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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in the Company, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and is being provided to you solely for the purpose of considering the ordinary resolution to be voted upon at the EGM to be held on Monday, 20 April 2015. This circular does not constitute an offer to issue or sell or an invitation of an offer to acquire, purchase or subscribe for securities in Hong Kong, the United States or any other jurisdiction, nor is it intended to invite any such offer or invitation. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act. The securities described herein have not been and will not be registered under the U.S. Securities Act.

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### Merger Proposal –

- (a) Proposed Issue of Shares in connection with the Acquisition by the Hutchison Group of 6.24% of the Common Shares of Husky in issue; and**  
**(b) Proposed Share Exchange Offer to the Hutchison Scheme Shareholders for the Cancellation of all the Hutchison Scheme Shares by way of a Scheme of Arrangement of Hutchison under the Companies Ordinance**

**Financial Adviser to the Company  
and the Hutchison Proposal Offeror  
in relation to the Merger Proposal**



**Independent Financial Adviser  
to the Board, the Hutchison  
Proposal Offeror Board,  
the Independent Board Committee and  
the Independent Shareholders  
in relation to the Merger Proposal**



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A letter from the Board is set out on pages 1 to 51 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in relation to the Merger Proposal is set out on pages 52 to 53 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Board, the Hutchison Proposal Offeror Board, the Independent Board Committee and the Independent Shareholders in relation to the Merger Proposal is set out on pages 54 to 101 of this circular.

A notice convening the EGM to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Monday, 20 April 2015 at 11:00 a.m. is set out on pages EGM-1 and EGM-3 of this circular. A form of proxy is also enclosed. Whether or not you are able to attend the EGM or any adjournment thereof in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit it at the Company's principal place of business in Hong Kong at 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

31 March 2015

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context otherwise requires:*

“2014 Cheung Kong Results Announcement”	the results announcement of Cheung Kong dated 26 February 2015 in respect of the financial year ended 31 December 2014;
“2014 Hutchison Results Announcement”	the results announcement of Hutchison dated 26 February 2015 in respect of the financial year ended 31 December 2014;
“ADRs”	unsponsored American depositary receipts evidencing American depositary shares representing the right to receive shares;
“associate”	has the meaning ascribed to it in the Listing Rules;
“Authorisations”	authorisations, registrations, filings, rulings, consents, permissions and approvals (including approval in-principle);
“Bank of America Merrill Lynch”	(i) (when referring to the bridge facility in connection with the Property Businesses Combination) Bank of America, N.A.; or  (ii) (when referring to the joint sponsor) Merrill Lynch Far East Limited, a corporation licensed to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance), and type 7 (providing automated trading services) regulated activities under the SFO, which is one of the joint sponsors appointed in respect of the Spin-off Proposal;
“Beneficial Owner”	any beneficial owner of Shares whose Shares are registered in the name of a Registered Owner;
“Board”	the board of Directors;

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## DEFINITIONS

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“Business Day”	(i) (in relation to the Specified Loans Promissory Note) any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong and in New York are generally open for normal banking business; or  (ii) (other than in relation to (i) above) any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business;
“CAD”	Canadian dollars, the lawful currency of Canada;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant;
“CCASS Participant”	a CCASS clearing participant, a CCASS custodian participant or a CCASS Investor Participant;
“Cheung Kong”	Cheung Kong (Holdings) Limited (長江實業(集團)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company. The shares of Cheung Kong were delisted from the Main Board on 18 March 2015 upon completion of the Cheung Kong Reorganisation;
“Cheung Kong Group”	Cheung Kong and its subsidiaries;
“Cheung Kong Property Group”	the companies in the Cheung Kong Group which will become members of the CK Property Group following completion of the Property Businesses Combination;
“Cheung Kong Reorganisation”	the reorganisation whereby the holding company of the Cheung Kong Group was changed from Cheung Kong to the Company by way of the Cheung Kong Scheme, which was completed on 18 March 2015;
“Cheung Kong Scheme”	the scheme of arrangement under Division 2 of Part 13 of the Companies Ordinance for the implementation of the Cheung Kong Reorganisation, which became effective on 18 March 2015;
“Cheung Kong Share(s)”	ordinary share(s) in the issued share capital of Cheung Kong;

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## DEFINITIONS

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“CK Property”	Cheung Kong Property Holdings Limited (長江實業地產有限公司), an exempted company incorporated in the Cayman Islands on 2 January 2015 with limited liability, which is currently a wholly-owned subsidiary of the Company and which, if the Spin-off Proposal becomes unconditional, will become the holding company of the Combined Property Businesses and will be listed on the Main Board by way of introduction;
“CK Property Board”	the board of directors of CK Property;
“CK Property Group”	(i) before completion of the Property Businesses Combination, the Cheung Kong Property Group, the Hutchison Property Group and their interests in their respective joint ventures; and  (ii) after completion of the Property Businesses Combination, CK Property and its subsidiaries, including the Cheung Kong Property Group, the Hutchison Property Group, their former joint ventures which will become subsidiaries of CK Property, and interests in their other joint ventures that will remain as joint ventures and will not be consolidated;
“CK Property Listing”	the proposed listing of the CK Property Shares on the Main Board;
“CK Property Share(s)”	ordinary share(s) in the share capital of CK Property;
“Combined Non-Property Businesses”	the businesses of the Group and the Hutchison Group other than the Combined Property Businesses, comprising (a) ports and related services, (b) retail, (c) infrastructure, (d) energy, (e) telecommunications, (f) ownership and leasing of movable assets, and (g) other investments in securities;

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## DEFINITIONS

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“Combined Property Businesses”	the property businesses of the Group and the Hutchison Group, including their respective joint ventures, comprising (a) property development and investment, (b) hotel and serviced suite operation, (c) property and project management, and (d) unitholding in each of Fortune Real Estate Investment Trust, Prosperity Real Estate Investment Trust and Hui Xian Real Estate Investment Trust (all of which are listed on the Main Board, and Fortune REIT is also listed on the Singapore Stock Exchange) as well as interests in ARA Asset Management Limited (which is listed on Singapore Stock Exchange and is the holding company of the managers of Fortune Real Estate Investment Trust and Prosperity Real Estate Investment Trust) and Hui Xian Asset Management Limited (which is the manager of Hui Xian Real Estate Investment Trust), but excluding the Excluded Property Interests;
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time);
“Companies Registrar”	the Registrar of Companies in Hong Kong;
“Company” or “CKH Holdings”	CK Hutchison Holdings Limited (長江和記實業有限公司), an exempted company incorporated in the Cayman Islands on 11 December 2014 with limited liability, which became the holding company of the Cheung Kong Group upon completion of the Cheung Kong Reorganisation on 18 March 2015 and the shares of which are listed on the Main Board (stock code: 0001) and which is the holding company of the Group;
“connected persons”	has the meaning ascribed to it in the Listing Rules;
“core connected persons”	has the meaning ascribed to it in the Listing Rules;
“Court”	the Court of First Instance of the High Court of Hong Kong;
“CPB Companies”	companies holding interests in the Combined Property Businesses;

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## DEFINITIONS

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“Deed of Tax Indemnity”	a deed proposed to be entered into between the Company, CK Property, Cheung Kong and HIL, under which Cheung Kong and HIL will severally covenant to indemnify and pay for certain tax liabilities of the CPB Companies owned by the Cheung Kong Group and the Hutchison Group, respectively, before the Property Businesses Combination, as more particularly described in the section headed “ <i>Spin-off Proposal in relation to the Combined Property Businesses – III. The Property Businesses Combination</i> ” of the “ <i>Letter from the Board</i> ” in this circular;
“Directors”	the directors of the Company;
“DIS Record Time”	the record time for determining the entitlement of the Shareholders to the Distribution In Specie which is currently expected to be 8:50 a.m. (Hong Kong time) on Wednesday, 3 June 2015;
“Disinterested Hutchison Shareholders”	the Hutchison Shareholders other than the Hutchison Proposal Offeror and the Offeror Concert Parties. For the avoidance of doubt, the Disinterested Hutchison Shareholders include any member of the HSBC group or the Bank of America Merrill Lynch group acting in its capacity as a Registered Owner of Hutchison Scheme Shares held on behalf of a Beneficial Owner where the Beneficial Owner (i) controls the voting rights attaching to those Hutchison Shares, (ii) if those Hutchison Shares are voted, gives instructions as to how the Hutchison Shares are to be voted, and (iii) is not the Hutchison Proposal Offeror or a person acting in concert with the Hutchison Proposal Offeror;
“Distribution In Specie”	the proposed issue by CK Property of new CK Property Shares immediately following completion of the Property Businesses Combination to the Qualifying Shareholders as at the DIS Record Time pursuant to the Spin-off Proposal;
“DT1”	The Li Ka-Shing Unity Discretionary Trust, of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary, and the trustee of which is TDT1;
“DT2”	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary, and the trustee of which is TDT2;



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## DEFINITIONS

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- “DT3” a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary, and the trustee of which is TDT3;
- “DT4” a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary, and the trustee of which is TDT4;
- “EGM” the extraordinary general meeting of the Company to be held on Monday, 20 April 2015 at 11:00 a.m. for the purposes of considering and, if thought fit, approving, among other things, the Matters For Approval;
- “Excluded Jurisdictions” those jurisdictions outside Hong Kong in respect of which the Board and the CK Property Board have determined that it is necessary or expedient not to issue CK Property Shares to the Shareholders or Beneficial Owners located or resident therein pursuant to the Distribution In Specie, on account of either the legal restrictions under the applicable laws of such jurisdictions, and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions. As at the Latest Practicable Date, the Excluded Jurisdictions are expected to include the following: (i) Australia; (ii) the Cayman Islands; (iii) the United Arab Emirates; and (iv) the United States (subject to the circumstances as described in the paragraph headed “*Spin-off Proposal in relation to the Combined Property Businesses – V. Information on the Distribution In Specie – 2. Non-Qualifying Overseas Shareholders*” in the “*Letter from the Board*” in this circular), as detailed in the “*Letter from the Board*” in this circular;
- “Excluded Property Interests”
- (i) those property interests held by the Group or the Hutchison Group which are used for the purposes of carrying on, or ancillary to, the Combined Non-Property Businesses; and
  - (ii) the property interests held by the listed subsidiaries and listed associated companies of the Company or Hutchison for use in carrying on, or ancillary to, their respective operations, which will continue to be held by such listed subsidiaries and associated companies;

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## DEFINITIONS

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“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“GFA”	gross floor area;
“Group” or “CKH Holdings Group”	the Company and its subsidiaries from time to time (which include the Cheung Kong Group);
“HIBOR”	Hong Kong Interbank Offered Rate;
“HIL”	Hutchison International Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of Hutchison;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, a registered institution under the SFO, registered to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and a licensed bank under the Banking Ordinance (Chapter 155 of the Law of Hong Kong), which is the financial adviser to the Company and the Hutchison Proposal Offeror in connection with the Merger Proposal;
“HSBC Corporate Finance”	HSBC Corporate Finance (Hong Kong) Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO, which is one of the joint sponsors appointed in respect of the Spin-off Proposal;
“Husky”	Husky Energy Inc. (赫斯基能源公司), a company incorporated under the laws of Alberta, Canada on 21 June 2000 and the common shares of which are publicly traded and listed on the Toronto Stock Exchange (stock code: HSE);

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## DEFINITIONS

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“Husky Sale Shares”	61,357,010 Husky Shares, representing approximately 6.24% of the common shares of Husky in issue as at the Latest Practicable Date;
“Husky Sale Shares Purchaser”	Hutchison Whampoa Europe Investments S.à r.l., a company incorporated in Luxembourg with limited liability and an indirect wholly-owned subsidiary of Hutchison, and which holds the Hutchison Group’s existing interest in approximately 33.96% of the common shares of Husky in issue as at the Latest Practicable Date;
“Husky Sale Shares Vendor”	L.F. Investments S.à r.l., a company incorporated in Luxembourg with limited liability and which is indirectly wholly-owned by the Trust;
“Husky Share Exchange”	the proposed acquisition by the Husky Sale Shares Purchaser of the Husky Sale Shares pursuant to the Husky Share Exchange Agreement;
“Husky Share Exchange Agreement”	the conditional agreement dated 9 January 2015 entered into between the Husky Sale Shares Vendor and the Husky Sale Shares Purchaser in relation to the Husky Share Exchange, further details of which are summarised in the “ <i>Letter from the Board</i> ” in this circular;
“Husky Share Exchange Completion”	completion of the Husky Share Exchange pursuant to the Husky Share Exchange Agreement;
“Husky Share Exchange Conditions”	the conditions precedent to the Husky Share Exchange Completion as summarised in the “ <i>Letter from the Board</i> ” in this circular;
“Husky Shares”	the common shares of Husky which are publicly traded and listed on the Toronto Stock Exchange;
“Hutchison”	Hutchison Whampoa Limited 和記黃埔有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board (stock code: 0013);
“Hutchison Board”	the board of directors of Hutchison;
“Hutchison Court Hearing”	the hearing of the petition by the Court for the sanction of the Hutchison Scheme and the confirmation of the capital reduction of Hutchison;

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## DEFINITIONS

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“Hutchison Court Meeting”	the meeting of the Hutchison Scheme Shareholders to be convened at the direction of the Court for the purpose of considering and, if thought fit, approving the Hutchison Scheme;
“Hutchison General Meeting”	the general meeting of Hutchison to be convened immediately following the Hutchison Court Meeting for the purpose of considering and, if thought fit, passing, among other things, (i) a special resolution to approve the Hutchison Scheme and the implementation of the Hutchison Scheme, including the reduction and restoration of the issued share capital of Hutchison under the Hutchison Proposal; and (ii) an ordinary resolution to approve the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal);
“Hutchison Group”	Hutchison and its subsidiaries;
“Hutchison Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, acting as the independent financial adviser to the independent board committee of Hutchison in relation to the Merger Proposal;
“Hutchison Overseas Shareholder(s)”	Hutchison Scheme Shareholder(s) whose address(es), as shown in the register of members of Hutchison at the Hutchison Scheme Record Time, is (are) in any jurisdiction other than Hong Kong;
“Hutchison Property Group”	the companies in the Hutchison Group which will become members of the CK Property Group following completion of the Property Businesses Combination;
“Hutchison Proposal”	the conditional share exchange offer made by the Hutchison Proposal Offeror to the Hutchison Scheme Shareholders for the cancellation of all the Hutchison Scheme Shares by way of the Hutchison Scheme;
“Hutchison Proposal Offeror”	CK Global Investments Limited, a company incorporated in the British Virgin Islands on 30 December 2014 with limited liability and a wholly-owned subsidiary of the Company;
“Hutchison Proposal Offeror Board”	the board of directors of the Hutchison Proposal Offeror;

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## DEFINITIONS

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“Hutchison Scheme”	the proposed scheme of arrangement pursuant to Division 2 of Part 13 of the Companies Ordinance for the implementation of the Hutchison Proposal;
“Hutchison Scheme Document”	the composite scheme document dated 31 March 2015 jointly issued by the Hutchison Proposal Offeror, the Company and Hutchison to the Hutchison Shareholders in relation to the Hutchison Scheme, including each of the letters, statements, appendices and notices in it, a copy of which is set out in Appendix V to this circular for reference purposes only, as may be amended or supplemented from time to time;
“Hutchison Scheme Effective Date”	the date on which the Hutchison Scheme, if approved and sanctioned by the Court, becomes effective in accordance with its terms, which is expected to be on Wednesday, 3 June 2015;
“Hutchison Scheme Record Time”	the record time to be determined by Hutchison for determining the entitlements of the Hutchison Scheme Shareholders to the Hutchison Scheme, which is currently expected to be 4:00 p.m. (Hong Kong time) on the Business Day immediately preceding the Hutchison Scheme Effective Date, which is currently expected to be on 2 June 2015;
“Hutchison Scheme Shareholders”	holders of Hutchison Scheme Shares as at the Hutchison Scheme Record Time;
“Hutchison Scheme Shares”	all the Hutchison Shares in issue at the Hutchison Scheme Record Time, other than any held by the Hutchison Proposal Offeror and the Relevant CKH Holdings Subsidiaries;
“Hutchison Shareholders”	holders of Hutchison Shares;
“Hutchison Shares”	ordinary shares in the share capital of Hutchison;
“Independent Board Committee”	the independent committee of the Board established to advise the Independent Shareholders on the Merger Proposal, comprising all the independent non-executive Directors, namely Mr. Kwok Tun-li, Stanley, Mr. Yeh Yuan Chang, Anthony, Mr. Simon Murray, Mr. Chow Nin Mow, Albert, Ms. Hung Siu-lin, Katherine, Dr. Wong Yick-ming, Rosanna and Mr. Cheong Ying Chew, Henry;

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## DEFINITIONS

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“Independent Financial Adviser” or “Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO, and which is the independent financial adviser to the Board, the Hutchison Proposal Offeror Board, the Independent Board Committee and the Independent Shareholders in respect of the Merger Proposal;
“Independent Shareholders”	Shareholders other than those who have a material interest (which is different from that of all other Shareholders) in any of the Matters For Approval;
“Joint Announcement”	the announcement dated 9 January 2015 jointly issued by Cheung Kong and Hutchison in relation to the Proposals;
“Latest Practicable Date”	the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein, being (i) 26 March 2015 (Toronto time) for information in relation to Husky and (ii) 27 March 2015 for other information;
“LFA”	leasable floor area;
“Listing Committee”	the Listing Committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time);
“Main Board”	the Main Board of the Stock Exchange;
“Matters For Approval “	(i) the proposed issue of new Shares to the Husky Sale Shares Vendor (or as it may direct) under the Husky Share Exchange, and (ii) the Hutchison Proposal (including the issue of new Shares to the Hutchison Scheme Shareholders thereunder);
“Merger Proposal”	collectively, the Husky Share Exchange and the Hutchison Proposal;

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## DEFINITIONS

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“Mr. Li Ka-shing”	Mr. Li Ka-shing, who is the chairman and an executive director of the Company (and, in any context where shareholding is stated, a reference to the shareholding of Mr. Li Ka-shing shall also include the shareholding of companies controlled by him);
“Mr. Li Ka-shing Owned Companies”	collectively, (i) Emino Limited, (ii) Vision City International Limited, (iii) Master Grade Investments Limited, (iv) Rapid Gain Investments Limited and (v) Humphrey Investments Limited, each of which is indirectly beneficially owned by Mr. Li Ka-shing;
“Mr. Li Tzar Kuoi, Victor”	Mr. Li Tzar Kuoi, Victor, who is the managing director, the deputy chairman and an executive director of the Company (and, in any context where shareholding is stated, a reference to the shareholding of Mr. Li Tzar Kuoi, Victor shall also include the shareholding of his spouse, his children and companies controlled by him);
“Non-Qualifying Hutchison Overseas Shareholder(s)”	those Hutchison Overseas Shareholder(s) who will not receive Shares pursuant to the Hutchison Scheme, but will receive cash in full satisfaction of their rights to the Shares, where the law of any relevant jurisdiction precludes an offer of the Shares, or precludes it except after compliance by the Company with conditions with which the Company is unable to comply or that the Company regards as unduly onerous. As at the Latest Practicable Date, the Non-Qualifying Hutchison Overseas Shareholders are Hutchison Overseas Shareholders in the United Arab Emirates;

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## DEFINITIONS

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“Non-Qualifying Overseas Shareholder(s)”	those Overseas Shareholder(s) and other person(s) who will not receive CK Property Shares pursuant to the Distribution In Specie where the Board and the CK Property Board consider it necessary or expedient to exclude them from receiving CK Property Shares on account either of the legal restrictions under the laws of the relevant jurisdictions where they are resident or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions, but will receive the net proceeds of the sale of the CK Property Shares which they would otherwise receive pursuant to the Distribution In Specie if they were Qualifying Shareholders in full satisfaction of their rights to the relevant CK Property Shares, as further described in the paragraph headed “ <i>Spin-off Proposal in relation to the Combined Property Businesses – V. Information on the Distribution In Specie – 2. Non-Qualifying Overseas Shareholders</i> ” in the “ <i>Letter from the Board</i> ” in this circular;
“Offeror Concert Parties”	parties acting in concert with the Hutchison Proposal Offeror in relation to Hutchison, including the persons referred to in the first column of the table under “Offeror Concert Parties” in the section headed “ <i>Merger Proposal – II. The Hutchison Proposal – 6. Shareholding Structure of Hutchison</i> ” in the “ <i>Letter from the Board</i> ” in this circular (including the other persons referred to in notes (1), (3) to (7), (10) to (12), (16) and (17) to the table) (except for members of the HSBC group and the Bank of America Merrill Lynch group which are exempt fund managers or exempt principal traders, in each case recognised by the Executive as such for the purposes of the Takeovers Code), each of which is presumed under the Takeovers Code to be acting in concert with the Hutchison Proposal Offeror in relation to Hutchison;
“O <sub>2</sub> UK”	Telefónica Europe plc, a company incorporated in England and Wales having its registered office at 260 Bath Road, Slough, Berkshire, SL1 4DX, United Kingdom and owner of the O <sub>2</sub> UK business;
“Overseas Shareholder(s)”	Shareholder(s) whose address(es), as shown in the register of members of the Company at the DIS Record Time, is (are) in any jurisdiction other than Hong Kong;
“PN 15”	Practice Note 15 of the Listing Rules;



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## DEFINITIONS

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“PRC”	the People’s Republic of China, which for the purpose of this circular, and except where the context requires, excludes Hong Kong, Macau and Taiwan;
“Property Businesses Combination”	the proposed reorganisation of the Combined Property Businesses to form part of the CK Property Group, following completion of the Merger Proposal;
“Proposals”	collectively, the Cheung Kong Reorganisation, the Merger Proposal and the Spin-off Proposal;
“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Overseas Shareholders, whose names appear in the register of members of the Company at the DIS Record Time;
“Registered Owner”	in respect of a Beneficial Owner, any nominee, trustee, depositary or any other authorised custodian or third party whose name is entered in the register of members of the Company as the holder of Shares in which the Beneficial Owner is beneficially interested;
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions;
“Relevant CKH Holdings Subsidiaries”	collectively, (i) Continental Realty Limited, (ii) Fumanda Limited, (iii) Good Energy Limited, (iv) Guidefield Limited, (v) Haldaner Limited, (vi) Harrowgate Investments Limited, (vii) Harvestime Holdings Limited, (viii) Hey Darley Limited, (ix) Hislop Resources Limited, (x) Kam Chin Investment S.A., (xi) Mirabole Limited, (xii) Oriental Time Investment Limited, (xiii) Polycourt Limited, (xiv) Richland Realty Limited, (xv) Shining Heights Profits Limited, (xvi) Top Win Investment Limited, (xvii) Wealth Pleasure Limited, (xviii) Well Karin Limited, (xix) White Rain Enterprises Ltd., and (xx) Winbo Power Limited, each of which is an indirect wholly-owned subsidiary of the Company and which in aggregate hold approximately 49.97% of the issued shares of Hutchison;

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## DEFINITIONS

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“Reorganisation Agreement”	the conditional reorganisation agreement proposed to be entered into among the Company, CK Property, Cheung Kong, certain subsidiaries of CK Property and certain members of the Group and the Hutchison Group in relation to the reorganisation of shares and other interests in the CPB Companies and the assignment of certain loans (other than the loans to be assigned under that the Specified Loans Purchase Agreement), as part of the Property Businesses Combination;
“Resulting Group” or “Resulting CKH Holdings Group”	the Group on completion of the Merger Proposal and the Spin-off Proposal;
“RevPAR”	revenue per available room, which is calculated by dividing the total hotel room revenue by the total number of available room nights in a given period;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFC”	the Securities and Futures Commission;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time);
“Share(s)” or “CKH Holdings Share(s)”	ordinary share(s) of HK\$1.00 par value each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Singapore Stock Exchange”	The Singapore Exchange Securities Trading Limited;
“Specified Currency Exchange Rate”	the exchange rate of CAD1 to HK\$6.5782, which is equivalent to the exchange rate quoted by OANDA on 6 January 2015;
“Specified Loans”	certain interest-bearing loans owing by certain CPB Companies to the Cheung Kong Group or the Hutchison Group as at completion of the Specified Loans Purchase Agreement, which will be assigned to the CK Property Group pursuant to the Specified Loans Purchase Agreement, and “ <b>Specified Loan</b> ” shall refer to any one of them;

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## DEFINITIONS

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“Specified Loans Promissory Note”	has the meaning given to it in the paragraph headed “ <i>Spin-off Proposal in relation to the Combined Property Businesses – III. The Property Businesses Combination – A. The Specified Loans Purchase Agreement – 3. Settlement of Consideration</i> ” in the “ <i>Letter from the Board</i> ” in this circular;
“Specified Loans Purchase Agreement”	the conditional agreement proposed to be entered into among the Company, CK Property, a wholly-owned subsidiary of Cheung Kong and a wholly-owned subsidiary of Hutchison in relation to the sale and purchase of certain loans as part of the Property Businesses Combination;
“Spin-off Proposal”	the proposed spin-off of the Combined Property Businesses to the Qualifying Shareholders by way of the Distribution In Specie, and separate listing of the CK Property Shares on the Main Board by way of introduction;
“sq.m.”	square metres;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC (as amended, supplemented or otherwise modified from time to time);
“TDT1”	Li Ka-Shing Unity Trustee Corporation Limited, a company incorporated in the Cayman Islands, which is the trustee of DT1;
“TDT2”	Li Ka-Shing Unity Trustcorp Limited, a company incorporated in the Cayman Islands, which is the trustee of DT2;
“TDT3”	Li Ka-Shing Castle Trustee Corporation Limited, a company incorporated in the Cayman Islands, which is the trustee of DT3;
“TDT4”	Li Ka-Shing Castle Trustcorp Limited, a company incorporated in the Cayman Islands, which is the trustee of DT4;
“Trust”	DT1, DT2, DT3, DT4, UT1 and UT3, and where the context requires, any of them;

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## DEFINITIONS

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“TUT1”	Li Ka-Shing Unity Trustee Company Limited, a company incorporated in the Cayman Islands, which is the trustee of UT1;
“TUT3”	Li Ka-Shing Castle Trustee Company Limited, a company incorporated in the Cayman Islands, which is the trustee of UT3;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“U.S.” or “United States” or “United States of America”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“U.S. Securities Act”	the United States Securities Act of 1933, as amended;
“UT1”	The Li Ka-Shing Unity Trust;
“UT3”	The Li Ka-Shing Castle Trust; and
“%”	per cent.

*All percentages stated in this circular are approximations and certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

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## EXPECTED TIMETABLE

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Set out below is the current expected timetable in relation to the EGM and the Spin-off Proposal.

**2015**

*(Hong Kong time)*

Latest time for lodging transfers of Shares to qualify for the entitlement to attend and vote at the EGM .....	4:30 p.m. on Tuesday, 14 April
Closure of the register of members of the Company for determining the entitlement to attend and vote at the EGM .....	from Wednesday, 15 April to Monday, 20 April (both days inclusive)
Latest time for lodging forms of proxy in respect of the EGM .....	11:00 a.m. on Saturday, 18 April
Record date for determining the entitlement to attend and vote at the EGM .....	Monday, 20 April
Trading halt in the Shares on the Stock Exchange <sup>(1)</sup> .....	9:00 a.m. Monday, 20 April
EGM .....	11:00 a.m. on Monday, 20 April
Announcement of the results of the EGM published on the Stock Exchange's website .....	Monday, 20 April
Resumption of trading in the Shares on the Stock Exchange <sup>(1)</sup> .....	9:00 a.m. Tuesday, 21 April
Register of members of the Company re-opens on .....	Tuesday, 21 April
Trading halt in the Shares on the Stock Exchange <sup>(2)</sup> .....	9:00 a.m. on Tuesday, 19 May
Resumption of trading in the Shares on the Stock Exchange <sup>(2)</sup> .....	9:00 a.m. Wednesday, 20 May
Last day of dealings in the Shares on a cum entitlement basis to the Distribution In Specie .....	Tuesday, 26 May
First day of dealings in the Shares on an ex entitlement basis to the Distribution In Specie .....	Wednesday, 27 May
Latest time for lodging transfers of Shares to qualify for the entitlement to the Distribution In Specie .....	4:30 p.m. on Thursday, 28 May

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## EXPECTED TIMETABLE

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Closure of the register of members of the Company for  
determining entitlements to the Distribution In Specie . . . . . from Friday, 29 May  
to Tuesday, 2 June  
(both days inclusive)

Despatch of the share certificates for the CK Property Shares  
to be issued pursuant to the Distribution In Specie <sup>(3)</sup> . . . . . Tuesday, 2 June

Register of members of the Company re-opens on . . . . . Wednesday, 3 June

DIS Record Time <sup>(4)</sup> . . . . . 8:50 a.m. on Wednesday, 3 June

Expected date of commencement of dealings in the CK Property Shares  
on the Stock Exchange . . . . . Wednesday, 3 June

*Notes:*

- (1) Trading in the Shares will be halted from 9:00 a.m. on Monday, 20 April 2015 pending the publication of an announcement of the results of the EGM and an announcement of the results of the Hutchison Court Meeting and the Hutchison General Meeting. Trading in the Shares is expected to resume at 9:00 a.m. on the trading day following the announcements of those results.
- (2) Trading in the Shares will be halted from 9:00 a.m. on Tuesday, 19 May 2015 pending the publication of an announcement of the results of the Hutchison Court Hearing. The expected timing of the resumption of trading in the Shares is indicated in the above table, but if the results are published between noon and 12:30 p.m. on Tuesday, 19 May 2015, trading in the Shares will resume at 1:00 p.m. on the same day instead of 9:00 a.m. on Wednesday, 20 May 2015.
- (3) The share certificates for the CK Property Shares to be issued under the Distribution In Specie are expected to be despatched to the Qualifying Shareholders on Tuesday, 2 June 2015. If the Distribution In Specie does not become unconditional, such share certificates will not become valid and dealings in the CK Property Shares will not commence on Wednesday, 3 June 2015.
- (4) Subject to the fulfilment of the relevant conditions precedent, the allotment and issue of Shares to the Husky Sale Shares Vendor (or as it may direct) pursuant to the Husky Share Exchange and to the Hutchison Scheme Shareholders (other than the Non-Qualifying Hutchison Overseas Shareholders) pursuant to the Hutchison Scheme are expected to take place before 8:50 a.m. on Wednesday, 3 June 2015. Therefore, at the DIS Record Time, the Shareholders will include, among others, holders of those Shares so allotted and issued.
- (5) All times and dates in this document refer to Hong Kong times and dates unless otherwise indicated.

**The listing of the CK Property Shares pursuant to the Spin-off Proposal is subject to, among other things, the completion of the Merger Proposal and the approval by the Listing Committee for the listing of, and permission to deal in, the CK Property Shares on the Main Board. Accordingly, Shareholders and potential investors in Company should be aware that there is no assurance that the Spin-off Proposal and the separate listing of the CK Property Shares will take place. If the Spin-off Proposal does not proceed, the Distribution In Specie will not be made. Shareholders and potential investors in the Company should therefore exercise caution when dealing in or investing in the securities in the Company.**

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## EXPECTED TIMETABLE

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Please note that the above timetable may be subject to further changes and further announcement(s) will be made by the Company as and when necessary in relation to any such change.

The Company has been informed by HSBC of the following. During the distribution of Shares in the Hutchison Scheme, certain divisions of HSBC and HSBC Bank plc that have been granted “exempt principal trader” status under the Takeovers Code intend to engage in various dealing and brokerage activities involving Shares and ADRs when and to the extent permitted by applicable laws and regulations, including the Takeovers Code. In particular, these divisions of HSBC and HSBC Bank plc intend (1) to engage in trades in Shares and ADRs for their own account and the accounts of their customers for the purpose of derivative arbitrage or hedging activities, such as closing out existing derivatives, delta hedging in respect of existing derivatives, index-related product or tracker fund arbitrage or similar activities assented to by the SFC; and (2) to engage in borrowing and lending transactions in Shares and ADRs (including the unwinding of such transactions).

These divisions of HSBC and HSBC Bank plc will not be obliged to purchase Shares or ADRs and any such purchases may be discontinued at any time in their sole discretion without notice. These activities could have the effect of preventing or delaying a decline in the market price of Shares or ADRs.

Any ADR programmes relating to Shares will be unsponsored and established by depositary banks without the participation or consent of the Company, and none of the Company, HSBC or HSBC Bank plc makes any representation in respect of the establishment or maintenance of any ADR programmes relating to Shares.

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## LETTER FROM THE BOARD

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**CK HUTCHISON HOLDINGS LIMITED**  
**長江和記實業有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 0001)**

***Executive Directors***

LI Ka-shing *Chairman*  
LI Tzar Kuoi, Victor *Managing Director and Deputy Chairman*  
KAM Hing Lam *Deputy Managing Director*  
IP Tak Chuen, Edmond *Deputy Managing Director*  
CHUNG Sun Keung, Davy  
PAU Yee Wan, Ezra  
WOO Chia Ching, Grace  
CHIU Kwok Hung, Justin

***Company Secretary***

Eirene YEUNG

***Registered Office***

Maples Corporate Services Limited  
PO Box 309, Uglund House  
Grand Cayman  
KY1-1104  
Cayman Islands

***Principal Place of Business in Hong Kong***

7th Floor, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

***Non-executive Directors***

LEUNG Siu Hon  
FOK Kin Ning, Canning  
Frank John SIXT  
CHOW Kun Chee, Roland  
George Colin MAGNUS  
LEE Yeh Kwong, Charles

***Independent Non-executive Directors***

KWOK Tun-li, Stanley  
YEH Yuan Chang, Anthony  
Simon MURRAY  
CHOW Nin Mow, Albert  
HUNG Siu-lin, Katherine  
WONG Yick-ming, Rosanna\*  
CHEONG Ying Chew, Henry

\* *Also alternate director to Simon MURRAY*

31 March 2015

*To the Shareholders*

Dear Sir or Madam,

**Merger Proposal –**

- (a) Proposed Issue of Shares in connection with the Acquisition by the Hutchison Group of 6.24% of the Common Shares of Husky in issue; and**  
**(b) Proposed Share Exchange Offer to the Hutchison Scheme Shareholders for the Cancellation of all the Hutchison Scheme Shares by way of a Scheme of Arrangement of Hutchison under the Companies Ordinance**

**INTRODUCTION**

Reference is made to the Joint Announcement relating to the proposed reorganisation and combination of the businesses of the Cheung Kong Group and the Hutchison Group under two new Hong Kong listed companies, namely the Company and the CK Property.



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## LETTER FROM THE BOARD

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Upon completion of the Cheung Kong Reorganisation on 18 March 2015, Cheung Kong became a wholly-owned subsidiary of the Company and the Company became the holding company of the Cheung Kong Group. The listing of the shares of Cheung Kong on the Main Board was withdrawn on 18 March 2015, and the Shares have been listed on the Main Board since the same date.

As mentioned in the Joint Announcement, completion of the Cheung Kong Reorganisation, which occurred on 18 March 2015, was a pre-condition to the making of the Hutchison Proposal and was a condition precedent to completion of the Husky Share Exchange and the Spin-off Proposal. Subject to the fulfilment (or, where relevant, waiver) of their respective conditions precedent, the following transactions are proposed to be implemented and the purpose of this circular is to provide you with further information in relation to these transactions and the notice of the EGM, at which the approval by the Independent Shareholders of the Matters For Approval will be sought:

- (a) ***The Husky Share Exchange*** – Pursuant to the Husky Share Exchange Agreement dated 9 January 2015, the Husky Sale Shares Purchaser (an indirect wholly-owned subsidiary of Hutchison) will acquire from the Husky Sale Shares Vendor (a company indirectly wholly-owned by the Trust) 61,357,010 Husky Shares, representing approximately 6.24% of the common shares of Husky in issue as at the Latest Practicable Date. The consideration for the acquisition will be satisfied by the issue of 84,427,246 new Shares by the Company to the Husky Sale Shares Vendor (or as it may direct), credited as fully paid (representing a share exchange ratio of 1.376 new Shares for every one Husky Share to be acquired). On completion of the Husky Share Exchange, assuming that there are no other changes in the shareholding of Husky, the Hutchison Group will own an aggregate of approximately 40.20% of the common shares of Husky in issue. Subject to the fulfilment (or, where relevant, waiver) of the conditions precedent to the Husky Share Exchange, the Husky Share Exchange will be completed immediately prior to completion of the Hutchison Proposal (as described below).
- (b) ***The Hutchison Proposal*** – On 31 March 2015, the Hutchison Proposal Offeror, a wholly-owned subsidiary of the Company, made a conditional share exchange offer to the Hutchison Scheme Shareholders for the cancellation of all the Hutchison Scheme Shares by way of a scheme of arrangement of Hutchison under the Companies Ordinance. Pursuant to the Hutchison Scheme, all the Hutchison Scheme Shares (which will be all the Hutchison Shares in issue at the Hutchison Scheme Record Time other than those held by the Relevant CKH Holdings Subsidiaries) will be cancelled and extinguished, and the Hutchison Scheme Shareholders (other than the Non-Qualifying Hutchison Overseas Shareholders) will receive new Shares in the share exchange ratio of 0.684 of a new Share for every one Hutchison Scheme Share held at the Hutchison Scheme Record Time. Subject to the fulfilment (or, where relevant, waiver) of the conditions precedent to the Hutchison Proposal, the Hutchison Proposal will be completed immediately after the Husky Share Exchange Completion. On completion of the Hutchison Proposal, Hutchison will become a wholly-owned subsidiary of the Company and the listing of the Hutchison Shares on the Main Board will be withdrawn.

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## LETTER FROM THE BOARD

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(c) *The Spin-off Proposal* – Pursuant to the Spin-off Proposal, the following transactions are proposed to be implemented:

- (i) immediately following completion of the Merger Proposal, the Combined Property Businesses will be reorganised to form part of the CK Property Group pursuant to the Property Businesses Combination; and
- (ii) immediately following completion of the Property Businesses Combination, CK Property will allot and issue to the Shareholders (other than the Non-Qualifying Overseas Shareholders) new CK Property Shares pursuant to the Distribution In Specie in the ratio of one CK Property Share for every one Share held as at the DIS Record Time and, immediately thereafter, the two CK Property Shares then held by the Company will be surrendered for cancellation. These Shareholders will include, among others, holders of the Shares to be issued pursuant to (a) the Husky Share Exchange (i.e. the Husky Sale Shares Vendor (or as it may direct)) and (b) the Hutchison Scheme (i.e. the Hutchison Scheme Shareholders other than the Non-Qualifying Hutchison Overseas Shareholders), unless they are Non-Qualifying Overseas Shareholders. Accordingly, the Shareholders (other than the Non-Qualifying Overseas Shareholders) will hold the same proportionate interests in CK Property as they hold in the Company as at the DIS Record Time.

An application has been made by CK Property to the Stock Exchange for the listing by way of introduction of, and permission to deal in, the CK Property Shares on the Main Board. The Spin-off Proposal will be subject to the fulfilment (or, where relevant, waiver) of a number of conditions precedent, as set out in the section headed “*Spin-off Proposal in relation to the Combined Property Businesses*” below.

As at the Latest Practicable Date, the Trust, directly and indirectly through companies controlled by it, held approximately 40.43% of the issued Shares. Therefore, the relevant entities under the Trust and the Husky Sale Shares Vendor (a company indirectly wholly-owned by the Trust) are connected persons of the Company under the Listing Rules. Accordingly, the issue of the Shares to the Husky Sale Shares Vendor (or as it may direct) under the Husky Share Exchange constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders.

The Hutchison Proposal constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and, as certain Hutchison Scheme Shareholders are connected persons of the Company, it also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Hutchison Proposal is therefore subject to the approval of the Independent Shareholders.

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders, and Anglo Chinese Corporate Finance, Limited has been appointed as the independent financial adviser to

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## LETTER FROM THE BOARD

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advise the Board, the Hutchison Proposal Offeror Board, the Independent Board Committee and the Independent Shareholders, in connection with the Husky Share Exchange and the Hutchison Proposal. The text of the letter from the Independent Board Committee is set out on pages 52 to 53 of this circular, and the text of the letter from the Independent Financial Adviser is set out on pages 54 to 101 of this circular.

**If you are also a shareholder of Hutchison, this circular is not, and should not be construed to be, a solicitation or request for votes or proxies in respect of the securities of Hutchison. The Hutchison Scheme Document has been despatched to the Hutchison Shareholders for such purposes on the same date as this circular. A copy of the Hutchison Scheme Document is set out in Appendix V to this circular for reference purposes only.**

### OBJECTIVES

The objectives of the Proposals are as follows:

***(a) Shareholder value creation through the elimination of the holding company discount of the Company's stake in Hutchison***

The Merger Proposal and the Spin-off Proposal should immediately realise value for shareholders through the elimination of the Company's holding company discount associated with the existing tiered shareholding structure as no Hutchison Shares will be held indirectly. Based on the closing prices of the Cheung Kong Shares on the Stock Exchange on 7 January 2015 (which was prior to the publication of the Joint Announcement on 9 January 2015), the Cheung Kong Shares were trading at a 23.0% and 26.0% discount to, or HK\$87 billion or HK\$102 billion less than, Cheung Kong's book equity value attributable to shareholders as at 30 June 2014 and 31 December 2014 respectively (based on the unaudited consolidated financial statements of Cheung Kong for the six months ended 30 June 2014 and the audited consolidated financial statements of Cheung Kong for the year ended 31 December 2014), which included its approximately 49.97% stake in Hutchison. A part of this is attributable to the holding company discount on the Group's stake in Hutchison, which would be eliminated through the Merger Proposal and the Spin-off Proposal as shareholders will hold shares in the Company and CK Property directly.

Since the exchange ratios for each of the Husky Share Exchange and the Hutchison Proposal were determined by reference to the average closing prices of the shares of Cheung Kong and Hutchison for the five trading days up to (and including) 7 January 2015 and the average closing price of the shares of Husky for the five trading days up to (and including) 6 January 2015 with no premium or discount involved, all Shareholders and Hutchison Shareholders will be able to benefit from the continuing growth of the distinct businesses of the Company and CK Property.

***(b) Greater transparency and business coherence***

Following completion of the Merger Proposal and the Spin-off Proposal, the business profiles of the Company and CK Property will be very clearly delineated. As a result, shareholders and potential investors will be better able to differentiate and value the

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## LETTER FROM THE BOARD

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businesses of the Group and the CK Property Group based on their respective earnings, cash flow and net asset value profiles. The increased transparency and greater coherence in the grouping of the existing businesses of the Group and the Hutchison Group under the new structure is expected to enhance value, in particular given the differences between the valuation methodologies investors would normally apply to the property business of CK Property and the diversified portfolio of infrastructure and consumer businesses of the Company.

The Merger Proposal and the Spin-off Proposal will align the businesses of each of the Company and CK Property with their respective investor bases and eliminate the investment arbitrage that originates from valuation mismatch between the Company and Hutchison.

The Merger Proposal and the Spin-off Proposal will permit each of the Company and CK Property to focus on its strategic plans and growth opportunities independently and will allow the management of each of the Company and CK Property to focus independently on the specific and distinct business characteristics of the Combined Non-Property Businesses and the Combined Property Businesses, respectively. The Merger Proposal and the Spin-off Proposal will also provide each of the Company and CK Property greater flexibility in investing capital in a manner appropriate for its business strategy and facilitate a more company-specific allocation of capital, including increased strategic flexibility to make future acquisitions. Finally, the separation of the businesses of each of the Company and CK Property through the Merger Proposal and the Spin-off Proposal will permit each of the Company and CK Property to reduce its exposure to unrelated risk and provide cost savings for each of the Company and CK Property.

***(c) Removal of the layered holding structure between the Company and Hutchison allowing shareholders to directly invest in two separate listed vehicles alongside the Trust***

As at the Latest Practicable Date, the Trust was the controlling shareholder (as defined under the Listing Rules) of the Company, which in turn indirectly owned approximately 49.97% of Hutchison. Following completion of the Merger Proposal and the Spin-off Proposal, the Trust, together with Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, will directly and/or indirectly hold approximately 30.15% of the shares in each of the Company and CK Property, and the Li family will continue to chair and lead the management of both companies.

***(d) All eligible shareholders to hold Shares and CK Property Shares directly, enhancing investment flexibility and efficiencies***

Upon completion of the Merger Proposal and the Spin-off Proposal, all qualifying Shareholders and Hutchison Scheme Shareholders will hold Shares and CK Property Shares directly. This will provide all shareholders with the choice to adjust their shareholdings in the Company and/or CK Property according to their individual investment objectives and preferences.

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## LETTER FROM THE BOARD

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*(e) Enhanced size and scale*

Following completion of the Merger Proposal and the Spin-off Proposal, the Group will be a multinational conglomerate of significant size and scale, operating in over 50 countries. Infrastructure assets currently owned by the Group, which contributed HK\$1.8 billion to the profit before tax in the financial year of 2014 for Cheung Kong, will be combined with the infrastructure assets currently owned by the Hutchison Group in the consolidated accounts of the Resulting Group, and there will be an increased interest in the energy sector through the Resulting Group becoming the largest shareholder in Husky. In addition, the portfolio of the Resulting Group will include the Hutchison Group's existing operations in the ports and related services, retail and telecommunications. The Group's newly acquired business of the ownership and leasing of movable assets will further diversify the Resulting Group's business mix.

Upon the listing of CK Property on the Main Board, the CK Property Group will be one of Hong Kong's largest property developers with a leading market share in Hong Kong, strong penetration in the PRC and an international presence through its operations in Singapore and the United Kingdom. As at 31 December 2014, the Combined Property Businesses (which will be held by the CK Property Group pursuant to the Property Businesses Combination) had a total attributable interest in approximately 1.6 million sq.m. of rental properties, a development land bank of approximately 15.8 million sq.m. (of which approximately 14.5 million sq.m. is located in the PRC) and more than 14,600 hotel rooms and also managed approximately 21 million sq.m. of properties in Hong Kong and the PRC. As at 28 February 2015, based on the valuations conducted by independent property valuers (the summaries of which are set out in Appendix VIII to the Hutchison Scheme Document, a copy of which is set out in Appendix V to this circular for reference purposes only), the value of the diverse property portfolio of development properties, investment properties and hotels and serviced suites to be reorganised under the CK Property Group that was valued by such independent property valuers was approximately HK\$420.1 billion. The property interests to be reorganised under the CK Property Group that were not valued by the independent property valuers referred to above included agricultural land lots with an aggregate net book value of approximately HK\$1.1 billion as at 31 December 2014.

### MERGER PROPOSAL

#### I. The Husky Share Exchange

##### 1. *The Husky Share Exchange Agreement*

The principal terms of the Husky Share Exchange Agreement are summarised as follows:

*(a) Date*

9 January 2015.

*(b) Parties*

Vendor : the Husky Sale Shares Vendor, a company indirectly wholly-owned by the Trust.

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## LETTER FROM THE BOARD

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Purchaser : the Husky Sale Shares Purchaser, an indirect wholly-owned subsidiary of Hutchison.

(c) *Interest to be acquired*

61,357,010 Husky Shares, representing approximately 6.24% of the common shares of Husky in issue as at the Latest Practicable Date.

(d) *Conditions Precedent*

The Husky Share Exchange Completion is conditional upon the fulfilment (or, where relevant, waiver) of a number of conditions precedent, as summarised below:

- (i) completion of the Cheung Kong Reorganisation (which occurred on 18 March 2015);
- (ii) the conditions precedent to the Hutchison Proposal (other than the condition precedent relating to completion of the Husky Share Exchange) having been fulfilled or waived (as the case may be) and the Hutchison Proposal not having been terminated;
- (iii) the Executive granting consent to the Husky Share Exchange as a special deal under Rule 25 of the Takeovers Code and such consent remaining in full force and effect;
- (iv) the approval of the issue of the Shares under the Husky Share Exchange by the Independent Shareholders pursuant to the Listing Rules at the EGM;
- (v) the approval of (1) the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code) by the disinterested shareholders of Hutchison in accordance with the Takeovers Code at a general meeting of Hutchison, and (2) the Hutchison Proposal and the transactions contemplated thereunder by the disinterested shareholders of Hutchison in accordance with the requirements of the Companies Ordinance and the Takeovers Code at a court meeting and a general meeting of Hutchison;
- (vi) all Authorisations which may be required under any existing contractual arrangements or regulatory requirements having been obtained and all regulatory filing obligations having been complied with;
- (vii) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares to be issued as consideration for the Husky Share Exchange on the Main Board and such approval not having been revoked prior to the Husky Share Exchange Completion;

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## LETTER FROM THE BOARD

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- (viii) the warranties, representations, undertakings and indemnities given by the Husky Sale Shares Vendor in the Husky Share Exchange Agreement remaining true and accurate in all material respect and not misleading in any material respect;
- (ix) the conditions precedent to the Spin-off Proposal (as further described in the section headed “*Spin-off Proposal in relation to the Combined Property Businesses – V. Information on the Distribution In Specie – 1. Conditions precedent to the Spin-off Proposal*” below) (other than the conditions precedent relating to completion of the Husky Share Exchange and the Hutchison Proposal) having been fulfilled or waived (as the case may be); and
- (x) no mandatory general offer obligation under the Takeovers Code being incurred by the Trust in respect of the Company as a result of the completion of the Husky Share Exchange (whether on its own or together with the completion of the Hutchison Proposal), or if any such mandatory general offer obligation is incurred, a waiver of such obligation having been granted by the Executive and the fulfilment of any conditions or requirements for the waiver.

The Husky Sale Shares Purchaser may in its absolute discretion at any time waive, in whole or in part, the conditions precedent in (vi) and (viii) above by notice in writing to the Husky Sale Shares Vendor. The other conditions precedent cannot be waived by either party. Each party will use its reasonable endeavours to procure the fulfilment of all the conditions precedent above on or before the earlier of the date of the Husky Share Exchange Completion and 30 June 2015 (or such other date as the parties may otherwise agree in writing) (the “**Long Stop Date**”). In the event that any of the conditions precedent has not been fulfilled or (in the case of the conditions precedent in (vi) and (viii) above) waived on or before the Long Stop Date, then the Husky Share Exchange Agreement will terminate and be of no further effect, except in respect of claims for any antecedent breaches.

As at the Latest Practicable Date, the condition precedent in (i) above had been fulfilled but none of the other conditions precedent to the Husky Share Exchange had been fulfilled (or, where relevant, waived).

As at the Latest Practicable Date, (a) TUT3 (as trustee of UT3) held 11,496,000 Hutchison Shares (representing approximately 0.27% of the issued Hutchison Shares as at the Latest Practicable Date) and (b) the Mr. Li Ka-shing Owned Companies together held 94,534,000 Hutchison Shares (representing approximately 2.22% of the issued Hutchison Shares as at the Latest Practicable Date). Therefore, the Hutchison Scheme Shareholders are expected to include TUT3 (as trustee of UT3) and the Mr. Li Ka-shing Owned Companies.

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As the Husky Sale Shares Vendor is a company indirectly wholly owned by the Trust, the Husky Share Exchange is considered a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal. In relation to the condition precedent in (iii) above, the Executive has indicated that it is minded to grant consent to the Husky Share Exchange as a special deal under Rule 25 of the Takeovers Code subject to (a) the opinion of the Hutchison Independent Financial Adviser that the terms of the Husky Share Exchange are fair and reasonable and (b) the approval of the Husky Share Exchange by the Hutchison Shareholders who are not involved in or interested in the transaction (otherwise than solely as Hutchison Shareholders) at the Hutchison General Meeting. In relation to (a) above, as set out in “*Letter from the Independent Financial Adviser*” in the Hutchison Scheme Document (a copy of which is set out in Appendix V to this circular for references purposes only), the Hutchison Independent Financial Adviser considers, among other things, that the terms of the Husky Share Exchange are fair and reasonable so far as the Disinterested Hutchison Shareholders are concerned.

In the event that the acquisition of 61,357,010 Husky Shares (whether on its own or together with completion of the Hutchison Proposal) by the Husky Sale Shares Purchaser and the issue of the 84,427,246 new Shares to the Husky Sale Shares Vendor (or as it may direct) as consideration would, after taking into account any other acquisitions of shares by concert parties of the Trust (if any), result in the Trust incurring a mandatory general offer obligation under the Takeovers Code in respect of the Company, the 61,357,010 Husky Shares which are the subject of the Husky Share Exchange Agreement (and correspondingly the number of Shares to be issued under the Husky Share Exchange) may be reduced to such numbers as may be agreed between the parties to the Husky Share Exchange Agreement at any time before the Husky Share Exchange Completion to the extent as would result in such mandatory general offer obligation not being incurred.

*(e) Consideration*

The consideration for the acquisition of the Husky Sale Shares will be satisfied by the issue of 84,427,246 new Shares by the Company to the Husky Sale Shares Vendor (or as it may direct), representing a share exchange ratio of 1.376 new Shares for every one Husky Share to be acquired. The Company has undertaken to the Husky Sale Shares Purchaser that, subject to the fulfilment (or, where relevant, waiver) of the conditions precedent set out in the Husky Share Exchange Agreement as summarised above, the Company will, on completion of the Husky Share Exchange, allot and issue such new Shares, credited as fully paid, to the Husky Sale Shares Vendor (or as it may direct).

The above share exchange ratio in respect of the Husky Share Exchange was determined based on the average closing price of the Cheung Kong Shares on the Stock Exchange for the five trading days up to (and including) 7 January 2015 and the average closing price of the Husky Shares on the Toronto Stock Exchange for the five trading days up to (and including) 6 January 2015, without any



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premium or discount, and using the Specified Currency Exchange Rate. Based on the closing price of the Shares as at the Latest Practicable Date and the share exchange ratio for the Husky Share Exchange, the value of each Husky Sale Share of HK\$216.44 under the Husky Share Exchange represents a premium of approximately 35.7% over the closing price of CAD 25.73 for each Husky Share on the Toronto Stock Exchange (equivalent to approximately HK\$159.54 at the exchange rate of CAD 1 to HK\$6.2006) as at the Latest Practicable Date.

The Shares to be issued as consideration for the Husky Share Exchange, when issued, will be credited as fully paid and will rank *pari passu* with all other Shares in issue as at the Husky Share Exchange Completion. Holders of such Shares will be entitled to receive all dividends and other distributions by the Company if the record time for determining the entitlement to such dividends and distributions falls on or after the Husky Share Exchange Completion, and will in particular be entitled to the Distribution In Specie based on the DIS Record Time. Based on the expected timetable that the Proposals will be completed on Wednesday, 3 June 2015, holders of such Shares are also expected to receive any dividends and other distributions declared by the Company in respect of the financial year ending 31 December 2015.

The Company will make an application to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the Husky Share Exchange on the Main Board.

*(f) Representations, warranties and indemnities*

Representations and warranties in respect of Husky (including those in relation to Husky's business, financial position and tax and other liabilities and certain other representations and warranties commonly included in similar transactions) have been given by the Husky Sale Shares Vendor under the Husky Share Exchange Agreement.

*(g) Completion*

Subject to the fulfilment or waiver (as the case may be) of the Husky Share Exchange Conditions, the Husky Share Exchange Completion will take place immediately before the Hutchison Scheme becomes effective.

## **2. The Guarantees**

On 9 January 2015, upon the signing of the Husky Share Exchange Agreement, the following guarantees in connection with such agreement were entered into:

- (i) each of TUT1 (as trustee of UT1) and TDT3 (as trustee of DT3) entered into a guarantee agreement with the Husky Sale Shares Purchaser pursuant to which each of TUT1 (as trustee of UT1) and TDT3 (as trustee of DT3)

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respectively guaranteed to the Husky Sale Shares Purchaser the due and punctual performance by the Husky Sale Shares Vendor of its obligations under the Husky Share Exchange Agreement; and

- (ii) Hutchison entered into a guarantee agreement with the Husky Sale Shares Vendor pursuant to which Hutchison guaranteed to the Husky Sale Shares Vendor the due and punctual performance by the Husky Sale Shares Purchaser of its obligations under the Husky Share Exchange Agreement.

### 3. *Information on Husky*

The principal activity of Husky is investment in oil and gas with upstream and downstream business segments. Upstream operations include the exploration, development and production of crude oil, bitumen and natural gas while downstream operations include commodity marketing, pipeline transportation and storage, upgrading and refining crude oil, power co-generation and marketing gasoline, diesel, jet fuel, asphalt, ethanol and related products in Canada and the United States. Husky is based in Calgary, Alberta, and is publicly traded on the Toronto Stock Exchange under the symbols HSE and HSE.PR.A.

Set out below is certain audited financial information of Husky based on the audited consolidated financial statements of Husky for the three financial years ended 31 December 2014, each of which was prepared in accordance with International Financial Reporting Standards:

	For the year ended 31 December		
	2012	2013	2014
<b>Earnings before income taxes</b>	CAD2,836 million	CAD2,628 million	CAD1,784 million
<b>Net earnings</b>	CAD2,022 million	CAD1,829 million	CAD1,258 million

As at 31 December 2014, the audited net asset value of Husky, based on the audited consolidated financial statements of Husky for the year ended 31 December 2014, was CAD20,575 million.

The published financial statements and annual and quarterly reports of Husky are available on the website of Husky at [www.huskyenergy.com](http://www.huskyenergy.com).

On completion of the Husky Share Exchange and immediately before completion of the Hutchison Proposal: (i) the Hutchison Group will own an aggregate of approximately 40.20% of the common shares of Husky in issue (including the Hutchison Group's existing shareholding of approximately 33.96% in Husky); and (ii) the aggregate shareholding of the Trust, Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor in the Company is expected to increase from approximately 43.42% to approximately 45.41%.

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### II. The Hutchison Proposal

The Hutchison Proposal Offeror (which is a wholly-owned subsidiary of the Company) has made the Hutchison Proposal to the Hutchison Scheme Shareholders, on the terms and conditions as set out in the Hutchison Scheme Document. The Hutchison Proposal is subject to the Takeovers Code. A summary of the key terms and conditions of the Hutchison Proposal is set out below. A copy of the Hutchison Scheme Document is set out in Appendix V to this circular for reference purposes only.

#### 1. Summary of the Hutchison Proposal

Under the Hutchison Proposal, it is proposed that on the Hutchison Scheme Effective Date:

- (i) the share capital of Hutchison will be reduced by cancelling and extinguishing the Hutchison Scheme Shares (being all the Hutchison Shares in issue as at the Hutchison Scheme Record Time other than those held by the Relevant CKH Holdings Subsidiaries);
- (ii) subject to and immediately upon such reduction of capital taking effect, the share capital of Hutchison will be increased to its former amount by the creation of such number of new Hutchison Shares as is equal to the number of Hutchison Scheme Shares cancelled;
- (iii) Hutchison will apply all credit arising in its books of account as a result of such capital reduction in paying up the newly created Hutchison Shares, which will be allotted and issued, credited as fully paid, to the Hutchison Proposal Offeror; and
- (iv) in consideration for the cancellation and extinguishment of the Hutchison Scheme Shares, the Hutchison Scheme Shareholders (other than the Non-Qualifying Hutchison Overseas Shareholders) will receive Shares (which will rank *pari passu* with each other), credited as fully paid, in the following ratio, based on the holding of Hutchison Scheme Shares as at the Scheme Record Time:

**For every one Hutchison Scheme Share held . . . . . 0.684 of a Share**

On completion of the Hutchison Scheme, Hutchison will become a wholly-owned subsidiary of the Company.

#### 2. Total Consideration under the Hutchison Proposal

As at the Latest Practicable Date, 4,263,370,780 Hutchison Shares were in issue, of which 2,130,202,773 Hutchison Shares (representing approximately 49.97% of the issued shares of Hutchison) were held by the Relevant CKH Holdings Subsidiaries, and

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the remaining 2,133,168,007 Hutchison Shares (representing approximately 50.03% of the issued shares of Hutchison) were held by the Hutchison Scheme Shareholders.

Pursuant to the Hutchison Scheme, all the Hutchison Scheme Shares will be cancelled and extinguished, and the Hutchison Scheme Shareholders (other than the Non-Qualifying Hutchison Overseas Shareholders) will receive Shares to be issued credited as fully paid at the share exchange ratio of 0.684 of a new Share for each Hutchison Scheme Share held as at the Hutchison Scheme Record Time.

The above share exchange ratio was determined by Cheung Kong based on the average closing prices of the Cheung Kong Shares and the Hutchison Shares on the Stock Exchange for the five trading days up to (and including) 7 January 2015 (which was prior to the publication of the Joint Announcement on 9 January 2015), of HK\$129.06 per Cheung Kong Share and HK\$88.28 per Hutchison Share, respectively, without any premium or discount.

The Shares to be issued pursuant to the Hutchison Scheme as consideration for the cancellation and extinguishment of the Hutchison Scheme Shares will, when issued, be credited as fully paid, be free from all liens, charges and encumbrances, and will rank *pari passu* with all other Shares then in issue. Holders of such Shares will be entitled to receive all dividends and other distributions of the Company if the record time for determining the entitlement to such dividends and distributions falls on or after the time at which the Hutchison Scheme becomes effective, and will in particular be entitled to the Distribution In Specie based on the DIS Record Time. Based on the expected timetable that the Merger Proposal and the Spin-off Proposal will be completed on or around Wednesday, 3 June 2015, holders of the Shares to be issued pursuant to the Hutchison Scheme are also expected to receive any dividends and other distributions declared by the Company in respect of the financial year ending 31 December 2015.

The Company will make an application to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the Hutchison Scheme on the Main Board.

### **3. Fractional Entitlements**

Fractions of Shares will not be allotted to the Hutchison Scheme Shareholders under the Hutchison Scheme. The fractional entitlements of the Hutchison Scheme Shareholders to Shares under the Hutchison Scheme will be aggregated (and, if necessary, rounded down to the nearest whole number of a Share) and allotted to a nominee selected by the Board, who will sell the resulting Shares (including, for the avoidance of doubt, the CK Property Shares received pursuant to the Distribution In Specie and which are attributable to such Shares) in the market as soon as reasonably practicable after the Hutchison Scheme becomes effective. The proceeds of sale (net of expenses and taxes) will be paid to the Hutchison Scheme Shareholders concerned according to their respective attributable entitlements thereto.

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### 4. *Conditions Precedent to the Hutchison Proposal*

The Hutchison Scheme will become effective and binding on Hutchison and all Hutchison Scheme Shareholders upon, and completion of the Hutchison Proposal will be subject to, the fulfilment (or, where relevant, waiver) of the following conditions precedent:

- (i) the Hutchison Scheme being approved by the Disinterested Hutchison Shareholders representing at least 75% of the voting rights of Disinterested Hutchison Shareholders present and voting, in person or by proxy, at the Hutchison Court Meeting, with votes cast against the Hutchison Scheme at the Hutchison Court Meeting not exceeding 10% of the total voting rights attached to all disinterested Hutchison Shares (as respectively defined in Note 6 to Rule 2 of the Takeovers Code and Division 2 of Part 13 of the Companies Ordinance);
- (ii) the passing of a special resolution by the Hutchison Shareholders at the Hutchison General Meeting to approve (1) the Hutchison Scheme and (2) the implementation of the Hutchison Scheme, including, in particular, the reduction of the issued share capital of Hutchison by cancelling and extinguishing the Hutchison Scheme Shares and the issue of the new Hutchison Shares to the Hutchison Proposal Offeror;
- (iii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Hutchison Proposal and all transactions contemplated thereunder;
- (iv) the Hutchison Scheme, with or without modification, being sanctioned and the proposed reduction of capital provided for in the Hutchison Scheme being confirmed by the Court, and an office copy of the Court order together with the minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance respectively being registered by the Companies Registrar;
- (v) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares to be issued as consideration under the Hutchison Scheme on the Main Board and such approval not having been revoked prior to the Hutchison Scheme becoming effective;
- (vi) the Husky Share Exchange Completion having occurred;
- (vii) the fulfilment (or, where relevant, waiver) of all the conditions precedent to the Spin-off Proposal (as further described in the section headed “*Spin-off Proposal in relation to the Combined Property Businesses – V. Information on the Distribution In Specie – 1. Conditions precedent to the Spin-off Proposal*” below) (other than the condition precedent relating to the Hutchison Proposal having been completed);

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- (viii) all applicable filings, notices and waivers required in connection with the Hutchison Proposal and its implementation from or with any competent governmental or regulatory body being made, and if applicable, any waiting periods under any applicable antitrust or similar laws and regulations having expired or terminated; and
- (ix) all other Authorisations which may be required in connection with the Hutchison Proposal under any existing contractual arrangements, including loan and other finance documentation, or regulatory requirements having been obtained and all regulatory filing obligations having been complied with.

The Hutchison Proposal Offeror reserves the right to waive the conditions precedent in (viii) and (ix) above in whole or in part and either generally or in respect of any particular matter. The other conditions precedent cannot be waived in any event. As at the Latest Practicable Date, none of the conditions precedent to the Hutchison Proposal had been fulfilled (or, where relevant, waived).

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Hutchison Proposal Offeror will only be able to invoke any or all of the above conditions precedent as a basis for not proceeding with the Hutchison Proposal if the circumstances which give rise to a right to invoke any such condition(s) precedent are of material significance to the Hutchison Proposal Offeror in the context of the Hutchison Proposal.

Under the repealed section 166 of the previous Companies Ordinance (Chapter 32 of the Laws of Hong Kong), a scheme of arrangement was required to be approved by a majority in number of the shareholders present and voting in person or by proxy at the court meeting (the so-called “headcount test”). Under the Companies Ordinance which came into effect on 3 March 2014, the headcount test does not apply to a scheme of arrangement that involves a takeover offer. The Hutchison Scheme is a takeover offer under section 674 of the Companies Ordinance, and therefore the headcount test does not apply to it.

The Hutchison Scheme is subject to the requirement under section 674(2) of the Companies Ordinance that members representing at least 75% of the voting rights of the members present and voting (in person or by proxy) at the Hutchison Court Meeting agree to the Hutchison Scheme, and the requirement under Rule 2.10 of the Takeovers Code that the Hutchison Scheme must be approved by at least 75% of the votes attaching to the disinterested Hutchison Shares (as defined in Note 6 to Rule 2 of the Takeovers Code) that are cast (in person or by proxy) at the meeting of the holders of the disinterested Hutchison Shares. Accordingly:

- (i) for the purpose of the Companies Ordinance, the 75% approval threshold will be determined by reference to the voting rights of the Hutchison Scheme Shareholders who attend and vote (in person or by proxy) at the Hutchison Court Meeting. As the Hutchison Proposal Offeror and the Relevant CKH Holdings Subsidiaries are not Hutchison Scheme Shareholders and the other Offeror Concert Parties are required to abstain from voting at

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the Hutchison Court Meeting, the voting rights in respect of the relevant Hutchison Shares held by the Hutchison Proposal Offeror and all the Offeror Concert Parties will not be taken into account in determining whether the 75% approval requirement under the Companies Ordinance has been satisfied; and

- (ii) for the purpose of the Takeovers Code, the 75% approval threshold will be determined by reference to the votes attaching to all the Hutchison Scheme Shares held by the Hutchison Scheme Shareholders (other than those held by the Hutchison Proposal Offeror and the Offeror Concert Parties) which are cast (in person or by proxy) at the Hutchison Court Meeting.

As such, to satisfy the requirements under both the Companies Ordinance and the Takeovers Code, the 75% approval threshold will be determined by reference to the Hutchison Shares held by the Hutchison Shareholders (other than the Hutchison Proposal Offeror and the Offeror Concert Parties) who attend and vote at the Hutchison Court Meeting, and the Disinterested Hutchison Shareholders for the purpose of the Hutchison Court Meeting will be the Hutchison Shareholders (other than the Hutchison Proposal Offeror and the Offeror Concert Parties).

The Hutchison Scheme is also subject to the requirement under section 674(2) of the Companies Ordinance that the votes cast against the Hutchison Scheme at the Hutchison Court Meeting shall not exceed 10% of the voting rights attached to all disinterested Hutchison Shares (as defined in Division 2 of Part 13 of the Companies Ordinance), and the requirement under Rule 2.10 of the Takeovers Code that the number of votes cast against the resolution to approve the Hutchison Scheme at the meeting of the holders of disinterested Hutchison Shares (as defined in Note 6 to Rule 2 of the Takeovers Code) shall not be more than 10% of the votes attaching to all disinterested Hutchison Shares. Accordingly:

- (i) for the purpose of the Companies Ordinance, all Hutchison Scheme Shares (i.e. all the Hutchison Shares in issue as at the Hutchison Scheme Record Time, other than any held by the Hutchison Proposal Offeror and the Relevant CKH Holdings Subsidiaries) will be regarded as disinterested Hutchison Shares; and
- (ii) for the purpose of the Takeovers Code, all Hutchison Scheme Shares other than any held by the Hutchison Proposal Offeror and the Offeror Concert Parties will be regarded as disinterested Hutchison Shares.

The action necessary to make the Hutchison Scheme effective will not be taken unless the Hutchison Directors are satisfied that the Hutchison Scheme has been duly approved and the Hutchison Proposal will become unconditional subject only to compliance with the relevant registration requirements and the Listing Committee granting approval for the listing of, and permission to deal in, the Shares to be issued under the Hutchison Scheme and such approval not having been revoked prior to the Hutchison Scheme becoming effective.

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It is currently expected that, if the required approvals from the Disinterested Hutchison Shareholders and the Hutchison Shareholders are obtained at the Hutchison Court Meeting and the Hutchison General Meeting, respectively, the Hutchison Scheme will become effective on Wednesday, 3 June 2015. If the Hutchison Scheme has not become effective by Tuesday, 30 June 2015, or such later date as the Court may allow, the Hutchison Scheme will lapse and the Merger Proposal and the Spin-off Proposal will not proceed. An announcement will be made to inform Shareholders whether the Hutchison Scheme has become effective and of the Hutchison Scheme Effective Date.

Subject to the fulfillment (or where relevant, waiver) of the conditions precedent to the Hutchison Proposal, the Hutchison Scheme will become effective immediately following the Husky Share Exchange Completion and immediately prior to the completion of the Property Businesses Combination.

### **5. *Non-Qualifying Hutchison Overseas Shareholders***

The making of the Hutchison Proposal to certain Hutchison Shareholders may be subject to laws of jurisdictions other than Hong Kong.

The Hutchison Scheme provides that if the law of any relevant jurisdiction precludes an offer of the Shares, or precludes it except after compliance by the Company with conditions with which the Company is unable to comply or that the Company regards as unduly onerous, no Shares will be issued to the relevant Non-Qualifying Hutchison Overseas Shareholders.

In such case, the Company will allot the Shares which would otherwise have been allotted to the relevant Non-Qualifying Hutchison Overseas Shareholders under the Hutchison Scheme to a nominee selected by the Board, who will sell such Shares (including, for the avoidance of doubt, the CK Property Shares received pursuant to the Distribution In Specie and which are attributable to such Shares) in the market as soon as reasonably practicable following the Hutchison Scheme becoming effective. The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Non-Qualifying Hutchison Overseas Shareholders (*pro rata* to their shareholdings in Hutchison as at the Hutchison Scheme Record Time) in Hong Kong dollars in full satisfaction of their rights to the Shares pursuant to the Hutchison Scheme, provided that if the amount that a Non-Qualifying Hutchison Overseas Shareholder would be entitled to receive is less than HK\$50, such sum will be retained for the benefit of the Company.

The Hutchison Scheme Document attached as Appendix V to this circular, for reference purposes only, contains information regarding the treatment of Hutchison Overseas Shareholders, including, but not limited to, U.S. shareholders. This circular is not an offer of securities for sale or subscription in the United States. The Shares to be issued in connection with the Hutchison Proposal will not be, and are not required to be, registered under the U.S. Securities Act and will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by section 3(a)(10) of the U.S. Securities Act.



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**6. Shareholding Structure of Hutchison**

Following completion of the Hutchison Proposal, the Group will hold 100% of the issued Hutchison Shares, of which approximately 50.03% will be held by the Hutchison Proposal Offeror and approximately 49.97% will be held by the Relevant CKH Holdings Subsidiaries.

The table below sets out the shareholding structure of Hutchison (i) as at the Latest Practicable Date, and (ii) immediately following completion of the Hutchison Proposal, on the assumption that there is no other change in the shareholding of Hutchison after the Latest Practicable Date:

	<b>As at the Latest Practicable Date</b>		<b>Immediately following completion of the Hutchison Proposal</b>	
	<i>Number of Hutchison Shares</i>	<i>%</i>	<i>Number of Hutchison Shares</i>	<i>%</i>
<b>Hutchison Proposal Offeror</b>	–	–	2,133,168,007	50.03
<b>Offeror Concert Parties</b>				
<i>Hutchison Shares held not subject to the Hutchison Scheme</i>				
– the Company <sup>(1)</sup>	2,130,202,773	49.97	2,130,202,773	49.97
	<u>2,130,202,773</u>	<u>49.97</u>	<u>4,263,370,780</u>	<u>100.00</u>
<i>Hutchison Shares held subject to the Hutchison Scheme</i>				
– TUT3 (as trustee of UT3) <sup>(2)</sup>	11,496,000	0.27	–	–
– Mr. Li Ka-shing <sup>(3)</sup>	94,534,000	2.22	–	–
– Mr. Li Tzar Kuoi, Victor <sup>(4)</sup>	1,386,770	0.03	–	–
– Mr. Kam Hing Lam <sup>(5)</sup>	100,000	0.00	–	–
– Mr. Leung Siu Hon <sup>(6)</sup>	55,600	0.00	–	–
– Mr. Fok Kin Ning, Canning <sup>(7)</sup>	6,010,875	0.14	–	–
– Mr. Frank John Sixt <sup>(8)</sup>	200,000	0.01	–	–
– Mr. Chow Kun Chee, Roland <sup>(9)</sup>	49,931	0.00	–	–
– Mr. George Colin Magnus <sup>(10)</sup>	1,000,000	0.02	–	–
– Mr. Lee Yeh Kwong, Charles <sup>(11)</sup>	1,135,358	0.03	–	–
– Mr. Yeh Yuan Chang, Anthony <sup>(12)</sup>	130,000	0.00	–	–
– Mr. Chow Nin Mow, Albert <sup>(13)</sup>	97	0.00	–	–
– Ms. Hung Siu-lin, Katherine <sup>(14)</sup>	34,000	0.00	–	–
– Mr. Li Tzar Kai, Richard <sup>(15)</sup>	110,000	0.00	–	–
– HSBC <sup>(16)</sup>	563,057	0.01	–	–
– Bank of America Merrill Lynch <sup>(17)</sup>	3,402,560	0.08	–	–
	<u>120,208,248</u>	<u>2.82</u>	<u>–</u>	<u>–</u>

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	As at the Latest Practicable Date		Immediately following completion of the Hutchison Proposal	
	<i>Number of Hutchison Shares</i>	%	<i>Number of Hutchison Shares</i>	%
<b>Aggregate number of Hutchison Shares held by the Hutchison Proposal Offeror and Offeror Concert Parties</b> <sup>(16) (17)</sup>	2,250,411,021	52.78	4,263,370,780	100.00
<b>Aggregate number of Hutchison Shares held by Disinterested Hutchison Shareholders</b>	2,012,959,759	47.22	–	–
<b>Total</b>	4,263,370,780	100.00	4,263,370,780	100.00
<b>Total number of Hutchison Scheme Shares</b>	2,133,168,007	50.03	–	–

*Notes:*

- (1) A total of 2,130,202,773 Hutchison Shares are held by the Relevant CKH Holdings Subsidiaries. The Hutchison Proposal Offeror is also a wholly-owned subsidiary of the Company.
- (2) Mr. Li Ka-shing is the settlor of each of DT3 and DT4. Each of TDT3 (as trustee of DT3) and TDT4 (as trustee of DT4) holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Therefore, TUT3 (as trustee of UT3) is regarded as acting in concert with the Hutchison Proposal Offeror in relation to Hutchison.
- (3) Such 94,534,000 Hutchison Shares are held by Mr. Li Ka-shing Owned Companies. Mr. Li Ka-shing, who is an executive Director, is regarded as acting in concert with the Hutchison Proposal Offeror in relation to Hutchison.
- (4) Among such 1,386,770 Hutchison Shares, (i) 1,086,770 Hutchison Shares are held by certain companies of which Mr. Li Tzar Kuoi, Victor is interested in the entire issued share capital and (ii) 300,000 Hutchison Shares are held by a company of which Mr. Li Tzar Kuoi, Victor's child is entitled to exercise or control the exercise of one-third or more of the voting power at its general meeting. Mr. Li Tzar Kuoi, Victor, who is an executive Director and a director of the Hutchison Proposal Offeror, is regarded as acting in concert with the Hutchison Proposal Offeror in relation to Hutchison.
- (5) Among such 100,000 Hutchison Shares, (i) 60,000 Hutchison Shares are held by Mr. Kam Hing Lam and (ii) 40,000 Hutchison Shares are held as his family interest. Mr. Kam Hing Lam, who is an executive Director and a director of the Hutchison Proposal Offeror, is regarded as acting in concert with the Hutchison Proposal Offeror in relation to Hutchison.

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- (6) Among such 55,600 Hutchison Shares, (i) 27,000 Hutchison Shares are held by Mr. Leung Siu Hon and (ii) 28,600 Hutchison Shares are held as his family interest. Mr. Leung Siu Hon, who is a non-executive Director, is regarded as acting in concert with the Hutchison Proposal Offeror in relation to Hutchison.
- (7) Such 6,010,875 Hutchison Shares are held by a company equally controlled by Mr. Fok Kin Ning, Canning and his spouse. Mr. Fok Kin Ning, Canning, who is a non-executive Director, is regarded as acting in concert with the Hutchison Proposal Offeror in relation to Hutchison.
- (8) Mr. Frank John Sixt, who is a non-executive Director, is regarded as acting in concert with the Hutchison Proposal Offeror in relation to Hutchison.
- (9) Mr. Chow Kun Chee, Roland, who is a non-executive Director, is regarded as acting in concert with the Hutchison Proposal Offeror in relation to Hutchison.
- (10) Among such 1,000,000 Hutchison Shares, (i) 40,000 Hutchison Shares are held by Mr. George Colin Magnus, (ii) 9,900 Hutchison Shares are held by his spouse and (iii) 950,100 Hutchison Shares are indirectly held by a discretionary trust(s) under which Mr. George Colin Magnus is the settlor and a discretionary beneficiary. Mr. George Colin Magnus, who is a non-executive Director, is regarded as acting in concert with the Hutchison Proposal Offeror in relation to Hutchison.
- (11) Among such 1,135,358 Hutchison Shares, (i) 1,070,358 Hutchison Shares are held by Mr. Lee Yeh Kwong, Charles, (ii) 55,000 Hutchison Shares are held by his spouse and (iii) 10,000 Hutchison Shares are held by a company of which Mr. Lee Yeh Kwong, Charles is interested in the entire issued share capital. Mr. Lee Yeh Kwong, Charles, who is a non-executive Director, is regarded as acting in concert with the Hutchison Proposal Offeror in relation to Hutchison. After the issue of the Joint Announcement, the number of Hutchison Shares in which Mr. Lee Yeh Kwong, Charles is interested has been restated to be 1,135,358 (and not 1,145,358 as stated in the Joint Announcement), following the correction of an inadvertent mistake in the disclosure of the number of Hutchison Shares held by his spouse, which should be 55,000 (and not 65,000 as stated in the Joint Announcement).
- (12) Such 130,000 Hutchison Shares are held by Mr. Yeh Yuan Chang, Anthony's family interest. Mr. Yeh Yuan Chang, Anthony, who is an independent non-executive Director, is regarded as acting in concert with the Hutchison Proposal Offeror in relation to Hutchison.
- (13) Mr. Chow Nin Mow, Albert, who is an independent non-executive Director, is regarded as acting in concert with the Hutchison Proposal Offeror in relation to Hutchison.
- (14) Ms. Hung Siu-lin, Katherine, who is an independent non-executive Director, is regarded as acting in concert with the Hutchison Proposal Offeror in relation to Hutchison.
- (15) Mr. Li Tzar Kai, Richard is the son of Mr. Li Ka-shing and the brother of Mr. Li Tzar Kuoi, Victor, and is presumed to be acting in concert with the Hutchison Proposal Offeror in relation to Hutchison.
- (16) HSBC is the financial adviser to the Company and the Hutchison Proposal Offeror. In addition, HSBC Corporate Finance is joint sponsor in relation to the Spin-off Proposal. As such, HSBC, HSBC Corporate Finance and relevant members of the HSBC group (except those which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) as regards Hutchison Shares they own or control are presumed to be acting in concert with the Company and the Hutchison Proposal Offeror in relation to Hutchison in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code.
- (17) Bank of America Merrill Lynch is a joint sponsor in relation to the Spin-off Proposal. As such, Bank of America Merrill Lynch and relevant members of the Bank of America Merrill Lynch group (except those which are exempt principal traders or exempt fund managers, in each case

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recognised by the Executive as such for the purpose of the Takeovers Code) as regards Hutchison Shares they own or control are presumed to be acting in concert with the Company and the Hutchison Proposal Offeror in relation to Hutchison in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code. Of the 3,402,560 Hutchison Shares owned or controlled by members of the Bank of America Merrill Lynch group (except those which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code), 3,220,374 Hutchison Shares are represented by ADRs (where every one ADR represents two Hutchison Shares).

### 7. *Other arrangements relating to the securities of Hutchison*

As at the Latest Practicable Date:

- (i) Hutchison did not have any outstanding share options, warrants or convertible securities;
- (ii) save as disclosed in sub-paragraph (6) above, none of the Company, the Hutchison Proposal Offeror or any Offeror Concert Parties owned or controlled or had direction over any Hutchison Shares or any convertible securities, warrants, options or derivatives in respect of the Hutchison Shares; and
- (iii) none of the Company, the Hutchison Proposal Offeror or any Offeror Concert Parties had received any irrevocable commitment(s) from any Disinterested Hutchison Shareholders in respect of voting at the Hutchison Court Meeting and/or the Hutchison General Meeting.

### 8. *Financial Information on Hutchison*

Set out below are the audited net profits of Hutchison based on the audited consolidated financial statements of Hutchison for the three financial years ended 31 December 2014 which were prepared in accordance with Hong Kong Financial Reporting Standards:

		For the year ended 31 December	
	2012	2013	2014
	(restated)		
	(Note)		
<b>Profit before tax</b>	HK\$34,510 million	HK\$43,693 million	HK\$85,718 million
<b>Profit after tax</b>	HK\$32,107 million	HK\$38,893 million	HK\$81,751 million

*Note:* The 2012 financial information was restated in 2013 as a result of the adoption in 2013 of HKAS 19 and HKFRS 11 which were applied retrospectively by the Hutchison Group.

As at 31 December 2014, the audited net asset value of Hutchison was approximately HK\$519,062 million.

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### **9. *Withdrawal of Listing of the Hutchison Shares upon the Hutchison Scheme becoming effective***

#### *(a) Listing Status of the Hutchison Shares*

Upon the Hutchison Scheme becoming effective, all the Hutchison Scheme Shares will be cancelled. An application will be made by Hutchison to the Stock Exchange for the voluntary withdrawal of the listing of the Hutchison Shares from the Stock Exchange following the Hutchison Scheme becoming effective pursuant to Rule 6.15(2) of the Listing Rules.

#### *(b) Event of lapse of the Hutchison Proposal or failure to obtain approval for the Hutchison Proposal*

The listing of the Hutchison Shares on the Stock Exchange will not be withdrawn if the Hutchison Proposal is not approved, lapses or does not become unconditional for any reason. Under the relevant restrictions of the Takeovers Code, if the Hutchison Proposal does not become unconditional or is withdrawn or lapses, neither the Hutchison Proposal Offeror nor any person who has acted in concert with it in the course of the Hutchison Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Hutchison Proposal is withdrawn or lapses, announce an offer or possible offer for Hutchison, except with the consent of the Executive.

The Company, the Hutchison Proposal Offeror and Hutchison have agreed that (a) if the Hutchison Scheme does not proceed or is withdrawn or lapses, all costs and expenses incurred in connection with the Hutchison Scheme will be borne by the Company and (b) if the Hutchison Scheme becomes effective, all costs and expenses incurred in connection with the Hutchison Scheme will be borne by the Company and Hutchison in equal shares.

To the best of the knowledge of the Directors, the Hutchison Board intends that the listing of the Hutchison Shares on the Stock Exchange shall be maintained in the event that the Hutchison Scheme is not approved or does not become effective.

### **10. *Voting at the Hutchison Court Meeting and the Hutchison General Meeting***

The Hutchison Proposal Offeror and the Offeror Concert Parties (namely, Cheung Kong, the Relevant CKH Holdings Subsidiaries, the relevant entities which hold Hutchison Shares under the Trust, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mr. Leung Siu Hon, Mr. Fok Kin Ning, Canning, Mr. Frank John Sixt, Mr. Chow Kun Chee, Roland, Mr. George Colin Magnus, Mr. Lee Yeh Kwong, Charles, Mr. Yeh Yuan Chang, Anthony, Mr. Chow Nin Mow, Albert, Ms. Hung Siu-lin, Katherine and Mr. Li Tzar Kai, Richard and members of the HSBC group and the Bank of America Merrill Lynch group (other than exempt fund managers which are recognised by the Executive as such for the purposes of the Takeovers Code and those members of the HSBC group and the Bank of America Merrill Lynch group which are referred to in

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the definition of “Disinterested Hutchison Shareholders” in this circular)) will abstain from voting on the resolution to approve the Hutchison Scheme at the Hutchison Court Meeting and the ordinary resolution to approve the Husky Share Exchange at the Hutchison General Meeting.

Each of Cheung Kong, the relevant entities which hold Hutchison Shares under the Trust, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mr. Leung Siu Hon, Mr. Fok Kin Ning, Canning, Mr. Frank John Sixt, Mr. Chow Kun Chee, Roland, Mr. George Colin Magnus, Mr. Lee Yeh Kwong, Charles, Mr. Yeh Yuan Chang, Anthony, Mr. Chow Nin Mow, Albert, Ms. Hung Siu-lin, Katherine and Mr. Li Tzar Kai, Richard has indicated that if the Hutchison Scheme is approved at the Hutchison Court Meeting, those Hutchison Shares held by it, him or her, directly or indirectly will be voted in favour of the special resolution to approve the Hutchison Scheme and the implementation of the Hutchison Scheme, including the reduction and restoration of the issued share capital of Hutchison under the Hutchison Scheme, at the Hutchison General Meeting.

In addition, certain Hutchison Directors, namely, Mr. Lai Kai Ming, Dominic, The Hon Sir Michael David Kadoorie and Mr. William Shurniak, have each indicated that those Hutchison Shares held by him, directly or indirectly, will be voted in favour of (a) the resolution to approve the Hutchison Scheme at the Hutchison Court Meeting, (b) the ordinary resolution to approve the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal) at the Hutchison General Meeting and (c) the special resolution to approve the Hutchison Scheme and the implementation of the Hutchison Scheme at the Hutchison General Meeting. Mrs. Chow Woo Mo Fong, Susan has indicated that those Hutchison Shares held by her, directly or indirectly, will be voted in favour of (a) the resolution to approve the Hutchison Scheme at the Hutchison Court Meeting and (b) the special resolution to approve the Hutchison Scheme and the implementation of the Hutchison Scheme at the Hutchison General Meeting. Mrs. Chow Woo Mo Fong, Susan will abstain from voting on the resolution to approve the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal) at the Hutchison General Meeting as she is regarded as being involved in the Husky Share Exchange pursuant to Rule 25 of the Takeovers Code.

### **III. Reasons for, and benefits of, the Merger Proposal**

Please refer to the objectives set out in the section headed “*Objectives*” above.

