ventures – \$380 million (2013 – Nil)
 - loan advances to joint ventures – \$3,970 million (2013 – \$452 million)
- (b) the minimum share of revenue guaranteed by the Company to be received by the partner of a joint development project amounted to \$588 million (2013 – \$600 million);
- (c) the Company provided guarantee for amounts payable under the terms and conditions of the perpetual securities as disclosed in note 22; and
- (d) the Company provided guarantees for loan financing as follows:
 - (i) bank and other loans utilised by subsidiaries – \$37,274 million (2013 – \$41,280 million)
 - (ii) bank loans utilised by joint ventures – \$1,383 million (2013 – \$52 million)
 - (iii) bank loans utilised by investee company – \$436 million (2013 – \$390 million)

and certain subsidiaries provided guarantees for bank loans utilised by joint ventures amounted to \$1,195 million (2013 – \$823 million).

26. Employees Pension Schemes

The principal employees pension schemes operated by the Group, including the occupational retirement schemes and the mandatory provident fund schemes, are defined contribution schemes. For occupational retirement schemes, contributions are made by either the employer only or both the employer and the employees at rates ranging from approximately 5% to 10% of the employees' salary. For mandatory provident fund schemes, contributions are made by both the employer and the employees at 5% each of the employees' relevant monthly income which is capped at \$30,000.

During the year, the Group's costs incurred on employees pension schemes were \$138 million (2013 – \$137 million) and forfeited contributions in the amount of \$4 million (2013 – \$3 million) were used to reduce current year's contributions.

27. Related Party Transactions

The Group has entered into various joint ventures mainly on property projects and infrastructure businesses with parties including subsidiaries of the Hutchison Whampoa group. Loan advances were made to/repaid from and guarantees were provided for the joint ventures on a pro rata basis. As at the year end date, loan advances made to joint ventures were disclosed as amounts due from joint ventures in note 12; commitments for loan advances to joint ventures and guarantees provided for bank loans utilised by joint ventures were disclosed in note 25.

Loan advances were made to associates and outstanding balances as at the year end date were disclosed as amounts due from associates in note 11.

Interest was received from joint ventures and associates and interest income for the year was disclosed in note 4.

Other than the aforementioned, there were no other significant related party transactions requiring disclosure in the financial statements.

28. Financial Risks and Management

Financial assets and financial liabilities of the Group include investments in securities, cash balances maintained for liquidity, loan and other receivables, bank and other loan borrowings, and derivative financial instruments for investment and financial purposes. The Group's treasury policies and how the management manages to mitigate the risks associated with these financial assets and financial liabilities are described below:

(a) Treasury policies

The Group maintains a conservative approach on foreign exchange exposure management and ensures that its exposure to fluctuations in foreign exchange rates is minimised. At times of interest rate or exchange rate uncertainty or volatility and when appropriate, hedging instruments including swaps and forwards are used in the management of exposure to interest rate and foreign exchange rate fluctuations.

The Group's borrowings are principally on a floating rate basis and where appropriate, swaps are arranged to convert the rates and related terms of the fixed rate notes issued to a floating rate basis.

At the year end date, approximately 76.1% of the Group's borrowings were in HK\$ and US\$, with the balance in EUR, GBP and SGD mainly for the purpose of financing investments and joint venture projects in Europe, the United Kingdom and Singapore. The Group derives its revenue from property development mainly in HK\$ and RMB and maintains cash balance substantially in HK\$ and RMB. Income in foreign currencies, including EUR, GBP and SGD, is also generated from the Group's investments and joint venture projects outside Hong Kong and cash in these foreign currencies is maintained for business requirements.

28. Financial Risks and Management *(continued)*

(b) Risk management

Loan receivables normally carry interest at rates with reference to banks' lending rates and are secured by collaterals and other credit enhancements including charge on assets and guarantees. Trade debtors include mainly receivables arising from sales and leases of properties to the public and aircraft leasing. The Group has legal rights to claim repossession of the properties or the aircraft in the event of default by purchasers/lessees. Regular review and follow-up actions are carried out on overdue amounts to minimise credit risk exposures. At the year end date, overdue loan receivables and trade debtors were less than 1% of the Group's profit for the year and credit risk on loan receivables and trade debtors after mitigation by collaterals and other credit enhancements was negligible.

Cash balances maintained for liquidity are placed with a number of major banks. Investments in securities and transactions involving derivative financial instruments are generally limited to issuers and counter-parties with sound credit.