### **IV. Financial Effects of the Merger Proposal**

As mentioned above, the consideration for implementing the Husky Share Exchange and the Hutchison Scheme will be satisfied by way of issuance of Shares. Accordingly, there is no requirement for financing the consideration in respect of the Husky Share Exchange and the Hutchison Scheme.

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Upon the Hutchison Scheme becoming effective, Hutchison will become a wholly-owned subsidiary of the Company and the results of Hutchison and its subsidiaries will be consolidated with those of the Group.

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Resulting Group which illustrates how the financial information of the Group might be affected by completion of the Merger Proposal and the Spin-off Proposal.

### **V. Listing Rules Implications of the Merger Proposal**

#### *(a) Notifiable transaction under the Listing Rules*

The Hutchison Proposal constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and will be subject to the approval of the Shareholders at the EGM pursuant to Chapter 14 of the Listing Rules. Such approval will need to be obtained from the Independent Shareholders as the Hutchison Proposal also constitutes a connected transaction of the Company as described below.

#### *(b) Connected transactions under the Listing Rules*

##### *(i) The Husky Share Exchange*

As at the Latest Practicable Date, the Trust, directly and indirectly through companies controlled by it, held approximately 40.43% of the issued shares of the Company. Therefore, the relevant entities under the Trust and the Husky Sale Shares Vendor (a company indirectly wholly-owned by the Trust) are connected persons of the Company under the Listing Rules. Accordingly, the issue of the Shares to the Husky Sale Shares Vendor (or as it may direct) under the Husky Share Exchange will constitute a connected transaction of the Company and is therefore subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The total original acquisition cost of the Husky Sale Shares to the Husky Sale Shares Vendor was approximately 1,981 million Euros.

##### *(ii) The Hutchison Proposal*

As at the Latest Practicable Date, the following connected persons of the Company held or were interested in certain Hutchison Scheme Shares and the issue of Shares pursuant to the Hutchison Scheme by the Company to such persons constitutes a connected transaction of the Company which is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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<b>Name</b>	<b>Relationship with the Company</b>	<b>Number of Hutchison Scheme Shares in which the connected person was interested as at the Latest Practicable Date</b>
The Trust	The relevant trustee (as trustee of the Trust) hold approximately 40.43% of the issued Shares. Please also see note (2) to the table in the section headed “6. <i>Shareholding Structure of Hutchison</i> ” above.	11,496,000
Mr. Li Ka-shing	Chairman and Executive Director	94,534,000
Mr. Li Tzar Kuoi, Victor	Managing Director, Deputy Chairman and Executive Director	1,386,770
Mr. Kam Hing Lam	Deputy Managing Director and Executive Director	100,000
Mr. Leung Siu Hon	Non-executive Director	55,600
Mr. Fok Kin Ning, Canning	Non-executive Director	6,010,875
Mr. Frank John Sixt	Non-executive Director	200,000
Mr. Chow Kun Chee, Roland	Non-executive Director	49,931
Mr. George Colin Magnus	Non-executive Director	1,000,000
Mr. Lee Yeh Kwong, Charles	Non-executive Director	1,135,358
Mr. Yeh Yuan Chang, Anthony	Independent Non-executive Director	130,000
Mr. Chow Nin Mow, Albert	Independent Non-executive Director	97
Ms. Hung Siu-lin, Katherine	Independent Non-executive Director	34,000
Mr. Li Tzar Kai, Richard	Son of Mr. Li Ka-shing and brother of Mr. Li Tzar Kuoi, Victor. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are Directors.	110,000
Total:		<u><u>116,242,631</u></u>



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To the best of the knowledge, information and belief of the Directors, save for the above connected persons of the Company, the Hutchison Scheme Shareholders are third parties independent of the Company and its connected persons.

So far as the Directors are able to ascertain after making reasonable enquiries, the total original purchase cost of the above Hutchison Scheme Shares in which the above connected persons are interested was approximately HK\$6,900 million.

### MANDATE TO ISSUE SHARES

In connection with the Merger Proposal, the Company will allot and issue Shares as consideration for the Husky Share Exchange and the Hutchison Proposal. Based on the share exchange ratio for the Hutchison Proposal and the number of Hutchison Scheme Shares in issue (being 2,133,168,007) as at the Latest Practicable Date, the number of new Shares that the Company will issue under the Hutchison Proposal is 1,459,086,916 Shares. Under the Husky Share Exchange, 84,427,246 new Shares will be issued by the Company to satisfy the consideration for the acquisition of the Husky Sale Shares.

Accordingly, the aggregate number of Shares that the Company is expected to issue under the Merger Proposal is 1,543,514,162 Shares, representing approximately 66.64% of the Shares in issue as at the Latest Practicable Date and approximately 39.99% of the Shares then in issue immediately following the Merger Proposal.

As at the Latest Practicable Date, the Trust was the controlling shareholder (as defined under the Listing Rules) of the Company, which in turn indirectly owned approximately 49.97% of Hutchison. Following completion of the Merger Proposal and the Spin-off Proposal, the Trust, together with Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, will directly and/or indirectly own approximately 30.15% of the shares in each of the Company and CK Property.

The allotment and issue of the Shares under the Merger Proposal requires the approval of the Shareholders at the EGM pursuant to Rule 13.36(1)(a) of the Listing Rules.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the Merger Proposal.

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### SPIN-OFF PROPOSAL IN RELATION TO THE COMBINED PROPERTY BUSINESSES

#### I. Overview of the Spin-off Proposal

It is proposed that, immediately following completion of the Hutchison Proposal and upon completion of the Property Businesses Combination, the Combined Property Businesses will be held by the CK Property Group, which will at that time be wholly-owned by the Company. Immediately following completion of the Property Businesses Combination, CK Property will allot and issue to the Shareholders (other than the Non-Qualifying Overseas Shareholders) as at the DIS Record Time new CK Property Shares pursuant to the Distribution In Specie implemented with the consent of the Company, in the ratio of one CK Property Share for every one Share then held, and immediately thereafter, the two CK Property Shares then held by the Company will be surrendered for cancellation.

These Shareholders will include, among others, holders of the Shares to be issued to (i) the Husky Sale Shares Vendor (or as it may direct) pursuant to the Husky Share Exchange and (ii) the Hutchison Scheme Shareholders (other than the Non-Qualifying Hutchison Overseas Shareholders and any other Hutchison Scheme Shareholders who are Non-Qualifying Overseas Shareholders) pursuant to the Hutchison Scheme. CK Property is not offering any CK Property Shares for sale or subscription under the Spin-off Proposal. The Spin-off Proposal does not constitute a transaction by the Company and is not required to be made subject to approval by the Shareholders under the Listing Rules.

An application has been made by CK Property to the Stock Exchange for the listing by way of introduction of, and permission to deal in, the CK Property Shares on the Main Board. The Spin-off Proposal will be subject to a number of conditions precedent as described below, and will be implemented in compliance with the Listing Rules, including PN 15. Subject to the fulfilment (or, where relevant, waiver) of those conditions precedent, the Spin-off Proposal will be completed immediately after completion of the Hutchison Proposal.

After completion of the Merger Proposal and the Spin-off Proposal, (i) CK Property will be one of Hong Kong's largest property developers with a leading market share in Hong Kong, strong penetration in the PRC and an international presence through its operations in Singapore and the United Kingdom; and (ii) the Resulting Group will be a multinational conglomerate of significant size and scale, operating in over 50 countries. Infrastructure assets currently owned by the Group, which contributed HK\$1.8 billion to the profit before tax in the financial year of 2014 for Cheung Kong, will be combined with the infrastructure assets currently owned by the Hutchison Group in the consolidated accounts of the Resulting Group, and there will be an increased interest in the energy sector through the Resulting Group becoming the largest shareholder in Husky. In addition, the portfolio of the Resulting Group will include the Hutchison Group's existing operations in ports and related services, retail and telecommunications. The Group's newly acquired business of ownership and leasing of movable assets will further diversify the Resulting Group's business mix.

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It is expected that, following completion of the Spin-off Proposal, the CK Property Group will have diverse capabilities with principal activities encompassing property development and investment, hotel and serviced suite operation and property and project management.

In connection with the Spin-off Proposal, the following transactions are proposed to be implemented:

- (a) immediately following completion of the Merger Proposal, the Combined Property Businesses will be reorganised to form part of the CK Property Group pursuant to the Property Businesses Combination; and
- (b) immediately following completion of the Property Businesses Combination, CK Property will allot and issue to the Shareholders (other than the Non-Qualifying Overseas Shareholders) new CK Property Shares pursuant to the Distribution In Specie in the ratio of one CK Property Share for every one Share held as at the DIS Record Time, and immediately thereafter, the two CK Property Shares then held by the Company will be surrendered for cancellation. Accordingly, the Shareholders (other than the Non-Qualifying Overseas Shareholders) will hold the same proportionate interests in CK Property as they hold in the Company (and as their indirect interests in CK Property) as at the DIS Record Time.

Your attention is drawn to (i) information on the CK Property Group and the Spin-off Proposal; (ii) the accountants' report on the Cheung Kong Property Group; (iii) the accountants' report on the Hutchison Property Group; and (iv) the unaudited pro forma financial information of the CK Property Group, as contained in Appendices VII, IXA, IXB and X to the Hutchison Scheme Document, a copy of which is set out in Appendix V to this circular for reference purposes only. Please note that such unaudited pro forma financial information of the CK Property Group would not be directly comparable to the column headed "Spin-off Proposal" appearing in the unaudited pro forma financial information of the Resulting CKH Holdings Group, as set out in "*Appendix III – Unaudited Pro Forma Financial Information of the Resulting CKH Holdings Group*" to this circular, due to the differences in the measurement basis as set out in Appendix X to the Hutchison Scheme Document. This information is provided to you solely for the purposes of considering the ordinary resolution to be voted on at the EGM for approving the Matters For Approval.

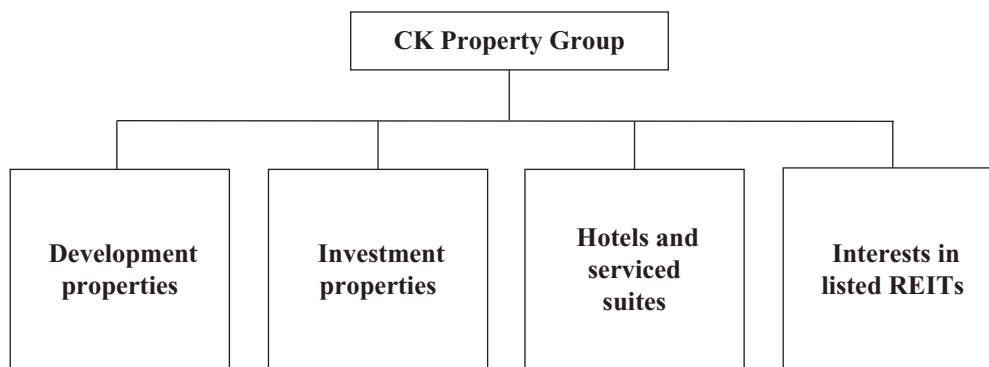
## **II. The Combined Property Businesses**

CK Property is currently a wholly-owned subsidiary of the Company. CK Property will become the holding company of the CK Property Group, which will hold the Combined Property Businesses pursuant to the Property Businesses Combination. The CK Property Group's property interests (that is, the Combined Property Businesses) comprise:

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- ***Development properties***, which include properties for and under development (including completed properties held for sale) and properties in which the CK Property Group will have a development interest;
- ***Investment properties***, which include office, retail and industrial properties and car park spaces;
- ***Hotels and serviced suites***; and
- ***Interests in listed REITs***, which include unitholding interests in Fortune REIT, Prosperity REIT and Hui Xian REIT. The CK Property Group also has interests in ARA Asset Management Limited (which is the holding company of the managers of Fortune REIT and Prosperity REIT) and Hui Xian Asset Management Limited (which is the manager of Hui Xian REIT).

The CK Property Group has a diversified portfolio of properties globally, which includes properties located in Hong Kong, the PRC, Singapore, the United Kingdom and The Bahamas.

As at 31 December 2014, the Combined Property Businesses (which will be held by the CK Property Group pursuant to the Property Businesses Combination) had a total attributable interest in approximately 1.6 million sq.m. of rental properties, a development land bank of approximately 15.8 million sq.m. (of which approximately 14.5 million sq.m. is located in the PRC) and more than 14,600 hotel rooms and also managed approximately 21 million sq.m. of properties in Hong Kong and the PRC.

As at 28 February 2015, based on the valuations conducted by independent property valuers (the summaries of which are set out in Appendix VIII to the Hutchison Scheme Document, a copy of which is set out in Appendix V to this circular for reference purposes only), the value of the diverse property portfolio of development properties, investment properties and hotels and serviced suites to be reorganised under the CK Property Group that was valued by such independent property valuers was approximately HK\$420.1 billion. The property interests to be reorganised under the CK Property Group that were not valued by the independent property valuers referred to above included agricultural land lots with an aggregate net book value of approximately HK\$1.1 billion as at 31 December 2014.

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### III. The Property Businesses Combination

In preparation for the CK Property Listing and before the commencement of dealings in CK Property Shares on the Stock Exchange, a number of pre-completion and reorganisation steps have been or will be taken, pursuant to which interests in the Combined Property Businesses currently under the Group and/or the Hutchison Group will be reorganised under the CK Property Group. The reorganisation steps will include the following:

- (a) shares in a number of CPB Companies will be reorganised to form part of the CK Property Group; and
- (b) loans owing by certain CPB Companies to the Cheung Kong Group or the Hutchison Group at Completion (as defined below) will be assigned to the CK Property Group.

Further details of the reorganisation steps are set out below.

#### A. *The Specified Loans Purchase Agreement*

It is proposed that the Specified Loans Purchase Agreement will be entered into among the Company, CK Property, a wholly-owned subsidiary of Cheung Kong and a wholly-owned subsidiary of Hutchison, pursuant to which CK Property will conditionally agree to accept the assignment from a number of members of the Cheung Kong Group and the Hutchison Group of certain interest-bearing loans owing by certain CPB Companies to them as at Completion (as defined below) (namely, the Specified Loans).

The proposed principal terms and conditions of the Specified Loans Purchase Agreement are summarised below.

#### 1. *Conditions to completion of the assignment under the Specified Loans Purchase Agreement*

Completion of the assignment of the Specified Loans under the Specified Loans Purchase Agreement will be conditional upon the fulfilment (or, where applicable, waiver) of a number of conditions which are summarised below:

- (i) the fulfilment (or, where applicable, waiver) of the conditions to completion of the Reorganisation Agreement Transactions (as defined and referred to in “*B. The Reorganisation Agreement*” below) other than the condition relating to fulfilment (or, where applicable, waiver) of the conditions to completion of the Specified Loans Purchase Agreement; and
- (ii) the warranties given by relevant members of the Cheung Kong Group and the Hutchison Group and the Company under the Specified Loans Purchase Agreement remaining true and accurate in all material respects and not misleading in any material respects.

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The condition in (i) above will not be capable of being waived. CK Property will have the right to waive the condition in (ii) above in whole or in part. Subject to the fulfilment (or, where relevant, waiver) of the conditions above, completion of the assignment of the Specified Loans will take place simultaneously with completion of the Reorganisation Agreement Transactions (as defined below) (together referred to in this “*Spin-off Proposal in relation to the Combined Property Businesses*” section as “**Completion**”) immediately after the Hutchison Scheme becomes effective and before completion of the Distribution In Specie on the date on which the CK Property Shares are first listed on the Main Board, which is expected to be on or around Wednesday, 3 June 2015 (referred to in this “*Spin-off Proposal in relation to the Combined Property Businesses*” section as the “**Completion Date**”).

### 2. *Consideration*

The consideration for the assignment of the Specified Loans will be an amount equal to the outstanding principal amounts of the Specified Loans as at the Completion Date plus any unpaid interest accrued thereon, up to and excluding the Completion Date, and such consideration will in aggregate be HK\$55 billion.

### 3. *Settlement of Consideration*

At Completion, the aggregate consideration for the assignment of the Specified Loans will be settled by way of the issue of a promissory note in the principal amount of HK\$55 billion by CK Property to the Company (the “**Specified Loans Promissory Note**”). Such promissory note is expected to be settled by cash on or before the fifth Business Day following the Completion Date (the “**Payment Date**”), and will be non-interest bearing (except for any amount which remains unpaid after the Payment Date, after which interest will be payable at the rate of one-month HIBOR plus 1% per annum until the date of payment of all outstanding amounts). The CK Property Group intends to enter into a HK\$55 billion syndicated loan facility with a group of lenders (the “**Loan Facility**”), the proceeds of which will be used to settle the Specified Loans Promissory Note. To cater for the event that the Loan Facility is not available to settle the Specified Loans Promissory Note when it becomes due, HSBC and Bank of America Merrill Lynch have entered into commitment letters with the CK Property Group for a bridge facility of HK\$55 billion (the “**Bridge Facility**”), such that the proceeds of the Bridge Facility may be used to settle the Specified Loans Promissory Note, with the proceeds of the Loan Facility when and if it becomes available then being used to repay the Bridge Facility.

### 4. *Guarantee*

It is proposed that the Company will guarantee the performance by the relevant members of the Cheung Kong Group and the Hutchison Group of their respective obligations under or pursuant to the Specified Loans Purchase Agreement.

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### 5. *Representations and Warranties*

It is expected that the Specified Loans Purchase Agreement will contain representations and warranties given severally by the relevant members of the Cheung Kong Group and the Hutchison Group, and representations and warranties given by the Company, subject to limitations.

#### **B. *The Reorganisation Agreement***

It is proposed that the Reorganisation Agreement will be entered into among the Company, CK Property, Cheung Kong, certain subsidiaries of CK Property and certain members of the Cheung Kong Group and the Hutchison Group, in relation to the following transactions:

- (a) shares and/or other interests in a number of the CPB Companies will be reorganised to form part of the CK Property Group (the “**CPB Companies Share Reorganisation**”); and
- (b) loans owing by certain CPB Companies to the Cheung Kong Group or the Hutchison Group (other than the Specified Loans) at Completion will be assigned to the CK Property Group (the “**Reorganisation Agreement Loans Assignment**”).

The transactions in (a) and (b) above are together referred to as the “**Reorganisation Agreement Transactions**”.

The proposed principal terms and conditions of the proposed Reorganisation Agreement are summarised below.

#### **1. *Conditions to completion of the Reorganisation Agreement Transactions***

Completion of the Reorganisation Agreement Transactions will be conditional upon the fulfilment (or, where applicable, waiver) of a number of conditions which are summarised below:

- (i) the Hutchison Scheme having become effective;
- (ii) all authorisations which may be required in connection with the transactions under the Reorganisation Agreement under any existing contractual arrangements having been obtained and all regulatory filing obligations having been complied with;
- (iii) the warranties given by the relevant members of the Cheung Kong Group and the Hutchison Group and the Company under the Reorganisation Agreement (together, the “**CKH Holdings Warranties**”), remaining true and accurate in all material respects and not misleading in any material respect and there being no material adverse change or effect on the CPB Companies as a whole resulting from any of the CKH Holdings Warranties not being true and accurate or being misleading;

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- (iv) there being no material breach of any terms of the Reorganisation Agreement on the part of the relevant members of the Cheung Kong Group and the Hutchison Group resulting in any material adverse change or effect on the CPB Companies as a whole; and
- (v) the fulfilment (or, where applicable, waiver) of the conditions to completion of the assignment of the Specified Loans (as further described in “A. *The Specified Loans Purchase Agreement*” above) other than the condition relating to the fulfilment (or, where applicable, waiver) of the conditions to completion of the Reorganisation Agreement Transactions.

The conditions in (i) and (v) above will not be capable of being waived. CK Property will have the right to waive any of the conditions in (ii) to (iv) above in whole or in part and either generally or in respect of any particular matter.

Subject to the fulfilment (or, where relevant, waiver) of the conditions referred to above, completion of the Reorganisation Agreement Transactions will take place simultaneously with completion of the assignment of the Specified Loans immediately after the Hutchison Scheme becomes effective and before completion of the Distribution In Specie on the date of the CK Property Listing.

### **2. *Consideration***

#### *(i) Consideration for the CPB Companies Share Reorganisation*

The consideration for the CPB Companies Share Reorganisation will be an amount equal to the aggregate of the net asset values attributable to ordinary/common shareholders of the CPB Companies as at the Completion Date based on (i) the unaudited consolidated net asset value attributable to ordinary/common shareholders as at 31 March 2015 of the relevant CPB Companies and (ii) the estimated changes in the unaudited consolidated net asset value attributable to ordinary/common shareholders of the relevant CPB Companies during the period from 1 April 2015 to the day immediately preceding the Completion Date, as agreed between the Company and CK Property.

#### *(ii) Consideration for the Reorganisation Agreement Loans Assignment*

The consideration for the Reorganisation Agreement Loans Assignment will be an amount equal to the aggregate of the outstanding principal amounts of the relevant loans as at the Completion Date (if applicable, plus any unpaid interest accrued thereon up to and excluding the Completion Date).

### **3. *Settlement of Consideration***

The aggregate consideration payable under the Reorganisation Agreement will be settled by way of the issue of a promissory note by CK Property to the Company, and the debt due from CK Property to the Company pursuant to such promissory note will be settled at Completion through the issue of one new CK



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## LETTER FROM THE BOARD

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Property Share by CK Property to the Company credited as fully paid at a premium, with the premium equal to the principal amount of that promissory note less HK\$1 (being the par value of one CK Property Share).

#### **4. *Passing of Economic Interests***

The reorganisation of the shares of certain CPB Companies to form part of the CK Property Group will require third party consents (the “**Third Party Consents**”). In the event that, in respect of any CPB Company, the relevant Third Party Consent cannot be obtained to the satisfaction of the CK Property on or before 10 Business Days prior to the Completion Date (the “**CPB Specified Companies**”), the relevant members of the Cheung Kong Group and the Hutchison Group will, pursuant to arrangements entered into, pass the economic interests in and obligations in respect of such CPB Specified Company to the CK Property Group, upon Completion, with the remaining steps of the Reorganisation Agreement Transactions in respect of the relevant CPB Specified Companies to take place within five Business Days (a) after the Completion Date (in relation to the CPB Specified Companies the Third Party Consents of which are obtained within 10 Business Days prior to the Completion Date) or (b) after the date when the relevant Third Party Consents are obtained (in relation to the CPB Specified Companies the Third Party Consents of which are obtained on or after the Completion Date).

#### **5. *Representations and Warranties***

It is proposed that the Reorganisation Agreement will contain representations and warranties given severally by the relevant members of the Cheung Kong Group and the Hutchison Group, and representations and warranties given by the Company, subject to limitations.

#### **6. *Guarantees***

It is proposed that, under the Reorganisation Agreement:

- (a) the Company will agree to guarantee the performance by the Cheung Kong Group and the Hutchison Group of their respective obligations under or pursuant to the Reorganisation Agreement; and
- (b) CK Property will agree to guarantee the performance by the relevant members of the CK Property Group of their obligations under or pursuant to the Reorganisation Agreement.

#### **7. *Undertakings***

It is proposed that under the Reorganisation Agreement, CK Property will use all reasonable endeavours to procure that, as from Completion (and, in the case of the CPB Specified Companies, the completion of the reorganisation of the relevant CPB Specified Companies to form part of the CK Property Group), all members of the Group will be released from all guarantees and indemnities given by any of them in respect of any obligations of any CPB Companies and, pending

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## LETTER FROM THE BOARD

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such release, CK Property will indemnify such members of the CKH Holdings Group against all liabilities arising under the above guarantees and indemnities in respect of, or attributable to, the period after Completion.

### *C. Deed of Tax Indemnity*

It is proposed that the Company will enter into a deed of tax indemnity (namely, the Deed of Tax Indemnity) with CK Property, Cheung Kong and HIL, under which Cheung Kong and HIL will severally covenant, conditional upon Completion having taken place and subject to limitations, to indemnify and pay for certain tax liabilities of the CPB Companies owned by the Cheung Kong Group and the Hutchison Group respectively before the Property Businesses Combination including, among other things, tax liabilities arising from events occurring on or before Completion or in respect of any gains accrued on or before Completion or any tax liabilities arising as a result of the pre-completion reorganisation, the assignment of the Specified Loans, the Reorganisation Agreement Transactions, the Distribution In Specie or the Spin-off Proposal. The Company will agree to guarantee the performance by Cheung Kong and HIL of their respective obligations under the Deed of Tax Indemnity.

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**LETTER FROM THE BOARD**

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**IV. Selected Operating Data of the CK Property Group**

**1. Development Properties**

During the three years ended 31 December 2014, the Cheung Kong Property Group and its joint ventures primarily generated turnover from property sales, and the Hutchison Property Group primarily conducted sales of properties through its joint ventures. The following table sets out a breakdown of the Cheung Kong Property Group's turnover from recognised sales of properties during the three years ended 31 December 2014:

	<b>Cheung Kong Property Group</b>		
	<b>Year ended 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Subsidiaries</b>			
Hong Kong			
<u>Residential</u>			
<b>Turnover (HK\$ million)</b>	<b>13,044</b>	<b>9,271</b>	<b>19,112</b>
Recognised saleable area (sq.m.)	158,401	133,153	166,098
Average selling price (HK\$/sq.m.)	82,348	69,627	115,065
<u>Commercial</u>			
<b>Turnover (HK\$ million)</b>	–	<b>420</b>	–
Recognised saleable area (sq.m.)	–	11,827	–
Average selling price (HK\$/sq.m.)	–	35,512	–
<u>Others</u>			
<b>Turnover (HK\$ million)</b>	<b>1,570</b>	<b>632</b>	<b>277</b>
PRC and others			
<b>Turnover (HK\$ million)</b>	–	<b>1,965</b>	–
Recognised saleable area (sq.m.)	–	73,288	–
Average selling price (HK\$/sq.m.)	–	26,812	–
<b>Total turnover (HK\$ million)</b>	<b><u>14,614</u></b>	<b><u>12,288</u></b>	<b><u>19,389</u></b>

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## LETTER FROM THE BOARD

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The following table sets out a breakdown of the Cheung Kong Property Group's share of property sales of joint ventures and a breakdown of the Hutchison Property Group's share of property sales of joint ventures based on recognised sales of properties for the three years ended 31 December 2014:

Attributable interests in joint ventures	Cheung Kong Property Group			Hutchison Property Group		
	Year ended 31 December			Year ended 31 December		
	2012	2013	2014	2012	2013	2014
Hong Kong						
<b>Turnover (HK\$ million)</b>	<b>229</b>	<b>75</b>	<b>18</b>	<b>221</b>	<b>75</b>	<b>–</b>
PRC						
<u>Residential</u>						
<b>Turnover (HK\$ million)</b>	<b>10,066</b>	<b>10,866</b>	<b>5,093</b>	<b>10,038</b>	<b>10,830</b>	<b>4,991</b>
Recognised saleable area (sq.m.)	576,401	654,132	286,807	576,091	654,115	286,637
Average selling price (HK\$/sq.m.)	17,464	16,611	17,758	17,423	16,556	17,413
<u>Commercial</u>						
<b>Turnover (HK\$ million)</b>	<b>1,439</b>	<b>3,140</b>	<b>507</b>	<b>1,414</b>	<b>3,102</b>	<b>480</b>
Recognised saleable area (sq.m.)	51,645	66,953	13,993	50,937	65,715	13,246
Average selling price (HK\$/sq.m.)	27,863	46,899	36,232	27,760	47,211	36,223
<u>Others</u>						
<b>Turnover (HK\$ million)</b>	<b>112</b>	<b>240</b>	<b>131</b>	<b>116</b>	<b>246</b>	<b>135</b>
Others						
<b>Turnover (HK\$ million)</b>	<b>–</b>	<b>980</b>	<b>1,210</b>	<b>16</b>	<b>980</b>	<b>1,239</b>
<b>Total share of property sales of joint ventures (HK\$ million)</b>	<b>11,846</b>	<b>15,301</b>	<b>6,959</b>	<b>11,805</b>	<b>15,233</b>	<b>6,845</b>

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## LETTER FROM THE BOARD

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### 2. *Investment Properties*

The following table sets out the GFA, LFA, average rental rate and occupancy rate of the Cheung Kong Property Group's and the Hutchison Property Group's investment properties for the three years ended 31 December 2014:

	<b>Cheung Kong Property Group<sup>(4)(5)</sup></b>			<b>Hutchison Property Group<sup>(4)</sup></b>		
	<b>Year ended 31 December</b>			<b>Year ended 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
GFA (sq.m.) <sup>(1)</sup>	170,252	170,252	170,252	1,108,238	1,094,933	1,094,500
LFA (sq.m.) <sup>(1)</sup>	172,423	172,475	172,476	981,316	967,337	964,021
Average rental rate (HK\$/sq.m.) <sup>(2)</sup>	767.9	852.0	897.4	282.0	312.5	342.4
Occupancy rate (%) <sup>(3)</sup>	94	93	95	97	97	97

*Notes:*

- (1) The data indicates the GFA and LFA as at the end of each period.
- (2) Calculated by dividing the average monthly rental income by the average monthly area leased.
- (3) Calculated by dividing the average monthly area leased by the average monthly LFA.
- (4) The above data excludes data relating to car park spaces.
- (5) The LFA is higher than the GFA primarily due to the common area and the curtain wall area which are included in the LFA but not in the GFA.

### 3. *Hotels and Serviced Suites*

The following table sets out the number of rooms, average room rate, occupancy rate and RevPAR of the Cheung Kong Property Group's hotels and serviced suites and the Hutchison Property Group's hotels and serviced suites for the three years ended 31 December 2014:

	<b>Cheung Kong Property Group</b>			<b>Hutchison Property Group</b>		
	<b>Year ended 31 December</b>			<b>Year ended 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Number of rooms <sup>(1)</sup>	8,432	8,397	8,406	5,057	5,057	5,057
Average room rate (HK\$) <sup>(2)</sup>	670	687	703	1,038	1,073	1,059
Occupancy rate (%) <sup>(3)</sup>	90.0	89.2	89.8	83.8	80.4	81.3
RevPAR (HK\$) <sup>(4)</sup>	603	613	631	870	863	861

*Note:*

- (1) Represents the number of available rooms as individual units at the end of each period.

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## LETTER FROM THE BOARD

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- (2) Calculated by dividing total room revenue by the total number of room nights occupied during each period.
- (3) Calculated by dividing the total number of room nights occupied by the total number of available room nights during each period.
- (4) Calculated by dividing total hotel room revenue by the total number of available room nights during each period.

### **V. Information on the Distribution In Specie**

As mentioned above, under the Spin-off Proposal, CK Property will allot and issue to Qualifying Shareholders new CK Property Shares pursuant to the Distribution In Specie. Immediately after the issue of new CK Property Shares by way of the Distribution In Specie, the two CK Property Shares then held by the Company (comprising the existing sole CK Property Share held by the Company, and the one CK Property Share to be issued to the Company as contemplated under the Property Businesses Combination as described above) will be surrendered for cancellation.

#### ***1. Conditions precedent to the Spin-off Proposal***

The Spin-off Proposal will be subject to the fulfilment (or, where relevant, waiver) of the following conditions precedent:

- (i) completion of the Cheung Kong Reorganisation (which occurred on 18 March 2015);
- (ii) the Listing Committee granting approval for the listing by way of introduction of, and permission to deal in, the CK Property Shares and such approval not having been revoked prior to completion of the Spin-off Proposal;
- (iii) the Husky Share Exchange Completion having occurred;
- (iv) the Hutchison Scheme having become effective;
- (v) the fulfilment (or, where applicable, waiver) of the respective conditions precedent to the Specified Loans Purchase Agreement and the Reorganisation Agreement as described in the section headed “*III. Property Businesses Combination*” above (other than the condition precedent relating to the Hutchison Scheme having become effective); and
- (vi) all Authorisations which may be required in connection with the Spin-off Proposal under any existing contractual arrangements, including loan and other finance documentation, or regulatory requirements having been obtained and all regulatory filing obligations having been complied with.

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## LETTER FROM THE BOARD

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The Company has reserved the right to waive the condition precedent in (vi) above in whole or in part and either generally or in respect of any particular matter. The other conditions precedent cannot be waived. As at the Latest Practicable Date, none of the above conditions precedent (other than the condition precedent in (i) above) had been satisfied.

### 2. *Non-Qualifying Overseas Shareholders*

#### (a) *The entitlement of Non-Qualifying Overseas Shareholders*

The allotment and issue of the CK Property Shares under the Distribution In Specie to certain Shareholders may be subject to laws of jurisdictions outside Hong Kong. Overseas Shareholders and Beneficial Owners residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Shareholders and the Beneficial Owners to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Distribution In Specie, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdiction.

Overseas Shareholders and Beneficial Owners should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequences under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the CK Property Shares, as the case may be. It is emphasised that none of the Company, CK Property, HSBC, HSBC Corporate Finance, Bank of America Merrill Lynch, any of their respective directors, officers or representatives or any other person involved in the CK Property Listing accepts any responsibility in relation to the above.

Non-Qualifying Overseas Shareholders are those Shareholders with registered addresses in, or Shareholders or Beneficial Owners who are otherwise known by the Company to be residents of, jurisdictions outside Hong Kong at the DIS Record Time and whom the Board and the CK Property Board, based on enquiries made on their behalves, consider it necessary or expedient to exclude from receiving CK Property Shares pursuant to the Distribution In Specie on account of the legal restrictions under the laws of the relevant jurisdictions where the Overseas Shareholders or Beneficial Owners are located or resident or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions. The relevant Non-Qualifying Overseas Shareholder(s) will not receive any CK Property Shares.

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## LETTER FROM THE BOARD

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If the Board and the CK Property Board consider it necessary or expedient to so exclude a Shareholder or a Beneficial Owner, the CK Property Shares which the relevant Non-Qualifying Overseas Shareholders would otherwise receive pursuant to the Distribution In Specie if they were Qualifying Shareholders (which will be CK Property Shares of such number as is equal to the number of Shares held by the Non-Qualifying Overseas Shareholders as at the DIS Record Time) will be issued to a nominee selected by the Board who will sell such CK Property Shares in the market as soon as reasonably practicable following the commencement of dealings in the CK Property Shares on the Stock Exchange, and the aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Non-Qualifying Overseas Shareholders (*pro rata* to their shareholdings in the Company as at the DIS Record Time) in Hong Kong dollars in full satisfaction of the relevant CK Property Shares which such shareholders would otherwise have received pursuant to the Distribution In Specie, provided that if the amount that a Non-Qualifying Overseas Shareholder would be entitled to receive is less than HK\$50, such sum will be retained for the benefit of the Company. The Board and the CK Property Board do not propose that the CK Property Shares will be allotted and issued to Shareholders in the United States as part of the Distribution In Specie unless it is determined that such allotment and issue can be done in transactions that are exempt from or do not require registration under the U.S. Securities Act.

As at the Latest Practicable Date, there were 116 Shareholders whose addresses as registered in the register of members of the Company, were outside Hong Kong, namely in Australia, Canada, the Cayman Islands, France, Guyana, Macau, Malaysia, New Zealand, the Philippines, the PRC, Singapore, Switzerland, Taiwan, the United Kingdom and the United States of America.

Based on information provided by Hutchison, as at the Latest Practicable Date, there were 507 Hutchison Shareholders whose addresses as registered in the register of members of Hutchison were outside Hong Kong, namely in Australia, Austria, Bermuda, Canada, France, Indonesia, India, Ireland, Japan, Kenya, Macau, Malaysia, New Zealand, Nigeria, Panama, the Philippines, Portugal, the PRC, Republic of Korea, Singapore, Sri Lanka, Sweden, Switzerland, Tahiti, Taiwan, Thailand, the United Arab Emirates, the United Kingdom and the United States of America.



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, based on the legal advice received and, where relevant, taking into account the number of Overseas Shareholders and Hutchison Overseas Shareholders in the relevant jurisdictions as at the Latest Practicable Date and/or the number of Shares and Hutchison Shares they then held and assuming that the relevant legal requirements remain unchanged, the Board and the CK Property Board consider it necessary or expedient to exclude the Overseas Shareholders in the following jurisdictions from receiving CK Property Shares under the Distribution In Specie:

- (i) Australia, on the basis that there are expected to be more than 20 Overseas Shareholders whose addresses as registered in the register of members of the Company are located in Australia as at the DIS Record Time (the “**Australian Shareholders**”);
- (ii) the Cayman Islands, other than any Overseas Shareholders which are registered as Cayman Islands exempted companies or Cayman Islands exempted limited partnerships;
- (iii) the United Arab Emirates; and
- (iv) the United States, subject to the circumstances as described in the paragraph headed “(b) *Limited categories of persons in Excluded Jurisdictions who may be able to receive the CK Property Shares issued pursuant to the Distribution In Specie*” below,

and therefore the Overseas Shareholders in these Excluded Jurisdictions are expected to be Non-Qualifying Overseas Shareholders. If, at the DIS Record Time, there are 20 or fewer Australian Shareholders, Australia will not be classified as an “Excluded Jurisdiction” and the Australian Shareholders will not be Non-Qualifying Overseas Shareholders.

With respect to the Excluded Jurisdictions, the Company will send a letter to CCASS Participants (other than CCASS Investor Participants) notifying them that in light of applicable laws and regulations of the Excluded Jurisdictions, to the extent they hold any Shares on behalf of any Beneficial Owner located in such Excluded Jurisdictions, they should, with limited exceptions, sell the CK Property Shares which they receive under the Distribution In Specie on behalf of such Beneficial Owner and pay the net proceeds of such sale to such Beneficial Owner. None of the Company, CK Property, HSBC, HSBC Corporate Finance, Bank of America Merrill Lynch, any of their respective directors, officers or representatives or any other person involved in the CK Property Listing takes any responsibility for the sale of such CK Property Shares or the payment of the net proceeds of the sale of such CK Property Shares to any underlying Beneficial Owners.

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## LETTER FROM THE BOARD

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If there is any other jurisdiction outside Hong Kong in which the address of any Shareholder as shown in the register of members of the Company at the DIS Record Time is located or any Shareholder or Beneficial Owner at the DIS Record Time is otherwise known by the Company to be resident, and such Shareholders should, in the view of the Board and the CK Property Board having made the relevant enquiries and having considered the circumstances, be excluded from receiving CK Property Shares pursuant to the Distribution In Specie on the basis of the legal restrictions under the applicable laws of such jurisdiction or the requirements of the relevant regulatory bodies or stock exchanges in such jurisdiction, the Company will make an announcement.

***(b) Limited categories of persons in Excluded Jurisdictions who may be able to receive the CK Property Shares issued pursuant to the Distribution In Specie***

Shareholders and Beneficial Owners in the United States are generally Non-Qualifying Overseas Shareholders. However, a limited number of Shareholders and Beneficial Owners in the United States, whom the Company and CK Property reasonably believe are “qualified institutional buyers” within the meaning of Rule 144A under the U.S. Securities Act, may be able to receive CK Property Shares issued pursuant to the Distribution In Specie in transactions that are exempt from registration requirements under the U.S. Securities Act, provided that they fulfil relevant requirements to the satisfaction of the Company.

The Company and CK Property reserve the right, in their absolute discretion, to determine whether to allow such participation, as well as the identity of the persons who may be allowed to do so.

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## LETTER FROM THE BOARD

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### VI. The Boards of Directors of the Company and CK Property following completion of the Spin-off Proposal

Following completion of the Spin-off Proposal, it is proposed that the boards of directors of the Company and CK Property will comprise the following directors:

#### *The Company*

##### **Executive Directors**

Mr. Li Ka-shing (*Chairman*)  
Mr. Li Tzar Kuoi, Victor  
(*Deputy Chairman and Group Co-Managing Director*)  
Mr. Fok Kin Ning, Canning  
(*Group Co-Managing Director*)  
Mrs. Chow Woo Mo Fong, Susan  
(*Group Deputy Managing Director*)  
Mr. Frank John Sixt  
(*Group Finance Director and  
Deputy Managing Director*)  
Mr. Ip Tak Chuen, Edmond  
(*Deputy Managing Director*)  
Mr. Kam Hing Lam  
(*Deputy Managing Director*)  
Mr. Lai Kai Ming, Dominic  
(*Deputy Managing Director*)

##### **Non-executive Directors**

Mr. Chow Kun Chee, Roland  
Mr. Lee Yeh Kwong, Charles  
Mr. Leung Siu Hon  
Mr. George Colin Magnus

##### **Independent Non-executive Directors**

Mr. Kwok Tun-li, Stanley  
Mr. Cheng Hoi Chuen, Vincent  
The Hon Sir Michael David Kadoorie  
Ms. Lee Wai Mun, Rose  
Mr. William Shurniak  
Mr. Wong Chung Hin  
Dr. Wong Yick-ming, Rosanna

#### *CK Property*

##### **Executive Directors**

Mr. Li Ka-shing (*Chairman*)  
Mr. Li Tzar Kuoi, Victor  
(*Managing Director and Deputy Chairman*)  
Mr. Kam Hing Lam  
(*Deputy Managing Director*)  
Mr. Ip Tak Chuen, Edmond  
(*Deputy Managing Director*)  
Mr. Chung Sun Keung, Davy  
Mr. Chiu Kwok Hung, Justin  
Mr. Chow Wai Kam  
Ms. Pau Yee Wan, Ezra  
Ms. Woo Chia Ching, Grace

##### **Independent Non-executive Directors**

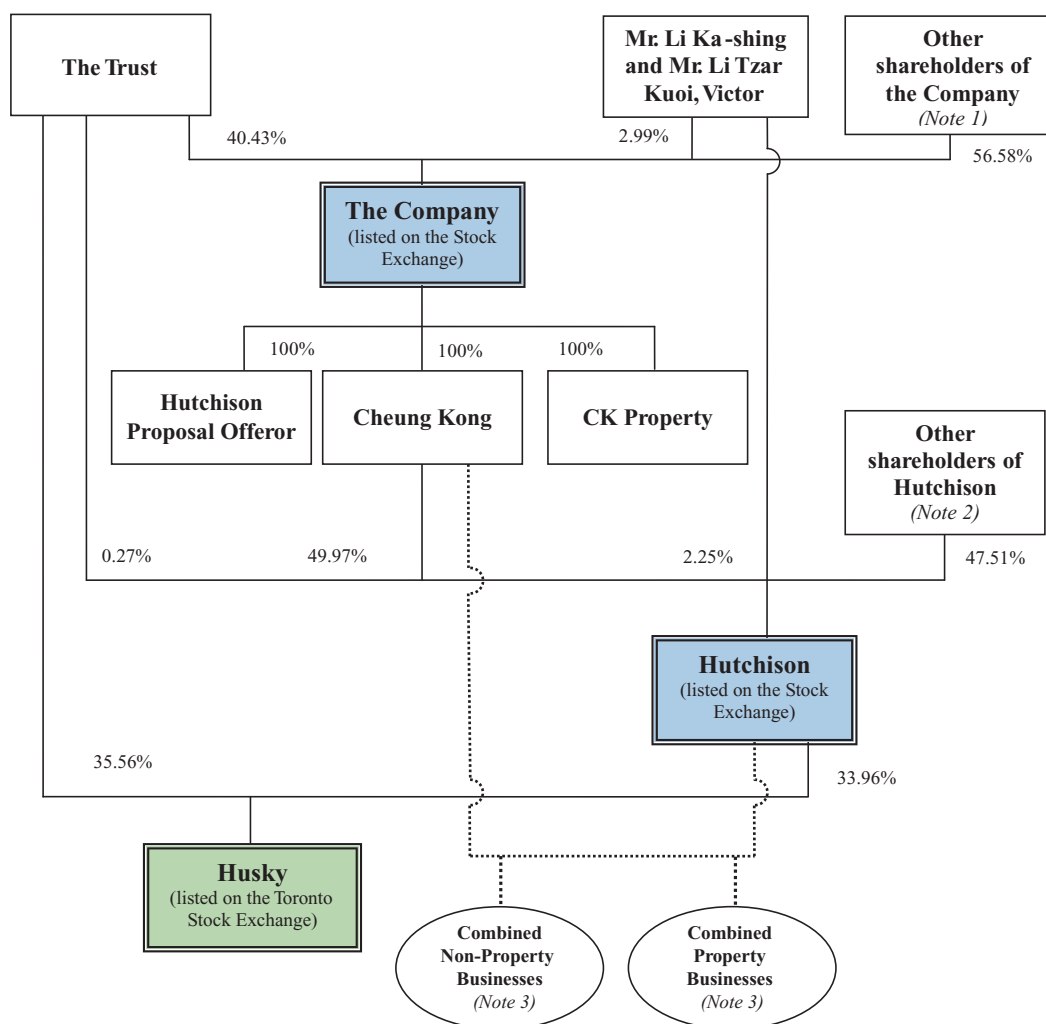
Mr. Cheong Ying Chew, Henry  
Mr. Chow Nin Mow, Albert  
Ms. Hung Siu-lin, Katherine  
Mr. Simon Murray  
Mr. Yeh Yuan Chang, Anthony

## LETTER FROM THE BOARD

### SIMPLIFIED GROUP STRUCTURE PRIOR TO AND AFTER IMPLEMENTATION OF THE MERGER PROPOSAL AND THE SPIN-OFF PROPOSAL

#### (a) Simplified group structure as at the Latest Practicable Date

As at the Latest Practicable Date, the simplified group structure of the Group and the Hutchison Group was as follows:



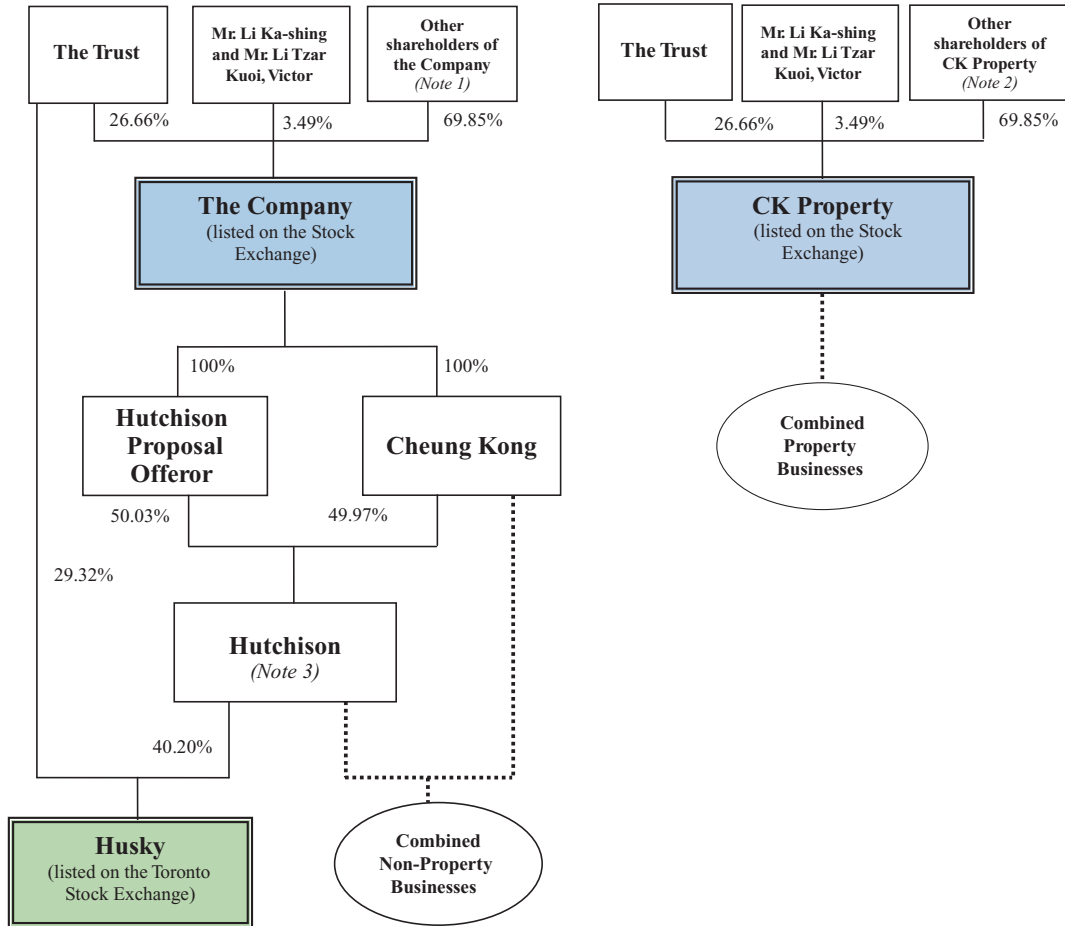
Notes:

1. The other shareholders of the Company include certain core connected persons of the Company (including, among others, certain Directors (other than Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor)), who are not regarded as public shareholders of the Company under the Listing Rules.
2. The other shareholders of Hutchison include certain core connected persons of Hutchison (including, among others, certain Hutchison Directors (other than Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor)), who are not regarded as public shareholders of Hutchison under the Listing Rules.
3. Prior to the Property Businesses Combination, the Combined Property Businesses and the Combined Non-Property Businesses are businesses jointly and/or separately owned by the Group and the Hutchison Group.

## LETTER FROM THE BOARD

### (b) Simplified group structure of the Group and the CK Property Group immediately following completion of the Merger Proposal and the Spin-off Proposal

Immediately after completion of the Merger Proposal and the Spin-off Proposal, the simplified corporate structure of the Group and the CK Property Group is expected to be as follows:



*Notes:*

1. The other shareholders of the Company are expected to include certain core connected persons of the Company (including, among others, certain Directors (other than Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor)), who are not regarded as public shareholders of the Company under the Listing Rules. Such other shareholders of the Company comprise (i) persons who are shown as “Other shareholders of the Company” in the simplified group structure chart in the section entitled “Simplified group structure as at the Latest Practicable Date” above, who are expected to own approximately 33.95% in the Company in aggregate immediately after completion of the Merger Proposal and the Spin-off Proposal; and (ii) persons who are shown as “Other shareholders of Hutchison” in the simplified group structure chart in the section entitled “Simplified group structure as at the Latest Practicable Date” above, who are expected to own approximately 35.90% in the Company immediately after completion of the Merger Proposal and the Spin-off Proposal.

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## LETTER FROM THE BOARD

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2. The other shareholders of CK Property are expected to include certain core connected persons of CK Property (including, among others, certain CK Property Directors (other than Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor)), who are not regarded as public shareholders of CK Property under the Listing Rules. Such other shareholders of CK Property comprises (i) persons who are shown as “*Other shareholders of the Company*” in the simplified group structure chart in the section entitled “*Simplified group structure as at the Latest Practicable Date*” above, who are expected to own approximately 33.95% in CK Property in aggregate immediately after completion of the Merger Proposal and the Spin-off Proposal; and (ii) persons who are shown as “*Other shareholders of Hutchison*” in the simplified group structure chart in the section entitled “*Simplified group structure as at the Latest Practicable Date*” above, who are expected to own approximately 35.90% in CK Property immediately after completion of the Merger Proposal and the Spin-off Proposal.
3. The listing status of Hutchison on the Main Board will be withdrawn upon the Hutchison Scheme becoming effective.

### EXPECTED IMPACT ON CREDIT RATINGS AND PROPOSED DIVIDEND ARRANGEMENTS

#### I. Credit Ratings

The Merger Proposal and the Spin-off Proposal collectively result in certain financial creditors being entitled to require the repayment or mandatory pre-payment of certain indebtedness of the Group and the Hutchison Group. The relevant companies have available sufficient resources to effect any such repayment or pre-payment. The Merger Proposal and the Spin-off Proposal, collectively, are therefore not expected to have any adverse effect on the Group, the Hutchison Group or their respective creditors.

In addition, the Company will, following the completion of the Merger Proposal and the Spin-off Proposal, guarantee the existing indebtedness of the Group and the Hutchison Group which is guaranteed by Cheung Kong or Hutchison, including all outstanding bonds and capital securities issued by members of the Group and the Hutchison Group and guaranteed by Cheung Kong or Hutchison. Following completion of the Merger Proposal and the Spin-off Proposal, subject to the confirmation of credit rating agencies, both the Company and CK Property are expected to obtain and maintain strong investment grade ratings consistent with Hutchison’s current investment grade ratings.

#### II. Proposed Dividend Arrangements

On 26 February 2015, each of Cheung Kong and Hutchison declared a second interim dividend in lieu of a final dividend in respect of the financial year of 2014, based on their respective full results for the financial year of 2014, as detailed in the 2014 Cheung Kong Results Announcement and the 2014 Hutchison Results Announcement respectively. The payment date for such second interim dividend by the Company and Hutchison will be 15 April 2015, which is earlier than the usual payment date for the financial dividend paid by Cheung Kong and Hutchison in recent years.

For the financial year of 2015, if the Merger Proposal and the Spin-off Proposal have become effective, an interim dividend will be declared by each of the Company and CK Property at the time of the announcement of their respective interim results and will take account of the results of the respective businesses of the Group and the CK Property Group from 1 January 2015. Subject to business results for the financial year of 2015, assuming an

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## LETTER FROM THE BOARD

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existing Shareholder or a Hutchison Shareholder continues to hold both the Shares and CK Property Shares received after completion of the Merger Proposal and the Spin-off Proposal, it is expected that the combined dividend per share that the Company and CK Property will pay in respect of the financial year of 2015 on those shares will be more than the total dividend per Cheung Kong Share or per Hutchison Share, as the case may be, paid in respect of the financial year of 2014, excluding any special dividends paid in respect of that year.

Going forward from the financial year of 2016, each of the Company and CK Property will adopt a dividend policy that is consistent with its business profile. Subject to business conditions and the maintenance of a strong credit profile, each of the Company and CK Property expects its dividend policy to result in a higher dividend payout ratio than that in the financial year of 2015.

### GENERAL INFORMATION

#### (a) The Group

The present principal business activities of the Group comprise (i) property development and investment, hotel and serviced suite operation, property and project management, and (ii) investment in infrastructure businesses and securities, and the ownership and leasing of movable assets. The Group also has an approximately 49.97% shareholding interest in Hutchison.

The Group is one of the largest developers in Hong Kong of residential, commercial and industrial properties.

#### (b) The Hutchison Group

The Hutchison Group is a multinational conglomerate committed to innovation and technology, with six core businesses – ports and related services, property and hotels, retail, infrastructure, energy and telecommunications – in over 50 countries across the world.

#### (c) The Trust

The Trust comprises four discretionary trusts and two unit trusts. The relevant trustees (as trustees of the Trust) currently hold approximately 40.43% of the issued shares of the Company, approximately 0.27% of the issued shares of Hutchison, and approximately 35.56% of the common shares of Husky in issue. The settlor of the discretionary trusts comprised in the Trust is Mr. Li Ka-shing and the discretionary beneficiaries of such discretionary trusts include, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard.

#### (d) Husky

Please see the section headed “*Merger Proposal – I. The Husky Share Exchange – 3. Information on Husky*” above for information on Husky.

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## LETTER FROM THE BOARD

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### THE EGM AND VOTING

A notice of the EGM to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Monday, 20 April 2015 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular, at which an ordinary resolution will be proposed to approve the Matters For Approval. The vote of the Shareholders at the EGM will be taken by way of poll.

All Shareholders who have a material interest (which is different from that of all other Shareholders) in any of the Husky Share Exchange, the Hutchison Proposal and the Spin-off Proposal, will be required to abstain from voting on the ordinary resolution for approving the Matters For Approval at the EGM.

The relevant entities under the Trust, Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, who together hold approximately 43.42% of the issued Shares, will, and will procure their respective associates to, abstain from voting on the ordinary resolution to approve the Matters For Approval at the EGM.

In addition, certain Directors hold, or are interested in, Hutchison Scheme Shares (as detailed in the section headed “6. *Shareholding Structure of Hutchison*” above). As such Directors are connected persons of the Company, the issue of Shares pursuant to the Hutchison Scheme by the Company to them or their respective associates constitutes a connected transaction of the Company. Among such Directors, Mr. Kam Hing Lam, Mr. Leung Siu Hon, Mr. Chow Kun Chee, Roland, Mr. George Colin Magnus, Mr. Lee Yeh Kwong, Charles, Mr. Yeh Yuan Chang, Anthony, and Ms. Hung Siu-lin, Katherine also hold or are interested in Shares (as detailed in the section headed “2. *Interests of Directors – (a) Interests in shares, underlying shares and debentures of the Company and its associated corporations*” in Appendix IV to this circular), and therefore will, and will procure their respective associates to, abstain from voting on the ordinary resolution to approve the Matters For Approval at the EGM.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy to the principal place of business in Hong Kong of the Company at 7th Floor, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong as soon as practicable and in any event no later than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

### RECOMMENDATIONS

Having considered (i) the background to the Merger Proposal and the Spin-off Proposal; (ii) the reasons for, and benefits of, the Merger Proposal and the Spin-off Proposal and their effects as set out above; and (iii) the terms of the Merger Proposal and the Spin-off Proposal, the Directors (other than those on the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular) consider that the issue of the Shares contemplated under the Husky Share Exchange and the terms of the Hutchison Proposal are fair and reasonable so far as the Independent



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## LETTER FROM THE BOARD

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Shareholders are concerned and the issue of the Shares contemplated under the Husky Share Exchange and the Hutchison Proposal are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (other than those on the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular) recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve Matters For Approval.

Each of (a) Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, who are regarded as having a material interest in the issue of the Shares contemplated under the Husky Share Exchange and the Hutchison Proposal, and (b) Mr. Kam Hing Lam, Mr. Leung Siu Hon, Mr. Fok Kin Ning, Canning, Mr. Frank John Sixt, Mr. Chow Kun Chee, Roland, Mr. George Colin Magnus, Mr. Yeh Yuan Chang, Anthony, Mr. Chow Nin Mow, Albert and Ms. Hung Siu-lin, Katherine, who hold or are interested in the Hutchison Shares as described in the section headed "*Merger Proposal – II. The Hutchison Proposal – 6. Shareholding Structure of Hutchison*" above, abstained from voting on the relevant board resolution of the Company for the approval of such transactions.

The Independent Board Committee (comprising all of the independent non-executive Directors, namely Mr. Kwok Tun-li, Stanley, Mr. Yeh Yuan Chang, Anthony, Mr. Simon Murray, Mr. Chow Nin Mow, Albert, Ms. Hung Siu-lin, Katherine, Dr. Wong Yick-ming, Rosanna and Mr. Cheong Ying Chew, Henry) has been established by the Board to make recommendations to the Independent Shareholders on the Merger Proposal. Mr. Kwok Tun-li, Stanley is also an independent director of Husky and holds 20,173 common shares of Husky (representing approximately 0.002% of the common shares of Husky in issue as at the Latest Practicable Date). As Mr. Kwok Tun-li, Stanley, does not have a material interest in the Husky Share Exchange or the Hutchison Proposal, he is a member of the Independent Board Committee. The letter from the Independent Board Committee is set out on pages 52 to 53 of this circular. The Independent Board Committee, having considered (i) the background to the Merger Proposal and the Spin-off Proposal; (ii) the reasons for, and benefits of, the Merger Proposal and the Spin-off Proposal and their effects as set out above; and (iii) the terms of the Merger Proposal and the Spin-off Proposal, and having taken into account the principal factors and reasons considered by, and the opinion of, the Independent Financial Adviser in the letter from the Independent Financial Adviser, are of the view that the issue of the Shares contemplated under the Husky Share Exchange and the terms of the Hutchison Proposal are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the Matters For Approval.

Anglo Chinese Corporate Finance, Limited has been engaged as the independent financial adviser to the Board and the Hutchison Proposal Offeror Board pursuant to Rule 2.4 of the Takeovers Code, and to the Independent Board Committee and the Independent Shareholders pursuant to Rule 14A.45 of the Listing Rules, in relation to the Merger Proposal. The full text of the letter of advice from the Independent Financial Adviser is set out on pages 54 to 101 of this circular.

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## LETTER FROM THE BOARD

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In the letter from the Independent Financial Adviser set out in this circular, the Independent Financial Adviser has stated that it is of the opinion that the terms of the Husky Share Exchange, which involves the issue of Shares are fair and reasonable, and that the transaction is on normal commercial terms and in the ordinary usual course of business of the Group following completion of the Cheung Kong Reorganisation. The Hutchison Proposal is conditional on the completion of the Husky Share Exchange Agreement. On the basis of the terms of the Husky Share Exchange and the benefits that are expected to arise on fulfilment of the objectives of the Merger Proposal and the Spin-off Proposal, the Independent Financial Adviser considers that the Husky Share Exchange Agreement is in the interests of the Company and its Shareholders as a whole. Furthermore, having taken into account the factors and considerations as set out in its the letter of advice in relation to the Merger Proposal, the Independent Financial Adviser is of the opinion that, while the Hutchison Proposal may not be in the ordinary and usual course of business of the Group, the terms of the Hutchison Proposal are fair and reasonable and are on normal commercial terms. Further taking into account the benefits that are expected to arise on the fulfilment of the objectives of the Merger Proposal and the Spin-off Proposal, the Independent Financial Adviser considers that the Merger Proposal is in the interests of the Company and its Shareholders as a whole and the Hutchison Proposal Offeror and accordingly advises the Independent Board Committee to recommend that the Independent Shareholders vote in favour of, and the Independent Financial Adviser itself also advises the Independent Shareholders to vote in favour of, the ordinary resolution to be proposed at the EGM to approve the Matters For Approval.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I to V to this circular. In addition, a form of proxy for the EGM is enclosed with this circular.

### WHERE YOU CAN FIND OTHER ADDITIONAL INFORMATION

In addition to the documents available for inspection as set forth in Appendix IV to this circular, each of Cheung Kong and Hutchison has published its annual and interim reports, corporate announcements and other corporate communications on their websites at [www.ckh.com.hk](http://www.ckh.com.hk) and [www.hutchison-whampoa.com](http://www.hutchison-whampoa.com) respectively, and on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk).

You should rely only on information contained or incorporated by reference in this circular to vote your Shares at the EGM. None of the Company, HSBC, the Independent Financial Adviser and any of their respective affiliates has authorised anyone to provide you with information that is different from what is contained in this circular. No assumption should be made that the information contained in this circular is accurate as at any date other than the Latest Practicable Date, and the despatch of this circular to the Shareholders shall not create any implication to the contrary.

Yours faithfully,  
By Order of the Board  
**CK Hutchison Holdings Limited**  
**LI Ka-shing**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the full text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Merger Proposal.*



31 March 2015

*To the Independent Shareholders*

### **Merger Proposal –**

- (a) Proposed Issue of Shares in connection with the Acquisition by the Hutchison Group of 6.24% of the Common Shares of Husky in issue; and**
- (b) Proposed Share Exchange Offer to the Hutchison Scheme Shareholders for the Cancellation of all the Hutchison Scheme Shares by way of a Scheme of Arrangement of Hutchison under the Companies Ordinance**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Husky Share Exchange and the Hutchison Proposal, details of which are set out in the Letter from the Board in the circular of CK Hutchison Holdings Limited dated 31 March 2015 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context otherwise requires.

We wish to draw your attention to the “*Letter from the Independent Financial Adviser*” as set out on pages 54 to 101 of the Circular, which contains the Independent Financial Adviser’s advice and recommendation to us and the Independent Shareholders as to whether or not the issue of the Shares contemplated under the Husky Share Exchange and the Hutchison Proposal are on terms which are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole, and its recommendation to Independent Shareholders as to how to vote in respect of the ordinary resolution to be proposed at the EGM to approve the Matters For Approval. We also wish to draw your attention to the “*Letter from the Board*” set out on pages 1 to 51 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the principal factors and reasons considered by, and the opinion of, the Independent Financial Adviser as stated in its letter of advice, we are of the view that the issue of the Shares contemplated under the Husky Share Exchange and the Hutchison Proposal are on terms which are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the Matters For Approval.

Yours faithfully,

**KWOK Tun-li, Stanley**      **YEH Yuan Chang, Anthony**      **Simon MURRAY**  
**CHOW Nin Mow, Albert**      **HUNG Siu-lin, Katherine**  
**WONG Yick-ming, Rosanna**      **CHEONG Ying Chew, Henry**

*Independent Board Committee*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Board, the Hutchison Proposal Offeror Board, the Independent Board Committee and the Independent Shareholders in respect of the Merger Proposal, which has been prepared for the purpose of inclusion in the circular.*

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### ANGLO CHINESE CORPORATE FINANCE, LIMITED

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www.anglochinesegroup.com

40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

The Board, the Hutchison Proposal Offeror Board,  
the Independent Board Committee  
and the Independent Shareholders

31st March, 2015

Dear Sirs,

#### **Merger Proposal –**

- (a) Proposed Issue of Shares in connection with the Acquisition by the Hutchison Group of 6.24% of the Common Shares of Husky in issue; and**
- (b) Proposed Share Exchange Offer to the Hutchison Scheme Shareholders for the Cancellation of all the Hutchison Scheme Shares by way of a Scheme of Arrangement of Hutchison under the Companies Ordinance**

#### **INTRODUCTION**

Prior to the Joint Announcement, Anglo Chinese was engaged by Cheung Kong to provide independent advice to the board of directors of Cheung Kong as to whether the Merger Proposal is in the interests of the shareholders and the substance of our advice was set out in the Joint Announcement. Anglo Chinese advised that having taken into account among others, the terms of the Hutchison Scheme, the terms of the Husky Share Exchange Agreement and the anticipated benefits expected to arise from the objectives of the Merger Proposal, it considered the Merger Proposal to be in the interests of the shareholders of Cheung Kong (the “**Cheung Kong Shareholders**”) and (upon completion of the Cheung Kong Reorganisation) CKH Holdings, and the Hutchison Proposal Offeror. The advice to the board of directors of Cheung Kong is incorporated within this letter.

We also refer to our appointment as the independent financial adviser to the Independent Board Committee in relation to the Hutchison Scheme, the Husky Share Exchange Agreement and the transactions contemplated thereunder. Expressions used in this letter have the same meaning as defined in the circular dated 31st March, 2015 (the “**Circular**”) of which this letter forms part, unless the context requires otherwise.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Following completion of the Cheung Kong Reorganisation, the Trust, directly and indirectly through the companies controlled by it, holds approximately 40.43% of the issued shares of CKH Holdings at the Latest Practicable Date. Therefore, the relevant entities under the Trust and the Husky Sale Shares Vendor are connected persons of CKH Holdings under the Listing Rules. Accordingly, the issue of the Shares to the Husky Sale Shares Vendor (or as it may direct) under the Husky Share Exchange constitutes a connected transaction of CKH Holdings under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM.

As the applicable percentage ratios of the Hutchison Proposal exceed 100%, the Hutchison Proposal constitutes a very substantial acquisition of CKH Holdings under Chapter 14 of the Listing Rules. As the Trust, the 12 Directors, together with Mr. Li Tzar Kai, Richard listed in table under the section headed “(ii) The Hutchison Proposal” on page 25 of the Circular are connected persons of CKH Holdings who hold or are interested in certain Hutchison Scheme Shares, the issue of Shares pursuant to the Hutchison Scheme by CKH Holdings to such persons constitutes a connected transaction of CKH Holdings under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise to the Independent Shareholders on whether or not the Merger Proposal and the transactions contemplated thereunder is fair and reasonable and as to voting in connection the Merger Proposal. We have been appointed to advise the Independent Board Committee and the Independent Shareholders accordingly.

In formulating our opinions and recommendations, we have reviewed sufficient and relevant information and documents supplied to us by CKH Holdings and the opinions expressed by, and the representations of the Directors, including those set out in the Circular and the Hutchison Scheme Document. We have also considered the valuation report prepared by DTZ Debenham Tie Leung Limited, the independent property valuers, which is set out in the Hutchison Scheme Document.

We have relied on the accuracy of the information, facts and representations and the opinions expressed by CKH Holdings and the Directors referred to in the Circular. We have assumed that the information, facts, representations and opinions were true at the time they were made and continue to be true at the date of the Circular and the Hutchison Scheme Document, and will continue to be true up to the time of the completion of the Merger Proposal. We consider that we have reviewed sufficient information to reach the conclusions set out in this letter and have no reason to believe any of the information provided to us by the Directors is inaccurate or that any material information has been omitted or withheld from the information supplied or the opinions expressed in the Circular. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Joint Announcement and the Circular were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from CKH Holdings that no material facts have been omitted from the information provided to us. We have not, however, carried out any independent verification on the information provided to us by Directors, nor have we

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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conducted any form of independent in-depth investigation into the business and affairs or the prospects of the CKH Holdings Group, the Hutchison Group or Husky or any of their respective subsidiaries or associates.

Apart from normal professional fees for our services to CKH Holdings in connection with the engagement described above, no arrangement exists whereby we will receive any fees or benefits from CKH Holdings, its subsidiaries, directors, chief executive, substantial shareholders or any associates of any of them.

Within the last 24 months prior to the Joint Announcement, Anglo Chinese advised Pacific Century Premium Developments Limited in respect of an acquisition of a development site in Jakarta, Indonesia. The transaction constitutes a very substantial acquisition and a major transaction under the Listing Rules. Pacific Century Premium Developments Limited is and was at the time of that engagement a subsidiary of PCCW Limited, of which Mr. Li Tzar Kai, Richard is the chairman and a substantial shareholder. Mr. Li Tzar Kai, Richard is the son of Mr. Li Ka-shing and the brother of Mr. Li Tzar Kuoi, Victor. Mr. Li Tzar Kai, Richard has no involvement in or influence over the management of Cheung Kong or CKH Holdings. We do not consider that engagement affects the objectivity or impartiality of our advice in relation to the Merger Proposal.

### SUMMARY OF THE REORGANISATION AND THE MERGER PROPOSAL

#### Information on the CKH Holdings Group, the Hutchison Group and Husky

##### *The CKH Holdings Group*

The present principal business activities of the CKH Holdings Group comprise (i) property development and investment, hotel and serviced suite operation, property and project management, and (ii) investment in infrastructure businesses and securities, and ownership and leasing of movable assets. The CKH Holdings Group also has an approximately 49.97% shareholding interest in Hutchison. The CKH Holdings Group is one of the largest developers in Hong Kong of residential, commercial and industrial properties. Set out in Appendix I to the Circular is the financial information of Cheung Kong including a summary of the audited consolidated income statement and audited consolidated financial position of the CKH Holdings Group derived from the annual report of Cheung Kong for the financial year ended 31st December, 2013 and the 2014 Cheung Kong Results Announcement for the financial year ended 31st December, 2014, together with the unaudited financial statements of Cheung Kong for the six months ended 30th June, 2013 and 2014.

##### *The Hutchison Group*

The Hutchison Group is a multinational conglomerate with six core businesses; ports and related services, property and hotels, retail, infrastructure, energy and telecommunications, in over 50 countries across the world. Hutchison is one of the largest companies listed on the Main Board. The audited consolidated financial statements of Hutchison for the financial years ended 31st December, 2012 and 2013 are disclosed in the annual reports of Hutchison for each of such financial years, respectively. The audited

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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consolidated financial statement of Hutchison for the financial year ended 31st December, 2014 is disclosed in the 2014 Hutchison Results Announcement. All of the above financial reports and announcement have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and Hutchison ([www.hutchison-whampoa.com](http://www.hutchison-whampoa.com)).

Set out Appendix II to the Circular includes the management discussion and analysis on the Hutchison Group for the financial year ended 31st December, 2014, which has been extracted from the 2014 Hutchison Results Announcement.

### *Husky*

Husky is one of Canada's largest integrated energy companies, which is based in Calgary, Alberta. It is publicly traded on the Toronto Stock Exchange under the symbols HSE and HSE.PR.A.

Upstream segment includes exploration for, and development and production of, crude oil, bitumen, natural gas and natural gas liquids ("NGL") (exploration and production) and marketing of Husky's and other producers' crude oil, natural gas, NGL, sulphur and petroleum coke, pipeline transportation and blending of crude oil and natural gas, and storage of crude oil, diluents and natural gas (infrastructure and marketing). Husky's upstream operations are located primarily in Western Canada, offshore East Coast of Canada, offshore China, and offshore Indonesia.

Downstream segment includes upgrading of heavy crude oil feedstock into synthetic crude oil (upgrading), refining in Canada of crude oil, marketing of refined petroleum products including gasoline, diesel, ethanol blended fuels, asphalt and ancillary products, and production of ethanol (Canadian refined products) and refining in the U.S. of primarily crude oil to produce and market gasoline, jet fuel and diesel fuels that meet the U.S. clean fuels standards (U.S. refining and marketing).

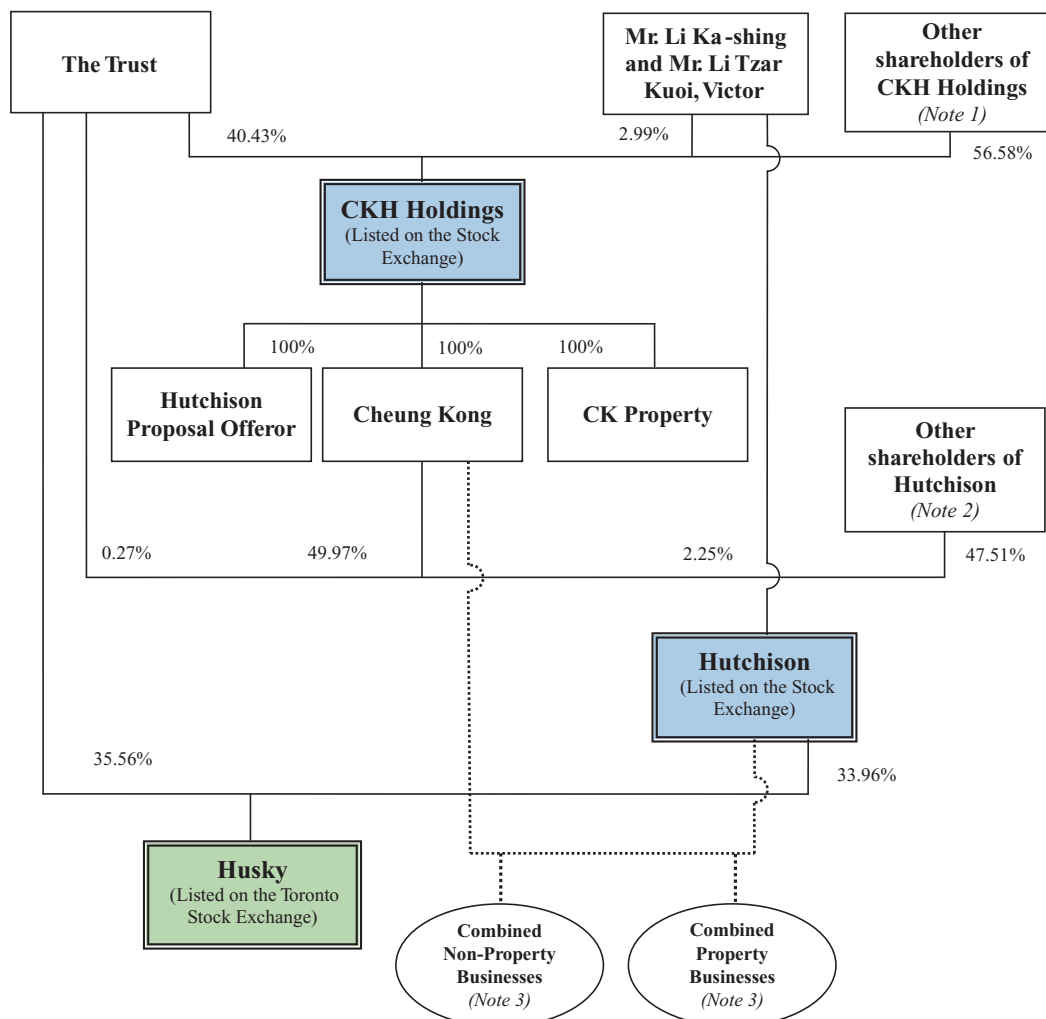
The published financial statements and annual and quarterly reports of Husky are available on its website at [www.huskyenergy.com](http://www.huskyenergy.com).



# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## Corporate structure as at the Latest Practicable Date

Set out below is the simplified structure of the group of companies involved in the Merger Proposal as at the Latest Practicable Date.



*Notes:*

1. The other shareholders of CKH Holdings include certain core connected persons of CKH Holdings (including, among others, certain Directors (other than Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor)), who are not regarded as public shareholders of CKH Holdings under the Listing Rules.
2. The other shareholders of Hutchison include certain core connected persons of Hutchison (including, among others, certain Hutchison Directors (other than Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor)), who are not regarded as public shareholders of Hutchison under the Listing Rules.
3. Prior to the Property Businesses Combination, the Combined Property Businesses and the Combined Non-Property Businesses are businesses jointly and/or separately owned by the CKH Holdings Group and the Hutchison Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Principal terms of the Merger Proposal

On completion of the Merger Proposal and the Spin-off Proposal, two separate listed holding companies incorporated in the Cayman Islands will have been created, one of which CK Property will hold substantially all the property businesses of CKH Holdings and Hutchison, and the second, CKH Holdings, will hold all the other businesses of CKH Holdings and Hutchison and an enlarged interest in Husky. The Proposals envisage two stages to achieve this aim.

The first stage, which was completed on 18th March, 2015, involved the creation of CKH Holdings, a new holding company now listed on the Stock Exchange, which holds 100% of Cheung Kong. Existing Cheung Kong Shareholders (excluding Overseas Shareholders with registered addresses in California) received one Share in exchange for each existing Cheung Kong Share held. The interests of the Shareholders were unaffected by this part of the transaction as their economic interests (before taking into account the cost of the Cheung Kong Reorganisation) are unchanged, albeit held through a new vehicle.

As mentioned in the Joint Announcement, after the completion of the Cheung Kong Reorganisation, the following transactions would proceed subject to the fulfillment (or, where relevant, waiver) of their respective conditions precedent.

(a) *The Husky Share Exchange –*

Pursuant to the Husky Share Exchange Agreement dated 9th January, 2015, the Husky Sale Shares Purchaser (an indirectly wholly-owned subsidiary of Hutchison) will acquire from the Husky Sale Shares Vendor (a company indirectly wholly-owned by the Trust) 61,357,010 Husky Shares, representing approximately 6.24% of the common shares of Husky in issue as at the Latest Practicable Date. The consideration for the acquisition will be satisfied by the issue of 84,427,246 new Shares by CKH Holdings to the Husky Sale Shares Vendor (or as it may direct), credited as fully paid (representing a share exchange ratio of 1.376 new Shares for every one Husky Share to be acquired). On completion of the Husky Share Exchange, assuming that there are no other changes in the shareholding of Husky, the Hutchison Group, which currently controls 33.96% of the common shares of Husky, will own an aggregate of approximately 40.20% of the common shares of Husky in issue. Subject to the fulfillment (or, where relevant, waiver) of the conditions precedent to the Husky Share Exchange, the Husky Share Exchange will be completed immediately prior to completion of the Hutchison Proposal. The conditions to which the Husky Share Exchange are subject are set out in the letter from the Board in the Circular and include the approval by Independent Shareholders of the issue of Shares under the Husky Share Exchange pursuant to the Listing Rules at the EGM.

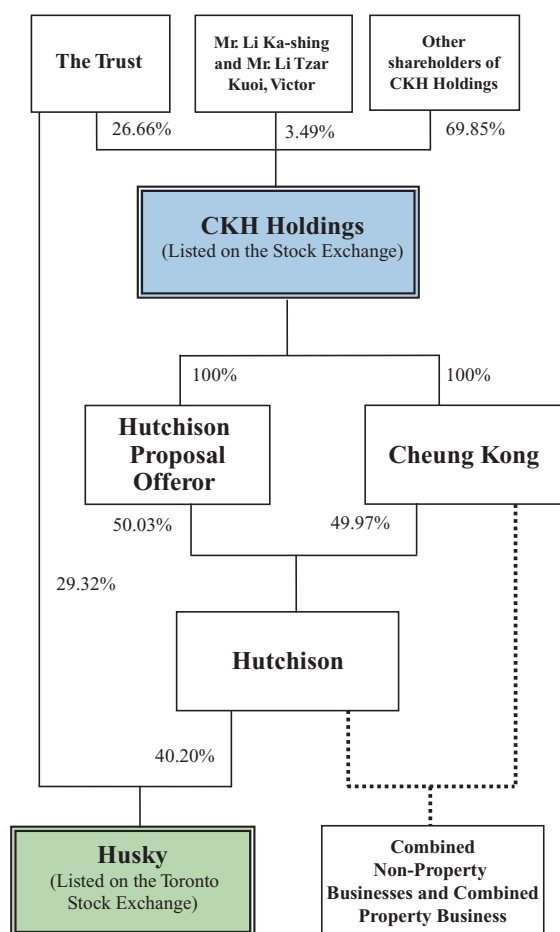
(b) *The Hutchison Proposal –*

The Hutchison Proposal Offeror, a wholly-owned subsidiary of CKH Holdings, is making a conditional share exchange offer to the Hutchison Scheme Shareholders for the cancellation of all the Hutchison Scheme Shares by way of a scheme of arrangement of Hutchison under the Companies Ordinance. Pursuant to the Hutchison

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Scheme, all the Hutchison Scheme Shares (which will be all the Hutchison Shares in issue at the Hutchison Scheme Record Time other than those held by the Relevant CKH Holdings Subsidiaries) will be cancelled and extinguished, and the Hutchison Scheme Shareholders (other than the Non-Qualifying Hutchison Overseas Shareholders) will receive new Shares at the share exchange ratio of 0.684 of a new Share for every one Hutchison Scheme Share held at the Hutchison Scheme Record Time. Subject to the fulfillment (or, where relevant, waiver) of the conditions precedent to the Hutchison Proposal, the Hutchison Proposal will be completed immediately after the Husky Share Exchange Completion. The conditions to which the Hutchison Proposal is subject are set out in the letter from the Board in the Circular and include the passing of an ordinary resolution by Independent Shareholders at the EGM to approve the Hutchison Proposal and all the transactions contemplated under it. On completion of the Hutchison Proposal, Hutchison will become a wholly-owned subsidiary of CKH Holdings and the listing of the Hutchison Shares on the Main Board will be withdrawn.

Immediately after completion of the Husky Share Exchange and the Hutchison Proposal, and on the assumption that there is no change in the shareholding interests in CKH Holdings and in Hutchison from the Latest Practicable Date other than the change as a result of the Husky Share Exchange and the Hutchison Proposal, the anticipated simplified corporate structure of CKH Holdings and Husky is illustrated as follows:



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(c) The Spin-off Proposal –*

It is proposed that, immediately following completion of the Hutchison Proposal and upon completion of the Property Businesses Combination, the Combined Property Businesses will be held by the CK Property Group, which will at that time be wholly-owned by CKH Holdings. Immediately following completion of the Property Businesses Combination, the Shareholders (other than the Non-Qualifying Overseas Shareholders) as at the DIS Record Time will receive CK Property Shares by way of the Distribution in Specie implemented with the consent of CKH Holdings, in the ratio of one CK Property Share for every one Share then held, and immediately thereafter, the two CK Property Shares held by the Company will be surrendered for cancellation. These Shareholders will include, among others, holders of the Shares to be issued to (i) the Husky Sale Shares Vendor (or as it may direct) pursuant to the Husky Share Exchange and (ii) the Hutchison Scheme Shareholders (other than the Non-Qualifying Hutchison Overseas Shareholders and any Hutchison Scheme Shareholders who are also Non-Qualifying Overseas Shareholders) pursuant to the Hutchison Scheme. The Spin-off Proposal will be subject to the fulfillment (or, where relevant, waiver) of a number of conditions precedent, as set out in the section headed “Spin-off Proposal in relation to the Combined Property Businesses” set out on pages 27 to 43 of the Circular. Please refer to page 92 of the Circular for the anticipated simplified corporate structure of the CKH Holdings Group, the CK Property Group and Husky after the Cheung Kong Reorganisation, the Merger Proposal and the Spin-off Proposal.

Although the aggregate interests of the Trust and Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor following completion of the Merger Proposal and the Spin-off Proposal will be reduced from the current level of 43.42% in Cheung Kong to 30.15% of CKH Holdings, the percentage of aggregate voting capital will be maintained above the 30% of the total voting capital of each company which is above the percentage that would give rise under the Takeovers Code to the obligation to make a bid for the whole of the issued share capital of CKH Holdings in question. As the aggregate shareholding interests of the Trust, Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor will be above 30% of the issued share capital of CKH Holdings and CK Property, under the Takeovers Code, the Trust, Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor and persons acting in concert with them will be permitted to increase their combined shareholding by up to 2% in each company in any 12 months period without incurring a mandatory bid obligation under the Takeovers Code.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE MERGER PROPOSAL

The steps involved in the Merger Proposal will be effectively inter-conditional and therefore each element of the Merger Proposal should be perceived principally in the context of a whole transaction. In particular the Hutchison Proposal will only become unconditional if the acquisition of the interests in Husky is completed. Accordingly, although the elements of the Merger Proposal will be separately analysed, the overall impact of the Merger Proposal on the Shareholders should also be considered as an integrated proposal. Furthermore, the Merger Proposal is subject to the fulfillment (or, where relevant, waiver) of all the conditions precedent to the Spin-Off Proposal, which are set out in the letter from the Board set out in the Circular. Accordingly, if the Proposals are completed, Shareholders on the register of members at the DIS Record Time (other than Non-Qualifying Overseas Shareholders) will receive one CK Property Share for each Share.

### BASIS OF OPINION AND FACTORS TAKEN INTO CONSIDERATION

Although the acquisition of the 6.24% interests in Husky will momentarily precede the merger of CKH Holdings and Hutchison, we will first examine the Hutchison Proposal.

#### **The merger with Hutchison**

The acquisition by the CKH Holdings Group of 50.03% of Hutchison not already held by the CKH Holdings Group is a merger effected by means of a share exchange designed to ensure that the economic interests of the shareholders of both CKH Holdings and Hutchison benefit largely equally as amongst themselves. To achieve this result, identifying the relative values of the shares in CKH Holdings and Hutchison is the objective rather than seeking to establish an absolute value of the shares in each company.

The summary of the Hutchison Proposal is set out in the letter from the Board in the Circular and reference should be made also to Appendix V of the Circular for a copy of the Hutchison Scheme Document included for reference purposes only.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Analysis of the Hutchison Proposal

– *Relative share prices*

The share exchange ratio was determined based on the average closing prices of the shares of Cheung Kong and Hutchison on the Stock Exchange for the five trading days up to (and including) 7th January, 2015, without any premium or discount. The average prices were as follows:

Cheung Kong:	HK\$129.06
Hutchison:	HK\$ 88.28

Accordingly, the share exchange ratio is as follows:

For each Hutchison Scheme Share held as at the Hutchison Scheme Record Time:	0.684 of one new Share in CKH Holdings
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*Note:*

It was assumed that the share price of CKH Holdings following the completion of the Cheung Kong Reorganisation but before completion of the Husky Share Exchange and Hutchison Proposal would have been the same as the share price of Cheung Kong Shares.

Based on the share exchange ratio the resultant share capital of CKH Holdings based on the issued share capital of CKH Holdings and Hutchison on the Latest Practicable Date, would be split as follows between the current Shareholders and the Hutchison Shareholders other than CKH Holdings respectively.

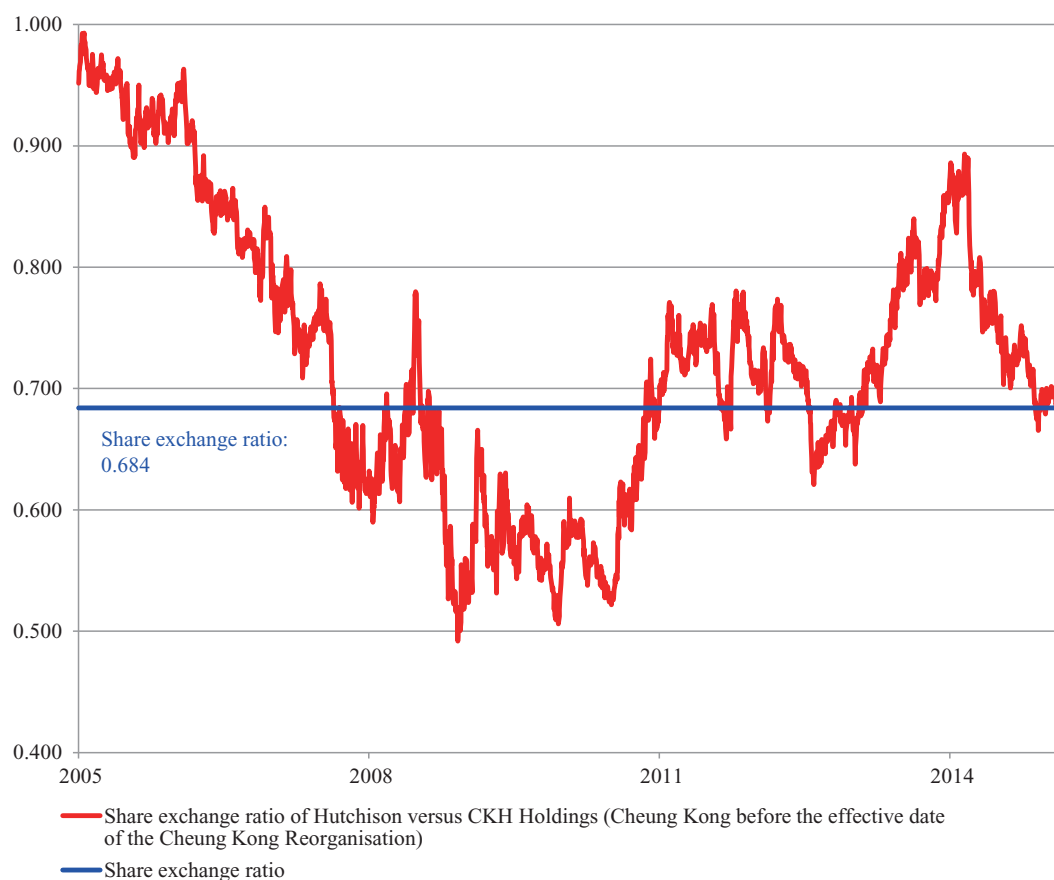
No. of Shares to be held by Shareholders of CKH Holdings immediately following the Cheung Kong Reorganisation	2,316,164,338	61.4%
No. of Shares to be issued to Hutchison Shareholders other than CKH Holdings Group	<u>1,459,086,916</u>	<u>38.6%</u>
<b>Enlarged share capital of CKH Holdings</b>	<b><u>3,775,251,254</u></b>	<b><u>100.0%</u></b>

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The share prices vary from day to day and set out in the chart below is the share exchange ratio that would have applied using the same basis since 2005 based on the closing prices of Cheung Kong Shares and Hutchison Shares over the period up to the date of the publication of the Joint Announcement. The chart depicts the relative values of Cheung Kong and Hutchison over the period.



Source: Bloomberg

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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– *Analysis of share exchange ratio*

Set out below are the share exchange ratios based on the simple average closing prices and the volume-weighted average closing prices (“VWAP”) of each of the Hutchison Shares and the Cheung Kong Shares for periods of five, ten, twenty, sixty and one hundred and eighty days leading up to (and including) 7th January, 2015:

	<b>Share exchange ratios based on simple average of closing prices</b>	<b>VWAP<sup>(1)</sup></b>
Five days	0.684	0.685
Ten days	0.689	0.690
Twenty days	0.685	0.686
Sixty days	0.703	0.697
One hundred and eighty days	0.733	0.729

*Source: Bloomberg*

*Note:*

1. VWAP is calculated by dividing the total value traded (sum of price times trade size) by the total volume (sum of trade sizes), taking into account every qualifying transaction.

As illustrated in the table above, the calculation done by simple average and VWAP do not show significantly different share exchange ratios. The basis on which the share exchange ratio was determined i.e. by the use of a simple average of the five-day closing prices of Cheung Kong Shares and Hutchison Shares leading up to (and including) 7th January, 2015, is representative of the market.



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– *Contribution comparison (Cheung Kong versus 50.03% of Hutchison)*

As confirmation of this approach and prior to the Joint Announcement, analyses were made of the relative contribution to the merged entities that would have resulted from the portion of Hutchison to be acquired compared with that made by Cheung Kong on the basis of (i) the latest twelve months performances of Cheung Kong and Hutchison up to 30th June, 2014 based on the audited consolidated income statements and consolidated financial position of Cheung Kong and Hutchison for year ended 31st December, 2013, and their respective unaudited consolidated income statements and financial statements for the six months ended 30th June, 2013 and 2014. In respect of the earnings contribution made by each group, the analyses also separately took into account the non-recurrent impact on profits attributable to the Hutchison Shareholders for the six months ended 30th June, 2014, which comprised the Hutchison Group's share of the gain arising from Power Assets Holdings Limited's separate listing of its Hong Kong electricity business of HK\$16,066 million, partly offset by the provisions of HK\$652 million on the impairment of goodwill, store closures of the Marionaud business to exit Poland and to down-size operations in Portugal and Spain, and the Hutchison Group's share of operating losses of Vodafone Hutchison Australia of HK\$493 million. Accordingly, we have calculated the normalised earnings based on the abovementioned adjustments and illustrated in the contribution analysis of Cheung Kong and Hutchison for our analysis purposes.

For the trailing twelve months ended 30th June, 2014:

	<b>Cheung Kong</b>		<b>50.03% of Hutchison</b>	
	<b>Amount</b>	<b>Share</b>	<b>Amount</b>	<b>Share</b>
	<i>HK\$ million</i>		<i>HK\$ million</i>	
Market capitalisation as at 30th June, 2014	318,473	58.5%	226,094	41.5%
Book net asset value as at 30th June, 2014	378,575	64.3%	209,935	35.7%
Total assets as at 30th June, 2014	444,528	50.9%	429,479	49.1%
Earnings (as reported net profit attributable to shareholders)	43,193	64.7%	23,595	35.3%
Normalised earnings (as profit attributable to shareholders)	35,696	68.9%	16,087	31.1%
<b>Average (as reported)</b>		<b>59.6%</b>		<b>40.3%</b>
<b>Average (normalised)</b>		<b>60.7%</b>		<b>39.3%</b>

*Sources: The published financial reports of Cheung Kong and Hutchison*

The average contribution on the above bases made by Cheung Kong is approximately 59.6% on the reported basis for the twelve months ended 30th June, 2014, and 60.7% on the adjusted basis taking into account the non-recurrent contribution to profits attributable to the Hutchison Shareholders during the period as described above, and whereas the proposed share exchange ratio reflects an approximately 61:39 ratio. The share exchange ratio arising from the Hutchison Proposal marginally favours the Shareholders but is considered to be closely in line with the contribution analysis set out above.

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As a further confirmation of our approach above, we have also made similar analyses based on the results of Cheung Kong and Hutchison for the financial year ended 31st December, 2014. The non-recurrent impact on profits attributable to the Hutchison Shareholders comprised primarily, amongst other adjustments, the Hutchison Group's share of the gain arising from Power Assets Holdings Limited's separate listing of its Hong Kong electricity business of HK\$16,066 million, partly offset by the provision of HK\$3,388 million relating to the restructuring of 3 Ireland business on the acquisition of O<sub>2</sub> Ireland, the Hutchison Group's share of operating losses of Vodafone Hutchison Australia of HK\$1,732 million, and share of Husky Energy's impairment charge on certain crude oil and natural gas assets amounting to HK\$1,413 million. Accordingly, we have calculated the normalised earnings for the financial year ended 31st December, 2014, based on the abovementioned adjustments and illustrated in the contribution analysis of Cheung Kong and Hutchison below:

For the financial year ended 31st December, 2014:

	<b>Cheung Kong</b>		<b>50.03% of Hutchison</b>	
	<b>Amount</b>	<b>Share</b>	<b>Amount</b>	<b>Share</b>
	<i>HK\$ million</i>		<i>HK\$ million</i>	
Market capitalisation as at 31st December, 2014	301,796	61.3%	190,367	38.7%
Book net asset value as at 31st December, 2014	394,145	64.9%	213,418	35.1%
Total assets as at 31st December, 2014	457,941	50.9%	442,025	49.1%
Earnings (as reported net profit attributable to shareholders)	53,869	61.6%	33,601	38.4%
Normalised earnings (as profit attributable to shareholders)	31,290	66.1%	16,015	33.9%
<b>Average (as reported)</b>		<b>59.7%</b>		<b>40.3%</b>
<b>Average (normalised)</b>		<b>60.8%</b>		<b>39.2%</b>

*Sources: The published financial reports of Cheung Kong and Hutchison*

The average contribution on the above bases made by CKH Holdings is approximately 59.7% on the reported basis for the financial year ended 31st December, 2014, and 60.8% on the adjusted basis taking into account the non-recurrent contribution to profits attributable to the Hutchison Shareholders during the financial year ended 31st December, 2014. This is closely similar to the analysis above in respect of the trailing twelve months ended 30th June, 2014.

– *Comparable trading companies' analysis*

As Hutchison is a multinational conglomerate with six core businesses, which comprise ports and related services, property and hotels, retail, infrastructure, energy and telecommunications, we have focused our analysis on sizeable conglomerates listed in Hong Kong with diversified business portfolios. We have identified eight listed companies

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(excluding Hutchison) on the Stock Exchange, being to the best of our knowledge an exhaustive list, with (1) market capitalisations of over HK\$10 billion; and (2) diversified business portfolios with at least 5 principal business segments. Although the selected comparable companies may have differences including geographical location, operation scale and different levels of financial leverage and risks as compared to Hutchison, we consider that the eight comparable companies below in general, serve as fair and representative samples.

In forming our opinion on the fairness and reasonableness of the comparison, we have considered the commonly adopted comparable approaches used in determining a company's value, namely the price-to-earnings ratio ("PER") and the price-to-book ratio ("P/B").

Company	Stock code	Market capitalisation	Immediately prior to		As at the Latest	
		as at the Latest Practicable Date	the publication of the Joint Announcement	P/B <sup>(3)</sup>	PER <sup>(2)</sup>	P/B <sup>(3)</sup>
		(HK\$ billion)	PER <sup>(1)</sup> (times)	P/B <sup>(3)</sup> (times)	PER <sup>(2)</sup> (times)	P/B <sup>(3)</sup> (times)
Sun Hung Kai Properties Limited	0016	345.50	7.76	0.65	10.88	0.78
CITIC Limited	0267	326.73	9.70	0.57	6.28	0.78
The Wharf (Holdings) Limited	0004	162.46	7.40	0.63	4.52	0.53
Henderson Land Development Company Limited	0012	161.72	8.91	0.52	9.59	0.68
Swire Pacific Limited	0019	153.28	11.40	0.68	14.17	0.72
Fosun International Limited	0656	94.98	9.72	1.36	10.95	1.54
New World Development Company Limited	0017	79.24	6.83	0.49	6.70	0.48
Hopewell Holdings Limited	0054	25.27	18.74	0.58	17.05	0.57
Average		168.65	10.06	0.69	10.02	0.76
Maximum		345.50	18.74	1.36	17.05	1.54
Minimum		25.27	6.83	0.49	4.52	0.48
Median		157.50	9.31	0.61	10.24	0.70
<b>Hutchison</b> (based on the normalised net profit attributable to the shareholders) <sup>(4)</sup>		<b>457.46</b>	<b>11.71</b>	<b>0.89</b>	<b>14.29</b>	<b>1.07</b>
<b>Hutchison</b> (based on the reported net profit attributable to the shareholders without any normalisation)		<b>457.46</b>	<b>5.60</b>	<b>0.89</b>	<b>6.81</b>	<b>1.07</b>

Sources: Bloomberg and the latest published financial statements of Hutchison and the respective comparable companies

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*Notes:*

1. The net profit of the respective comparable companies set out in the table above was based on the financial results disclosed in the latest available annual reports immediately prior to the publication of the Joint Announcement. The closing share prices on 8th January, 2015 of the respective comparable companies were used when calculating the respective ratios immediately prior to the publication of the Joint Announcement.
2. The net profit of the respective comparable companies set out in the table above was based on the financial results disclosed in the latest available annual financial statements as at the Latest Practicable Date. We have not sought to make any adjustments to the published figures in respect of the non-recurrent contributions to net profit. The closing share prices on 27th March, 2015 of the respective comparable companies were used when calculating the respective ratios as at the Latest Practicable Date.
3. The book value of the respective comparable companies set out in the table above was based on the financial results disclosed in the latest available financial statements immediately prior to the publication of the Joint Announcement and as at the Latest Practicable Date.
4. Based on the year ended 31st December, 2014 net profit and share price of the respective comparable companies as at 8th January, 2015. In respect of Hutchison, the net profit has been adjusted, amongst other items, to exclude the Hutchison Group's share of the gain arising from Power Assets Holdings Limited's separate listing of its Hong Kong electricity business of HK\$16,066 million, partly offset by the provision of HK\$3,388 million relating to the restructuring of 3 Ireland business on the acquisition of O<sub>2</sub> Ireland, the Hutchison Group's share of operating losses of Vodafone Hutchison Australia of HK\$1,732 million and share of Husky Energy's impairment charge on certain crude oil and natural gas assets amounting to HK\$1,413 million. Such calculation was based on the same method adopted when calculating the normalised earnings in the section of "Contribution comparison (Cheung Kong versus 50.03% of Hutchison)".

For the purpose of the Hutchison Proposal, the Hutchison Shares were valued at HK\$88.28 (based on the average closing price of the Hutchison Shares on the Stock Exchange for the five trading days up to (and including) 7th January, 2015) representing a PER of 11.71 times and P/B of 0.89 times on a normalised basis, and a PER of 5.60 times and the same P/B ratio of 0.89 times on a reported basis (without any normalisation).

Based on the closing prices of the Hutchison Shares as at the Latest Practicable Date, the normalised PER and P/B would be 14.29 times and 1.07 times respectively, whilst the reported PER and P/B would be 6.81 times and 1.07 times respectively.

The valuation on a normalised basis is within the range of the PER and P/B ratios of the comparable companies in the above table. However, we noted that the reported PER has fallen outside of the range when not taking into account of the normalisation adjustments, which mainly arise from the deduction of the Hutchison Group's share of the gain arising from Power Assets Holdings Limited's separate listing of its Hong Kong electricity business of HK\$16,066 million in the first half of 2014 and thus distorting the PER significantly.

On the basis of the closing price of the Shares of HK\$157.30 as at the Latest Practicable Date and the share exchange ratio of the Hutchison Proposal, the Hutchison Shares would be valued at HK\$107.60, representing a PER of 6.83 times on a reported basis and of 14.33 times on the normalised basis and a P/B of 1.07 times.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRECEDENT MERGER TRANSACTIONS

Analysing recent precedent merger transactions is considered to be an appropriate way of assessing relative valuations. We have not been able to identify any directly comparable successfully completed all-share transactions involving two companies listed on the Stock Exchange involved in businesses similar to that of CKH Holdings and Hutchison. We have however examined the merger terms of China CNR Corporation Limited (“CNR”) and CSR Corporation Limited (“CSR”) announced on 30th December, 2014. The respective controlling shareholders of CNR and CSR were both demerged and reorganised from the former China National Railways Locomotive and Rolling Stock Industrial Corporation. CNR was listed on the Shanghai Stock Exchange in December, 2009 and on the Stock Exchange in May, 2014. CSR was listed on the Stock Exchange and Shanghai Stock Exchange in August, 2008.

Under the terms of the merger, a single exchange ratio was proposed under which CNR shareholders were offered 1.10 CSR A or H shares for each CNR A or H share.

As stated in the letter from CSR’s board in its circular dated 21st January, 2015, the market reference prices for CNR A shares and CNR H shares were RMB5.92 (HK\$7.50<sup>1</sup>) and HK\$7.21 respectively, and for CSR A shares and CSR H shares were RMB5.63 (HK\$7.13<sup>1</sup>) and HK\$7.32 respectively. Based on those market reference prices and the number of A shares and H shares in issue, we have calculated the weighted average price per CNR share was HK\$7.45 and the weighted average price per CSR share was HK\$7.16, presenting a weighted average price premium of CNR shares over CSR shares of about 4.0%. The exchange terms represent a premium of about 5.7 percentage points above the average price premium.

Under the proposed exchange rate, the percentage of shares to be held following the merger by CNR shareholders and CSR shareholders were to be as follows:

No. of CSR A and H shares to be issued to CNR A and H shareholders	13,485,758,333	49.4%
No. of CSR A and H shares held by CSR A and H shareholders	<u>13,803,000,000</u>	<u>50.6%</u>
<b>Total no. of CSR A and H shares in issue after merger</b>	<b><u>27,288,758,333</u></b>	<b><u>100.0%</u></b>

*Note:*

1. An exchange rate of HK\$1.00 to RMB0.78934 was applied being the prevailing rate set by the Peoples’ Bank of China on 16th January, 2015.

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	CNR (A) RMB million	CSR (B) RMB million	Total (C) RMB million	CNR's contribution (A)/(C)	CSR's contribution (B)/(C)
<b>1. Revenue</b>					
– For the year ended 31st December, 2013 <sup>(1)</sup>	96,756.1	96,525.1	193,281.2	50.1%	49.9%
– For the ten months ended 31st October, 2014 <sup>(2)</sup>	74,293.3	93,592.3	167,885.6	44.3%	55.7%
<b>2. Profits attributable to CNR/CSR shareholders</b>					
– For the year ended 31st December, 2013 <sup>(1)</sup>	4,128.6	4,140.0	8,268.6	49.9%	50.1%
– For the ten months ended 31st October, 2014 <sup>(2)</sup>	4,455.9	4,545.3	9,001.2	49.5%	50.5%
<b>3. Net assets value attributable to CNR/CSR shareholders</b>					
– As at 31st December, 2013 <sup>(1)</sup>	37,780.3	36,559.9	74,340.2	50.8%	49.2%
– As at 31st October, 2014 <sup>(2)</sup>	47,723.4	39,754.4	87,477.8	54.6%	45.4%
<b>4. Market capitalisation of CNR/CSR shares as at 24th October, 2014<sup>(3)</sup></b>	<b>78,199.9</b>	<b>80,909.4</b>	<b>159,109.3</b>	<b>49.1%</b>	<b>50.9%</b>
<b>Proportions of shareholdings of CNR/CSR shareholders in the “Post-Merger New Company”<sup>(4)</sup></b>				<b>49.8%</b>	<b>50.2%</b>

*Notes:*

- Financial information was extracted from the annual report of CSR and the prospectus of CNR dated 12th May, 2014.
- Financial information was extracted from appendices I and II of the circular of CSR dated 21st January, 2015.
- Market capitalisation was computed by the closing prices of each CNR A share, CNR H share, CSR A share and CSR H share multiplied by the outstanding CNR A shares, CNR H shares, CSR A shares and CSR H shares as at 24th October, 2014 respectively. An exchange rate of RMB1 to HK\$1.2683 as at 24th October, 2014 was extracted from Bloomberg and adopted in the market capitalisation calculation.

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4. Proportions of shareholdings of CNR/CSR shareholders in the “Post-Merger New Company” were calculated based on issued CNR shares of 12,259,780,303 as at 31st October, 2014 multiplied by the exchange ratio of 1 CNR share to 1.1 CSR shares and issued CSR shares of 13,803,000,000 as at 31st October, 2014 divided by aggregate number of the “Post-merger New Company’s” shares of 27,288,758,333, as set out in appendix III of the circular of CSR dated 21st January, 2015, assuming that completion of the merger occurred on 31st October, 2014 and all CNR shareholders approve the merger and elect to exchange shares at the exchange ratio.

The above information set out in 1 to 4 and the notes was extracted from the circulars relating to the merger of CNR and CSR dated 21st January, 2015 issued by CNR and CSR.

The above contributions made by CNR to the merged group on the basis of revenue, profits, net assets value and market capitalisation are broadly similar to the proportion of shareholding (49.8%) to which CNR shareholders would be entitled in the merged group. We note two exceptions, based on the ten months figures ended 31st October, 2014. On this basis, CNR would contribute 54.6% of net assets value and 44.3% of revenue compared to original CNR shareholders’ 49.8% shareholding of the “Post-Merger New Company”.

We believe that the CSR and CNR transaction and its exchange terms can be analysed on the basis set out in the above precedent to be broadly in line with the terms arrived at in respect of the Hutchison Proposal. Both transactions have been structured as all-share transactions so that all affected shareholders are offered the opportunity to continue to remain invested in groups which are to be enlarged by the merger and to share equitably in the benefits of the merger.

Apart from the CSR and CNR transaction as discussed above, we have further identified and considered several transactions which we do not consider to be applicable precedents. We have excluded transactions that were privatisation proposals with share and cash alternatives such as the privatisation and withdrawal of the listing of H shares of Zhengzhou Resources Gas Co., Ltd as set out in the composite offer and response document of China Resources Power Holdings Company Limited dated 23rd November, 2011, and also the privatisation and withdrawal of listing of shares of Integrated Distribution Services Group Limited as set out in the circular of Li & Fung Limited dated 14th September, 2010. As the Merger Proposal encompasses an all-share transaction with no cash alternative and is not presented as a privatisation proposal, we have excluded these transactions from our analysis.

We have also excluded the all-share transaction of the proposed merger between China Resources Power Holdings Company Limited and China Resources Gas Group Limited to form one energy group under China Resources (Holdings) Company Limited as stated in the circular of China Resources Power Holdings Company Limited dated 4th July, 2013. The merger was not approved by the requisite majority of the independent shareholders of China Resources Power Holdings Company Limited. Subsequently, this proposed merger transaction lapsed as the approval by the independent shareholders was a condition precedent to this transaction. Accordingly, we disregarded this transaction. Similarly, we have excluded the share exchange transaction involving Denway Motors Limited and Guangzhou Automobile Group Co., Ltd as stated in the joint announcement of Denway Motors Limited dated 25th August, 2010. At the time of the joint announcement made by both companies,

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Guangzhou Automobile Group Co., Ltd was not a listed company. Accordingly, we do not believe that a transaction involving a private company would be comparable to the Merger Proposal, which involved two listed companies.

*Note:*

Anglo Chinese acted in the capacity of the financial adviser to China Resources (Holdings) Company Limited and China Resources Gas Group Limited in respect of transactions mentioned above. Anglo Chinese acted as the valuation adviser to Guangzhou Automobile Group Co. Ltd. in respect of transaction above. We do not consider that such engagements affect the objectivity of our opinion regarding the merger precedents as set out above.

### ASSESSMENT OF THE HUTCHISON PROPOSAL

In respect of our role of advising the board of Cheung Kong immediately prior to the publication of the Joint Announcement, we set out below the relevant market information in respect of Cheung Kong and Hutchison based on the audited consolidated results for the financial year ended 31st December, 2013, and the unaudited consolidated results for the six months ended 30th June, 2013 and 2014. We have further analysed the financial effects of the Hutchison Proposal on the CKH Holdings Group based on the published consolidated statements of each company for the financial year ended 31st December, 2014 and the unaudited pro forma financial information of the Resulting CKH Holdings Group. Further details on the financial information of Cheung Kong and Hutchison is set out in Appendices I, II and III to the Circular.

	<b>Cheung Kong</b>	<b>Hutchison</b>
Average closing share price for the five trading days up to (and including) 7th January, 2015	HK\$129.06	HK\$88.28
<b>For the twelve months ended 30th June, 2014:</b>		
Profit attributable to the shareholders for the twelve months ended 30th June, 2014 <sup>(1)</sup>	HK\$35,696 million	HK\$32,152 million
Earnings per share	HK\$15.41	HK\$7.54
PER <sup>(1)</sup>	8.37 times	11.71 times
Dividend per share for the financial year ended 31st December, 2013	HK\$3.48	HK\$2.30
Dividend yield	2.70%	2.61%
Book value per share as at 30th June, 2014	HK\$163.45	HK\$98.41



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### For the financial year ended 31st December, 2014:

	<b>Cheung Kong</b>	<b>Hutchison</b>
Profit attributable to the shareholders for the financial year ended 31st December, 2014 <sup>(1)</sup>	HK\$31,290 million	HK\$32,008 million
Earnings per share	HK\$13.51	HK\$7.51
PER <sup>(1)</sup>	9.55 times	11.76 times
Dividend per share for the financial year ended 31st December, 2014 <sup>(1)</sup>	HK\$3.654	HK\$2.415
Dividend yield <sup>(1)</sup>	2.83%	2.74%
Book value per share as at 31st December, 2014	HK\$170.17	HK\$100.06

*Notes:*

1. In respect of Hutchison for twelve months ended 30th June, 2014, the profit attributable to its shareholders for the twelve months ended 30th June, 2014, has been adjusted, amongst other non-recurring items, to exclude Hutchison's share of the gain arising from Power Assets Holdings Limited's separate listing of its Hong Kong electricity business of HK\$16,066 million, partly offset by the provisions of HK\$652 million on the impairment of goodwill and store closures of the Marionaud business to exit Poland and to down-size operations in Portugal and Spain and the Hutchison Group's share of operating losses of Vodafone Hutchison Australia of HK\$493 million. Accordingly, the impacts of such adjustments have also been accounted for in the profit attributable to the Cheung Kong Shareholders above.

In respect of Hutchison for the financial year ended 31st December, 2014, the net profit has been adjusted, amongst other items, to exclude the Hutchison Group's share of the gain arising from Power Assets Holdings Limited's separate listing of its Hong Kong electricity business of HK\$16,066 million, partly offset by the provision of HK\$3,388 million relating to the restructuring of 3 Ireland business on the acquisition of O<sub>2</sub> Ireland, the Hutchison Group's share of operating losses of Vodafone Hutchison Australia of HK\$1,732 million and share of Husky's impairment charge on certain crude oil and natural gas assets amounting to HK\$1,413 million. Accordingly, the impacts of such adjustments have also been accounted for in the profit attributable to the Cheung Kong Shareholders above.

The above calculation was based on the same method adopted when calculating the normalised earnings in the section of "Contribution comparison (Cheung Kong versus 50.03% of Hutchison)" above.

In respect of the PER, the price used in the calculations are based on the average closing share price for the five trading days up to (and including) 7th January, 2015 of both Cheung Kong and Hutchison.

The dividend per share for the financial year ended 31st December, 2014 for both Cheung Kong and Hutchison has been adjusted to exclude the special dividend of HK\$7.00 per share paid in May, 2014.

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– *Effect on earnings per share*

Based on the average of the closing prices for the five trading days up to (and including) 7th January, 2014 of Cheung Kong Shares and Hutchison Shares respectively, Hutchison traded at a materially higher price to earnings multiple than Cheung Kong. A share exchange based on the prevailing market price will therefore be earnings diluting to Cheung Kong Shareholders with a corresponding earning enhancement for Hutchison Shareholders. Based on our calculation the pro forma dilution would be as follows based on (i) the twelve months results ended 30th June, 2014; and (ii) the financial year ended 31st December, 2014:

**For the twelve months ended 30th June, 2014:**

*HK\$ million*

Profit attributable to the Cheung Kong Shareholders for the last twelve months ended 30th June, 2014	35,696
Latest twelve months earnings acquired on merger with Hutchison	<u>16,087</u>

**Combined earnings of CKH Holdings prior to the Husky Share Exchange**

**51,783**

Earnings per Share following the Hutchison Proposal (prior to the Husky Share Exchange)	HK\$13.72
Earnings per Share prior to Hutchison Proposal	HK\$15.41
Earnings per Hutchison Share	HK\$7.54
Earnings attributable of 0.684 of a Share	HK\$9.38
Enhancement (Dilution) of earnings per Share	(11.0)%
Enhancement (Dilution) of earnings per Hutchison Share	24.4%

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**For the financial year ended 31st December, 2014:**

*HK\$ million*

Profit attributable to the Cheung Kong Shareholders for the financial year ended 31st December, 2014	31,290
Earnings acquired on merger with Hutchison	<u>16,015</u>

<b>Combined earnings of CKH Holdings prior to the Husky Share Exchange</b>	<b><u>47,305</u></b>
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Earnings per Share following the Hutchison Proposal (prior to the Husky Share Exchange)	HK\$12.53
Earnings per Share prior to Hutchison Proposal	HK\$13.51
Earnings per Hutchison Share	HK\$7.51
Earnings attributable of 0.684 of a Share	HK\$8.57
Enhancement (Dilution) of earnings per Share	(7.2)%
Enhancement (Dilution) of earnings per Hutchison Share	14.2%

*Notes:*

1. In respect of Hutchison, the profit attributable to its shareholders for the twelve months ended 30th June, 2014, has been adjusted, amongst other non-recurring items, to exclude Hutchison's share of the gain arising from Power Assets Holdings Limited's separate listing of its Hong Kong electricity business of HK\$16,066 million, partly offset by the provisions of HK\$652 million on the impairment of goodwill and store closures of the Marionaud business to exit Poland and to down-size operations in Portugal and Spain and the Hutchison Group's share of operating losses of Vodafone Hutchison Australia of HK\$493 million. Accordingly, such adjustments have also been accounted for in the profit attributable to the Cheung Kong Shareholders above. The above calculation was based on the same method adopted when calculating the normalised earnings in the section of "Contribution comparison (Cheung Kong versus 50.03% of Hutchison)" above.
2. In respect of Hutchison for the financial year ended 31st December, 2014, the net profit has been adjusted, amongst other items, to exclude the Hutchison Group's share of the gain arising from Power Assets Holdings Limited's separate listing of its Hong Kong electricity business of HK\$16,066 million, partly offset by the provision of HK\$3,388 million relating to the restructuring of 3 Ireland business on the acquisition of O<sub>2</sub> Ireland, the Hutchison Group's share of operating losses of Vodafone Hutchison Australia of HK\$1,732 million and share of Husky Energy's impairment charge on certain crude oil and natural gas assets amounting to HK\$1,413 million. Accordingly, the impacts of such adjustments have also been accounted for in the profit attributable to the Cheung Kong Shareholders above.
3. The combined earnings and the net assets of CKH Holdings on the basis of the completion of the Hutchison Proposal has been based on the unaudited income statements and statements of the financial position for the twelve months ended 30th June, 2014 and the audited income statements and the statements of the financial position for the year ended 31st December, 2014 of Cheung Kong and Hutchison. The combined figures may not include any adjustments that may have been required on the consolidation of the income and financial position of CKH Holdings on the basis that the Hutchison Proposal had been completed but prior to the Husky Share Exchange and the Spin-off Proposal.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On the basis that the Hutchison Proposal had been completed on 1st January, 2014 and based on the enlarged share capital following the issue of new Shares pursuant to Hutchison Proposal, the earnings per Share following the Hutchison Proposal (prior to the Husky Share Exchange) would have been diluted from HK\$13.51 to HK\$12.53 in respect of the year ended 31st December, 2014, which represents a decrease of 7.2%.

– *Effect on net asset value per share*

Based on the consolidated statement of financial position of Cheung Kong and Hutchison respectively at 30th June, 2014 and 31st December, 2014, the pro forma impact of the merger of Hutchison and CKH Holdings on the proposed terms would be as follows:

**As at 30th June, 2014:**

	<i>HK\$ million</i>	<i>Per share (HK\$)</i>
Net asset value of Cheung Kong	378,575	163.45
Net asset value of Hutchison	419,579	98.41
Net asset value of CKH Holdings following Hutchison Proposal	588,490	155.88
Enhancement (Dilution) of net assets value per Cheung Kong Share		(4.63)%
Enhancement (Dilution) of net assets value per Hutchison Share		8.34%

**As at 31st December, 2014:**

	<i>HK\$ million</i>	<i>Per share (HK\$)</i>
Net asset value of Cheung Kong	394,145	170.17
Net asset value of Hutchison	426,580	100.06
Net asset value of CKH Holdings following Hutchison Proposal	607,543	160.93
Enhancement (Dilution) of net assets value per Cheung Kong Share		(5.43)%
Enhancement (Dilution) of net assets value per Hutchison Share		10.02%

The earnings per share dilution that Shareholders will incur is an inevitable consequence of the different price to earnings multiples of CKH Holdings and Hutchison as shown above. The effect of the merger on the net asset value per share for Shareholders and Hutchison Shareholders is more modest. Although the enhancement is an added attraction of the transaction so far as Hutchison Shareholders are concerned the dilution to Shareholders, although not insignificant in terms of earnings per share, should be compensated by the benefits of the Merger Proposal and the Spin-off Proposal that are expected to arise upon the fulfillment of the objectives set out in the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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– *Dividend per share*

For the past ten years, Cheung Kong has paid steadily increasing dividends. Over the same period Hutchison paid the same total annual dividends for the financial year 2004 to 2009 of HK\$1.73 per Hutchison Share and began to increase the dividend in 2010. Set out below is the dividend paid per share in respect of each financial year by Cheung Kong and Hutchison respectively over the last ten years:

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Cheung Kong	1.80	2.00	2.20	2.45	2.45	2.70	2.95	3.16	3.16	3.48	3.654
Hutchison	1.73	1.73	1.73	1.73	1.73	1.73	1.92	2.08	2.08	2.30	2.415

Total dividends paid and declared by Cheung Kong and Hutchison in respect of the financial year ended 31st December, 2014 were as follows:

	<i>HK\$</i> <i>million</i>
Cheung Kong	8,463
Hutchison	<u>10,296</u>
<b>Total</b>	<b><u><u>18,759</u></u></b>

*Note:*

The dividend per share for the financial year ended 31st December, 2014, has been adjusted to exclude the special dividend of HK\$7.00 per share paid in May, 2014. Accordingly, this has been reflected in the figures for total dividends paid by Cheung Kong and Hutchison in respect of the financial year ended 31st December, 2014.

On 26th February, 2015, each of Cheung Kong and Hutchison declared a second interim dividend in lieu of a final dividend in respect of the financial year of 2014, based on their respective full results for the financial year of 2014, as detailed in the 2014 Cheung Kong Results Announcement and the 2014 Hutchison Results Announcement respectively.

For the financial year of 2015, if the Merger Proposal and the Spin-off Proposal have become effective, an interim dividend will be declared by each of CKH Holdings and CK Property at the time of the announcement of their respective interim results and will take account of the results of the respective businesses of the CKH Holdings Group and the CK Property Group from 1st January, 2015. Subject to business results for the financial year of 2015, assuming an existing Shareholder or Hutchison Shareholder continues to hold both the Shares and CK Property Shares received after completion of the Merger Proposal and the Spin-off Proposal, it is expected that the combined per share dividend that CKH Holdings and CK Property will pay in respect of the financial year of 2015 on those shares will be more than the total dividend per Cheung Kong Share or per Hutchison Share, as the case may be, paid in respect of the financial year of 2014, excluding any special dividends paid in respect of that year.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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From the financial year of 2016, each of CKH Holdings and CK Property will adopt a dividend policy that is consistent with its business profile. Subject to business conditions and the maintenance of a strong credit profile, each of CKH Holdings and CK Property expects its dividend policy to result in a higher dividend payout ratio than that in the financial year of 2015.

– *Impact on credit ratings*

The Merger Proposal and the Spin-off Proposal collectively result in certain financial creditors being entitled to require the repayment or mandatory pre-payment of certain indebtedness of the CKH Holdings Group and the Hutchison Group. The relevant companies have available sufficient resources to effect any such repayment or pre-payment. The Merger Proposal and the Spin-off Proposal, collectively, are therefore not expected to have any adverse effect on the CKH Holdings Group, the Hutchison Group or their respective creditors.

In addition, CKH Holdings will, following the completion of the Merger Proposal and the Spin-off Proposal, guarantee the existing indebtedness of the CKH Holdings Group and the Hutchison Group which is guaranteed by Cheung Kong or Hutchison, including all outstanding bonds and capital securities issued by members of the CKH Holdings Group and the Hutchison Group and guaranteed by Cheung Kong or Hutchison. Following completion of the Merger Proposal and the Spin-off Proposal, subject to the confirmation of credit rating agencies, both CKH Holdings and CK Property are expected to obtain and maintain strong investment grade ratings consistent with Hutchison's current investment grade ratings.

### REDUCTION OR ELIMINATION OF THE HOLDING COMPANY DISCOUNT

We believe the benefit of the Merger Proposal and the Spin-off Proposal through the Distribution in Specie of shares in CK Property will improve the attractions of the Proposals to the Shareholders, partly through the elimination or at least reduction of the discount that CKH Holdings' interests in Hutchison appears to have been reflected in the share price of Cheung Kong prior to the Joint Announcement – on occasions referred to as the “discount for distance” or “the holding company discount”. This discount is sometimes rationalised as a discount to take into account double layers of management in respect of the same asset. This factor is addressed in further detail below.

#### The Hutchison Discount

	<i>HK\$ million</i>
Market capitalisation of Cheung Kong <sup>(1)</sup>	298,924
Market capitalisation of Hutchison <sup>(1)</sup>	376,370
Value of Cheung Kong's interests in Hutchison <sup>(1)</sup>	188,054
Percentage of the market capitalisation of Cheung Kong	62.9%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Note:*

1. The market capitalisations of Cheung Kong and Hutchison were calculated based on their corresponding average closing prices for the five trading days up to (and including) 7th January, 2015.

Based on the audited accounts of Cheung Kong and Hutchison for the financial year ended 31st December, 2014, the net asset value disregarding perpetual securities and non-controlling interests of Cheung Kong was approximately HK\$394.1 billion and that of Hutchison was approximately HK\$426.6 billion. Based on the average closing share prices of the companies for the five trading days up to (and including) 7th January, 2015, the shares of Cheung Kong and Hutchison therefore traded at the following discounts to estimated net asset value.

Cheung Kong discount to net asset value	24.2%
Hutchison discount to net asset value	11.8%

Based on the five day average of the closing prices of Hutchison Shares up to (and including) 7th January, 2015, the market value of Cheung Kong's 49.97% interests in Hutchison was approximately HK\$188.05 billion. On the assumption that the 24.2% discount to the underlying net asset value at which Cheung Kong Shares were trading based on the same five day average was spread evenly over its asset base, the value of Cheung Kong's interests in Hutchison as reflected in the share price of Cheung Kong would have been at a 24.2% discount to the market value of its interests in Hutchison. The amount of such discount is calculated at approximately HK\$45.43 billion. Following the Hutchison Proposal theoretically this discount should cease to prevail as a result of the elimination of the holding company discount of CKH Holdings' interest in Hutchison, releasing value to be reflected in the Shares in respect of CKH Holdings' existing 49.97% interests in Hutchison. In the event that the full amount of the estimated HK\$45.43 billion discount were eliminated, and on the basis of the current issued share capital of CKH Holdings prior to the Husky Share Exchange and the 1,459,086,916 new Shares expected to be issued to the Hutchison Shareholders, being in total 3,775,251,254 Shares, this would be equivalent to HK\$12.03 per Share. Owing to the share exchange ratio to be adopted based on the average of the closing prices of Cheung Kong Shares and Hutchison Shares for the five trading days up to (and including) 7th January, 2015, Shareholders and Hutchison Shareholders on the completion of the Hutchison Proposal should benefit equally in percentage terms from any increase in the price of Shares resulting from the Hutchison Proposal when compared with the prices of the Cheung Kong Shares and Hutchison Shares used to determine the share exchange ratio.

We believe that a consequence of the merger should be the elimination or reduction of the holding company discount at which Cheung Kong's interests in Hutchison was considered to be reflected in the share price of Cheung Kong. Further the subsequent demerger by distribution of the property assets through the distribution of shares in CK Property is also expected to be well received by investors although the impact on the combined value of Shares and CK Property Shares has not been quantified. The performance of the Shares and Hutchison Shares following the Joint Announcement, which is addressed in further detail under the section headed "Market Response to the Joint Announcement" of this letter, indicates the market is recognising the elimination or reduction of the discount at which the interests in Hutchison is reflected in the price of the Shares (and the price of Cheung Kong Shares before the effective date of the Cheung Kong Reorganisation).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE HUSKY SHARE EXCHANGE

The Hutchison Group and the Trust currently controls 33.96% and 35.56% of Husky Shares in issue respectively. The consideration for the acquisition of 61,357,010 additional Husky Shares, which represent approximately 6.24% of the common shares of Husky in issue, will be an issue of new Shares to the Husky Sale Shares Vendor on the basis of a share exchange ratio of 1.376 new Shares for each Husky Share to be acquired. On completion of the Husky Share Exchange and immediately before completion of the Hutchison Proposal: (i) the Hutchison Group will own an aggregate of approximately 40.20% of the common shares of Husky Shares in issue (including the Hutchison Group's existing 33.96% shareholding in Husky); and (ii) the aggregate shareholding of the Trust, Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor in CKH Holdings is expected to increase from approximately 43.42% to approximately 45.41%.

The share exchange ratio in respect of the Husky Share Exchange was determined based on the average closing price of the shares of Cheung Kong on the Stock Exchange for the five trading days up to (and including) 7th January, 2015 and the average closing price of the Husky Shares on the Toronto Stock Exchange for the five trading days up to (and including) 6th January, 2015, without any premium or discount, and using the Specified Currency Exchange Rate. Except for the use of an earlier date for determining the Husky average share price to take into account that Toronto is in a different time zone to Hong Kong, the same methodology has been used for determining the share exchange ratio for the merger of CKH Holdings and Hutchison.

Without the Husky Share Exchange, the proposed terms of the Hutchison Proposal would have resulted in the Trust together with Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor ceasing to have Takeovers Code control, being control over 30% or more of the issued share capital over CKH Holdings. Commercially this outcome would not be acceptable to the Trust and it is CKH Holdings' belief that it would not be in the long-term interests of all the shareholders of CKH Holdings and CK Property. After completion of the Merger Proposal and the Spin-off Proposal, the Trust together with Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor will have Takeovers Code control of both CKH Holdings and CK Property, and the Li family will continue to chair and lead the management of both companies.

#### Summary of the terms of the acquisition of Husky Shares:

Five-day average closing price of Husky Shares	CAD27.01
Specified Currency Exchange Rate (CAD/HK\$)	HK\$6.5782
Equivalent Husky Share price in HK\$	HK\$177.69
Five-day average closing price of Cheung Kong Shares	HK\$129.06
Proposed share exchange ratio per Husky Share	1.376 Shares

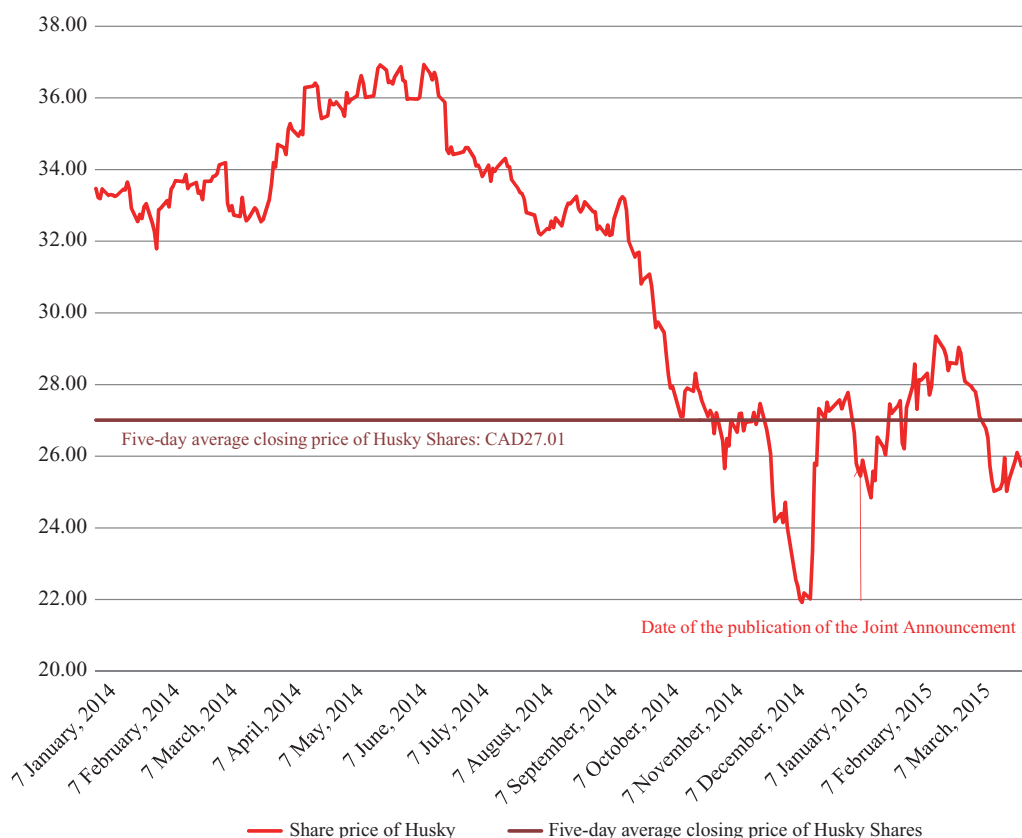


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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The terms of the Husky Share Exchange above were settled shortly before the publication of the Joint Announcement. Set out below is a chart showing the closing price of Husky Shares over the period of one year until the Latest Practicable Date.



Source: Bloomberg

The closing price of Husky Shares on the Latest Practicable Date was CAD25.73 (equivalent to HK\$169.26 using the Specified Currency Exchange Rate), representing a discount of approximately 4.7% over the five-day average closing price of CAD27.01 (equivalent to HK\$177.69 using the Specified Currency Exchange Rate). For further illustrative purpose, the closing price of Husky Shares on the Latest Practicable Date represents a discount of approximately 26.4% over the closing price of the Shares as at the Last Practicable Date multiplied by the share exchange ratio of 1.376.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Analysis of the share exchange ratios

Set out below are the share exchange ratios based on the simple average of closing prices and the VWAP of each of the Husky Shares and the Cheung Kong Shares for periods of five, ten, twenty, sixty and one hundred and eighty days leading up to (and including) 7th January, 2015:

	Share exchange ratios based on simple average of closing prices	VWAP
Five days	1.376	1.380
Ten days	1.379	1.377
Twenty days	1.270	1.244
Sixty days	1.280	1.268
One hundred and eighty days	1.511	1.452

*Source: Bloomberg*

As illustrated in the table above, the calculation done by simple average and VWAP do not show significantly different share exchange ratios. As such, the basis to which the share exchange ratio was determined i.e. by the use of a simple average of the five-day closing prices of Cheung Kong and Husky leading up to (and including) 7th January, 2015 are representative of the market.

### Summary of financial information on Husky

Set out below is certain financial information of Husky based on the audited consolidated financial statements of Husky for the three financial years ended 31st December, 2014, each of which was prepared in accordance with International Financial Reporting Standards:

	For the financial year ended 31st December,		
	2012	2013	2014
	(CAD	(CAD	(CAD
	million)	million)	million)
	(audited)	(audited)	(audited)
Earnings before income taxes	2,836	2,628	1,784
Net earnings	2,022	1,829	1,258

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is a summary of the consolidated balance sheets of Husky based on its audited consolidated financial statements for the three financial years ended 31st December, 2014:

	<b>As at 31st December,</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>(CAD</i>	<i>(CAD</i>	<i>(CAD</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b>Total current assets</b>	<b>5,493</b>	<b>4,917</b>	<b>4,495</b>
<b>Non-current assets</b>			
– Exploration and evaluation assets	773	1,144	1,149
– Property, plant and equipment, net	27,354	29,750	31,987
– Other non-current assets	1,541	1,093	1,217
<b>Total non-current assets</b>	<b>29,668</b>	<b>31,987</b>	<b>34,353</b>
<b>Total assets</b>	<b>35,161</b>	<b>36,904</b>	<b>38,848</b>
<b>Current liabilities</b>	3,092	4,163	5,809
Long-term debt	3,918	3,321	4,097
Other long-term liabilities	328	271	585
Contribution payable	1,336	1,421	0
Deferred tax liabilities	4,640	4,942	4,814
Asset retirement obligations	2,686	2,708	2,968
<b>Total non-current liabilities</b>	<b>12,908</b>	<b>12,663</b>	<b>12,464</b>
<b>Total liabilities</b>	<b>16,000</b>	<b>16,826</b>	<b>18,273</b>
<b>Total shareholders' equity</b>	<b>19,161</b>	<b>20,078</b>	<b>20,575</b>

As at 31st December, 2014, the audited net asset value of Husky was CAD20,575 million.

Property, plant and equipment makes up the largest portion of the total asset value of Husky, and the components of the property, plant and equipment include (i) oil and gas properties; (ii) processing, transportation and storage; (iii) upgrading; (iv) refining; and (v) retail and other.

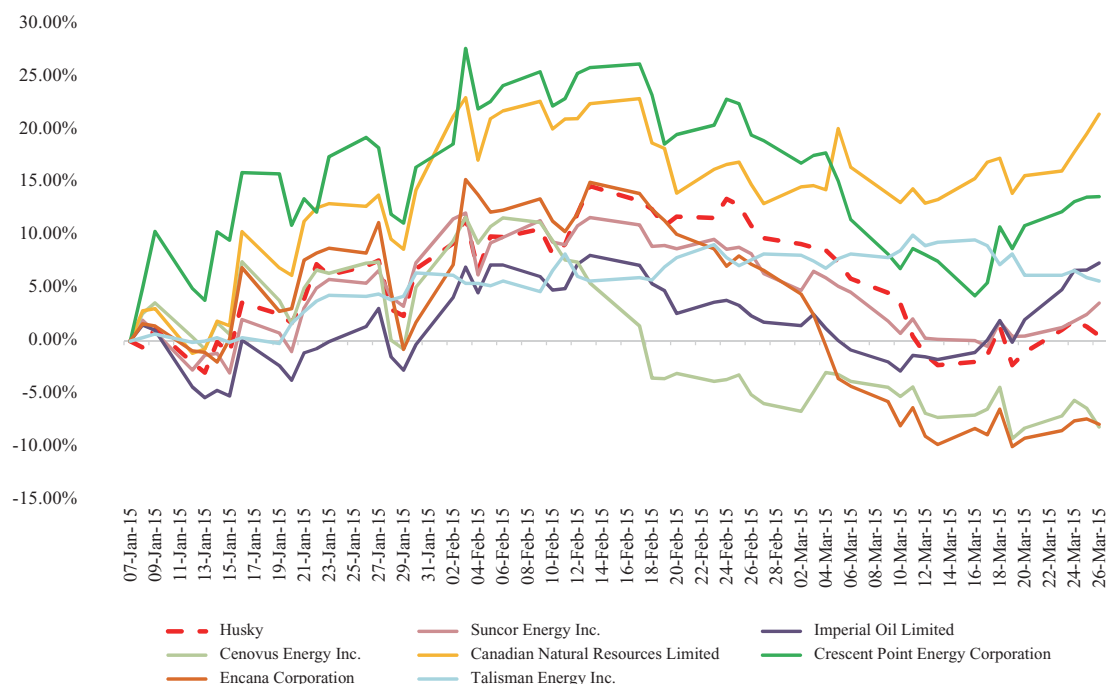
The published financial statements, and annual and quarterly reports of Husky are available on the website of Husky at [www.huskyenergy.com](http://www.huskyenergy.com).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### Share price performance of Husky

– *Comparable trading Canadian companies' analysis*

We have identified 7 comparable companies which are listed on the Toronto Stock Exchange, and are principally engaged in oil and petroleum business with similar business scope with Husky. Set out below is a chart showing the share price performance (in terms of percentage movement) of Husky compared with its peers since 7th January, 2015 and up to the Latest Practicable Date.



Source: Bloomberg

The share price of Husky, like its peer group, has suffered as a consequence of the recent fall in crude oil prices. As at the Latest Practicable Date, the price of Husky Shares has outperformed two of the comparable companies and underperformed five since the publication of the Joint Announcement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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– *Comparable trading Canadian companies' performance*

Set out below is a table illustrating the financial performance, amongst other indicators, the performance of Husky against its peers.

Company	Ticker	Share price (CAD)	Market Cap (US\$ million)	Enterprise Value (US\$ million)	EV/Reserves		EV/Production		EV/EBITDA	
					2P (US\$/boe)	2P+2C (US\$/boe)	2013A (US\$/boe)	2014A (US\$/boe)	2013A (times)	2014A (times)
<b>Husky</b>	HSE CN	25.73	20,274	24,199	7.7	1.6	109,984	79,983	6.4	5.3
<b>Integrated</b>										
Suncor Energy Inc.	SU CN	36.55	42,281	49,025	6.6	1.6	102,619	98,329	5.2	5.3
Imperial Oil Limited	IMO CN	50.89	34,546	40,294	6.4	2.1	146,484	135,442	8.5	12.9
Cenovus Energy Inc.	CVE CN	21.06	13,907	17,846	4.8	1.4	91,399	68,650	6.7	6.9
<b>Average</b>					<b>5.9</b>	<b>1.7</b>	<b>113,501</b>	<b>100,807</b>	<b>6.8</b>	<b>8.4</b>
<b>Independent exploration and production</b>										
Canadian Natural Resources Limited	CNQ CN	39.08	34,182	46,216	5.2	n/a	68,338	57,566	4.8	8.5
Crescent Point Energy Corporation	CPG CN	29.48	10,539	13,069	16.2	n/a	140,957	88,849	7.5	7.2
Encana Corporation	ECA CN	14.07	9,317	16,378	7.0	1.6	34,715	19,758	4.2	4.7
Talisman Energy Inc.	TLM CN	9.50	7,884	13,072	8.0	n/a	45,768	35,537	12.1	11.8
<b>Average</b>					<b>9.1</b>	<b>n/a</b>	<b>72,445</b>	<b>50,428</b>	<b>7.1</b>	<b>8.0</b>

Source: Bloomberg (prices as at the Latest Practicable Date), Factset, and the respective companies' latest available data

### Business of Husky

Husky released its 2015 production guidance and capital expenditure program on 17th December, 2014. Management of Husky stated that the capital expenditures in 2015 were projected to be approximately CAD3.4 billion, down from CAD5.1 billion expected in 2014, due to lower oil prices and the conclusion of spending on projects in the South China Sea and the oil sands. The capital budget reduces spending for upstream projects in Western Canada by approximately 42% to CAD1.8 billion while spending in the Atlantic Region will be cut by about 14% to CAD600 million. Capital spending on downstream operations will be maintained at CAD700 million. Management of Husky also stated that it was on target to achieve its annual production guidance range for 2014 with production forecast to be

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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approximately 341,000 barrels of oil equivalent per day (“**boe/day**”), an increase of about 9% from 2013. Production for 2015 is expected to be in the range of 325,000 to 355,000 boe/day.

On 12th February, 2015, Husky released its 2015 update and its 2014 fourth quarter results and annual results. The introducing paragraphs to the announcement are summarised below.

It states that Husky continues to focus on efficiencies, manage its investment flows and maintain its strong balance sheet as it delivers its work program.

Husky has further refined its capital plan to between CAD3.0 billion and CAD3.1 billion from CAD3.4 billion. The savings are primarily related to the rescheduling of discretionary activities in Western Canada and other initiatives. Production for the year is anticipated to remain within the previously announced guidance range of 325,000 to 355,000 boe/day.

In addition, about CAD400 million to CAD600 million in operating cost efficiencies has been targeted, in large part through procurement and contract savings to be realised over the course of the year. This will include more effective partnering with suppliers, consolidation and standardisation in services.

– *Near term growth projects*

Projects currently in development are progressing and are expected to add about 85,000 net barrels per day (“**bbls/day**”) by the end of 2016.

<b>Projects</b>	<b>Business</b>	<b>First production</b>	<b>Forecast net peak production (bbls/day)</b>
Sunrise Energy Project Plant 1A	Oil Sands	Q1/15	15,000 (mid 2016)
South White Rose Extension	Atlantic Region	Mid-Year 2015	15,000
Sunrise Energy Project Plant 1B	Oil Sands	Q3/15	15,000 (late 2016)
North Amethyst Hibernia well	Atlantic Region	Q3/15	5,000
Rush Lake	Heavy Oil Thermal	Q3/15	10,000
Edam East	Heavy Oil Thermal	Q3/16	10,000
Edam West	Heavy Oil Thermal	Q4/16	3,500
Vawn	Heavy Oil Thermal	Q4/16	10,000

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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– *Operational highlights*

Annual upstream production averaged 340,000 boe/day, an increase of approximately 9% from the previous year. This included new production from Liwan and strong performance from heavy oil thermal developments.

Husky achieved several milestones throughout 2014.

- i. The 3,500 bbls/day Sandall heavy oil thermal development began production in early 2014 and exited the year at approximately 5,700 bbls/day.
- ii. The Liwan Gas Project came online at the end of the first quarter of 2014.
- iii. The Liuhua 34-2 field started up in the fourth quarter.
- iv. The Sunrise Energy Project began steam injection. First oil is expected towards the end of the first quarter of 2015.
- v. Production from a suite of long life, high netback heavy oil thermal projects rose 21% year over year.
- vi. An updated assessment of Husky's heavy oil resources in the Lloydminster area at the end of 2014 significantly increased the overall best estimate contingent resources in the region from 107 million barrels to 1.9 billion barrels, of which 54% has the potential to be recovered using thermal technology. Total heavy oil initially in place is estimated to be 17 billion barrels, of which 16 billion barrels are discovered heavy oil initially in place.

Downstream throughputs were 318,000 bbls/day in 2014, comparable to the 2013 volumes.

– *Reserves growth*

Reserves growth has outpaced production over the last four years. The average four-year proved reserve replacement ratio was 157%, excluding economic factors (143% including economic factors). In 2014, the average proved reserve replacement ratio was 115%, excluding economic factors (111% including economic factors).

At the end of 2014, Husky had total proved reserves before royalties of 1.3 billion barrels of oil equivalent (“boe”), probable reserves of 1.9 billion boe and best estimate contingent resources of 14.8 billion boe. Husky's oil sands portfolio was responsible for 10.3 billion boe of the best estimate contingent resources total.

– *Financial highlights*

Capital expenditures for 2014 were within guidance at CAD5.0 billion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Cash flow from operations was CAD5.5 billion in 2014, compared to CAD5.2 billion in 2013. This reflected the startup of the Liwan fields and ongoing steady performance from heavy oil thermal projects.

Net earnings in 2014 before one-time charges were CAD2.0 billion, comparable to 2013. A non-cash impairment charge of CAD622 million after tax was recorded in the fourth quarter on mature assets in Western Canada related to reductions in the price forecast. Declining commodity prices and crack spreads during the year resulted in provisions of CAD135 million after tax to reduce inventory held in refining to net realisable value.

Including one-time charges, net earnings in 2014 were CAD1.3 billion. This also included a first-in first-out loss of CAD108 million after tax in the U.S. refining as a result of falling commodity prices.

In the fourth quarter, including one-time charges, the net loss was CAD603 million compared to net earnings of CAD177 million in the same period of 2013. Excluding one-time charges for asset impairments and a provision of CAD128 million after tax to reduce inventory to net realisable value in the quarter, net earnings were CAD147 million.

West Texas Intermediate (WTI) prices averaged US\$93.00 per barrel in 2014 compared to US\$97.97 per barrel in 2013. Average realised pricing for Husky's total upstream production in 2014 was CAD67.38 per barrel, compared to CAD61.96 a year ago.

U.S. refining Chicago market crack spreads averaged US\$17.28 per barrel in 2014, compared to US\$21.30 in 2013, while the realised U.S. refining margin averaged US\$9.37 per barrel compared to US\$15.06 a year ago.

For further details on Husky, Shareholders are referred to the financial statements and annual and quarterly reports on its website at [www.huskyenergy.com](http://www.huskyenergy.com).

### **Conclusion**

The issue of Shares to the Husky Sale Shares Vendor in consideration for the acquisition of the 6.24% interests in Husky by the Hutchison Group will constitute a connected transaction of CKH Holdings under Chapter 14A of the Listing Rules and will therefore require the approval in general meeting by the Independent Shareholders. As previously remarked upon, the Merger Proposal and the Spin-off Proposal is a composite transaction involving transactions and the result of which will be the creation of two groups of companies, each comprising Hutchison's and CKH Holdings's businesses as enlarged by the acquisition of the interests in Husky.

In our opinion, the terms of the acquisition of the additional 6.24% of the common shares of Husky in issue under the Husky Share Exchange Agreement, based on the market price of the Cheung Kong Shares and Husky Shares at the time that agreement was reached, are, in our view, fair and reasonable and that the transaction is on normal commercial terms and in the ordinary course of the CKH Holdings Group's business following the completion of the Cheung Kong Reorganisation. The acquisition of the additional interests by way of share exchange ensures that the Trust, together with Mr. Li Ka-shing and Mr. Li Tzar Kuoi,



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Victor, retain an interest in CKH Holdings above the 30% threshold. Without such an outcome the transaction would not proceed and the benefits from the rationalisation of the businesses held by CKH Holdings and Hutchison would not be available to both groups of shareholders. We consider that, based on the factors outlined above, the acquisition of the additional interests in Husky on the terms proposed is in the interests of CKH Holdings and its Shareholders as a whole.

### **THE SPIN-OFF PROPOSAL IN RELATION TO THE COMBINED PROPERTY BUSINESSES**

#### **I. Overview of the Spin-off Proposal**

It is proposed that, immediately following completion of the Hutchison Proposal and upon completion of the Property Businesses Combination, the Combined Property Businesses will be held by CK Property Group, which will at that time be wholly-owned by CKH Holdings. Immediately after the Property Businesses Combination, CK Property will allot and issue to the Shareholders (other than the Non-Qualifying Overseas Shareholders) as at the DIS Record Time will receive new CK Property Shares pursuant to the Distribution In Specie implemented with the consent of CKH Holdings, in the ratio of one CK Property Share for every one Share then held. These Shareholders will include, among others, holders of the Shares to be issued to (i) the Husky Sale Shares Vendor (or as it may direct) pursuant to the Husky Share Exchange and (ii) the Hutchison Scheme Shareholders (other than the Non-Qualifying Hutchison Overseas Shareholders and any other Hutchison Scheme Shareholders who are Non-Qualifying Overseas Shareholders) pursuant to the Hutchison Scheme. The Spin-off Proposal will be subject to a number of conditions precedent as described in the letter from the Board set out in the Circular, and will be implemented in compliance with the Listing Rules.

After completion of the Merger Proposal and the Spin-off Proposal, (i) the non-property and property businesses of the CKH Holdings Group and the Hutchison Group, respectively, will be combined, and the combined non-property businesses and combined property businesses will then be separated and will be held by the Resulting CKH Holdings Group and CK Property, respectively, and the CK Property Shares will be listed on the Main Board; (ii) CK Property will be one of the largest property developers listed in Hong Kong with a leading market share in Hong Kong, strong penetration in the PRC and an international presence through its operations in Singapore and the United Kingdom; and (iii) the Resulting CKH Holdings Group will be a multinational conglomerate of significant size and scale, operating in over 50 countries. Infrastructure assets currently owned by the Hutchison Group will be reflected in the consolidated accounts of the Resulting CKH Holdings Group, and there will be an increased interest in the energy sector through the Resulting CKH Holdings Group becoming the largest shareholder in Husky. In addition, the portfolio of the Resulting CKH Holdings Group will include the Hutchison Group's existing operations in the ports and related services, retail and telecommunications. The CKH Holdings Group's newly acquired business of the ownership and leasing of movable assets will further diversify the Resulting CKH Holdings Group's business mix.

In connection with the Spin-off Proposal, the following transactions are proposed to be implemented:

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- (a) immediately following completion of the Merger Proposal, the Combined Property Businesses will be reorganised to form part of CK Property Group pursuant to the Property Businesses Combination; and
- (b) immediately following completion of the Property Businesses Combination, CK Property will allot and issue new CK Property Shares to the Shareholders (other than the Non-Qualifying Overseas Shareholders) as at the DIS Record Time by way of the Distribution In Specie at the ratio of one CK Property Share for every one Share then held. Accordingly, the Shareholders (other than the Non-Qualifying Overseas Shareholders) will hold the same proportionate interests in CK Property as they hold in CKH Holdings (and as their indirect interests in CK Property) as at the DIS Record Time.

An application has been made to the Stock Exchange for the listing by way of introduction of, and permission to deal in, the CK Property Shares on the Main Board.

### II. The Combined Property Businesses

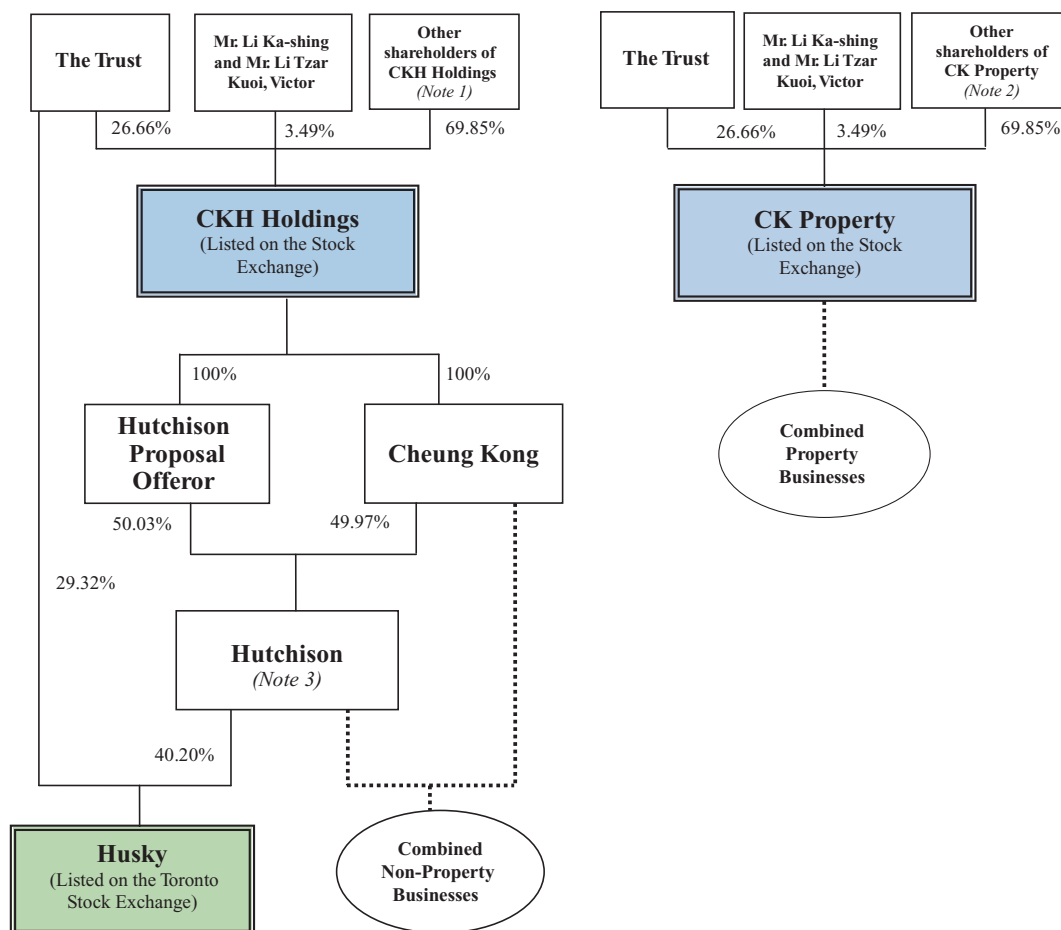
CK Property is currently a wholly-owned subsidiary of CKH Holdings. CK Property will become the holding company of the CK Property Group, which will hold the Combined Property Businesses pursuant to the Property Businesses Combination. It is anticipated that, following completion of the Property Businesses Combination, the CK Property Group's property interests (that is, the Combined Property Businesses):

- (a) will comprise:
  - (i) property development and investment;
  - (ii) hotel and serviced suite operation;
  - (iii) property and project management; and
  - (iv) unitholding in each of Fortune Real Estate Investment Trust, Prosperity Real Estate Investment Trust and Hui Xian Real Estate Investment Trust (all of which are listed on the Main Board, and Fortune Real Estate Investment Trust is also listed on the Singapore Stock Exchange) as well as interests in ARA Asset Management Limited (which is listed on the Singapore Stock Exchange and is the holding company of the managers of Fortune Real Estate Investment Trust and Prosperity Real Estate Investment Trust) and Hui Xian Asset Management Limited (which is the manager of Hui Xian Real Estate Investment Trust), but
- (b) will not include:
  - (i) those property interests held by the CKH Holdings Group or the Hutchison Group which are used for the purposes of carrying on, or ancillary to, the Combined Non-Property Businesses; and

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- (ii) the property interests held by the listed subsidiaries and listed associated companies of CKH Holdings or Hutchison for use in carrying on, or ancillary to, their respective business operations, which will continue to be held by such listed subsidiaries and associated companies.

Following completion of the Merger Proposal and the Spin-off Proposal, it is anticipated that the resulting shareholding structure of the two groups, the holding companies of which will be CKH Holdings and CK Property respectively, will be as follows:



Notes:

- The other shareholders of CKH Holdings are expected to include certain core connected persons of CKH Holdings (including, among others, certain CKH Holdings Directors (other than Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor)), who are not regarded as public shareholders of CKH Holdings under the Listing Rules.
- The other shareholders of CK Property are expected to include certain core connected persons of CK Property (including, among others, certain CK Property Directors (other than Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor)), who are not regarded as public shareholders of CK Property under the Listing Rules.
- The listing status of Hutchison on the Main Board will be withdrawn upon the Hutchison Scheme becoming effective.

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Upon completion of the Merger Proposal and the Spin-off Proposal, (i) the non-property and property businesses of the CKH Holdings Group and the Hutchison Group, respectively, will be combined, and the combined non-property businesses and combined property businesses will then be separated and will be held by the Resulting CKH Holdings Group and CK Property respectively, and the CK Property Shares would be listed on the Main Board; (ii) CK Property will be one of the largest property developers listed in Hong Kong with a leading market share, strong penetration in the PRC and an international presence; and (iii) the Resulting CKH Holdings Group will be a multinational conglomerate operating in over 50 countries, with enhanced size and scale due to the consolidation of the infrastructure assets which are currently co-owned by the CKH Holdings Group and the Hutchison Group and an increased interest in the energy sector through becoming the largest shareholder in Husky.

We agree with the rationale for creating out of the property interests of CKH Holdings and Hutchison a simplified property investment and development group which can be readily valued by the investment community and a separate group holding the diverse industries in which the Hutchison Group has invested in and the infrastructure and aircraft leasing businesses currently owned by the CKH Holdings Group.

The valuation by the stock market of property investment and development companies tend to be principally based on their underlying net asset values whereas for trading companies, earnings generally have a greater influence on the market price of their shares. Following the demerger of CK Property, it is expected that the market will value CKH Holdings and CK Property accordingly.

Further details of the Spin-off Proposal, including but not limited to Distribution In Specie, are disclosed in the section headed "Spin-off Proposal in relation to the Combined Property Businesses" on pages 27 to 43 in the letter from the Board set out in the Circular.

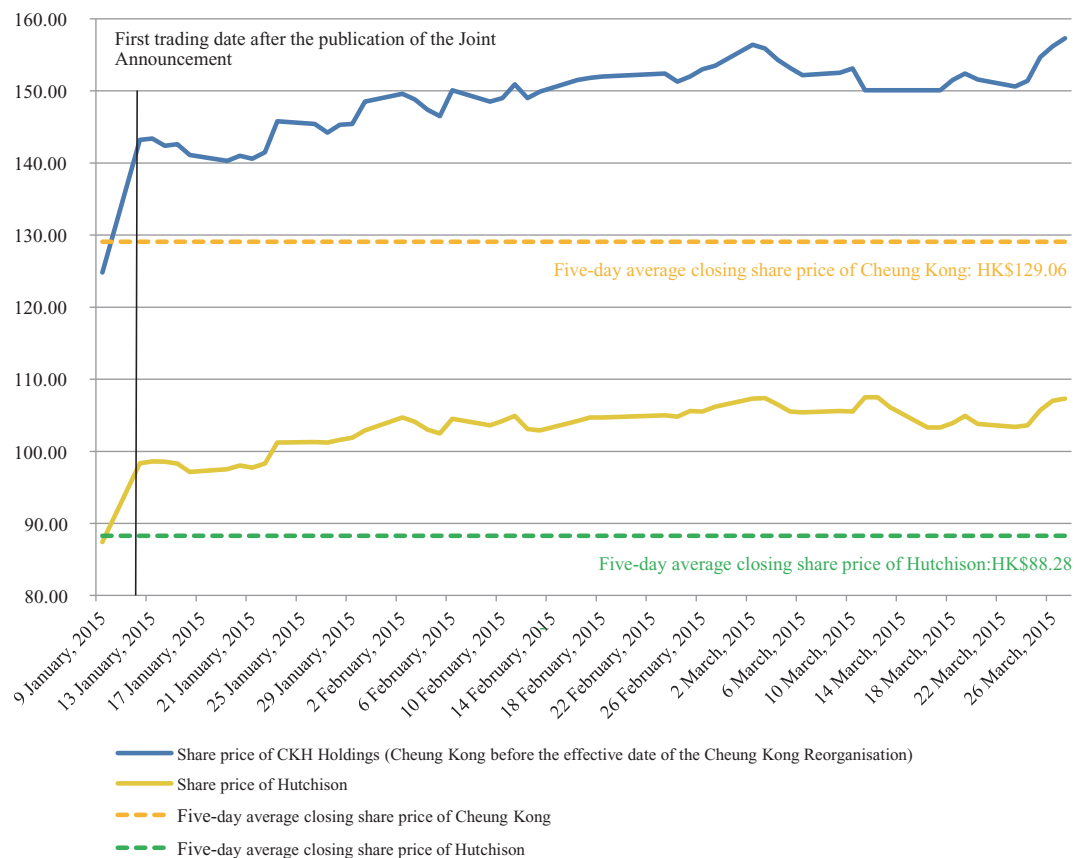
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### MARKET RESPONSE TO THE JOINT ANNOUNCEMENT

Set out below is a graph showing the market performance of the Cheung Kong Shares and, following the effective date of the Cheung Kong Reorganisation, the Shares and the Hutchison Shares commencing on the 12th January, 2015 being the first day on which the trading on the Stock Exchange took place following the publication of the Joint Announcement up to the Latest Practicable Date.



Source: Bloomberg

Note:

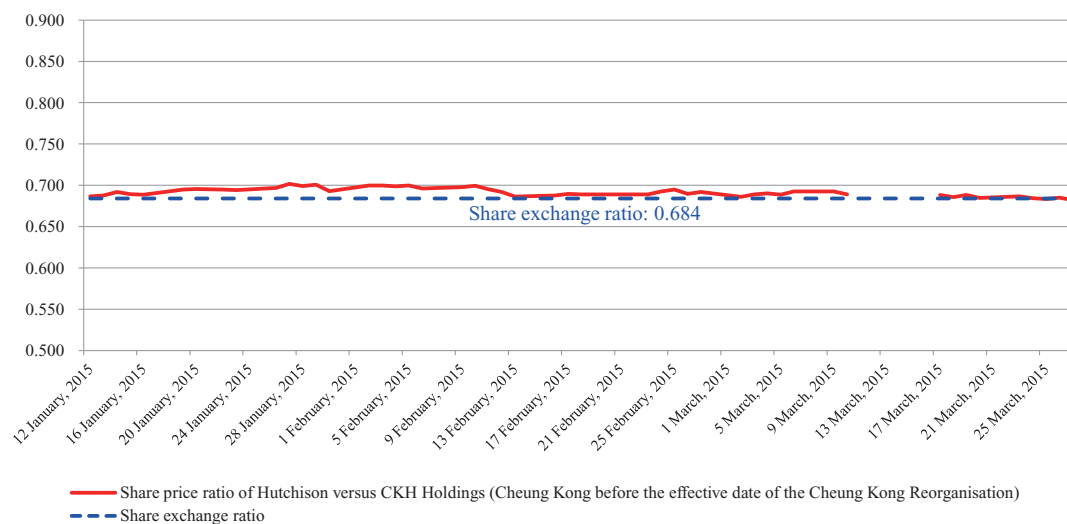
1. Trading in the Cheung Kong Shares was halted between 12th March, 2015 and 17th March, 2015, and trading in the Hutchison Shares was halted on 17th March, 2015.

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It will be seen that the Shares (and before the effective date of the Cheung Kong Reorganisation, the Cheung Kong Shares) have traded at premia of between 8.7% and 21.9% to the average closing price of Cheung Kong Shares for the five trading days up to (and including) 7th January, 2015 up to the Latest Practicable Date. Similarly the Hutchison Shares have traded at premia of between 10.0% and 21.8% to the average closing price of Hutchison Shares for the five days up to (and including) 7th January, 2015 up to the Latest Practicable Date. Furthermore, the relative share prices of the companies correspond closely to the share exchange ratio under the Hutchison Proposal as can be seen from the chart below.



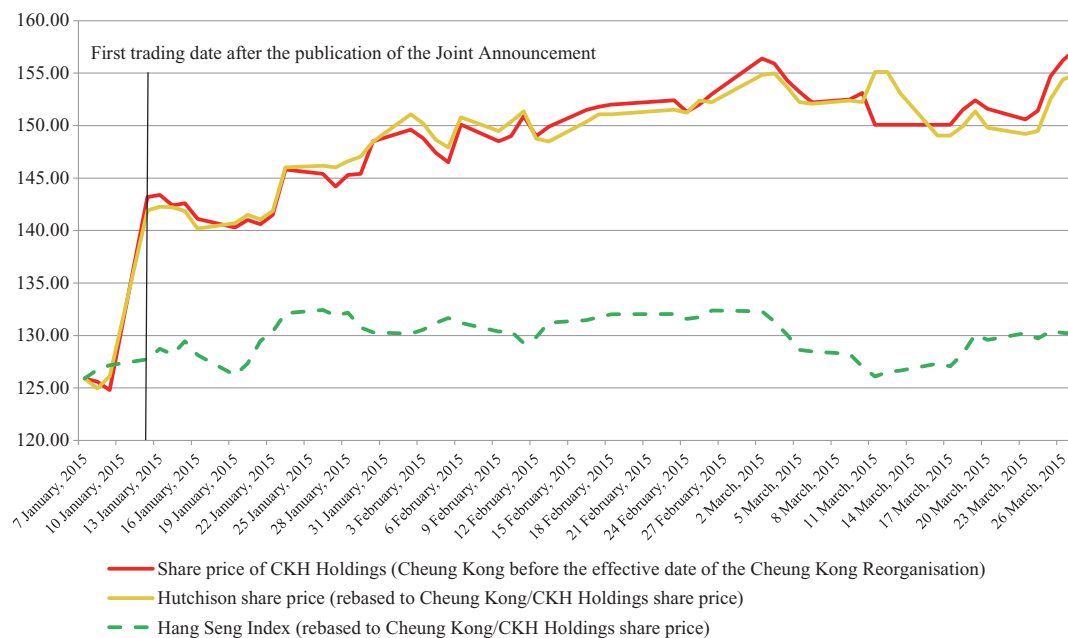
Source: Bloomberg

Note:

1. Trading in the Cheung Kong Shares was halted between 12th March, 2015 and 17th March, 2015, and trading in the Hutchison Shares was halted on 17th March, 2015.

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Set out below is a further graph showing the performance of the Shares, the Cheung Kong Shares and Hutchison Shares compared with the Hang Seng Index since 7th January, 2015 and also the period following the date of the Joint Announcement until the Latest Practicable Date.



Source: Bloomberg

Since the publication of the Joint Announcement, the Shares (and before the effective date of the Cheung Kong Reorganisation, Cheung Kong Shares) and Hutchison Shares have materially outperformed the Hang Seng Index, of which they are constituent shares, representing 2.59% and 2.75% of the Hang Seng Index in February, 2015, respectively. Such outperformance therefore had a beneficial impact on the Hang Seng Index. The outperformance would have been more marked had these shares been excluded from the Hang Seng Index.

Following the Joint Announcement, Cheung Kong Infrastructure Holdings Limited, a subsidiary of CKH Holdings, and Hutchison have published four announcements in relation to potential acquisitions. On 20th January, 2015, Cheung Kong Infrastructure Holdings Limited and Hutchison have jointly announced the acquisition via a joint venture of Eversholt Rail Group, a major rolling stock operating company in the United Kingdom. The indicative maximum capital commitment of the transaction is expected to be GBP600 million. On 23rd January, 2015 and on 24th March, 2015, Hutchison announced that it was in exclusive negotiations with Telefónica, S.A. for the potential acquisition of O<sub>2</sub> UK, a leading mobile operator in the United Kingdom. On 25th March, 2015, Hutchison has further announced that the Hutchison Group had entered into a share purchase agreement with Telefónica, S.A. and had conditionally agreed to purchase the entire issued share capital of O<sub>2</sub> UK for an aggregate cash purchase price of: (i) GBP9.25 billion (equivalent to approximately HK\$106.75 billion), which is subject to adjustment and payable at completion; and (ii) deferred upside interest sharing payments of up to a further GBP1 billion (equivalent to approximately HK\$11.54 billion) in aggregate, payable after the

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cumulative cash flow of the combined 3 UK business and the O<sub>2</sub> UK business has reached an agreed threshold. The acquisition of O<sub>2</sub> UK will be funded by a bridge facility of GBP6 billion that Hutchison 3G UK Investments Limited (an indirect wholly-owned subsidiary of Hutchison) has entered into with HSBC Bank plc and also by the Hutchison Group's own cash resources.

For further information, including the reasons and benefits for entering into the acquisition of O<sub>2</sub> UK and information about the O<sub>2</sub> UK business, please refer to page II-94 of Appendix II set out in the Circular and the announcement made by Hutchison dated 25th March, 2015 regarding the acquisition.

The performance of the Shares, Cheung Kong Shares and Hutchison Shares since 12th January, 2015 is in our view closely correlated to the market's perception of the benefits that are expected to arise upon fulfillment of the objectives of the Merger Proposal set out in the Circular. Should the Spin-off Proposal not be completed which will require the completion of the Husky Share Exchange Agreement and the Hutchison Proposal, conditions of which include the approval by the Independent Shareholders, it is expected that the prices of the Shares and Hutchison Shares will trade at lower levels.

### OBJECTIVES OF THE PROPOSALS

The overall considerations for CKH Holdings and its Shareholders include the following:

**(a) Shareholder value creation through the elimination of the holding company discount of CKH Holdings' stake in Hutchison**

The Proposals should immediately realise value through the elimination of the CKH Holdings holding company discount associated with the existing tiered shareholding structure as no Hutchison Shares will be held indirectly. Based on the closing prices of the Cheung Kong Shares on 7th January, 2015, the Cheung Kong Shares traded at a 23.0% and 26.0% discount to, or HK\$87 billion or HK\$102 billion less than, Cheung Kong's book value attributable to shareholders as at 30th June, 2014 and 31st December, 2014 respectively, which included its approximately 49.97% stake in Hutchison. A part of this is attributable to the holding company discount on the Cheung Kong Group's stake in Hutchison, which would be eliminated through the Merger Proposal and the Spin-off Proposal as shareholders will hold shares in CKH Holdings and CK Property directly.

Since the exchange ratios for each of the Husky Share Exchange and the Hutchison Proposal have been determined by reference to the average closing prices of the shares of Cheung Kong and Hutchison for the five trading days up to (and including) 7th January, 2015 and the average closing price of shares of Husky for the five trading days up to (and including) 6th January, 2015 with no premium or discount involved, all Shareholders and Hutchison Shareholders will be able to benefit from the continuing growth of the distinct businesses of CKH Holdings and CK Property on an equitable basis.



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The share exchange ratios for the Husky Share Exchange and the Hutchison Proposal were determined on the basis that there were not to be any premium or discount so as for the shareholders of both CKH Holdings and Hutchison to benefit largely equally as amongst themselves. However as the transaction has progressed, there have been fluctuations in the share price of CKH Holdings (or Cheung Kong before the Cheung Kong Reorganisation), of Hutchison, of Husky and of the currency exchange rate between the Hong Kong Dollar and the Canadian Dollar. Therefore, for illustrative purposes, the discount to the offer terms of the Husky Share Exchange as at the Latest Practicable Date is approximately 10.3%. Similarly, the premium to the offer terms of the Hutchison Proposal as at the Latest Practicable Date is approximately 21.5%.

**(b) Greater transparency and business coherence**

After completion of the Merger Proposal and the Spin-off Proposal, the business profiles of CKH Holdings and CK Property will be very clearly delineated. As a result, Shareholders and potential investors will be better able to differentiate and value the businesses of CKH Holdings and CK Property based on their respective earnings, cash flow and net asset value profiles of the individual businesses they each control. The increased transparency and business coherence for the businesses of the CKH Holdings Group and the Hutchison Group under the new structure is expected to enhance value, in particular given the different valuation methodologies investors would normally apply to the property business of CK Property and the diversified portfolio of infrastructure and consumer businesses of CKH Holdings.

The Merger Proposal and the Spin-off Proposal will also help align the businesses of each of CKH Holdings and CK Property with their respective investor base and eliminate investment arbitrage that originates from valuation mismatch between CKH Holdings and Hutchison.

**(c) Removal of the layered holding structure between CKH Holdings and Hutchison and alignment of all shareholders' interests alongside the Trust**

As at the Latest Practicable Date, under the Listing Rules, the Trust was the controlling shareholder of CKH Holdings, which in turn owns approximately 49.97% of Hutchison. After completion of the Merger Proposal and the Spin-off Proposal, under the Listing Rules, the Trust, together with Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, will indirectly hold approximately 30.15% of the shares in each of CKH Holdings and Hutchison, and the Li family will continue to chair and lead the management of both companies.

**(d) All eligible shareholders to hold the Shares and CK Property Shares directly, enhancing investment flexibility and efficiencies**

After the completion of the Merger Proposal and the Spin-off Proposal, all qualifying Shareholders and Hutchison Scheme Shareholders will hold the Shares and CK Property Shares directly. This will enable all shareholders to have the flexibility to adjust their shareholdings in CKH Holdings and/or CK Property according to their individual investment objectives and preferences.

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### (e) Enhanced size and scale

After completion of the Merger Proposal and the Spin-off Proposal, the CKH Holdings Group will be a multinational conglomerate operating in over 50 countries with enhanced scale due to the consolidation of the infrastructure assets which are currently owned by the CKH Holdings Group and an increased interest in the energy sector through Husky. Cheung Kong's infrastructure business contributed approximately HK\$1.8 billion to Cheung Kong's profit before tax for the financial year ended 31st December, 2014 and will complement Hutchison's existing infrastructure business. CKH Holdings' newly acquired business of ownership and leasing of movable assets will further diversify the Resulting CKH Holdings Group's business mix.

Upon the completion of the Spin-off Proposal, the CK Property Group will be one of Hong Kong's largest property developers with a leading market share in Hong Kong, strong penetration in the PRC and an international presence through its operations in Singapore and the United Kingdom. As at 31st December, 2014, the Combined Property Businesses (which will be held by the CK Property Group pursuant to the Property Businesses Combination) had a total attributable interest in approximately 1.6 million sq.m. of rental properties, a development land bank of approximately 15.8 million sq.m. (of which approximately 14.5 million sq.m. is located in the PRC) and more than 14,600 hotel rooms and also managed approximately 21 million sq.m. of properties in Hong Kong and the PRC. As at 28th February, 2015, based on the valuations conducted by independent property valuers (the summaries of which are set out in Appendix VIII to the Hutchison Scheme Document, a copy of which is set out in Appendix V to the Circular for reference purposes only), the value of the diverse property portfolio of development properties, investment properties and hotels and serviced suites to be reorganised under the CK Property Group that was valued by such independent property valuers was approximately HK\$420.1 billion. The property interests to be reorganised under the CK Property Group that were not valued by the independent property valuers referred to above included agricultural land lots with an aggregate net book value of approximately HK\$1.1 billion as at 31st December, 2014.