The exposure of investments in securities and derivative financial instruments to price changes is managed by closely monitoring changes in market conditions that may have an impact on market prices or factors affecting the fair value. If the fair value of the investments in securities and derivative financial instruments was 5% higher/lower at the year end date, the Group's investment revaluation reserve would increase/decrease by approximately \$527 million (2013 – \$396 million) and the Group's profit for the year would increase/decrease by approximately \$63 million (2013 – \$163 million).

The Group's borrowings are exposed to interest rate fluctuation. It is estimated that an increase/decrease of 1% in interest rates would increase/decrease the Group's finance costs for the year by approximately \$322 million (2013 – \$360 million), assuming the change in interest rates had been applied to the Group's bank and other loans at the year end date which were kept constant throughout the year, and the amount of finance costs capitalised would increase/decrease by approximately \$170 million (2013 – \$205 million) based on the proportion of finance costs capitalised during the year.

At the year end date, foreign exchange risk of the subsidiaries with functional currency in HK\$ arose mainly from borrowings denominated in GBP, which were designated as net investment hedges for investments in GBP, and bank balances denominated in RMB. It is estimated that if GBP and RMB had strengthened/weakened against HK\$ by 5% at the year end date, the Group's profit for the year would increase/decrease by approximately \$447 million (2013 – Nil) and the Group's other comprehensive income for the year would decrease/increase by approximately \$148 million (2013 – \$157 million).

28. Financial Risks and Management (continued)**(c) Liquidity management**

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowings as appropriate. With cash and marketable securities in 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.

The contractual undiscounted cash flows (including interest payments computed at rates at the year end date and after interest rate hedging where applicable) of the Group's borrowings by contractual maturities at the year end date are as follows:

| | 2014 \$ Million | 2013 \$ Million |
|---|--------------------|--------------------|
| Within 1 year | 18,855 | 3,126 |
| After 1 year but not exceeding 2 years | 6,560 | 20,041 |
| After 2 years but not exceeding 5 years | 11,613 | 18,568 |
| After 5 years | 2,045 | 2,084 |
| | 39,073 | 43,819 |

The derivative financial instruments designated as net investment hedges for investments in GBP and AUD will be settled on gross basis and will mature after 2 years but not exceeding 5 years. The contractual undiscounted cash inflow and outflow upon maturities are \$13,437 million (2013 – \$9,983 million) and \$12,985 million (2013 – \$10,271 million) respectively based on exchange rates at the year end date.

29. Fair Value Measurement

Investments in securities and derivative financial instruments are stated at fair value. Fair values are measured based on quoted prices in active markets, value inputs that are observable either directly or indirectly and/or value inputs that are not based on observable market data. Change of value inputs that are not based on observable market data to reasonably possible alternatives would not have material effect on the Group's results for the year and financial position at the year end date.

An analysis of the Group's financial assets and financial liabilities stated at fair value, based on the degree to which their fair values are observable, is as follows:

Level 1: quoted prices in active markets

Level 2: value inputs, other than quoted prices, that are observable either directly or indirectly

Level 3: value inputs that are not based on observable market data

| | Level 1 \$ Million | Level 2 \$ Million | Level 3 \$ Million | Total \$ Million |
|----------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| At 31st December, 2014 | | | | |
| Financial assets | | | | |
| Investments available for sale | | | | |
| Equity securities | 10,187 | 13 | 164 | 10,364 |
| Debt securities | 23 | 318 | – | 341 |
| Investments held for trading | | | | |
| Equity securities | 298 | – | – | 298 |
| Debt securities | 620 | – | – | 620 |
| Derivative financial instruments | – | 795 | – | 795 |
| | 11,128 | 1,126 | 164 | 12,418 |
| Financial liabilities | | | | |
| Derivative financial instruments | – | (191) | – | (191) |
| At 31st December, 2013 | | | | |
| Financial assets | | | | |
| Investments available for sale | | | | |
| Equity securities | 8,802 | 12 | 181 | 8,995 |
| Debt securities | 41 | 298 | – | 339 |
| Investments held for trading | | | | |
| Equity securities | 245 | – | – | 245 |
| Debt securities | 1,115 | – | – | 1,115 |
| Derivative financial instruments | – | 551 | – | 551 |
| | 10,203 | 861 | 181 | 11,245 |
| Financial liabilities | | | | |
| Derivative financial instruments | – | (279) | – | (279) |

Cheung Kong (Holdings) Limited
Notes to Financial Statements (continued)

29. Fair Value Measurement (continued)

The movement of equity securities available for sale in Level 3 measurement during the year is as follows:

| | 2014 \$ Million | 2013 \$ Million |
|--|--------------------|--------------------|
| Fair value at 1st January | 181 | 127 |
| Additions | 42 | 14 |
| Disposal | (12) | – |
| Gain (loss) in fair value recognised in other comprehensive income | (47) | 40 |
| Fair value at 31st December | 164 | 181 |

30. Capital Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising returns to the shareholders of the Company through the optimisation of debt and equity balance. The capital structure of the Group consists of bank and other loans as detailed in note 17, bank balances and deposits, shareholders' funds (comprising share capital, share premium and reserves), perpetual securities and non-controlling interests as detailed in the consolidated statement of financial position. The Group reviews its capital structure on a regular basis and maintains a low net debt to net total capital ratio.