We consider that the Independent Shareholders will benefit from the implementation of the Merger Proposal and the Spin-off Proposal, which are expected to arise from the fulfillment of the objectives set out in this section of our letter.

## FURTHER CONSIDERATIONS

### Consideration and settlement

As part of the reorganisation of CKH Holdings following the merger with Hutchison which will involve the transfer of the investment property portfolios previously held by the CKH Holdings Group and Hutchison Group to CK Property, the consideration for the assignment of the Specified Loans will be an amount equal to the outstanding principal amounts of the Specific Loans as at the Completion Date, plus any unpaid interests accrued thereon, up to and excluding the Completion Date, which will in aggregate be HK\$55

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billion, which settled by way of the issue of promissory note made by CK Property to CKH Holdings, and is expected to be funded by either a bridge facility or in whole or in part by a syndicated loan to be made available to CK Property.

### **Credit ratings**

We are informed by the management of CKH Holdings that the Proposals are not expected to have any adverse effect on CKH Holdings' or Hutchison's creditors, as CKH Holdings will, as appropriate, either prepay or guarantee, and CK Property will prepay, the existing indebtedness of Cheung Kong Group and Hutchison Group, including all outstanding bonds and capital securities issued by members of either group. Both CKH Holdings and CK Property are expected to obtain and maintain strong investment grade ratings consistent with Hutchison's current investment grade ratings following the completion of the Proposals.

### **Future prospects**

As mentioned above, after completion of the Merger Proposal and the Spin-off Proposal, the Trust together with Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor will still be the controlling shareholders of both CKH Holdings and CK Property, and the Li family will continue to chair and lead the management of both companies, without any changes in the ultimate controlling shareholding of either company.

As discussed in the 2014 Cheung Kong Results Announcement, the management of Cheung Kong expects that the elimination of the holding company discounts previously associated with its existing business structure would be able to reflect the value of the CKH Holdings Group for further growth and development. Furthermore, CKH Holdings intends to continue with the business of the CKH Holdings Group (being the CKH Holdings Group's existing business other than the property business which will be held by the CK Property Group pursuant to the Property Businesses Combination) and has no intention to introduce any major changes to the business of the CKH Holdings Group or to redeploy any fixed assets of the CKH Holdings Group.

### **RECOMMENDATIONS**

Taking into account the considerations and factors set out above, we are of the opinion that the terms of Husky Share Exchange, which involves the issue of Shares are fair and reasonable, the transaction is on normal commercial terms and in the ordinary usual course of business of the CKH Holdings Group following completion of the Cheung Kong Reorganisation. The Hutchison Proposal is conditional on the completion of the Husky Share Exchange Agreement. On the basis of the terms of the Husky Share Exchange and the benefits that are expected to arise on fulfillment of the objectives of the Merger Proposal and the Spin-off Proposal, we consider that the Husky Share Exchange Agreement is in the interests of CKH Holdings and its Shareholders as a whole.

Furthermore, having taken into account the factors and considerations set out above in relation to the Merger Proposal, we are of the opinion that, while the Hutchison Proposal may not be in the ordinary and usual course of business of the CKH Holdings Group, the

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terms of the Hutchison Proposal are fair and reasonable and are on normal commercial terms. Further taking into account the benefits that are expected to arise on the fulfillment of the objectives of the Merger Proposal and the Spin-off Proposal, we consider that the Merger Proposal is in the interests of CKH Holdings and its Shareholders as a whole and the Hutchison Proposal Offeror, and accordingly advise the Independent Board Committee to recommend that the Independent Shareholders to vote in favour of and we also advise the Independent Shareholders to vote in favour of, the ordinary resolution to be proposed at the EGM to approve the Matters For Approval.

Yours faithfully,  
For and on behalf of  
**Anglo Chinese Corporate Finance, Limited**

**Stephen Clark**                      **Dennis Cassidy**  
*Managing Director*    *Director – Head of Corporate Finance*

1. Mr. Stephen Clark is a licensed person registered with the SFC and as a responsible officer of Anglo Chinese to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has over 35 years of experience in corporate finance.
2. Mr. Dennis Cassidy is a licensed person registered with the SFC and as a responsible officer of Anglo Chinese to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has over 35 years of experience in corporate finance.

**1. Summary of Financial Results for the three years ended 31 December 2014 and the six months ended 30 June 2013 and 2014**

The following is a summary of the consolidated income statement and consolidated financial position of the Group principally derived from (i) the annual report of Cheung Kong for the financial year ended 31 December 2013; (ii) the interim reports of Cheung Kong for the six months ended 30 June 2013 and 30 June 2014 and (iii) the 2014 Cheung Kong Results Announcement, respectively:

**Consolidated Income Statement**

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2013	2014
	HK\$	HK\$	HK\$	HK\$	HK\$
	million	million	million	million	million
	Restated	(audited)	(audited)	(unaudited)	(unaudited)
	(Note)				
Turnover of the Cheung Kong Group	19,199	17,013	24,259	7,796	11,766
Share of property sales of joint ventures	<u>11,907</u>	<u>15,301</u>	<u>6,959</u>	<u>6,856</u>	<u>2,981</u>
Turnover	<u><u>31,106</u></u>	<u><u>32,314</u></u>	<u><u>31,218</u></u>	<u><u>14,652</u></u>	<u><u>14,747</u></u>
Profit attributable to					
– Shareholders of Cheung Kong	32,036	35,260	53,869	13,412	21,345
– Non-controlling interests and holders of perpetual securities	<u>372</u>	<u>712</u>	<u>739</u>	<u>375</u>	<u>246</u>
Profit for the year/ period	<u><u>32,408</u></u>	<u><u>35,972</u></u>	<u><u>54,608</u></u>	<u><u>13,787</u></u>	<u><u>21,591</u></u>

## Consolidated Statement of Financial Position

	As at 31 December			As at 30 June	
	2012 HK\$ million Restated (Note)	2013 HK\$ million (audited)	2014 HK\$ million (audited)	2013 HK\$ million (unaudited)	2014 HK\$ million (unaudited)
Fixed assets	10,145	9,977	17,454	10,038	9,954
Investment properties	29,656	28,777	33,285	31,429	29,295
Associates	187,348	196,812	216,841	198,362	213,586
Joint ventures	63,303	65,659	68,754	48,787	65,662
Other non-current assets	11,928	10,407	11,482	11,311	10,128
Net current assets	<u>84,156</u>	<u>101,739</u>	<u>78,775</u>	<u>90,061</u>	<u>94,272</u>
Total assets less current liabilities	386,536	413,371	426,591	389,988	422,897
Bank and other loans	43,001	39,452	19,522	41,509	30,646
Other non-current liabilities	<u>883</u>	<u>1,098</u>	<u>1,022</u>	<u>889</u>	<u>1,418</u>
Net assets	<u><u>342,652</u></u>	<u><u>372,821</u></u>	<u><u>406,047</u></u>	<u><u>347,590</u></u>	<u><u>390,833</u></u>
Representing:					
Share capital	1,158	1,158	10,489	1,158	10,489
Share premium	9,331	9,331	–	9,331	–
Reserves	323,354	350,192	383,656	324,872	368,086
Shareholders' funds	333,843	360,681	394,145	335,361	378,575
Perpetual securities	5,652	9,048	9,045	8,945	9,048
Non-controlling interests	<u>3,157</u>	<u>3,092</u>	<u>2,857</u>	<u>3,284</u>	<u>3,210</u>
Total equity	<u><u>342,652</u></u>	<u><u>372,821</u></u>	<u><u>406,047</u></u>	<u><u>347,590</u></u>	<u><u>390,833</u></u>

*Note:* The financial information in respect of the financial year ended 31 December 2012 has been restated as a result of the adoption of HKFRS11 “Joint Arrangements” and HKAS19 “Employee Benefits” (Revision 2011) which have been applied retrospectively by Cheung Kong.

## 2. The Audited Consolidated Financial Statements of Cheung Kong

The consolidated financial statements of Cheung Kong (the former holding company of the Group before the Cheung Kong Reorganisation took effect on 18 March 2015) for (i) the six months ended 30 June 2013; (ii) the six months ended 30 June 2014, and (iii) the two financial years ended 31 December 2012 and 2013 are disclosed in the interim reports of Cheung Kong in respect of the six months ended 30 June 2013 and 30 June 2014, and the annual report for the year ended 31 December 2013, respectively. The audited consolidated financial statements of Cheung Kong for the financial year ended 31 December 2014 are

disclosed in the 2014 Cheung Kong Results Announcement. All of the above financial reports have been published on the website of Cheung Kong ([www.ckh.com.hk](http://www.ckh.com.hk)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

### 3. Indebtedness

#### *Borrowings*

As at the close of business on 31 January 2015, being the latest practicable date for the purpose of this statement of indebtedness, (i) the companies which will be members of the Resulting Group immediately following completion of the Merger Proposal and the Spin-off Proposal (the “**Anticipated Resulting Group**”) had borrowings amounting to approximately HK\$368,387 million comprising (i) bank loans of HK\$92,887 million, of which HK\$1,232 million were secured and HK\$91,655 million were unsecured, (ii) other loans of HK\$10,272 million, of which HK\$1,561 million were secured and HK\$8,711 million were unsecured, (iii) notes and bonds of HK\$219,122 million, of which HK\$2,880 million were secured and HK\$216,242 million were unsecured, and (iv) unsecured and unguaranteed amounts due to the Anticipated CK Property Group of HK\$46,106 million.

As at the close of business on 31 January 2015, being the latest practicable date for the purpose of this statement of indebtedness, companies which will be members of the CK Property Group immediately following completion of the Merger Proposal and the Spin-off Proposal (the “**Anticipated CK Property Group**”) had borrowings amounting to approximately HK\$142,925 million comprising (i) bank loans of HK\$16,694 million, of which HK\$13,037 million were secured and HK\$2,535 million were guaranteed, and (ii) unsecured and unguaranteed amounts due to Anticipated Resulting Group of HK\$126,231 million.

#### *Pledge of assets*

- (a) As at the close of business on 31 January 2015, the Anticipated Resulting Group had pledged assets with aggregate carrying values of approximately HK\$1,859 million, of which approximately HK\$1,322 million, HK\$406 million and HK\$131 million were pledged as collateral for bank loans, other loans and notes and bonds respectively.
- (b) As at the close of business on 31 January 2015, the Anticipated CK Property Group had pledged stock of properties and investment properties with aggregate carrying values of approximately HK\$23,800 million and HK\$316 million, respectively, as collateral for bank term loans.

#### *Contingent liabilities and guarantees*

As at the close of business on 31 January 2015, the Anticipated Resulting Group had contingent liabilities of approximately HK\$30,793 million. The contingent liabilities comprised (i) guarantees provided for the minimum share of revenue to be received by the partner of a joint development project of approximately HK\$588

million, (ii) guarantees in respect of bank and other borrowing facilities to the Anticipated CK Property Group of approximately HK\$4,042 million, associated companies and joint ventures of approximately HK\$22,303 million, and (iii) performance and other guarantees of HK\$3,860 million.

As at the close of business on 31 January 2015, the Anticipated CK Property Group had provided mortgage guarantees to PRC banks amounting to approximately HK\$497 million in respect of the mortgage loans provided by the PRC banks to purchasers of the properties developed and sold.

Save as set out above and apart from intra-group liabilities and guarantees, as at the close of business on 31 January 2015, the Anticipated Resulting Group and the Anticipated CK Property Group did not have any outstanding loan capital, bank overdrafts, loans, mortgages, charges or other similar indebtedness, hire purchase or finance lease commitments, liabilities under acceptances or acceptance credits, guarantees or other material contingent liabilities.

#### **4. Working Capital**

The Directors are of the opinion that, following completion of the Merger Proposal and the Spin-off Proposal, taking into consideration the financial resources available to the Resulting Group, including internally generated funds and external borrowings, the Resulting Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

#### **5. Current Financial and Trading Prospects of the Group**

The global economic recovery was mixed in 2014 with growth in the U.S. gradually strengthening while economic performance in Europe and Japan was below expectations. The global marketplace continued to face various uncertainties, although the conclusion of the U.S. asset purchase program in October 2014 has caused no significant adverse effects so far.

Global interest rates will likely remain at low levels for a considerable time following the European Central Bank's decision to launch an expanded asset purchase program and the recent moves of certain major economies to cut interest rates. The sharp fall in the Euro against the U.S. dollar is expected to increase the competitiveness of the Euro zone and to benefit its long-term economic development. Looking forward to 2015, the U.S. economy is on track for positive growth, and the global economy is expected to continue a steady recovery, barring no major unforeseen material adverse developments.

China is heading in the right direction by continuing with its implementation of the broad-based and deep-rooted reform and opening policy. This not only brings greater motivation and aspirations to the nation, but also serves as a key driving force in establishing China in its proper place in the global economic order. The Central Government has reaffirmed its commitment to a "new normal" state of more sustainable economic



growth, and the priority of its economic agenda for 2015 is to keep this growth balanced and steady. With proactive fiscal and prudent monetary policies firmly in place, China's growth prospects remain optimistic.

Prior to the transactions contemplated by the Merger Proposal and the Spin-off Proposal, the principal activities of the Group encompass property development and investment, hotel and serviced suite operation, property and project management, and investment in infrastructure businesses and securities, and the newly invested business of the ownership and leasing of movable assets. These core businesses have been the key drivers in providing steady streams of revenue to the Group. Hutchison, the Company's major listed affiliate, has been a major contributor to the Group's results. With diversified operations spanning over 50 countries around the globe, the Hutchison Group has six core businesses – ports and related services; property and hotels; retail; infrastructure; energy; and telecommunications.

The proposed merger and reorganisation of the Group's and the Hutchison Group's businesses into two new Hong Kong-listed entities, with the Company holding all of the non-property businesses of the two groups and with CK Property holding the combined property businesses of the two groups, is expected to create significant value for our shareholders and realise maximum business synergies. The reorganisation will provide greater transparency and investment flexibility for shareholders and investors.

Faced with intense competition from all corners of the globe, the Group must steer its course with wisdom in order to meet the challenges that lie ahead. The Group will adhere to its principle of "Advancing with Stability" and, together with its solid financial profile, make prudent investment and financial decisions based on the long-term interests of our shareholders.

## **6. Prospects for the Resulting Group**

The Resulting Group will continue to be registered and listed in Hong Kong and will adhere to its core strategic objective to maximise shareholder value by driving long-term sustainable growth of its businesses.

Achieving an optimal balance between progress and stability has always been one of the defining operating philosophies of the Cheung Kong Group, the predecessor of the Group, and remains so for the Group. It is the intention of the Group to be steadfast in maintaining financial prudence in its pursuit of global acquisitions and investments. Through adhering to its fundamental financial discipline of maintaining a strong financial profile, the Resulting Group intends to maintain strong liquidity and sufficient financial resources whilst maintaining an appropriate net debt to net total capital ratio to capitalise on acquisition and investment opportunities as they arise, and to create shareholder value on a sustainable basis. Going forward from the financial year of 2016, the Company will adopt a dividend policy that is consistent with its business profile. Subject to business conditions and the maintenance of the Company's strong investment grade ratings, such dividend policy is expected to result in a higher dividend payout ratio than that in the financial year of 2015.

**7. Material Adverse Change**

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Cheung Kong Group were made up.

**8. Management Discussion and Analysis of the Cheung Kong Group**

Set out below is the management discussion and analysis for the three years ended 31 December 2014. The information set out below has been extracted (or derived) from the relevant annual reports of Cheung Kong and the 2014 Cheung Kong Results Announcement to provide further information relating to the financial condition and results of operations of the Cheung Kong Group during the periods stated. These extracted/derived materials were prepared prior to the Latest Practicable Date and speak as of the date they were originally published.

**A. For the year ended 31 December 2014 (and as compared to the year ended 31 December 2013)*****Major Business Activities******1. Developments Completed during 2014***

<b>Name</b>	<b>Location</b>	<b>Total Gross Floor Area (sq.m.)</b>	<b>Group's Interest</b>
Hemera	Site E of The Remaining Portion of Tseung Kwan O Town Lot No. 70	128,544	Joint Venture
Kennedy Park at Central	Section A, The Remaining Portion of Section B, Subsection 1 of Section N and Subsection 1 of Section O of Inland Lot No. 1381	8,106	100%
The Rise	The Remaining Portion of Kwai Chung Town Lot No. 157	23,225	100%
Mont Vert Phase I	The Remaining Portion of Tai Po Town Lot No. 183	70,459	100%
City Point	The Remaining Portion of Tsuen Wan Town Lot No. 403	113,064	Joint Venture

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
Trinity Towers	The Remaining Portion of New Kowloon Inland Lot No. 6494	29,649	Joint Venture
The Vision	West Coast Crescent, Singapore	33,600	50%
Upper West Shanghai Phase 1A	Putuo District, Shanghai	13,581	29.4%
Oriental Financial Center	Lujiazui, Shanghai	80,000	50%
Regency Residence Phase 1	Nanguan District, Changchun	3,000	50%
Le Parc Phase 5A	Chengdu High-Tech Zone, Chengdu	154,486	50%
Regency Oasis Phase 1B	Wenjiang District, Chengdu	15,343	50%
Noble Hills Phase 2C	Douxi, Chongqing	36,419	50%
Regency Park Phase 3B	Tianning District, Changzhou	170,787	50%
Laguna Verona Phases E1 and E2	Hwang Gang Lake, Dongguan	64,398	49.91%
Noble Hills Phase 1B	Zengcheng, Guangzhou	21,293	50%
The Harbourfront Land No. 3, 4 and 8	Shibei District, Qingdao	141,045	45%
Regency Garden Phases 2B and 4	Pudong New District, Shanghai	100,494	42.5%
Millennium Waterfront Phase 1A	Jiangnan District, Wuhan	23,453	50%
Regency Cove Phase 1	Caidian District, Wuhan	89,357	50%

2. *Developments in Progress and Scheduled for Completion in 2015*

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
Heung Yip Road Project	The Remaining Portion of Aberdeen Inland Lot No. 354	30,099	100%
Stars by the Harbour	Kowloon Inland Lot No. 11120	33,979	100%
Mont Vert Phase II	The Remaining Portion of Tai Po Town Lot No. 183	16,892	100%

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
DIVA	The Remaining Portion of Inland Lot No. 3319	6,606	100%
La Lumière	Hung Hom Inland Lot No. 556	9,740	100%
Argyle Street Project	Kowloon Inland Lot No. 11125	36,630	80%
Ping Kwai Road Project	Lot No. 2129 in D.D. 121 Yuen Long	6,076	100%
Thomson Grand	Upper Thomson Road Singapore	43,781	100%
La Grande Ville Phase 3	Shun Yi District, Beijing	65,183	100%
Guangzhou Guoji Wanjucheng Phases 2B and 2C1	Huangpu District, Guangzhou	99,462	30%
Yuhu Mingdi Phases 2(1) and 3	Luogang District, Guangzhou	132,263	40%
Upper West Shanghai Phase 1B	Putuo District, Shanghai	103,310	29.4%
Hupan Mingdi Land No. 911 North	Jiading District, Shanghai	138,904	50%
Kerry Everbright City Phase III	Zhabei District, Shanghai	104,253	24.75%
Regency Cove Phases 1A and 1B	Changchun National Hi-Tech Industrial Development Zone, Changchun	235,456	50%
Regency Park Phases 4A and 4B	Jingyue Economic Development Zone, Changchun	72,414	50%
Le Parc Phase 5B	Chengdu High-Tech Zone, Chengdu	148,015	50%
Regency Hills Lands No. 1 and 8A	Yangjiashan, Chongqing	198,383	47.5%
Zhaomushan Land No. G19	Liangjiang New Area, Chongqing	73,175	50%
Laguna Verona Phase D2b	Hwang Gang Lake, Dongguan	73,869	49.91%
Nanzhuang Town Phases 1A and 2A	Chancheng District, Foshan	45,846	50%
Cape Coral Phase 4A	Panyu District, Guangzhou	76,963	50%

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
Noble Hills Phase 1A	Zengcheng, Guangzhou	1,500	50%
Emerald City Phases 1 and 2	Jianye District, Nanjing	359,198	50%
The Harbourfront Land No. 6	Shibei District, Qingdao	225,797	45%
Zhao Xiang Town Land No. 17 Phases 1 and 2	Qing Pu District, Shanghai	80,230	50%
Zhao Xiang Town Land No. 16 Phases 1 and 2A	Qing Pu District, Shanghai	151,126	50%
Century Link	Pudong New District, Shanghai	218,457	25%
Regency Garden Phase 5A	Pudong New District, Shanghai	35,980	42.5%
Land Lots G/M and H Project	Futian District, Shenzhen	45,000	25%
Laopupian Project Phase 1	Jiangnan District, Wuhan	198,291	50%
Millennium Waterfront Phases 1B and 2A	Jiangnan District, Wuhan	476,248	50%

3. *New Acquisitions and Joint Developments and Other Major Events in 2014*

**Hong Kong**

- (1) December 2014: A wholly owned subsidiary of the Cheung Kong Group successfully bid for the contract for the joint development of the site located at Hai Tan Street/Kweilin Street/Pei Ho Street, Sham Shui Po, New Kowloon Inland Lot No. 6506 in a public tender exercise. With an area of approximately 7,507 sq.m., the site is planned for a commercial, residential, and government, institution or community development estimated to have a developable gross floor area of approximately 57,400 sq.m.
- (2) During the year under review, the Cheung Kong Group continued to pursue opportunities for acquisition of properties and agricultural land with potential for development. Some of the properties and agricultural land are under varying stages of design and planning applications.

**The PRC and Overseas**

- (3) May 2014: An indirect joint venture company, held as to one-third by each of Cheung Kong, Cheung Kong Infrastructure Holdings Limited (“CKI”) and Power Assets Holdings Limited, was formed for funding for the conditional cash takeover bid to acquire Envestra Limited (now known as Australian Gas

Networks Limited), a distributor of natural gas in Australia, the shares of which were listed on the Australian Securities Exchange. The acquisition was completed in the third quarter of 2014.

- (4) May 2014: A 50/50 joint venture company was formed by Cheung Kong and CKI for the acquisition of Park'N Fly, an off-airport car park provider in Canada. The enterprise value of the transaction is approximately C\$381 million (approximately HK\$2.72 billion). The acquisition was completed in late July 2014.
- (5) August and November 2014: Wholly owned subsidiaries of Cheung Kong entered into sale and purchase agreements with, among others, (a) GE Capital Aviation Services Limited to purchase a total of 21 aircraft for a total consideration of approximately US\$816,000,000, (b) BOC Aviation Pte. Ltd. to purchase up to 10 aircraft for a total base purchase price of US\$492,000,000, and (c) Jackson Square Aviation, LLC to purchase up to 14 aircraft for a consideration of US\$584,200,000. Further, a wholly owned subsidiary of Cheung Kong entered into a subscription agreement ("Subscription Agreement"), pursuant to which such wholly owned subsidiary and MC Aviation Partners Inc. ("MCAP") agreed, on a 60:40 basis, to subscribe for the equity interest in JV Aviation (HK) Limited (the "JV Company", now known as Vermillion Aviation Holdings Limited) which will indirectly hold a portfolio of up to 15 aircraft at a consideration payable by the Cheung Kong Group of up to US\$132,000,000. The aggregate base purchase price of the 15 aircraft is expected to be approximately US\$733,500,000. In January 2015, Cheung Kong, such wholly owned subsidiary, MCAP, the JV Company, Li Ka Shing (Overseas) Foundation ("LKSOF") and Vermilion Global Limited ("VGL", a wholly owned subsidiary of LKSOF) entered into a deed of amendment to amend the Subscription Agreement by the adoption of an amended subscription agreement. Under the amended subscription agreement, (i) the parties agreed to vary the shareholding structure of the JV Company, by including VGL as a shareholder, and (ii) such wholly owned subsidiary, MCAP and VGL agreed to subscribe for 50%, 40% and 10% of the equity interest of the JV Company, respectively, for an aggregate maximum consideration of approximately US\$110 million, US\$88 million and US\$22 million, respectively.
- (6) November 2014: A wholly owned subsidiary of the Cheung Kong Group successfully bid for Land Parcel 894 at Upper Serangoon Road in Singapore with a site area of approximately 10,097.2 sq.m. and a gross floor area of approximately 30,292 sq.m. for development into residential and commercial properties. In December 2014, the Hutchison Group subscribed for one share, representing 50% of the enlarged share capital, in the holding company of such wholly owned subsidiary. Subsequent to the completion of the subscription, the Cheung Kong Group and the Hutchison Group jointly and equally owned the development of the Land Parcel.

- (7) January 2015: An indirect 50/50 joint venture company of the Cheung Kong Group and CKI entered into an agreement to acquire Eversholt Rail Group, one of the three major rolling stock operating companies in the United Kingdom. The purchase price payable by such joint venture company on completion of the acquisition is the aggregate of (a) GBP1,027 million (equivalent to approximately HK\$12,016.93 million), (b) an amount equal to 10% per annum thereon from and excluding 31st December, 2013 to and including the date of completion (calculated and pro-rated on a daily basis), and (c) GBP10,000,000 (equivalent to approximately HK\$117.01 million), subject to such downward adjustments as set forth in the sale and purchase agreement for the acquisition.
- (8) During the year under review, the Cheung Kong Group continued to focus on project development and the marketing of properties in the PRC and overseas in a timely manner.

### *Property Sales*

The Cheung Kong Group's turnover of property sales for the year including share of property sales of joint ventures was HK\$26,348 million (2013 – HK\$27,589 million), a decrease of HK\$1,241 million when compared with 2013, and comprised mainly (i) sale of residential units of property projects in Hong Kong – The Beaumont and One West Kowloon completed in 2013, Kennedy Park at Central, The Rise, Trinity Towers, City Point and Mont Vert Phase I completed during the year, (ii) sale of residential units of property projects on the PRC – Regency Garden Phases 2B and 4 in Shanghai, Le Parc Phase 5A in Chengdu, The Harbourfront Land Nos. 3 and 4 in Qingdao and Regency Park Phase 3B in Changzhou completed during the year, and (iii) sale of residential units of The Vision completed in Singapore during the year.

Contribution from property sales including share of results of joint ventures was HK\$8,436 million (2013 – HK\$10,184 million), a decrease of HK\$1,748 million when compared with 2013 as contribution from property sales on the PRC fell significantly in a difficult market environment where sale results in some of the cities were below expectations.

The joint development project of Oriental Financial Center, a commercial property in Shanghai, was completed in the second half year and a profit of HK\$2,349 million was recognised by the Cheung Kong Group upon completion of its sale.

Property sales contribution for 2015 will mainly be derived from the sale of residential units of DIVA, Mont Vert Phase II, Hemera, Stars by the Harbour and Argyle Street Project in Hong Kong, Thomson Grand in Singapore, Upper West Shanghai Phase 1B and Hupan Mingdi in Shanghai, La Grande Ville Phase 3 in Beijing, Emerald City Phases 1 and 2 in Nanjing and several other property projects scheduled for completion.

The presale of residential units of DIVA and Mont Vert Phase II has been launched in Hong Kong and almost all of the units have been sold whereas sales/presale of various residential property projects on the PRC progressed slowly. The residential units of Thomson Grand in Singapore have been sold out in 2012.

### ***Property Rental***

The Cheung Kong Group's turnover of property rental for the year was HK\$1,908 million (2013 – HK\$1,960 million), a decrease of HK\$52 million when compared with 2013, mainly due to the disposal of Kingswood Ginza, a retail shopping mall in Hong Kong, to Fortune Real Estate Investment Trust in the second half of 2013. In the absence of rental contribution from Kingswood Ginza, contribution for the year was HK\$1,750 million (2013 – HK\$1,790 million), a decrease of HK\$40 million when compared with 2013.

The Cheung Kong Group's share of rental contribution from joint ventures amounted to HK\$300 million (2013 – HK\$322 million), adversely affected by the disposal of The Metropolitan Plaza in Guangzhou in 2013 and a decrease of HK\$22 million when compared with 2013, and included mainly rental income derived from commercial properties on the PRC.

At the year end date, the Cheung Kong Group's investment properties comprised mainly commercial of office properties and retail shopping malls in Hong Kong, including The Center in Central and 1881 Heritage in Tsim Sha Tsui. An increase in fair value of HK\$4,542 million (2013 – HK\$1,782 million) of the Cheung Kong Group's investment properties was recorded based on a professional valuation and the capitalisation rates adopted for The Center and 1881 Heritage were 5% and 5.25% respectively. The Cheung Kong Group also shared an increase in fair value of HK\$510 million (2013 – HK\$24 million) of investment properties held by joint ventures.

### ***Hotel and Serviced Suite Operation***

The Cheung Kong Group's turnover of hotel and serviced suite operation for the year was HK\$2,213 million (2013 – HK\$2,368 million), a decrease of HK\$155 million when compared with 2013 and contribution for the year was HK\$942 million (2013 – HK\$989 million), a decrease of HK\$47 million in line with the decrease in turnover. The Cheung Kong Group also shared a contribution of HK\$279 million (2013 – HK\$284 million) from joint ventures with hotel and serviced suite operation, a slight decrease of HK\$5 million when compared with 2013.

During the year, demand for hotels and serviced suites in Hong Kong remained steady with continual flow of inbound travelers from the PRC whereas conditions for hotel operation on the PRC were difficult and operating results were not satisfactory.

With uncertainties on the global economic development, it is expected that the operating conditions for hotels and serviced suites in Hong Kong and the PRC will become more challenging, and the Cheung Kong Group will endeavour to maintain satisfactory results for its hotel and serviced suite operation.



The Cheung Kong Group's hotels and serviced suites are carried at cost less depreciation and operating profit (before interest, tax and depreciation) for the year generated a yield of 15.3% on the carrying amount of these property assets.

#### ***Property and Project Management***

The Cheung Kong Group's turnover of property and project management for the year was HK\$528 million (2013 – HK\$397 million), of which income from property management was HK\$185 million (2013 – HK\$180 million), an increase of HK\$5 million when compared with 2013, and income from project management related services was HK\$343 million (2013 – HK\$217 million), an increase of HK\$126 million when compared with 2013.

Contribution from the Cheung Kong Group's property management was HK\$119 million (2013 – HK\$114 million), an increase of HK\$5 million when compared with 2013, and the Cheung Kong Group's project management related services made a contribution of HK\$34 million (2013 – HK\$22 million) to group profit. The Cheung Kong Group's share of contribution of joint ventures which were engaged in the management of various major property developments, including Beijing Oriental Plaza on the PRC and Marina Bay Financial Centre in Singapore, amounted to HK\$61 million (2013 – HK\$46 million), an increase of HK\$15 million when compared with 2013.

At the year end date, a total floor area of approximately 92 million square feet was under the Cheung Kong Group's property management and this is expected to grow steadily following the gradual completion of the Cheung Kong Group's property development projects in the years ahead. The Cheung Kong Group is committed to providing high quality services to properties under our management.

#### ***Infrastructure Business***

The Cheung Kong Group invests in infrastructure businesses through joint ventures with parties including Cheung Kong Infrastructure Holdings Limited ("CKI"), Power Assets Holdings Limited ("Power Assets") and Li Ka Shing Foundation Limited.

The Cheung Kong Group's share of contribution from infrastructure joint ventures for the year was HK\$1,798 million (2013 – HK\$1,602 million), an increase of HK\$196 million when compared with 2013, mainly attributable to a full year contribution from AVR-Afvalverwerking B.V., an energy-from-waste business acquired in the Netherlands in the second half of 2013.

During the second half year, the Cheung Kong Group completed the acquisition of a 50% interest in the "Park'N Fly" off-airport parking business in Canada, a joint venture with CKI, and the takeover of a natural gas distributor in Australia, the Australian Gas Networks Limited (formerly known as Envestra Limited), of which the Cheung Kong Group held an effective interest of 27.5% through a joint venture with

CKI and Power Assets. These new investments in infrastructure business have already made some contribution to group profit in 2014 and will further enhance contribution from infrastructure business in the future.

### *Aircraft Leasing*

During the year, the Cheung Kong Group entered into agreements to acquire forty-five aircraft with existing lease agreements for a total consideration of approximately HK\$14.7 billion, of which the acquisition of twenty-six aircraft was practically completed in 2014 and the remaining nineteen aircraft will be completed in 2015. Acquiring these aircraft generates steady leasing income to the Cheung Kong Group and strengthens up the Cheung Kong Group's recurrent income base.

Turnover of aircraft leasing for 2014 was HK\$221 million and profit contribution net of depreciation charge amounted to HK\$112 million. This is expected to increase upon completion of the aforesaid acquisition and more in 2015.

The Cheung Kong Group also invested in aircraft leasing business through a joint venture with independent third parties, which made a contribution of HK\$222 million to group profit for the year. At the year end date, the Cheung Kong Group was committed to acquiring fifteen aircraft for a total consideration of approximately HK\$5.7 billion through a new joint venture, of which the Cheung Kong Group has a 50% interest.

### *Major Associates*

The Hutchison Group, a listed associate, reported profit attributable to shareholders for the year ended 31 December 2014 of HK\$67,156 million (2013 – HK\$31,112 million).

The CK Life Sciences Group, another listed associate, reported profit attributable to shareholders for the year ended 31 December 2014 of HK\$263.6 million (2013 – HK\$229 million).

## **Financial Review**

### *Liquidity and Financing*

The Cheung Kong Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Cheung Kong Group's borrowings as appropriate.

At the year end date, the Cheung Kong Group's borrowings of bank loans, issued notes and other loans were HK\$25.3 billion, HK\$12.0 billion and HK\$0.6 billion respectively, and the total borrowings amounted to HK\$37.9 billion, a decrease of HK\$4.0 billion from 31 December 2013. The maturity profile is spread over a period of seven years, with HK\$18.4 billion repayable within one year, HK\$17.5 billion within two to five years and HK\$2.0 billion beyond five years.

The Cheung Kong Group's net debt to net total capital ratio at the year end date was approximately 1.1% (2013 – 2.3%). Net debt is arrived at by deducting bank balances and deposits of HK\$33.2 billion from the total borrowings and net total capital is the aggregate of total equity and net debt.

With cash and marketable securities in hand as well as available banking facilities, the Cheung Kong Group's liquidity position remains strong and the Cheung Kong Group has sufficient financial resources to satisfy its commitments and working capital requirements.

### *Treasury Policies*

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

At the year end date, approximately 76.1% of the Cheung Kong 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 Cheung Kong Group derives its revenue from property development mainly in HK\$ and RMB and maintains cash balances substantially in HK\$ and RMB. Income in foreign currencies, including EUR, GBP and SGD, is also generated from the Cheung Kong Group's investments and joint venture projects outside Hong Kong and cash in these foreign currencies is maintained for business requirements.

As at the year end date, approximately 87% of the Cheung Kong Group's foreign currency net investments in EUR, GBP and SGD were hedged by foreign currency borrowings and other hedging instruments.

### *Charges on Assets*

At the year end date, there was no charge on the Cheung Kong Group's assets (2013 – Nil).

*Contingent Liabilities*

At the year end date, the Cheung Kong Group's contingent liabilities were as follows:

- (1) guarantee provided for the minimum share of revenue to be received by the partner of a joint development project amounted to HK\$588 million (2013 – HK\$600 million); and
- (2) guarantees provided for bank loans utilised by joint ventures and investee company amounted to HK\$2,578 million (2013 – HK\$875 million) and HK\$436 million (2013 – HK\$390 million) respectively.

*Employees*

At the year end date, the Cheung Kong Group employed approximately 8,100 employees for its principal businesses. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$2,260 million. The Cheung Kong Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Cheung Kong Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Cheung Kong Group's salary and bonus system. The Cheung Kong Group does not have any share option scheme for employees.

**B. For the year ended 31 December 2013 (and as compared to the year ended 31 December 2012)**

*Major Business Activities*

1. *Developments Completed during 2013*

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
The Beaumont	Tseung Kwan O Town Lot No. 90	97,400	Joint Venture
One West Kowloon	New Kowloon Inland Lot No. 6354	23,996	100%
Marina Bay Suites	Marina Bay, Singapore	43,607	16.67%
La Grande Ville Phase 2	Shun Yi District, Beijing	45,726	100%
Yuhu Mingdi Phase 1	Luogang District, Guangzhou	43,901	40%

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
Guangzhou Guoji Wanjucheng Phase 2A	Huangpu District, Guangzhou	63,288	30%
Regency Park Phase 3	Jingyue Economic Development Zone, Changchun	51,876	50%
Regency Residence Phase 2B	Nangan District, Changchun	7,402	50%
Le Parc Phases 4A, 4B and 6B	Chengdu High-Tech Zone, Chengdu	471,547	50%
Regency Oasis Phase 1B	Wenjiang District, Chengdu	99,273	50%
Cape Coral Phase 2B	Nanan District, Chongqing	77,854	47.5%
Noble Hills Phase 3	Wangcheng County, Changsha	108,766	50%
Regency Park Phase 3A	Tianning District, Changzhou	16,507	50%
Laguna Verona Phases D1b2, D1c and G1a	Hwang Gang Lake, Dongguan	95,638	49.91%
Cape Coral Phase 3B	Panyu District, Guangzhou	84,002	50%
Noble Hills Phases 1A and 1B	Zengcheng, Guangzhou	24,922	50%
The Harbourfront Land No. 2	Shibe District, Qingdao	60,301	45%
Regency Garden Phases 2A and 3	Pudong New District, Shanghai	86,141	42.5%
Le Sommet Phases 4B and 4C	Longgang District, Shenzhen	119,321	50%
Noble Hills	Baoan District, Shenzhen	146,588	50%
The Metropolitan Tianjin Phases 1 and 2	Yingkoudao, Heping District, Tianjin	177,987	40%

2. *Developments Completed during 2012*

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
LOHAS Park La Splendeur	Site AB of The Remaining Portion of Tseung Kwan O Town Lot No. 70	82,685	Joint Venture
Le Chateau	New Kowloon Inland Lot No. 4782	4,417	100%
CROWN by the Sea	Tuen Mun Town Lot No. 334	4,026	100%
Marina Bay Financial Centre Tower 3	Marina Bay, Singapore	151,776	16.67%
Regency Park Phase 2C	Jingyue Economic Development Zone, Changchun	17,664	50%
Regency Park Phases 1 and 2	Tianning District, Changzhou	31,500	50%
Le Parc Phase 6A	Chengdu High-Tech Zone, Chengdu	12,854	50%
Regency Oasis Phases 1B and 2	Wenjiang District, Chengdu	227,652	50%
Cape Coral Phase 2A	Nanan District, Chongqing	68,849	47.5%
Noble Hills Phases 2A and 2B	Douxi, Chongqing	143,876	50%
Laguna Verona Phases D1a, D1b1 and G1a	Hwang Gang Lake, Dongguan	164,232	49.91%
Cape Coral Phase 3A	Panyu District, Guangzhou	84,053	50%
Noble Hills Phase 1A	Zengcheng, Guangzhou	62,092	50%
The Harbourfront Land No.1	Shibei District, Qingdao	214,906	45%
Regency Garden Phase 1	Pudong New District, Shanghai	34,067	42.5%
Le Sommet Phases 1B, 2 and 4A	Longgang District, Shenzhen	59,902	50%

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
Century Place Phases 1 and 2	Shennan Road, Huaqiangbei, Futian District, Shenzhen	179,433	40%
The Metropolitan Tianjin Phase 2	Yingkoudao, Heping District, Tianjin	31,661	40%
The Greenwich Phases 2A, 2B and 3A	Xian Hi-Tech Industries Development Zone, Xian	282,689	50%

### 3. *New Acquisitions, Joint Developments and Other Major Events in 2013*

#### **Hong Kong**

- (1) January 2013: A wholly-owned subsidiary of the Cheung Kong Group updated a US\$2,000,000,000 Euro Medium Term Note Programme (i.e. the Programme defined under “4. *New Acquisitions and Joint Developments and Other Major Events in 2012*” below). This update of the Programme has also included a wholly-owned Singapore subsidiary of the Cheung Kong Group as another issuer. As at 31 December 2013, Notes (i.e. the Notes defined under “4. *New Acquisitions and Joint Developments and Other Major Events in 2012*” below) of an aggregate nominal amount of approximately US\$849.1 million were issued and outstanding under the Programme.
- (2) January 2013: A wholly-owned subsidiary of the Cheung Kong Group issued US\$500 million Guaranteed Senior Perpetual Securities (the “Securities”) at an issue price of 100% of the principal amount with distribution rate of 5.375% per annum, which have been listed on the Stock Exchange since 25 January 2013. The Securities were guaranteed by Cheung Kong. In April 2013, the Securities in a principal amount of US\$74,700,000 were repurchased and cancelled. The outstanding principal amount of the Securities immediately following settlement of such purchase and cancellation was US\$425,300,000.
- (3) During the year ended 31 December 2013, the Cheung Kong Group continued to pursue opportunities for acquisition of properties and agricultural land with potential for development. Some of the properties and agricultural land were under varying stages of design and planning applications.

#### **The PRC and Overseas**

- (4) June 2013: A 35/35/20/10 joint venture company was formed by the Cheung Kong Group, CKI, Power Assets Holdings Limited and Li Ka Shing Foundation Limited for the acquisition of the entire issued share capital of AVR-Afvalverwerking B.V., the largest energy-from-waste player in the

Netherlands, at the consideration of approximately EUR943.68 million (the “Acquisition”). A share purchase agreement for the Acquisition was entered into by the parties on 6 August 2013.

- (5) During the year ended 31 December 2013, the Cheung Kong Group continued to focus on project development and the marketing of properties in the PRC and overseas in a timely manner.

#### 4. *New Acquisitions, Joint Developments and Other Major Events in 2012*

##### **Hong Kong**

- (1) May 2012: A wholly owned subsidiary of the Cheung Kong Group successfully bid in a public tender exercise for the joint development of the site at Peel Street/Gage Street/Graham Street, Central, Inland Lot No. 9038 and entered into a development agreement with the Urban Renewal Authority. With an aggregate area of approximately 1,690 sq.m., the site was planned for a residential and commercial development estimated to have a total developable gross floor area of approximately 17,790 sq.m.
- (2) June 2012: A wholly owned subsidiary of the Cheung Kong Group has established a US\$2,000,000,000 Euro Medium Term Note Programme (the “Programme”) as guaranteed by Cheung Kong for the purpose of issuing notes (the “Notes”) which may be denominated in any currency as agreed with the dealer(s) from time to time. The Programme provided that the Notes may be listed on the Stock Exchange or such other stock exchanges as may be agreed with the relevant dealer(s). On 15 June 2012, the Cheung Kong Group issued US\$500,000,000 Floating Rate Notes due 2015 under the Programme, which have been listed on the Stock Exchange since 18 June 2012. As at 31 December 2012, Notes of an aggregate nominal amount of approximately US\$849.3 million were issued and outstanding under the Programme.
- (3) July 2012: A wholly owned subsidiary of the Cheung Kong Group issued HK\$1,000 million Guaranteed Senior Perpetual Securities (“GSPS”) at an issue price of 100% of the principal amount with distribution rate of 5.25% per annum for the first five years and thereafter at the rate of 6.25% per annum, which have been listed on the Stock Exchange since 10 July 2012. The GSPS is guaranteed by Cheung Kong.
- (4) August 2012: A wholly owned subsidiary of the Cheung Kong Group successfully won in a public tender exercise for the joint development with Tsuen Wan West Property Development Limited (“TWWP”), with MTR Corporation Limited acting as TWWP’s agent, in respect of the development at West Rail Tsuen Wan West Station TW5 Bayside, Tsuen Wan Town Lot No. 401. With an area of approximately 42,870 sq.m., the site was earmarked for a residential and commercial development estimated to have a developable gross floor area of approximately 207,650 sq.m.



- (5) November 2012: A wholly owned subsidiary of the Cheung Kong Group was awarded a Government tender for the development at Choi Sha Street, Lok Wo Sha, Ma On Shan, Sha Tin, New Territories, Sha Tin Town Lot No. 574. With an area of approximately 14,400 sq.m., the site was designated for a residential development estimated to have a developable gross floor area of approximately 52,227 sq.m.
- (6) During the year ended 31 December 2012, the Cheung Kong Group continued to pursue opportunities for acquisition of properties and agricultural land with potential for development. Some of the properties and agricultural land were under varying stages of design and planning applications.

#### **The PRC and Overseas**

- (7) May 2012: An indirect 50/50 joint venture company of the Cheung Kong Group and the Hutchison Group signed a land use right transfer contract to acquire a piece of land with an area of approximately 144,480 sq.m. and a gross floor area of approximately 138,870 sq.m. at Zhao Xiang Town, Qing Pu District, Shanghai, the PRC for development into residential properties.
- (8) July 2012: Two indirect 30/30/30/10 joint venture companies of Cheung Kong, CKI, Power Assets Holdings Limited and Li Ka Shing Foundation Limited entered into an arrangement to acquire the issued share capital and the loan notes of MGN Gas Networks (UK) Limited (now known as Wales & West Gas Networks (Holdings) Limited) at the consideration of approximately £645 million. The acquisition was completed on 10 October 2012.
- (9) During the year ended 31 December 2012, the Cheung Kong Group continued to focus on project development and the marketing of properties in the PRC and overseas in a timely manner.

#### ***Property Sales***

Turnover of property sales including share of property sales of joint ventures for the year ended 31 December 2013 was HK\$27,589 million (2012 – HK\$26,521 million), an increase of HK\$1,068 million when compared with the year ended 31 December 2012, and comprised mainly the sale of residential units of La Splendeur completed in Hong Kong in the year ended 31 December 2012, and the sale of residential units of property projects completed in 2013 including The Beaumont and One West Kowloon in Hong Kong, Marina Bay Suites in Singapore, La Grande Ville Phase 2 (Zones C, H and I) in Beijing, Le Parc Phases 4A, 4B and 6B in Chengdu, Laguna Verona Phases D1b2, D1c and G1a in Dongguan, The Harbourfront Land No. 2 in Qingdao, Noble Hills and Le Sommet Phases 4B and 4C in Shenzhen, Regency Garden Phases 2A and 3 in Shanghai and a few others in the PRC.

Contribution from property sales including share of results of joint ventures for the year ended 31 December 2013 was HK\$10,184 million (2012 – HK\$10,004 million), an increase of HK\$180 million when compared with the year ended 31 December 2012. During the year ended 31 December 2013, property construction costs continued to escalate and profit contribution from property sales going forward was expected to be adversely affected.

The development of Kennedy Park at Central, originally scheduled for completion in Hong Kong in the second half of 2013, was delayed to the first half of 2014 and made a contribution to the Cheung Kong Group's profit upon its completion during the first half of 2014.

During the year ended 31 December 2013, sales of residential properties in Hong Kong slowed down due to new government regulations and measures. Although the residential units of Kennedy Park at Central and The Rise have been presold, sales of all other property projects scheduled for completion in Hong Kong in 2014, save for Hemera, were not launched until 2014. Nevertheless, the residential units of The Vision in Singapore have been sold out and the sales/presales of residential units of various property projects in the PRC were satisfactory.

#### ***Property Rental***

Turnover of the Cheung Kong Group's property rental for the year ended 31 December 2013 was HK\$1,960 million (2012 – HK\$1,867 million), an increase of HK\$93 million when compared with the year ended 31 December 2012, mainly due to increased rental for retail properties in Hong Kong which have benefited from the growing number of tourists from the PRC. The increase in turnover was moderated in the second half year of 2013 due to the Cheung Kong Group's disposal of Kingswood Ginza, a retail shopping mall in Hong Kong, to Fortune Real Estate Investment Trust and a profit of HK\$2,760 million was recognised from the disposal.

Contribution from the Cheung Kong Group's property rental for the year ended 31 December 2013 was HK\$1,790 million (2012 – HK\$1,703 million), an increase of HK\$87 million when compared with the year ended 31 December 2012, mainly attributable to a net increase in rental contribution from the Cheung Kong Group's retail shopping malls notwithstanding the disposal of Kingswood Ginza and hence, a reduction in rental contribution in the second half year of 2013.

The Cheung Kong Group's share of rental contribution from joint ventures for the year ended 31 December 2013 was HK\$322 million (2012 – HK\$275 million), an increase of HK\$47 million when compared with the year ended 31 December 2012, and included mainly rental income derived from commercial properties in the PRC. In November 2013, the Cheung Kong Group's interest in a joint venture which held The Metropolitan Plaza in Guangzhou in the PRC for rental was disposed of at a profit of HK\$798 million.

As at 31 December 2013, the Cheung Kong Group's investment properties comprised mainly retail shopping malls and commercial office properties in Hong Kong and recorded an increase in fair value of HK\$1,782 million (2012 – HK\$4,470 million) based on a professional valuation, and the Cheung Kong Group shared an increase in fair value of investment properties of HK\$24 million (2012 – HK\$531 million) of joint ventures.

### *Hotels and Serviced Suites*

Turnover of the Cheung Kong Group's hotels and serviced suites for the year ended 31 December 2013 was HK\$2,368 million (2012 – HK\$2,350 million), a slight increase of HK\$18 million when compared with the year ended 31 December 2012 as demand for hotels and serviced suites in Hong Kong were maintained and inbound tourism and business travel remained active during the year of 2013.

Contribution from the Cheung Kong Group's hotels and serviced suites for the year ended 31 December 2013 was HK\$989 million (2012 – HK\$930 million) and contribution including share of results of joint ventures for the year ended 31 December 2013 was HK\$1,273 million (2012 – HK\$1,235 million), an increase of HK\$38 million when compared with the year ended 31 December 2012 despite the loss of contribution from Metropark Lido Hotel, Beijing which was disposed of at a profit in the second half of 2012.

In February 2013, The Apex Horizon owned by Pearl Wisdom Limited ("PWL"), a wholly owned subsidiary of Cheung Kong, was disposed of to investors in the public. Subsequently, PWL was notified by the SFC that the arrangements relating to the sale and purchase of hotel room units in The Apex Horizon appeared to constitute a Collective Investment Scheme. Although this was not agreed with by PWL, arrangements for cancellation of the transactions were made.

### *Property and Project Management*

Turnover of the Cheung Kong Group's property and project management for the year ended 31 December 2013 was HK\$397 million (2012 – HK\$368 million), of which income from property management was HK\$180 million (2012 – HK\$171 million), an increase of HK\$9 million when compared with the year ended 31 December 2012, and income from project management related services was HK\$217 million (2012 – HK\$197 million), an increase of HK\$20 million when compared with the year ended 31 December 2012.

Contribution from the Cheung Kong Group's property management for the year ended 31 December 2013 was HK\$114 million (2012 – HK\$109 million), an increase of HK\$5 million when compared with the year ended 31 December 2012, and the Cheung Kong Group's project management related services made a contribution of HK\$22 million (2012 – HK\$20 million) to group profit. The Cheung Kong Group's share of contribution of joint ventures which were engaged in the management of various major property developments, including Beijing Oriental Plaza in the PRC and

Marina Bay Financial Centre in Singapore, was HK\$46 million (2012 – HK\$45 million), an increase of HK\$1 million when compared with the year ended 31 December 2012.

As at 31 December 2013, the total floor area under the Cheung Kong Group's property management was approximately 89 million square feet. The Cheung Kong Group was committed to providing high quality services to properties under its management.

### ***Infrastructure Business***

The Cheung Kong Group invested in infrastructure businesses through various joint ventures with parties including Cheung Kong Infrastructure Holdings Limited, Power Assets Holdings Limited and Li Ka Shing Foundation Limited.

The Cheung Kong Group's share of contribution from infrastructure businesses joint ventures for the year ended 31 December 2013 was HK\$1,602 million (2012 – HK\$839 million), an increase of HK\$763 million when compared with the year ended 31 December 2012, mainly attributable to a full year profit contribution from Wales & West Utilities Limited, of which the Cheung Kong Group took a 30% interest in the second half of 2012.

During the year ended 31 December 2013, the Cheung Kong Group completed the acquisition of a 35% interest in AVR-Afvalverwerking B.V., the largest energy-from-waste player in the Netherlands, while the Cheung Kong Group's 40% interest in Northumbrian Water Group Limited continued to provide steady contribution to group profit.

### ***Major Associates***

Hutchison, a listed associate of Cheung Kong, and its subsidiaries reported profit attributable to the Hutchison Shareholders for the year ended 31 December 2013 of HK\$31,112 million (for the year ended 31 December 2012 (restated) – HK\$25,897 million).

CK Life Sciences Int'l., (Holdings) Inc., another listed associate of Cheung Kong, and its subsidiaries reported profit attributable to the shareholders of CK Life Sciences Int'l., (Holdings) Inc. for the year ended 31 December 2013 of HK\$229 million (for the year ended 31 December 2012 – HK\$176.3 million).

### **Financial Review**

#### ***Liquidity and Financing***

The Cheung Kong Group monitored its liquidity requirements on a short to medium term basis and arranged refinancing of the Cheung Kong Group's borrowings as appropriate. During the year ended 31 December 2013, notes issued by the Cheung Kong Group in the total amount of HK\$1.3 billion were redeemed upon maturity.

During the year ended 31 December 2012, the Cheung Kong Group issued notes with a three-year term under the Euro Medium Term Note Programme in the amount of US\$500 million in Hong Kong.

As at 31 December 2013, the Cheung Kong Group's borrowings of bank loans, issued notes and other loans were HK\$29.1 billion, HK\$12.2 billion and HK\$0.6 billion respectively, and the total borrowings amounted to HK\$41.9 billion, a decrease of HK\$6.2 billion from 31 December 2012. As at 31 December 2013, the maturity profile was spread over a period of eight years, with HK\$2.4 billion repayable within one year, HK\$37.5 billion within two to five years and HK\$2 billion beyond five years. As at 31 December 2012, the maturity profile was spread over a period of nine years, with HK\$5.1 billion repayable within one year, HK\$38.5 billion within two to five years and HK\$4.5 billion beyond five years.

During the year ended 31 December 2013, the Cheung Kong Group issued perpetual securities in the amount of US\$500 million with an annual distribution rate of 5.375% and US\$74.7 million of these perpetual securities were subsequently purchased back and cancelled. With no fixed maturity, the remaining perpetual securities issued in the amount of US\$425.3 million are redeemable at the Cheung Kong Group's option on or after 24 January 2018 and are accounted for as equity in the financial statements. During the year ended 31 December 2012, the Cheung Kong Group also issued perpetual securities in the amount of HK\$1 billion with an annual distribution rate of 5.25% for the first five years and thereafter at the rate of 6.25%. With no fixed maturity, the perpetual securities were redeemable at the Cheung Kong Group's option on or after 9 July 2017 and were accounted for as equity in the financial statements.

The Cheung Kong Group's net debt to net total capital ratio as at 31 December 2013 was approximately 2.3% (2012 – 7.3%). Net debt is arrived at by deducting bank balances and deposits of HK\$33.2 billion from the total borrowings and net total capital is the aggregate of total equity and net debt.

With cash and marketable securities in hand as well as available banking facilities, the Cheung Kong Group's liquidity position remained strong and the Cheung Kong Group had sufficient financial resources to satisfy its commitments and working capital requirements.

### ***Treasury Policies***

The Cheung Kong Group maintained a conservative approach to foreign exchange exposure management and ensured that its exposure to fluctuations in foreign exchange rates was minimised. At times of interest rate or exchange rate uncertainty or volatility and when appropriate, hedging instruments including swaps and forwards were used in the management of exposure to interest rate and foreign exchange rate fluctuations.

The capital structure of the Cheung Kong Group consisted of debts, which include borrowings of bank loans, issued notes and other loans, and equity, comprising share capital, reserves, perpetual securities and non-controlling interests.

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

As at 31 December 2013, approximately 74.7% (2012 – 78.8%) of the Cheung Kong Group's borrowings were in HK\$ and US\$, with the balance in Euros, Pound Sterling and Singapore Dollars mainly for the purpose of financing investments and property projects in Europe, the United Kingdom and Singapore. The Cheung Kong Group derived its revenue mainly in HK\$ and maintained its cash balance mainly in HK\$. Income in foreign currencies, including RMB, Singapore Dollars, Pound Sterling and Euros, was also generated from the Cheung Kong Group's investments and property projects outside Hong Kong and cash in these foreign currencies is kept for business requirements.

As at 31 December 2013, approximately 86% of the Cheung Kong Group's foreign currency net investments in EUR, GBP and SGD were hedged by foreign currency borrowings and other hedging instruments.

As at 31 December 2012, approximately 78.8% of the Cheung Kong Group's borrowings were in HK\$ and US\$, with the balance in Pound Sterling and Singapore Dollars mainly for the purpose of financing investments and property projects in the United Kingdom and Singapore. The Cheung Kong Group derived its revenue mainly in HK\$ and cash was mainly held in HK\$. Income in foreign currencies, including RMB, Singapore Dollars and Pound Sterling, was also generated from the Cheung Kong Group's investments and property projects outside Hong Kong and cash in these foreign currencies was maintained for operational requirements. The Cheung Kong Group ensured that its exposure to fluctuations in foreign exchange rates was minimised.

As at 31 December 2012, approximately 80% of the Cheung Kong Group's foreign currency net investments in GBP and SGD were hedged by foreign currency borrowings and other hedging instruments.

#### ***Charges on Assets***

As at 31 December 2013, there was no charge on assets of the Cheung Kong Group (2012 – Nil).

#### ***Contingent Liabilities***

As at 31 December 2013, the Cheung Kong Group's contingent liabilities were as follows:

- (1) guarantee provided for the minimum share of revenue to be received by the partner of a joint development project amounted to HK\$600 million (2012 – HK\$612 million); and

- (2) guarantees provided for bank loans utilised by joint ventures and investee company amounted to HK\$875 million (2012 – HK\$1,281 million) and HK\$390 million (2012 – HK\$359 million) respectively.

### *Employees*

As at 31 December 2013, the Cheung Kong Group employed approximately 8,300 employees for its principal businesses. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$2,283 million. The Cheung Kong Group ensured that the pay levels of its employees were competitive and employees were rewarded on a performance related basis, together with reference to the profitability of the Cheung Kong Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Cheung Kong Group's salary and bonus system. The Cheung Kong Group did not have any share option scheme for employees.

As at 31 December 2012, the Cheung Kong Group employed approximately 8,900 employees for its principal businesses. The related employees' costs for the year ended 31 December 2012 (excluding directors' emoluments) amounted to approximately HK\$2,226 million. The Cheung Kong Group ensured that the pay levels of its employees were competitive and employees were rewarded on a performance related basis, together with reference to the profitability of the Cheung Kong Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Cheung Kong Group's salary and bonus system. The Cheung Kong Group did not have any share option scheme for employees.

**1. Financial Statements of Hutchison**

The audited consolidated financial statements of Hutchison for the financial years ended 31 December 2012 and 2013 are disclosed in the relevant annual reports of Hutchison. The audited consolidated financial statements of Hutchison for the financial year ended 31 December 2014 are disclosed in the 2014 Hutchison Results Announcement. All of the above financial reports have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and Hutchison ([www.hutchison-whampoa.com](http://www.hutchison-whampoa.com)).

**2. Management Discussion and Analysis on Hutchison**

Set out below is the management discussion and analysis on the Hutchison Group for the three years ended 31 December 2014. The information set out below has been extracted from the relevant annual reports of Hutchison and the 2014 Hutchison Results Announcement to provide further information relating to the financial condition and results of operations of the Hutchison Group during the periods stated. These extracted materials were prepared prior to the Latest Practicable Date and speak as of the date they were originally published.



**A. For the year ended 31 December 2014 (and as compared to the year ended 31 December 2013)**

**Operations Review**

*Consolidated Operating Results*

The Hutchison Group's operations comprise six core business divisions – ports and related services, property and hotels, retail, infrastructure, energy, and telecommunications.

Audited Results for the year ended 31 December 2014 Highlights

	<b>2014</b>	2013	Change
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	
Total Revenue <sup>(1)</sup>	<b>421,472</b>	412,933	+2%
EBITDA <sup>(1)</sup>	<b>98,873</b>	95,647	+3%
EBIT <sup>(1)</sup>	<b>65,713</b>	64,597	+2%
Profit attributable to ordinary shareholders, before property revaluation and profits on disposal of investments and others	<b>32,008</b>	31,028	+3%
Property revaluation, after tax	<b>25,100</b>	32	+78,338%
Profits on disposal of investments and others, after tax <sup>(2)</sup>	<b>10,048</b>	52	+19,223%
Profit attributable to ordinary shareholders	<b>67,156</b>	31,112	+116%
Earnings per share	<b>HK\$15.75</b>	HK\$7.30	+116%
Recurring earnings per share <sup>(3)</sup>	<b>HK\$7.51</b>	HK\$7.28	+3%
Second interim/Final dividend per share	<b>HK\$1.755</b>	HK\$1.700	+3.2%
Full year dividend per share <sup>(4)</sup>	<b>HK\$2.415</b>	HK\$2.300	+5.0%
Special dividend per share	<b>HK\$7.000</b>	–	N/A

The Hutchison Group reported total revenue, including the Hutchison Group's share of associated companies' and joint ventures' revenue, of HK\$421,472 million, an increase of 2% compared to 2013. EBITDA and EBIT, before property revaluation and profits on disposal of investments and others, were HK\$98,873 million and HK\$65,713 million, increases of 3% and 2% respectively compared to 2013.

Total recurring profit attributable to ordinary shareholders, before property revaluation and profits on disposal of investments and others, after tax for the year was HK\$32,008 million, a 3% increase compared to 2013's profit of HK\$31,028 million.

Profits on disposal of investments and others, after tax in 2014 of HK\$10,048 million comprise the Hutchison Group's share of the gain arising from Power Assets Holdings Limited ("Power Assets")'s separate listing of its Hong Kong electricity business of HK\$16,066 million, as well as the marked-to-market gain of HK\$1,748 million on Cheung

Kong Infrastructure Holdings Limited (“CKI”)’s investment in Australian Gas Networks Limited (“AGN”) (formerly known as Envestra Limited) realised upon the disposal of its interest in AGN to a joint venture with Cheung Kong and Power Assets on the AGN acquisition. These profits were partly offset by:

- provisions relating to the restructuring of 3 Ireland on acquisition of O<sub>2</sub> Ireland amounting to HK\$3,388 million;
- Hutchison Telecommunications (Australia) (“HTAL”)’s 50% share of Vodafone Hutchison Australia (“VHA”) operating losses of HK\$1,732 million;
- the Hutchison Group’s share of Husky’s impairment charge on certain crude oil and natural gas assets of HK\$1,413 million;
- provisions of HK\$652 million on the impairment of goodwill and store closure of the Marionnaud businesses to exit Poland and downsize operations in Portugal and Spain; and
- impairment charges on certain ports assets and related provisions of HK\$581 million.

This compares to a reported profits on disposal of investments and others, after tax of HK\$52 million in 2013.

Investment property revaluation after tax for the year was HK\$25,100 million as compared to HK\$32 million for 2013.

Profit attributable to ordinary shareholders reported for the year was HK\$67,156 million as compared to HK\$31,112 million in 2013, after the property revaluation and one-time items mentioned above.

*Note 1:* Total revenue, earnings before interest expenses and other finance costs, tax, depreciation and amortisation (“EBITDA”) and earnings before interest expenses and other finance costs and tax (“EBIT”), interest expenses and other finance costs and tax include the Hutchison Group’s proportionate share of associated companies’ and joint ventures’ respective items. Total revenue, EBITDA and EBIT were adjusted to exclude the non-controlling interests’ share of results of HPH Trust. See Note 5 to the FY2014 accounts on the details of the adjustments.

*Note 2:* See Note 6 to the FY2014 accounts on the details of the profits on disposal of investments and others, after tax for 2014 and 2013.

*Note 3:* Recurring earnings per share is calculated based on profits attributable to ordinary shareholders before property revaluation, after tax and profits on disposal of investments and others, after tax.

*Note 4:* Exclude special dividend per share of HK\$7.00 in 2014.

*Financial Performance Summary*

	2014 <i>HK\$ millions</i>	%	2013 <i>HK\$ millions</i>	%	Change
<b>Total Revenue<sup>(1)</sup></b>					
Ports and related services	<b>35,624</b>	<b>8%</b>	34,119	8%	+4%
<i>Hutchison Ports Group other than HPH Trust</i>	32,841	8%	31,360	7%	+5%
<i>HPH Trust<sup>(1)</sup></i>	2,783	–	2,759	1%	+1%
Property and hotels	<b>16,069</b>	<b>4%</b>	24,264	6%	-34%
Retail	<b>157,397</b>	<b>37%</b>	149,147	36%	+6%
Cheung Kong Infrastructure	<b>45,419</b>	<b>11%</b>	42,460	10%	+7%
Husky	<b>57,368</b>	<b>14%</b>	59,481	14%	-4%
3 Group Europe	<b>65,623</b>	<b>16%</b>	61,976	15%	+6%
Hutchison Telecommunications					
Hong Kong Holdings	<b>16,296</b>	<b>4%</b>	12,777	3%	+28%
Hutchison Asia					
Telecommunications	<b>5,757</b>	<b>1%</b>	6,295	2%	-9%
Finance & Investments and Others	<b>21,919</b>	<b>5%</b>	22,414	6%	-2%
<i>Finance &amp; Investments</i>	2,366	–	2,321	1%	+2%
<i>Others</i>	19,553	5%	20,093	5%	-3%
<b>Total Reported Revenue</b>	<b>421,472</b>	<b>100%</b>	412,933	100%	+2%
<b>EBITDA<sup>(1)</sup></b>					
Ports and related services	<b>12,133</b>	<b>12%</b>	11,447	12%	+6%
<i>Hutchison Ports Group other than HPH Trust</i>	10,722	11%	10,060	11%	+7%
<i>HPH Trust<sup>(1)</sup></i>	1,411	1%	1,387	1%	+2%
Property and hotels	<b>9,998</b>	<b>10%</b>	13,995	15%	-29%
Retail	<b>15,549</b>	<b>16%</b>	14,158	15%	+10%
Cheung Kong Infrastructure	<b>24,483</b>	<b>25%</b>	22,841	24%	+7%
Husky	<b>14,410</b>	<b>14%</b>	14,779	15%	-2%
3 Group Europe	<b>15,598</b>	<b>16%</b>	12,671	13%	+23%
Hutchison Telecommunications					
Hong Kong Holdings	<b>2,780</b>	<b>3%</b>	2,758	3%	+1%
Hutchison Asia					
Telecommunications	<b>(278)</b>	–	819	1%	-134%
Finance & Investments and Others	<b>4,200</b>	<b>4%</b>	2,179	2%	+93%
<i>Finance &amp; Investments</i>	3,691	4%	2,808	3%	+31%
<i>Others</i>	509	–	(629)	-1%	+181%
<b>Reported EBITDA before profits on disposal of investments &amp; others and property revaluation</b>	<b>98,873</b>	<b>100%</b>	95,647	100%	+3%

## APPENDIX II

## FINANCIAL INFORMATION OF HUTCHISON

	2014		2013		
	<i>HK\$ millions</i>	%	<i>HK\$ millions</i>	%	Change
<b>EBIT<sup>(1)</sup></b>					
Ports and related services	<b>7,944</b>	<b>12%</b>	7,358	12%	+8%
<i>Hutchison Ports Group other than HPH Trust</i>	7,132	11%	6,573	11%	+9%
<i>HPH Trust<sup>(1)</sup></i>	812	1%	785	1%	+3%
Property and hotels	<b>9,661</b>	<b>15%</b>	13,659	21%	-29%
Retail	<b>13,023</b>	<b>20%</b>	11,771	18%	+11%
Cheung Kong Infrastructure	<b>18,215</b>	<b>28%</b>	17,528	27%	+4%
Husky	<b>6,324</b>	<b>10%</b>	7,208	11%	-12%
3 Group Europe	<b>6,892</b>	<b>10%</b>	4,856	8%	+42%
Hutchison Telecommunications					
Hong Kong Holdings	<b>1,380</b>	<b>2%</b>	1,367	2%	+1%
Hutchison Asia					
Telecommunications	<b>(1,465)</b>	<b>-2%</b>	(409)	-1%	-258%
Finance & Investments and					
Others	<b>3,739</b>	<b>5%</b>	1,259	2%	+197%
<i>Finance &amp; Investments</i>	3,691	5%	2,808	4%	+31%
<i>Others</i>	48	-	(1,549)	-2%	+103%
	<hr/>		<hr/>		
<b>Reported EBIT before profits on disposal of investments &amp; others and property revaluation</b>	<b>65,713</b>	<b>100%</b>	64,597	100%	+2%
Interest expenses and other finance costs <sup>(1)</sup>	<b>(14,324)</b>		(14,159)		-1%
	<hr/>		<hr/>		
Profit before tax	<b>51,389</b>		50,438		+2%
Tax <sup>(1)</sup>					
Current tax	<b>(10,932)</b>		(10,972)		-
Deferred tax	<b>1,422</b>		(770)		+285%
	<hr/>		<hr/>		
	<b>(9,510)</b>		(11,742)		+19%
	<hr/>		<hr/>		
Profit after tax	<b>41,879</b>		38,696		+8%
Non-controlling interests and perpetual capital securities holders' interests	<b>(9,871)</b>		(7,668)		-29%
	<hr/>		<hr/>		
<b>Profit attributable to ordinary shareholders, before profits on disposal of investments &amp; others and property revaluation</b>	<b>32,008</b>		31,028		+3%
Property revaluation, after tax	<b>25,100</b>		32		+78,338%
Profits on disposal of investments & others, after tax <sup>(2)</sup>	<b>10,048</b>		52		+19,223%
	<hr/>		<hr/>		
<b>Profit attributable to ordinary shareholders</b>	<b>67,156</b>		31,112		+116%
	<hr/> <hr/>		<hr/> <hr/>		

*Ports and Related Services*

This division is one of the world's leading port investors, developers and operators, and has interests in 52 ports comprising 282 operational berths in 26 countries.

The Hutchison Group operates container terminals in five of the 10 busiest container ports in the world. The division comprises the Hutchison Group's 80% interest in the Hutchison Ports group of companies and its 27.62% interest in the HPH Trust, which together handled a total of 82.9 million twenty-foot equivalent units ("TEUs") in 2014.

	2014	2013		Change in Local Currency
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change	
Total Revenue <sup>(1)</sup>	<b>35,624</b>	34,119	+4%	+6%
EBITDA <sup>(1)</sup>	<b>12,133</b>	11,447	+6%	+7%
EBIT <sup>(1)</sup>	<b>7,944</b>	7,358	+8%	+9%
Throughput (million TEUs)	<b>82.9</b>	78.3	+6%	

*Note 1:* Total revenue, EBITDA and EBIT have been adjusted to exclude non-controlling interests' share of results of HPH Trust.

This division contributed 8%, 12% and 12% respectively to the total revenue, EBITDA and EBIT of the Hutchison Group's businesses.

Overall throughput increased 6% to 82.9 million TEUs in 2014, reflecting market growth in most geographical locations during the year, partly offset by reduced volumes in Mexico due to intense competition.

Total revenue increased 4% to HK\$35,624 million in 2014 primarily driven by higher contributions from Europe Container Terminals ("ECT") in Rotterdam, ports in the UK, Shanghai, Panama, and the developing ports in Sydney and Brisbane in Australia, partly offset by the lower revenue contribution from reduced throughput of ports in Indonesia and Mexico, as well as adverse foreign exchange movements.

EBITDA for the division improved by 6% to HK\$12,133 million, largely driven by the throughput growth previously mentioned, together with the continued focus on productivity and efficiency initiatives. The growth in EBIT, which increased 8% to HK\$7,944 million in 2014, was higher relative to the increase in EBITDA as the lower increase in depreciation charges in 2014 was attributable to the accelerated depreciation that was recognised against certain assets at London Thamesport in 2013, partly offset by higher charges from the expanded facilities in Mexico and Panama, as well as from the new start-up ports at Barcelona, Spain and in Brisbane and Sydney in Australia.

*Segment Performance*HPH Trust

	<b>2014</b>	2013	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue <sup>(2)</sup>	<b>2,783</b>	2,759	+1%
EBITDA <sup>(2)</sup>	<b>1,411</b>	1,387	+2%
EBIT <sup>(2)</sup>	<b>812</b>	785	+3%
Throughput (million TEUs)	<b>24.7</b>	23.4	+6%

Note 2: Total revenue, EBITDA and EBIT have been adjusted to exclude non-controlling interests' share of results of HPH Trust.

Throughput of the ports operated by HPH Trust increased by 6% during 2014. However, the Hutchison Group's share of revenue of HPH Trust increased only by 1%, reflecting the disposal of an effective 60% interest in Asia Container Terminals Holdings Limited ("ACT HK") in March 2014. The Hutchison Group's share of EBITDA and EBIT increased 2% and 3% respectively in 2014, primarily attributable to the gain on HPH Trust's disposal of an effective 60% interest in ACT HK in 2014, partly offset by the higher labour and other operating costs.

In March 2014, HPH Trust divested 60% of its equity interest in ACT HK, located at Terminal 8 in Hong Kong's Kwai Tsing Port to COSCO Pacific Limited (40%) and China Shipping Terminal Development (Hong Kong) Company Limited (20%). HPH Trust retains an effective interest of 40% in ACT HK.

Mainland China and Other Hong Kong

	<b>2014</b>	2013		Change in
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change	Local Currency
Total Revenue	<b>2,479</b>	2,267	+9%	+10%
EBITDA	<b>1,202</b>	1,167	+3%	+4%
EBIT	<b>838</b>	823	+2%	+3%
Throughput (million TEUs)	<b>14.0</b>	12.7	+10%	

The improvement in performance from Mainland China and other Hong Kong segment was mainly due to the growth in contributions from the division's ports in Shanghai, Ningbo and Xiamen that have acquired new services, partly offset by diversion of cargo through road transport resulting in reduced feeder service volumes at Shantou and higher operating costs.

Europe

	<b>2014</b>	2013		Change in
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change	Local Currency
Total Revenue	<b>12,366</b>	11,440	+8%	+7%
EBITDA	<b>3,214</b>	2,864	+12%	+10%
EBIT	<b>1,989</b>	1,642	+21%	+19%
Throughput (million TEUs)	<b>16.0</b>	15.1	+6%	

The better performances of the Europe segment reflected the continuing recovery of the global economy, driving higher import and export volumes and higher proportion of local throughput mix in ECT Rotterdam in the Netherlands, the ports in the UK as well as at Barcelona Europe South Terminal (“BEST Barcelona”). The increase in EBIT also reflects the accelerated depreciation against certain assets at London Thamesport that was recognised in 2013, partly offset by the full year depreciation impact of the new terminal at BEST Barcelona.

Asia, Australia and Others

	<b>2014</b>	2013		Change in
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change	Local Currency
Total Revenue	<b>17,002</b>	16,638	+2%	+6%
EBITDA	<b>6,009</b>	5,852	+3%	+5%
EBIT	<b>4,262</b>	4,224	+1%	+3%
Throughput (million TEUs)	<b>28.2</b>	27.1	+4%	

The improved contribution from the Asia, Australia and others segment reflected higher contributions from all major ports except for Mexico, Jakarta in Indonesia and the start-up losses of the Australian ports. Due to the Initial Public Offering of Westports Holdings Bhd. on the Malaysia Stock Exchange in October 2013, the Hutchison Group’s share of results of the Malaysian port operations reduced from 31.45% to 23.55%.

***Property and Hotels***

The Hutchison Group’s property and hotels division includes an investment property portfolio of office, commercial, industrial and residential premises, mainly residential property development in the Mainland and overseas, and interests in 11 premium quality hotels.

The division’s attributable interest in the investment property portfolio consists of 11.8 million square feet of rental properties located in Hong Kong and 1.5 million square feet in the Mainland and overseas. The division also holds interests in joint ventures for the development of high quality, mainly residential projects with an attributable interest in a landbank of approximately 78 million developable square feet, primarily in the Mainland. In

addition, the Hutchison Group's portfolio of 11 premium quality hotels with over 8,500 rooms, in which the Hutchison Group's average effective interest is approximately 63% based on room numbers.

	2014	2013		Change in
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change	Local Currency
Total Revenue	<b>16,069</b>	24,264	-34%	-33%
EBITDA	<b>9,998</b>	13,995	-29%	-28%
EBIT	<b>9,661</b>	13,659	-29%	-29%

This division contributed 4%, 10% and 15% respectively of the Hutchison Group's total revenue, EBITDA and EBIT.

The division's reduced performance in 2014 was primarily due to lower development sales in the Mainland, partly offset by stable growth in both investment properties and the hotels operations.

The Hutchison Group recorded an increase in fair value of its investment properties, after tax and non-controlling interests, of HK\$25,100 million in 2014 (2013: HK\$32 million).

### *Segment Performance*

#### *Investment Properties*

Gross rental income, including the share of rental income from the commercial premises in our hotels, increased 6% compared with 2013, mainly due to higher rental renewal rates. The Hutchison Group's attributable interest in the rental properties portfolio of approximately 13.3 million square feet comprise office (27%), commercial (26%), industrial (46%) and residential (1%) rental properties. The Hutchison Group's investment properties overall generated a 6.1% yield on their carrying value of approximately HK\$73,600 million.

#### Hong Kong

The Hutchison Group's attributable interest in the rental properties in Hong Kong total approximately 11.8 million square feet (2013: 11.8 million square feet) including properties held by associates and joint ventures. Gross rental income of HK\$4,098 million (2013: HK\$3,780 million) represents an 8% growth compared with 2013 and reflects higher lease renewal rates. All of the Hutchison Group's Hong Kong rental properties are substantially let.



The Mainland and Overseas

The Hutchison Group's various joint ventures in the Mainland and overseas hold investment properties totalling 3.5 million square feet, of which the Hutchison Group's share is 1.5 million square feet (2013: 2.2 million square feet). The Hutchison Group's share of gross rental income from these properties was HK\$434 million (2013: HK\$479 million), 9% lower than 2013, mainly due to the disposal of Guangzhou Metropolitan Plaza in 2013.

*Development Properties and Gains on Property Disposals*

Development profits and gains on disposal of properties contributed HK\$5,022 million to the Hutchison Group's EBITDA in 2014 (2013: HK\$8,774 million). With the aggressive discounting in various Mainland cities, the division has reported slower sales volume. However, average selling prices of the division have maintained at a level which ensured delivery of a healthy margin from its premium properties.

The division completed residential and commercial properties with an attributable gross floor area of approximately 4.9 million square feet and recognised sales on an attributable share of gross floor area amounting to 3.4 million square feet in 2014, representing decreases of 45% and 56% respectively compared to 2013. The corresponding revenue from recognised sales, including the Hutchison Group's attributable share of revenue from associated companies and joint ventures, decreased by 55% to HK\$6,845 million in 2014 due to reasons mentioned above.

The Hutchison Group's current attributable landbank is approximately 78 million square feet, of which 97% is in the Mainland (at an average land cost of RMB238 per square foot or approximately HK\$298 per square foot) and 3% in the UK and Singapore. This landbank comprises 38 projects in 21 cities and is planned to be developed in a phased manner over several years.

The Hutchison Group also recognised gains on the disposal of its interest in certain properties held as long term investment in Hong Kong and its interest in the Shanghai Oriental Financial Center.

The Mainland

Of the Hutchison Group's attributable share of approximately 4.9 million square feet of development completed in 2014, approximately 4.7 million square feet were completed in the Mainland. In light of the weak property market, the Hutchison Group has strategically timed both completion and new sales launches for certain projects pending an improvement in market sentiment.

The Hutchison Group's share of recognised sales of residential and commercial development properties, net of business tax, decreased 60% to HK\$5,602 million, and the corresponding development profits contributed HK\$1,503 million to the Hutchison Group's EBITDA during the year, 71% lower than 2013.

The average selling price of residential properties relating to recognised sales was HK\$1,715 per square foot (2013: HK\$1,636 per square foot). The Hutchison Group's average land cost relating to the recognised sales of residential properties in 2014 was approximately HK\$281 per square foot (2013: HK\$227 per square foot). The Hutchison Group's average construction cost and average professional, marketing, funding and other costs amounted to approximately HK\$529 per square foot and HK\$412 per square foot respectively (2013: HK\$533 per square foot and HK\$311 per square foot respectively).

	<b>2014</b>	2013	Change
<b>Total Attributable Sales Value (HK\$ millions)</b>			
<b>Recognised Sales*</b>	<b>5,602</b>	14,172	-60%
– of which relates to residential property	4,991	10,830	-54%
<b>ASP^ of residential property (HK\$/sq ft)</b>	<b>1,715</b>	1,636	+5%
<b>Contracted Sales*</b>	<b>6,988</b>	14,149	-51%
– of which relates to residential property	5,980	11,122	-46%
<b>ASP^ of residential property (HK\$/sq ft)</b>	<b>1,759</b>	1,861	-5%
<b>Total Attributable Sales in GFA ('000 sq ft)</b>			
<b>Presold Property b/f</b>	<b>1,558</b>	2,321	
<b>Recognised Sales in GFA</b>	<b>3,228</b>	7,748	-58%
– of which relates to residential property (2014: 4,150 units; 2013: 9,885 units)	3,085	7,041	-56%
<b>Contracted Sales in GFA</b>	<b>3,893</b>	6,985	-44%
– of which relates to residential property (2014: 4,835 units; 2013: 8,819 units)	3,602	6,354	-43%
<b>Presold Property c/f#</b>	<b>2,223</b>	1,558	

\* Net of business tax

^ Average selling price ("ASP") is stated inclusive of business tax.

# Presold property value (net of business tax) of HK\$4,415 million and HK\$3,028 million at the end of 2014 and 2013 respectively.

### Hotels

The Hutchison Group has interests in 11 hotels in Hong Kong, the Mainland and the Bahamas, of which eight are managed through its 50% owned hotel management joint venture. In 2014, the hotel operations recorded total revenue of HK\$3,298 million, or a 9% increase when compared to 2013. EBITDA and EBIT, including the results of hotel

commercial properties, increased by 1% and 2% to HK\$1,301 million and HK\$1,061 million respectively, when compared to 2013. The increases are mainly due to improved operation result in the Bahamas, partly offset by adverse performance of the Mainland hotels.

The Hutchison Group's attributable share of gross floor area of 1.9 million square foot in the eight hotels in Hong Kong, generated an average attributable hotel operating profit ("HOP")<sup>(1)</sup> of HK\$36 per square foot per month (ranging from HK\$12 per square foot per month to HK\$71 per square foot per month), and a 20.1% EBIT yield on its attributable carrying value of these hotels of approximately HK\$3,581 million. Total average hotel rooms occupancy rate is 94% in Hong Kong.

*Note 1:* HOP represents EBITDA after depreciation of furniture, fixtures and equipment.

### ***Retail***

The retail division consists of the A S Watson group of companies, the world's largest health and beauty retailer in terms of store numbers.

A S Watson currently operates 13 retail brands with over 11,400 stores in 24 markets worldwide, providing high quality personal care, health and beauty products; food and fine wines; as well as consumer electronics and electrical appliances. A S Watson also manufactures and distributes various bottled waters and other beverages in Hong Kong and the Mainland.

	<b>2014</b>	2013		Change in
	<b>HK\$ millions</b>	HK\$ millions	Change	Local Currency
Total Revenue	<b>157,397</b>	149,147	+6%	+6%
EBITDA	<b>15,549</b>	14,158	+10%	+12%
EBIT	<b>13,023</b>	11,771	+11%	+13%
Total Store Numbers	<b>11,435</b>	10,581	+8%	

The retail division contributed 37%, 16% and 20% respectively to the total revenue, EBITDA and EBIT of the Hutchison Group's businesses.

Before taking into account of the gain on disposal of the airport concession operation of HK\$350 million in July 2014 and the foreign currency transaction impact, total revenue, EBITDA and EBIT of the Hutchison Group's retail businesses grew by 6%, 9% and 10% respectively in 2014.

Revenue growth was strong across all Health and Beauty subdivisions, which was supported by increased store numbers and year-on-year comparable store sales growth.

	2014	2013		Change in Local Currency
<b>Total Revenue</b>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change	
Health & Beauty China	<b>20,408</b>	17,962	+14%	+14%
Health & Beauty Asia	<b>20,843</b>	19,713	+6%	+8%
<b>Health &amp; Beauty China &amp; Asia Subtotal</b>	<b>41,251</b>	37,675	+9%	+11%
Health & Beauty Western Europe	<b>64,505</b>	60,469	+7%	+6%
Health & Beauty Eastern Europe	<b>14,348</b>	13,518	+6%	+13%
<b>Health &amp; Beauty Subtotal</b>	<b>120,104</b>	111,662	+8%	+9%
Other Retail <sup>(1)</sup>	<b>37,293</b>	37,485	-1%	-
<b>Total Retail</b>	<b>157,397</b>	149,147	+6%	+6%
– Asia	78,544	75,099	+5%	+5%
– Europe	78,853	74,048	+6%	+7%
<b>Comparable Store Sales Growth (%)<sup>(2)</sup></b>			<b>2014</b>	2013
Health & Beauty China			<b>+3.9%</b>	+0.6%
Health & Beauty Asia			<b>+4.6%</b>	+4.9%
<b>Health &amp; Beauty China &amp; Asia Subtotal</b>			<b>+4.3%</b>	+3.1%
Health & Beauty Western Europe			<b>+3.1%</b>	+2.8%
Health & Beauty Eastern Europe			<b>+2.5%</b>	+3.2%
<b>Health &amp; Beauty Subtotal</b>			<b>+3.4%</b>	+2.9%
Other Retail <sup>(1)</sup>			<b>-1.9%</b>	-0.3%
<b>Total Retail</b>			<b>+2.3%</b>	+2.2%
– Asia			<b>+1.4%</b>	+1.4%
– Europe			<b>+3.0%</b>	+2.9%

Note 1: Other Retail includes PARKnSHOP, Fortress, Watson's Wine, and manufacturing operations for water and beverage businesses.

Note 2: Comparable store sales growth represents the percentage change in revenue contributed by stores which, as at the first day of the relevant financial year (a) have been operating for over 12 months and (b) have not undergone major resizing within the previous 12 months.

**APPENDIX II**
**FINANCIAL INFORMATION OF HUTCHISON**

Store Numbers	2014	2013	Change
Health & Beauty China	<b>2,088</b>	1,693	+23%
Health & Beauty Asia	<b>1,940</b>	<u>1,864</u>	+4%
<b>Health &amp; Beauty China &amp; Asia Subtotal</b>	<b>4,028</b>	3,557	+13%
Health & Beauty Western Europe	<b>4,868</b>	4,710	+3%
Health & Beauty Eastern Europe	<b>2,027</b>	<u>1,781</u>	+14%
<b>Health &amp; Beauty Subtotal</b>	<b>10,923</b>	10,048	+9%
Other Retail <sup>(3)</sup>	<b>512</b>	<u>533</u>	-4%
<b>Total Retail</b>	<b>11,435</b>	10,581	+8%
– Asia	4,540	4,090	+11%
– Europe	6,895	6,491	+6%

Note 3: Other Retail includes PARKnSHOP, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

	2014	2013	Change	Change in Local Currency
EBITDA	HK\$ millions	HK\$ millions		
Health & Beauty China	<b>4,179</b>	3,567	+17%	+18%
Health & Beauty Asia	<b>1,865</b>	<u>1,779</u>	+5%	+8%
<b>Health &amp; Beauty China &amp; Asia Subtotal</b>	<b>6,044</b>	5,346	+13%	+15%
Health & Beauty Western Europe	<b>5,709</b>	5,168	+10%	+12%
Health & Beauty Eastern Europe	<b>1,900</b>	<u>1,703</u>	+12%	+17%
<b>Health &amp; Beauty Subtotal</b>	<b>13,653</b>	12,217	+12%	+14%
Other Retail <sup>(4)</sup>	<b>1,546</b>	<u>1,941</u>	-20%	-20%
<b>EBITDA before one-off</b>	<b>15,199</b>	14,158	+7%	+9%
Gain on disposal of airport concession operation	<b>350</b>	–	+100%	+100%
<b>EBITDA – Total Retail</b>	<b>15,549</b>	14,158	+10%	+12%
– Asia	7,940	7,290	+9%	+10%
– Europe	7,609	6,868	+11%	+13%

Note 4: Other Retail includes PARKnSHOP, Fortress, Watson's Wine, and manufacturing operations for water and beverage businesses.

The overall health and beauty subdivision continued to deliver strong performances in 2014 with an EBITDA growth of 12% (a 14% growth in local currency), which reflected competitive product offerings, improving margin management, operational efficiencies and the continuing focus on global own-brand and exclusive products. This strong performance was also supported by high quality new store openings with an average new store cash payback period of less than 10 months. The average capex per new store for the overall health and beauty subdivision was HK\$1.0 million in 2014.

### *Segment Performance*

#### Health and Beauty China

	<b>2014</b>	2013		Change in
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change	Local Currency
Total Revenue	<b>20,408</b>	17,962	+14%	+14%
EBITDA	<b>4,179</b>	3,567	+17%	+18%
EBIT	<b>3,758</b>	3,212	+17%	+18%
Total Store Numbers	<b>2,088</b>	1,693	+23%	
Comparable Store Sales Growth (%)	<b>+3.9%</b>	+0.6%		

The Watsons business continues to be the leading health & beauty retail chain in the Mainland and has delivered another excellent year of EBIT growth of 18% in local currency. Health and Beauty China increased its total number of stores by 395 during the year with an average new store cash payback period of less than 9 months and currently has more than 2,000 stores operating in 353 cities in the Mainland.

#### Health and Beauty Asia

	<b>2014</b>	2013		Change in
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change	Local Currency
Total Revenue	<b>20,843</b>	19,713	+6%	+8%
EBITDA	<b>1,865</b>	1,779	+5%	+8%
EBIT	<b>1,545</b>	1,470	+5%	+8%
Total Store Numbers	<b>1,940</b>	1,864	+4%	
Comparable Store Sales Growth (%)	<b>+4.6%</b>	+4.9%		

The Watsons business is the leading health and beauty retail chain in Asia with strong brand name recognition and extensive geographical coverage. The increased contributions were primarily from the Watsons businesses in Taiwan, Malaysia, Hong Kong, Thailand and the Philippines.

Health and Beauty Asia increased its total number of stores by 76 during the year achieving an average new store cash payback period of less than 12 months. The subdivision currently has more than 1,900 stores operating in 8 markets.

Health and Beauty Western Europe

	<b>2014</b>	2013		Change in Local Currency
	<i><b>HK\$ millions</b></i>	<i>HK\$ millions</i>	Change	
Total Revenue	<b>64,505</b>	60,469	+7%	+6%
EBITDA	<b>5,709</b>	5,168	+10%	+12%
EBIT	<b>4,671</b>	4,163	+12%	+14%
Total Store Numbers	<b>4,868</b>	4,710	+3%	
Comparable Store Sales Growth (%)	<b>+3.1%</b>	+2.8%		

Despite the difficult trading environment in Europe, the health and beauty businesses in Western Europe were able to grow their revenue during the year. This growth was mainly due to strong sales performances of the Rossmann joint venture in Germany and Kruidvat in the Benelux countries, as well as increased contributions from Savers and Superdrug in the UK.

Health and Beauty Western Europe added 158 stores during 2014 and currently operates more than 4,800 stores. The average new store cash payback period of this subdivision was around 12 months.

Health and Beauty Eastern Europe

	<b>2014</b>	2013		Change in Local Currency
	<i><b>HK\$ millions</b></i>	<i>HK\$ millions</i>	Change	
Total Revenue	<b>14,348</b>	13,518	+6%	+13%
EBITDA	<b>1,900</b>	1,703	+12%	+17%
EBIT	<b>1,613</b>	1,425	+13%	+18%
Total Store Numbers	<b>2,027</b>	1,781	+14%	
Comparable Store Sales Growth (%)	<b>+2.5%</b>	+3.2%		

In Eastern Europe, the health and beauty businesses reported strong growth mainly from the Rossmann joint venture in Poland, as well as the Watsons businesses in Turkey and Ukraine.

Health and Beauty Eastern Europe added 246 stores during 2014 and currently operates more than 2,000 stores in 8 markets. The average new store cash payback period in this subdivision was less than 16 months.

Other Retail

	2014	2013		Change in Local Currency
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change	
Total Revenue	<b>37,293</b>	37,485	-1%	–
EBITDA <sup>(5)</sup>	<b>1,546</b>	1,941	-20%	-20%
EBIT <sup>(5)</sup>	<b>1,086</b>	1,501	-28%	-28%
Total Store Numbers	<b>512</b>	533	-4%	
Comparable Store Sales Growth (%)	<b>-1.9%</b>	-0.3%		

Note 5: Exclude gain on disposal of airport concession operation in July 2014 of HK\$350 million.

This subdivision's reported total revenue, EBITDA and EBIT declined 1%, 20% and 28% respectively mainly due to the lower contributions from the PARKnSHOP operations and Fortress as both operations experienced keen competition in Hong Kong and additionally for Fortress due to lack of new product launches. Other Retail currently operates over 510 retail stores in 3 markets.

**Infrastructure**

The infrastructure division comprises the Hutchison Group's interest in Cheung Kong Infrastructure Holdings Limited ("CKI"), a leading investor in the infrastructure sectors in Hong Kong, the Mainland, the UK, the Netherlands, Australia, New Zealand and Canada.

As at 31 December 2014, the Hutchison Group held a 78.16%<sup>(1)</sup> interest in CKI, which contributed 11%, 25% and 28% respectively to the total revenue, EBITDA and EBIT of the Hutchison Group's businesses during the year.

	2014	2013	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>45,419</b>	42,460	+7%
EBITDA	<b>24,483</b>	22,841	+7%
EBIT	<b>18,215</b>	17,528	+4%

CKI is one of the largest publicly listed infrastructure companies on the SEHK, with diversified investments in energy infrastructure, transportation infrastructure, water infrastructure, waste management and infrastructure-related businesses.

CKI announced profit attributable to shareholders of HK\$31,782 million, an increase of 173% from 2013, primarily due to its share of the gain, after consolidation adjustments, arising from Power Assets separately listing its Hong Kong electricity business, by way of the listing of share stapled units jointly issued by HK Electric Investments and HK Electric Investments Limited (collectively as "HKEI") on the Main Board of the SEHK in January 2014. Power Assets currently holds 49.9% of HKEI.



CKI's total revenue, EBITDA and EBIT, after consolidation adjustments, increased by 7%, 7% and 4% in 2014 respectively, which excluded the gains reported within the Hutchison Group's "Profits on disposal of investments & others, after tax", relating to the IPO of HKEI and the marked-to-market gain on the AGN acquisition mentioned previously. CKI reported strong growth from the underlying operations, the full-year profit contribution from the business acquired in 2013 including Enviro Waste Services Limited in New Zealand, and AVR-Afvalverwerking BV ("AVR") in the Netherlands, as well as the accretive income of businesses acquired during 2014 as discussed below.

Power Assets, a company listed on the SEHK and in which CKI holds a 38.87% interest, announced profit attributable to shareholders of HK\$61,005 million, an increase of 446% compared to 2013's profit of HK\$11,165 million due to the gain on IPO of HKEI as well as the growth from its share of the results of AGN and AVR, partly offset by its reduced share of the results of the Hong Kong electricity business subsequent to the IPO of HKEI and deferred tax credits recorded in 2013 as result of a reduction in the UK corporate tax rate.

In July 2014, a CKI-led joint-venture with Cheung Kong completed the acquisition of Park'N Fly, the largest off-airport car park business in Canada for approximately C\$381 million (approximately HK\$2,720 million).

In October 2014, a CKI-led joint-venture with Cheung Kong and Power Assets completed its takeover bid for AGN, a distributor of natural gas in Australia, for a cash consideration of A\$1.32 per share. CKI, together with Power Assets currently owns approximately 72.5% of AGN.

In January 2015, a CKI-led joint-venture with Cheung Kong entered into an agreement to acquire Eversholt Rail Group ("Eversholt") in the UK. Eversholt is a major rolling stock operating company in the UK, leasing to train operators a diverse range of rolling stock including regional, commuter and high-speed passenger trains as well as freight locomotives and wagons on long-term contracts. The acquisition has an enterprise value of approximately £2,500 million (approximately HK\$29,300 million) and is expected to complete around April 2015.

*Note 1:* In January 2015, CKI completed a share placement and share subscription transaction that resulted in the Hutchison Group's interest in CKI reducing from 78.16% to 75.67%.

*Energy*

As at 31 December 2014, the energy division comprises of the Hutchison Group's 33.97% interest in Husky, an integrated energy company listed on the Toronto Stock Exchange.

	2014	2013		Change in
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change	Local Currency
Total Revenue	<b>57,368</b>	59,481	-4%	+3%
EBITDA	<b>14,410</b>	14,779	-2%	+5%
EBIT	<b>6,324</b>	7,208	-12%	-6%
Production (mboe/day)	<b>340.1</b>	312.0	+9%	

The energy division contributed 14%, 14% and 10% respectively to the total revenue, EBITDA and EBIT of the Hutchison Group's businesses.

Husky announced revenues, net of royalties, increased 3% to C\$24,092 million. Profit from operations attributable to shareholders decreased 31% to C\$1,258 million. Excluding the after tax impairment charges of C\$622 million and C\$204 million on certain crude oil and natural gas assets in 2014 and 2013 respectively, profit from operations attributable to shareholders decreased 8% to C\$1,880 million.

EBITDA of Husky increased 5% to C\$6,019 million, mainly due to increased crude oil and natural gas production with new production from the Liwan Gas Project and heavy oil thermal developments as well as higher averaged realised crude oil and natural gas prices; partially offset by lower refining margins and lower margins in commodity marketing. However, EBIT (before impairment charges) decreased 6% to C\$2,847 million mainly due to higher depreciation from increased production in 2014.

The Hutchison Group's share of EBITDA and EBIT, after translation into Hong Kong dollars and consolidation adjustments, but before the impairment charges mentioned above, decreased 2% and 12% respectively due to adverse foreign exchange movement.

In 2014, Husky's production averaged approximately 340,100 barrels of oil equivalent ("BOEs") per day, a 9% increase when compared to approximately 312,000 BOEs per day in 2013, primarily due to the commencement of natural gas production from the Liwan Gas Project; strong production performance from the heavy oil thermal developments (particularly the Sandall development which began crude oil production in the first quarter of the year) and increased production from the Ansell multi-zone liquids-rich resource play.

Aggregated dividends on common shares of C\$1,180 million relating to the fourth quarter of 2013 and the first three quarters of 2014 were declared during the year, of which C\$1,169 million and C\$11 million were paid in cash and common shares respectively. Cash received and receivable by the Hutchison Group from Husky's dividend amounted to C\$401 million or HK\$2,802 million in 2014.

Husky has delivered steady performance with its balanced growth and focused integration strategy in 2014. First gas from the Liwan 3-1 field of the Liwan Gas Project in the South China Sea achieved in March 2014 and the second gas field at Liuhua 34-2 was brought online in December 2014. Steam operations at Phase 1 of the Sunrise Energy Project commenced in December 2014. The first 30,000 barrels per day plant is expected to begin production towards the end of the first quarter of 2015 and the second 30,000 barrels per day plant is expected to commence production in late 2015. Production from Phase 1 of Sunrise Energy Project is expected to ramp up over a two-year period reaching peak production to 60,000 barrels per day (30,000 barrels per day net to Husky). The 3,500 barrels per day Sandall heavy oil thermal development commenced production in the first quarter of 2014 with strong production averaging 5,700 barrels per day in 2014.

The following projects which are currently in development will add about 85,000 net barrels per day by the end of 2016.

<b>Near-Term Projects</b>	<b>Business</b>	<b>First Production</b>	<b>Forecast Net Peak Production (barrels per day)</b>
Sunrise Energy Project Plant 1A	Oil Sands	Q1-2015	15,000 (mid-2016)
Sunrise Energy Project Plant 1B	Oil Sands	Q3-2015	15,000 (late 2016)
South White Rose Extension	Atlantic Region	Mid-2015	15,000
North Amethyst Hibernia well	Atlantic Region	Q3-2015	5,000
Rush Lake	Heavy Oil Thermal	Q3-2015	10,000
Edam East	Heavy Oil Thermal	Q3-2016	10,000
Edam West	Heavy Oil Thermal	Q4-2016	3,500
Vawn	Heavy Oil Thermal	Q4-2016	10,000

### *Telecommunications*

The Hutchison Group's telecommunications division consists of the 3 Group businesses in Europe ("3 Group Europe"), a 65.01% interest in Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), which is listed on the SEHK, Hutchison Asia Telecommunications ("HAT"), and an 87.87% interest in the Australian Securities Exchange listed HTAL. 3 Group Europe is a pioneer of high-speed mobile telecommunications and mobile broadband technologies with businesses in six countries across Europe. HTHKH holds the Hutchison Group's interests in mobile operations in Hong Kong and Macau, as well as fixed-line operations in Hong Kong. HAT holds the Hutchison Group's interests in the mobile operations in Indonesia, Vietnam and Sri Lanka. HTAL owns a 50% share in VHA.

3 Group Europe

	2014 <i>HK\$ millions</i>	2013 <i>HK\$ millions</i>	Change	Change in Local Currency
<b>Total Revenue</b>	<b>65,623</b>	61,976	+6%	+5%
– Net customer service revenue	<b>49,480</b>	45,536	+9%	+8%
– Handset revenue	<b>14,372</b>	15,062	-5%	
– Other revenue	<b>1,771</b>	1,378	+29%	
Net Customer Service Margin <sup>(1)</sup>	<b>39,714</b>	35,633	+11%	+11%
<i>Net customer service margin %</i>	<b>80%</b>	78%		
Other Margin	<b>1,008</b>	1,015	-1%	
Total CACs	<b>(21,514)</b>	(21,675)	+1%	
Less: Handset revenue	<b>14,372</b>	15,062	-5%	
Total CACs (net of handset revenue)	<b>(7,142)</b>	(6,613)	-8%	
Operating Expenses	<b>(17,982)</b>	(17,364)	-4%	
<i>Opex as a % of net customer   service margin</i>	<b>45%</b>	49%		
<b>EBITDA</b>	<b>15,598</b>	12,671	+23%	+23%
<i>EBITDA Margin %<sup>(2)</sup></i>	<b>30%</b>	27%		
Depreciation & Amortisation	<b>(8,706)</b>	(7,815)	-11%	
<b>EBIT</b>	<b>6,892</b>	4,856	+42%	+42%
Capex (excluding licence)	<b>(11,271)</b>	(10,176)	-11%	
EBITDA less Capex	<b>4,327</b>	2,495	+73%	
Licence <sup>(3)</sup>	<b>(38)</b>	(6,824)	+99%	

*Note 1:* Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

*Note 2:* EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

*Note 3:* Licence costs as at 31 December 2014 represent incidental costs in relation to licences acquired in the prior year.

3 Group Europe contributed 16%, 16% and 10% respectively to the total revenue, EBITDA and EBIT of the Hutchison Group's businesses.

3 Group Europe's registered customer base grew 11% during the year to total over 29.5 million at 31 December 2014, while the active base grew 13% to total over 25.0 million and represented an 85% activity level. The proportion of contract customers as a percentage of the registered customer base has decreased marginally from 59% in 2013 to 58% at the end of 2014. The revenue generated by contract customers accounted for approximately 84% of overall net customer service revenue, 3%-points lower than 2013 due to the higher contribution of the non-contract customers in the newly acquired businesses in Austria and Ireland and the increased focus on pre-paid non-contract customers in Italy during the year. Management continues to focus on managing churn and the average monthly customer churn rate of the contract customer base remained at 1.7% for a third consecutive year.

3 Group Europe's net ARPU decreased by 1% to €17.20 compared to 2013, primarily due to price competition in Italy and Denmark and the symmetrical interconnection rate reductions in various countries which has a minimal impact on net customer service margin. However, net customer service revenue increased 9% mainly due to the increase in active customers. Net AMPU increased by 1% to €13.82 mainly due to an increased proportion of higher margin data revenue, together with the enlarged customer base, resulted in an 11% net customer service margin increase.

3 Group Europe continued to capture market share in the smartphone and mobile data segments. The majority of the 3 Group Europe operations once again held a leading position in their respective country's smartphone and mobile broadband access segments during 2014. 4G (LTE) network rollouts continue to progress well providing good customer usage experiences at competitive prices.

At 31 December 2014, approximately 6.6 million customers, representing 22% of the total 3 Group Europe customer base, are mobile broadband access customers, in line with 2013. Contract smartphone customers acquired in 2014 represented around 41% of the total contract customers acquired during the year. Total data usage exceeded 605 petabytes in 2014, an increase of 57% compared to 2013. Data usage per active customer was approximately 25.4 gigabytes in 2014 compared to 18.2 gigabytes in 2013.

Total CACs, net of handset revenue in postpaid contract bundled plans, totalled HK\$7,142 million in 2014, 8% higher than in 2013, while operating expenses increased 4% to HK\$17,982 million.

EBITDA and EBIT growth reflected the enlarged customer base, improved net customer service margin, accretive contribution from 3 Ireland's acquisition of O<sub>2</sub> Ireland and continued realisation of post-merger cost synergies in 3 Austria.

3 Group Europe continued to maintain sustainable growth contributions under a prudent capex management strategy resulting in EBITDA less capex increasing 73% to HK\$4,327 million in 2014.

On 25 March 2015, the Hutchison Group entered into a share purchase agreement with Telefónica, SA to purchase O<sub>2</sub> UK, for an aggregate cash purchase price of £9.25 billion which is subject to adjustment and payable at completion, and deferred upside interest sharing payments of up to a further £1 billion in aggregate, payable after the cumulative cashflow of the combined businesses of 3 UK and O<sub>2</sub> UK has reached an agreed threshold.

*Key Business Indicators*

	Registered Customer Base					
	Registered Customers at 31 December 2014 ('000)			Registered Customer Growth (%) from 31 December 2013 to 31 December 2014		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
United Kingdom	4,225	6,061	<b>10,286</b>	+7%	+3%	<b>+5%</b>
Italy	4,977	5,063	<b>10,040</b>	-1%	+8%	<b>+4%</b>
Sweden	224	1,666	<b>1,890</b>	+40%	+9%	<b>+12%</b>
Denmark	374	752	<b>1,126</b>	+24%	+4%	<b>+10%</b>
Austria	1,101	2,501	<b>3,602</b>	+18%	–	<b>+5%</b>
Ireland <sup>(4)</sup>	1,429	1,164	<b>2,593</b>	+134%	+232%	<b>+170%</b>
<b>3 Group Europe Total</b>	<b>12,330</b>	<b>17,207</b>	<b>29,537</b>	<b>+12%</b>	<b>+10%</b>	<b>+11%</b>
	Active <sup>(5)</sup> Customer Base					
	Active Customers at 31 December 2014 ('000)			Active Customer Growth (%) from 31 December 2013 to 31 December 2014		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
United Kingdom	2,483	5,931	<b>8,414</b>	+12%	+4%	<b>+6%</b>
Italy	3,812	4,952	<b>8,764</b>	+4%	+9%	<b>+7%</b>
Sweden	134	1,666	<b>1,800</b>	+46%	+9%	<b>+11%</b>
Denmark	338	752	<b>1,090</b>	+21%	+4%	<b>+8%</b>
Austria	436	2,475	<b>2,911</b>	+22%	–	<b>+3%</b>
Ireland <sup>(6)</sup>	917	1,135	<b>2,052</b>	+287%	+265%	<b>+274%</b>
<b>3 Group Europe Total</b>	<b>8,120</b>	<b>16,911</b>	<b>25,031</b>	<b>+18%</b>	<b>+11%</b>	<b>+13%</b>

	2014	2013
Contract customers as a % of the total registered customer base	58%	59%
Contract customers' contribution to the net customer service revenue base (%)	84%	87%
Average monthly churn rate of the total contract registered customer base (%)	1.7%	1.7%
Active contract customers as a % of the total contract registered customer base	98%	98%
Active customers as a % of the total registered customer base	85%	83%

Note 4: Includes approximately 1.5 million registered customers added upon the acquisition of O<sub>2</sub> Ireland in July 2014.

Note 5: An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

Note 6: Includes approximately 1.5 million active customers added upon the acquisition of O<sub>2</sub> Ireland in July 2014.

**12-month Trailing Average Revenue per  
Active User<sup>(7)</sup> ("ARPU") to 31 December 2014**

	Prepaid	Postpaid	Blended Total	% Variance compared to 31 December 2013
United Kingdom	£5.30	£26.88	<b>£20.81</b>	–
Italy	€7.83	€18.23	<b>€13.57</b>	-8%
Sweden	SEK118.05	SEK300.00	<b>SEK287.37</b>	-3%
Denmark	DKK116.10	DKK169.25	<b>DKK153.60</b>	-11%
Austria	€8.22	€21.43	<b>€19.66</b>	-5%
Ireland	€16.47	€33.42	<b>€25.85</b>	-11%
<b>3 Group Europe Average</b>	<b>€8.53</b>	<b>€26.59</b>	<b>€20.86</b>	<b>-1%</b>

**12-month Trailing Net Average Revenue per  
Active User<sup>(8)</sup> ("Net ARPU") to 31 December 2014**

	Prepaid	Postpaid	Blended Total	% Variance compared to 31 December 2013
United Kingdom	£5.30	£18.91	<b>£15.08</b>	–
Italy	€7.83	€18.23	<b>€13.57</b>	-8%
Sweden	SEK118.05	SEK216.11	<b>SEK209.30</b>	-1%
Denmark	DKK116.10	DKK156.03	<b>DKK144.27</b>	-10%
Austria	€8.22	€17.63	<b>€16.37</b>	-7%
Ireland	€16.47	€29.75	<b>€23.82</b>	-1%
<b>3 Group Europe Average</b>	<b>€8.53</b>	<b>€21.24</b>	<b>€17.20</b>	<b>-1%</b>

**12-month Trailing Net Average Margin per  
Active User<sup>(9)</sup> (“Net AMPU”) to 31 December 2014**

	Prepaid	Postpaid	Blended Total	% Variance compared to 31 December 2013
United Kingdom	£4.57	£15.02	<b>£12.09</b>	–
Italy	€6.10	€13.84	<b>€10.37</b>	-5%
Sweden	SEK93.54	SEK185.22	<b>SEK178.86</b>	+2%
Denmark	DKK99.31	DKK136.41	<b>DKK125.48</b>	-9%
Austria	€7.09	€14.47	<b>€13.49</b>	–
Ireland	€12.50	€25.05	<b>€19.45</b>	+3%
<b>3 Group Europe Average</b>	<b>€6.87</b>	<b>€17.05</b>	<b>€13.82</b>	<b>+1%</b>

*Note 7:* ARPU equals total monthly revenue, including incoming mobile termination revenue and contributions for a handset/device in postpaid contract bundled plans, divided by the average number of active customers during the year.

*Note 8:* Net ARPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in postpaid contract bundled plans, divided by the average number of active customers during the year.

*Note 9:* Net AMPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in postpaid contract bundled plans, less direct variable costs (including interconnection charges and roaming costs) (i.e. net customer service margin), divided by the average number of active customers during the year.



United Kingdom

	<b>2014</b>	2013	
	<i>GBP millions</i>	<i>GBP millions</i>	Change
<b>Total Revenue</b>	<b>2,063</b>	2,044	+1%
– Net customer service revenue	<b>1,459</b>	1,376	+6%
– Handset revenue	<b>577</b>	645	-11%
– Other revenue	<b>27</b>	23	+17%
Net Customer Service Margin	<b>1,169</b>	1,095	+7%
<i>Net customer service margin %</i>	<b>80%</b>	80%	
Other Margin	<b>10</b>	15	-33%
Total CACs	<b>(807)</b>	(917)	+12%
Less: Handset revenue	<b>577</b>	645	-11%
Total CACs (net of handset revenue)	<b>(230)</b>	(272)	+15%
Operating Expenses	<b>(402)</b>	(421)	+5%
<i>Opex as a % of net customer service margin</i>	<b>34%</b>	38%	
<b>EBITDA</b>	<b>547</b>	417	+31%
<i>EBITDA Margin %</i>	<b>37%</b>	30%	
Depreciation & Amortisation	<b>(233)</b>	(210)	-11%
<b>EBIT</b>	<b>314</b>	207	+52%
Capex (excluding licence)	<b>(322)</b>	(271)	-19%
EBITDA less Capex	<b>225</b>	146	+54%
Licence	<b>(1)</b>	(238)	+100%
	<b>2014</b>	2013	
Total registered customer base (millions)	<b>10.3</b>	9.8	
Total active customer base (millions)	<b>8.4</b>	7.9	
Contract customers as a % of the total registered customer base	<b>59%</b>	60%	
Contract customers' contribution to the net customer service revenue base (%)	<b>90%</b>	89%	
Average monthly churn rate of the total contract registered customer base (%)	<b>1.6%</b>	1.6%	
Active contract customers as a % of the total contract registered customer base	<b>98%</b>	97%	
Active customers as a % of the total registered customer base	<b>82%</b>	81%	

EBITDA of £547 million was 31% higher than 2013 mainly driven by improved net customer service margin arising from an enlarged customer base while net AMPU was in line with 2013. The net customer service margin in 2014 also benefited from the positive financial impact of the successful adoption of “Feel At Home”, a popular roaming offering launched in late 2013, and an improved tariff mix, partly offset by a one-off provision for a dispute on fixed to mobile interconnection rates. Lower total CACs (net of handset revenue)

and operating expenses also contributed to the higher EBITDA in 2014. These improvements were partly offset by higher depreciation and amortisation due to an increased number of sites and larger asset base, resulting in an EBIT of £314 million, an increase of 52% over 2013.

Italy

	<b>2014</b>	2013	
	<i>EUR millions</i>	<i>EUR millions</i>	Change
<b>Total Revenue</b>	<b>1,739</b>	1,746	–
– Net customer service revenue	<b>1,376</b>	1,352	+2%
– Handset revenue	<b>308</b>	341	-10%
– Other revenue	<b>55</b>	53	+4%
Net Customer Service Margin	<b>1,052</b>	1,004	+5%
<i>Net customer service margin %</i>	<b>76%</b>	74%	
Other Margin	<b>53</b>	49	+8%
Total CACs	<b>(551)</b>	(519)	-6%
Less: Handset revenue	<b>308</b>	341	-10%
Total CACs (net of handset revenue)	<b>(243)</b>	(178)	-37%
Operating Expenses	<b>(614)</b>	(596)	-3%
<i>Opex as a % of net customer service margin</i>	<b>58%</b>	59%	
<b>EBITDA</b>	<b>248</b>	279	-11%
<i>EBITDA Margin %</i>	<b>17%</b>	20%	
Depreciation & Amortisation	<b>(294)</b>	(279)	-6%
<b>(LBIT) EBIT</b>	<b>(46)</b>	0.3	-15,433%
Capex (excluding licence)	<b>(404)</b>	(344)	-17%
EBITDA less Capex	<b>(156)</b>	(65)	-140%
Licence	<b>(2)</b>	(21)	+90%
	<b>2014</b>	2013	
Total registered customer base (millions)	<b>10.0</b>	9.7	
Total active customer base (millions)	<b>8.8</b>	8.2	
Contract customers as a % of the total registered customer base	<b>50%</b>	48%	
Contract customers' contribution to the net customer service revenue base (%)	<b>74%</b>	80%	
Average monthly churn rate of the total contract registered customer base (%)	<b>2.3%</b>	2.3%	
Active contract customers as a % of the total contract registered customer base	<b>98%</b>	97%	
Active customers as a % of the total registered customer base	<b>87%</b>	85%	

The Italian market's competitive environment continued to add pressure on 3 Italy's ability to grow its revenue base. Despite a 5% increase in net customer service margin, the higher operating expenses and higher total CACs (net of handset revenue) resulted in the operation reporting an 11% decrease in EBITDA to €248 million. LBIT of €46 million was adverse to the breakeven EBIT position in 2013 of €0.3 million, due to higher depreciation and amortisation as network enhancement continued.

### Sweden

	2014 <i>SEK millions</i>	2013 <i>SEK millions</i>	Change
<b>Total Revenue</b>	<b>6,407</b>	5,717	+12%
– Net customer service revenue	<b>4,286</b>	3,956	+8%
– Handset revenue	<b>1,893</b>	1,568	+21%
– Other revenue	<b>228</b>	193	+18%
Net Customer Service Margin	<b>3,664</b>	3,259	+12%
<i>Net customer service margin %</i>	<b>85%</b>	82%	
Other Margin	<b>65</b>	78	-17%
Total CACs	<b>(2,543)</b>	(2,096)	-21%
Less: Handset revenue	<b>1,893</b>	1,568	+21%
Total CACs (net of handset revenue)	<b>(650)</b>	(528)	-23%
Operating Expenses	<b>(1,333)</b>	(1,317)	-1%
<i>Opex as a % of net customer service margin</i>	<b>36%</b>	40%	
<b>EBITDA</b>	<b>1,746</b>	1,492	+17%
<i>EBITDA Margin %</i>	<b>39%</b>	36%	
Depreciation & Amortisation	<b>(752)</b>	(685)	-10%
<b>EBIT</b>	<b>994</b>	807	+23%
Capex	<b>(790)</b>	(856)	+8%
EBITDA less Capex	<b>956</b>	636	+50%
	<b>2014</b>	2013	
Total registered customer base (millions)	<b>1.9</b>	1.7	
Total active customer base (millions)	<b>1.8</b>	1.6	
Contract customers as a % of the total registered customer base	<b>88%</b>	91%	
Contract customers' contribution to the net customer service revenue base (%)	<b>96%</b>	97%	
Average monthly churn rate of the total contract registered customer base (%)	<b>1.4%</b>	1.4%	
Active contract customers as a % of the total contract registered customer base	<b>100%</b>	100%	
Active customers as a % of the total registered customer base	<b>95%</b>	96%	

In Sweden, where the Hutchison Group has a 60% interest, EBITDA and EBIT of SEK1,746 million and SEK994 million increased 17% and 23% respectively from 2013, due to the successful transition to data centric business model in its customer base at the end of 2013, as well as an 11% enlarged active customer base and 2% increase in net AMPU. These improvements were partly offset by 23% increase in total CACs (net of handset revenue) due to higher commissions and 1% increase in operating expenses.

### Denmark

	<b>2014</b>	2013	
	<i>DKK millions</i>	<i>DKK millions</i>	Change
<b>Total Revenue</b>	<b>2,046</b>	1,998	+2%
– Net customer service revenue	<b>1,799</b>	1,772	+2%
– Handset revenue	<b>178</b>	153	+16%
– Other revenue	<b>69</b>	73	-5%
Net Customer Service Margin	<b>1,566</b>	1,526	+3%
<i>Net customer service margin %</i>	<b>87%</b>	86%	
Other Margin	<b>32</b>	44	-27%
Total CACs	<b>(416)</b>	(385)	-8%
Less: Handset revenue	<b>178</b>	153	+16%
Total CACs (net of handset revenue)	<b>(238)</b>	(232)	-3%
Operating Expenses	<b>(626)</b>	(626)	–
<i>Opex as a % of net customer service margin</i>	<b>40%</b>	41%	
<b>EBITDA</b>	<b>734</b>	712	+3%
<i>EBITDA Margin %</i>	<b>39%</b>	39%	
Depreciation & Amortisation	<b>(309)</b>	(292)	-6%
<b>EBIT</b>	<b>425</b>	420	+1%
Capex	<b>(187)</b>	(252)	+26%
EBITDA less Capex	<b>547</b>	460	+19%
	<b>2014</b>	2013	
Total registered customer base (millions)	<b>1.1</b>	1.0	
Total active customer base (millions)	<b>1.1</b>	1.0	
Contract customers as a % of the total registered customer base	<b>67%</b>	71%	
Contract customers' contribution to the net customer service revenue base (%)	<b>76%</b>	77%	
Average monthly churn rate of the total contract registered customer base (%)	<b>2.7%</b>	2.4%	
Active contract customers as a % of the total contract registered customer base	<b>100%</b>	100%	
Active customers as a % of the total registered customer base	<b>97%</b>	98%	

In Denmark, where the Hutchison Group has a 60% interest, recorded a 3% increase of EBITDA to DKK734 million. The EBITDA growth is in line with the improvement on net customer service margin, which was driven by an 8% increase in the active customer base, partly offset by a 9% lower net AMPU due to keen market competition. The improvement in EBITDA was partly offset by higher depreciation and amortisation, resulting in 1% increase in EBIT to DKK425 million in 2014.

### Austria

	<b>2014</b>	2013	
	<i>EUR millions</i>	<i>EUR millions</i>	Change
<b>Total Revenue</b>	<b>686</b>	745	-8%
– Net customer service revenue	<b>564</b>	596	-5%
– Handset revenue	<b>99</b>	129	-23%
– Other revenue	<b>23</b>	20	+15%
Net Customer Service Margin	<b>464</b>	459	+1%
<i>Net customer service margin %</i>	<b>82%</b>	77%	
Other Margin	<b>17</b>	18	-6%
Total CACs	<b>(123)</b>	(162)	+24%
Less: Handset revenue	<b>99</b>	129	-23%
Total CACs (net of handset revenue)	<b>(24)</b>	(33)	+27%
Operating Expenses	<b>(212)</b>	(262)	+19%
<i>Opex as a % of net customer service margin</i>	<b>46%</b>	57%	
<b>EBITDA</b>	<b>245</b>	182	+35%
<i>EBITDA Margin %</i>	<b>42%</b>	30%	
Depreciation & Amortisation	<b>(75)</b>	(76)	+1%
<b>EBIT</b>	<b>170</b>	106	+60%
Capex (excluding licence)	<b>(135)</b>	(117)	-15%
EBITDA less Capex	<b>110</b>	65	+69%
Licence	<b>–</b>	(331)	+100%
	<b>2014</b>	2013	
Total registered customer base (millions)	<b>3.6</b>	3.4	
Total active customer base (millions)	<b>2.9</b>	2.8	
Contract customers as a % of the total registered customer base	<b>69%</b>	73%	
Contract customers' contribution to the net customer service revenue base (%)	<b>93%</b>	94%	
Average monthly churn rate of the total contract registered customer base (%)	<b>0.6%</b>	0.7%	
Active contract customers as a % of the total contract registered customer base	<b>99%</b>	99%	
Active customers as a % of the total registered customer base	<b>81%</b>	83%	

Despite a reduction in net customer service revenue of 5% mainly from the reduction in the symmetrical interconnection rates, net customer service margin improved 1% against 2013 as the interconnection rate reduction has minimal margin impact.

EBITDA and EBIT of €245 million and €170 million increased 35% and 60% respectively from 2013 mainly due to the realisation of additional cost synergies following the completion of Orange Austria acquisition in January 2013.

### Ireland

	<b>2014</b>	2013	
	<i>EUR millions</i>	<i>EUR millions</i>	Change
<b>Total Revenue</b>	<b>436</b>	180	+142%
– Net customer service revenue	<b>358</b>	149	+140%
– Handset revenue	<b>47</b>	30	+57%
– Other revenue	<b>31</b>	1	+3,000%
Net Customer Service Margin	<b>292</b>	116	+152%
<i>Net customer service margin %</i>	<b>82%</b>	78%	
Other Margin	<b>6</b>	–	N/A
Total CACs	<b>(87)</b>	(48)	-81%
Less: Handset revenue	<b>47</b>	30	+57%
Total CACs (net of handset revenue)	<b>(40)</b>	(18)	-122%
Operating Expenses	<b>(194)</b>	(90)	-116%
<i>Opex as a % of net customer service margin</i>	<b>66%</b>	78%	
<b>EBITDA</b>	<b>64</b>	8	+700%
<i>EBITDA Margin %</i>	<b>16%</b>	5%	
Depreciation & Amortisation	<b>(64)</b>	(37)	-73%
<b>EBIT (LBIT)</b>	<b>0.1</b>	(29)	+100%
Capex (excluding licence)	<b>(126)</b>	(47)	-168%
EBITDA less Capex	<b>(62)</b>	(39)	-59%
Licence	–	(25)	+100%
	<b>2014</b>	2013	
Total registered customer base	<b>2,593,000</b>	961,000	
Total active customer base	<b>2,052,000</b>	548,000	
Contract customers as a % of the total registered customer base	<b>45%</b>	37%	
Contract customers' contribution to the net customer service revenue base (%)	<b>69%</b>	75%	
Average monthly churn rate of the total contract registered customer base (%)	<b>1.5%</b>	1.2%	
Active contract customers as a % of the total contract registered customer base	<b>98%</b>	89%	
Active customers as a % of the total registered customer base	<b>79%</b>	57%	

EBITDA of €64 million and the breakeven EBIT of €0.1 million were 700% and 100% higher than 2013 respectively due to the incremental contribution following the completion of O<sub>2</sub> Ireland acquisition in July 2014, which added 1.5 million customers to 3 Ireland's customer base. Realisation of post-merger cost synergy is expected in 2015, which will further enhance 3 Group Europe's contribution to the Hutchison Group's results.

Hutchison Telecommunications Hong Kong Holdings

	<b>2014</b>	2013	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>16,296</b>	12,777	+28%
EBITDA	<b>2,780</b>	2,758	+1%
EBIT	<b>1,380</b>	1,367	+1%
Total active customer base ('000)	<b>3,197</b>	3,771	-15%

HTHKH announced its 2014 turnover of HK\$16,296 million and profit attributable to shareholders of HK\$833 million, a 28% increase and a 9% decrease respectively over 2013. EBITDA of HK\$2,780 million and EBIT of HK\$1,380 million are comparable to 2013. The weaker year-on-year performance is due to keen price competition in the first half of 2014. During the second half of 2014, the mobile business has improved its performance in a more rational market after the Hong Kong mobile market consolidated to a four-player market and also due to the launch of popular handsets. The EBITDA and EBIT of HTHKH for the second half of 2014 is a 26% and 57% improvement against the first half of 2014 and a 24% and 58% improvement against the second half of 2013 respectively. The fixed-line telecommunications business in Hong Kong continues to achieve steady growth, primarily from the international and local carrier segment as well as from the corporate and business segments. HTHKH contributed 4% to total revenue, 3% to EBITDA, and 2% to the EBIT of the Hutchison Group's businesses.

Hutchison Asia Telecommunications

	<b>2014</b>	2013	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>5,757</b>	6,295	-9%
EBITDA/(LBITDA)	<b>(278)</b>	819	-134%
LBIT	<b>(1,465)</b>	(409)	-258%
Total active customer base ('000)	<b>54,454</b>	43,497	+25%

The adverse performance and the change from a positive EBITDA of HK\$502 million reported for the first half to a LBITDA for the second half of HK\$780 million and HK\$278 million for the full year, were mainly due to charges in the year of approximately HK\$1.1 billion relating to inappropriate dealer credit and commissioning practices in the Indonesian operation. LBITDA and LBIT in 2014 include compensation contributions of HK\$238 million, a lower contribution compared to HK\$717 million in 2013. HAT contributed 1%, negative 0.3% and negative 2% respectively to the total revenue, EBITDA and EBIT of the Hutchison Group's businesses.

In Indonesia, the active customer base at the end of 2014 increased 35% from 2013 to approximately 43.1 million customers. Despite the increase in customer base, the poor performances in LBITDA and LBIT were due to the reasons mentioned above. Senior management of the Indonesian operation has been replaced and strengthened internal controls put in place to re-focus the business on operational and trade practice improvements.

In Vietnam, the active customer base at the end of 2014 decreased by 5% over 2013 to approximately 9.4 million due to increased competition. The division's strategy is to manage the business to return and reduce investment cost and to convert from a business co-operation venture to a joint stock company when conditions are conducive.

In Sri Lanka, the active customer base increased by 25% compared to 2013 to approximately 2.0 million at the end of 2014, with slight improvements in underlying LBITDA and LBIT.

HTAL, share of VHA

	<b>2014</b>	2013	
	<i>AUD millions</i>	<i>AUD millions</i>	Change
Announced Total Revenue	<b>1,748</b>	1,776	-2%
Announced Loss			
Attributable to Shareholders	<b>(286)</b>	(230)	-24%

HTAL announced total revenue from its share of 50% owned associated company, VHA, of A\$1,748 million, a 2% decrease over 2013. The loss attributable to shareholders increased by 24% to A\$286 million, primarily due to the accelerated depreciation on certain network assets in light of the strategic plan to build an expanded and more resilient network. Excluding this one-off charge, the underlying loss attributable to shareholders improved 7% compared to 2013. Despite the reported losses, VHA achieved breakeven unlevered operating free cash flow before spectrum payments in 2014, reflecting improved working capital and capex management. This encouraging achievement demonstrated VHA management's continued focus on turning the company around to profitability.

VHA's active customer base remained stable at approximately 5.3 million (including MVNOs) at 31 December 2014, with customer growth in the second half of 2014. With the continued geographic expansion of the network and an increased retail presence across Australia, VHA will build on and continue to grow its customer base.



*Finance & Investments and Others*

The finance & investments and others segment includes returns earned on the Hutchison Group's holdings of cash and liquid investments, Hutchison Whampoa (China) Limited ("HWCL"), listed associate TOM Group ("TOM"), Hutchison Water, and the Marionnaud business.

	<b>2014</b>	2013	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
<b>Total Revenue</b>	<b>21,919</b>	22,414	-2%
– Finance & Investments	2,366	2,321	+2%
– Others	19,553	20,093	-3%
<b>EBITDA</b>	<b>4,200</b>	2,179	+93%
– Finance & Investments	3,691	2,808	+31%
– Others	509	(629)	+181%
<b>EBIT</b>	<b>3,739</b>	1,259	+197%
– Finance & Investments	3,691	2,808	+31%
– Others	48	(1,549)	+103%

This segment contributed 5%, 4% and 5% respectively to the total revenue, EBITDA and EBIT of the Hutchison Group's businesses.

*Finance and Investments*

Finance and investments mainly represents returns earned on the Hutchison Group's holdings of cash and liquid investments, which totalled HK\$140,459 million at 31 December 2014 compared to HK\$102,787 million at the end of 2013.

*Other Operations*

The Hutchison Group's share of the results of HWCL, listed associate TOM, Hutchison Water and the Marionnaud business are reported under this segment.

Hutchison Whampoa (China) Limited

HWCL operates various manufacturing, service and distribution joint ventures in the Mainland and Hong Kong, and also has an investment in Hutchison China MediTech Limited ("Chi-Med"), currently a 69.1% owned subsidiary listed on the AIM of the London Stock Exchange in the UK. Chi-Med focuses on researching, developing, manufacturing and selling pharmaceuticals and health oriented consumer products.

TOM Group

TOM, a 24.5% associate, is listed on SEHK and its businesses include e-commerce, mobile Internet, publishing, outdoor media as well as television and entertainment.

Hutchison Water Limited

The Hutchison Group has a 49% interest in a water desalination project in Israel which was granted a 26.5-year concession by the Israeli government to build and operate a water desalination plant in Sorek, Israel. The plant has commenced commercial operation in 2014 following the completion of construction at the end of 2013 and is one of the largest in the world in terms of capacity.

Marionnaud

Marionnaud currently operates approximately 1,000 stores in 11 European markets, providing luxury perfumery and cosmetic products. The Marionnaud business has improved during the year despite intense competition and weak consumer spending on luxury products.

***Interest Expenses, Finance Costs and Tax***

The Hutchison Group's interest expenses and finance costs for the year, including its share of associated companies' and joint ventures' interest expenses, amortisation of finance costs and after deducting interest capitalised on assets under development, amounted to HK\$14,324 million, an increase of 1% when compared to 2013.

The Hutchison Group recorded current and deferred tax charges totalling HK\$9,510 million for the year, a decrease of 19% due to lower tax charges from property and energy businesses which reported lower profits in 2014.

**Group Capital Resources and Liquidity*****Treasury Management***

The Hutchison Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by the Hutchison Group's internal audit function. The Hutchison Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Hutchison Group's overall financial position and to minimise the Hutchison Group's financial risks. The Hutchison Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Hutchison Group and its companies. It manages the majority of the Hutchison Group's funding needs, interest rate, foreign currency and credit risk exposures. It is the Hutchison Group's policy not to have credit rating triggers that would accelerate the maturity dates of the Hutchison Group's borrowings. The Hutchison Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Hutchison Group's assets and liabilities. It is the Hutchison Group's policy not to enter into derivative transactions for speculative purposes. It is also the Hutchison Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

*Cash Management and Funding*

The Hutchison Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Hutchison Group generally obtains long-term financing at the Hutchison Group level to on-lend or contribute as equity to its subsidiaries and associated companies to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings for which the proportions will change depending upon financial market conditions and projected interest rates. The Hutchison Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

*Interest Rate Exposure*

The Hutchison Group manages its interest rate exposure with a focus on reducing the Hutchison Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Hutchison Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Hutchison Group's main interest rate exposure relates to US dollar, British Pound, Euro and HK dollar borrowings.

At 31 December 2014, approximately 26% of the Hutchison Group's total principal amount of bank and other debts were at floating rates and the remaining 74% were at fixed rates. The Hutchison Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$64,793 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$5,995 million principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 50% of the Hutchison Group's total principal amount of bank and other debts were at floating rates and the remaining 50% were at fixed rates at 31 December 2014. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

*Foreign Currency Exposure*

For overseas subsidiaries, associated companies and other investments, which consist of non-HK dollar or non-US dollar assets, the Hutchison Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Hutchison Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to the underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Hutchison Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associated companies. During the year, the currencies of certain countries where the

Hutchison Group has overseas operations, including Euro, British Pound, the Canadian and Australian dollars as well as RMB in the Mainland, fluctuated against the Hong Kong dollar. This gave rise to an unrealised loss of approximately HK\$23,998 million (2013: loss of HK\$5,130 million) on translation of these operations' net assets to the Hutchison Group's Hong Kong dollar reporting currency, including the Hutchison Group's share of the translation gains and losses of associated companies and joint ventures. This unrealised loss is reflected as a movement in the Consolidated Statement of Changes in Equity under the heading of Other Reserves.

At 31 December 2014, the Hutchison Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$16,968 million to Hong Kong dollar principal amount of borrowings to match the currency exposures of the underlying businesses. The Hutchison Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 41% in US dollars, 34% in Euro, 13% in HK dollars, 6% in British Pounds and 6% in other currencies.

### ***Credit Exposure***

The Hutchison Group's holdings of cash, managed funds and other liquid investments, and interest rate and foreign currency swaps and forward contracts with financial institutions expose the Hutchison Group to credit risk of counterparties. The Hutchison Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

The Hutchison Group is also exposed to counterparties credit risk from its operating activities, which is continuously monitored by the local operational management.

### ***Credit Profile***

The Hutchison Group aims to maintain a capital structure that is appropriate for long-term investment grade ratings of A3 on the Moody's Investor Service scale, A- on the Standard & Poor's Rating Services scale and A- on the Fitch Ratings scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. At 31 December 2014, our long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A- from Fitch, with all three agencies maintaining stable outlooks on the Hutchison Group's ratings.

### ***Market Price Risk***

The Hutchison Group's main market price risk exposures relate to listed/traded debt and equity securities described in "Liquid Assets" below and the interest rate swaps as described in "Interest Rate Exposure" above. The Hutchison Group's holding of listed/traded debt and equity securities represented approximately 11% (2013: approximately 16%) of the cash, liquid funds and other listed investments ("liquid assets"). The Hutchison Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

*Liquid Assets*

The Hutchison Group continues to maintain a strong financial position. Liquid assets amounted to HK\$140,459 million at 31 December 2014, an increase of 37% from the balance of HK\$102,787 million at 31 December 2013, mainly reflecting net cash proceeds of HK\$13,853 million, after special dividend of HK\$7.00 per share amounting to HK\$29,843 million, from Temasek's acquisition of a 24.95% equity interest in A S Watson Holdings Limited during the year, the cash raised from debt capital market of HK\$42,030 million, the cash arising from positive funds from operations from the Hutchison Group's businesses and cash from new borrowings, net of utilisation of cash for dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, the repayment and early repayment of certain borrowings, the acquisition of O<sub>2</sub> Ireland of HK\$8,325 million, purchase of additional interest of 27.51% in the Australian Gas Networks Limited ("AGN") by listed subsidiary, CKI, of HK\$4,705 million, the redemption of perpetual capital securities issued in 2012 of US\$300 million (approximately HK\$2,340 million) by listed subsidiary, CKI, advances to property joint ventures, and the acquisition of fixed assets. Liquid assets were denominated as to 16% in HK dollars, 46% in US dollars, 9% in RMB, 15% in Euro, 6% in British Pounds and 8% in other currencies.

Cash and cash equivalents represented 89% (2013: 84%) of the liquid assets, US Treasury notes and listed/traded debt securities 6% (2013: 8%) and listed equity securities 5% (2013: 8%).

The US Treasury notes and listed/traded debt securities, including those held under managed funds, consisted of US Treasury notes of 46%, government and government guaranteed notes of 20%, notes issued by the Hutchison Group's associated company, Husky of 3%, notes issued by financial institutions of 3%, and others of 28%. Of these US Treasury notes and listed/traded debt securities, 66% are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 3.0 years on the overall portfolio. The Hutchison Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

*Cash Flow*

Reported EBITDA<sup>(1)</sup> amounted to HK\$98,873 million, an increase of 3% compared to HK\$95,647 million for 2013. Consolidated funds from operations ("FFO") before cash profits from disposals, capital expenditures, investments and changes in working capital amounts to HK\$50,836 million, a 3% increase compared to 2013 mainly due to higher EBITDA contributions by the Hutchison Group's subsidiaries, in particular 3 Group Europe, partly offset by the decrease in distributions received from property joint ventures.

The Hutchison Group's capital expenditures decreased 29% to total HK\$21,559 million during 2014 (2013: HK\$30,493 million), primarily due to lower capital expenditures for the acquisition of telecommunications licences which totalled HK\$41 million, which represented ancillary cost and interest capitalised on licences acquired in prior years (2013: HK\$6,828 million) and lower capital expenditures for the acquisition of fixed assets, particularly for the ports division. Capital expenditures on fixed assets for the ports and related services division amounted to HK\$3,943 million (2013: HK\$7,060 million); for the property and

hotels division HK\$152 million (2013: HK\$535 million); for the retail division HK\$2,449 million (2013: HK\$2,264 million); for CKI HK\$292 million (2013: HK\$406 million); for 3 Group Europe HK\$11,144 million (2013: HK\$10,116 million); for HTHKH HK\$1,174 million (2013: HK\$1,239 million); for HAT HK\$1,906 million (2013: HK\$1,621 million); and for the finance and investments and others segment HK\$229 million (2013: HK\$319 million). Capital expenditures for licences, brand names and other rights were HK\$48 million (2013: HK\$11 million) for the ports and related services division; for CKI HK\$13 million (2013: HK\$11 million); for 3 Group Europe HK\$165 million (2013: HK\$6,884 million); for HTHKH HK\$43 million (2013: HK\$27 million); and for HAT HK\$1 million (2013: Nil).

In addition, during the year, the Hutchison Group have spent HK\$8,467 million on the acquisition of new investments which included the acquisition of O<sub>2</sub> Ireland for HK\$8,325 million.

Purchases of and advances to (net of deposits from) associated companies and joint ventures, net of repayments from associated companies and joint ventures, resulted in a net cash outflow of HK\$10,040 million (2013: HK\$5,287 million). This is mainly due to the additional interest acquired in AGN by CKI for HK\$4,705 million, lower repayments from associated companies and joint ventures together with higher advances to property joint ventures in the year, which reflects the tightening of monetary policies in the Mainland resulting in the need for short-term cash retention by property joint ventures for construction purposes.

Furthermore, during the year, the Hutchison Group have recognised proceeds totalling HK\$5,957 million (2013: HK\$5,155 million) from the disposal of the Hutchison Group's interests in certain subsidiaries, associated companies and joint ventures.

The capital expenditures and investments of the Hutchison Group are primarily funded by cash generated from operations, cash on hand and to the extent appropriate, by external borrowings.

*Note 1:* Reported EBITDA excludes the non-controlling interests' share of HPH Trust's EBITDA and profits on disposals of investments and others.

### ***Debt Maturity and Currency Profile***

The Hutchison Group's total principal amount of bank and other debts at 31 December 2014 increased 10% to total HK\$246,867 million (2013: HK\$223,822 million), of which 75% (2013: 70%) are notes and bonds and 25% (2013: 30%) are bank and other loans. The net increase in principal amount of bank and other debts was primarily due to new borrowings of HK\$77,895 million, which included HK\$42,030 million raised from the debt capital market, partially offset by the favourable impact of HK\$11,800 million upon translation of foreign currency-denominated loans to Hong Kong dollars, the repayment of debts as they matured and the early repayment of certain debts totalling HK\$44,860 million. The Hutchison Group's weighted average cost of debt for the year ended 31 December 2014 remained flat at 3.1% compared to 2013. Interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, totalled HK\$8,000 million at 31 December 2014 (2013: HK\$5,445 million).

The maturity profile of the Hutchison Group's total principal amount of bank and other debts at 31 December 2014 is set out below:

	HK\$	US\$	Euro	GBP	Others	Total
In 2015	9%	–	5%	2%	1%	17%
In 2016	–	1%	11%	–	–	12%
In 2017	1%	15%	9%	2%	3%	30%
In 2018	1%	1%	1%	–	–	3%
In 2019	2%	8%	–	–	1%	11%
In 2020 – 2024	–	11%	8%	–	1%	20%
In 2025 – 2034	–	5%	–	2%	–	7%
Beyond 2034	–	–	–	–	–	–
Total	<u>13%</u>	<u>41%</u>	<u>34%</u>	<u>6%</u>	<u>6%</u>	<u>100%</u>

The non-HK dollar and non-US dollar denominated loans are either directly related to the Hutchison Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies. None of the Hutchison Group's consolidated borrowings have credit rating triggers that would accelerate the maturity dates of any outstanding consolidated Group debt.

#### *Changes in Debt Financing*

The significant financing activities in 2014 were as follows:

- In January, repaid US\$1,309 million (approximately HK\$10,206 million) principal amount of fixed notes on maturity;
- In February and November, prepaid and repaid a floating rate term loan facility of HK\$2,800 million on maturity;
- In March, obtained a five-year floating rate loan facility of US\$130 million (approximately HK\$1,014 million);
- In April, September and December, prepaid a floating rate term loan facility of €240 million (approximately HK\$2,280 million) maturing in July 2015;
- In April, June and November, prepaid a floating rate term loan facility of SEK10,000 million (approximately HK\$11,175 million) maturing in July 2015;
- In April, obtained a five-year floating rate loan facility of SEK1,786 million (approximately HK\$2,108 million);
- In May, obtained a three-year floating rate loan facility of HK\$3,296 million;
- In May, obtained a three-year floating rate loan facility of €1,113 million (approximately HK\$11,738 million);

- In May, listed subsidiary CKI obtained a three-year floating rate term loan facility of AUD705 million (approximately HK\$5,139 million);
- In June, listed subsidiary CKI issued three-year floating rate notes of US\$300 million (approximately HK\$2,340 million);
- In June, obtained a two-year floating rate loan facility of US\$280 million (approximately HK\$2,184 million);
- In June, obtained a four-year floating rate loan facility of HK\$1,400 million;
- In September, repaid a floating rate loan facility of US\$130 million (approximately HK\$1,014 million) on maturity;
- In September, prepaid a floating rate loan facility of US\$280 million (approximately HK\$2,184 million) maturing in March 2016;
- In September, obtained a five-year floating rate loan facility of £85 million (approximately HK\$1,031 million);
- In October, issued three-year, fixed rate US\$2,000 million (approximately HK\$15,600 million) and ten-year, fixed rate US\$1,500 million (approximately HK\$11,700 million) guaranteed notes;
- In October, issued seven-year, fixed rate €1,500 million (approximately HK\$14,730 million) guaranteed notes;
- In October, repaid a floating rate loan facility of £125 million (approximately HK\$1,516 million) on maturity;
- In November, prepaid a floating rate loan facility of HK\$1,000 million maturing in February 2015;
- In November, prepaid a floating rate loan facility of HK\$1,000 million maturing in March 2015;
- In November, prepaid a floating rate loan facility of HK\$3,800 million maturing in March 2015;
- In November, prepaid a floating rate loan facility of HK\$1,000 million maturing in April 2015;
- In November, obtained a five-year floating rate loan facility of HK\$5,000 million;
- In November, obtained a five-year floating rate loan facility of €100 million (approximately HK\$950 million);



- In December, prepaid a floating rate term loan facility of €320 million (approximately HK\$3,040 million) maturing in November 2015; and
- In December, prepaid a floating rate loan facility of HK\$3,540 million maturing in June 2015.

*Capital, Net Debt and Interest Coverage Ratios*

The Hutchison Group's total ordinary shareholders' funds and perpetual capital securities increased 9% to HK\$466,218 million at 31 December 2014, compared to HK\$426,609 million at 31 December 2013, reflecting the profits for 2014, an increase of HK\$39,026 million in relation to Temasek's acquisition of a 24.95% equity interest in A S Watson Holdings Limited, as well as, an increase of HK\$25,100 million arising from the investment property revaluation gain recognised during the year, partly offset by the net exchange losses on translation of the Hutchison Group's overseas operations' net assets to the Hutchison Group's Hong Kong dollar reporting currency including the Hutchison Group's share of the translation gains and losses of associated companies and joint ventures, a special dividend of HK\$29,843 million paid following Temasek's acquisition, 2013 final and 2014 interim dividends and distributions paid and other items recognised directly in reserves. At 31 December 2014, the consolidated net debt of the Hutchison Group, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, unamortised loan facilities fees and premiums or discounts on issue and fair value changes of interest rate swap contracts, was HK\$106,408 million (2013: HK\$121,035 million), a 12% reduction compared to the net debt at the beginning of the year. The Hutchison Group's net debt to net total capital ratio at 31 December 2014 reduced to 16.8% (2013: 20%).

The following table shows the net debt to net total capital ratio calculated on the basis of including interest bearing loans from non-controlling shareholders and also with the Hutchison Group's investments in its listed subsidiaries and associated companies marked to market value at 31 December 2014. The net debt to net total capital ratio can be significantly affected by foreign currency translation effects on total ordinary shareholders' funds, perpetual capital securities and debt balances. The ratios as at 31 December 2014 before and after the effect of foreign currency translation and other non-cash movements for the year are shown below:

	<b>Before the effect of foreign currency translation and other non-cash movements</b>	<b>After the effect of foreign currency translation and other non-cash movements</b>
<b>Net debt/Net total capital ratios at 31 December 2014:</b>		
A1: excluding interest bearing loans from non-controlling shareholders from debt	17.3%	16.8%
A2: as in A1 above and investments in listed subsidiaries and associated companies marked to market value	16.3%	15.7%
B1: including interest bearing loans from non-controlling shareholders as debt	18.5%	18.0%
B2: as in B1 above and investments in listed subsidiaries and associated companies marked to market value	17.4%	16.9%

The Hutchison Group's consolidated gross interest expenses and other finance costs of subsidiaries, before capitalisation, decreased 5% in 2014 to total HK\$8,153 million, compared to HK\$8,564 million in 2013, mainly due to lower average borrowings during the year.

Reported EBITDA of HK\$98,873 million and FFO of HK\$50,836 million for the year covered consolidated net interest expenses and other finance costs 20.4 times and 11.7 times respectively (31 December 2013: 17.5 times and 10.2 times).

### ***Secured Financing***

At 31 December 2014, assets of the Hutchison Group totalling HK\$1,922 million (2013: HK\$2,299 million) were pledged as security for bank and other debts.

### ***Borrowing Facilities Available***

Committed borrowing facilities available to the Hutchison Group companies but not drawn at 31 December 2014 amounted to the equivalent of HK\$2,861 million (2013: HK\$4,479 million).

*Contingent Liabilities*

At 31 December 2014, the Hutchison Group provided guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures totalling HK\$25,285 million (2013: HK\$24,610 million), of which HK\$23,892 million (2013: HK\$22,839 million) has been drawn down as at 31 December 2014, and also provided performance and other guarantees of HK\$3,694 million (2013: HK\$4,131 million).

*Employees*

As at 31 December 2014, the Hutchison Group has over 280,000 employees in over 50 countries worldwide. As the Hutchison Group continues its expansion, opportunities abound worldwide for employees with the appropriate capabilities in numerous sectors and industries. Many of our businesses are recognised for their employee programmes such as “Asia’s Best Employer Brand” for A S Watson Group and “National Champion – Employer of the Year” for 3 Sweden. Competitive remuneration packages are provided to employees with reference to their individual performance and the profitability of the Hutchison Group, as well as remuneration benchmark in relevant industries and prevailing market conditions. The Hutchison Group has no share option scheme but certain of its subsidiary companies, namely Hutchison 3G UK Holdings Limited, Hutchison China MediTech Limited, Hutchison Harbour Ring Limited (which ceased to be a subsidiary of the Company on 6 November 2014), Hutchison Telecommunications (Australia) Limited and Hutchison Telecommunications Hong Kong Holdings Limited have adopted share option schemes for their employees.

The Hutchison Group is committed to the personal development and professional growth of its employees. Well-motivated and dedicated individuals are provided with development and advancement opportunities as the Hutchison Group expands its businesses worldwide. Each business has its own unique challenges. Individual divisions are responsible for developing their own training to meet the requirements of their respective markets. These training programmes include internal and external training courses, e-learning modules and on-the-job training. In addition, the Company provides continuous professional development training for its directors and senior management to develop and refresh their knowledge and skills. These include seminars and workshops on leadership development, corporate governance practices as well as updates on legal and regulatory development and requirements. Investing in the Hutchison Group’s most important asset, the employees, is essential to future success.

**B. For the year ended 31 December 2013 (and as compared to the year ended 31 December 2012)**

**Operations Review**

*Consolidated Operating Results*

The Hutchison Group's operations comprise six core business divisions – ports and related services, property and hotels, retail, infrastructure, energy, and telecommunications.

Audited Results for the year ended 31 December 2013 Highlights

	<b>2013</b>	2012 Restated <sup>(1)</sup>	Change
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	
Total Revenue <sup>(2)</sup>	<b>412,933</b>	397,911	+4%
EBITDA <sup>(2)</sup>	<b>95,647</b>	87,336	+10%
EBIT <sup>(2)</sup>	<b>64,597</b>	58,019	+11%
Profit attributable to ordinary shareholders, before property revaluation and profits on disposal of investments and others	<b>31,028</b>	26,587	+17%
Property revaluation after tax	<b>32</b>	1,113	-97%
Profits on disposal of investments and others after tax	<b>52</b>	(1,803)	+103%
Profit attributable to ordinary shareholders	<b>31,112</b>	25,897	+20%
Earnings per share	<b>HK\$7.30</b>	HK\$6.07	+20%
Recurring earnings per share <sup>(3)</sup>	<b>HK\$7.28</b>	HK\$6.23	+17%
Final dividend per share	<b>HK\$1.70</b>	HK\$1.53	+11.1%
Full year dividend per share	<b>HK\$2.30</b>	HK\$2.08	+10.6%

The Hutchison Group reported total revenue, including the Hutchison Group's share of associated companies' and joint ventures' revenue, of HK\$412,933 million, an increase of 4% compared to 2012. EBITDA and EBIT, before property revaluation and profits on disposal of investments and others, were HK\$95,647 million and HK\$64,597 million respectively, an increase of 10% and 11% compared to 2012.

Total recurring profit attributable to ordinary shareholders, before property revaluation and profits on disposal of investments and others, after tax for the year were HK\$31,028 million, a 17% increase compared to 2012's profit of HK\$26,587 million.

The Hutchison Group also reported profit on investment properties revaluation after tax of HK\$32 million (2012: HK\$1,113 million). Profits on disposal of investments and others after tax in 2013 of HK\$52 million includes the gain arising from the Initial Public Offering ("IPO") of Westports in Malaysia of HK\$1,056 million, the one-time net gain recognised on

the completion of the Orange Austria acquisition transaction, net of certain restructuring provision, of HK\$958 million, partly offset by Hutchison Telecommunications (Australia) (“HTAL”)’s 50% share of Vodafone Hutchison Australia (“VHA”) operating losses of HK\$1,458 million and the Hutchison Group’s share of Husky’s impairment charge of HK\$504 million on certain natural gas assets in Western Canada. This compares to a charge of HK\$1,803 million in 2012, comprising HTAL’s 50% share of VHA’s operating losses and restructuring charges in the second half of that year.

Profit attributable to ordinary shareholders reported for the year was HK\$31,112 million as compared to HK\$25,897 million in 2012.

*Note 1:* The comparatives have been restated to reflect the effect of adoption of new and revised accounting policies in 2013. See Note 1 to the FY2013 accounts. Total revenue in 2012 has been reduced by HK\$480 million due to reclassification adjustment made by Husky to its 2012 reported revenue and cost of sales.

*Note 2:* Total revenue, earnings before interest expenses and other finance costs, tax, depreciation and amortisation (“EBITDA”) and earnings before interest expenses and other finance costs and tax (“EBIT”), interest expenses and other finance costs and tax include the Hutchison Group’s proportionate share of associated companies’ and joint ventures’ respective items. Total revenue, EBITDA and EBIT have been adjusted to exclude the non-controlling interests’ share of results of HPH Trust. See Note 5 to the FY2013 accounts on the details of the adjustments.

*Note 3:* Recurring earnings per share is calculated based on profits attributable to ordinary shareholders before property revaluation after tax and profits on disposal of investments and others after tax.

*Note 4:* To enable a better comparison of underlying performance, the comparable revenue, EBITDA and EBIT excludes the reconciliation item below:

The reconciliation item represents the results of HTAL and its share of results of VHA for the first half of 2012. VHA’s operating losses in 2013 and the second half of 2012 and restructuring charges in the second half of 2012 are included as a charge under “profits on disposal of investments & others, after tax”.

*Note 5:* Pursuant to the strategic review of the retail division which is still ongoing, results of the Marionnaud business are included in the Finance & Investments and Others segment and the 2012 results have been reclassified for comparative purposes.

*Financial Performance Summary*

	2013		2012		Change
	HK\$ millions	%	Restated <sup>(1)</sup> HK\$ millions	%	
<b>Total Revenue<sup>(2)</sup></b>					
Ports and related services	<b>34,119</b>	<b>8%</b>	32,941	8%	+4%
<i>Hutchison Ports Group</i>					
<i>other than HPH Trust</i>	31,360	7%	30,208	7%	+4%
<i>HPH Trust<sup>(2)</sup></i>	2,759	1%	2,733	1%	+1%
Property and hotels	<b>24,264</b>	<b>6%</b>	19,970	5%	+22%
Retail <sup>(5)</sup>	<b>149,147</b>	<b>36%</b>	138,519	35%	+8%
Cheung Kong Infrastructure	<b>42,460</b>	<b>10%</b>	39,693	10%	+7%
Husky	<b>59,481</b>	<b>14%</b>	58,744	15%	+1%
3 Group Europe	<b>61,976</b>	<b>15%</b>	58,708	15%	+6%
Hutchison Telecommunications					
Hong Kong Holdings	<b>12,777</b>	<b>3%</b>	15,536	4%	-18%
Hutchison Asia					
Telecommunications	<b>6,295</b>	<b>2%</b>	4,452	1%	+41%
Finance & Investments and					
Others <sup>(5)</sup>	<b>22,414</b>	<b>6%</b>	21,700	5%	+3%
<i>Finance &amp; Investments</i>	2,321	1%	2,388	–	-3%
<i>Others</i>	20,093	5%	19,312	5%	+4%
<b>Total Comparable Revenue<sup>(4)</sup></b>	<b>412,933</b>	<b>100%</b>	390,263	98%	+6%
Reconciliation item <sup>(4)</sup>	–	–	7,648	2%	-100%
<b>Total Reported Revenue</b>	<b>412,933</b>	<b>100%</b>	397,911	100%	+4%
<b>EBITDA<sup>(2)</sup></b>					
Ports and related services	<b>11,447</b>	<b>12%</b>	11,343	13%	+1%
<i>Hutchison Ports Group</i>					
<i>other than HPH Trust</i>	10,060	11%	9,893	11%	+2%
<i>HPH Trust<sup>(2)</sup></i>	1,387	1%	1,450	2%	-4%
Property and hotels	<b>13,995</b>	<b>15%</b>	10,887	12%	+29%
Retail <sup>(5)</sup>	<b>14,158</b>	<b>15%</b>	12,779	15%	+11%
Cheung Kong Infrastructure	<b>22,841</b>	<b>24%</b>	21,405	25%	+7%
Husky	<b>14,779</b>	<b>15%</b>	14,889	17%	-1%
3 Group Europe	<b>12,671</b>	<b>13%</b>	9,213	11%	+38%
Hutchison Telecommunications					
Hong Kong Holdings	<b>2,758</b>	<b>3%</b>	3,050	3%	-10%
Hutchison Asia					
Telecommunications	<b>819</b>	<b>1%</b>	423	–	+94%
Finance & Investments and					
Others <sup>(5)</sup>	<b>2,179</b>	<b>2%</b>	2,479	3%	-12%
<i>Finance &amp; Investments</i>	2,808	3%	3,004	4%	-7%
<i>Others</i>	(629)	-1%	(525)	-1%	-20%
<b>Comparable EBITDA before profits on disposal of investments &amp; others and property revaluation<sup>(4)</sup></b>	<b>95,647</b>	<b>100%</b>	86,468	99%	+11%
Reconciliation item <sup>(4)</sup>	–	–	868	1%	-100%
<b>Reported EBITDA before profits on disposal of investments &amp; others and property revaluation</b>	<b>95,647</b>	<b>100%</b>	87,336	100%	+10%

## APPENDIX II

## FINANCIAL INFORMATION OF HUTCHISON

	2013		2012		Change
	HK\$ millions	%	Restated <sup>(1)</sup> HK\$ millions	%	
<b>EBIT<sup>(2)</sup></b>					
Ports and related services	<b>7,358</b>	<b>12%</b>	7,681	13%	-4%
<i>Hutchison Ports Group</i>					
<i>other than HPH Trust</i>	6,573	11%	6,806	12%	-3%
<i>HPH Trust<sup>(2)</sup></i>	785	1%	875	1%	-10%
Property and hotels	<b>13,659</b>	<b>21%</b>	10,521	18%	+30%
Retail <sup>(5)</sup>	<b>11,771</b>	<b>18%</b>	10,357	18%	+14%
Cheung Kong Infrastructure	<b>17,528</b>	<b>27%</b>	16,643	29%	+5%
Husky	<b>7,208</b>	<b>11%</b>	7,427	13%	-3%
3 Group Europe	<b>4,856</b>	<b>8%</b>	3,145	5%	+54%
Hutchison Telecommunications					
Hong Kong Holdings	<b>1,367</b>	<b>2%</b>	1,744	3%	-22%
Hutchison Asia					
Telecommunications	<b>(409)</b>	<b>-1%</b>	(846)	-1%	+52%
Finance & Investments and					
Others <sup>(5)</sup>	<b>1,259</b>	<b>2%</b>	1,914	3%	-34%
<i>Finance &amp; Investments</i>	2,808	4%	3,004	5%	-7%
<i>Others</i>	<b>(1,549)</b>	<b>-2%</b>	<b>(1,090)</b>	<b>-2%</b>	<b>-42%</b>
<b>Comparable EBIT before profits on disposal of investments &amp; others and property revaluation<sup>(4)</sup></b>	<b>64,597</b>	<b>100%</b>	58,586	101%	+10%
Reconciliation item <sup>(4)</sup>	-	-	(567)	-1%	+100%
<b>Reported EBIT before profits on disposal of investments &amp; others and property revaluation</b>	<b>64,597</b>	<b>100%</b>	58,019	100%	+11%
Interest expenses and other finance costs <sup>(2)</sup>	<b>(14,159)</b>		(16,359)		+13%
Profit before tax	<b>50,438</b>		41,660		+21%
Tax <sup>(2)</sup>					
Current tax	<b>(10,972)</b>		(8,643)		-27%
Deferred tax	<b>(770)</b>		(1)		-76,900%
Profit after tax	<b>38,696</b>		33,016		+17%
Non-controlling interests and perpetual capital securities holders' interests	<b>(7,668)</b>		(6,429)		-19%
<b>Profit attributable to ordinary shareholders before profits on disposal of investments &amp; others and property revaluation</b>	<b>31,028</b>		26,587		+17%

	2013 <i>HK\$ millions</i>	2012 Restated <sup>(1)</sup> <i>HK\$ millions</i>	<i>Change</i>
Property revaluation, after tax	32	1,113	-97%
Profits on disposal of investments & others, after tax	<u>52</u>	<u>(1,803)</u>	+103%
<b>Profit attributable to ordinary shareholders</b>	<b><u>31,112</u></b>	<b><u>25,897</u></b>	+20%

### *Ports and Related Services*

This division is one of the world's leading port investors, developers and operators, and has interests in 52 ports comprising 278 operational berths in 26 countries.

The Hutchison Group operates container terminals in five of the 10 busiest container ports in the world. The division comprises the Hutchison Group's 80% interest in the Hutchison Ports group of companies and its 27.62% interest in the HPH Trust, which together handled a total of 78.3 million twenty-foot equivalent units ("TEUs") in 2013.

	2013 <i>HK\$ millions</i>	2012 <sup>(1)</sup> <i>HK\$ millions</i>	<i>Change</i>
Total Revenue <sup>(2)</sup>	34,119	32,941	+4%
EBITDA <sup>(2)</sup>	11,447	11,343	+1%
EBIT <sup>(2)</sup>	7,358	7,681	-4%
Throughput (million TEUs)	78.3	76.8	+2%

*Note 1:* 2012 EBITDA and EBIT have been restated to reflect the effect of the adoption of amendments to HKAS19 in 2013.

*Note 2:* Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust.

This division comprises of four segments: HPH Trust; Mainland China and other Hong Kong; Europe; and Asia, Australia and others.

In local currencies, total revenue and EBITDA of the division increased 3% and 0.4% respectively, but EBIT decreased 5% from 2012. The lower EBIT reflected higher depreciation charges of HK\$427 million including accelerated depreciation of certain assets at London Thamesport as well as charges for new ports and expanded facilities brought into operation during the year. This division contributed 8%, 12% and 12% respectively to the total revenue, EBITDA and EBIT of the Hutchison Group's businesses.



Overall throughput increased 2% to 78.3 million TEUs in 2013, reflecting a steady market growth in most geographical locations during the year, except HPH Trust where volumes at Kwai Tsing were adversely impacted by an industrial action in the second quarter and in parts of the Europe segment where economic recovery was slower. Recovery generally on the European segment improved in the second half of the year.

Total revenue increased 4% in 2013 primarily driven by higher contributions from Europe Container Terminals (“ECT”) in Rotterdam, ports in Shanghai, Thailand and Mexico, as well as favourable foreign exchange movement. In local currencies, total revenue increased 3%.

As a result of increasing energy and labour costs and the effect of start-up expenses from newly opened terminals in Huizhou in the Mainland and Lazaro Cardenas in Mexico as well as developing ports in Sydney and Brisbane in Australia, EBITDA only improved by 1% in 2013, while the 4% decrease in EBIT was mainly due to higher depreciation charges of HK\$427 million, mainly relating to accelerated depreciation of certain assets at London Thamesport and depreciation charges for new terminals in Hong Kong, the Mainland and Spain and expanded facilities in three container terminals located in Mexico and Panama.

### *Segment Performance*

#### HPH Trust

	<b>2013</b>	2012 <sup>(3)</sup>	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue <sup>(4)</sup>	<b>2,759</b>	2,733	+1%
EBITDA <sup>(4)</sup>	<b>1,387</b>	1,450	-4%
EBIT <sup>(4)</sup>	<b>785</b>	875	-10%
Throughput (million TEUs)	<b>23.4</b>	23.6	-1%

*Note 3:* 2012 EBITDA and EBIT have been restated to reflect the effect of the adoption of amendments to HKAS19 in 2013.

*Note 4:* Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests’ share of results of HPH Trust.

Throughput of ports operated by HPH Trust decreased by 1% in 2013 due to the impact of the industrial action at Kwai Tsing in the second quarter. However, higher average revenue per TEU at Yantian Ports resulted in an overall 1% increase in the Hutchison Group’s share of revenue of HPH Trust. The Hutchison Group’s share of EBITDA and EBIT decreased 4% and 10% respectively in 2013 mainly driven by the higher labour and other operating costs for Hongkong International Terminals (“HIT”) and COSCO-HIT Terminals reflecting the impact of the industrial action mentioned above.

In March 2013, HPH Trust acquired a 100% equity interest in Asia Container Terminals Holdings Limited, which owns and operates Asia Container Terminals Limited, also known as Container Terminal 8 West, located at Kwai Chung, Hong Kong, which is adjacent to HPH Trust’s existing container terminals.

Mainland China and Other Hong Kong

	<b>2013</b>	2012	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>2,267</b>	2,070	+10%
EBITDA	<b>1,167</b>	1,361	-14%
EBIT	<b>823</b>	1,040	-21%
Throughput (million TEUs)	<b>12.7</b>	11.8	+8%

The Mainland China and other Hong Kong segment has reported 8% and 10% increase in throughput and revenue respectively, mainly driven by the division's Shanghai ports contribution as Waigaoqiao Port Zone Phase 6 container terminal commenced operations in August 2012, partially offset by lower volumes at ports in Ningbo and Xiamen.

Excluding an one-off asset disposal gain recognised in 2012, recurring EBITDA and EBIT of this segment improved by 4% and 3% respectively, mainly attributable to the strong performance of Shanghai ports, partially offset by lower contributions from ports in Ningbo due to competition and Huizhou driven by the higher start-up losses for the two new container berths opened in the end of 2012 and in the second half of 2013.

Europe

	<b>2013</b>	2012 <sup>(5)</sup>	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>11,440</b>	10,941	+5%
EBITDA	<b>2,864</b>	2,710	+6%
EBIT	<b>1,642</b>	1,741	-6%
Throughput (million TEUs)	<b>15.1</b>	15.4	-2%

In local currencies, revenue and EBITDA of the Europe segment increased 3% and 4% but EBIT decreased by 7%.

Throughput of the Europe segment decreased 2% in 2013 as weak economy in the first half resulted in lower volumes at ECT Rotterdam in the Netherlands. Despite lower volumes, however, revenue increased 5% in 2013 mainly driven by increases in other container handling revenue in ECT Rotterdam and higher tariffs at Barcelona Europe South Terminal ("BEST").

EBITDA of the Europe segment increased 6% over 2012, mainly driven by the revenue growth of ECT Rotterdam and BEST Barcelona as well as favourable foreign exchange movement, partially offset by higher operating costs for the majority of the European operations.

The 6% decrease in EBIT was driven by the higher depreciation charges of ECT Rotterdam, accelerated depreciation of certain assets at London Thamesport and depreciation charges for the new terminal at BEST Barcelona, which opened in the third quarter of 2012.

With operations at Terminal Catalunya (“TERCAT”), the old terminal in Barcelona, fully migrated to the new terminal at BEST in early 2013, all four berths in the old terminal were returned to the Port Authority during the year.

Asia, Australia and Others

	<b>2013</b>	2012 <sup>(5)</sup>	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>16,638</b>	16,034	+4%
EBITDA	<b>5,852</b>	5,669	+3%
EBIT	<b>4,224</b>	4,188	+1%
Throughput (million TEUs)	<b>27.1</b>	26.0	+4%

In local currencies, revenue, EBITDA and EBIT of the Asia, Australia and others segment increased 4%, 3% and 1% respectively.

Both throughput and revenue of the Asia, Australia and Others grew by 4% in 2013 as new services at Westports in Klang, Malaysia and the Laemchabang container terminals in Thailand brought in additional volumes during the year, partially offset by lower volumes from the ports in Mexico due to competition and in Panama due to local conditions. Revenue of the ports in Mexico grew 3% in local currency, mainly arising from the non-containerised revenue of Lazaro Cardenas Multipurpose Terminal which commenced operations during the year, offsetting lower container volumes from the Pacific side of Mexico.

EBITDA and EBIT of this segment increased 3% and 1% respectively, mainly attributable to higher contributions from ports in Jakarta, Indonesia; Dar es Salaam, Tanzania and Ajman, United Arab Emirates reflecting robust operating conditions as well as the effect of cost-saving measures, partially offset by the effect of start-up losses of the Australian ports as well as the lower contribution from Panama. The lower EBIT growth reflects the higher depreciation charge on facilities that were newly developed at Mexico and Panama and the newly opened ports in Brisbane and Sydney in Australia.

Westports Holdings Bhd (“Westports”), which operates one of Asia’s busiest shipping terminals at Port Klang on the west coast of peninsular Malaysia was listed on the Malaysia Stock Exchange in October 2013. Following Westports’ successful Initial Public Offering, the division’s interest in Westports decreased from 31.45% to 23.55%.

*Note 5:* 2012 EBITDA and EBIT have been restated to reflect the effect of the adoption of amendments to HKAS19 in 2013.

***Property and Hotels***

The Hutchison Group’s property and hotels division includes an investment property portfolio of approximately 14.0 million square feet of office, commercial, industrial and residential premises, mainly residential property development in the Mainland and overseas, and interests in 11 premium quality hotels.

The division's attributable interest in the investment property portfolio consists of 11.8 million square feet of rental properties located in Hong Kong and 2.2 million square feet in the Mainland and overseas. The division also holds interests in joint ventures for the development of high quality, mainly residential projects with an attributable interest in a landbank of approximately 83 million developable square feet, primarily in the Mainland. In addition, the Hutchison Group's portfolio of 11 premium quality hotels has a total inventory of 8,503 rooms, in which the Hutchison Group's average effective interest is approximately 63% based on room numbers.

	<b>2013</b>	2012 <sup>(1)</sup>	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>24,264</b>	19,970	+22%
EBITDA	<b>13,995</b>	10,887	+29%
EBIT	<b>13,659</b>	10,521	+30%

*Note 1:* 2012 EBITDA and EBIT have been restated to reflect the effect of the adoption of amendments to HKAS19 in 2013.

In local currencies, the division reported growth in total revenue, EBITDA and EBIT, excluding property revaluation, of 19%, 25% and 26% respectively. This division contributed 6%, 15% and 21% respectively of the Hutchison Group's total revenue, EBITDA and EBIT.

Significant sales growth was reported with total revenue increasing 22% compared with 2012.

EBITDA and EBIT increased 29% and 30% respectively, primarily due to the completion and sale of various residential and commercial projects in the Mainland and Singapore, higher gains on disposal of properties in Hong Kong and the Mainland, as well as improved results from the hotel operations in the Bahamas during the year, partly offset by lower average occupancy and room rates in the hotel operations in the Mainland and certain hotels in Hong Kong.

In addition to the EBITDA and EBIT above, the Hutchison Group recorded an increase in fair value, after deferred tax expense and non-controlling interests, of HK\$32 million in 2013 (2012: HK\$1,113 million).

### ***Segment Performance***

#### *Investment Properties*

Gross rental income, including the share of rental income from the commercial premises in our hotels, increased 12% compared with 2012, mainly due to higher rental renewal rates and improvements in occupancy levels. The Hutchison Group's attributable interest in the rental properties portfolio of approximately 14.0 million square feet comprise office (26%), commercial (29%), industrial (44%) and residential (1%) rental properties. The Hutchison Group's investment properties overall generated an 8.7% yield on their carrying value of approximately HK\$48,400 million.

Hong Kong

The Hutchison Group's attributable interest in the rental properties in Hong Kong total approximately 11.8 million square feet (2012: 12.0 million square feet) including properties held by associates and joint ventures. Gross rental income of HK\$3,780 million (2012: HK\$3,399 million) represents an 11% growth compared with 2012 and reflects higher lease renewal rates and occupancy levels. All of the Hutchison Group's Hong Kong rental properties are substantially let.

The Mainland and Overseas

The Hutchison Group's various joint ventures in the Mainland and overseas hold investment properties totalling 4.2 million square feet, of which the Hutchison Group's share is 2.2 million square feet (2012: 2.1 million square feet). The Hutchison Group's share of gross rental income from these properties was HK\$479 million (2012: HK\$406 million), 18% above 2012, reflecting increased rental rates and occupancy levels in the Mainland as well as the leasing to third parties of certain properties in the Bahamas previously held for own-use.

*Development Properties and Gains on Property Disposals*

Development profits and gains on disposal of properties contributed HK\$8,774 million to the Hutchison Group's EBITDA in 2013 (2012: HK\$6,249 million). During the year, profits were recorded from the sale of units in joint venture residential development projects in the Mainland, Singapore and Hong Kong. The Hutchison Group also recognised gains on the disposal of its interests in certain office and residential properties in Hong Kong and its interests in the Guangzhou Metropolitan Plaza in the Mainland during the year.

The division completed residential and commercial properties with an attributable gross floor area of approximately 9.0 million square feet and recognised sales from development properties on an attributable share of gross floor area amounting to 7.8 million square feet in 2013, representing increases of 5% and 15% respectively compared to 2012. The corresponding revenue from recognised sales, including the Hutchison Group's attributable share of revenue from associated companies and joint ventures, increased by 29% to HK\$15,233 million in 2013, reflecting both increased sales volumes and completion activities.

The Hutchison Group's current attributable landbank (including interests held directly and its share of interests held by associated companies and joint ventures), is approximately 83 million square feet, of which 97% is in the Mainland (at an average land cost of RMB240 per sq ft or approximately HK\$307 per sq ft) and 3% in the UK and Singapore. This landbank comprises 43 projects in 22 cities and is planned to be developed in a phased manner over several years.

The Mainland

Of the Hutchison Group's attributable share of approximately 9.0 million square feet of development completed in 2013, approximately 8.9 million square feet were completed in the Mainland.

The Hutchison Group recognised sales on an attributable share of gross floor area amounting to 7.7 million square feet, an increase of 15% compared to 2012, with 7.0 million square feet related to residential properties, an increase of 14%. The Hutchison Group's share of recognised revenue from development sales, net of business tax, increased 23% to HK\$14,172 million, of which HK\$10,830 million related to residential properties representing an average selling price of HK\$1,636 per sq ft (2012: HK\$1,722 per sq ft). The Hutchison Group's average land cost relating to the recognised sales of residential properties in the Mainland in 2013 was approximately HK\$227 per sq ft (2012: HK\$227 per sq ft). The Hutchison Group's average construction cost and average professional, marketing, funding and other costs amounted to approximately HK\$533 per sq ft and HK\$311 per sq ft respectively (2012: HK\$504 per sq ft and HK\$291 per sq ft respectively). Development profits from recognised sales of residential and commercial properties in the Mainland contributed HK\$5,210 million to the Hutchison Group's EBITDA during the year, 14% higher than 2012.