The net debt to net total capital ratio at the year end date is as follows:

| | 2014 \$ Million | 2013 \$ Million |
|-------------------------------------|--------------------|--------------------|
| Bank and other loans | 37,874 | 41,890 |
| Less: Bank balances and deposits | (33,179) | (33,197) |
| Net debt | 4,695 | 8,693 |
| Total equity | 406,047 | 372,821 |
| Net debt | 4,695 | 8,693 |
| Net total capital | 410,742 | 381,514 |
| Net debt to net total capital ratio | 1.1% | 2.3% |

31. Events after the year end date

On 9th January, 2015, the Company and Hutchison Whampoa jointly announced the following proposals:

(a) The Reorganisation Proposal

The Reorganisation Proposal will be implemented whereby the holding company of the Group will be changed from the Company to CK Hutchison Holdings Limited ("CKH Holdings"), an exempted company incorporated in the Cayman Islands with limited liability, by way of a scheme of arrangement ("Scheme"). Shareholders of the Company will become shareholders of CKH Holdings thereafter and all the issued shares of the Company will be cancelled and extinguished.

(b) The Merger Proposal

After completion of the Reorganisation Proposal, the following transactions will be implemented subject to the fulfillment of their respective conditions precedent:

(i) The Husky Share Exchange

Hutchison Whampoa will acquire 61,357,010 shares of Husky Energy Inc. from a company indirectly owned by the controlling shareholder of the Company and the consideration for the acquisition will be satisfied by 84,427,246 new shares to be issued by CKH Holdings.

(ii) The Hutchison Proposal

CKH Holdings will make a conditional share exchange offer to shareholders of Hutchison Whampoa (other than those that are subsidiaries of the Company). On completion of the Hutchison Proposal, Hutchison Whampoa will become a wholly-owned subsidiary of CKH Holdings.

(c) The Spin-off Proposal

Immediately following completion of the Hutchison Proposal, the property businesses of the Group and Hutchison Whampoa will be transferred to Cheung Kong Property Holdings Limited ("CK Property"). Thereafter, CK Property will issue shares to all qualifying shareholders of CKH Holdings at the ratio of one share of CK Property for every one share of CKH Holdings then held.

On 25th February, 2015, the Scheme was approved by the shareholders of the Company at the court meeting and general meeting.

32. Approval of Financial Statements

The financial statements reported in Hong Kong dollars and set out on pages 120 to 169 were approved by the board of directors on 26th February, 2015.

Cheung Kong (Holdings) Limited Principal Subsidiaries

Appendix I

The Directors are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and therefore the following list contains only the particulars of the subsidiaries which principally affect the results or assets of the Group. All the companies listed below were incorporated in Hong Kong except otherwise stated.