In addition, the Hutchison Group's attributable share of gross floor area from contracted sales in 2013 amounted to 7.0 million square feet, of which 6.4 million square feet related to residential properties. The Hutchison Group's share of contracted sales revenue, net of business tax, in 2013 amounted to HK\$14,149 million, of which HK\$11,122 million related to residential properties. As at the end of 2013, the Hutchison Group presold but had not yet recognised the sale of an attributable share of gross floor area totalling 1.6 million square feet, all of which related to residential properties with a total value of HK\$3,028 million, net of business tax.

	2013	2012	Change
<b>Total Attributable Sales Value (HK\$ millions)</b>			
<b>Recognised Sales*</b>	<b>14,172</b>	11,562	+23%
– of which relates to residential property	10,830	10,038	+8%
<b>ASP^ of residential property (HK\$/sq ft)</b>	<b>1,636</b>	1,722	-5%
<b>Contracted Sales*</b>	<b>14,149</b>	12,761	+11%
– of which relates to residential property	11,122	11,120	+0%
<b>ASP^ of residential property (HK\$/sq ft)</b>	<b>1,861</b>	1,524	+22%
<b>Total Attributable Sales in GFA ('000 sq ft)</b>			
<b>Presold Property b/f</b>	<b>2,321</b>	764	
<b>Recognised Sales in GFA</b>	<b>7,748</b>	6,749	+15%
– of which relates to residential property	7,041	6,201	+14%
<b>Contracted Sales in GFA</b>	<b>6,985</b>	8,306	-16%
– of which relates to residential property	6,354	7,761	-18%
<b>Presold Property c/f</b>	<b>1,558</b>	2,321	

\* Net of business tax

^ Average selling price (“ASP”) is stated inclusive of business tax

### Hotels

The Hutchison Group has interests in 11 hotels in Hong Kong, the Mainland and the Bahamas, of which seven are managed through its 50% owned hotel management joint venture. In 2013, the hotel operations recorded total revenue of HK\$3,020 million, which is flat against 2012. EBITDA, including the results of hotel commercial properties, decreased slightly by 2% to HK\$1,285 million and EBIT remained flat at HK\$1,036 million when compared to 2012, mainly due to an improvement in the results from operations in the Bahamas, offset by lower average room and occupancy rates in the hotels in the Mainland as well as certain hotels in Hong Kong. The average occupancy rate of the hotel operations decreased slightly from 86% in 2012 to 84% in 2013.

The Hutchison Group’s attributable share of gross floor area of 1.9 million square feet in the eight hotels in Hong Kong, generated an average attributable hotel operating profit (“HOP”)<sup>(1)</sup> of HK\$37 per sq ft per month (ranging from HK\$12 per sq ft per month to HK\$75 per sq ft per month), and a 19.5% EBIT yield on its attributable carrying value of these hotels of approximately HK\$3,724 million.

Note 1: HOP represents EBITDA after depreciation of furniture, fixtures and equipment.

*Retail*

The retail division consists of the A S Watson group of companies, the world's largest health and beauty retailer in terms of store numbers.

A S Watson currently operates 14 retail brands with over 10,500 stores in 25 markets worldwide, providing high quality personal care, health and beauty products; food and fine wines; as well as consumer electronics and electrical appliances. A S Watson also manufactures and distributes various bottled waters and other beverages in Hong Kong and the Mainland.

	<b>2013</b>	2012 <sup>(1)</sup>	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>149,147</b>	138,519	+8%
EBITDA	<b>14,158</b>	12,779	+11%
EBIT	<b>11,771</b>	10,357	+14%
Total Store Numbers	<b>10,581</b>	9,742	+9%

In local currencies, growth in total revenue, EBITDA and EBIT for the year were 6%, 9% and 12% respectively. The retail division contributed 36%, 15% and 18% respectively to the total revenue, EBITDA and EBIT of the Hutchison Group's businesses.

Excluding the impact attributable to the expiration of Nuance-Watson's two core concession licences at Hong Kong International Airport in late 2012, total revenue, EBITDA and EBIT of the Hutchison Group's retail businesses grew by 9%, 13% and 16% respectively in 2013.

The Hutchison Group's retail businesses are managed under five principal operating subdivisions: Health and Beauty China; Health and Beauty Asia (excluding the Mainland); Health and Beauty Western Europe; Health and Beauty Eastern Europe and Other Retail.

Revenue growth was strong across all Health and Beauty subdivisions, which was supported by increased store numbers and year-on-year comparable store sales growth. The division reported 7% and 9% growth in total revenue in Asia and Europe respectively compared to 2012. In local currencies, growth in total revenue in Asia and Europe were 6% and 7% respectively for the year.



	2013	2012 <sup>(1)</sup>		Change in local currency
<b>Total Revenue</b>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change	
Health & Beauty China	<b>17,962</b>	15,368	+17%	+14%
Health & Beauty Asia	<b>19,713</b>	18,051	+9%	+10%
Health & Beauty Western Europe	<b>60,469</b>	56,196	+8%	+6%
Health & Beauty Eastern Europe	<b>13,518</b>	11,953	+13%	+12%
<b>Health &amp; Beauty Subtotal</b>	<b>111,662</b>	101,568	+10%	+8%
Other Retail <sup>(2)</sup>	<b>37,485</b>	36,951	+1%	+1%
<b>Total Retail</b>	<b>149,147</b>	138,519	+8%	+6%
– Asia	75,099	70,294	+7%	+6%
– Europe	74,048	68,225	+9%	+7%
<b>Comparable Store Sales Growth (%)<sup>(3)</sup> – in local currency</b>			<b>2013</b>	2012 <sup>(1)</sup>
Health & Beauty China			<b>+0.6%</b>	+0.6%
Health & Beauty Asia			<b>+4.9%</b>	+5.8%
Health & Beauty Western Europe			<b>+2.8%</b>	+5.0%
Health & Beauty Eastern Europe			<b>+3.2%</b>	+3.6%
<b>Health &amp; Beauty Subtotal</b>			<b>+2.9%</b>	+4.5%
Other Retail <sup>(2)</sup>			<b>-0.3%</b>	+5.6%
<b>Total Retail</b>			<b>+2.2%</b>	+4.8%
– Asia			<b>+1.4%</b>	+4.8%
– Europe			<b>+2.9%</b>	+4.8%

*Note 1:* 2012 results exclude Marionnaud results in the comparatives as the business is no longer reported under this division.

*Note 2:* Other Retail includes PARKnSHOP, Fortress, Watson's Wine, Nuance-Watson and manufacturing operations for water and beverage businesses.

*Note 3:* Comparable store sales growth represents the percentage change in revenue contributed by stores which, as at the first day of the relevant financial year (a) have been operating for over 12 months and (b) have not undergone major resizing within the previous 12 months.

**APPENDIX II**
**FINANCIAL INFORMATION OF HUTCHISON**

<b>Store Numbers</b>	<b>2013</b>	2012 <sup>(4)</sup>	Change
Health & Beauty China	<b>1,693</b>	1,438	+18%
Health & Beauty Asia	<b>1,864</b>	1,684	+11%
Health & Beauty Western Europe	<b>4,710</b>	4,569	+3%
Health & Beauty Eastern Europe	<b>1,781</b>	1,563	+14%
<b>Health &amp; Beauty Subtotal</b>	<b>10,048</b>	9,254	+9%
Other Retail <sup>(5)</sup>	<b>533</b>	488	+9%
<b>Total Retail</b>	<b>10,581</b>	9,742	+9%
– Asia	4,090	3,610	+13%
– Europe	6,491	6,132	+6%

*Note 4:* 2012 results exclude Marionnaud results in the comparatives as the business is no longer reported under this division.

*Note 5:* Other Retail includes PARKnSHOP, Fortress, Watson's Wine, Nuance-Watson and manufacturing operations for water and beverage businesses.

The Hutchison Group recorded 11% and 14% increases in EBITDA and EBIT respectively, which were mainly supported by the aforementioned 8% growth in revenue as well as improvements in margins and operational efficiencies. EBITDA growth was solid across all health and beauty subdivisions. However, Other Retail was mainly impacted by the expiration of the two core concession licences of Nuance-Watson Hong Kong, as well as lower contributions from the PARKnSHOP operations.

<b>EBITDA</b>	<b>2013</b> <i>HK\$ millions</i>	2012 <sup>(6)</sup> <i>HK\$ millions</i>	Change	Change in local currency
Health & Beauty China	<b>3,567</b>	3,031	+18%	+15%
Health & Beauty Asia	<b>1,779</b>	1,611	+10%	+11%
Health & Beauty Western Europe	<b>5,168</b>	4,390	+18%	+15%
Health & Beauty Eastern Europe	<b>1,703</b>	1,584	+8%	+6%
<b>Health &amp; Beauty Subtotal</b>	<b>12,217</b>	10,616	+15%	+13%
Other Retail <sup>(7) (8)</sup>	<b>1,941</b>	2,163	-10%	-10%
<b>Total Retail</b>	<b>14,158</b>	12,779	+11%	+9%
– Asia	7,290	6,807	+7%	+6%
– Europe	6,868	5,972	+15%	+13%

*Note 6:* 2012 results exclude Marionnaud results in the comparatives as the business is no longer reported under this division. Comparatives have been restated to reflect the effect of the adoption of amendments to HKAS19 in 2013.

*Note 7:* Other Retail includes PARKnSHOP, Fortress, Watson's Wine, Nuance-Watson and manufacturing operations for water and beverage businesses.

*Note 8:* Excluding the impact arising from the expiration of core concession licences in Nuance-Watson Hong Kong, EBITDA would increase by 1% against 2012.

The Hutchison Group's retail businesses in Asia recorded 7% increases in both revenue and EBITDA. Excluding the impact arising from the expiration of the concession licences, revenue and EBITDA grew by 9% and 11% respectively in Asia. The Hutchison Group's retail businesses in Europe continued to demonstrate resilience and delivered strong revenue and EBITDA growth of 9% and 15% respectively. In local currencies, revenue and EBITDA improved by 7% and 13% respectively in Europe. The division's overall growth in Asia and in Europe reflects competitive product offerings, improving margin management, operational efficiencies and the continuing focus on global own-brand and exclusive products.

The Hutchison Group's retail division has a customer relationship management ("CRM") membership base of over 70 million at the end of 2013 with CRM sales participation reaching 53% in 2013. Moreover, digital sales from ecommerce grew by 14% to HK\$1 billion in 2013 compared to 2012.

In particular, the overall health and beauty subdivisions continued to deliver strong performances in 2013 mainly driven by high quality new store openings with an average new store cash payback period of less than 10 months. The average capex per new store for the overall health and beauty subdivisions was HK\$1 million in 2013.

### *Segment Performance*

#### Health and Beauty China

	<b>2013</b>	2012	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>17,962</b>	15,368	+17%
EBITDA	<b>3,567</b>	3,031	+18%
EBIT	<b>3,212</b>	2,767	+16%
Total Store Numbers	<b>1,693</b>	1,438	+18%

The Watsons business continues to be the leading health and beauty retail chain in Mainland China. With weaker than expected consumer sentiment in the Mainland, comparable store sales growth for 2013 remained at 0.6%. This was more than offset by total revenue growth, which continued to be robust at 17% driven by an 18% increase in the store numbers. EBITDA and EBIT growth also remained strong at 18% and 16% respectively.

Health and Beauty China increased its total number of stores by 255 during the year with an average new store cash payback period of less than 10 months, average capex per new store of HK\$1.2 million and currently has more than 1,600 stores operating in 297 cities in the Mainland. The subdivision has over 35 million CRM members with a CRM sales participation of 73% in 2013.

Health and Beauty Asia

	<b>2013</b>	2012	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>19,713</b>	18,051	+9%
EBITDA	<b>1,779</b>	1,611	+10%
EBIT	<b>1,470</b>	1,298	+13%
Total Store Numbers	<b>1,864</b>	1,684	+11%

The Watsons business is the leading health and beauty retail chain in Asia with strong brand name recognition and extensive geographical coverage. Combined total revenue grew by 9% compared to 2012 reflecting the 11% increase in store numbers and comparable store sales growth of 4.9% (2012: 5.8%). EBITDA and EBIT growth were 10% and 13% respectively, mainly due to increased contributions from the Watsons businesses in Taiwan, Malaysia, Hong Kong, Thailand and the Philippines.

Health and Beauty Asia increased its total number of stores by 180 during the year with an average capex per new store of HK\$0.7 million and achieving an average new store cash payback period of less than 9 months. The subdivision currently has more than 1,800 stores operating in 9 markets.

Health and Beauty Western Europe

	<b>2013</b>	2012	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>60,469</b>	56,196	+8%
EBITDA	<b>5,168</b>	4,390	+18%
EBIT	<b>4,163</b>	3,250	+28%
Total Store Numbers	<b>4,710</b>	4,569	+3%

Health and Beauty Western Europe consists of Kruidvat and Trekleister in the Benelux countries; the Rossmann joint venture in Germany; Superdrug and The Perfume Shop in the UK and Ireland; Savers in the UK; and ICI Paris XL in the Netherlands, Belgium and Luxembourg.

Despite the difficult trading environment in Europe, the health and beauty businesses in Western Europe were able to grow their revenue, in local currencies, by 6% against 2012. This growth was mainly due to better sales performances of the Rossmann joint venture in Germany and of Kruidvat in the Benelux countries, as well as increased contributions from Savers in the UK. Comparable store sales growth remained healthy at 2.8% (2012: 5.0%). In local currencies, EBITDA increased by 15% compared to 2012 mainly driven by better margins and tight cost controls, while EBIT grew by 25% as lower depreciation was incurred in 2013.

Health and Beauty Western Europe added 141 stores during 2013 and currently operates more than 4,700 stores. The average capex per new store was HK\$1.4 million in 2013, and the average new store cash payback period of this subdivision was less than 13 months.

#### Health and Beauty Eastern Europe

	<b>2013</b>	2012	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>13,518</b>	11,953	+13%
EBITDA	<b>1,703</b>	1,584	+8%
EBIT	<b>1,425</b>	1,330	+7%
Total Store Numbers	<b>1,781</b>	1,563	+14%

Health and Beauty Eastern Europe consists of Watsons in Turkey and Ukraine; the Rossmann joint ventures in Central European countries; Drogas in the Baltic States and Spektr in Russia.

In Eastern Europe, the health and beauty businesses reported strong revenue growth of 12% in local currencies, mainly due to the increased contributions from the Rossmann joint venture in Poland, as well as the Watsons businesses in Turkey and Ukraine. Comparable store sales growth remained healthy at 3.2% (2012: 3.6%). EBITDA and EBIT, in local currencies, increased by 6% and 5% respectively compared to 2012 mainly driven by the aforementioned revenue growth, partially offset by lower margins.

Health and Beauty Eastern Europe added 218 stores during 2013 and currently operates more than 1,700 stores in 8 markets. The average capex per new store was HK\$0.5 million in 2013 and the average new store cash payback period in this subdivision was less than 9 months.

#### Other Retail

	<b>2013</b>	2012	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>37,485</b>	36,951	+1%
EBITDA	<b>1,941</b>	2,163	-10%
EBIT	<b>1,501</b>	1,712	-12%
Total Store Numbers	<b>533</b>	488	+9%

Other Retail consists of leading retail concepts in Hong Kong, being PARKnSHOP supermarkets and other related concept stores; Fortress consumer electronics and electrical appliances stores; and Watson's Wine stores. The subdivision also includes PARKnSHOP and Watson's Wine stores in the Mainland, Nuance-Watson in Hong Kong, Singapore and Mainland international airports, as well as manufacturing and distribution of well-known brands of bottled water, fruit juices and soft drinks in Hong Kong and the Mainland.

This subdivision reported total revenue growth of 1%, but EBITDA and EBIT declined by 10% and 12% respectively mainly due to the expiration of Nuance-Watson's two core airport concession licences, as well as lower contributions from the PARKnSHOP operations. Excluding the impact arising from the aforementioned expiration of the airport licences, total revenue of this subdivision grew by 5%, while both EBITDA and EBIT increased by 1% against 2012. The subdivision recorded a comparable store sales decline of 0.3% in 2013 (2012: comparable store sales growth of 5.6%) mainly due to the slower comparable store sales of the PARKnSHOP operations, as well as lower mobile phone sales in the Fortress stores during the year. Other Retail currently operates over 530 retail stores in 4 markets.

### *Infrastructure*

The infrastructure division comprises the Hutchison Group's interest in Cheung Kong Infrastructure Holdings Limited ("CKI"), a leading investor in the infrastructure sectors in Hong Kong, the Mainland, the UK, the Netherlands, Australia, New Zealand and Canada.

The Hutchison Group holds 78.16%<sup>(1)</sup> of CKI, which contributed 10%, 24% and 27% respectively to the total revenue, EBITDA and EBIT of the Hutchison Group's businesses.

	<b>2013</b>	2012	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>42,460</b>	39,693	+7%
EBITDA	<b>22,841</b>	21,405	+7%
EBIT	<b>17,528</b>	16,643	+5%

CKI is one of the largest publicly listed infrastructure companies on the SEHK, with diversified investments in energy infrastructure, transportation infrastructure, water infrastructure, waste management and infrastructure-related businesses.

CKI announced profit attributable to shareholders of HK\$11,639 million, an increase of 23% from 2012, mainly reflecting a full year's profit contribution from Wales & West Utilities acquired in October 2012, the accretive contributions from the newly acquired investments, as well as the higher deferred tax credits in 2013 arising from the reduction in deferred tax liabilities following the enactment of a lower UK tax rate.

CKI holds a 38.87% interest in Power Assets, a company listed on the SEHK. Power Assets has interests in power and utility-related businesses in the UK, the Mainland, Australia, New Zealand, Thailand, Canada and the Netherlands. Power Assets is also the sole provider of electricity to Hong Kong Island and Lamma Island through its wholly-owned subsidiary, The Hongkong Electric Company, Limited. Power Assets announced profit attributable to shareholders of HK\$11,165 million, an increase of 15% compared to 2012's profit of HK\$9,729 million. Earnings from Power Assets' operations outside Hong Kong were HK\$6,386 million, 25% higher than 2012, mainly attributable to approximately 40% growth in profit contribution from its UK investments.

In April 2013, CKI completed the acquisition of a 100% interest in Enviro Waste Services Limited, a diversified, vertically integrated waste management business that has national coverage across New Zealand, for a consideration of approximately NZ\$490 million.

In August 2013, a CKI-led consortium completed the acquisition of AVR-Afvalverwerking B.V., the largest “energy-from-waste” business in the Netherlands, for approximately €940 million.

*Note 1:* Represents the shareholding percentage as at 31 December 2013 and excludes the shares issued to and held by the fiduciary in connection with the issue of perpetual capital securities in February 2012. Including these shares, the Hutchison Group’s interest reduces to 76.39%.

### *Energy*

The energy division comprises of the Hutchison Group’s 33.98% interest in Husky, a Canadian based international integrated energy and energy-related company listed on the Toronto Stock Exchange.

	2013	2012 Restated <sup>(1)</sup>	Change
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	
Total Revenue	<b>59,481</b>	58,744	+1%
EBITDA	<b>14,779</b>	14,889	-1%
EBIT	<b>7,208</b>	7,427	-3%
Production (mboe/day)	<b>312.0</b>	301.5	+3%

*Note 1:* Total revenue in 2012 reduced by HK\$480 million due to reclassification adjustment made by Husky to its 2012 reported revenue and cost of sales, following a change in presentation of trading activities and a change in the classification of certain trading transactions.

The energy division contributed 14%, 15% and 11% respectively to the total revenue, EBITDA and EBIT of the Hutchison Group’s businesses.

Husky announced revenues, net of royalties, increased 5% to C\$23,368 million. Profit from operations attributable to shareholders was C\$1,829 million, including a C\$204 million impairment charge after tax on certain natural gas assets in Western Canada. Excluding the impairment, profit from operations attributable to shareholders increased 1% over 2012 to C\$2,033 million, reflecting higher average realised prices for crude oil and natural gas, combined with higher crude oil production in the Atlantic Region and in Western Canada from heavy oil thermal projects, offset by decreased Downstream margins from significantly lower market crack spreads and a major planned turnaround of the Upgrading facility in the third quarter of 2013, as well as decreased Infrastructure and Marketing margins due to volatility in Western Canadian crude oil price differentials which narrowed in the second and third quarters of the year.

The Hutchison Group’s share of EBITDA and EBIT, after translation into Hong Kong dollars and consolidation adjustments, but before the impairment charge mentioned above, decreased 1% and 3% respectively due to adverse foreign exchange movement.

In 2013, Husky's production averaged approximately 312,000 barrels of oil equivalent ("BOEs") per day, a 3% increase when compared to approximately 301,500 BOEs per day in 2012, primarily due to increased production from heavy oil thermal projects in Western Canada, higher production in the Atlantic Region which was adversely impacted in 2012 by the major planned turnarounds of the SeaRose and Terra Nova floating, production, storage and offloading vessels, partially offset by reduction in investments in dry natural gas production.

Aggregated dividends on common shares of C\$1,180 million relating to the fourth quarter of 2012 and the first three quarters of 2013 were declared during the year, of which C\$1,170 million and C\$10 million were paid in cash and common shares respectively. Cash received and receivable by the Hutchison Group from Husky's dividend amounted to C\$401 million or HK\$3,055 million in 2013. The Hutchison Group's interest in Husky decreased from 34.02% at the end of 2012 to the current interest of 33.98%.

### *Telecommunications*

The Hutchison Group's telecommunications division consists of the 3 Group businesses in Europe ("3 Group Europe"), a 65.01% interest in Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), which is listed on the SEHK, Hutchison Asia Telecommunications ("HAT"), and an 87.87% interest in the Australian Securities Exchange listed HTAL. 3 Group Europe is a pioneer of high-speed mobile telecommunications and mobile broadband technologies with businesses in six countries across Europe. HTHKH holds the Hutchison Group's interests in mobile operations in Hong Kong and Macau, as well as fixed-line operations in Hong Kong. HAT holds the Hutchison Group's interests in the mobile operations in Indonesia, Vietnam and Sri Lanka. HTAL owns a 50% share in VHA.



3 Group Europe

	2013 <i>HK\$ millions</i>	2012 <i>HK\$ millions</i>	Change
<b>Total Revenue</b>	<b>61,976</b>	58,708	+6%
– Net customer service revenue	<b>45,536</b>	41,962	+9%
– Handset revenue	<b>15,062</b>	14,750	+2%
– Other revenue	<b>1,378</b>	1,996	-31%
Net Customer Service Margin <sup>(1)</sup>	<b>35,633</b>	29,436	+21%
<i>Net customer service margin %</i>	<i>78%</i>	<i>70%</i>	
Other Margin	<b>1,015</b>	1,851	-45%
Total CACs	<b>(21,675)</b>	(22,427)	+3%
Less: Handset revenue	<b>15,062</b>	14,750	+2%
Total CACs (net of handset revenue)	<b>(6,613)</b>	(7,677)	+14%
Operating Expenses	<b>(17,364)</b>	(14,397)	-21%
<i>Opex as a % of net customer service margin</i>	<i>49%</i>	<i>49%</i>	
<b>EBITDA<sup>(1)</sup></b>	<b>12,671</b>	9,213	+38%
<i>EBITDA Margin %<sup>(2)</sup></i>	<i>27%</i>	<i>21%</i>	
Depreciation & Amortisation	<b>(7,815)</b>	(6,515)	-20%
One-time Item <sup>(1)</sup>	<b>–</b>	447	-100%
<b>EBIT<sup>(1)</sup></b>	<b>4,856</b>	3,145	+54%
Capex (excluding licence)	<b>(10,176)</b>	(11,346)	+10%
EBITDA less Capex	<b>2,495</b>	(2,133)	+217%
Licence	<b>(6,824)</b>	(2,253)	-203%

*Note 1:* Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs). EBITDA represents the operational results excluding one-time items and is stated after all customer acquisition costs and retention costs. There are no one-time items included in EBIT in 2013 while a one-time item of HK\$447 million in 2012 represents the net gain from a network sharing arrangement in Ireland.

*Note 2:* EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

In local currencies, growth in total revenue, net customer service margin, EBITDA and EBIT for the year were 4%, 19%, 35% and 52% respectively. 3 Group Europe contributed 15%, 13% and 8% respectively to the total revenue, EBITDA and EBIT of the Hutchison Group's businesses.

3 Group Europe's registered customer base grew 13% during the year to total over 26.6 million at 31 December 2013, while the active base grew 19% to total over 22.1 million and represented an 83% activity level. The proportion of active contract customers in the 3 Group Europe contract customer base was 98% compared to 97% in 2012. The revenue

generated by contract customers accounted for approximately 87% of overall net customer service revenue, 1%-point higher than 2012. The proportion of contract customers as a percentage of the registered customer base has increased from 56% 2012 to 59% at the end of 2013. Management continues to focus on managing churn and the average monthly customer churn rate of the contract customer remained stable at 1.7%.

**3** Group Europe's net ARPU, which excludes the monthly contribution for a handset / device in postpaid contract bundled plans, on a 12-month trailing average active customer basis, decreased by 14% to €17.45 compared to 2012, primarily due to further regulated interconnection rate reductions in various countries that **3** Group Europe operates in. Net AMPU decreased by 4% to €13.65 as the lower interconnection revenue was partly offset by corresponding lower interconnection charges on outgoing calls. Despite the decrease in net ARPU and net AMPU, net customer service revenue and net customer service margin increased by 9% and 21% respectively mainly due to the increase in active customers.

**3** Group Europe continued to capture market share in the smartphone and mobile data segments. The majority of the **3** Group Europe operations continued to hold a leading position in their respective country's smartphone and mobile broadband access segments during the year. Following the licence auctions in the UK, Austria and Ireland during 2013, **3** Group Europe has completed spectrum acquisitions to support 4G (LTE) rollouts, which will continue in all of its major markets in 2014, to provide good customer usage experiences and competitively priced services. Cumulative total expenditure across **3** Group Europe on 4G (LTE) spectrum licences totals approximately €1.1 billion. Public recognition for network excellence continued in 2013 with **3** UK winning awards from uSwitch for Mobile Broadband, Roaming and Customer Support categories and also winning the best value awards (for Pay Month and SIM only categories), as well as leading consistently on YouGov's iPhone, Dongle and Tablet Trackers and **3** Austria winning best network in German speaking countries for the smartphone category.

At 31 December 2013, approximately 6.6 million customers, representing 25% of the total **3** Group Europe customer base, are mobile broadband access customers, an increase of 8% from 2012. Contract smartphone customers acquired in 2013 represented around 51% of the total contract customers acquired during the year. Total data usage exceeded 384 petabytes in 2013, an increase of 56% compared to 2012. Data usage per active customer was approximately 18.2 gigabytes in 2013 compared to 14.0 gigabytes in 2012.

Total CACs, net of handset revenue in postpaid contract bundled plans, totalled HK\$6,613 million in 2013, 14% lower than in 2012. Operating expenses increased 21% to HK\$17,364 million, in line with the growth in net customer service margin.

EBITDA and EBIT growth reflected the increased net customer service margin driven by the enlarged customer base and lower CACs, partly offset by higher operating expenses and higher depreciation and amortisation from an increased asset base.

3 Group Europe achieved an important milestone of an overall positive EBITDA less capex in the year. This achievement reflects the successful strategy of 3 Group Europe to focus on improving service margins in market segments that demonstrate high growth potential, the success in transiting the operations to a non-subsidised handset model, which was completed in 2013, and the establishment of an industry leading cost structure.

*Key Business Indicators*

	<b>Registered Customer Base</b>					
	Registered Customers at 31 December 2013 ('000)			Registered Customer Growth (%) from 31 December 2012 to 31 December 2013		
	Prepaid	Postpaid	<b>Total</b>	Prepaid	Postpaid	<b>Total</b>
United Kingdom	3,957	5,885	<b>9,842</b>	+4%	+12%	<b>+9%</b>
Italy	5,017	4,672	<b>9,689</b>	-3%	+7%	<b>+2%</b>
Sweden	160	1,530	<b>1,690</b>	-5%	+11%	<b>+9%</b>
Denmark	301	725	<b>1,026</b>	+39%	+14%	<b>+20%</b>
Austria <sup>(3)</sup>	931	2,497	<b>3,428</b>	+68%	+116%	<b>+100%</b>
Ireland	610	351	<b>961</b>	+36%	-5%	<b>+17%</b>
<b>3 Group Europe Total</b>	<b>10,976</b>	<b>15,660</b>	<b>26,636</b>	<b>+6%</b>	<b>+19%</b>	<b>+13%</b>
	<b>Active<sup>(4)</sup> Customer Base</b>					
	Active Customers at 31 December 2013 ('000)			Active Customer Growth (%) from 31 December 2012 to 31 December 2013		
	Prepaid	Postpaid	<b>Total</b>	Prepaid	Postpaid	<b>Total</b>
United Kingdom	2,218	5,718	<b>7,936</b>	-2%	+12%	<b>+8%</b>
Italy	3,672	4,525	<b>8,197</b>	+27%	+9%	<b>+16%</b>
Sweden	92	1,530	<b>1,622</b>	+1%	+11%	<b>+10%</b>
Denmark	280	725	<b>1,005</b>	+35%	+14%	<b>+19%</b>
Austria <sup>(5)</sup>	358	2,476	<b>2,834</b>	+94%	+116%	<b>+113%</b>
Ireland	237	311	<b>548</b>	+39%	+2%	<b>+15%</b>
<b>3 Group Europe Total</b>	<b>6,857</b>	<b>15,285</b>	<b>22,142</b>	<b>+18%</b>	<b>+20%</b>	<b>+19%</b>

	2013	2012
Contract customers as a % of the total registered customer base	59%	56%
Contract customers' contribution to the net customer service revenue base (%)	87%	86%
Average monthly churn rate of the total contract registered customer base (%)	1.7%	1.7%
Active contract customers as a % of the total contract registered customer base	98%	97%
Active customers as a % of the total registered customer base	83%	79%

Note 3: Includes 1.5 million of registered customers added upon the acquisition of Orange Austria in January 2013.

Note 4: An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

Note 5: Includes 1.45 million of active customers added upon the acquisition of Orange Austria in January 2013.

**12-month Trailing Average Revenue per Active User<sup>(6)</sup>  
("ARPU") to 31 December 2013**

	Prepaid	Postpaid	Blended Total	% Variance compared to 31 December 2012
United Kingdom	£5.96	£26.73	<b>£20.74</b>	-2%
Italy	€6.69	€20.83	<b>€14.71</b>	-20%
Sweden	SEK108.32	SEK306.92	<b>SEK295.43</b>	-1%
Denmark	DKK138.08	DKK184.92	<b>DKK172.52</b>	-20%
Austria	€7.17	€22.79	<b>€20.60</b>	-9%
Ireland	€15.30	€37.98	<b>€28.93</b>	-10%
3 Group Europe Average	€7.63	€27.07	<b>€21.13</b>	-12%

**12-month Trailing Net Average Revenue per Active User<sup>(7)</sup>  
("Net ARPU") to 31 December 2013**

	Prepaid	Postpaid	Blended Total	% Variance compared to 31 December 2012
United Kingdom	£5.96	£18.84	<b>£15.13</b>	-8%
Italy	€6.69	€20.83	<b>€14.71</b>	-20%
Sweden	SEK108.32	SEK218.63	<b>SEK212.24</b>	-10%
Denmark	DKK138.08	DKK168.18	<b>DKK160.21</b>	-15%
Austria	€7.17	€19.24	<b>€17.55</b>	+3%
Ireland	€15.30	€30.05	<b>€24.17</b>	-11%
3 Group Europe Average	€7.63	€21.77	<b>€17.45</b>	-14%

**12-month Trailing Net Average Margin per Active User<sup>(8)</sup>  
("Net AMPU") to 31 December 2013**

	Prepaid	Postpaid	Blended Total	% Variance compared to 31 December 2012
United Kingdom	£5.14	£14.84	<b>£12.05</b>	+1%
Italy	€5.19	€15.31	<b>€10.93</b>	-8%
Sweden	SEK76.05	SEK180.75	<b>SEK174.69</b>	-6%
Denmark	DKK116.84	DKK145.52	<b>DKK137.93</b>	-6%
Austria	€5.98	€14.75	<b>€13.52</b>	+21%
Ireland	€10.77	€24.28	<b>€18.89</b>	+5%
<b>3 Group Europe Average</b>	<b>€6.15</b>	<b>€16.95</b>	<b>€13.65</b>	<b>-4%</b>

*Note 6:* ARPU equals total monthly revenue, including incoming mobile termination revenue and contributions for a handset/device in postpaid contract bundled plans, divided by the average number of active customers during the year.

*Note 7:* Net ARPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in postpaid contract bundled plans, divided by the average number of active customers during the year.

*Note 8:* Net AMPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in postpaid contract bundled plans, less direct variable costs (including interconnection charges and roaming costs) (i.e. net customer service margin), divided by the average number of active customers during the year.

United Kingdom

	<b>2013</b>	2012	
	<i>GBP millions</i>	<i>GBP millions</i>	Change
<b>Total Revenue</b>	<b>2,044</b>	1,948	+5%
– Net customer service revenue	<b>1,376</b>	1,347	+2%
– Handset revenue	<b>645</b>	586	+10%
– Other revenue	<b>23</b>	15	+53%
Net Customer Service Margin	<b>1,095</b>	977	+12%
<i>Net customer service margin %</i>	<b>80%</b>	73%	
Other Margin	<b>15</b>	11	+36%
Total CACs	<b>(917)</b>	(884)	-4%
Less: Handset revenue	<b>645</b>	586	+10%
Total CACs (net of handset revenue)	<b>(272)</b>	(298)	+9%
Operating Expenses	<b>(421)</b>	(409)	-3%
<i>Opex as a % of net customer service margin</i>	<b>38%</b>	42%	
<b>EBITDA</b>	<b>417</b>	281	+48%
<i>EBITDA Margin %</i>	<b>30%</b>	21%	
Depreciation & Amortisation	<b>(210)</b>	(180)	-17%
<b>EBIT</b>	<b>207</b>	101	+105%
Capex (excluding licence)	<b>(271)</b>	(250)	-8%
EBITDA less Capex	<b>146</b>	31	+371%
Licence	<b>(238)</b>	–	NA
		<b>2013</b>	2012
Total registered customer base (millions)		<b>9.8</b>	9.1
Total active customer base (millions)		<b>7.9</b>	7.4
Contract customers as a % of the total registered customer base		<b>60%</b>	58%
Contract customers' contribution to the net customer service revenue base (%)		<b>89%</b>	87%
Average monthly churn rate of the total contract registered customer base (%)		<b>1.6%</b>	1.5%
Active contract customers as a % of the total contract registered customer base		<b>97%</b>	97%
Active customers as a % of the total registered customer base		<b>81%</b>	81%

EBITDA of £417 million was 48% higher than 2012 mainly driven by improved net customer service margin, due to net AMPU being 1% higher than 2012 and an enlarged customer base, and lower total CACs (net of handset revenue). These improvements were partly offset by higher depreciation and amortisation due to an increased number of sites, resulting in an EBIT of £207 million, an increase of 105% over 2012.

3 UK successfully acquired one block of 5 MHz of 800 MHz paired spectrum in the auction held in the UK in early 2013 at a cost of £225 million to build an LTE network. Additional incidental spectrum licence costs of £13 million were incurred in the year. 3 UK launched its 4G (LTE) services in December 2013.

Italy

	2013	2012	
	<i>EUR millions</i>	<i>EUR millions</i>	Change
<b>Total Revenue</b>	<b>1,746</b>	1,965	-11%
– Net customer service revenue	<b>1,352</b>	1,457	-7%
– Handset revenue	<b>341</b>	406	-16%
– Other revenue	<b>53</b>	102	-48%
Net Customer Service Margin	<b>1,004</b>	939	+7%
<i>Net customer service margin %</i>	<b>74%</b>	64%	
Other Margin	<b>49</b>	112	-56%
Total CACs	<b>(519)</b>	(678)	+23%
Less: Handset revenue	<b>341</b>	406	-16%
Total CACs (net of handset revenue)	<b>(178)</b>	(272)	+35%
Operating Expenses	<b>(596)</b>	(515)	-16%
<i>Opex as a % of net customer service margin</i>	<b>59%</b>	55%	
<b>EBITDA</b>	<b>279</b>	264	+6%
<i>EBITDA Margin %</i>	<b>20%</b>	17%	
Depreciation & Amortisation	<b>(279)</b>	(263)	-6%
<b>EBIT</b>	<b>0.3</b>	0.5	-40%
Capex (excluding licence)	<b>(344)</b>	(562)	+39%
EBITDA less Capex	<b>(65)</b>	(298)	+78%
Licence	<b>(21)</b>	(169)	+88%

	<b>2013</b>	2012
Total registered customer base (millions)	<b>9.7</b>	9.5
Total active customer base (millions)	<b>8.2</b>	7.0
Contract customers as a % of the total registered customer base	<b>48%</b>	46%
Contract customers' contribution to the net customer service revenue base (%)	<b>80%</b>	82%
Average monthly churn rate of the total contract registered customer base (%)	<b>2.3%</b>	2.3%
Active contract customers as a % of the total contract registered customer base	<b>97%</b>	95%
Active customers as a % of the total registered customer base	<b>85%</b>	74%

EBITDA of €279 million increased 6% from 2012 despite the very competitive environment in the Italian market in 2013. The higher EBITDA was driven by a 7% increase in net customer service margin mainly due to the increase in active customer base of 16% partly offset by reduction in net AMPU of 8%, as well as total CACs (net of handset revenue) being lower due to lower commissions and the lower proportion of contract customers acquired. These favourable variances are partly offset by an increase in operating expenses due to higher network cost resulted from the rollout of additional sites. EBIT of €0.3 million was in line with 2012 as a result of higher depreciation and amortisation offsetting the EBITDA growth.



Sweden

	<b>2013</b>	2012	
	<i>SEK millions</i>	<i>SEK millions</i>	Change
<b>Total Revenue</b>	<b>5,717</b>	5,981	-4%
– Net customer service revenue	<b>3,956</b>	3,941	+0%
– Handset revenue	<b>1,568</b>	1,663	-6%
– Other revenue	<b>193</b>	377	-49%
Net Customer Service Margin	<b>3,259</b>	3,130	+4%
<i>Net customer service margin %</i>	<b>82%</b>	79%	
Other Margin	<b>78</b>	287	-73%
Total CACs	<b>(2,096)</b>	(2,207)	+5%
Less: Handset revenue	<b>1,568</b>	1,663	-6%
Total CACs (net of handset revenue)	<b>(528)</b>	(544)	+3%
Operating Expenses	<b>(1,317)</b>	(1,225)	-8%
<i>Opex as a % of net customer service margin</i>	<b>40%</b>	39%	
<b>EBITDA</b>	<b>1,492</b>	1,648	-9%
<i>EBITDA Margin %</i>	<b>36%</b>	38%	
Depreciation & Amortisation	<b>(685)</b>	(583)	-17%
<b>EBIT</b>	<b>807</b>	1,065	-24%
Capex	<b>(856)</b>	(1,103)	+22%
EBITDA less Capex	<b>636</b>	545	+17%
	<b>2013</b>	2012	
Total registered customer base (millions)	<b>1.7</b>	1.6	
Total active customer base (millions)	<b>1.6</b>	1.5	
Contract customers as a % of the total registered customer base	<b>91%</b>	89%	
Contract customers' contribution to the net customer service revenue base (%)	<b>97%</b>	97%	
Average monthly churn rate of the total contract registered customer base (%)	<b>1.4%</b>	1.4%	
Active contract customers as a % of the total contract registered customer base	<b>100%</b>	100%	
Active customers as a % of the total registered customer base	<b>96%</b>	95%	

In Sweden, where the Hutchison Group has a 60% interest, EBITDA and EBIT of SEK1,492 million and SEK807 million decreased 9% and 24% respectively from 2012, due to lower other margin and higher operating expenses. This was partly offset by an improved net customer service margin, driven by a 10% enlarged active customer base, partly offset

by a 6% lower net AMPU as the transition of its customer base to a non-subsidised handset model was only completed at the end of 2013. Excluding the impact of the transition, net customer service margin increased by 12% in 2013. The lower EBIT also reflected higher depreciation and amortisation due to the full year impact of the 4G (LTE) network rollout.

Denmark

	<b>2013</b>	2012	
	<i>DKK millions</i>	<i>DKK millions</i>	Change
<b>Total Revenue</b>	<b>1,998</b>	2,098	-5%
– Net customer service revenue	<b>1,772</b>	1,837	-4%
– Handset revenue	<b>153</b>	190	-19%
– Other revenue	<b>73</b>	71	+3%
Net Customer Service Margin	<b>1,526</b>	1,424	+7%
<i>Net customer service margin %</i>	<b>86%</b>	78%	
Other Margin	<b>44</b>	50	-12%
Total CACs	<b>(385)</b>	(412)	+7%
Less: Handset revenue	<b>153</b>	190	-19%
Total CACs (net of handset revenue)	<b>(232)</b>	(222)	-5%
Operating Expenses	<b>(626)</b>	(589)	-6%
<i>Opex as a % of net customer service margin</i>	<b>41%</b>	41%	
<b>EBITDA</b>	<b>712</b>	663	+7%
<i>EBITDA Margin %</i>	<b>39%</b>	35%	
Depreciation & Amortisation	<b>(292)</b>	(265)	-10%
<b>EBIT</b>	<b>420</b>	398	+6%
Capex	<b>(252)</b>	(349)	+28%
EBITDA less Capex	<b>460</b>	314	+46%
	<b>2013</b>	2012	
Total registered customer base (millions)	<b>1.0</b>	0.9	
Total active customer base (millions)	<b>1.0</b>	0.8	
Contract customers as a % of the total registered customer base	<b>71%</b>	75%	
Contract customers' contribution to the net customer service revenue base (%)	<b>77%</b>	84%	
Average monthly churn rate of the total contract registered customer base (%)	<b>2.4%</b>	3.4%	
Active contract customers as a % of the total contract registered customer base	<b>100%</b>	100%	
Active customers as a % of the total registered customer base	<b>98%</b>	99%	

In Denmark, where the Hutchison Group has a 60% interest, EBITDA of DKK712 million was an increase of 7% over 2012, mainly due to a 7% improvement on net customer service margin. This was due to a 19% increase in the active customer base, partly offset by a 6% lower net AMPU due to keen market competition and reduction in the interconnection rates. This improvement was partly offset by higher depreciation and amortisation due to an increased number of sites, resulting in an EBIT of DKK420 million, a 6% increase over 2012.

Austria

	<b>2013</b>	2012	
	<i>EUR millions</i>	<i>EUR millions</i>	Change
<b>Total Revenue</b>	<b>745</b>	361	+106%
– Net customer service revenue	<b>596</b>	242	+146%
– Handset revenue	<b>129</b>	100	+29%
– Other revenue	<b>20</b>	19	+5%
Net Customer Service Margin	<b>459</b>	159	+189%
<i>Net customer service margin %</i>	<b>77%</b>	66%	
Other Margin	<b>18</b>	13	+38%
Total CACs	<b>(162)</b>	(114)	-42%
Less: Handset revenue	<b>129</b>	100	+29%
Total CACs (net of handset revenue)	<b>(33)</b>	(14)	-136%
Operating Expenses	<b>(262)</b>	(108)	-143%
<i>Opex as a % of net customer service margin</i>	<b>57%</b>	68%	
<b>EBITDA</b>	<b>182</b>	50	+264%
<i>EBITDA Margin %</i>	<b>30%</b>	19%	
Depreciation & Amortisation	<b>(76)</b>	(34)	-124%
<b>EBIT</b>	<b>106</b>	16	+563%
Capex (excluding licence)	<b>(117)</b>	(26)	-350%
EBITDA less Capex	<b>65</b>	24	+171%
Licence	<b>(331)</b>	–	NA

	2013	2012
Total registered customer base (millions)	<b>3.4</b>	1.7
Total active customer base (millions)	<b>2.8</b>	1.3
Contract customers as a % of the total registered customer base	<b>73%</b>	68%
Contract customers' contribution to the net customer service revenue base (%)	<b>94%</b>	93%
Average monthly churn rate of the total contract registered customer base (%)	<b>0.7%</b>	0.2%
Active contract customers as a % of the total contract registered customer base	<b>99%</b>	99%
Active customers as a % of the total registered customer base	<b>83%</b>	78%

EBITDA and EBIT of €182 million and €106 million increased 264% and 563% respectively from 2012 mainly due to the incremental revenue following the completion of Orange Austria acquisition in January 2013, partly offset by a corresponding increase in the cost base. The realisation of operational synergies and efficiencies from the acquisition is progressing well and within expectations.

3 Austria successfully acquired one block of 5 MHz of 900 MHz paired spectrum and four blocks of 5 MHz of 1800 MHz paired spectrum in the auction held in Austria in 2013 at a cost of €331 million to enhance its 3G and 4G (LTE) network.

Ireland

	2013 <i>EUR millions</i>	2012 <i>EUR millions</i>	Change
<b>Total Revenue</b>	<b>180</b>	174	+3%
– Net customer service revenue	<b>149</b>	141	+6%
– Handset revenue	<b>30</b>	30	–
– Other revenue	<b>1</b>	3	-67%
Net Customer Service Margin	<b>116</b>	93	+25%
<i>Net customer service margin %</i>	<b>78%</b>	66%	
Other Margin	–	1	-100%
Total CACs	<b>(48)</b>	(51)	+6%
Less: Handset revenue	<b>30</b>	30	–
Total CACs (net of handset revenue)	<b>(18)</b>	(21)	+14%
Operating Expenses	<b>(90)</b>	(92)	+2%
<i>Opex as a % of net customer service margin</i>	<b>78%</b>	99%	
<b>EBITDA (LBITDA)</b>	<b>8</b>	(19)	+142%
<i>EBITDA (LBITDA) Margin %</i>	<b>5%</b>	-13%	
Depreciation & Amortisation	<b>(37)</b>	(26)	-42%
One-time Item	–	45	-100%
<b>LBIT</b>	<b>(29)</b>	–	NA
Capex (excluding licence)	<b>(47)</b>	(39)	-21%
EBITDA (LBITDA) less Capex	<b>(39)</b>	(58)	+33%
Licence	<b>(25)</b>	(51)	+51%

	2013	2012
Total registered customer base	<b>961,000</b>	819,000
Total active customer base	<b>548,000</b>	477,000
Contract customers as a % of the total registered customer base	<b>37%</b>	45%
Contract customers' contribution to the net customer service revenue base (%)	<b>75%</b>	79%
Average monthly churn rate of the total contract registered customer base (%)	<b>1.2%</b>	1.2%
Active contract customers as a % of the total contract registered customer base	<b>89%</b>	82%
Active customers as a % of the total registered customer base	<b>57%</b>	58%

EBITDA of €8 million represents a turnaround of 142% from the LBITDA of €19 million in 2012, mainly due to the improved net customer service margin arising from a 15% increase in its active customer base, 5% higher net AMPU and lower total CACs (net of handset revenue). However, LBIT of €29 million was adverse to the breakeven EBIT

position in 2012, mainly due to a one-time net gain of €45 million from a network sharing arrangement recognised last year, together with higher depreciation and amortisation in 2013 as the network rollout continued during the year.

Hutchison Telecommunications Hong Kong Holdings

	<b>2013</b>	2012 <sup>(1)</sup>	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>12,777</b>	15,536	-18%
EBITDA	<b>2,758</b>	3,050	-10%
EBIT	<b>1,367</b>	1,744	-22%
Total active customer base ('000)	<b>3,771</b>	3,776	-0%

*Note 1:* 2012 EBITDA and EBIT have been restated to reflect the effect of the adoption of amendments to HKAS19 in 2013.

HTHKH announced its 2013 turnover of HK\$12,777 million and profit attributable to shareholders of HK\$916 million, an 18% and a 25% decrease respectively over 2012. EBITDA of HK\$2,758 million and EBIT of HK\$1,367 million decreased 10% and 22% respectively against 2012. HTHKH contributed 3% to both total revenue and EBITDA, and 2% to the EBIT of the Hutchison Group's businesses.

The mobile operations in Hong Kong and Macau reported a 24% decrease in combined turnover to HK\$9,359 million in 2013, while EBITDA and EBIT decreased by 24% and 33% respectively. The adverse performances in 2013 were attributed to the intensified market competition, lower demand for new handset models and the impact of the transition to a non-subsidised handset model which was only completed in the first half of 2013. The combined mobile customer base, on an active basis, was approximately 3.8 million as at 31 December 2013, similar to 2012.

The fixed-line telecommunications business in Hong Kong continues to achieve steady growth with increasing data traffic across all market segments in Hong Kong, reporting a 7% increase in turnover to HK\$3,880 million in 2013 compared to HK\$3,640 million in 2012, while EBITDA and EBIT improved by 19% and 32% respectively mainly due to additional demand for data transmission in the corporate and business markets.

Hutchison Asia Telecommunications

	<b>2013</b>	2012	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
Total Revenue	<b>6,295</b>	4,452	+41%
EBITDA	<b>819</b>	423	+94%
LBIT	<b>(409)</b>	(846)	+52%
Total active customer base ('000)	<b>43,497</b>	35,391	+23%

HAT consists of the Hutchison Group's mobile operations in Indonesia, Vietnam and Sri Lanka. HAT contributed 2%, 1% and negative 1% respectively to the total revenue, EBITDA and EBIT of the Hutchison Group's businesses. Total revenue increased 41% over

2012 mainly due to the expanded networks and enhanced service offerings across its operations, particularly in Indonesia. EBITDA and LBIT in 2013 include HK\$717 million of compensation contributions (2012: HK\$1,590 million). At 31 December 2013, HAT had an active mobile customer base of approximately 43.5 million.

In Indonesia, the business continues to grow following the completion of the network rollout in the third quarter of 2013. At 31 December 2013, the expanded network in Indonesia extends 3G coverage to 150 cities, covering 86% of the population (2012: 93 cities with 70% population coverage). The active customer base at the end of 2013 increased 40% from 2012 to over 32.0 million customers. Underlying LBITDA and LBIT improved by 79% and 47% respectively, reflecting a higher contribution from the increased customer base, partly offset by adverse foreign exchange impact as the Indonesian Rupiah depreciated significantly against the Hong Kong Dollar in 2013.

In Vietnam, the active customer base decreased by 12% over 2012 due to regulatory changes in the acquisition of customers. Despite this, underlying EBITDA increased 247% from 2012 and achieved positive EBIT in the year with a 354% turnaround from a corresponding LBIT 2012 as a result of the successful retention of higher quality customers and disciplined cost control.

In Sri Lanka, the active customer base increased by 22% compared to 2012 and the underlying LBITDA and LBIT improved by 8% and 4% respectively.

#### HTAL, share of VHA

	<b>2013</b>	2012	
	<i>AUD millions</i>	<i>AUD millions</i>	Change
Announced Total Revenue	<b>1,776</b>	2,049	-13%
Announced Loss			
Attributable to Shareholders	<b>(230)</b>	(394)	+42%

HTAL announced total revenue from its share of 50% owned associated company, VHA, of A\$1,776 million, a 13% decrease over 2012, and a loss attributable to shareholders of A\$230 million, an improvement of 42%. VHA's active customer base declined 19% from 31 December 2012 to total over 5.3 million (including MVNOs) at 31 December 2013 as brand perception recovered more slowly than expected. However, the decline in customer numbers, excluding the Crazy John's and 3 brands, stabilised in the third quarter of 2013 and showed a net gain in the fourth quarter.

In 2013, VHA's network improved significantly in its voice and data performance, resiliency and coverage. It has significantly expanded regional coverage with 1,200 new sites and its average 3G data speed has doubled. It has also launched the 4G network in five metropolitan capital cities with speeds comparable to or faster than other networks.

*Finance & Investments and Others*

The finance & investments and others segment includes returns earned on the Hutchison Group's holdings of cash and liquid investments, Hutchison Whampoa (China) Limited ("HWCL"), listed subsidiary Hutchison Harbour Ring Limited ("HHR"), listed associate TOM Group ("TOM"), Hutchison Water, and the Marionnaud business.

	<b>2013</b>	2012 <sup>(1)</sup>	
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	Change
<b>Total Revenue</b>	<b>22,414</b>	21,700	+3%
– Finance & Investments	<b>2,321</b>	2,388	-3%
– Others	<b>20,093</b>	19,312	+4%
<b>EBITDA</b>	<b>2,179</b>	2,479	-12%
– Finance & Investments	<b>2,808</b>	3,004	-7%
– Others	<b>(629)</b>	(525)	-20%
<b>EBIT</b>	<b>1,259</b>	1,914	-34%
– Finance & Investments	<b>2,808</b>	3,004	-7%
– Others	<b>(1,549)</b>	(1,090)	-42%

*Note 1:* 2012 results included Marionnaud results in the comparatives as the business is now reported under this segment. 2012 EBITDA and EBIT have been restated to reflect the effect of the adoption of amendments to HKAS19 in 2013.

This segment contributed 6%, 2% and 2% respectively to the total revenue, EBITDA and EBIT of the Hutchison Group's businesses.

*Finance and Investments*

Finance and investments mainly represents returns earned on the Hutchison Group's holdings of cash and liquid investments, which totalled HK\$102,787 million at 31 December 2013 compared to HK\$131,447 million at the end of 2012.

*Other Operations*

The Hutchison Group's share of the results of HWCL, listed subsidiary HHR, listed associate TOM, Hutchison Water and the Marionnaud business are reported under this segment.

*Hutchison Whampoa (China) Limited*

HWCL operates various manufacturing, service and distribution joint ventures in the Mainland and Hong Kong, and also has an investment in Hutchison China MediTech Limited ("Chi-Med"), currently a 70.4% owned subsidiary listed on the AIM of the London Stock Exchange in the UK. Chi-Med focuses on researching, developing, manufacturing and selling pharmaceuticals and health oriented consumer products.



Hutchison Harbour Ring Limited

HHR, a 71.4% owned subsidiary, is listed on SEHK and holds certain investment properties in the Mainland. HHR announced revenue of HK\$88 million, a 1% increase compared to 2012. Profit attributable to shareholders of HHR decreased 4% to HK\$175 million.

TOM Group

TOM, a 24.5% associate, is listed on SEHK and its businesses include mobile Internet, e-commerce, publishing, outdoor media as well as television and entertainment. TOM announced revenue of HK\$1,928 million, a 13% decrease from 2012. Loss attributable to shareholders increased from HK\$337 million in 2012 to HK\$550 million in 2013, which included an impairment charge of HK\$1,590 million relating primarily to its wireless value-added services businesses in the Mainland, as well as a gain of HK\$1,369 million arising from the loss of control in subsidiaries engaging in e-commerce business in the Mainland.

Hutchison Water

The Hutchison Group has a 49% interest in a water desalination project in Israel which was granted a 26.5-year concession by the Israeli government to build and operate a water desalination plant in Sorek, Israel. The plant has commenced commercial operation in 2014 following the completion of the construction at the end of 2013 and is one of the largest in the world in terms of capacity.

Marionnaud

Marionnaud currently operates over 1,000 stores in 12 European markets, providing luxury perfumery and cosmetic products. The Marionnaud business continued to be affected by the difficult economic situation, intense competition as well as weak consumer spending on luxury products in several European countries, particularly in France, Spain and certain Central European countries where revenue and margins continued to be depressed.

***Interest Expenses, Finance Costs and Tax***

The Hutchison Group's interest expenses and finance costs for the year, including its share of associated companies' and joint ventures' interest expenses, amortisation of finance costs and after deducting interest capitalised on assets under development, amounted to HK\$14,159 million, a decrease of 13% when compared to 2012.

The Hutchison Group recorded current and deferred tax charges totalling HK\$11,742 million for the year, an increase of 36%, mainly due to higher current tax charges from profit generating operations and the impact of the lower recognition of deferred tax assets in the telecommunications operations during 2013.

**Group Capital Resources and Liquidity**<sup>(Note)</sup>***Treasury Management***

The Hutchison Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by the Hutchison Group's internal audit function. The Hutchison Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Hutchison Group's overall financial position and to minimise the Hutchison Group's financial risks. The Hutchison Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Hutchison Group and its companies. It manages the majority of the Hutchison Group's funding needs, interest rate, foreign currency and credit risk exposures. It is the Hutchison Group's policy not to have credit rating triggers that would accelerate the maturity dates of the Hutchison Group's borrowings. The Hutchison Group uses interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Hutchison Group's assets and liabilities. It is the Hutchison Group's policy not to enter into derivative transactions for speculative purposes. It is also the Hutchison Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

***Cash Management and Funding***

The Hutchison Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Hutchison Group generally obtains long-term financing at the Hutchison Group level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, which will change depending upon financial market conditions and projected interest rates. The Hutchison Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

***Interest Rate Exposure***

The Hutchison Group manages its interest rate exposure with a focus on reducing the Hutchison Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Hutchison Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Hutchison Group's main interest rate exposure relates to US dollar, British Pound, Euro and HK dollar borrowings.

*Note:* The funding and treasury policies and objectives adopted by the Hutchison Group for the year 2012, as disclosed in the annual report of Hutchison for the same year, are consistent with those policies and objectives adopted by the Hutchison Group for the year 2013 as extracted above.

At 31 December 2013, approximately 29% of the Hutchison Group's total principal amount of bank and other debts were at floating rates and the remaining 71% were at fixed rates. The Hutchison Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$62,708 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$6,540 million principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 54% of the Hutchison Group's total principal amount of bank and other debts were at floating rates and the remaining 46% were at fixed rates at 31 December 2013. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

At 31 December 2012, approximately 25% of the Hutchison Group's total principal amount of bank and other debts were at floating rates and the remaining 75% were at fixed rates. The Hutchison Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$74,966 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$7,900 million principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 51% of the Hutchison Group's total principal amount of bank and other debts were at floating rates and the remaining 49% were at fixed rates at 31 December 2012. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are expected to be highly effective.

#### *Foreign Currency Exposure*

For overseas subsidiaries, associates and other investments, which consist of non-HK dollar or non-US dollar assets, the Hutchison Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Hutchison Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to the underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Hutchison Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associates. During the year, the currencies of certain countries where the Hutchison Group has overseas operations, including Euro, British Pound, the Canadian and Australian dollars as well as RMB in the Mainland, fluctuated against the Hong Kong dollar. This gave rise to an unrealised loss of approximately HK\$5,130 million (2012: gain of HK\$5,077 million) on translation of these operations' net assets to the Hutchison Group's Hong Kong dollar reporting currency, including the Hutchison Group's share of the translation gains and losses of associated companies and joint ventures. This unrealised loss is reflected as a movement in the Consolidated Statement of Changes in Equity under the heading of exchange reserve.

At 31 December 2013, the Hutchison Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$28,593 million to Hong Kong dollar principal amount of borrowings to match the currency exposures of the underlying businesses. The Hutchison Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 33% in Euro, 31% in US dollars, 22% in HK dollars, 7% in British Pounds and 7% in other currencies.

At 31 December 2012, the Hutchison Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$28,593 million to Hong Kong dollar principal amount of borrowings to match the currency exposures of the underlying businesses. The Hutchison Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 32% in Euro, 36% in US dollars, 20% in HK dollars, 6% in British Pounds and 6% in other currencies.

### ***Credit Exposure***

The Hutchison Group's holdings of cash, managed funds and other liquid investments, and interest rate and foreign currency swaps and forward currency contracts with financial institutions expose the Hutchison Group to credit risk of counterparties. The Hutchison Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

The Hutchison Group is also exposed to counterparties credit risk from its operating activities, which is continuously monitored by the local operational management.

### ***Credit Profile***

The Hutchison Group aims to maintain a capital structure that is appropriate for long-term investment grade ratings of A3 on the Moody's Investor Service scale, A- on the Standard & Poor's Rating Services scale and A- on the Fitch Ratings scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. At 31 December 2013, our long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A- from Fitch, with all three agencies maintaining stable outlooks on the Hutchison Group's ratings. At 31 December 2012, our long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A- from Fitch.

### ***Market Price Risk***

The Hutchison Group's main market price risk exposures relate to listed/traded debt and equity securities described in "Liquid Assets" below and the interest rate swaps as described in "Interest Rate Exposure" above. The Hutchison Group's holding of listed/traded debt and equity securities represented approximately 16% (2012: approximately 18%) of the cash, liquid funds and other listed investments ("liquid assets"). The Hutchison Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

*Liquid Assets*

The Hutchison Group continues to maintain a solid and healthy financial position. Liquid assets amounted to HK\$102,787 million at 31 December 2013, a decrease of 22% from the balance of HK\$131,447 million at 31 December 2012, mainly reflecting the utilisation of cash for the repayment and early repayment of certain borrowings, the repurchase of US\$217 million (approximately HK\$1,692 million) nominal amount of perpetual capital securities issued in 2010, dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, acquisition of new investments, including the acquisition of Orange Austria and Enviro Waste in New Zealand, of HK\$17,651 million, and acquisition of fixed assets and telecommunications licences totalling HK\$30,493 million, net of the cash arising from positive funds from operations from the Hutchison Group's businesses, cash from new borrowings and proceeds from the issue of €1,750 million perpetual capital securities during the year. Liquid assets were denominated as to 21% in HK dollars, 33% in US dollars, 15% in RMB, 10% in Euro, 6% in British Pounds and 15% in other currencies.

Cash and cash equivalents represented 84% (2012: 82%) of the liquid assets, US Treasury notes and listed/traded debt securities 8% (2012: 11%) and listed equity securities 8% (2012: 7%).

At 31 December 2013, the US Treasury notes and listed/traded debt securities, including those held under managed funds, consisted of US Treasury notes of 26%, government and government guaranteed notes of 32%, notes issued by the Hutchison Group's associated company, Husky of 11%, notes issued by financial institutions of 3%, and others of 28%. Of these US Treasury notes and listed/traded debt securities, 55% are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 3.1 years on the overall portfolio. The Hutchison Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

At 31 December 2012, the US Treasury notes and listed/traded debt securities, including those held under managed funds, consisted of US Treasury notes of 47%, government and government guaranteed notes of 17%, supranational notes of 12%, notes issued by the Hutchison Group's associated company, Husky of 6%, notes issued by financial institutions of 2%, and others of 16%. Of these US Treasury notes and listed/traded debt securities, 72% are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 1.3 years on the overall portfolio. The Hutchison Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

*Cash Flow*

Consolidated EBITDA<sup>(1)</sup> amounted to HK\$98,170 million, an increase of 12% compared to HK\$87,947 million, as restated, for 2012. Consolidated funds from operations ("FFO") before cash profits from disposals, capital expenditures, investments and changes in working capital amounts to HK\$49,390 million, a 37% increase compared to 2012 (2012: HK\$36,099 million) mainly due to higher EBITDA contributions by the Hutchison Group's subsidiaries, together with an increase in dividends and distributions received from associated companies and joint ventures.

*Note 1:* EBITDA includes the non-controlling interests' share of HPH Trust's EBITDA.

The Hutchison Group's capital expenditures increased 5% to total HK\$30,493 million during 2013 (2012: HK\$29,107 million), primarily due to higher capital expenditures for the acquisition of telecommunications licences, mainly in Europe, which totalled HK\$6,828 million (2012: HK\$2,422 million), partially offset by lower capital expenditures for the acquisition of fixed assets, particularly for the telecommunications division. Capital expenditures on fixed assets for the ports and related services division amounted to HK\$7,060 million (2012: HK\$7,556 million); for the property and hotels division HK\$535 million (2012: HK\$271 million); for the retail division HK\$2,264 million (2012: HK\$2,717 million); for CKI HK\$406 million (2012: HK\$680 million); for 3 Group Europe HK\$10,116 million (2012: HK\$11,323 million); for HTHKH HK\$1,239 million (2012: HK\$1,600 million); for HAT HK\$1,621 million (2012: HK\$2,017 million); and for the finance and investments and others segment HK\$319 million (2012: HK\$381 million). Capital expenditures for licences, brand names and other rights were HK\$11 million (2012: Nil) for the ports and related services division; for CKI HK\$11 million (2012: Nil); for 3 Group Europe HK\$6,884 million (2012: HK\$2,276 million); for HTHKH HK\$27 million (2012: HK\$172 million); and for HAT nil (2012: HK\$114 million).

In addition, during the year, the Hutchison Group have spent HK\$17,651 million on the acquisition of new investments which included the acquisition of Orange Austria as well as Enviro Waste in New Zealand.

Purchases of and advances to (net of deposits from) associated companies and joint ventures, net of repayments from associated companies and joint ventures, resulted in a net cash outflow of HK\$5,287 million (2012: HK\$3,910 million) mainly due to higher advances to property joint ventures in 2013, the acquisition of AVR-Afvalverwerking B.V. in the Netherlands by CKI, partly offset by higher repayments from associated companies and joint ventures in the year.

The capital expenditures and investments of the Hutchison Group are primarily funded by cash generated from operations, cash on hand and to the extent appropriate, by external borrowings.

#### *Debt Maturity and Currency Profile*

The Hutchison Group's total principal amount of bank and other debts at 31 December 2013 decreased 13% to total HK\$223,822 million (2012: HK\$256,152 million), of which 70% (2012: 74%) are notes and bonds and 30% (2012: 26%) are bank and other loans. The net decrease in principal amount of bank and other debts was primarily due to the repayment of debts as they matured as well as the early repayment of certain debts totalling HK\$61,822 million, partially offset by new borrowings of HK\$28,323 million and the unfavourable impact of HK\$812 million upon translation of foreign currency-denominated loans to Hong Kong dollars. The Hutchison Group's weighted average cost of debt at 31 December 2013 decreased by 0.3%-points to 3.1% (2012: 3.4%). Interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, totalled HK\$5,445 million at 31 December 2013 (2012: HK\$6,307 million).

The maturity profile of the Hutchison Group's total principal amount of bank and other debts at 31 December 2013 is set out below:

	HK\$	US\$	Euro	GBP	Others	Total
In 2014	1%	5%	1%	1%	–	8%
In 2015	15%	–	9%	2%	4%	30%
In 2016	–	1%	13%	–	–	14%
In 2017	–	9%	6%	2%	1%	18%
In 2018	1%	–	1%	–	–	2%
In 2019 – 2023	5%	11%	3%	–	1%	20%
In 2024 -2033	–	5%	–	2%	1%	8%
Beyond 2033	–	–	–	–	–	–
Total	<u>22%</u>	<u>31%</u>	<u>33%</u>	<u>7%</u>	<u>7%</u>	<u>100%</u>

The maturity profile of the Hutchison Group's total principal amount of bank and other debts at 31 December 2012 is set out below:

	HK\$	US\$	Euro	GBP	Others	Total
In 2013	1%	9%	5%	–	–	15%
In 2014	1%	5%	–	1%	–	7%
In 2015	13%	–	8%	2%	4%	27%
In 2016	–	–	11%	–	–	11%
In 2017	–	8%	5%	2%	1%	16%
In years 6 to 10	5%	9%	3%	–	–	17%
In years 11 to 20	–	1%	–	1%	1%	3%
Beyond 20 years	–	4%	–	–	–	4%
Total	<u>20%</u>	<u>36%</u>	<u>32%</u>	<u>6%</u>	<u>6%</u>	<u>100%</u>

The non-HK dollar and non-US dollar denominated loans are either directly related to the Hutchison Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies. None of the Hutchison Group's consolidated borrowings have credit rating triggers that would accelerate the maturity dates of any outstanding consolidated Group debt.

#### *Changes in Debt Financing*

The significant financing activities in 2013 were as follows:

- In January, obtained a short term floating rate loan facility of €1,450 million (approximately HK\$15,037 million) and was subsequently repaid on maturity in May 2013;

- In February, repaid on maturity US\$3,110 million (approximately HK\$24,257 million) principal amount of fixed rate notes;
- In February, obtained a short term floating rate revolving loan facility of GBP550 million (approximately HK\$6,523 million) which has already expired;
- In March, obtained a five-year floating rate loan facility of HK\$1,400 million;
- In April, listed subsidiary CKI obtained a five-year loan facility of NZ\$260 million (approximately HK\$1,685 million), of which the project debt of NZ\$150 million (approximately HK\$972 million) was drawn in relation to the acquisition of Enviro Waste Services Limited;
- In April, prepaid a floating rate loan facility of HK\$1,400 million that matured in May 2013;
- In April, prepaid a floating rate loan facility of HK\$500 million that matured in October 2013;
- In May, obtained a five-year floating rate loan facility of HK\$2,000 million and repaid on maturity a floating rate loan facility of HK\$1,500 million;
- In July, repaid €1,000 million (approximately HK\$10,160 million) principal amount of fixed rate notes on maturity;
- In July, prepaid a floating rate loan facility of €300 million (approximately HK\$3,048 million) maturing in June 2015;
- In August, listed subsidiary CKI obtained a five-year floating rate term loan facility of €203 million (approximately HK\$2,148 million), of which the project debt of €197 million (approximately HK\$2,045 million) was drawn in relation to acquisition of AVR-Afvalverwerking B.V.; and
- In December, repaid a floating rate revolving loan facility of HK\$500 million maturing in April 2015.

The significant financing activities in 2012 were as follows:

- In January and February, issued five-year, fixed rate US\$1,000 million (approximately HK\$7,800 million) and ten-year, fixed rate US\$1,500 million (approximately HK\$11,700 million) guaranteed notes to refinance existing indebtedness and for general corporate purposes;
- In January, prepaid a floating rate loan facility of Euro1,000 million (approximately HK\$10,070 million) maturing in December 2013;



- In March, listed subsidiary CKI issued 15-year, fixed rate notes of JPY15,000 million (approximately HK\$1,408 million) and early repaid JPY30,000 million (approximately HK\$2,817 million) fixed rate notes maturing in March 2032;
- In June, issued five-year, fixed rate Euro1,250 million (approximately HK\$12,300 million) and ten-year, fixed rate Euro750 million (approximately HK\$7,380 million) guaranteed notes to refinance existing indebtedness and for general corporate purposes;
- In June, obtained a three-year floating rate syndicated loan facility of HK\$5,500 million to refinance existing indebtedness and repaid on maturity a floating rate loan facility of HK\$4,860 million;
- In July, obtained a three-year floating rate loan facility of Euro240 million (approximately HK\$2,246 million) and repaid on maturity a floating rate loan facility of the same amount;
- In July, obtained a three-year floating rate loan facility of SEK10,500 million (approximately HK\$11,655 million) and early repaid a floating rate loan facility of the same amount maturing in December 2012;
- In July and August respectively, listed subsidiary CKI obtained a three-year syndicated loan facility of A\$260 million (approximately HK\$2,119 million) and a five year syndicated loan facility of A\$250 million (approximately HK\$2,038 million) to refinance a syndicated loan facility of A\$510 million (approximately HK\$4,158 million);
- In September, repaid on maturity a syndicated loan facility of US\$280 million (approximately HK\$2,184 million);
- In September, obtained a three-year floating rate syndicated loan facility of US\$280 million (approximately HK\$2,184 million);
- In September, obtained a ten-year floating rate term loan facility of RMB1,273 million (approximately HK\$1,565 million);
- In October, listed subsidiary CKI repaid an equity bridge facility of GBP600 million (approximately HK\$7,554 million) upon maturity and obtained a five-year loan facility of GBP300 million (approximately HK\$3,777 million);
- In November, issued five-year, fixed rate US\$1,000 million (approximately HK\$7,800 million) and ten year, fixed rate US\$500 million (approximately HK\$3,900 million) guaranteed notes to refinance existing indebtedness and for general corporate purposes;
- In December, listed subsidiary CKI obtained a five-year floating rate syndicated loan facility of JPY12,000 million (approximately HK\$1,146 million); and

- In December, listed subsidiary CKI issued seven-year fixed rate notes of JPY3,000 million (approximately HK\$286 million).

### *Capital, Net Debt and Interest Coverage Ratios*

The Hutchison Group's total ordinary shareholders' funds and perpetual capital securities increased 9% to HK\$426,609 million at 31 December 2013, compared to HK\$391,519 million, as restated, at 31 December 2012, reflecting the profits for 2013 as well as the issuance of €1,750 million perpetual capital securities in May 2013, partly offset by net exchange losses on translation of the Hutchison Group's overseas operations' net assets to the Hutchison Group's Hong Kong dollar reporting currency including the Hutchison Group's share of the translation gains and losses of associated companies and joint ventures, dividends and distributions paid and other items recognised directly in reserves. At 31 December 2013, the consolidated net debt of the Hutchison Group, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, unamortised loan facilities fees and premiums or discounts on issue and fair value changes of interest rate swap contracts, was HK\$121,035 million (2012: HK\$124,705 million), a reduction of 3% compared to the net debt at the beginning of the year. The Hutchison Group's net debt to net total capital ratio at 31 December 2013 reduced to 20.0% (2012: 21.9 %).

The following table shows the net debt to net total capital ratio calculated on the basis of including interest bearing loans from non-controlling shareholders and also with the Hutchison Group's investments in its listed subsidiaries and associated companies marked to market value at 31 December 2013 and 31 December 2012. The net debt to net total capital ratio can be significantly affected by foreign currency translation effects on total ordinary shareholders' funds and perpetual capital securities and on debt balances. The ratios as at 31 December 2013 and 31 December 2012 before and after the effect of foreign currency translation and other non-cash movements for the year are shown below:

	<b>Before the effect of foreign currency translation and other non-cash movements</b>	<b>After the effect of foreign currency translation and other non-cash movements</b>
<b>Net debt/Net total capital ratios at 31 December 2013:</b>		
A1: excluding interest bearing loans from non-controlling shareholders from debt	19.6%	20.0%
A2: as in A1 above and investments in listed subsidiaries and associated companies marked to market value	17.8%	18.2%
B1: including interest bearing loans from non-controlling shareholders as debt	20.5%	20.9%
B2: as in B1 above and investments in listed subsidiaries and associated companies marked to market value	18.6%	19.0%

	<b>Before the effect of foreign currency translation and other non-cash movements</b>	<b>After the effect of foreign currency translation and other non-cash movements</b>
<b>Net debt/Net total capital ratios at 31 December 2012:</b>		
A1: excluding interest bearing loans from non-controlling shareholders from debt	22.0%	21.9%
A2: as in A1 above and investments in listed subsidiaries and associated companies marked to market value	19.4%	19.3%
B1: including interest bearing loans from non-controlling shareholders as debt	23.1%	23.0%
B2: as in B1 above and investments in listed subsidiaries and associated companies marked to market value	20.4%	20.3%

The Hutchison Group's consolidated gross interest expenses and other finance costs of subsidiaries, before capitalisation, decreased 8% in 2013 to total HK\$8,564 million, compared to HK\$9,348 million in 2012, mainly due to the weighted average cost of debt for the Hutchison Group reducing from 3.4% in 2012 to 3.1% in 2013 and lower average borrowings during the year.

Consolidated EBITDA of HK\$98,170 million and FFO of HK\$49,390 million for the year covered consolidated net interest expenses and other finance costs 17.9 times and 10.2 times respectively (31 December 2012, as restated: 14.7 times and 7.1 times).

### ***Secured Financing***

At 31 December 2013, assets of the Hutchison Group totalling HK\$2,299 million (2012: HK\$824 million) were pledged as security for bank and other debts.

### ***Borrowing Facilities Available***

Committed borrowing facilities available to Group companies but not drawn at 31 December 2013 amounted to the equivalent of HK\$4,479 million (2012: HK\$5,807 million).

### ***Contingent Liabilities***

At 31 December 2013, the Hutchison Group provided guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures totalling HK\$24,610 million (2012: HK\$11,920 million), of which HK\$22,839 million (2012: HK\$10,485 million) has been drawn down as at 31 December 2013, and also provided performance and other guarantees of HK\$4,131 million (2012: HK\$4,411 million).

*Employees*

As at 31 December 2013, the Hutchison Group employed over 260,000 employees in over 50 countries worldwide. Employees' remuneration is reviewed individually on an annual basis to ensure the packages are fair and competitive. The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Hutchison Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Hutchison Group and the individual' performance. The Hutchison Group has no share option scheme but certain of its subsidiary companies have adopted share option schemes.

As each business has its own unique challenges, individual divisions are responsible for developing their own training to meet the requirements of their respective markets. These trainings take numerous forms including internal and external training courses, e-learning modules and on-the-job training. Extensive training are given to staff to help them be more aware of the impact of recent regulatory changes. In Hong Kong, managers of companies in the Hutchison Group take, on average, four to five classes each year on subjects that span from new rules and regulations, corporate governance, and other industry issues. Other programmes such as IT skills, presentation techniques, sales and customer service are also available.

As at 31 December 2012, the Hutchison Group employed over 250,000 employees in over 50 countries worldwide. Employees' remuneration is reviewed individually on an annual basis to ensure the packages are fair and competitive. The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Hutchison Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Hutchison Group and the individual' performance. The Hutchison Group has no share option scheme but certain of its subsidiary companies have adopted share option schemes.

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### 3. Recent Hutchison Developments

On 25 March 2015, Hutchison announced that Hutchison 3G UK Investments Limited (the “**Purchaser**”) and Hutchison 3G UK Holdings (CI) Limited (“**MergeCo**”) (each an indirect wholly owned subsidiary of Hutchison) had entered into a share purchase agreement with Telefónica, S.A. pursuant to which the Purchaser has conditionally agreed to purchase the entire issued share capital of O<sub>2</sub> UK (the “**Acquisition**”) for an aggregate cash purchase price of: (i) GBP9.25 billion, which is subject to adjustment and payable at completion by the Purchaser; and (ii) deferred upside interest sharing payments of up to a further GBP1 billion in aggregate, payable by MergeCo, or another party procured by MergeCo, after the cumulative cash flow of the combined 3 UK business and the O<sub>2</sub> UK business has reached an agreed threshold. O<sub>2</sub> UK is a leading digital communications business running 2G, 3G and 4G networks across the UK.

Prior to completion of the Acquisition, Hutchison will, pursuant to an intra-group reorganisation, transfer to MergeCo the company that holds the 3 UK business.

Hutchison has agreed to guarantee the performance obligations of the Purchaser and MergeCo under the share purchase agreement.

The Acquisition will be funded by a GBP6 billion bridge loan facility that the Purchaser has entered into with HSBC Bank plc, and the Hutchison Group’s own cash resources. None of MergeCo or Hutchison will be required to provide any credit support in connection with this bridge loan facility. In addition, Hutchison is in discussions with certain potential co-investors who may, prior to completion, agree to subscribe in cash for a minority interest in MergeCo, which indirectly holds 100% of the total issued share capital of the Purchaser.

Completion of the Acquisition is conditional on the satisfaction or waiver of certain conditions, including among other things, European Commission competition confirmation, and the parties having obtained waivers and/or approvals under certain contractual arrangements with third parties before completion. Such conditions must be satisfied or waived by no later than 30 June 2016, save that in certain circumstances this date may be extended to 30 September 2016.

As completion of the Acquisition is conditional on the satisfaction or waiver of certain conditions, the Acquisition may or may not proceed. There also can be no assurance given that any co-investment in MergeCo will occur. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company or Hutchison.

Pursuant to the Listing Rules, the Acquisition constitutes a major transaction of Hutchison and requires Hutchison shareholders’ approval. As no Hutchison shareholder is required to abstain from voting if Hutchison were to convene a general meeting for approving the Acquisition, written shareholders’ approval has been obtained by Hutchison pursuant to Rule 14.44 of the Listing Rules. After the obtaining of this written shareholders’ approval, Hutchison is not required to convene a general meeting for approving the Acquisition. A circular in connection with the Acquisition is expected to be despatched by Hutchison in due course.

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## APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

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### 1.    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

The following is an illustrative unaudited pro forma consolidated statement of financial position, an illustrative unaudited pro forma net tangible assets per share, an illustrative unaudited pro forma consolidated income statement, and an illustrative unaudited pro forma consolidated statement of cash flows of the Resulting CKH Holdings Group (the “**Unaudited Pro Forma Financial Information**”), which have been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Merger Proposal and the Spin-off Proposal as if they had taken place on 31 December 2014 for the unaudited pro forma consolidated statement of financial position and the unaudited pro forma net tangible assets per share of the Resulting CKH Holdings Group and on 1 January 2014 for the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows of the Resulting CKH Holdings Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, net tangible assets per share, financial results or cash flows of the Resulting CKH Holdings Group had the Merger Proposal and the Spin-off Proposal been completed as at 31 December 2014 and 1 January 2014 respectively or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this document.

## APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

### I. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND UNAUDITED PRO FORMA NET TANGIBLE ASSETS PER SHARE OF THE RESULTING CKH HOLDINGS GROUP AS AT 31 DECEMBER 2014

	Audited accounts 31 December 2014		Pro forma adjustments								TOTAL
	Cheung Kong HK\$ millions	Hutchison HK\$ millions	Note 1	Note 2	Note 3	Note 4	Note 5 <i>De-recognition of investment in Hutchison &amp; Purchase Price</i>	Note 6 <i>Accounting for entities co-owned by Cheung Kong &amp; Hutchison</i>	Note 7 <i>Professional expenses</i>	Note 8 <i>Presentation re-classification</i>	
<b>ASSETS</b>											
<b>Non-current assets</b>											
Fixed assets	17,454	173,234	-	-	-	(40,748)	(40,687)	49,740	-	-	158,993
Investment properties	33,285	66,211	-	-	-	(104,733)	5,541	-	-	-	304
Leasehold land	-	8,513	-	-	-	-	-	-	-	-	8,513
Telecommunications licences	-	81,602	-	-	-	-	(55,882)	-	-	-	25,720
Goodwill	-	39,132	-	-	-	-	131,712	21,263	-	-	192,107
Brand names and other rights	-	16,233	-	-	-	-	74,432	8,453	-	-	99,118
Associated companies	216,841	126,416	-	12,960	223,970	(6,301)	(428,502)	1,953	-	-	147,337
Interests in joint ventures	68,754	119,433	-	-	-	(126,403)	10,671	(4,548)	-	-	67,907
Deferred tax assets	-	19,203	-	-	-	(19)	2,014	-	-	-	21,198
Other non-current assets	-	7,139	-	-	-	(308)	(3,304)	-	-	-	4,799
Investments available for sale	10,705	-	-	-	-	-	-	-	-	(10,705)	-
Long term loan receivables	301	-	-	-	-	-	-	-	-	(301)	-
Derivative financial instruments	476	-	-	-	-	-	-	-	-	(476)	-
Liquid funds and other listed investments	-	15,141	-	-	-	(9,605)	(588)	(2,040)	-	11,128	14,036
	347,816	672,257	-	12,960	223,970	(288,117)	(304,593)	74,821	-	918	740,032
<b>Current assets</b>											
Cash and cash equivalents	33,179	125,318	-	-	-	41,307	-	1,917	-	-	201,721
Investments held for trading	918	-	-	-	-	-	-	-	-	(918)	-
Derivative financial instruments	319	-	-	-	-	-	-	-	-	(319)	-
Trade and other receivables	2,510	66,576	-	-	-	(3,138)	-	2,408	-	319	68,675
Stock of properties	73,199	-	-	-	-	(73,199)	-	-	-	-	-
Inventories	-	19,284	-	-	-	(24)	-	36	-	-	19,296
	110,125	211,178	-	-	-	(35,054)	-	4,361	-	(918)	289,692
<b>Current liabilities</b>											
Trade and other payables	11,451	87,139	-	-	-	(13,676)	5,280	3,625	250	801	94,870
Derivative financial instruments	191	-	-	-	-	-	-	-	-	(191)	-
Bank and other debts	18,352	42,281	-	-	-	(346)	-	179	-	-	60,466
Current tax liabilities	1,356	3,005	-	-	-	(2,027)	-	-	-	-	2,334
	31,350	132,425	-	-	-	(16,049)	5,280	3,804	250	610	157,670
<b>Net current assets</b>	78,775	78,753	-	-	-	(19,005)	(5,280)	557	(250)	(1,528)	132,022
<b>Total assets less current liabilities</b>	426,591	751,010	-	12,960	223,970	(307,122)	(309,873)	75,378	(250)	(610)	872,054
<b>Non-current liabilities</b>											
Bank and other debts	19,522	205,332	-	-	-	(400)	10,806	38,626	-	-	273,886
Interest bearing loans from non-controlling shareholders	-	8,000	-	-	-	(2,847)	-	2,474	-	2,575	10,202
Deferred tax liabilities	1,022	11,213	-	-	-	(3,411)	(560)	6,816	-	-	15,080
Pension obligations	-	3,083	-	-	-	(100)	-	1,732	-	-	4,715
Other non-current liabilities	-	4,320	-	-	-	-	37,247	4,470	-	-	46,037
	20,544	231,948	-	-	-	(6,758)	47,493	54,118	-	2,575	349,920
<b>Net assets</b>	406,047	519,062	-	12,960	223,970	(300,364)	(357,366)	21,260	(250)	(3,185)	522,134
<b>CAPITAL AND RESERVES</b>											
Share capital	10,489	29,425	(8,173)	84	1,459	-	(29,425)	-	-	-	3,859
Share premium	-	-	353,215	12,876	222,511	(343,615)	-	-	-	-	244,987
Perpetual capital securities	-	39,638	-	-	-	-	-	-	-	9,045	48,683
Reserves	383,656	397,155	(345,042)	-	-	50,581	(387,414)	18,009	(250)	-	116,695
<b>Total ordinary shareholders' funds and perpetual capital securities</b>	394,145	466,218	-	12,960	223,970	(293,034)	(416,839)	18,009	(250)	9,045	414,224
Perpetual securities	9,045	-	-	-	-	-	-	-	-	(9,045)	-
Non-controlling interests	2,857	52,844	-	-	-	(7,330)	59,473	3,251	-	(3,185)	107,910
<b>Total equity</b>	406,047	519,062	-	12,960	223,970	(300,364)	(357,366)	21,260	(250)	(3,185)	522,134
<b>Net tangible assets attributable to ordinary shareholders of the CKH Holdings (note 9)</b>	394,145										119,415
<b>Net tangible assets attributable to ordinary shareholders of the CKH Holdings per share (HK\$) (note 10)</b>	170										31

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE RESULTING CKH HOLDINGS GROUP**

**II. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT FOR THE  
YEAR ENDED 31 DECEMBER 2014**

	Audited accounts 31 December 2014		Pro forma adjustments						TOTAL
	Cheung Kong HK\$ millions	Hutchison HK\$ millions	Note 2 Husky Share Exchange HK\$ millions	Note 4 Spin-off Proposal HK\$ millions	Note 5 De-recognition of investment in Hutchison & Purchase Price Allocation adjustments HK\$ millions	Note 6 Accounting for entities co-owned by Cheung Kong & Hutchison HK\$ millions	Note 7 Professional expenses HK\$ millions	Note 8 Presentation re-classification HK\$ millions	HK\$ millions
Group turnover	24,259	-	-	-	-	-	-	(24,259)	-
Revenue	-	272,161	-	(31,576)	-	9,141	-	25,948	275,674
Cost of inventories sold	-	(110,596)	-	13,191	-	-	-	(12,980)	(110,385)
Staff costs	-	(34,604)	-	1,730	-	(1,704)	-	(1,515)	(36,093)
Telecommunications customer acquisition costs	-	(24,165)	-	-	-	-	-	-	(24,165)
Depreciation and amortisation	(393)	(17,003)	-	507	3,226	(1,922)	-	-	(15,585)
Investment and other income	2,125	-	-	-	-	-	-	(2,125)	-
Other operating expenses	-	(50,944)	-	(4,435)	-	(1,556)	-	2,317	(54,618)
Property and related costs	(12,980)	-	-	-	-	-	-	12,980	-
Salaries and related expenses	(1,515)	-	-	-	-	-	-	1,515	-
Other expenses	(468)	-	-	-	-	-	-	468	-
Change in fair value of investment properties	4,542	24,678	-	(29,220)	-	-	-	-	-
Profits on disposal of investments and others	-	(4,532)	-	50,581	(4,763)	19,082	(250)	-	60,118
Profits on disposal of property joint ventures	2,349	-	-	-	-	-	-	(2,349)	-
Share of profits less losses after tax of:									
Associated companies before profits on disposal of investments and others	33,670	9,166	802	(401)	(33,551)	17	-	-	9,703
Joint ventures	4,666	10,466	-	(5,167)	-	(1,464)	-	-	8,501
Associated companies' profits on disposal of investments and others	-	19,141	(259)	-	-	-	-	-	18,882
	56,255	93,768	543	(4,790)	(35,088)	21,594	(250)	-	132,032
Interest expenses and other finance costs	(328)	(8,050)	-	(311)	2,540	(1,817)	-	(10)	(7,976)
<b>Profit before tax</b>	<b>55,927</b>	<b>85,718</b>	<b>543</b>	<b>(5,101)</b>	<b>(32,548)</b>	<b>19,777</b>	<b>(250)</b>	<b>(10)</b>	<b>124,056</b>
Current tax	(1,283)	(4,307)	(26)	2,417	-	(310)	-	-	(3,509)
Deferred tax	(36)	340	-	85	(75)	123	-	-	437
<b>Profit after tax</b>	<b>54,608</b>	<b>81,751</b>	<b>517</b>	<b>(2,599)</b>	<b>(32,623)</b>	<b>19,590</b>	<b>(250)</b>	<b>(10)</b>	<b>120,984</b>
Allocated as:									
Profit attributable to non-controlling interests and holders of perpetual capital securities	(739)	(14,595)	-	625	(66)	(607)	-	10	(15,372)
Profit attributable to ordinary shareholders of CKH Holdings	53,869	67,156	517	(1,974)	(32,689)	18,983	(250)	-	105,612



**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE RESULTING CKH HOLDINGS GROUP**

**III. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Audited accounts 31 December 2014		Pro forma adjustments						TOTAL
	Cheung Kong HK\$ millions	Hutchison HK\$ millions	Note 2 Husky Share Exchange HK\$ millions	Note 4 Spin-off Proposal HK\$ millions	Note 5 De-recognition of investment in Hutchison & Purchase Price Allocation adjustments HK\$ millions	Note 6 Accounting for enities co-owned by Cheung Kong & Hutchison HK\$ millions	Note 7 Professional expenses HK\$ millions	Note 8 Presentation re-classification HK\$ millions	
<b>Operating activities</b>									
Cash generated from operations	18,109	-	-	-	-	-	-	(18,109)	-
Cash generated from (used in) operating activities before interest expenses and other finance costs, tax paid and changes in working capital	-	62,640	-	(18,449)	-	4,762	(250)	12,968	61,671
Investment in / loan advance to joint ventures	(3,176)	-	-	-	-	-	-	3,176	-
Dividend / repayment from joint ventures	1,904	-	-	-	-	(1,945)	-	41	-
Dividend from associates	19,969	-	528	-	(19,939)	-	-	(558)	-
Dividend from investments in securities	320	-	-	-	-	-	-	(320)	-
Interest received	1,126	-	-	-	-	-	-	(1,126)	-
Dividends paid to shareholders of the Company	(24,408)	-	-	-	-	-	-	24,408	-
Dividends paid to non-controlling interests	(309)	-	-	-	-	-	-	309	-
Distribution paid on perpetual securities	(460)	-	-	-	-	-	-	460	-
Increase in bank deposits maturing over three months	(1,822)	-	-	-	-	-	-	-	(1,822)
Interest expenses and other finance costs paid	-	(7,403)	-	109	-	(1,707)	-	(704)	(9,705)
Tax paid	(1,089)	(4,401)	-	1,411	-	(856)	-	-	(4,935)
<b>Funds from (used in) operations</b>	10,164	50,836	528	(16,929)	(19,939)	254	(250)	20,545	45,209
Changes in working capital	-	(2,916)	-	(7,295)	-	739	250	7,293	(1,929)
<b>Net cash from (used in) operating activities</b>	10,164	47,920	528	(24,224)	(19,939)	993	-	27,838	43,280
<b>Investing activities</b>									
Purchase of fixed assets and investment properties	(7,867)	(21,289)	-	448	-	(2,945)	-	-	(31,653)
Additions to telecommunications licences	-	(41)	-	-	-	-	-	-	(41)
Additions to brand names and other rights	-	(229)	-	-	-	-	-	-	(229)
Purchase of subsidiary companies	-	(8,467)	-	-	-	(2,366)	-	-	(10,833)
Additions to other unlisted investment	-	(994)	-	-	-	-	-	(46)	(1,040)
Repayments from associated companies and joint ventures	1,711	3,160	-	(428)	-	(374)	-	(455)	3,614
Purchase of and advances to (including deposits from) associated companies and joint ventures	(5,278)	(13,200)	-	7,706	-	-	-	(3,176)	(13,948)
Proceeds on disposal of fixed assets, leasehold land and investment properties and other assets	-	804	-	(717)	-	11	-	-	98
Proceeds on disposal of subsidiary companies	-	905	-	-	-	-	-	-	905
Proceeds on partial disposal / disposal of associated companies	-	575	-	-	-	1,916	-	-	2,491
Proceeds on disposal of joint ventures	3,298	4,477	-	(7,202)	-	-	-	-	573
Proceeds on disposal of other unlisted investments	-	20	-	-	-	-	-	4	24
Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments	(8,136)	(34,279)	-	(193)	-	(3,758)	-	(3,673)	(50,039)
Disposal / redemption of investments available for sale	595	-	-	-	-	-	-	(595)	-
Disposal of liquid funds and other listed investments	-	1,861	-	-	-	1,138	-	857	3,856
Purchase of investments available for sale	(182)	-	-	-	-	-	-	182	-
Additions to liquid funds and other listed investments	-	(2,445)	-	629	-	-	-	(136)	(1,952)
<b>Cash flows from (used in) investing activities</b>	(7,723)	(34,863)	-	436	-	(2,620)	-	(3,365)	(48,135)
<b>Net cash inflow (outflow) before financing activities</b>	2,441	13,057	528	(23,788)	(19,939)	(1,627)	-	24,473	(4,855)

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	Audited accounts 31 December 2014		Pro forma adjustments					TOTAL	
	Cheung Kong HK\$ millions	Hutchison HK\$ millions	Note 2 Husky Share Exchange HK\$ millions	Note 4 Spin-off Proposal HK\$ millions	Note 5 De-recognition of investment in Hutchison & Purchase Price Allocation adjustments HK\$ millions	Note 6 Accounting for entities co-owned by Cheung Kong & Hutchison HK\$ millions	Note 7 Professional expenses HK\$ millions	Note 8 Presentation re-classification HK\$ millions	HK\$ millions
<b>Financing activities</b>									
New borrowings	-	77,895	-	-	-	3,833	-	-	81,728
Repayment of borrowings	(3,370)	(44,860)	-	10	-	(848)	-	-	(49,068)
Repayment from CK Property Group	-	-	-	55,000	-	-	-	-	55,000
Interest and other finance costs paid	(704)	-	-	-	-	-	-	704	-
Issue of shares by subsidiary companies to non-controlling shareholders and net loans from (to) non-controlling shareholders	(207)	42,775	-	210	-	-	-	-	42,778
Redemption of capital securities by a subsidiary	-	(2,340)	-	-	-	-	-	-	(2,340)
Payments to acquire additional interests in subsidiary companies	-	(93)	-	-	-	-	-	-	(93)
Repurchase of perpetual capital securities	-	(617)	-	-	-	-	-	-	(617)
Dividends paid to non-controlling interests	-	(4,265)	-	557	-	(947)	-	(309)	(4,964)
Distributions paid on perpetual capital securities	-	(1,980)	-	-	-	-	-	(460)	(2,440)
Dividends paid to ordinary shareholders	-	(39,905)	-	-	19,939	-	-	(24,408)	(44,374)
<b>Cash flows from (used in) financing activities</b>	<b>(4,281)</b>	<b>26,610</b>	<b>-</b>	<b>55,777</b>	<b>19,939</b>	<b>2,038</b>	<b>-</b>	<b>(24,473)</b>	<b>75,610</b>
Increase (decrease) in cash and cash equivalents	(1,840)	39,667	528	31,989	-	411	-	-	70,755
Cash and cash equivalents at 1 January	31,277	85,651	-	(14,300)	-	1,506	-	-	104,134
<b>Cash and cash equivalents at 31 December</b>	<b>29,437</b>	<b>125,318</b>	<b>528</b>	<b>17,689</b>	<b>-</b>	<b>1,917</b>	<b>-</b>	<b>-</b>	<b>174,889</b>

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### IV. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

CKH Holdings was incorporated on 11 December 2014. On 18 March 2015, CKH Holdings became the holding company of the Cheung Kong Group pursuant to the Cheung Kong Reorganisation. The management and the ultimate controlling owners of CKH Holdings are the same as Cheung Kong before and after the completion of the Cheung Kong Reorganisation. Accordingly, the consolidated financial information of CKH Holdings has been presented using the carrying values of the business of the Cheung Kong Group as extracted from the audited consolidated statement of financial position of Cheung Kong as at 31 December 2014, the audited consolidated income statement and the audited consolidated statement of cash flows of Cheung Kong for the year ended 31 December 2014 as set out in the 2014 annual results announcement of Cheung Kong.

The consolidated financial information of Hutchison has been extracted from the audited consolidated statement of financial position as at 31 December 2014, the audited consolidated income statement and the audited consolidated statement of cash flows of Hutchison for the year ended 31 December 2014 as set out in the 2014 annual results announcement of Hutchison.

#### (1) Cheung Kong Reorganisation

For the purposes of the Unaudited Pro Forma Financial Information, the issuance of 2,316,164,338 CKH Holdings Shares by CKH Holdings in exchange for 2,316,164,338 shares of Cheung Kong, pursuant to the Cheung Kong Reorganisation, is based on the closing price of HK\$153.5 per Cheung Kong Share as at 27 February 2015.

The pro forma adjustments represent:

- (i) an increase in “Share Capital” and “Share Premium” upon the issuance of 2,316,164,338 CKH Holdings Shares by CKH Holdings; and
- (ii) the elimination of the original paid-up capital of Cheung Kong in “Reserves” in the unaudited pro forma consolidated statement of financial position as at 31 December 2014.

#### (2) Husky Share Exchange

Pursuant to the Husky Share Exchange, CKH Holdings will issue 84,427,246 CKH Holdings Shares as consideration for the acquisition of 61,357,010 Husky Shares (“**Husky Sale Shares**”), representing a share exchange ratio of 1.376 CKH Holdings Shares for every one Husky Share to be acquired. The Husky Sale Shares represent approximately 6.24% of the common shares of Husky in issue. On completion of the Husky Share Exchange, the Resulting CKH Holdings Group will own an aggregate of approximately 40.20% shareholding in Husky.

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The pro forma adjustments represent:

- (i) an increase in “Share Capital” and “Share Premium” under “Equity” and “Associated companies” under “Non-current Assets” upon the issuance of 84,427,246 CKH Holdings Shares by CKH Holdings as consideration for the acquisition of the Husky Sale Shares in the unaudited pro forma consolidated statement of financial position as at 31 December 2014;
- (ii) an additional 6.24% share of the profit after tax of Husky amounting to HK\$517 million for the year in the unaudited pro forma consolidated income statement as if the Husky Share Exchange had been completed on 1 January 2014; and
- (iii) cash related to dividend from the additional 6.24% interest in Husky amounting to HK\$528 million for the year in the unaudited pro forma consolidated statement of cash flows as if the Husky Share Exchange had been completed on 1 January 2014.

For the purposes of the Unaudited Pro Forma Financial Information, the fair value of the 84,427,246 CKH Holdings Shares to be issued by CKH Holdings amounting to HK\$12,960 million is determined with reference to the closing price of HK\$153.5 per Cheung Kong Share as at 27 February 2015.

Since the fair value of the 84,427,246 CKH Holdings Shares on the date of completion of the Husky Share Exchange may be substantially different from the value used in the Unaudited Pro Forma Financial Information, the final amount of the fair value of the Husky Sale Shares may be different from the amount presented above.

### (3) **Hutchison Proposal**

As at the Latest Practicable Date, the CKH Holdings Group owned approximately 49.97% of the issued shares of Hutchison, and the remaining 50.03% (the “**Scheme Shares**”) was held by the scheme shareholders of Hutchison (the “**Scheme Shareholders**”). Pursuant to the Hutchison Proposal, a wholly-owned subsidiary of CKH Holdings is making a conditional share exchange offer to the Scheme Shareholders for the cancellation of all the Scheme Shares by way of a scheme of arrangement of Hutchison under the Companies Ordinance. Upon completion, Hutchison will become an indirect wholly-owned subsidiary of CKH Holdings.

The pro forma adjustments represent the acquisition of the additional 50.03% interest in Hutchison and reflect an increase in “Share Capital” and “Share Premium” under “Equity” and “Associated companies” under “Non-current Assets” upon the issuance of 1,459,086,916 CKH Holdings Shares by CKH Holdings (the “**Hutchison Consideration Shares**”) as consideration for the cancellation of all the Scheme Shares in the unaudited pro forma consolidated statement of financial position as at 31 December 2014. The investment in the 49.97% and 50.03% equity interests in Hutchison presented under “Associated companies” is eliminated in Note 5.

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For the purposes of the Unaudited Pro Forma Financial Information, the fair value of the Hutchison Consideration Shares amounting to HK\$223,970 million is determined with reference to the closing price of HK\$153.5 per Cheung Kong Share as at 27 February 2015.

Since the fair value of the Hutchison Consideration Shares on the date of completion of the Hutchison Proposal may be substantially different from the value used in the Unaudited Pro Forma Financial Information, the final amount of the fair value of the Hutchison Consideration Shares may be different from the amount presented above.

#### **(4) Spin-off Proposal**

The Spin-off Proposal involves the separate listing of the CK Property Shares on the Main Board of the Stock Exchange by way of introduction following the Distribution In Specie of such CK Property Shares. As part of the Property Businesses Combination, the Combined Property Businesses will be reorganised to form part of the CK Property Group and settled by the issuance of one CK Property Share to the Resulting CKH Holdings Group. The Resulting CKH Holdings Group will also receive a promissory note of HK\$55 billion from CK Property Group for settlement of Specified Loans, the redemption of which is expected to be within a short period of time upon the completion of the Spin-off Proposal.

CK Property will issue shares to the shareholders of CKH Holdings in the ratio of one CK Property Share for every one CKH Holdings Share held at the DIS Record Time. The issuance of shares by CK Property to shareholders of CKH Holdings will be treated as a deemed distribution by CKH Holdings.

The pro forma adjustments represent:

- (i) the exclusion of assets and liabilities of the Combined Property Businesses as at 31 December 2014 at fair values in the unaudited pro forma consolidated statement of financial position and a corresponding reduction in “Share Premium” under “Equity” as if the Distribution In Specie had been completed on 31 December 2014;
- (ii) the exclusion of the income and expenses and cash flows of the Combined Property Businesses assuming the Distribution In Specie had taken place on 1 January 2014. The difference between the fair values of the assets distributed and their carrying amounts will be recognised as a gain from the Distribution In Specie in the unaudited pro forma consolidated income statement pursuant to Hong Kong Financial Interpretation Committee Interpretation 17 “Distributions of Non-cash Assets to Owners”; and

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- (iii) the inclusion of cash of HK\$55 billion to be settled by CK Property Group to the Resulting CKH Holdings Group in the unaudited pro forma consolidated statement of cash flows and the unaudited pro forma consolidated statement of financial position as if the settlement had taken place during 2014.

These pro forma adjustments are not expected to have a continuing effect on the consolidated income statement and consolidated statement of cash flows of CKH Holdings.

For the purposes of the Unaudited Pro Forma Financial Information, the fair value of the Combined Property Businesses is determined with reference to the external valuation of the property interests of the Combined Property Businesses that were valued by the Property Valuers as at 28 February 2015.

Since the fair value of the Combined Property Businesses on the date of completion of the Distribution In Specie may be substantially different from the value used in the Unaudited Pro Forma Financial Information, the final amount of the fair value of the Combined Property Businesses and the gain from the Distribution In Specie may be different from the amounts presented above.

### **(5) De-recognition of investment in Hutchison and Purchase Price Allocation adjustments**

Upon completion of the Hutchison Proposal, Hutchison will become an indirect wholly owned subsidiary of CKH Holdings. In accordance with Hong Kong Financial Reporting Standard 3 “Business Combinations” (“**HKFRS 3**”), the Hutchison Proposal is accounted for as a business combination achieved in stages. The acquirer should re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss in the profit and loss. Accordingly, the identifiable assets and liabilities of the Hutchison Group will be accounted for in the Unaudited Pro Forma Financial Information under acquisition accounting at fair values estimated by the directors.

The pro forma adjustments represent:

- (i) the re-measurement loss of the CKH Holdings Group’s existing interests in Hutchison of HK\$4,763 million, which includes the realisation of exchange reserve and other reserves deficits;
- (ii) the fair value adjustments on the carrying values of the identifiable assets and liabilities of the Hutchison Group;
- (iii) the excess amount of the consideration over the CKH Holdings Group’s share of the fair values of the identifiable assets and liabilities of the Hutchison Group recognised as goodwill of HK\$131,712 million;

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- (iv) the profit or loss impact arising from the adjustments to fair values of the identifiable assets and liabilities including impacts to depreciation and amortisation and interest expenses pursuant to the acquisition accounting as if the Hutchison Proposal had been completed on 1 January 2014;
- (v) the elimination of dividend received by the Cheung Kong Group from Hutchison of HK\$19,939 million as if the Hutchison Proposal had been completed on 1 January 2014;
- (vi) the elimination of the CKH Holdings Group's investment costs in Hutchison previously held as associated companies; and
- (vii) the directors have assessed whether there is any indication of impairment in respect of fixed assets, intangible assets and goodwill with reference to Hong Kong Accounting Standard 36 "Impairment of Assets".

The adjustments in (iv) above are expected to have a continuing effect on the consolidated income statement of CKH Holdings.

Since the fair values of the Hutchison Consideration Shares, Cheung Kong Group's existing interests in Hutchison and the identifiable assets and liabilities of the Hutchison Group at the date of completion of the Hutchison Proposal may be substantially different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information, the final amounts of the identifiable net assets (including intangible assets), goodwill and losses from the re-measurement of the existing interest in Hutchison to be recognised in connection with the Hutchison Proposal may be different from the amounts presented above.

### **(6) Accounting for entities co-owned by Cheung Kong and Hutchison**

The Cheung Kong Group invests in infrastructure businesses through joint ventures with parties including Cheung Kong Infrastructure Holdings Limited ("CKI") and Power Assets Holdings Limited ("**Power Assets**").

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These infrastructure businesses comprise:

<u>Name</u>	<u>Effective voting right exercisable by Cheung Kong Group as at the Latest Practicable Date</u>	<u>Effective voting right exercisable by the Resulting CKH Holdings Group upon completion of the Hutchison Proposal</u>
Northumbrian Water Group Limited ("Northumbrian Water")	40%	80%
Park'N Fly, Inc. ("Park'N Fly")	50%	100%
AVR-Afvalverwerking B.V. ("AVR")	35%	70%
Australian Gas Networks Limited ("AGN")	33.33%	66.7%
Wales & West Utilities Limited ("WWU")	30%	60%

According to the shareholders' agreements of AVR, AGN and WWU, decisions on certain relevant operating activities of these joint ventures would require approval of at least 80% or more of the votes cast on a poll taken at the respective meetings of their boards of directors. Accordingly, the Resulting CKH Holdings Group will not have the ability to exercise control over these three joint ventures and these investments continued to be accounted for using the equity method of accounting as interests in joint ventures under Hong Kong Financial Reporting Standard 11 "Joint Arrangements".

The net debts, based on the principal amount of bank and other debts less cash and cash equivalents, of AVR, AGN and WWU amounting to HK\$3,096 million, HK\$13,554 million and HK\$15,807 million, respectively, as at 31 December 2014 are not consolidated in the Unaudited Pro Forma Financial Information.

Upon completion of the Hutchison Proposal, entities co-owned by Cheung Kong and Hutchison over which CKH Holdings has control (the "Entities"), including Northumbrian Water and Park'N Fly, will become indirectly owned subsidiaries of the Resulting CKH Holdings Group. In accordance with HKFRS 3, the identifiable assets and liabilities of the Entities will be accounted for in the Unaudited Pro Forma Financial Information under acquisition accounting at fair values estimated by the directors. In addition, certain available for sale investments of the Cheung Kong Group will become associated companies of the Resulting CKH Holdings Group and will be accounted for using the equity method of accounting upon completion of the Hutchison Proposal.



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The pro forma adjustments represent:

- (i) the consolidation of the financial position of the Entities as at 31 December 2014 by CKH Holdings as if the Hutchison Proposal had been completed on 31 December 2014. The fair values of the identifiable assets and liabilities of the Entities included in the unaudited pro forma consolidated statement of financial position at 31 December 2014 are estimated by the directors. Income and expenses and cash flows of the Entities are consolidated in the unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of cash flows for the year as if the Hutchison Proposal had been completed on 1 January 2014;
- (ii) the elimination of investment costs in the Entities and share capital and reserves;
- (iii) the reversal of interest income and expenses arising from loans made to the Entities by the Cheung Kong Group and CKI as if the Hutchison Proposal had been completed on 1 January 2014;
- (iv) the elimination of dividend received by the Cheung Kong Group and CKI from the Entities of HK\$1,945 million as if the Hutchison Proposal had been completed on 1 January 2014;
- (v) the gain on re-measurement of the existing interests in the Entities held by the Cheung Kong Group of HK\$19,082 million, which includes the realisation of exchange reserve and other reserves surplus as if the Hutchison Proposal had been completed on 1 January 2014; and
- (vi) the share of profit or losses after tax using the equity method of accounting in the unaudited pro forma consolidated income statement and the corresponding adjustments in the unaudited pro forma statement of cash flows of those entities which were accounted for as available for sale investments by the Cheung Kong Group and become associated companies of the Resulting CKH Holdings Group as if the Hutchison Proposal had been completed on 1 January 2014; and the corresponding adjustments in the unaudited pro forma consolidated statement of financial position as if the Hutchison Proposal had been completed on 31 December 2014.

The adjustments in (vi) above are expected to have a continuing effect on the consolidated income statement of CKH Holdings and the adjustments in (i) above are expected to have a continuing effect on the consolidated statement of cash flows of CKH Holdings.

- (7) The pro forma adjustments represent the estimated legal and professional fees for the Merger Proposal, the Spin-off Proposal and the Distribution In Specie amounting to HK\$250 million, which will be borne by the Resulting CKH

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Holdings Group. These adjustments are not expected to have continuing effect on the consolidated income statement and consolidated statement of cash flows of CKH Holdings.

- (8) The pro forma adjustments reflect the reclassification of certain financial statement line items to conform with the presentation adopted by the Resulting CKH Holdings Group.
- (9) The unadjusted consolidated net tangible assets of CKH Holdings attributable to ordinary shareholders of CKH Holdings as at 31 December 2014 of HK\$394,145 million is derived from the audited consolidated statement of financial position of Cheung Kong as at 31 December 2014, as set out in the 2014 annual results announcement of Cheung Kong, which is based on the audited consolidated net assets of Cheung Kong attributable to ordinary shareholders of Cheung Kong as at 31 December 2014 of HK\$394,145 million.

The unaudited pro forma net tangible assets of the Resulting CKH Holdings Group attributable to ordinary shareholders of CKH Holdings of HK\$119,415 million is derived from the unaudited pro forma consolidated statement of financial position of the Resulting CKH Holdings Group as set out in section I of this appendix, which is based on the unaudited pro forma net assets of the Resulting CKH Holdings Group attributable to ordinary shareholders of CKH Holdings of HK\$365,541 million, excluding the total intangible assets of the Resulting CKH Holdings Group attributable to ordinary shareholders of CKH Holdings as of 31 December 2014 of HK\$246,126 million.

- (10) The unadjusted consolidated net tangible assets of CKH Holdings per share as at 31 December 2014 is determined based on 2,316,164,338 issued shares of Cheung Kong as at 31 December 2014.

The unaudited pro forma net tangible assets of the Resulting CKH Holdings Group per Share is determined based on 3,859,678,500 shares of CKH Holdings assumed to be issued and outstanding as at 31 December 2014, representing 2,316,164,338 existing Cheung Kong Shares as at 31 December 2014 and 84,427,246 and 1,459,086,916 shares to be issued pursuant to the Husky Share Exchange and Hutchison Proposal respectively.

- (11) No other adjustment has been made to the unaudited pro forma consolidated statement of financial position to reflect any trading results or other transactions of the Resulting CKH Holdings Group entered into subsequent to 31 December 2014, or to the unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of cash flows to reflect any trading results or other transactions entered into by the Resulting CKH Holdings Group subsequent to 31 December 2014. In particular, the Unaudited Pro Forma Financial Information has not taken into account the proposed acquisition of certain aircraft as disclosed in the announcement of Cheung Kong dated 4 November 2014, the proposed acquisition of Eversholt Rail Group by CK Investments S.a.r.l, which is

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jointly owned by CKI and Cheung Kong as disclosed in the announcement of CKI dated 20 January 2015, the proposed acquisition of O<sub>2</sub> UK by Hutchison as disclosed in the announcement of Hutchison dated 25 March 2015 and the proposed payment of second interim dividends in lieu of final dividends of HK\$6,985 million and HK\$7,482 million by Cheung Kong and Hutchison respectively on 26 February 2015.

**(12) Additional analysis**

***(a) Unaudited pro forma revenue and EBITDA of the Resulting CKH Holdings Group and profit attributable to ordinary shareholders of CKH Holdings***

Had completion of the Merger Proposal taken place on 1 January 2014, the unaudited pro forma revenue and EBITDA\* of the Resulting CKH Holdings Group (inclusive of the Resulting CKH Holdings Group's proportionate share of associated companies and joint ventures' respective items) by operating segments, geographical locations and major contribution would have been as follows:

	<b>Revenue</b>	<b>EBITDA</b>
	<i>HK\$'millions</i>	<i>HK\$'millions</i>
The Resulting CKH Holdings Group's		
Revenue	275,674	275,674
Cost of inventories sold		(110,385)
Staff costs		(36,093)
Telecommunications customer acquisition costs		(24,165)
Other operating expenses	_____	(54,618)
	275,674	50,413
Share of revenue / EBITDA of the Resulting CKH Holdings Group's associated companies and joint ventures <sup>(i)</sup>	_____	46,873
Unaudited pro forma revenue / EBITDA (inclusive of the Resulting CKH Holdings Group's proportionate share of associated companies and joint ventures' respective items)	_____	97,286

\* EBITDA is defined as earnings before interest expenses and other finance costs, tax, depreciation and amortisation. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles in Hong Kong and the EBITDA measures used by the Resulting CKH Holdings Group may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

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	Revenue		EBITDA	
	<i>HK\$'millions</i>	%	<i>HK\$'millions</i>	%
<i>Analysis by operating segments:</i>				
Ports and related services	35,953	8%	12,284	13%
Retail	157,397	37%	15,549	16%
Infrastructure <sup>(ii)</sup>	54,238	13%	30,105	31%
Husky Energy	67,902	16%	17,056	17%
3 Group Europe <sup>#</sup>	65,623	15%	15,598	16%
Hutchison				
Telecommunications				
Hong Kong Holdings <sup>#</sup>	16,296	4%	2,780	3%
Hutchison Asia				
Telecommunications <sup>#</sup>	5,757	1%	(278)	–
Finance & Investments and				
Others	24,451	6%	4,192	4%
	<u>427,617</u>	<u>100%</u>	<u>97,286</u>	<u>100%</u>
<i>Analysis by geographical locations:</i>				
Hong Kong	58,789	14%	6,321	6%
Mainland China	38,069	9%	9,887	10%
Europe	190,691	44%	47,101	49%
Canada	66,670	16%	15,593	16%
Asia, Australia and others	48,947	11%	14,192	15%
Finance & Investments and				
Others	24,451	6%	4,192	4%
	<u>427,617</u>	<u>100%</u>	<u>97,286</u>	<u>100%</u>
<i>Contribution from:</i>				
Cheung Kong Non-Property				
Businesses <sup>(iii)</sup>	12,156		6,374	
Hutchison Non-Property				
Businesses <sup>(iv)</sup>	404,927		88,266	
Husky additional 6.24% contribution	10,534		2,646	
	<u>427,617</u>		<u>97,286</u>	

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- # Represent the Resulting CKH Holdings Group's telecommunications division which consists of 3 Group Europe with businesses in 6 countries in Europe ("3 Group Europe"), a 65.01% interest in Hutchison Telecommunications Hong Kong Holdings Limited ("Hutchison Telecommunications Hong Kong Holdings") which is listed on the Stock Exchange of Hong Kong, Hutchison Asia Telecommunications Limited ("Hutchison Asia Telecommunications"), and an 87.87% interest in the Australian Securities Exchange listed Hutchison Telecommunications (Australia) Limited, which has a 50% interest in a joint venture company, Vodafone Hutchison Australia Pty Limited ("VHA").

Had completion of the Merger Proposal taken place on 1 January 2014, the unaudited pro forma profit attributable to ordinary shareholders of CKH Holdings can be further analysed as follows:

*HK\$'millions*

Unaudited pro forma profit attributable to ordinary shareholders of CKH Holdings:	
– Recurring profit attributable to ordinary shareholders	31,157
– Profits on disposal of investments and others	<u>74,455</u>
	<u><u>105,612</u></u>

Contribution of recurring profit attributable to ordinary shareholders:

*HK\$'millions*

Cheung Kong Non-Property Businesses <sup>(iii)</sup>	1,101
Hutchison Non-Property Businesses <sup>(iv)</sup>	23,655
Husky additional 6.24% contribution	776
Depreciation and amortisation and interest expenses impacts arising from the fair value adjustments on acquisition	<u>5,625</u>
	<u><u>31,157</u></u>

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Profits on disposal of investments and others mainly comprise:

	<i>HK\$'millions</i>
Marked-to-market gain on CKI's investment in AGN	1,748
Share of gain arising from Power Assets' separate listing of its Hong Kong electricity business	16,066
Impairment of goodwill and store closure provisions	(652)
Provisions relating to the restructuring of 3 Ireland business	(3,388)
Impairment charges on certain port assets and related provisions	(581)
Share of Husky's impairment charge on certain crude oil and natural gas assets	(1,672)
Share of operating losses of joint venture VHA	(1,732)
Costs of the Scheme	(250)
Net gain on de-recognition of investments in Hutchison and other joint ventures to become subsidiary companies	14,335
Gain on Distribution In Specie of property businesses	<u>50,581</u>
	<u><u>74,455</u></u>

(i) Share of revenue / EBITDA of the Resulting CKH Holdings Group's associated companies and joint ventures mainly include:

- (a) the Hutchison Group's share of associated companies and joint ventures retained after the spin off of property businesses to CK Property, mainly include Husky, Power Assets and joint ventures of CKI not co-owned with Cheung Kong Group. The proportionate share of Husky's revenue and EBITDA includes the additional 6.24% share of Husky, resulting in an aggregate share of approximately 40.20%;
- (b) the proportionate share of infrastructure businesses co-owned by Cheung Kong Group and Hutchison Group: 70% of AVR, 72.48% of AGN and 60% of WWU; and
- (c) the proportionate share of Cheung Kong Group's 45.3% share of CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences").

(ii) The Infrastructure operating segment of the Resulting CKH Holdings Group mainly include:

- (a) CKI;
- (b) the adjustment to consolidate Northumbrian Water and Park'N Fly as subsidiary companies;
- (c) the proportionate share of AVR, AGN and WWU; and
- (d) aircraft leasing business.

(iii) The Cheung Kong Non-Property Businesses mainly include:

- (a) the Cheung Kong Group's proportionate share of infrastructure businesses of 35% of AVR, 27.51% of AGN and 30% of WWU;

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- (b) the 60% share of Northumbrian Water (including Cheung Kong Group's 40% share and non-controlling interests' 20% share) and 50% of Park'N Fly;
  - (c) aircraft leasing business; and
  - (d) the proportionate share of Cheung Kong Group's 45.3% share of CK Life Sciences.
- (iv) The Hutchison Non-Property Businesses mainly include:
- (a) Ports, Retail and Telecommunications businesses of Hutchison Group;
  - (b) the proportionate share of 33.96% of Husky of Hutchison Group;
  - (c) the Hutchison's proportionate share of 40% of Northumbrian Water and 50% of Park'N Fly; and
  - (d) the Hutchison's proportionate share of infrastructure businesses of 35% of AVR, 44.97% of AGN and 30% of WWU.

***(b) Unaudited pro forma bank and other debts and net debt of the Resulting CKH Holdings Group***

Had completion of the Merger Proposal taken place on 1 January 2014, the unaudited pro forma debt maturity profile and net debt would have been as follows:

**Debt maturity profile**

*HK\$'millions*

Unaudited pro forma bank and other debts of the Resulting CKH Holdings Group:	
– Current	60,466
– Non-current	<u>273,886</u>
	<u>334,352</u>
Analysed as:	
– Principal amount	321,614
– Unamortised loan facility fees and unrealised gain pursuant to interest rate swap contracts	1,932
– Fair value adjustment on acquisition	<u>10,806</u>
	<u>334,352</u>

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**APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE RESULTING CKH HOLDINGS GROUP**

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*HK\$'millions*

Bank and other loans at principal amount are repayable as follows:	
– In 2015	60,005
– In 2016	34,734
– In 2017	85,130
– In 2018	12,375
– In 2019	30,045
– Beyond 2019	<u>99,325</u>
	<u><u>321,614</u></u>

**Unaudited pro forma net debt\***

*HK\$'millions*

Unaudited pro forma net debt of the Resulting CKH Holdings Group:	
Bank and other debts	
– Current	60,466
– Non-current	<u>273,886</u>
	334,352
Cash, liquid funds and other listed investments	
– Cash and cash equivalents	201,721
– Liquid funds and other listed investments	<u>14,036</u>
	215,757
Unaudited pro forma net debt	<u><u>118,595</u></u>
Unaudited pro forma net debt to net total capital ratio*	<u><u>18.2%</u></u>

\* Net debt is defined as total amount of bank and other debts net of total cash, liquid funds and other listed investments. Net total capital is defined as total amount of bank and other debts plus total equity and loans from non-controlling shareholders (inclusive of HK\$1 billion interest free loans from non-controlling shareholders) net of total cash, liquid funds and other listed investments.

(13) For the purpose of preparing the Unaudited Pro Forma Financial Information, the translation of certain foreign currencies to HK\$ were made at the following rates:

Australian dollars (AUD)	6.0614
Canadian dollars (CAD)	6.2087
Renminbi (RMB)	1.2400
Danish Krone (DKK)	1.1646
Euro (EUR)	8.6947
Israeli Shekel (ILS)	1.9557
Pound Sterling (GBP)	11.9514
Swedish Krona (SEK)	0.9295



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## APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

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### 2. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for inclusion in this circular, in respect of the unaudited pro forma financial information of the Resulting CKH Holdings Group.*



羅兵咸永道

### INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE CIRCULAR

TO THE DIRECTORS OF CK HUTCHISON HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CK Hutchison Holdings Limited (“CKH Holdings”) and its subsidiaries (collectively the “CKH Holdings Group”) and Hutchison Whampoa Limited (“Hutchison”) and its subsidiaries (the “Hutchison Group”) (collectively the “Resulting CKH Holdings Group”) by the directors of CKH Holdings for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2014, the unaudited pro forma consolidated statement of financial position and the unaudited pro forma statement of net tangible assets of the Resulting CKH Holdings Group as at 31 December 2014, and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages III-1 to III-19 of the circular of CKH Holdings dated 31 March 2015 (the “Circular”), in connection with (1) the proposed acquisition by the Hutchison Group of 6.24% of the common shares of Husky Energy Inc. in issue (the “Husky Share Exchange”) and (2) the proposed share exchange offer by a wholly-owned subsidiary of CKH Holdings to the Hutchison Scheme Shareholders for the cancellation of all the Hutchison Scheme Shares by way of a scheme of arrangement (the “Scheme”). Immediately following the completion of the Scheme, the property businesses of the CKH Holdings Group and the Hutchison Group are proposed to be reorganised under Cheung Kong Property Holdings Limited (“CK Property”) and thereafter, it is proposed that a spin-off of CK Property be implemented by way of the Distribution In Specie of CK Property shares to the shareholders of CKH Holdings (together with the Scheme and the Husky Share Exchange, the “Transactions”). The applicable criteria on the basis of which the directors of CKH Holdings have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-19. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

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## **APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP**

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The Unaudited Pro Forma Financial Information has been compiled by the directors of CKH Holdings to illustrate the impact of the Transactions on the CKH Holdings Group's financial position as at 31 December 2014 and the CKH Holdings Group's financial performance and cash flows for the year ended 31 December 2014 as if the Transactions had taken place at 31 December 2014 and 1 January 2014 respectively. As part of this process, information about the CKH Holdings Group's financial position, financial performance and cash flows has been extracted by the directors of CKH Holdings from the financial statements of Cheung Kong (Holdings) Limited for the year ended 31 December 2014, on which an audit report has been published.

### **Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors of CKH Holdings are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### **Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors of CKH Holdings have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken

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## APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

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at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions at 1 January 2014 or 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of CKH Holdings in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of CKH Holdings on the basis stated;
- (b) such basis is consistent with the accounting policies of the CKH Holdings Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, 31 March 2015

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

Save for (a) the management discussion and analysis on Hutchison set out in Appendix II to this circular and (b) the information and opinions contained in the Hutchison Scheme Document which relate to the Hutchison Group and for which the directors of Hutchison are responsible (as stated in Appendix IV to the Hutchison Scheme Document) (collectively, the “**Extracted Hutchison Information**”), the Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Extracted Hutchison Information contained or expressed in this circular has been extracted or summarised from public documents and/or the Hutchison Scheme Document. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the Extracted Hutchison Information has been correctly and fairly reproduced or presented in this circular and there are no other matters in respect of the Extracted Hutchison Information the omission of which would make any such information in this circular misleading.

## 2. INTERESTS OF DIRECTORS

### (a) **Interests in shares, underlying shares and debentures of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares or underlying shares or debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register kept by the Company under Section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) of the Listing Rules were as follows:

**(1) Long Position in Shares****(i) The Company**

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
		Personal Interest	Family interest	Corporate interest	Other interest		
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts	-	-	67,189,000 (Note 1)	936,462,744 (Note 2)	1,003,651,744	43.33%
Li Tzar Kuoi, Victor	Beneficial owner, interest of child or spouse, interest of controlled corporations & beneficiary of trusts	220,000	200,000	1,529,000 (Note 4)	936,462,744 (Note 2)	938,411,744	40.51%
Kam Hing Lam	Beneficial owner	10,000	-	-	-	10,000	0.0004%
Leung Siu Hon	Beneficial owner & interest of child or spouse	645,500	64,500	-	-	710,000	0.03%
Chow Kun Chee, Roland	Beneficial owner	65,600	-	-	-	65,600	0.003%
George Colin Magnus	Beneficial owner, interest of child or spouse & beneficiary of trust	56,000	10,000	-	184,000 (Note 5)	250,000	0.01%
Lee Yeh Kwong, Charles	Beneficial owner	30,000	-	-	-	30,000	0.001%
Yeh Yuan Chang, Anthony	Interest of child or spouse	-	3,000	-	-	3,000	0.0001%
Hung Siu-lin, Katherine	Beneficial owner	20,000	-	-	-	20,000	0.0009%

**(ii) Associated Corporations****Hutchison Whampoa Limited**

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of shareholding
		Personal interest	Family interest	Corporate interest	Other interest		
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts	-	-	94,534,000 (Note 1)	2,141,698,773 (Note 3)	2,236,232,773	52.45%
Li Tzar Kuoi, Victor	Interest of child or spouse, interest of controlled corporations & beneficiary of trusts	-	300,000	1,086,770 (Note 4)	2,141,698,773 (Note 3)	2,143,085,543	50.26%
Kam Hing Lam	Beneficial owner & interest of child or spouse	60,000	40,000	-	-	100,000	0.002%
Leung Siu Hon	Beneficial owner & interest of child or spouse	27,000	28,600	-	-	55,600	0.0013%
Fok Kin Ning, Canning	Interest of controlled corporation	-	-	6,010,875 (Note 7)	-	6,010,875	0.14%
Frank John Sixt	Beneficial owner	200,000	-	-	-	200,000	0.005%
Chow Kun Chee, Roland	Beneficial owner	49,931	-	-	-	49,931	0.001%
George Colin Magnus	Beneficial owner, interest of child or spouse & founder & beneficiary of a discretionary trust	40,000	9,900	-	950,100 (Note 6)	1,000,000	0.02%
Lee Yeh Kwong, Charles	Beneficial owner, interest of child or spouse & interest of controlled corporation	1,070,358	55,000	10,000 (Note 15)	-	1,135,358	0.03%
Yeh Yuan Chang, Anthony	Interest of child or spouse	-	130,000	-	-	130,000	0.003%
Chow Nin Mow, Albert	Beneficial owner	97	-	-	-	97	=0%
Hung Siu-lin, Katherine	Beneficial owner	34,000	-	-	-	34,000	0.0008%

## (ii) Associated Corporations (continued)

**Cheung Kong Infrastructure Holdings Limited**

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of shareholding
		Personal interest	Family interest	Corporate interest	Other interest		
Li Ka-shing	Founder of discretionary trusts	-	-	-	1,912,109,945 (Note 9)	1,912,109,945	75.88%
Li Tzar Kuoi, Victor	Beneficiary of trusts	-	-	-	1,912,109,945 (Note 9)	1,912,109,945	75.88%
Kam Hing Lam	Beneficial owner	100,000	-	-	-	100,000	0.003%
Chow Kun Chee, Roland	Beneficial owner	10,000	-	-	-	10,000	0.0003%

**CK Life Sciences Int'l, (Holdings) Inc.**

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of shareholding
		Personal interest	Family interest	Corporate interest	Other interest		
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts	-	-	2,835,759,715 (Note 14)	4,355,634,570 (Note 10)	7,191,394,285	74.82%
Li Tzar Kuoi, Victor	Beneficial owner, interest of controlled corporations & beneficiary of trusts	2,250,000	-	2,835,759,715 (Note 14)	4,355,634,570 (Note 10)	7,193,644,285	74.84%
Kam Hing Lam	Interest of child or spouse	-	6,225,000	-	-	6,225,000	0.06%
Ip Tak Chuen, Edmond	Beneficial owner	2,250,000	-	-	-	2,250,000	0.02%
Chung Sun Keung, Davy	Beneficial owner	375,000	-	-	-	375,000	0.004%
Pau Yee Wan, Ezra	Beneficial owner	900,000	-	-	-	900,000	0.009%
Woo Chia Ching, Grace	Beneficial owner	1,125,000	-	-	-	1,125,000	0.01%
Leung Siu Hon	Beneficial owner, interest of child or spouse & interest of controlled corporation	1,688,130	2,000	2,970 (Note 8)	-	1,693,100	0.017%
Fok Kin Ning, Canning	Interest of controlled corporation	-	-	1,500,000 (Note 7)	-	1,500,000	0.015%
Frank John Sixt	Beneficial owner	900,000	-	-	-	900,000	0.009%
Chow Kun Chee, Roland	Beneficial owner	903,936	-	-	-	903,936	0.009%
George Colin Magnus	Beneficial owner, interest of child or spouse & beneficiary of trust	753,360	600	-	11,040 (Note 5)	765,000	0.008%
Kwok Tun-li, Stanley	Interest of child or spouse	-	200,000	-	-	200,000	0.002%
Hung Siu-lin, Katherine	Beneficial owner	9,000	-	-	-	9,000	=0%

## (ii) Associated Corporations (continued)

## Other Associated Corporations

Name of Company	Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate% of Shareholding
			Personal interest	Family interest	Corporate interest	Other interest		
Beautiland Company Limited	Li Ka-shing	Founder of discretionary trusts	-	-	-	15,000,000 (Note 11)	15,000,000	15%
	Li Tzar Kuoi, Victor	Beneficiary of trusts	-	-	-	15,000,000 (Note 11)	15,000,000	15%
Jabrin Limited	Li Ka-shing	Founder of discretionary trusts	-	-	-	2,000 (Note 11)	2,000	20%
	Li Tzar Kuoi, Victor	Beneficiary of trusts	-	-	-	2,000 (Note 11)	2,000	20%
Kobert Limited	Li Ka-shing	Founder of discretionary trusts	-	-	-	75 (Note 11)	75	1.53%
	Li Tzar Kuoi, Victor	Beneficial of trusts	-	-	-	75 (Note 11)	75	1.53%
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	4,100,000	-	1,000,000 (Note 7)	-	5,100,000	0.037%
	Frank John Sixt	Beneficial owner	1,000,000	-	-	-	1,000,000	0.007%
Hutchison Telecommunications Hong Kong Holdings Limited	Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts	-	-	403,979,499 (Note 1)	3,185,136,120 (Note 12)	3,589,115,619	74.48%
	Li Tzar Kuoi, Victor	Interest of child or spouse, interest of controlled corporations & beneficiary of trusts	-	192,000	2,519,250 (Note 4)	3,185,136,120 (Note 12)	3,187,847,370	66.15%
	Fok Kin Ning, Canning	Interest of controlled corporation	-	-	1,202,380 (Note 7)	-	1,202,380	0.025%
	George Colin Magnus	Beneficial owner & interest of child or spouse	13,201	132	-	-	13,333	0.0003%

## (2) Long Positions in Underlying Shares

Name of Company	Name of Director	Capacity	Number of Underlying Shares				Total
			Personal interest	Family interest	Corporate interest	Other interest	
Hutchison Telecommunications Hong Kong Holdings Limited	Frank John Sixt	Beneficial owner	255,000 (Note 13)	-	-	-	255,000

## (3) Long Positions in Debentures

Name of Company	Name of Director	Capacity	Amount of Debentures				Total
			Personal interest	Family interest	Corporate interest	Other interest	
Hutchison Whampoa International (09) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	-	-	US\$45,792,000 7.625% Notes due 2019 (Note 4)	-	US\$45,792,000 7.625% Notes due 2019
Hutchison Whampoa International (09/19) Limited	Fok Kin Ning, Canning	Interest of controlled corporation	-	-	US\$4,000,000 5.75% Notes due 2019 (Note 7)	-	US\$4,000,000 5.75% Notes due 2019
Hutchison Whampoa International (10) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	-	-	US\$35,395,000 Subordinated Guaranteed Perpetual Capital Securities (Note 4)	-	US\$35,395,000 Subordinated Guaranteed Perpetual Capital Securities
	Fok Kin Ning, Canning	Interest of controlled corporation	-	-	US\$5,000,000 Subordinated Guaranteed Perpetual Capital Securities (Note 7)	-	US\$5,000,000 Subordinated Guaranteed Perpetual Capital Securities
	Frank John Sixt	Beneficial owner	US\$1,000,000 Subordinated Guaranteed Perpetual Capital Securities	-	-	-	US\$1,000,000 Subordinated Guaranteed Perpetual Capital Securities
Hutchison Whampoa International (12) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	-	-	US\$16,800,000 Subordinated Guaranteed Perpetual Capital Securities (Note 4)	-	US\$16,800,000 Subordinated Guaranteed Perpetual Capital Securities
PHBS Limited	Li Ka-shing	Interest of controlled corporation	-	-	US\$9,100,000 Perpetual Capital Securities (Note 1)	-	US\$9,100,000 Perpetual Capital Securities

## Notes:

- (1) Such interests are held by certain companies of which Mr. Li Ka-shing is interested in the entire issued share capital.
- (2) The two references to 936,462,744 Shares relate to the same block of Shares. Mr. Li Ka-shing is the settlor of each of DT1 and DT2. Each of TDT1, which is the trustee of DT1, and TDT2, which is the trustee of DT2, holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. TUT1 as trustee of UT1 and companies controlled by TUT1 as trustee of UT1 ("TUT1 related companies") hold a total of such 936,462,744 Shares.

The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco. TUT1 is only interested in the Shares by reason of its obligation and power to hold interests in those Shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the Shares independently without any reference to Unity Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as set out above.

As Mr. Li Ka-shing may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO and Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT1 and DT2, and by virtue of the above, both Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the Shares held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO as Directors.



- (3) The two references to 2,141,698,773 Hutchison Shares relate to the same block of shares comprising:
- (a) 2,130,202,773 Hutchison Shares held by certain indirect subsidiaries of the Company. By virtue of the interests in Shares in relation to which each of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (2) above and as a Director, they are taken to have a duty of disclosure in relation to the said Hutchison Shares under the SFO; and
  - (b) 11,496,000 Hutchison Shares held by TUT3 as trustee of UT3. Mr. Li Ka-shing is the settlor of each of DT3 and DT4. Each of TDT3, which is the trustee of DT3, and TDT4, which is the trustee of DT4, holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard.
- The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited (“Castle Holdco”). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Castle Holdco. TUT3 is only interested in the Hutchison Shares by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the Hutchison Shares independently without any reference to Castle Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Castle Holdco as set out above.
- As Mr. Li Ka-shing may be regarded as a founder of each of DT3 and DT4 for the purpose of the SFO and Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT3 and DT4, and by virtue of the above, both Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the said Hutchison Shares held by TUT3 as trustee of UT3 under the SFO as Directors.
- (4) Such interests are held by certain companies of which Mr. Li Tzar Kuoi, Victor is interested in the entire issued share capital.
- (5) Such interests are held by a company controlled by a trust under which Mr. George Colin Magnus is a discretionary beneficiary.
- (6) Such interests are indirectly held by a trust of which Mr. George Colin Magnus is the settlor and a discretionary beneficiary.
- (7) Such interests are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.
- (8) Such interests are held by a company which is wholly-owned by Mr. Leung Siu Hon and his wife.
- (9) The two references to 1,912,109,945 shares in Cheung Kong Infrastructure Holdings Limited (“CKI”) relate to the same block of shares comprising:
- (a) 1,906,681,945 shares in CKI held by a subsidiary of Hutchison. Certain indirect subsidiaries of the Company hold more than one-third of the issued share capital of Hutchison. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, as Directors, by virtue of their deemed interests in the Shares as described in Note (2) above, are taken to have a duty of disclosure in relation to such shares in CKI held by the subsidiary of Hutchison under the SFO; and
  - (b) 5,428,000 shares in CKI held by TUT1 as trustee of UT1. By virtue of the deemed interests in TUT1 as trustee of UT1 as described in Note (2) above, each of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to such shares in CKI under the SFO.
- (10) The two references to 4,355,634,570 shares in CK Life Sciences Int’l., (Holdings) Inc. (“CKLS”) relate to the same block of shares which are held by a subsidiary of the Company. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, as Directors, are taken to have a duty of disclosure in relation to such shares of CKLS held by the subsidiary of the Company by virtue of their deemed interests in the Shares as described in Note (2) above under the SFO.
- (11) These are subsidiaries of the Company and such shares are held through the Company and TUT1 as trustee of UT1. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, as Directors, by virtue of their deemed interests in the Shares and shares of TUT1 as trustee of UT1 as described in Note (2) above, are taken to have a duty of disclosure in relation to such shares under the SFO.
- (12) Such shares of Hutchison Telecommunications Hong Kong Holdings Limited (“HTHKH”) comprise:
- (a) 3,184,982,840 ordinary shares in HTHKH of which 52,092,587 ordinary shares in HTHKH and 3,132,890,253 ordinary shares in HTHKH are held by certain indirect wholly-owned subsidiaries of the Company and Hutchison respectively. By virtue of the interests in the Shares and Hutchison Shares in relation to which Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor have a duty of disclosure under the SFO in the issued share capital of each of the Company and Hutchison as described in Notes (2) and (3) above and as Directors, Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to such shares in HTHKH under the SFO; and

- (b) 153,280 ordinary shares in HTHKH held by TUT3 as trustee of UT3. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, as Directors, by virtue of Mr. Li Ka-shing may be regarded as a founder and Mr. Li Tzar Kuoi, Victor as a discretionary beneficiary of each of DT3 and DT4 and their deemed interests in TUT3 as trustee of UT3 as described in Note (3)(b) above, are taken to have a duty of disclosure in relation to such shares in HTHKH under the SFO.
- (13) Such underlying shares are derived from the 17,000 American Depositary Shares (each representing 15 ordinary shares) in HTHKH beneficially owned by Mr. Frank John Sixt.
- (14) Such 2,835,759,715 shares in CKLS are held by two subsidiaries of Li Ka Shing Foundation Limited (“LKSF”). By virtue of the terms of the constituent documents of LKSF, each of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.
- (15) Such interests are held by a company which is wholly-owned by Mr. Lee Yeh Kwong, Charles.

Certain Directors held qualifying shares in certain subsidiaries on trust for the Company and other subsidiaries.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors, chief executives of the Company or any of their associates had or deemed to have any interest or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

**(b) Interests in assets, contracts or arrangements of the Group or of the Hutchison Group**

Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are regarded as having a material interest in the Husky Share Exchange. Further, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mr. Leung Siu Hon, Mr. Fok Kin Ning, Canning, Mr. Frank John Sixt, Mr. Chow Kun Chee, Roland, Mr. George Colin Magnus, Mr. Lee Yeh Kwong, Charles, Mr. Yeh Yuan Chang, Anthony, Mr. Chow Nin Mow, Albert and Ms. Hung Siu-lin, Katherine are interested in certain Hutchison Scheme Shares to be cancelled pursuant to the Hutchison Proposal in the manner as set out in the section headed “2. *Interests of Directors*” in this Appendix.

As at the Latest Practicable Date, save as set out above, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group or of the Hutchison Group since 31 December 2014, being the date to which the latest published audited accounts of the Cheung Kong Group and of the Hutchison Group were made up.

As at the Latest Practicable Date, save for contracts amongst group companies and as set out above, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group or of the Hutchison Group subsisting at the date of this circular and which is significant in relation to the respective businesses of the Group or of the Hutchison Group taken as a whole.

**(c) Competing Businesses**

As at the Latest Practicable Date, the interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (“**Competing Businesses**”), as required to be disclosed pursuant to the Listing Rules, were as follows:

Name of Director	Name of Company	Nature of Interest	Competing Businesses (Note)
Li Ka-shing	Hutchison Whampoa Limited	Chairman	(1), (2), (3), (4), (5) & (7)
Li Tzar Kuoi, Victor	Hutchison Whampoa Limited	Deputy Chairman	(1), (2), (3), (4), (5) & (7)
	Cheung Kong Infrastructure Holdings Limited	Chairman	(4) & (5)
	Power Assets Holdings Limited	Non-executive Director	(4), (5) & (7)
	CK Life Sciences Int’l., (Holdings) Inc.	Chairman	(5) & (7)
	HK Electric Investments and HK Electric Investments Limited	Deputy Chairman and Non-executive Director	(4)
Kam Hing Lam	Hutchison Whampoa Limited	Executive Director	(1), (2), (3), (4), (5) & (7)
	Cheung Kong Infrastructure Holdings Limited	Group Managing Director	(4) & (5)
	CK Life Sciences Int’l., (Holdings) Inc.	President and Chief Executive Officer	(5) & (7)
	Hui Xian Asset Management Limited	Chairman	(1), (2) & (3)
Ip Tak Chuen, Edmond	Cheung Kong Infrastructure Holdings Limited	Executive Director and Deputy Chairman	(4) & (5)
	CK Life Sciences Int’l., (Holdings) Inc.	Senior Vice President and Chief Investment Officer	(5) & (7)
	TOM Group Limited	Non-executive Director	(5) & (7)
	ARA Asset Management Limited	Non-executive Director	(3) & (5)
	ARA Asset Management (Fortune) Limited	Non-executive Director	(3)
	Hui Xian Asset Management Limited	Non-executive Director	(1), (2) & (3)
	AVIC International Holding (HK) Limited	Non-executive Director	(1), (5) & (6)
	Shougang Concord International Enterprises Company Limited	Non-executive Director	(5)

Name of Director	Name of Company	Nature of Interest	Competing Businesses (Note)
Chiu Kwok Hung, Justin	ARA Asset Management Limited	Chairman	(3) & (5)
	ARA Asset Management (Fortune) Limited	Chairman	(3)
	ARA Asia Dragon Limited	Director	(1) & (3)
	ARA Asset Management (Prosperity) Limited	Chairman	(3)
Leung Siu Hon	Rich Surplus Limited	Director and Substantial Shareholder	(1) & (2)
	Rich More Enterprises Limited	Director and Substantial Shareholder	(1)
Fok Kin Ning, Canning	Hutchison Whampoa Limited	Group Managing Director	(1), (2), (3), (4), (5) & (7)
	Cheung Kong Infrastructure Holdings Limited	Deputy Chairman	(4) & (5)
	Power Assets Holdings Limited	Chairman	(4), (5) & (7)
	Hutchison Telecommunications Hong Kong Holdings Limited	Chairman and Alternate Director	(7)
	HK Electric Investments and HK Electric Investments Limited	Chairman	(4)
Frank John Sixt	Hutchison Whampoa Limited	Group Finance Director	(1), (2), (3), (4), (5) & (7)
	Cheung Kong Infrastructure Holdings Limited	Executive Director	(4) & (5)
	Power Assets Holdings Limited	Non-executive Director	(4), (5) & (7)
	TOM Group Limited	Non-executive Director	(5) & (7)
	Hutchison Telecommunications Hong Kong Holdings Limited	Non-executive Director	(7)
George Colin Magnus	Hutchison Whampoa Limited	Non-executive Director	(1), (2), (3), (4), (5) & (7)
	Cheung Kong Infrastructure Holdings Limited	Non-executive Director	(4) & (5)
Lee Yeh Kwong, Charles	Hutchison Whampoa Limited	Non-executive Director	(1), (2), (3), (4), (5) & (7)

Note: Competing Businesses comprise, and are classified as, the following:

- (1) property development and investment;
- (2) hotel and serviced suite operation;
- (3) property and project management;
- (4) investment in infrastructure businesses;
- (5) investment in securities;
- (6) the ownership and leasing of movable assets; and
- (7) information technology, e-commerce and new technology,

and such businesses were conducted by the company as correspondingly named in the column headed "Name of Company" above, or through its subsidiaries, associated companies or by way of other forms of investments.

Save as disclosed above, none of the Directors is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

**(d) Common directors**

Mr. Li Tzar Kuoi, Victor, Ms. Pau Yee Wan, Ezra, Mr. Frank John Sixt and Mr. Chow Kun Chee, Roland, who are Directors, are also directors of each of TUT1, TDT1 and TDT2.

**3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation)).

**4. MATERIAL CONTRACT**

In the two years immediately preceding the date of this circular, the following material contract, being a material contract not entered into in the ordinary course of business, was entered into by the relevant member of the Group:

- the letter of undertaking dated 9 January 2015 whereby the Company has undertaken to the Husky Sale Shares Purchaser that, subject to the fulfilment (or, where relevant, waiver) of the conditions precedent set out in the Husky Share Exchange Agreement, it will, on completion of the Husky Share Exchange, allot and issue certain Shares to the Husky Sale Shares Vendor (or as it may direct) as consideration under the Husky Share Exchange Agreement.

Save as disclosed above, as at the Latest Practicable Date, no contracts (not being contracts entered into in the ordinary course of business) had been entered into by any member of the Group within the two years immediately preceding the issue of this circular which are, or may be, material to the Group as a whole.

**5. LITIGATION**

As at the Latest Practicable Date, no member of the Group or the Hutchison Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance pending or threatened by or against any member of Group or of the Hutchison Group.

**6. QUALIFICATIONS OF EXPERTS****(a) Qualification of experts**

The following are the names and qualification of the experts who have given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualifications</b>
PricewaterhouseCoopers	Certified Public Accountants
Anglo Chinese Corporate Finance, Limited	A licensed corporation permitted to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

**(b) Interests of experts**

As at the Latest Practicable Date, neither PricewaterhouseCoopers nor Anglo Chinese was interested in any securities of any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, and neither PricewaterhouseCoopers nor Anglo Chinese had any direct or indirect interest in any assets which had been, since 31 December 2014 (being the date to which the latest published audited financial statements of the Cheung Kong Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

**7. CONSENTS**

Each of HSBC, Anglo Chinese, PricewaterhouseCoopers and Somerley Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and/or letter of advice and/or references to its name in the form and context in which they are respectively appear in this circular.

**8. GENERAL**

- (a) The registered office of the Company is situated at Maples Corporate Services Limited, PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business of the Company in Hong Kong is situated at 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.
- (b) The Company's Hong Kong share registrar and transfer office is Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The Company's principal registrar and transfer agent in the Cayman Islands is Maples Fund Services (Cayman) Limited, PO Box 1093, Boundary Hall Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.
- (d) The company secretary of the Company is Ms. Eirene Yeung. She is a solicitor of the High Court of Hong Kong and of the Senior Courts of England and Wales, and she holds a Master of Science degree in Finance, a Master's degree in Business Administration and a Bachelor's degree in Laws.
- (e) The English text of this circular shall prevail over the Chinese text in the event of any inconsistency.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Messrs. Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong on any weekday, except Saturdays, Sundays and public holidays, during the period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the material contract referred to in the paragraph headed "*4. Material Contract*" in this Appendix IV;
- (c) the Husky Share Exchange Agreement;
- (d) the two guarantee agreements referred to in the section headed "*Merger Proposal – 1. The Husky Share Exchange – 2. The Guarantees*" in the "*Letter from the Board*" in this circular;
- (e) the annual reports of Hutchison for each of the financial years ended 31 December 2012 and 2013; and the 2014 Hutchison Results Announcement;
- (f) the annual reports of Cheung Kong for each of the financial years ended 31 December 2012 and 2013; and the 2014 Cheung Kong Results Announcement;

- (g) the report on the unaudited pro forma financial information of the Resulting CKH Holdings Group from PricewaterhouseCoopers, the text of which is set out in “*Appendix III – Unaudited Pro Forma Financial Information of the Resulting CKH Holdings Group*” to this circular;
- (h) the Hutchison Scheme Document, a copy of which is set out in “*Appendix V – Hutchison Scheme Document*” to this circular for reference purposes only;
- (i) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in “*Letter from the Independent Board Committee*” of this circular;
- (j) the letter from the Independent Financial Adviser, the text of which is set out in “*Letter from the Independent Financial Adviser*” of this circular;
- (k) the consent letters referred to in the paragraph headed “7. *Consents*” in this Appendix IV; and
- (l) this circular.



*The following is a copy of the Hutchison Scheme Document issued by the Hutchison Proposal Offeror, the Company and Hutchison dated 31 March 2015 containing details of the Hutchison Scheme, which is reproduced in this Appendix V for reference purposes only. References in this Appendix V to page numbers are to pages of the attached copy of the Hutchison Scheme Document and not to pages of this circular.*

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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hutchison Whampoa Limited, you should at once hand this document and the accompanying forms of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This document does not constitute an offer or invitation to, nor is it intended to invite offers by, the public to subscribe for or to purchase shares or other securities of Hutchison Whampoa Limited and/or CK Hutchison Holdings Limited and it must not be used for the purpose of offering or inviting offers for any securities.

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**CK HUTCHISON HOLDINGS LIMITED**

長江和記實業有限公司

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 0001)



**Hutchison Whampoa Limited**

和記黃埔有限公司

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 0013)

### **CK GLOBAL INVESTMENTS LIMITED**

(Incorporated in the British Virgin Islands with limited liability)

#### **(1) MERGER PROPOSAL –**

##### **(A) PROPOSED SHARE EXCHANGE OFFER TO THE SCHEME SHAREHOLDERS**

**FOR THE CANCELLATION OF ALL THE SCHEME SHARES  
BY WAY OF A SCHEME OF ARRANGEMENT OF HUTCHISON WHAMPOA LIMITED  
UNDER THE COMPANIES ORDINANCE; AND**

##### **(B) HUSKY SHARE EXCHANGE AS A SPECIAL DEAL UNDER RULE 25 OF THE TAKEOVERS CODE IN RELATION TO THE HUTCHISON PROPOSAL**

**AND**

#### **(2) PROPOSAL FOR RE-ELECTION OF RETIRING DIRECTOR**

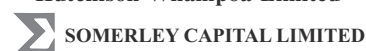
**Financial Adviser to  
CK Hutchison Holdings Limited and CK Global Investments Limited**



**Financial Adviser to  
Hutchison Whampoa Limited**



**Independent Financial Adviser to  
the Independent Board Committee of  
Hutchison Whampoa Limited**



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A letter from the Board, a letter from the Independent Board Committee containing its recommendation to the Disinterested Shareholders in respect of the Merger Proposal, a letter from Somerley, being the Independent Financial Adviser, containing its advice to the Independent Board Committee in respect of the Merger Proposal, and an Explanatory Statement are set out on pages 1 to 6, 7 and 8, 9 to 83 and 84 to 128 of this document, respectively. The actions to be taken by the Shareholders are set out on pages xiii to xiv of this document.

Notices convening the Court Meeting and the General Meeting to be held on Monday, 20 April 2015 at 2:00 p.m. and 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively, at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong are set out on pages N-1 to N-5 of this document.

Whether or not you are able to attend the Court Meeting and/or the General Meeting, you are strongly urged to complete and sign the enclosed forms of proxy in accordance with the respective instructions printed on them, and to lodge them at the Company's registered office at 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong as soon as possible, but in any event not later than the times and dates specified in them respectively. The form of proxy in respect of the Court Meeting may also be handed to the Chairman of the Court Meeting at the Court Meeting.

Completion and return of the forms of proxy will not preclude you from attending and voting in person at the Court Meeting or the General Meeting, or any respective adjournment of it, should you so wish.

The CKH Holdings Shares to be issued in connection with the Scheme will not be, and are not required to be, registered with the SEC under the Securities Act, in reliance on the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) of the Securities Act. **Neither the SEC nor any other US federal or state securities commission or regulatory authority has approved or disapproved of the CKH Holdings Shares or passed an opinion on the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.** Persons who are affiliates (within the meaning of the Securities Act) of the Company or CKH Holdings prior to, or of CKH Holdings after, the Effective Date will be subject to certain US transfer restrictions relating to the CKH Holdings Shares received pursuant to the Scheme. Overseas Shareholders, including but not limited to those in the United States, are advised to read "Non-Qualifying Overseas Shareholders" in the Explanatory Statement and "Information for Overseas Shareholders" for further information.

This document is jointly issued by CK Hutchison Holdings Limited, CK Global Investments Limited and Hutchison Whampoa Limited.

31 March 2015

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## QUESTIONS AND ANSWERS

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The following are some of the questions you, as a Shareholder, may have and the answers to those questions.

**However, you are urged to read this entire document, including the Appendices, carefully.**

**1. What is the purpose of this document?**

- The purpose of this document is to provide you with information regarding (a) the Merger Proposal (which comprises (i) the Hutchison Proposal to privatise the Company by way of the Scheme and (ii) the Husky Share Exchange) and (b) the re-election of the Retiring Director, and to give you notices of the Court Meeting and the General Meeting.

**2. What are the Court Meeting and the General Meeting? What is the Court Hearing?**

- The Court Meeting is being held for the Disinterested Shareholders to consider and, if thought fit, approve the Scheme.
- Following the Court Meeting, the General Meeting is being held for the purpose of considering and, if thought fit, passing (a) a special resolution to approve the Scheme and the implementation of the Scheme, (b) an ordinary resolution to approve the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal) and (c) an ordinary resolution to approve the re-election of the Retiring Director.
- The Court Hearing is being held for the Court to hear the petition for the sanction of the Scheme and the confirmation of the capital reduction of the Company. The location, date and time of the Court Hearing will be published in the South China Morning Post (in English) and the Hong Kong Economic Times and the Hong Kong Economic Journal (in Chinese) and on the website of the Company at [www.hutchison-whampoa.com](http://www.hutchison-whampoa.com) following the Court hearing of the summons for directions in respect of the Scheme, which is expected to be held on Tuesday, 5 May 2015.

**3. What is the location, date and time of the Court Meeting and the General Meeting?**

- The Court Meeting and the General Meeting will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Monday, 20 April 2015 at 2:00 p.m. and 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively.

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## QUESTIONS AND ANSWERS

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### 4. What do I need to do if I want to vote at the Court Meeting and/or the General Meeting?

- The actions you should take are summarised in “*Important Notice and Actions to be Taken*” and “*Actions to be Taken*” in the Explanatory Statement. You should read those sections carefully.

### 5. What is the Merger Proposal?

- The Merger Proposal comprises:
  - (a) the **Hutchison Proposal** pursuant to which the Offeror, a wholly-owned subsidiary of CKH Holdings, is making a conditional share exchange offer to the Scheme Shareholders for the cancellation of the Scheme Shares by way of a scheme of arrangement of the Company under the Companies Ordinance and in consideration, each Scheme Shareholder (other than the Non-Qualifying Overseas Shareholders) will receive new CKH Holdings Shares in the share exchange ratio of 0.684 of a CKH Holdings Share for each Scheme Share held as at the Record Time. On completion of the Hutchison Proposal, the Company will become a wholly-owned subsidiary of CKH Holdings and the listing of the Shares on the Main Board will be withdrawn; and
  - (b) the **Husky Share Exchange** pursuant to which the Group will acquire from the Husky Sale Shares Vendor (a company indirectly wholly owned by the Trust) approximately 6.24% of the common shares of Husky in issue and in consideration, 84,427,246 new CKH Holdings Shares will be issued by CKH Holdings to the Husky Sale Shares Vendor (or as it may direct). On completion of the Husky Share Exchange, the Group will own an aggregate of approximately 40.20% of the common shares of Husky in issue (assuming there is no other change in the shareholding in Husky).
- Each of the Hutchison Proposal and the Husky Share Exchange is subject to the fulfilment (or, where relevant, waiver) of certain conditions precedent as further described in this document. Subject to the fulfilment (or, where relevant, waiver) of these conditions precedent, the Husky Share Exchange will be completed immediately prior to completion of the Hutchison Proposal.

### 6. What consideration will I receive under the Hutchison Proposal for my cancelled Scheme Shares?

- The Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) will receive new CKH Holdings Shares in the share exchange ratio of 0.684 of a CKH Holdings Share for every one Scheme Share held as at the Record Time, which is expected to be 4:00 p.m. on Tuesday, 2 June 2015.

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## QUESTIONS AND ANSWERS

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### 7. What are the Spin-off Proposal and the Distribution In Specie?

- The Spin-off Proposal involves the proposed spin-off of the Combined Property Businesses (being the existing property businesses of the CKH Holdings Group and the Group which will be reorganised under the CK Property Group) to qualifying CKH Holdings Shareholders by way of the Distribution In Specie and the separate listing of the CK Property Shares on the Main Board by way of introduction. CK Property is not offering any CK Property Shares for sale or subscription.
- The Spin-off Proposal is subject to the fulfilment (or, where relevant, waiver) of certain conditions, including, among other things, completion of the Merger Proposal and the Listing Committee of the Stock Exchange granting approval for the listing of the CK Property Shares on the Main Board.
- If the Spin-off Proposal becomes unconditional, qualifying CKH Holdings Shareholders will receive new CK Property Shares in the ratio of one CK Property Share for every one CKH Holdings Share held at the DIS Record Time (being 8:50 a.m. on Wednesday, 3 June 2015).
- If the Merger Proposal is not completed, the Spin-off Proposal will not proceed and you will not receive CKH Holdings Shares or CK Property Shares, and your holding of Shares in the Company will not be affected.

### 8. Do I need to pay anything for the CK Property Shares or complete any application form to receive the CK Property Shares pursuant to the Distribution In Specie?

- No, you do not need to pay anything for the CK Property Shares or complete any application form to receive the CK Property Shares pursuant to the Distribution In Specie.
- If you are a Non-Qualifying CKH Holdings Shareholder immediately following completion of the Scheme, you will not receive CK Property Shares but will instead receive cash in full satisfaction of the CK Property Shares which you would otherwise receive pursuant to the Distribution In Specie.
- See “Appendix VII – Information on the CK Property Group and the Spin-off Proposal – The Spin-off Proposal and the Distribution In Specie – Non-Qualifying CKH Holdings Shareholders” for further details.

### 9. What are “odd lots” and what arrangements are being made relating to the sale of odd lots of CKH Holdings Shares?

- Since CKH Holdings Shares are, and CK Property Shares will be, traded in board lots of 500 shares, any holding of those shares that is not a whole multiple of 500 is known as an “odd lot”.

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## QUESTIONS AND ANSWERS

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- CKH Holdings has appointed Fulbright Securities Limited and One China Securities Limited to provide, on a best efforts basis, a service to match the sale and purchase of odd lots of CKH Holdings Shares issued under the Scheme during the period of 60 days commencing from (and including) the Effective Date (which is expected to be Wednesday, 3 June 2015). Please refer to “*Arrangements Relating to the Sale of Odd Lots of CKH Holdings Shares*” in the Explanatory Statement for further details.

**10. What are “fractional entitlements” to CKH Holdings Shares under the Scheme and how will they be dealt with?**

- Fractional entitlements to CKH Holdings Shares will arise under the Scheme because Shareholders will receive 0.684 of a CKH Holdings Share for each Scheme Share held as at the Record Time and accordingly a Shareholder’s aggregate entitlement may not be an exact multiple of a whole CKH Holdings Share.
- Fractions of CKH Holdings Shares will not be allotted to the Scheme Shareholders under the Scheme. The fractional entitlements of the Scheme Shareholders to CKH Holdings Shares under the Scheme will be aggregated (and, if necessary, rounded down to the nearest whole number of a CKH Holdings Share) and allotted to the Selected Person, who will sell the resulting CKH Holdings Shares (including, for the avoidance of doubt, the CK Property Shares received pursuant to the Distribution In Specie and which are attributable to such CKH Holdings Shares) on the market as soon as reasonably practicable after the Scheme becomes effective. The proceeds of sale (net of expenses and taxes) will be paid to the Scheme Shareholders concerned according to their respective attributable entitlements thereto.

**11. Will I have to pay any fees or commissions under the Scheme?**

- If your Shares are registered in your name as at the Record Time and the Scheme becomes effective, you will not have to pay brokerage fees or similar expenses in respect of the cancellation of the Scheme Shares concerned.
- If you own your Shares as at the Record Time through a financial intermediary (such as a broker or nominee), you should consult your financial intermediary to determine whether any charges apply.

**12. I am an Overseas Shareholder. What should I do?**

- All Overseas Shareholders are entitled to vote even if they are Non-Qualifying Overseas Shareholders, and you are strongly encouraged to exercise your right to vote, in person or by proxy, at the Court Meeting and the General Meeting. The actions you should take are summarised in “*Important Notice and Actions to be Taken*” and “*Actions to be Taken*” in the Explanatory Statement.



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## QUESTIONS AND ANSWERS

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- If the law of any relevant jurisdiction precludes an offer of the CKH Holdings Shares, or precludes it except after compliance by CKH Holdings with conditions with which CKH Holdings is unable to comply or which CKH Holdings regards as unduly onerous, no CKH Holdings Shares will be issued to Overseas Shareholders in such jurisdiction pursuant to the Scheme.
- Based on the addresses of the Overseas Shareholders as registered in the register of members of the Company as at the Latest Practicable Date and the advice received, Overseas Shareholders in the United Arab Emirates are expected to be Non-Qualifying Overseas Shareholders.
- The CKH Holdings Shares which would otherwise have been allotted to the Non-Qualifying Overseas Shareholders pursuant to the Scheme will be allotted to the Selected Person, who will sell such CKH Holdings Shares (including, for the avoidance of doubt, the CK Property Shares received pursuant to the Distribution In Specie and which are attributable to such CKH Holdings Shares) on the market as soon as reasonably practicable after the Scheme becomes effective. The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Non-Qualifying Overseas Shareholders (*pro rata* to their shareholdings in the Company as at the Record Time) in Hong Kong dollars in full satisfaction of their rights to the CKH Holdings Shares pursuant to the Scheme, provided that if the amount that a Non-Qualifying Overseas Shareholder would be entitled to receive is less than HK\$50, such sum will be retained for the benefit of CKH Holdings.
- Overseas Shareholders, including but not limited to those in the United States, are advised to read this document and in particular, “*Non-Qualifying Overseas Shareholders*” in the Explanatory Statement and “*Information for Overseas Shareholders*” for further information.

**13. What is the position of the Independent Board Committee with regard to the Merger Proposal?**

- The Independent Board Committee, having considered, among other things, the objectives and reasons for the Merger Proposal and the Spin-off Proposal and the terms of the Merger Proposal and having taken into account the advice of the Independent Financial Adviser as set out in “*Letter from the Independent Financial Adviser*”, considers that the terms of the Merger Proposal are fair and reasonable so far as the Disinterested Shareholders are concerned.
- Accordingly, the Independent Board Committee recommends that:
  - (a) the Disinterested Shareholders vote in favour of (a) the resolution to approve the Scheme at the Court Meeting and (b) the ordinary resolution to approve the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal) at the General Meeting; and
  - (b) the Shareholders vote in favour of the special resolution to approve the Scheme and the implementation of the Scheme at the General Meeting.

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## QUESTIONS AND ANSWERS

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**14. When do you expect the Merger Proposal to be completed?**

- The Merger Proposal is expected to be completed on Wednesday, 3 June 2015.

**15. Who should I call if I have additional questions?**

- If you have questions concerning administrative matters, such as dates, documentation and procedures relating to the Merger Proposal, please call the Company's share registrar, Computershare Hong Kong Investor Services Limited, at +852 2862 8555 between 9:00 a.m. and 5:00 p.m. on Mondays to Fridays, excluding public holidays.
- This helpline cannot and will not provide advice on the merits of the Merger Proposal or the Scheme or give financial or legal advice.

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## EXPECTED TIMETABLE

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Latest time for lodging transfers of Shares to qualify for the entitlement to attend and vote at the Court Meeting and the General Meeting .....	4:30 p.m. on Tuesday, 14 April 2015
Closure of the register of members of the Company for determining the entitlement to attend and vote at the Court Meeting and the General Meeting <sup>(1)</sup> .....	from Wednesday, 15 April 2015 to Monday, 20 April 2015 (both days inclusive)
Latest time for lodging forms of proxy in respect of:	
Court Meeting <sup>(2)</sup> .....	2:00 p.m. on Saturday, 18 April 2015
General Meeting <sup>(2)</sup> .....	2:30 p.m. on Saturday, 18 April 2015
Record date for determining the entitlement to attend and vote at the Court Meeting and the General Meeting .....	Monday, 20 April 2015
Trading halt in the Shares and the CKH Holdings Shares <sup>(3)</sup> .....	9:00 a.m. on Monday, 20 April 2015
Court Meeting <sup>(4)</sup> .....	2:00 p.m. on Monday, 20 April 2015
General Meeting <sup>(4)</sup> .....	2:30 p.m. on Monday, 20 April 2015 (or as soon thereafter as the Court Meeting shall have been concluded or adjourned)
Announcement of the results of the Court Meeting and the General Meeting published on the Stock Exchange's website <sup>(3)</sup> .....	after 4:15 p.m. on Monday, 20 April 2015
Resumption of trading in the Shares and the CKH Holdings Shares <sup>(3)</sup> .....	9:00 a.m. on Tuesday, 21 April 2015
Court hearing of the summons for directions in respect of the Scheme .....	Tuesday, 5 May 2015
Trading halt in the Shares and the CKH Holdings Shares <sup>(5)</sup> .....	9:00 a.m. on Tuesday, 19 May 2015
Court Hearing of the petition to sanction the Scheme <sup>(6)</sup> .....	Tuesday, 19 May 2015

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## EXPECTED TIMETABLE

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Announcement of (1) the results of the Court Hearing of the petition to sanction the Scheme, (2) the expected Effective Date and (3) the expected date of withdrawal of the listing of the Shares on the Stock Exchange published on the Stock Exchange's website <sup>(5)</sup> .....	after 4:15 p.m. on Tuesday, 19 May 2015
Resumption of trading in the Shares and the CKH Holdings Shares <sup>(5)</sup> .....	9:00 a.m. on Wednesday, 20 May 2015
Dealings in the Shares on the Stock Exchange cease .....	4:00 p.m. on Tuesday, 26 May 2015
Latest time for lodging transfers of Shares to qualify for the entitlement to the Cancellation Consideration under the Scheme .....	4:30 p.m. on Thursday, 28 May 2015
Closure of the register of members of the Company for determining the entitlement to the Cancellation Consideration under the Scheme <sup>(7)</sup> .....	from Friday, 29 May 2015 onwards
Record time for determining entitlement to the Cancellation Consideration under the Scheme .....	4:00 p.m. on Tuesday, 2 June 2015
Despatch of certificates for the CKH Holdings Shares to be issued pursuant to the Scheme <sup>(8)</sup> .....	Tuesday, 2 June 2015
Despatch of certificates for the CK Property Shares to be issued pursuant to the Distribution In Specie <sup>(9)</sup> .....	Tuesday, 2 June 2015
Effective Date <sup>(6)</sup> .....	Wednesday, 3 June 2015
DIS Record Time <sup>(10)</sup> .....	8:50 a.m. on Wednesday, 3 June 2015
Withdrawal of the listing of the Shares on the Stock Exchange <sup>(6)</sup> .....	9:00 a.m. on Wednesday, 3 June 2015
Listing of the CK Property Shares on the Stock Exchange <sup>(11)</sup> ...	9:00 a.m. on Wednesday, 3 June 2015
Announcement of (1) the Effective Date and (2) the withdrawal of the listing of the Shares on the Stock Exchange published on the Stock Exchange's website .....	Wednesday, 3 June 2015

**Shareholders should note that the dates and times specified in the above timetable are subject to change. Further announcement(s) will be made in the event that there is any change to the above timetable.**

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## EXPECTED TIMETABLE

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*Notes:*

- (1) The register of members of the Company will be closed during such period for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the General Meeting. For the avoidance of doubt, this period of closure is not for determining the entitlements of the Scheme Shareholders to the CKH Holdings Shares under the Scheme.
- (2) The **pink** form of proxy in respect of the Court Meeting and the **blue** form of proxy in respect of the General Meeting should be completed and signed in accordance with the instructions respectively printed on them and should be lodged at the Company's registered office at 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong as soon as possible and in any event no later than the relevant times and dates stated above. In the case of the **pink** form of proxy in respect of the Court Meeting, it may alternatively be handed to the Chairman of the Court Meeting at the Court Meeting. Completion and return of a form of proxy for the Court Meeting or the General Meeting will not preclude a Scheme Shareholder or a Shareholder (as the case may be) from attending and voting in person at the relevant meeting if he or she so wishes. In such event, the returned form of proxy will be deemed to have been revoked.
- (3) Trading in the Shares and the CKH Holdings Shares will be halted from 9:00 a.m. on Monday, 20 April 2015 pending the publication of an announcement of the results of the Court Meeting and the General Meeting and an announcement of the results of the CKH Holdings EGM. Trading in the Shares and the CKH Holdings Shares is expected to resume at 9:00 a.m. on the trading day following the announcements of those results.
- (4) If a tropical cyclone warning signal no. 8 or above remains hoisted or a black rainstorm warning signal is in force at 11:00 a.m. on the date of the Court Meeting and the General Meeting, the Court Meeting and the General Meeting will be postponed and, by virtue of the same notices of the Court Meeting and the General Meeting set out on pages N-1 to N-5 to this document, the Court Meeting and the General Meeting will be held instead on Tuesday, 21 April 2015 at 2:00 p.m. and 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively, or at a time on an alternative day to be announced that falls within seven Business Days of the original date scheduled for the Court Meeting and the General Meeting in the event that a tropical cyclone warning signal no. 8 or above remains hoisted or a black rainstorm warning signal is in force at 11:00 a.m. on Tuesday, 21 April 2015. Shareholders may call the hotline at +852 3169 3868 or visit the website of the Company at [www.hutchison-whampoa.com](http://www.hutchison-whampoa.com) for details of alternative meeting arrangements. The Court Meeting and the General Meeting will be held as scheduled when an amber or red rainstorm warning signal is in force.

Shareholders should make their own decision as to whether to attend the Court Meeting and the General Meeting under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.

- (5) Trading in the Shares and the CKH Holdings Shares will be halted from 9:00 a.m. on Tuesday, 19 May 2015 pending the publication of an announcement of the results of the Court Hearing. The expected timing of the announcement of the results of the Court Hearing and the resumption of trading in the Shares and the CKH Holdings Shares is indicated in the table above but if the results are published between noon and 12:30 p.m. on Tuesday, 19 May 2015, trading in the Shares and the CKH Holdings Shares will resume at 1:00 p.m. on the same day instead of at 9:00 a.m. on Wednesday, 20 May 2015.
- (6) The Court Hearing will be held at the Court at the High Court Building, 38 Queensway, Hong Kong. The location, date and time of the Court Hearing will be published in the South China Morning Post (in English) and the Hong Kong Economic Times and the Hong Kong Economic Journal (in Chinese) and on the website of the Company at [www.hutchison-whampoa.com](http://www.hutchison-whampoa.com) following the Court hearing of the summons for directions in respect of the Scheme, which is expected to be held on Tuesday, 5 May 2015.

The Scheme will become effective upon all the conditions precedent set out in "*The Hutchison Proposal – Conditions Precedent to the Hutchison Proposal*" in the Explanatory Statement having been fulfilled (or, where relevant, waived). The Shareholders will be advised by an announcement of the exact date upon which the Scheme becomes effective. The withdrawal of the listing of the Shares will take place following

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## EXPECTED TIMETABLE

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the Scheme becoming effective on the Effective Date and it is expected that the listing of the Shares will be withdrawn at 9:00 a.m. on Wednesday, 3 June 2015. If the Scheme does not become effective by Tuesday, 30 June 2015, or such later date as the Court may direct, the Scheme will lapse.

- (7) The register of members of the Company will be closed from Friday, 29 May 2015 for the purpose of determining the identities of the Scheme Shareholders who are qualified for entitlement to the Cancellation Consideration under the Scheme.
- (8) The share certificates for the CKH Holdings Shares to be issued pursuant to the Scheme are expected to be despatched to the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) on Tuesday, 2 June 2015. If the Scheme does not become effective, the share certificates will not become valid.
- (9) The share certificates for the CK Property Shares to be issued under the Distribution In Specie are expected to be despatched to the CKH Holdings Shareholders (other than the Non-Qualifying CKH Holdings Shareholders) on Tuesday, 2 June 2015. If the Distribution In Specie does not become unconditional, the share certificates will not become valid and dealings in the CK Property Shares will not commence on Wednesday, 3 June 2015.
- (10) Holders of the CKH Holdings Shares to be issued pursuant to (a) the Husky Share Exchange (i.e. the Husky Sale Shares Vendor (or as it may direct)) and (b) the Scheme (i.e. the Scheme Shareholders other than the Non-Qualifying Overseas Shareholders) will be entitled to receive the CK Property Shares pursuant to the Distribution in Specie unless they are Non-Qualifying CKH Holdings Shareholders.
- (11) The Spin-off Proposal is subject to the fulfilment (or, where relevant, waiver) of certain conditions (see “*Appendix VII – Information on the CK Property Group and the Spin-off Proposal*” for further details). If the Spin-off Proposal does not become unconditional, the Distribution In Specie will not be made and the CK Property Shares will not be listed on the Stock Exchange.
- (12) All times and dates in this document refer to Hong Kong times and dates unless otherwise indicated.

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## IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

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### ACTIONS TO BE TAKEN

#### **Actions to be taken by the Shareholders**

A **pink** form of proxy for use at the Court Meeting and a **blue** form of proxy for use at the General Meeting are enclosed with copies of this document sent to the Registered Owners.