| Name | Issued Ordinary Share Capital | Effective percentage held by the Company | | Principal Activities |
|---|-------------------------------|--|------------|---|
| | | Directly | Indirectly | |
| Accipiter Holdings Limited (Ireland) | US\$ 124,398,379 | | 100 | Aircraft leasing |
| Alcon Investments Limited | HK\$ 1 | | 100 | Property development |
| Bermington Investment Limited | HK\$ 2 | | 100 | Hotel & serviced suite operation |
| Biro Investment Limited | HK\$ 10,000 | | 100 | Property development |
| Bopson Limited (British Virgin Islands) | US\$ 2 | | 100 | Finance |
| Bradford Investments Limited | HK\$ 1 | | 80 | Property development |
| Bristow Investments Limited | HK\$ 1 | | 100 | Property development |
| Carlford Investments Limited | HK\$ 1 | | 100 | Property development |
| Cheer Good Limited | HK\$ 1 | | 100 | Property development |
| Cheung Kong Bond Finance Limited (Cayman Islands) | US\$ 1 | | 100 | Finance |
| Cheung Kong Bond Securities Limited (British Virgin Islands) | US\$ 1 | | 100 | Finance |
| Cheung Kong Bond Securities (02) Limited (British Virgin Islands) | US\$ 1 | | 100 | Finance |
| Cheung Kong Bond Securities (03) Limited (British Virgin Islands) | US\$ 1 | | 100 | Finance |
| Cheung Kong Finance Company Limited | HK\$ 2,500,000 | 100 | | Finance |
| Cheung Kong Finance (MTN) Limited (Cayman Islands) | US\$ 1,000 | | 100 | Finance |
| Cheung Kong Holdings (China) Limited | HK\$ 2 | | 100 | Investment holding in the Mainland projects |
| Cheung Kong Investment Company Limited | HK\$ 20 | 100 | | Investment holding |
| Cheung Kong Property Development Limited | HK\$ 2 | | 100 | Project management |
| Citybase Property Management Limited | HK\$ 100,000 | | 100 | Property management |
| Crown Treasure Investments Limited | HK\$ 1 | | 100 | Property development |
| East City Investments Limited | HK\$ 1 | | 100 | Property development |
| Fantastic State Limited | HK\$ 2 | | 100 | Property development |
| Flying Snow Limited | HK\$ 2 | | 100 | Property investment |
| Focus Eagle Investments Limited (British Virgin Islands) | US\$ 1 | | 100 | Investment holding |
| Garbo Field Limited | HK\$ 2 | | 100 | Property development |
| Glass Bead Limited (British Virgin Islands) | US\$ 1 | | 100 | Property investment |
| Global Coin Limited | HK\$ 2 | | 100 | Property investment |
| Goodwell Property Management Limited | HK\$ 100,000 | | 100 | Property management |
| Grandwood Investments Limited | HK\$ 1 | | 100 | Property development |
| Great Art Investment Limited | HK\$ 1 | | 100 | Property development |
| Harbour Grand Hong Kong Limited | HK\$ 2 | | 100 | Hotel & serviced suite operation |
| Harbour Plaza 8 Degrees Limited | HK\$ 2 | | 100 | Hotel & serviced suite operation |
| Harbour Plaza Resort City Limited (British Virgin Islands) | US\$ 10,000 | | 98.47 | Hotel & serviced suite operation |
| iMarkets Limited | HK\$ 30,000,000 | | 54.83 | Provider of electronic trading platform |

| Name | Issued Ordinary Share Capital | Effective percentage held by the Company | | Principal Activities |
|--|-------------------------------|--|------------|-----------------------------------|
| | | Directly | Indirectly | |
| Joynote Ltd (Singapore) | SGD 2 | | 100 | Finance |
| Jubilee Year Investments Limited | HK\$ 1 | | 100 | Property development |
| King Century Investments Limited | HK\$ 1 | | 100 | Property development |
| Kingsmark Investments Limited | HK\$ 1 | | 100 | Property development & investment |
| Luxury Green Development Pte. Ltd. (Singapore) | SGD 1,000,000 | | 100 | Property development |
| Megawin International Limited (British Virgin Islands) | US\$ 2 | | 100 | Property development |
| Mutual Luck Investment Limited | HK\$ 30,000 | | 60 | Property development |
| New Harbour Investments Limited | HK\$ 1 | | 100 | Property development |
| Ocean Century Investments Limited | HK\$ 1 | | 100 | Property development |
| Oxford Investments Limited | HK\$ 2 | | 100 | Property development |
| Pako Wise Limited | HK\$ 2 | 100 | | Property investment |
| Pearl Wisdom Limited | HK\$ 2 | | 100 | Hotel & serviced suite operation |
| Pofield Investments Limited (British Virgin Islands) | US\$ 1 | | 100 | Property investment |
| Queensway Investments Limited | HK\$ 1 | | 85 | Property development |
| Rainbow Elite Investments Limited | HK\$ 1 | | 100 | Property development |
| Randash Investment Limited | HK\$ 110 | | 60.9 | Hotel & serviced suite operation |
| Regent Land Investments Limited | HK\$ 1 | | 100 | Property development |
| Rich Asia Investments Limited | HK\$ 1,000,000 | | 85 | Property development |
| Romefield Limited (British Virgin Islands) | US\$ 1 | | 100 | Investment holding |
| Ruby Star Enterprises Limited | HK\$ 1 | | 100 | Property development |
| Sai Ling Realty Limited | HK\$ 10,000 | 100 | | Property development |
| Sino China Enterprises Limited | HK\$ 2 | | 100 | Hotel & serviced suite operation |
| Stanley Investments Limited | HK\$ 1 | | 100 | Property development |
| Swiss Investments Limited | HK\$ 1 | | 100 | Property development |
| The Center (Holdings) Limited (British Virgin Islands) | US\$ 1 | | 100 | Property investment |
| Tony Investments Limited | HK\$ 1 | | 100 | Property development |
| Total Win Group Limited (British Virgin Islands) | US\$ 1 | | 100 | Investment holding |
| Towerich Limited | HK\$ 2 | | 51 | Hotel & serviced suite operation |
| Volly Best Investment Limited | HK\$ 1 | | 90 | Property development |
| Wealth Pine Investment Limited | HK\$ 1 | | 85 | Property development |
| Wide Global Investment Limited | HK\$ 2 | | 100 | Property development |
| Winchesto Finance Company Limited | HK\$ 15,000,000 | 100 | | Finance |
| Yick Ho Limited | HK\$ 6,000,000 | | 100 | Investment in hotel projects |

The principal area of operation of the above companies was Hong Kong except the following:

| Name | Area of Operation |
|--------------------------------------|-------------------|
| Accipiter Holdings Limited | Ireland |
| Cheung Kong Bond Securities Limited | Singapore |
| Cheung Kong Holdings (China) Limited | The Mainland |
| Joynote Ltd | Singapore |
| Luxury Green Development Pte. Ltd. | Singapore |
| Megawin International Limited | The Mainland |
| Yick Ho Limited | The Mainland |

Principal Associates

Appendix II

The Directors are of the opinion that a complete list of the particulars of all the associates will be of excessive length and therefore the following list contains only the particulars of the associates which principally affect the results or assets of the Group.

| Name | Effective percentage of Issued Ordinary Share Capital held by the Company Indirectly | Principal Activities |
|--|--|---|
| CK Life Sciences Int'l., (Holdings) Inc. – Incorporated in Cayman Islands and listed in Hong Kong | 45.3 | Research & development, manufacturing, commercialisation, marketing & selling of health & agriculture-related products, vineyards & investments |
| Hutchison Whampoa Limited – Incorporated and listed in Hong Kong | 49.9 | Ports & related services, property & hotels, retail, infrastructure, energy, telecommunications, finance & investments and others |

Cheung Kong (Holdings) Limited

Principal Joint Ventures

Appendix III

The Directors are of the opinion that a complete list of the particulars of all the joint ventures will be of excessive length and therefore the following list contains only the particulars of the joint ventures which principally affect the results or assets of the Group. All the joint ventures below were incorporated in Hong Kong except otherwise stated.

| Name | Effective percentage of Ownership Interest held by the Company | | Principal Activities |
|---|--|------------|---|
| | Directly | Indirectly | |
| 1822604 Alberta Ltd. (Canada) | | 50 | Off-airport parking operation |
| Australian Gas Networks Limited (Australia) | | 27.5 | Gas distribution |
| AVR – Afvalverwerking B.V. (The Netherlands) | | 35 | Producing energy from waste |
| Bayswater Developments Limited (British Virgin Islands) | | 50 | Property development & investment |
| Beright Investments Limited (British Virgin Islands) | | 50 | Property development |
| Billion Rise Limited (British Virgin Islands) | | 50 | Property development |
| CEF Holdings Limited | 50 | | Investment holding |
| Chesgold Limited | | 50 | Property investment |
| Cheung Wo Enterprises Limited (British Virgin Islands) | | 50 | Property investment |
| Choicewide Group Limited (British Virgin Islands) | | 50 | Investment in property project |
| Dragon Beauty International Limited | | 50 | Property development |
| Elegant Wealth Investment Limited | 49 | | Property development |
| Forton Investment Limited | | 50 | Property development |
| Gislingham Limited (British Virgin Islands) | | 50 | Property development |
| Glory Sense Limited | | 50 | Property development |
| Golden Castle Management Limited (British Virgin Islands) | | 50 | Property development |
| Harbour Plaza Hotel Management (International) Limited (British Virgin Islands) | | 50 | Hotel management |
| Harbour Plaza Metropolis Limited (British Virgin Islands) | | 50 | Hotel & serviced suite operation |
| Hildon Development Limited | | 50 | Property development |
| Hong Kong Concord Holdings Limited | | 40 | Investment holding |
| Hong Kong Shanghai Development Co Ltd (Samoa) | | 25 | Property development & investment |
| Hui Xian Holdings Limited | | 33.4 | Investment holding |
| Hutchison Whampoa Properties (Chengdu) Limited (The Mainland) | | 50 | Property development |
| Konorus Investment Limited | | 42.5 | Property investment |
| Kovan Treasure Pte. Ltd. (Singapore) | | 50 | Property development |
| Mapleleaf Developments Limited (British Virgin Islands) | | 25 | Property development |
| Metro Broadcast Corporation Limited | | 50 | Radio broadcasting |
| Mighty General Limited | | 50 | Property development |
| Montoya (HK) Limited | | 50 | Property development |
| New China Sheen Limited | | 50 | Property development |
| New China Target Limited | | 50 | Property development |
| Northumbrian Water Group Limited (The United Kingdom) | | 40 | Water supply, sewerage and waste water businesses |
| Shanklin Developments Limited (British Virgin Islands) | | 50 | Property development |
| Sky Island Limited (British Virgin Islands) | | 50 | Property development |

Cheung Kong (Holdings) Limited
Principal Joint Ventures (continued)

| Name | Effective percentage of Ownership Interest held by the Company | | Principal Activities |
|--|--|------------|----------------------------------|
| | Directly | Indirectly | |
| Smart Rainbow Limited (British Virgin Islands) | | 50 | Hotel & serviced suite operation |
| Swayfield Limited (British Virgin Islands) | | 30 | Property investment |
| True Ample Developments Limited (British Virgin Islands) | | 50 | Property development |
| Wales & West Gas Networks (Holdings) Limited (The United Kingdom) | | 30 | Gas distribution |
| Willpower Developments Limited (British Virgin Islands) | | 50 | Property development |
| Zealand Limited (British Virgin Islands) | | 50 | Property development |

The principal area of operation of the above joint ventures was Hong Kong except the following:

| Name | Area of Operation |
|--|--------------------|
| 1822604 Alberta Ltd. | Canada |
| Australian Gas Networks Limited | Australia |
| AVR – Afvalverwerking B.V. | The Netherlands |
| Bayswater Developments Limited | The Mainland |
| Beright Investments Limited | The Mainland |
| Billion Rise Limited | Singapore |
| Chesgold Limited | The Mainland |
| Cheung Wo Enterprises Limited | The Mainland |
| Choicewide Group Limited | Singapore |
| Elegant Wealth Investment Limited | The Mainland |
| Forton Investment Limited | The Mainland |
| Gislingham Limited | The Mainland |
| Glory Sense Limited | The Mainland |
| Golden Castle Management Limited | The Mainland |
| Hildon Development Limited | The Mainland |
| Hong Kong Concord Holdings Limited | The Mainland |
| Hong Kong Shanghai Development Co Ltd | The Mainland |
| Hutchison Whampoa Properties (Chengdu) Limited | The Mainland |
| Kovan Treasure Pte. Ltd. | Singapore |
| Mapleleaf Developments Limited | The Mainland |
| Mighty General Limited | The Mainland |
| Montoya (HK) Limited | The Mainland |
| New China Sheen Limited | The Mainland |
| New China Target Limited | The Mainland |
| Northumbrian Water Group Limited | The United Kingdom |
| Shanklin Developments Limited | The Mainland |
| Sky Island Limited | The Mainland |
| True Ample Developments Limited | The Mainland |
| Wales & West Gas Networks (Holdings) Limited | The United Kingdom |
| Willpower Developments Limited | The Mainland |
| Zealand Limited | The Mainland |

Cheung Kong (Holdings) Limited

Extracts of Financial Statements of Hutchison Whampoa Limited

Appendix IV

Extracts of the 2014 published financial statements of Hutchison Whampoa Limited, a listed associate, are set out below.

Consolidated Income Statement

For the year ended 31st December, 2014

| | 2014 \$ Million | 2013 \$ Million |
|---|--------------------|--------------------|
| Revenue | 272,161 | 256,234 |
| Cost of inventories sold | (110,596) | (102,496) |
| Staff costs | (34,604) | (33,151) |
| Telecommunications customer acquisition costs | (24,165) | (24,170) |
| Depreciation and amortisation | (17,003) | (15,850) |
| Other operating expenses | (50,944) | (51,265) |
| Change in fair value of investment properties | 24,678 | 26 |
| Profits on disposal of investments and others | (4,532) | 230 |
| Share of profits less losses after tax of: | | |
| Associated companies before profits on disposal of investments and others | 9,166 | 10,433 |
| Joint ventures | 10,466 | 12,597 |
| Associated companies' profits on disposal of investments and others | 19,141 | (504) |
| | 93,768 | 52,084 |
| Interest expenses and other finance costs | (8,050) | (8,391) |
| Profit before tax | 85,718 | 43,693 |
| Current tax | (4,307) | (4,231) |
| Deferred tax | 340 | (569) |
| Profit after tax | 81,751 | 38,893 |
| Allocated as: | | |
| Profit attributable to non-controlling interests and holders of perpetual capital securities | (14,595) | (7,781) |
| Profit attributable to ordinary shareholders of the Company | 67,156 | 31,112 |

Cheung Kong (Holdings) Limited

Extracts of Financial Statements of Hutchison Whampoa Limited (continued)

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2014

| | 2014 \$ Million | 2013 \$ Million |
|--|--------------------|--------------------|
| Profit after tax | 81,751 | 38,893 |
| Other comprehensive income (losses) | | |
| Items that will not be reclassified to profit or loss: | | |
| Remeasurement of defined benefit obligations recognised directly in reserves | (324) | 694 |
| Share of other comprehensive income (losses) of associated companies | (55) | 563 |
| Share of other comprehensive income (losses) of joint ventures | 56 | (115) |
| Tax relating to items that will not be reclassified to profit or loss | 75 | 84 |
| | (248) | 1,226 |
| Items that have been reclassified or may be subsequently reclassified to profit or loss: | | |
| Available-for-sale investments | | |
| Valuation gains recognised directly in reserves | 1,176 | 382 |
| Valuation losses (gains) previously in reserves recognised in income statement | (480) | 6 |
| Gains (losses) on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised directly in reserves | (5) | 346 |
| Losses on translating overseas subsidiaries' net assets recognised directly in reserves | (16,653) | (1,774) |
| Gains previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement | (3,636) | (152) |
| Share of other comprehensive income (losses) of associated companies | (4,799) | (3,800) |
| Share of other comprehensive income (losses) of joint ventures | (5,261) | 589 |
| Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss | (53) | (76) |
| | (29,711) | (4,479) |
| Other comprehensive income (losses) after tax | (29,959) | (3,253) |
| Total comprehensive income | 51,792 | 35,640 |
| Allocated as: | | |
| Attributable to non-controlling interests and holders of perpetual capital securities | (10,657) | (7,878) |
| Attributable to ordinary shareholders of the Company | 41,135 | 27,762 |

Consolidated Statement of Financial Position

At 31st December, 2014

| | 2014 \$ Million | 2013 \$ Million |
|--|--------------------|--------------------|
| ASSETS | | |
| Non-current assets | | |
| Fixed assets | 173,234 | 177,324 |
| Investment properties | 66,211 | 42,454 |
| Leasehold land | 8,513 | 9,849 |
| Telecommunications licences | 81,602 | 86,576 |
| Goodwill | 39,132 | 38,028 |
| Brand names and other rights | 16,233 | 18,755 |
| Associated companies | 126,416 | 112,058 |
| Interests in joint ventures | 119,433 | 111,271 |
| Deferred tax assets | 19,203 | 18,548 |
| Other non-current assets | 7,139 | 7,934 |
| Liquid funds and other listed investments | 15,141 | 17,136 |
| | 672,257 | 639,933 |
| Current assets | | |
| Cash and cash equivalents | 125,318 | 85,651 |
| Trade and other receivables | 66,576 | 69,083 |
| Inventories | 19,284 | 20,855 |
| | 211,178 | 175,589 |
| Current liabilities | | |
| Trade and other payables | 87,139 | 86,812 |
| Bank and other debts | 42,281 | 18,159 |
| Current tax liabilities | 3,005 | 3,319 |
| | 132,425 | 108,290 |
| Net current assets | 78,753 | 67,299 |
| Total assets less current liabilities | 751,010 | 707,232 |
| Non-current liabilities | | |
| Bank and other debts | 205,332 | 207,195 |
| Interest bearing loans from non-controlling shareholders | 8,000 | 5,445 |
| Deferred tax liabilities | 11,213 | 10,228 |
| Pension obligations | 3,083 | 3,095 |
| Other non-current liabilities | 4,320 | 5,037 |
| | 231,948 | 231,000 |
| Net assets | 519,062 | 476,232 |
| CAPITAL AND RESERVES | | |
| Share capital | 29,425 | 29,425 |
| Perpetual capital securities | 39,638 | 40,244 |
| Reserves | 397,155 | 356,940 |
| Total ordinary shareholders' funds and perpetual capital securities | 466,218 | 426,609 |
| Non-controlling interests | 52,844 | 49,623 |
| Total equity | 519,062 | 476,232 |

Extracts of Financial Statements of CK Life Sciences Int'l., (Holdings) Inc.

Appendix V

Extracts of the 2014 published financial statements of CK Life Sciences Int'l., (Holdings) Inc., a listed associate, are set out below.

Consolidated Income Statement

For the year ended 31st December, 2014

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| Turnover | 4,954,043 | 4,970,927 |
| Cost of sales | (3,213,721) | (3,229,113) |
| | 1,740,322 | 1,741,814 |
| Other income, gains and losses | 64,341 | 42,707 |
| Staff costs | (497,986) | (489,963) |
| Depreciation | (22,782) | (19,595) |
| Amortisation of intangible assets | (44,271) | (50,650) |
| Other expenses | (864,850) | (860,622) |
| Finance costs | (109,566) | (103,953) |
| Share of results of associates and joint ventures | 55,922 | 43,991 |
| Profit before taxation | 321,130 | 303,729 |
| Taxation | (48,378) | (69,183) |
| Profit for the year | 272,752 | 234,546 |
| Attributable to: | | |
| Shareholders of the Company | 263,558 | 229,008 |
| Non-controlling interests of subsidiaries | 9,194 | 5,538 |
| | 272,752 | 234,546 |

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2014

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| Profit for the year | 272,752 | 234,546 |
| Other comprehensive (expenses)/income | | |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Gain on revaluation of property, plant and equipment | – | 34,379 |
| | – | 34,379 |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange difference arising from translation of foreign operations | (414,346) | (647,386) |
| Gain/(loss) on fair value changes of available-for-sale investments | 25,300 | (45,871) |
| Reclassification adjustment upon impairment of available-for-sale investments | – | 2,229 |
| | (389,046) | (691,028) |
| Other comprehensive expenses for the year | (389,046) | (656,649) |
| Total comprehensive expenses for the year | (116,294) | (422,103) |
| Total comprehensive expenses attributable to: | | |
| Shareholders of the Company | (110,860) | (403,640) |
| Non-controlling interests of subsidiaries | (5,434) | (18,463) |
| | (116,294) | (422,103) |

Cheung Kong (Holdings) Limited

Extracts of Financial Statements of CK Life Sciences Int'l., (Holdings) Inc. (continued)

Consolidated Statement of Financial Position

As at 31st December, 2014

| | 2014 \$'000 | 2013 \$'000 |
|--|--------------------|--------------------|
| Non-current assets | | |
| Investment properties | 1,141,481 | 926,897 |
| Vines | 549,113 | 539,502 |
| Property, plant and equipment | 1,136,213 | 1,177,459 |
| Intangible assets | 3,785,560 | 4,002,647 |
| Interests in associates and joint ventures | 336,159 | 365,531 |
| Available-for-sale investments | 314,815 | 289,515 |
| Deferred taxation | 33,767 | 31,447 |
| | 7,297,108 | 7,332,998 |
| Current assets | | |
| Investments at fair value through profit or loss | 54,540 | 43,924 |
| Derivative financial instruments | 5,207 | 6,182 |
| Tax recoverable | 4,916 | 15,705 |
| Inventories | 971,149 | 952,912 |
| Receivables and prepayments | 985,230 | 1,036,987 |
| Bank balances and deposits | 979,200 | 767,661 |
| | 3,000,242 | 2,823,371 |
| Assets classified as held for sale | – | 63,409 |
| | 3,000,242 | 2,886,780 |
| Current liabilities | | |
| Payables and accruals | (946,291) | (1,089,290) |
| Derivative financial instruments | (4,479) | (5,062) |
| Bank borrowings | (128,629) | (950,758) |
| Finance lease obligations | (346) | (758) |
| Other borrowings | – | (75,000) |
| Taxation | (62,737) | (58,846) |
| | (1,142,482) | (2,179,714) |
| Liabilities associated with assets classified as held for sale | – | (36,027) |
| | (1,142,482) | (2,215,741) |
| Net current assets | 1,857,760 | 671,039 |
| Total assets less current liabilities | 9,154,868 | 8,004,037 |

| | 2014 \$'000 | 2013 \$'000 |
|---|--------------------|--------------------|
| Non-current liabilities | | |
| Bank borrowings | (2,871,858) | (1,479,931) |
| Finance lease obligations | (847) | (243) |
| Other borrowings | (1,356,000) | (1,281,000) |
| Deferred taxation | (51,194) | (42,568) |
| | (4,279,899) | (2,803,742) |
| Total net assets | 4,874,969 | 5,200,295 |
| Capital and reserves | | |
| Share capital | 961,107 | 961,107 |
| Share premium and reserves | 3,701,541 | 4,015,830 |
| Equity attributable to shareholders of the Company | 4,662,648 | 4,976,937 |
| Non-controlling interests of subsidiaries | 212,321 | 223,358 |
| Total equity | 4,874,969 | 5,200,295 |