**Whether or not you are able to attend the Court Meeting and/or the General Meeting, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and also the enclosed blue form of proxy in respect of the General Meeting, in accordance with the respective instructions printed on them, and to lodge them at the Company's registered office at 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong.**

In order to be valid, the **pink** form of proxy for use at the Court Meeting should be lodged not later than 2:00 p.m. on Saturday, 18 April 2015. The **pink** form of proxy may also be handed to the Chairman of the Court Meeting at the Court Meeting. The **blue** form of proxy for use at the General Meeting should be lodged not later than 2:30 p.m. on Saturday, 18 April 2015. The completion and return of the relevant forms of proxy will not preclude you from attending and voting in person at the relevant meeting should you so wish. In such event, the returned form of proxy for that meeting will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the General Meeting, you will still be bound by the outcome of the Court Meeting and/or the General Meeting. You are therefore strongly urged to attend and vote at the Court Meeting and/or the General Meeting in person or by proxy.

An announcement will be made by the Company in relation to the results of the Court Meeting and the General Meeting and, if all the resolutions are passed at those meetings, further announcement(s) will be made in relation to, among other things, the results of the Court Hearing of the petition to sanction the Scheme, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

#### **Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner**

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting.

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## IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

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If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or General Meeting and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and the General Meeting in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to lodge them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and the General Meeting, then any such Beneficial Owner should comply with the requirements of such Registered Owner.

### **Actions to be taken by Beneficial Owners whose Shares are deposited in CCASS**

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should, unless you are admitted to participate in CCASS as an Investor Participant:

- (a) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons; or
- (b) arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote at the Court Meeting and/or the General Meeting.

The procedure for voting by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

Please refer to “*Actions to be Taken*” in the Explanatory Statement for further information.



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## **IMPORTANT NOTICE AND ACTIONS TO BE TAKEN**

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### **EXERCISE YOUR RIGHT TO VOTE**

If you are a Shareholder or a Beneficial Owner, you are strongly encouraged to exercise your right to vote or to give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and the General Meeting. If you keep any Shares in a share lending programme, you are urged to recall any outstanding Shares on loan to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you are strongly encouraged to withdraw at least some of your Shares from CCASS and become a registered holder of such Shares in time if you wish to exercise your right to vote directly at the Court Meeting and the General Meeting. In respect of any other Shares of which you are the Beneficial Owner and which remain in CCASS, you are encouraged to contact your broker, custodian, nominee or other relevant person regarding voting instructions in relation to the manner in which those Shares should be voted at the Court Meeting and the General Meeting without delay.

If you are a Registered Owner holding Shares on behalf of one or more Beneficial Owners, you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote.

### **NOTICE TO OVERSEAS SHAREHOLDERS**

The making of the Hutchison Proposal to certain Shareholders may be subject to the laws of jurisdictions other than Hong Kong. Overseas Shareholders and Beneficial Owners residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Shareholders and the Beneficial Owners to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Scheme, including obtaining any governmental, exchange control or other consents which may be required, and compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

Shareholders and Beneficial Owners should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequence under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdiction, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Shares or the CKH Holdings Shares, as the case may be.

Overseas Shareholders, including but not limited to those in the United States, are advised to read “*Non-Qualifying Overseas Shareholders*” in the Explanatory Statement and “*Information for Overseas Shareholders*” for further information.

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## **IMPORTANT NOTICE AND ACTIONS TO BE TAKEN**

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### **REGULATORY STATEMENT**

During the distribution of CKH Holdings Shares in the Scheme, certain divisions of HSBC and HSBC Bank plc that have been granted “exempt principal trader” status under the Takeovers Code intend to engage in various dealing and brokerage activities involving CKH Holdings Shares and ADRs when and to the extent permitted by applicable laws and regulations, including the Takeovers Code. In particular, these divisions of HSBC and HSBC Bank plc intend (1) to engage in trades in CKH Holdings Shares and ADRs for their own account and the accounts of their customers for the purpose of derivative arbitrage or hedging activities, such as closing out existing derivatives, delta hedging in respect of existing derivatives, index-related product or tracker fund arbitrage or similar activities assented to by the SFC; and (2) to engage in borrowing and lending transactions in CKH Holdings Shares and ADRs (including the unwinding of such transactions).

These divisions of HSBC and HSBC Bank plc will not be obliged to purchase CKH Holdings Shares or ADRs and any such purchases may be discontinued at any time in their sole discretion without notice. These activities could have the effect of preventing or delaying a decline in the market price of CKH Holdings Shares or ADRs.

Any ADR programmes relating to CKH Holdings Shares will be unsponsored and established by depositary banks without the participation or consent of CKH Holdings, and none of CKH Holdings, HSBC or HSBC Bank plc makes any representation in respect of the establishment or maintenance of any ADR programmes relating to CKH Holdings Shares.

### **PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS**

The performance and the results of operations of the Group, the Cheung Kong Group, the CKH Holdings Group, the Hutchison Property Group and the Cheung Kong Property Group contained in this document are historical in nature and past performance is not a guarantee of the future results of the Group, the CKH Holdings Group and the CK Property Group. This document may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions and you should not place undue reliance on such forward-looking statements and opinions. Subject to the requirements of applicable laws, rules and regulations, including the Takeovers Code, none of CKH Holdings, the Offeror, the Company, HSBC, Goldman Sachs, the Independent Financial Adviser, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Merger Proposal or the Scheme assumes any obligation to correct or update the forward-looking statements or opinions contained in this document.

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LETTER FROM THE BOARD

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Hutchison Whampoa Limited  
和記黃埔有限公司

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 0013)

**Executive Directors**

Mr. LI Ka-shing (*Chairman*)  
Mr. LI Tzar Kuoi, Victor (*Deputy Chairman*)  
Mr. FOK Kin Ning, Canning  
(*Group Managing Director*)  
Mrs. CHOW WOO Mo Fong, Susan  
(*Deputy Group Managing Director*)  
Mr. Frank John SIXT (*Group Finance Director*)  
Mr. LAI Kai Ming, Dominic  
Mr. KAM Hing Lam

**Registered Office**

22nd Floor, Hutchison House  
10 Harcourt Road  
Hong Kong

**Company Secretary**

Ms. Edith SHIH

**Non-executive Directors**

Mr. LEE Yeh Kwong, Charles  
Mr. George Colin MAGNUS

**Independent Non-executive Directors**

Mr. CHENG Hoi Chuen, Vincent  
The Hon Sir Michael David KADOORIE  
Ms. LEE Wai Mun, Rose  
Mr. William Elkin MOCATTA (*alternate to  
The Hon Sir Michael David KADOORIE*)  
Mr. William SHURNIAK  
Mr. WONG Chung Hin

31 March 2015

*To the Shareholders*

Dear Sir or Madam,

**(1) MERGER PROPOSAL –**

**(A) PROPOSED SHARE EXCHANGE OFFER  
TO THE SCHEME SHAREHOLDERS  
FOR THE CANCELLATION OF ALL THE SCHEME SHARES  
BY WAY OF A SCHEME OF ARRANGEMENT OF  
HUTCHISON WHAMPOA LIMITED  
UNDER THE COMPANIES ORDINANCE; AND**

**(B) HUSKY SHARE EXCHANGE AS A SPECIAL DEAL  
UNDER RULE 25 OF THE TAKEOVERS CODE  
IN RELATION TO THE HUTCHISON PROPOSAL**

**AND**

**(2) PROPOSAL FOR RE-ELECTION OF RETIRING DIRECTOR**

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## LETTER FROM THE BOARD

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### 1. INTRODUCTION

On 9 January 2015, the boards of directors of Cheung Kong and the Company jointly announced the Proposals which relate to the reorganisation and combination of the Cheung Kong Group and the Group to create CKH Holdings, which will hold the non-property businesses of both groups, and CK Property, which will hold the property businesses of both groups.

In summary, the objectives and benefits of the Merger Proposal and the Spin-off Proposal are to:

- (a) create shareholders' value through the elimination of the holding company discount of CKH Holdings' stake in the Company;
- (b) provide greater transparency and business coherence;
- (c) remove the layered holding structure between CKH Holdings and the Company, allowing shareholders to directly invest in two separate listed vehicles alongside the Trust;
- (d) enable all eligible shareholders to hold shares in CKH Holdings and CK Property directly, enhancing investment flexibility and efficiencies; and
- (e) enhance size and scale.

Please refer to "*Objectives and Benefits of the Merger Proposal and the Spin-off Proposal*" in the Explanatory Statement for further details of the objectives and benefits of the Merger Proposal and the Spin-off Proposal.

HSBC has been appointed as the financial adviser to CKH Holdings and the Offeror in connection with the Merger Proposal.

The Board has established the Independent Board Committee, comprising Mr. Cheng Hoi Chuen, Vincent, The Hon Sir Michael David Kadoorie, Mr. William Shurniak and Mr. Wong Chung Hin, all of whom are independent non-executive Directors, to make recommendations to the Disinterested Shareholders in respect of the Merger Proposal. Ms. Lee Wai Mun, Rose, who is an independent non-executive Director, has not been appointed to the Independent Board Committee as she is also a director of HSBC. Mr. Lee Yeh Kwong, Charles and Mr. George Colin Magnus, who are non-executive Directors, have not been appointed to the Independent Board Committee as they are also non-executive CKH Holdings Directors.

Goldman Sachs has been appointed as the financial adviser to the Company in respect of the Hutchison Proposal and Somerley has been appointed as the Independent Financial Adviser, with the approval of the Independent Board Committee, to advise the Independent Board Committee in respect of the Merger Proposal.

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## LETTER FROM THE BOARD

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In addition, the Company will propose at the General Meeting a resolution to re-elect the Retiring Director.

The purpose of this document is to provide you with further information regarding the Merger Proposal and the re-election of the Retiring Director and to give you notices of the Court Meeting and the General Meeting.

### **2. THE PROPOSALS**

The Proposals consist of (a) the Cheung Kong Reorganisation, (b) the Merger Proposal and (c) the Spin-off Proposal. Completion of the Cheung Kong Reorganisation, which occurred on 18 March 2015, was a condition precedent to completion of the Husky Share Exchange and a pre-condition to the making of the Hutchison Proposal.

The Merger Proposal comprises:

- (a) the Hutchison Proposal pursuant to which the Offeror, a wholly-owned subsidiary of CKH Holdings, is making a conditional share exchange offer to the Scheme Shareholders for the cancellation of the Scheme Shares by way of a scheme of arrangement of the Company under the Companies Ordinance and in consideration, each Scheme Shareholder (other than the Non-Qualifying Overseas Shareholders) will receive new CKH Holdings Shares in the share exchange ratio of 0.684 of a CKH Holdings Share for each Scheme Share held as at the Record Time. On completion of the Hutchison Proposal, the Company will become a wholly-owned subsidiary of CKH Holdings and the listing of the Shares on the Main Board will be withdrawn; and
- (b) the Husky Share Exchange pursuant to which the Group will acquire from the Husky Sale Shares Vendor (a company indirectly wholly owned by the Trust) approximately 6.24% of the common shares of Husky in issue and in consideration, 84,427,246 new CKH Holdings Shares will be issued by CKH Holdings to the Husky Sale Shares Vendor (or as it may direct). On completion of the Husky Share Exchange, the Group will own an aggregate of approximately 40.20% of the common shares of Husky in issue (assuming there is no other change in the shareholding in Husky).

The Hutchison Proposal is subject to the Takeovers Code. The Husky Share Exchange is considered a special deal in relation to the Hutchison Proposal under Rule 25 of the Takeovers Code. Completion of each of the Hutchison Proposal and the Husky Share Exchange is subject to the fulfilment (or, where relevant, waiver) of certain conditions, as further described in the Explanatory Statement. The Husky Share Exchange will be completed immediately prior to completion of the Hutchison Proposal.

Under the Spin-off Proposal, immediately following completion of the Hutchison Proposal and upon completion of the Property Businesses Combination, the Combined Property Businesses will be held by the CK Property Group, which will at that time be wholly owned by CKH Holdings. Immediately following completion of the Property Businesses Combination, CK Property will allot and issue to the CKH Holdings

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## LETTER FROM THE BOARD

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Shareholders (other than the Non-Qualifying CKH Holdings Shareholders) new CK Property Shares pursuant to the Distribution In Specie in the ratio of one CK Property Share for every one CKH Holdings Share held as at the DIS Record Time. These CKH Holdings Shareholders will include, among others, holders of the CKH Holdings Shares to be issued pursuant to (a) the Husky Share Exchange (i.e. the Husky Sale Shares Vendor (or as it may direct)) and (b) the Scheme (i.e. the Scheme Shareholders other than the Non-Qualifying Overseas Shareholders), unless they are Non-Qualifying CKH Holdings Shareholders.

An application has been made by CK Property to the Stock Exchange for the listing by way of introduction of, and permission to deal in, the CK Property Shares on the Main Board. The Spin-off Proposal is subject to the fulfilment (or, where relevant, waiver) of certain conditions precedent as set out in “*Appendix VII – Information on the CK Property Group and the Spin-off Proposal*”.

### **3. INFORMATION ON CKH HOLDINGS, THE OFFEROR, THE GROUP, THE RESULTING CKH HOLDINGS GROUP AND THE CK PROPERTY GROUP**

Information (including selected financial information) on the CKH Holdings Group, the Offeror, the Group and the CK Property Group, the unaudited pro forma financial information of the Resulting CKH Holdings Group which illustrates the effect of the Merger Proposal and the Spin-off Proposal, the unaudited pro forma financial information of the CK Property Group which illustrates the effect of the Property Businesses Combination and the accountants’ reports on each of the Cheung Kong Property Group and the Hutchison Property Group are set out in the Appendices to this document. Your attention is drawn to these Appendices. This information is provided solely to assist Shareholders in their consideration of the Scheme.

### **4. RE-ELECTION OF RETIRING DIRECTOR**

On 10 July 2014, the Board appointed Mr. Cheng Hoi Chuen, Vincent as an independent non-executive Director to fill a casual vacancy on the Board arising from Mr. Holger Kluge’s retirement from active business activities and resignation as an independent non-executive Director. Pursuant to Article 107 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy will hold office only until the next general meeting of the Company. Accordingly, Mr. Cheng Hoi Chuen, Vincent will retire at the General Meeting and, being eligible, has offered himself for re-election at the General Meeting.

The Board is of the view that Mr. Cheng Hoi Chuen, Vincent is independent having regard to (a) his confirmation of independence as required under the Listing Rules, (b) the absence of involvement in the daily management of the Company and (c) the absence of any relationships or circumstances which would interfere with the exercise of his independent judgement.

Information on Mr. Cheng Hoi Chuen, Vincent as required to be disclosed under the Listing Rules is set out in “*Appendix XI – Information on Retiring Director*”.

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## LETTER FROM THE BOARD

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### 5. RECOMMENDATIONS

Having considered (a) the background to the Merger Proposal and the Spin-off Proposal, (b) the objectives and the reasons for, and benefits of, the Merger Proposal and the Spin-off Proposal and their effects as set out in this document and (c) the terms of the Hutchison Proposal and the Husky Share Exchange, the Directors (other than those on the Independent Board Committee whose views are set out below and in “*Letter from the Independent Board Committee*” in this document) consider that (i) the terms of each of the Hutchison Proposal and the Husky Share Exchange are fair and reasonable and (ii) each of the Hutchison Proposal and the Husky Share Exchange is in the interests of the Shareholders as a whole.

The Independent Board Committee, having considered (a) the background to the Merger Proposal and the Spin-off Proposal, (b) the objectives and the reasons for, and benefits of, the Merger Proposal and the Spin-off Proposal and their effects as set out in this document and (c) the terms of the Hutchison Proposal and the Husky Share Exchange and having taken into account the advice of the Independent Financial Adviser, considers that the terms of each of the Hutchison Proposal and the Husky Share Exchange are fair and reasonable so far as the Disinterested Shareholders are concerned.

Accordingly, the Directors (including those on the Independent Board Committee) recommend that:

- (1) the Disinterested Shareholders vote in favour of (a) the resolution to approve the Scheme at the Court Meeting and (b) the ordinary resolution to approve the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal) at the General Meeting; and
- (2) the Shareholders vote in favour of the special resolution to approve the Scheme and the implementation of the Scheme, including the reduction and restoration of the issued share capital of the Company under the Scheme, at the General Meeting.

The Directors consider the proposal for the re-election of the Retiring Director to be in the interests of the Company and the Shareholders. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution to approve the re-election of the Retiring Director at the General Meeting.

### 6. COURT MEETING AND GENERAL MEETING

Notices convening the Court Meeting and the General Meeting to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Monday, 20 April 2015 at 2:00 p.m. and 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively, are set out on pages N-1 to N-5 of this document.

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## LETTER FROM THE BOARD

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The Court has directed that the Court Meeting be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme, with or without modification. The Scheme is subject to approval by the Disinterested Shareholders at the Court Meeting in the manner referred to in “*The Hutchison Proposal – Conditions Precedent to the Hutchison Proposal*” in the Explanatory Statement.

Following the Court Meeting, the General Meeting will be held for the purpose of considering and, if thought fit, passing (i) a special resolution to approve the Scheme and the implementation of the Scheme, (ii) an ordinary resolution to approve the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal) and (iii) an ordinary resolution to approve the re-election of the Retiring Director.

### 7. ACTIONS TO BE TAKEN

Your attention is drawn to “*Actions to be Taken*” in the Explanatory Statement for details of the actions which you should take as a Shareholder or a Beneficial Owner whose Shares are held by a Registered Owner or deposited in CCASS in relation to the Court Meeting and the General Meeting.

If you are an Overseas Shareholder, your attention is drawn to “*Non-Qualifying Overseas Shareholders*” in the Explanatory Statement and “*Information for Overseas Shareholders*” in this document.

### 8. FURTHER INFORMATION

You are urged to read carefully (1) the letter from the Independent Board Committee set out on pages 7 and 8 of this document, (2) the letter from the Independent Financial Adviser set out on pages 9 to 83 of this document, (3) the Explanatory Statement set out on pages 84 to 128 of this document and (4) the Appendices. In addition, the terms of the Scheme are set out on pages S-1 to S-10 of this document.

If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

Yours faithfully,  
For and on behalf of the Board of  
**Hutchison Whampoa Limited**

**LI Ka-shing**  
*Chairman*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Hutchison Whampoa Limited  
和記黃埔有限公司

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 0013)

31 March 2015

*To the Disinterested Shareholders*

Dear Sir or Madam,

### **MERGER PROPOSAL**

**(1) PROPOSED SHARE EXCHANGE OFFER  
TO THE SCHEME SHAREHOLDERS  
FOR THE CANCELLATION OF ALL THE SCHEME SHARES  
BY WAY OF A SCHEME OF ARRANGEMENT OF  
HUTCHISON WHAMPOA LIMITED  
UNDER THE COMPANIES ORDINANCE**

**AND**

**(2) HUSKY SHARE EXCHANGE AS A SPECIAL DEAL  
UNDER RULE 25 OF THE TAKEOVERS CODE  
IN RELATION TO THE HUTCHISON PROPOSAL**

We refer to the document dated 31 March 2015 jointly issued by CKH Holdings, the Offeror and the Company in relation to the Merger Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to give a recommendation to the Disinterested Shareholders in respect of the Merger Proposal.

Having considered (a) the background to the Merger Proposal and the Spin-off Proposal, (b) the objectives and the reasons for, and benefits of, the Merger Proposal and the Spin-off Proposal and their effects as set out in the Scheme Document and (c) the terms of the Hutchison Proposal and the Husky Share Exchange and having taken into account the advice of the Independent Financial Adviser, and in particular, the factors, reasons and recommendations set out in the letter from the Independent Financial Adviser, we consider that the terms of each of the Hutchison Proposal and the Husky Share Exchange are fair and reasonable so far as the Disinterested Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend:

- (1) the Disinterested Shareholders to vote in favour of (a) the resolution to approve the Scheme at the Court Meeting and (b) the ordinary resolution to approve the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal) at the General Meeting; and
- (2) the Shareholders to vote in favour of the special resolution to approve the Scheme and the implementation of the Scheme, including the reduction and restoration of the issued share capital of the Company under the Scheme, at the General Meeting.

We draw the attention of the Disinterested Shareholders to (1) the letter from the Board set out on pages 1 to 6 of the Scheme Document, (2) the Explanatory Statement set out on pages 84 to 128 of the Scheme Document and (3) the letter from the Independent Financial Adviser, which sets out the factors and reasons which have been taken into account in arriving at its advice to the Independent Board Committee, set out on pages 9 to 83 of the Scheme Document.

Yours faithfully,

**Mr. CHENG Hoi Chuen, Vincent**  
**The Hon Sir Michael David KADOORIE**  
**Mr. William SHURNIAK**  
**Mr. WONG Chung Hin**  
*Independent Board Committee*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Somerley, the Independent Financial Adviser appointed to advise the Independent Board Committee, which has been prepared for the purpose of incorporation into this document, setting out its advice to the Independent Board Committee in respect of the Merger Proposal.*



**SOMERLEY CAPITAL LIMITED**

20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

31 March 2015

*To: the Independent Board Committee*

Dear Sirs,

### **MERGER PROPOSAL –**

#### **(A) PROPOSED SHARE EXCHANGE OFFER TO THE SCHEME SHAREHOLDERS FOR THE CANCELLATION OF ALL THE SCHEME SHARES BY WAY OF A SCHEME OF ARRANGEMENT OF HUTCHISON WHAMPOA LIMITED UNDER THE COMPANIES ORDINANCE**

**AND**

#### **(B) HUSKY SHARE EXCHANGE AS A SPECIAL DEAL UNDER RULE 25 OF THE TAKEOVERS CODE IN RELATION TO THE HUTCHISON PROPOSAL**

### **I. INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee in connection with the Merger Proposal. Details of the Merger Proposal are set out in the explanatory statement (the “**Explanatory Statement**”), being the statement required under Section 671 of the Companies Ordinance, contained in the scheme document dated 31 March 2015 (the “**Scheme Document**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in the Scheme Document.

The Merger Proposal comprises (i) the Hutchison Proposal, a conditional share exchange offer which is being made by the Offeror, a wholly-owned subsidiary of CKH Holdings, to the Scheme Shareholders for the cancellation of all the Scheme Shares by way of the Scheme, and (ii) the Husky Share Exchange, a proposed acquisition by the Group of approximately 6.24% of the common shares of Husky in issue from a company owned by

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the Trust. The Husky Share Exchange constitutes a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal and accordingly requires approval from the disinterested shareholders of the Company in accordance with the Takeovers Code.

Each of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, who are regarded as having a material interest in the Hutchison Proposal and the Husky Share Exchange, abstained from voting on the relevant board resolutions of the Company for approval of such transactions. The Offeror and the Specified Offeror Concert Parties are required to abstain from voting on the resolution to approve the Scheme at the Court Meeting and the ordinary resolution to approve the Husky Share Exchange at the General Meeting.

The Board has established the Independent Board Committee, comprising Mr. Cheng Hoi Chuen, Vincent, The Hon Sir Michael David Kadoorie, Mr. William Shurniak and Mr. Wong Chung Hin, all of whom are independent non-executive Directors, to make recommendations to the Disinterested Shareholders in respect of the Merger Proposal. Ms. Lee Wai Mun, Rose, who is an independent non-executive Director, has not been appointed to the Independent Board Committee as she is also a director of HSBC. Mr. Lee Yeh Kwong, Charles and Mr. George Colin Magnus, who are non-executive Directors, have not been appointed to the Independent Board Committee as they are also non-executive CKH Holdings Directors. With the approval of the Independent Board Committee we have been appointed as independent financial adviser to advise the Independent Board Committee in respect of the Merger Proposal.

During the past two years, Somerley or Somerley Limited (now known as “Somerley International Limited”, a fellow subsidiary of Somerley) has acted as an independent financial adviser to entities in the Group, the Cheung Kong Group/CKH Holdings Group and their associated companies, namely (i) Cheung Kong Infrastructure Holdings Limited (“**CKI**”) (announcement dated 15 May 2013); (ii) Power Assets Holdings Limited (“**Power Assets**”) (circular dated 16 December 2013); (iii) Hui Xian Real Estate Investment Trust (“**Hui Xian REIT**”) (circular dated 10 November 2014); and (iv) Hutchison Harbour Ring Limited (circulars dated 5 April 2013 and 27 November 2014). The past engagements were limited to providing independent advisory services to the relevant entities pursuant to the Listing Rules, the Takeovers Code or the Code on Real Estate Investments Trusts, for which Somerley and Somerley Limited received normal professional fees. Accordingly, we do not consider the past engagements give rise to any conflict of interest for Somerley in acting as the Independent Financial Adviser.

Somerley is not associated with the Company, the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Merger Proposal. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company, which we have assumed to be true, accurate and complete. We have reviewed

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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published information on the Company, Cheung Kong/CKH Holdings and Husky, including their annual reports for the years ended 31 December 2012 and 2013, their annual results announcements for the year ended 31 December 2014, and the unaudited pro forma financial information of the Resulting CKH Holdings Group and CK Property contained in the Scheme Document. We have discussed with the Company's management the SOTP Values (as defined below) prepared by us and by various research houses. We have discussed with DTZ Debenham Tie Leung Limited ("DTZ"), an independent property valuer, the bases and assumptions for its valuation as at 28 February 2015 of certain property interests of the CK Property Group, which is contained in Appendix VIII of the Scheme Document. We have reviewed the trading performance of the Shares, the Cheung Kong Shares/CKH Holdings Shares and the Husky Shares on the relevant stock exchanges, as well as recent published research reports on the Company, Cheung Kong/CKH Holdings and Husky, and certain precedent transactions. We have sought and received confirmation from the Directors that to the best of their knowledge no material facts have been omitted or withheld from the information supplied and opinions expressed by them. We consider that the information which we have received is sufficient for us to reach our opinion and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Cheung Kong Group/CKH Holdings Group or Husky and its subsidiaries, or their respective associated companies or joint ventures. We have also assumed that all representations contained or referred to in the Scheme Document are true at the date of the Scheme Document and will continue to be true up to the Effective Date. Shareholders will be informed as soon as reasonably practicable if we become aware of any material change to any of the above, up to the Effective Date.

We have not considered the tax and regulatory implications of the Merger Proposal since these depend on individual circumstances. In particular, Disinterested Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, consult their own professional advisers. Some general comments are set out in the section headed "17. Taxation" of the Explanatory Statement.

For data relating to overseas stock exchanges for which figures could not be obtained as at the Latest Practicable Date due to time zone differences, "Latest Practicable Date" shall refer to the latest available data prior to the Latest Practicable Date.

## II. MAIN TERMS OF THE PROPOSALS

The Proposals announced on 9 January 2015 consisted of (a) the Cheung Kong Reorganisation, (b) the Hutchison Proposal and the Husky Share Exchange (together, the Merger Proposal), and (c) the Spin-off Proposal.

The Cheung Kong Reorganisation was completed on 18 March 2015, following which Cheung Kong has become a wholly-owned subsidiary of CKH Holdings. Dealings in the Cheung Kong Shares ceased at 4:00 p.m. on 10 March 2015 and dealings in CKH Holdings Shares on the Stock Exchange commenced at 9:00 a.m. on 18 March 2015.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Merger Proposal and the Spin-off Proposal are conditional on each other (inter-conditional) and therefore should be considered together. In our analysis below, we concentrate on the overall effects of the Merger Proposal and the Spin-off Proposal assuming the Merger Proposal and the Spin-off Proposal have been completed.

### (a) The Hutchison Proposal

In summary, the Scheme for the implementation of the Hutchison Proposal involves the following principal steps:

- (i) All the Scheme Shares held by the Scheme Shareholders will be cancelled and in consideration thereof the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) will receive for every Scheme Share held 0.684 of a CKH Holdings Share (the “**Hutchison Share Exchange Ratio**”) (all the issued CKH Holdings Shares will rank pari passu with each other).

The fact that Scheme Shareholders receive less than one CKH Holdings Share (and consequently in effect under the Spin-off Proposal less than one CK Property Share) for every Share they hold at the Record Time does not of itself mean they are suffering any dilution. In a share exchange merger, where shareholders of two existing companies exchange their current holdings for shares of a new holding company, the exchange ratio for one company (in this case Cheung Kong) may be set at 1-for-1 for simplicity’s sake. This means that the exchange ratio for the second company (in this case the Company) depends, inter alia, on the per share values adopted for agreeing the merger terms, and is unlikely to be a round number.

- (ii) The issued share capital of the Company will be reduced by cancelling and extinguishing the Scheme Shares and, immediately following such reduction, the share capital of the Company will be increased to its former amount by the creation and issue to the Offeror (which is a wholly-owned subsidiary of CKH Holdings) of such number of new Shares as is equal to the number of Scheme Shares cancelled.

This is a standard procedure for a Hong Kong scheme of arrangement. The effect of (ii) is that, on completion of the Scheme, the Company will become a wholly-owned subsidiary of CKH Holdings. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange following the Scheme becoming effective.

The Scheme will become effective and binding on the Company and all Scheme Shareholders upon, and completion of the Hutchison Proposal will be subject to, the fulfilment (or, where relevant, waiver) of certain conditions precedent which are described in “*The Hutchison Proposal – Conditions Precedent to the Hutchison Proposal*” in the Explanatory Statement, the main conditions precedent of which are as follows:

- (i) the Scheme being approved by the Disinterested Shareholders representing at least 75% of the voting rights of Disinterested Shareholders present and voting, in person or by proxy, at the Court Meeting, with votes cast against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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disinterested Shares (as respectively defined in Note 6 to Rule 2 of the Takeovers Code and Division 2 of Part 13 of the Companies Ordinance) (please refer to the Explanatory Statement for the meaning of “disinterested shares” under the Companies Ordinance and the Takeovers Code);

- (ii) the passing of a special resolution by the Shareholders at the General Meeting to approve (1) the Scheme and (2) the implementation of the Scheme, including, in particular, the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue of the new Shares to the Offeror;
- (iii) the Independent CKH Holdings Shareholders approving the Hutchison Proposal and all transactions contemplated thereunder at the CKH Holdings EGM;
- (iv) the Scheme, with or without modification, being sanctioned and the proposed reduction of capital provided for in the Scheme being confirmed by the Court, and an office copy of the Court order together with the minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance respectively being registered by the Companies Registrar;
- (v) the Husky Share Exchange Completion having occurred; and
- (vi) the fulfilment (or, where relevant, waiver) of all the conditions precedent to the Spin-off Proposal (other than the condition precedent relating to the Hutchison Proposal having been completed).

None of the main conditions precedent relating to the Hutchison Proposal can be waived. If the Scheme has not become effective by 30 June 2015, or such later date as the Court may allow, the Scheme will lapse and the Merger Proposal and the Spin-off Proposal will not proceed.

As at the Latest Practicable Date, none of the main conditions precedent to the Hutchison Proposal had been fulfilled.

### **(b) The Husky Share Exchange**

Pursuant to the Husky Share Exchange Agreement, the Husky Sale Shares Purchaser (an indirect wholly-owned subsidiary of the Company) will acquire 61,357,010 Husky Shares from the Husky Sale Shares Vendor (a company indirectly wholly-owned by the Trust). The Husky Sale Shares, representing approximately 6.24% of the common shares of Husky in issue as at the Latest Practicable Date, will be acquired for a consideration of 84,427,246 new CKH Holdings Shares. This represents a share exchange ratio of 1.376 new CKH Holdings Shares for every Husky Share to be acquired (the “**Husky Share Exchange Ratio**”). The new CKH Holdings Shares will be issued by CKH Holdings to the Husky Sale Shares Vendor pursuant to an undertaking given by CKH Holdings to the Husky Sale Shares Purchaser. On completion of the Husky Share Exchange and immediately before completion of the Hutchison Proposal, the Group will own an aggregate approximately 40.20% shareholding in Husky, and will become the largest shareholder of Husky.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Husky Share Exchange Completion is conditional upon the fulfilment (or, where relevant, waiver) of certain conditions precedent which are described in “*The Husky Share Exchange – Conditions Precedent*” in the Explanatory Statement, the main conditions precedent of which are as follows:

- (i) the conditions precedent to the Hutchison Proposal (other than the condition precedent relating to completion of the Husky Share Exchange) having been fulfilled or waived (as the case may be) and the Hutchison Proposal not having been terminated;
- (ii) the approval of the issue of the CKH Holdings Shares under the Husky Share Exchange by the Independent CKH Holdings Shareholders pursuant to the Listing Rules at the CKH Holdings EGM;
- (iii) the approval of the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code) by the disinterested shareholders of the Company in accordance with the Takeovers Code at a general meeting of the Company and approval of the Hutchison Proposal and the transactions contemplated thereunder by the disinterested shareholders of the Company in accordance with the requirements of the Companies Ordinance and the Takeovers Code at a court meeting and a general meeting of the Company;
- (iv) the conditions precedent to the Spin-off Proposal (other than the conditions precedent relating to completion of the Husky Share Exchange and the Hutchison Proposal) having been fulfilled or waived (as the case may be);
- (v) no mandatory general offer obligation under the Takeovers Code being incurred by the Trust in respect of CKH Holdings as a result of the completion of the Husky Share Exchange (whether on its own or together with the completion of the Hutchison Proposal), or if any such mandatory general offer obligation is incurred, a waiver of such obligation having been granted by the Executive and the fulfilment of any conditions or requirements for the waiver.

None of the main conditions precedent relating to the Husky Share Exchange can be waived. In the event that any of the conditions precedent has not been fulfilled or waived on or before 30 June 2015 (or such other date as the parties may otherwise agree in writing), the Husky Share Exchange Agreement will be terminated and be of no further effect, except in respect of claims for any antecedent breaches.

As at the Latest Practicable Date, none of the main conditions precedent to the Husky Share Exchange had been fulfilled.

The 61,357,010 Husky Sale Shares to be acquired under the Husky Share Exchange Agreement (and correspondingly the number of CKH Holdings Shares to be issued as consideration under the Husky Share Exchange) may be reduced as may be agreed between the parties to the Husky Share Exchange before the Husky Share Exchange Completion so that the Trust does not incur an obligation under the Takeovers Code to make a mandatory general offer in respect of CKH Holdings.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Husky Share Exchange constitutes a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal and thus requires approval from the disinterested shareholders of the Company in accordance with the Takeovers Code. The Husky Share Exchange constitutes a special deal because the Trust and Mr. Li Ka-shing Owned Companies own shares of the Company and the Husky Sale Shares Vendor is controlled by the Trust. This means they will receive CKH Holdings Shares both as consideration for the Husky Share Exchange and under the Scheme (if approved), an arrangement which cannot be extended to all Scheme Shareholders.

### **(c) The Spin-off Proposal**

The Spin-off Proposal involves a separate listing of the CK Property Shares on the Main Board by way of introduction following the Distribution In Specie of such CK Property Shares.

The Spin-off Proposal does not in itself require the consent of the Disinterested Shareholders as it is not legally part of the Merger Proposal. However, as mentioned above, the Merger Proposal, which is subject to approval by the Disinterested Shareholders, and the Spin-off Proposal are inter-conditional, so the effects should be considered together.

Under the Spin-off Proposal, immediately following completion of the Hutchison Proposal, it is proposed that, pursuant to the Property Businesses Combination, the Combined Property Businesses will be held by the CK Property Group, which will at that time be wholly-owned by CKH Holdings. The Combined Property Businesses represent the property businesses of the CKH Holdings Group and the Group, comprising (i) property development and investment, (ii) hotel and serviced suite operation, (iii) property and project management, and (iv) unitholdings in various REITs and their management companies. The Combined Property Businesses exclude property interests used for the purposes of carrying on, or which are ancillary to, the Combined Non-Property Businesses such as ports, retail, infrastructure, telecommunication and certain others, being the Excluded Property Interests.

Immediately following completion of the Property Businesses Combination, the CKH Holdings Shareholders (other than the Non-Qualifying CKH Holdings Shareholders) as at the DIS Record Time will receive CK Property Shares by way of the Distribution In Specie in the ratio of one CK Property Share for every one CKH Holdings Share then held. These CKH Holdings Shareholders will include, among others, holders of the CKH Holdings Shares to be issued to (i) the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders), unless they are Non-Qualifying CKH Holdings Shareholders and (ii) the Husky Sale Shares Vendor (or as it may direct) pursuant to the Husky Share Exchange.

The Spin-off Proposal will be completed immediately following completion of the Merger Proposal. Certificates for the CKH Holdings Shares (to be issued pursuant to the Scheme) and the CK Property Shares (to be issued pursuant to the Distribution In Specie) are expected to be despatched on 2 June 2015. The distribution ratio will be one CK Property Share for every one CKH Holdings Share then held, so that immediately after completion of the Spin-off Proposal the Scheme Shareholders (other than Non-Qualifying Overseas Shareholders and Scheme Shareholders that are Non-Qualifying CKH Holdings

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Shareholders) will have as many CK Property Shares as they do CKH Holdings Shares, with both companies being separately listed on the Main Board. Further information on the Spin-off Proposal and on the CK Property Group can be found in the Explanatory Statement and Appendix VII of the Scheme Document. Independent professional valuations as at 28 February 2015 of certain property interests of the Cheung Kong Property Group and the Hutchison Property Group in the PRC, Hong Kong, Singapore, the United Kingdom and The Bahamas are set out in Appendix VIII of the Scheme Document.

CK Property has made an application to the Stock Exchange for the listing by way of introduction of, and permission to deal in, the CK Property Shares on the Main Board.

The Spin-off Proposal is subject to the fulfilment (or, where relevant, waiver) of certain conditions as set out in the Explanatory Statement, including, among others, completion of the Husky Share Exchange, the Scheme becoming effective and the Listing Committee granting the listing approval as mentioned above. The Merger Proposal cannot proceed without the Spin-off Proposal.

**Please bear in mind:**

- **The Merger Proposal and the Spin-off Proposal are inter-conditional.**
- **If the Proposals are completed, the Scheme Shareholders (other than Non-Qualifying Overseas Shareholders and Scheme Shareholders that are Non-Qualifying CKH Holdings Shareholders) will in effect receive in exchange for each Share:**
  - (i) **0.684 of a CKH Holdings Share; and**
  - (ii) **0.684 of a CK Property Share.**
- **The analysis below has been prepared on this basis.**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the Merger Proposal, we have taken into account the principal factors and reasons set out below.

#### A. Objectives and benefits of the Merger Proposal and the Spin-off Proposal

In this section, we discuss (1) the expected objectives and benefits of the Proposals; (2) how the Proposals will affect the shareholding structures and division of businesses, and (3) the market reaction to the Announcement.

##### 1. Objectives and benefits

The Directors and the CKH Holdings Directors consider that the Merger Proposal and the Spin-off Proposal will achieve a number of objectives and benefits, as set out in the section headed “3. Objectives and benefits of the Merger Proposal and the Spin-off Proposal” of the Explanatory Statement and summarised below:

- (a) *Shareholder value creation through the elimination of the holding company discount of CKH Holdings’ stake in the Company* – shareholders will hold shares in CKH Holdings and CK Property separately and directly. Based on the closing price on 7 January 2015 (which was prior to the publication of the Announcement on 9 January 2015), Cheung Kong Shares were trading at a 23.0% and 26.0% discount to, or HK\$87.0 billion or HK\$102.5 billion less than, Cheung Kong’s book equity value attributable to shareholders as at 30 June 2014 and 31 December 2014 respectively (based on the unaudited consolidated financial statements of Cheung Kong for the six months ended 30 June 2014 and the audited consolidated financial statements of Cheung Kong for the year ended 31 December 2014), which included Cheung Kong’s approximately 49.97% stake in the Company (Cheung Kong is now a wholly owned subsidiary of CKH Holdings). A part of this substantial shortfall can be attributed to the holding company discount on the CKH Holdings Group’s stake in the Company.
- (b) *Greater transparency and business coherence* – clear delineation of the businesses into property and non-property is expected to allow investors to better differentiate and value the businesses of the CKH Holdings Group and the CK Property Group. The new structure is expected to enhance value, in particular given the differences between the valuation methodologies investors would normally apply to the property business of CK Property and the diversified portfolio of infrastructure and consumer businesses of CKH Holdings. Each of CKH Holdings and CK Property will have greater flexibility in investing capital in a manner appropriate for its business strategy, facilitating a more company-specific allocation of capital, as well as reducing exposure to unrelated risk and providing cost savings.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (c) *Removal of layered holding structure* – shareholders will be able to invest in two separate listed vehicles alongside the Trust. The Trust, together with Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, will directly and/or indirectly hold approximately 30.1% of the shares in each of CKH Holdings and CK Property, and the Li family will continue to chair and lead the management of both companies.
- (d) *Direct holdings* – shareholders will hold CKH Holdings Shares and CK Property Shares directly and have the choice to adjust their shareholdings according to their individual investment objectives and preferences.
- (e) *Enhanced size and scale* – two major new companies are created, each of significant size and scale. The Resulting CKH Holdings Group will be an international conglomerate operating in over 50 countries with an increased interest in the infrastructure and energy sectors. Upon the listing of CK Property, the CK Property Group will be one of Hong Kong's largest property developers with a strong penetration in the PRC and an international presence through its operations in Singapore and the United Kingdom.

In our view, the above benefits rest on two main principles:

- (i) Shareholders will receive shares in two separate listed companies so that the shareholding structure will be more direct and efficient; and
- (ii) the business of the Group and the CKH Holdings Group will be more clearly delineated, having been rationalised into property and non-property.

We comment further below on these two factors and their effects.

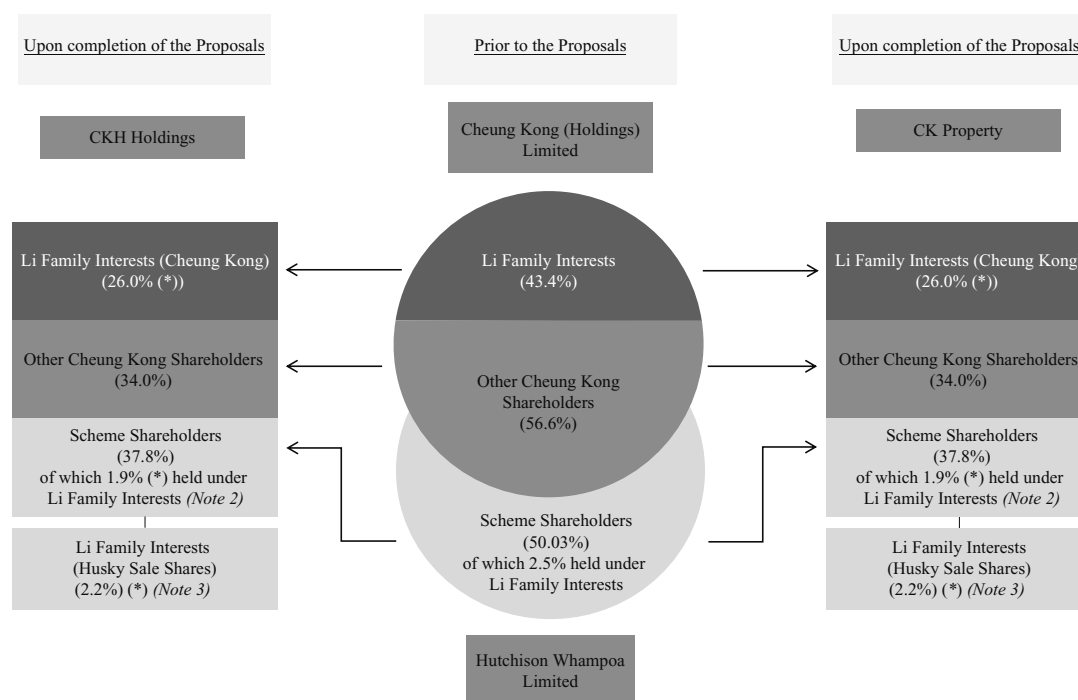
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 2. *Comments on shareholding structure and division of businesses*

#### (i) **Shareholding structure**

The completion of the Merger Proposal and the Spin-off Proposal will result in Scheme Shareholders (other than Non-Qualifying Overseas Shareholders and Scheme Shareholders which will be Non-Qualifying CKH Holdings Shareholders) holding CKH Holdings Shares and CK Property Shares in exchange for their Shares. Set out below are a diagram and tables illustrating how this is achieved:

#### (a) *Diagram of shareholdings prior to the Proposals and upon completion of the Proposals*



Notes:

- (\*) The Li Family Interests (as defined below) total approximately 30.1% comprising their interests resulting from (i) shareholdings in Cheung Kong prior to the Proposals of approximately 26.0%, (ii) shareholdings in the Company of approximately 1.9% and (iii) the Husky Share Exchange of approximately 2.2%
- (1) The Trust, Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are together referred to as the “**Li Family Interests**”
- (2) Including approximately 73.5 million CKH Holdings Shares (approximately 1.9% of the total issued share capital of CKH Holdings and CK Property upon completion of the Spin-off Proposal) to be issued to the Li Family Interests under the Scheme
- (3) Approximately 84.4 million CKH Holdings Shares (approximately 2.2% of the total issued share capital of CKH Holdings and CK Property upon completion of the Spin-off Proposal) to be issued to the Li Family Interests in respect of the Husky Share Exchange

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- (4) Further charts of the simplified structure of (i) each of the CKH Holdings Group and the Group as at the Latest Practicable Date and (ii) each of the CKH Holdings Group and the CK Property Group immediately following completion of the Merger Proposal and the Spin-off Proposal are set out in Appendix I of the Scheme Document

**(b) Issued share capital of the Company and CKH Holdings as at the Latest Practicable Date**

	Shares of the Company		CKH Holdings Shares	
	(million)	%	(million)	%
Li Family Interests (*)	107.4	2.5	1,005.6	43.4
Other Specified Offeror Concert Parties (*)	12.8	0.3	–	–
CKH Holdings (Note 1)	2,130.2	50.0	–	–
Other shareholders (Note 2) (*)	2,013.0	47.2	1,310.6	56.6
 Total	 4,263.4	 100.0	 2,316.2	 100.0
 (* ) Scheme Shareholders	 2,133.2	 50.0		

Notes:

- (1) These Shares are held by certain wholly-owned subsidiaries of CKH Holdings
- (2) As regards the Company, being the Disinterested Shareholders. As regards CKH Holdings, being CKH Holdings Shareholders other than the Li Family Interests

**(c) Issued share capital of CKH Holdings and CK Property immediately upon completion of the Proposals**

	CKH Holdings Shares		CK Property Shares	
	(million)	%	(million) (Note 1)	%
Share capital of CKH Holdings as shown in (b) above	2,316.2	60.0	2,316.2	60.0
To be issued under the Hutchison Proposal	1,459.1	37.8	1,459.1	37.8
To be issued under the Husky Share Exchange	84.4	2.2	84.4	2.2
 Total (Note 2)	 3,859.7	 100.0	 3,859.7	 100.0

Notes:

- (1) All the 3,859.7 million CKH Holdings Shares will rank in the 1-for-1 Distribution In Specie of CK Property Shares

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (2) *Of which the Li Family Interests will total approximately 1,163.5 million shares, equivalent to approximately 30.1% of the total issued share capital. As shown in the notes to the diagram above, the Li Family Interests comprise their interests resulting from (i) shareholdings in Cheung Kong prior to the Proposals of approximately 26.0%, (ii) shareholdings in the Company of approximately 1.9% and (iii) the Husky Share Exchange of approximately 2.2%*

The diagram and tables above illustrate the way in which Scheme Shareholders (other than Non-Qualifying Overseas Shareholders and Scheme Shareholders which will be Non-Qualifying CKH Holdings Shareholders) will become shareholders of both CKH Holdings and CK Property. They will hold an equal percentage in CKH Holdings and CK Property immediately upon completion of the Proposals. Accordingly, all the benefits listed in sub-paragraph 1 above, which we concur with the Directors can be achieved through the Merger Proposal and the Spin-off Proposal, are relevant to Scheme Shareholders. This is the case whether a particular benefit applies originally to the Company, CKH Holdings, or both. For example, benefit (a) – elimination of the holding company discount of CKH Holdings – may seem to apply only to CKH Holdings Shareholders, whereas benefit (c) – removal of the layered holding structure by investing alongside the Trust – may seem to apply only to the Scheme Shareholders, as CKH Holdings Shareholders have already invested alongside the Trust. However, because such benefits will enhance the combined value of the CKH Holdings Shares and the CK Property Shares which Scheme Shareholders will receive, Scheme Shareholders and CKH Holdings Shareholders will both benefit.

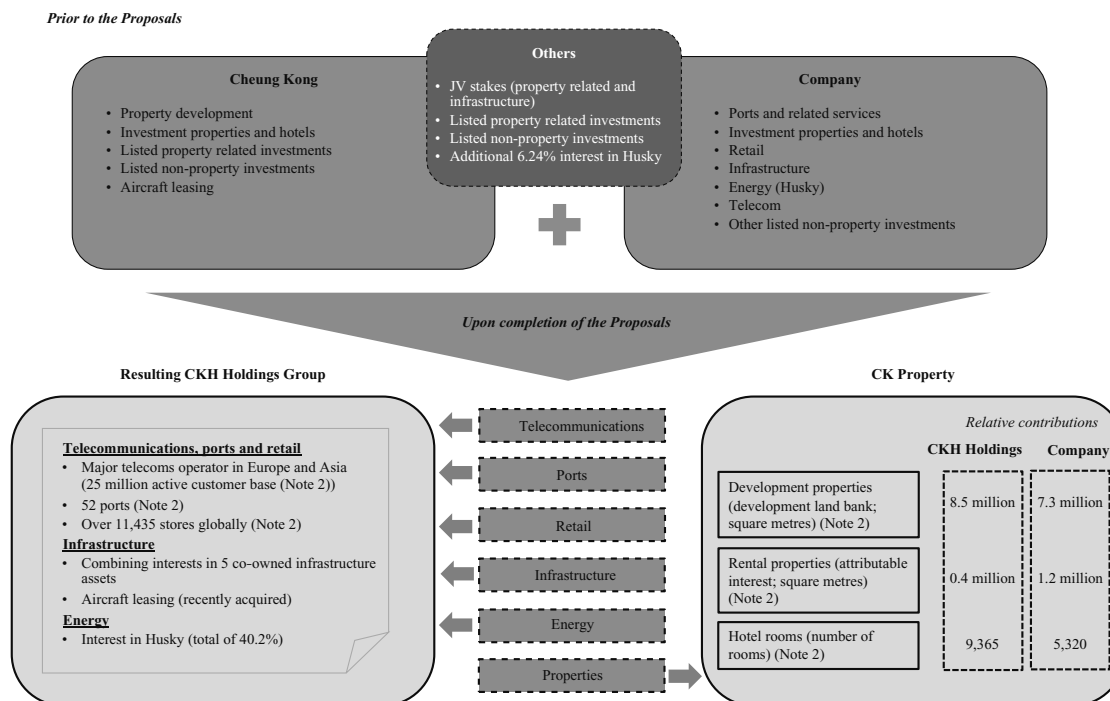
As mentioned above, the Cheung Kong Shares, based on the closing price on 7 January 2015, were trading at a substantial discount to Cheung Kong's book equity value attributable to shareholders, and a part of this is attributable to the holding company discount on the Cheung Kong Group's stake in the Company. It follows that such holding company discount of Cheung Kong Shares before the Announcement was embedded in the Hutchison Share Exchange Ratio, which was determined based on pre-Announcement average market prices. Scheme Shareholders consequently benefit from the dampening effect on the price of Cheung Kong Shares when the Hutchison Share Exchange Ratio was set, due to the effect of the holding company discount on the price of the Cheung Kong Shares before the Announcement. Following completion of the Proposals, Scheme Shareholders, as holders of CKH Holdings Shares, would be able to share the benefit of the elimination of such discount, should it come to fruition.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## (ii) Division of businesses

### (a) Overall schematic

Set out below is a schematic summary of the respective businesses prior to the Proposals and upon completion of the Proposals, based on the description set out in the Explanatory Statement. All figures are approximations:



*Notes:*

(1) The above schematic summary is a simplified representation of the assets of each of Cheung Kong/CKH Holdings and the Company, taking into account the Husky Share Exchange, (i) as at the Latest Practicable Date and (ii) upon completion of the Proposals

(2) As at 31 December 2014

### (b) The Resulting CKH Holdings Group

As set out in the above schematic summary, the Resulting CKH Holdings Group will incorporate all of the Group's businesses at present, with the exception of the Hutchison Property Group. Property interests which are used for the purposes of carrying on, or which are ancillary to, the Combined Non-Property Businesses will be also retained in the Resulting CKH Holdings Group.



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Infrastructure assets which contributed approximately HK\$1.8 billion to the profit before tax in the year ended 31 December 2014 for Cheung Kong will be combined with the infrastructure assets currently owned by the Group, as follows:

Asset	Northumbrian Water Group Limited ("Northumbrian Water")	Wales & West Utilities Limited ("WWU")	Australian Gas Networks Limited ("AGN")	Park'N Fly, Inc. ("Park'N Fly")	AVR-Afvalverwerking B.V. ("AVR")
Size indicator	Total assets: HK\$50.5 billion ( <i>Note 1</i> ) (as at 31 March 2014)	Total assets: HK\$18.1 billion ( <i>Note 1</i> ) (as at 31 March 2014)	Total assets: HK\$24.7 billion ( <i>Note 1</i> ) (as at 30 June 2014)	Acquisition consideration: HK\$2.7 billion (as at 17 June 2014)	Acquisition enterprise value: HK\$9.7 billion (as at 17 June 2013)
Business description	Water and sewerage services in the United Kingdom	Gas distribution networks in the United Kingdom	One of the largest natural gas distributors in Australia	Largest off-airport car park provider in Canada	Largest energy-from-waste company in the Netherlands
<b>Effective interest as at the Latest Practicable Date</b>					
Group's effective interest ( <i>Note 2</i> )	30.27%	31.53%	42.12%	37.84%	32.37%
<b>Effective interest following completion of the Merger Proposal and the Spin-off Proposal</b>					
Resulting CKH Holdings Group's effective interest	70.27%	61.53%	69.63%	87.84%	67.37%
Accounting treatment	Consolidation	Equity accounting ( <i>Note 3</i> )	Equity accounting ( <i>Note 3</i> )	Consolidation	Equity accounting ( <i>Note 3</i> )

Notes:

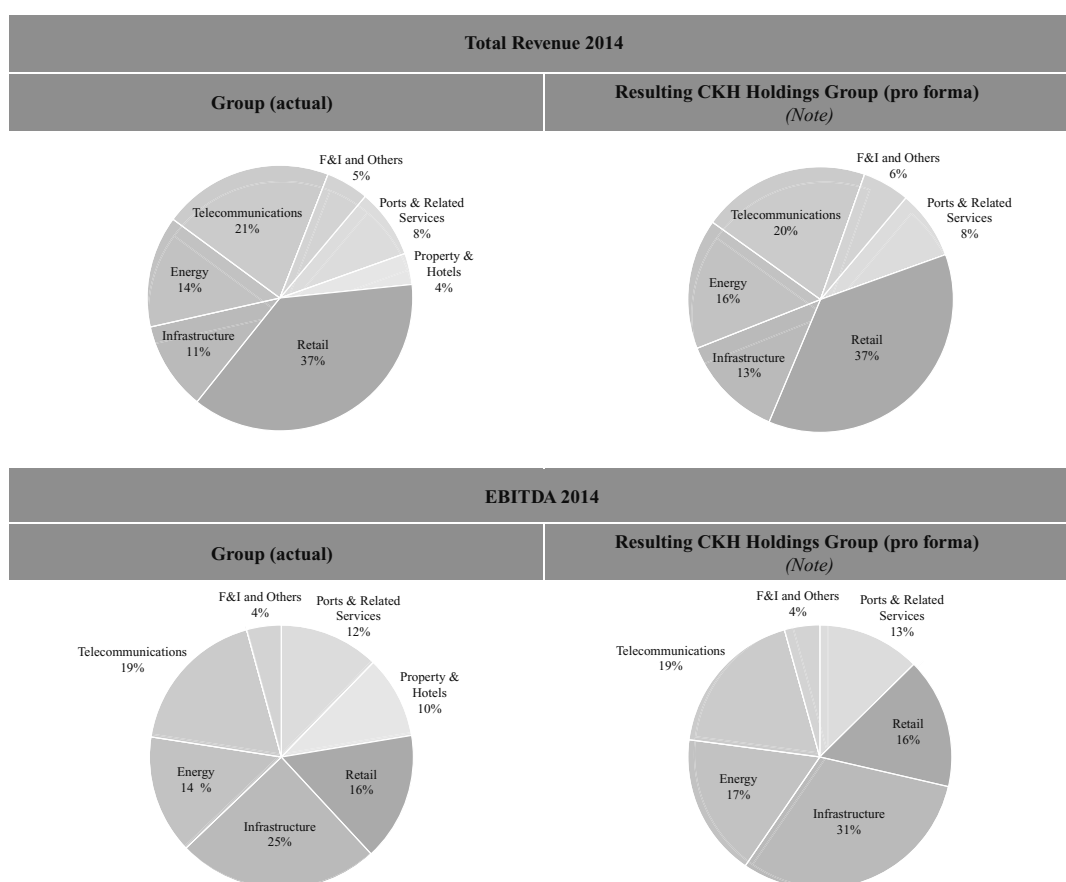
- (1) Exchange rate: GBP 1 = HK\$12.9052 (as at 31 March 2014) and AUD 1 = HK\$7.3010 (as at 30 June 2014)
- (2) The Group's indirect shareholding through an approximately 75.7% stake in CKI as at the Latest Practicable Date
- (3) Interests in AGN, AVR and WWU will continue to be classified and equity accounted for as interests in joint ventures as the Resulting CKH Holdings Group is not deemed to have control over these assets based on the respective shareholder agreements. The net debt, based on the principal amount of bank and other debts less cash and cash equivalents, of AGN, AVR and WWU amounted to approximately HK\$13,554 million, HK\$3,096 million and HK\$15,807 million respectively, as at 31 December 2014

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Following completion of the Husky Share Exchange, energy sector interests will increase and CKH Holdings Group will become the largest shareholder in Husky, with an approximately 40.20% stake.

CKH Holdings Group's newly acquired business of ownership and leasing of aircraft assets will add diversity to the infrastructure assets of CKH Holdings Group. This business has a portfolio interest to purchase up to 60 aircraft (which includes 15 aircraft held or to be held under a joint venture). The business is expected to grow into a sizeable aircraft lessor over time.

As set out in the Explanatory Statement, the actual and pro forma contributions for the year ended 31 December 2014 by each business segment to the Group and the Resulting CKH Holdings Group are as follows:



Notes:

(1) Total revenue and EBITDA include the Group's and the Resulting CKH Holdings Group's proportionate share of associated companies' and joint ventures' respective items. Total revenue and EBITDA were adjusted to exclude the non-controlling interests' share of results of Hutchison Port Holdings Trust ("**HPH Trust**"). See note 5(m) to the financial statements of the Group for the year ended 31 December 2014 set out in Appendix V of the Scheme Document

(2) "F&I" refers to Finance and Investments

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*(c) The CK Property Group*

Upon the listing of CK Property, the CK Property Group will be one of Hong Kong's largest property developers with a leading market share in Hong Kong, strong penetration in the PRC and an international presence through its operations in Singapore and the United Kingdom. The CK Property Group will have diverse capabilities with principal activities encompassing property development and investment, hotel and serviced suite operation and property and project management. Selected business information of the CK Property Group together with details of the property portfolio and the valuation of certain property interests of the CK Property Group as at 28 February 2015 are set out in Appendices VII and VIII of the Scheme Document. On this basis, CK Property Group will hold property interests valued by the Property Valuers with a total value attributable to the CK Property Group of approximately HK\$420.1 billion. Unaudited pro forma information on the CK Property Group is set out in Appendix X of the Scheme Document.

The CK Property Group will have a diversified portfolio of properties globally, which includes properties located in Hong Kong, the PRC, Singapore, the United Kingdom and The Bahamas. Following completion of the Property Businesses Combination and the Spin-off Proposal, CK Properties will have the following selected characteristics:

- Development land bank of approximately 15.8 million square metres (of which approximately 14.5 million square metres are located in the PRC) (*Note*)
- Attributable interest in rental properties of approximately 1.6 million square metres (*Note*)
- More than 14,600 hotel rooms (*Note*)
- Interests in listed REITs, including unitholding interests in Fortune REIT, Prosperity REIT and Hui Xian REIT. The CK Property Group also has interests in ARA Asset Management Limited (which is the holding company of managers of Fortune REIT and Prosperity REIT) and Hui Xian Asset Management Limited (which is the manager of Hui Xian REIT)

*Note:* As at 31 December 2014

Historically, both the Cheung Kong Property Group and the Hutchison Property Group focused on investment properties, property developments and hotel operation and investment in Hong Kong, the PRC, Singapore, the United Kingdom and other locations. Many of their development projects, particularly in the PRC, were conducted under joint ventures which were not consolidated in either company's financial statements. Following completion of the Property Businesses Combination and the Spin-off Proposal, the property operations of the two groups will be combined, resulting in the joint venture operations in the PRC and elsewhere, where CK Property has control, being consolidated in CK Property's financial statements.

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Pursuant to the Property Businesses Combination, CK Property will issue a promissory note in the principal amount of HK\$55 billion to the CKH Holdings Group, the settlement of which is expected to be funded by either a bridge facility or in whole or in part by a syndicated loan to be made available to the CK Property Group before completion of the Spin-off Proposal.

### 3. *Market reaction to the Announcement*

The market prices of the shares of the Company and Cheung Kong increased by approximately 12.5% and 14.7% respectively, on the trading day after publication of the Announcement, as follows:

	<u>The Company</u>	<u>Cheung Kong</u>
	<i>HK\$</i>	<i>HK\$</i>
Closing price on:		
12 January 2015 (Monday)	98.35	143.20
9 January 2015 (Friday)	<u>87.40</u>	<u>124.80</u>
Increase	<u>10.95</u>	<u>18.40</u>
Increase (%)	12.5%	14.7%

Based on the closing price of HK\$143.20 on 12 January 2015 for Cheung Kong (now wholly-owned by CKH Holdings), the enlarged share capital of CKH Holdings of approximately 3,859.7 million shares on completion of the Proposals and the other data set out in the table in the section headed “III.A.2 (i) Shareholding structure”, the following calculation can be made of the enhancement of market value:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	<i>HK\$ billion</i>
Value of approximately 3,859.7 million CKH Holdings Shares @ HK\$143.20 per CKH Holdings Share	552.7
Less: value of approximately 84.4 million CKH Holdings Shares to be issued for the Husky Share Exchange	<u>(12.1)</u>
<b>Market value after Announcement</b>	<b><u>540.6</u> (A)</b>
Value of approximately 2,316.2 million Cheung Kong Shares @ HK\$124.80 per Cheung Kong Share	289.1
Add: value of approximately 2,133.2 million Shares held by the Scheme Shareholders @ HK\$ 87.40 per Share	<u>186.4</u>
<b>Market value before Announcement</b>	<b><u>475.5</u> (B)</b>
<b>Increase in market value (A) – (B)</b>	<b>65.1</b>
<i>Attributable to the Scheme Shareholders (Note)</i>	<b>25.2</b> <i>(or 38.7%)</i>
<i>Attributable to the Cheung Kong Shareholders (Note)</i>	<b>39.9</b> <i>(or 61.3%)</i>

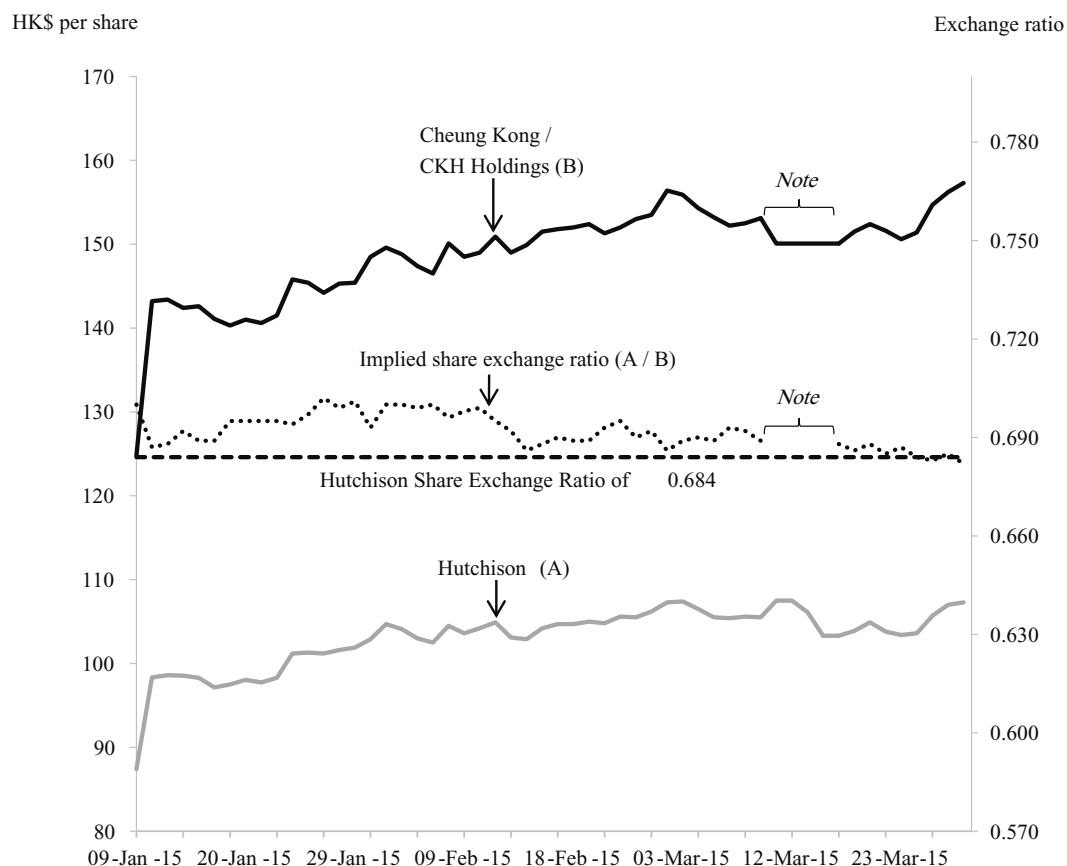
*Note: Increases in market value attributable to the Scheme Shareholders and the Cheung Kong Shareholders are allocated based on their respective interests in CKH Holdings of 1,459.1 million CKH Holdings Shares (i.e. 2,133.2 million Shares x 0.684) and 2,316.2 million CKH Holdings Shares respectively*

We consider it reasonable to attribute the substantial increase in market value of approximately HK\$65.1 billion (approximately HK\$25.2 billion attributable to the Scheme Shareholders) to the market's reaction to the Proposals disclosed in the Announcement.

Since 12 January 2015, the closing prices of the Shares and the Cheung Kong Shares/CKH Holdings Shares have held the earlier gains and trended higher, closing at HK\$107.30 and HK\$157.30 respectively as at the Latest Practicable Date. This represents gains of approximately 22.8% and 26.0% over their respective closing prices on the Last Trading Day. The graph below sets out the share price movements of the Company and Cheung Kong/CKH Holdings from 9 January 2015, the date of the Announcement, to the Latest Practicable Date.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It also shows the exchange ratio implied by the respective closing share prices of each of the Company and Cheung Kong/CKH Holdings, compared with the Hutchison Share Exchange Ratio of 0.684:



Source: Bloomberg

Note: Dealings in Cheung Kong Shares ceased at 4:00 p.m. on 10 March 2015. Dealings in CKH Holdings Shares commenced at 9:00 a.m. on 18 March 2015

The share prices of the Company and Cheung Kong increased by approximately 12.5% and 14.7% respectively, on the trading day after the Announcement, significantly outperforming the Hang Seng Index (the “HSI”) on that day, of which both companies are constituents. As set out above, the increase in share prices of both companies since the Announcement has been sustained during the period, and they have in general moved broadly in tandem. We consider this reflects, inter alia, investors’ opinions that the expected benefits of the Proposals will prove achievable.

After the Announcement, the implied daily exchange ratio was somewhat above the Hutchison Share Exchange Ratio before coming approximately into line, with an implied exchange ratio of 0.682 as at the Latest Practicable Date. Based on the closing price of CKH Holdings Shares on the Latest Practicable Date of HK\$157.30, the value receivable by the Scheme Shareholders would be approximately HK\$107.59 per Share (HK\$157.30 x 0.684), which represents a premium of 0.3% over the closing price of the Shares on the Latest Practicable Date of HK\$107.30.

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Since the Announcement, a number of potential transactions have been announced. On 20 January 2015, it was announced that Cheung Kong and CKI will form a joint venture in relation to the acquisition of the Eversholt Rail Group (one of the three major rolling stock operating companies in the United Kingdom (the “UK”)), with a transaction enterprise value of approximately HK\$29.3 billion (approximately GBP2.5 billion) which is expected to be completed in around April 2015. On 25 March 2015, the Company announced that the Group had entered into a share purchase agreement with Telefónica, S.A. for the conditional acquisition of Telefónica, S.A.’s UK subsidiary, O<sub>2</sub> UK, a mobile telecommunications provider in the UK, for an aggregate cash purchase price of approximately GBP9.3 billion (or approximately HK\$106.8 billion) and deferred upside interest sharing payments of up to a further GBP1 billion (or approximately HK\$11.5 billion). The acquisition of O<sub>2</sub> UK will be funded by a GBP6 billion bridge loan facility that the Group has entered into with a financial institution and the Group’s own cash resources. Completion of the acquisition is conditional on the satisfaction or waiver of certain conditions, including among other things, European Commission competition confirmation and the parties having obtained waivers and/or approvals under certain contractual arrangements with third parties before completion. The conditions must be satisfied or waived by no later than 30 June 2016, or in certain cases 30 September 2016.

### **B. Evaluation of the Hutchison Share Exchange Ratio by reference to market price**

The Hutchison Share Exchange Ratio of 0.684 was determined based on the simple average closing prices of the Cheung Kong Shares and the Shares for the five trading days up to (and including) 7 January 2015 of HK\$129.06 and HK\$88.28 respectively, without any premium or discount (being 88.28 divided by 129.06). The calculations are:

<b>Trading date</b>	<b>Closing market price of</b>	
	<b>the Cheung Kong Shares</b>	<b>the Shares</b>
	<i>(HK\$)</i>	<i>(HK\$)</i>
31 December 2014	130.30	89.25
2 January 2015	131.70	89.80
5 January 2015	130.40	88.55
6 January 2015	127.00	86.55
7 January 2015	125.90	87.25
<b>5-day average</b>	<b>129.06</b>	<b>88.28</b>

Source: Hong Kong Stock Exchange

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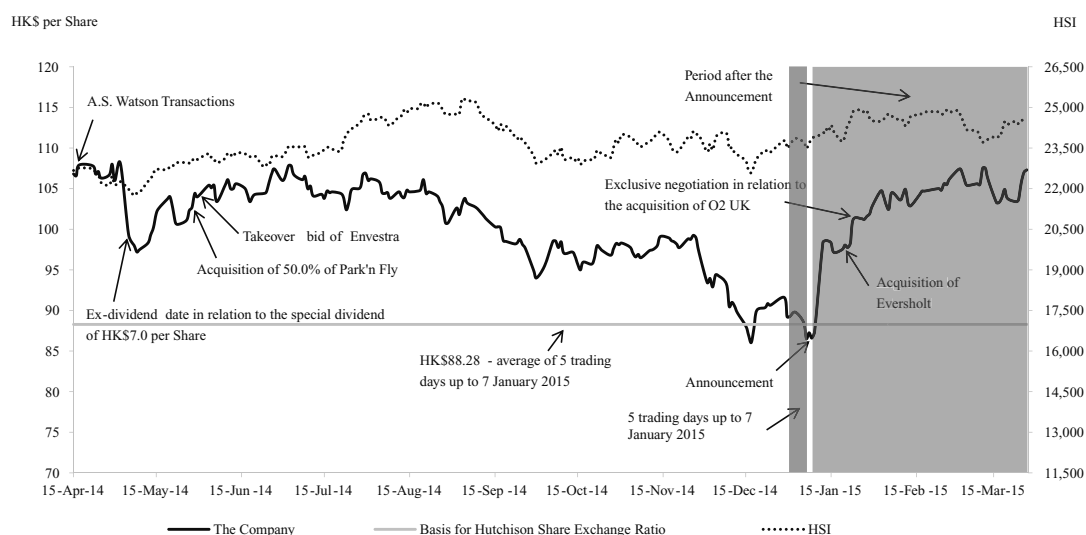
Please see the section headed “III.A.3. Market reaction to the Announcement” for details on the development of the implied exchange ratio following the Announcement. In the paragraphs below, we set out the share prices and trading volumes of the two companies over a period of 180 trading days (about 9 calendar months) up to and including 7 January 2015. We also set out the effect of using different periods to set the share exchange ratio other than the simple average of 5 trading day closing prices.

### 1. Analysis of share price performance and trading liquidity

#### (a) The Company

##### Share price performance analysis

The share price chart below illustrates the daily closing price of the Shares quoted on the Stock Exchange from 15 April 2014 (180 trading days up to and including 7 January 2015) up to the Latest Practicable Date (both dates inclusive) (the “Share Review Period”), and compares such prices to the movements of the HSI and the 5-day trading average up to 7 January 2015 of HK\$88.28:



Source: Bloomberg

On 16 April 2014, the Company announced the entering into of a strategic alliance with Temasek Holdings (Private) Limited (“**Temasek**”), which completed the acquisition of a 25% stake in A.S. Watson Group (“**A.S. Watson**”). The price reached HK\$108.10 on 2 May 2014, the high during the Share Review Period. On 5 May 2014, the Shares traded “ex” the special dividend of HK\$7.0 per Share paid in respect of the A.S. Watson transaction. The Share prices prior to this date have not been adjusted for the special dividend.

In the second half of 2014, the price was fairly stable until mid-September, when it commenced a general downward trend. The price may have been influenced, among other things, by weak economic data from Europe and, through the Company’s stake in Husky, by the sharp decline in the price of crude oil which began about mid-year. The price decreased from HK\$99.10 on 14 November 2014 to HK\$86.05 per Share on 17 December 2014,



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followed by a partial recovery. During the period when the Hutchison Share Exchange Ratio was set from 31 December 2014 to 7 January 2015, the price closed between HK\$86.55 and HK\$89.80, and did not seem to be “disturbed”, that is abnormally affected, by any market rumour of the Proposals.

Following the Announcement, as noted above, the price rose sharply and this gain has been sustained.

### *Trading volume of the Shares*

The table below sets out the total number of Shares traded per month, the percentage of the monthly trading volume to the issued share capital of the Company and the percentage of the monthly trading volume to Shares held by the public respectively during the Share Review Period:

	<b>Total monthly trading volume of the Shares</b>	<b>Approximate % of total monthly trading volume to the total issued Shares</b>	<b>Approximate % of total monthly trading volume to the public float</b>
<b>2014</b>			
April	106,846,504	2.5%	5.3%
May	109,365,858	2.6%	5.5%
June	73,408,556	1.7%	3.7%
July	129,145,051	3.0%	6.5%
August	132,299,582	3.1%	6.6%
September	133,632,853	3.1%	6.7%
October	109,217,657	2.6%	5.5%
November	86,918,445	2.0%	4.3%
December	150,390,442	3.5%	7.5%
<b>2015</b>			
January	207,872,206	4.9%	10.4%
February	92,542,839	2.2%	4.6%
From 1 March to the Latest Practicable Date	83,315,341	2.0%	4.2%

*Source: Bloomberg and the Company*

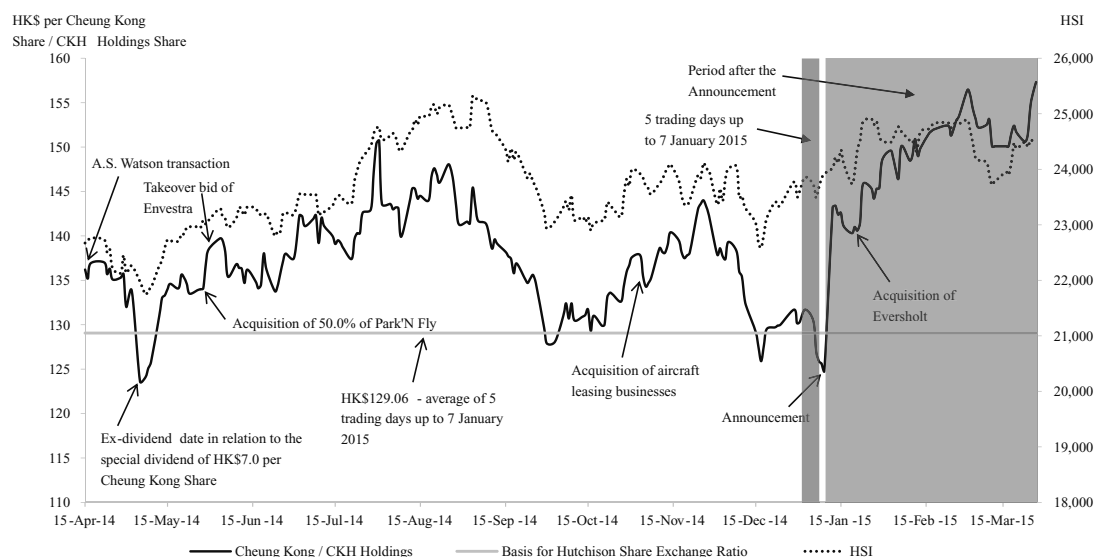
As shown in the above table, the trading volumes were within the range of approximately 1.7% and 4.9% of the total issued Shares, and between approximately 3.7% and 10.4% of the issued Shares constituting the public float of the Company. The highest monthly trading volume of the Shares prior to the Announcement was approximately 150.4 million in December 2014, with volumes of over 100.0 million Shares in each month other than June and November 2014, and February 2015. On this basis, we consider the Shares have been actively traded during the Share Review Period.

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### (b) Cheung Kong/CKH Holdings

#### Share price performance analysis

The share price chart below illustrates the daily closing price of the Cheung Kong Shares/CKH Holdings Shares quoted on the Stock Exchange during the Share Review Period, and compares such prices to the movement of the HSI and the 5-day trading average up to 7 January 2015 of HK\$129.06:



Source: Bloomberg

The price per Cheung Kong Share rose from HK\$136.20 on 15 April 2014 to HK\$150.70 on 31 July 2014, the highest share price during the Share Review Period prior to the Announcement. The drop on 5 May 2014 was mainly due to the ex-dividend adjustment for the Company's special dividend of HK\$7.0 per Cheung Kong Share after the A.S. Watson transaction. From late August, the price began to decline to HK\$127.90 at the end of September. After a recovery to HK\$142.3 at the end of November there was a further period of weakness in the first half of December 2014. During the period when the Hutchison Share Exchange Ratio was set from 31 December 2014 to 7 January 2015, the price closed between HK\$125.90 and HK\$131.70 and did not seem to be disturbed by any market rumour of the Proposals.

During the Share Review Period prior to the Announcement, Cheung Kong announced acquisitions principally through joint ventures with affiliated companies, including (i) the acquisition of Park'N Fly (an off-airport parking business in Canada) announced on 28 May 2014, (ii) the takeover bid for AGN, an Australian gas distributor company, announced on 30 May 2014, and (iii) the acquisition of aircraft leasing businesses announced on 4 November 2014.

Following the Announcement, as noted above, the price rose sharply and this gain has been sustained.

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### *Trading volume of the Cheung Kong Shares/CKH Holdings Shares*

The table below sets out the total number of Cheung Kong Shares/CKH Holdings Shares traded per month, the percentage of the monthly trading volume to the issued share capital of Cheung Kong/CKH Holdings and the percentage of the monthly trading volume to Cheung Kong Shares/CKH Holdings Shares held by the public respectively during the Share Review Period:

	<b>Total monthly trading volume of the Cheung Kong Shares/CKH Holdings Shares</b>	<b>Approximate % of total monthly trading volume to the total issued Cheung Kong Shares/CKH Holdings Shares</b>	<b>Approximate % of total monthly trading volume to the public float</b>
<b>2014</b>			
April	76,471,039	3.3%	5.8%
May	78,224,739	3.4%	6.0%
June	57,375,132	2.5%	4.4%
July	72,540,908	3.1%	5.5%
August	80,854,233	3.5%	6.2%
September	74,425,360	3.2%	5.7%
October	76,922,365	3.3%	5.9%
November	60,961,928	2.6%	4.7%
December	71,469,055	3.1%	5.5%
<b>2015</b>			
January	154,974,317	6.7%	11.8%
February	78,074,129	3.4%	6.0%
From 1 March to the Latest Practicable Date	67,591,818	2.9%	5.2%

*Source: Bloomberg and the Company*

As shown in the above table, the trading volumes were within the range of approximately 2.5% and 6.7% of the total issued Cheung Kong Shares/CKH Holdings Shares, and between approximately 4.4% and 11.8% of the issued Cheung Kong Shares/CKH Holdings Shares constituting the public float of Cheung Kong/CKH Holdings. The highest monthly trading volume of Cheung Kong Shares/CKH Holdings Shares prior to the Announcement was approximately 80.9 million in August 2014, with volumes of over 70 million Cheung Kong Shares/CKH Holdings Shares in each month other than June and November 2014. On this basis, we consider the Cheung Kong Shares/CKH Holdings Shares have been actively traded during the Share Review Period.

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### 2. *Effect of using different time periods to set share exchange ratios*

During the Share Review Period, as shown in the above share price charts, the shares of both the Company and Cheung Kong/CKH Holdings traded at levels different from, and mostly significantly above, the prices of HK\$88.28 and HK\$129.06 used as the basis for the Hutchison Share Exchange Ratio. In the table below, we compare the Hutchison Share Exchange Ratio of 0.684 with exchange ratios which would have resulted from the use of different time periods.

Set out below are exchange ratios based on (i) the simple average closing prices and (ii) the volume-weighted average closing price (the “VWAP”) of each of the Shares and the Cheung Kong Shares for periods up to 180 trading days (about 9 calendar months). All figures are approximations:

<b>Number of trading days prior and up to 7 January 2015</b>	<b>Exchange ratios based on</b>	
	<b>simple average closing prices</b>	<b>VWAP</b>
	<i>(HK\$)</i>	<i>(HK\$)</i>
	<i>(Note 2)</i>	<i>(Note 1)</i>
<b>5 trading days (Hutchison Share Exchange Ratio)</b>	<b>0.684</b>	<b>0.686</b>
10 trading days	0.689	0.690
20 trading days	0.685	0.686
30 trading days	0.684	0.682
60 trading days	0.703	0.697
90 trading days	0.711	0.709
180 trading days	0.733	0.729

Notes:

- (1) *The VWAP is based on the respective sum of the daily turnovers (in dollar terms) of the shares (with the closing price for each respective day being weighted by the daily trading volume) divided by the respective sum of the daily trading volumes of the shares*
- (2) *Simple average closing prices and VWAP have not been adjusted for dividends paid*

The exchange ratios based on simple averages are between 0.684 and 0.733. Based on VWAP, the exchange ratios are between 0.682 and 0.729.

As set out in the section headed “III.B.1 Analysis of share price performance and trading liquidity”, the Company and Cheung Kong, both being constituents of the HSI, are actively traded stocks. In neither case did the share prices seem to be materially influenced by any rumours of the Proposals in the run-up to the Announcement. These factors support the validity of using a relatively short period as representative of market price, as active trading lessens the likelihood of thin or erratic volume biasing market value on a particular day.

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Periods of 5, 10, 20 or 30 trading days, on a simple average or VWAP basis, result in a narrow exchange ratio range of 0.682 to 0.690. The resulting ratio for 30 trading days (simple average) is, for example, 0.684, identical to the Hutchison Share Exchange Ratio. The resulting ratio for 30 trading days (VWAP) is 0.682, slightly lower than the Hutchison Share Exchange Ratio.

Periods of 60, 90 or 180 trading days result in an exchange ratio range of 0.697 to 0.733, between 1.9% and 7.2% above the Hutchison Share Exchange Ratio of 0.684.

Different periods may be adopted to establish “market” prices in the context of setting merger terms. In our opinion, with actively traded shares and undisturbed prices, periods of up to 30 trading days produce results representative of market. In the most recent Merger Precedent (see the section headed “III.B.3. Merger Precedents”), a period of 20 trading days was considered representative of market. The resulting ratios for 20 trading days are 0.685 (simple average) and 0.686 (VWAP), close to the Hutchison Share Exchange Ratio.

### 3. *Merger Precedents*

The Hutchison Share Exchange Ratio is based on market prices. In the precedent cases below, market prices and other factors were taken into account when share exchange ratios were determined. We have performed a search of merger transactions involving share exchanges with significant scale announced in the past five years between listed companies in Hong Kong (the “**Merger Precedents**”). The result of our research is as follows:

<u>Date of announcement</u>	<u>Merger between:</u>		<u>Basis of determining of share exchange ratio</u>
30 December 2014	China CNR Corporation Limited (stock code: 6199; “ <b>CNR</b> ”) ( <i>Note 2</i> )	CSR Corporation Limited (stock code: 1766; “ <b>CSR</b> ”)	VWAP of the relevant shares for the 20 trading days immediately prior to and including the last trading day prior to the issue of the announcement as the market reference prices, and giving full consideration to factors such as historical share prices, operating results and market capitalisations, and through arm’s length negotiations

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<u>Date of announcement</u>	<u>Merger between:</u>		<u>Basis of determining of share exchange ratio</u>
10 May 2013 <i>(Note 3)</i>	China Resources Power Holdings Company Limited (stock code: 836; “ <b>CR Power</b> ”)	China Resources Gas Group Limited (stock code: 1193; “ <b>CR Gas</b> ”)	Among other things, the prevailing closing prices of the relevant shares prior to the publication of the announcement and the two companies’ earnings, cash flows, dividends and attributable assets
19 October 2011	China Resources Gas Group Limited (stock code: 1193; “ <b>CR Gas</b> ”)	Zhengzhou China Resources Gas Co., Ltd. (stock code: 3928; “ <b>ZZ Gas</b> ”)	Among others, the latest published financial information of ZZ Gas, the prevailing closing prices of the H shares of ZZ Gas and CR Gas shares, and the outlook and development of both ZZ Gas and CR Gas
12 August 2010	Li & Fung Limited (stock code: 494; “ <b>L&amp;F</b> ”)	Integrated Distribution Services Group Limited (stock code: 2387; “ <b>IDS</b> ”)	The exchange ratio under the share alternative was determined such that it valued the IDS share (based on the closing price of L&F share on 6 August 2010, the price reference day) at the same level as the cash alternative

*Notes:*

- (1) *We consider the above Merger Precedents to be an exhaustive list according to our research on the website of the Stock Exchange based on the criteria that (i) both companies being merged were listed in Hong Kong, (ii) both companies had market capitalisations before the merger announcements of at least HK\$1 billion and (iii) the merger announcements were published within five years prior to 4:00 p.m. on the Latest Practicable Date*
- (2) *Somerley acted as the independent financial adviser to the independent board committee of CNR (“**CNR IFA**”)*
- (3) *The proposed merger between CR Power and CR Gas was not approved by the independent shareholders of CR Power at the shareholders’ meeting*

In the most recent precedent, the merger of CNR and CSR, the exchange ratio was agreed by taking the average prices of the relevant shares for a period of 20 trading days (VWAP) prior to the merger announcement. Other factors were also given full consideration as noted above. The exchange ratio is 1:1.10, meaning that each CNR share will be

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exchanged for 1.10 new CSR shares. The relevant shareholders' approvals were obtained on 9 March 2015 but the merger is not yet complete, as other conditions precedent are outstanding.

The reference price for CNR shares was arrived at as follows:

	<u>'A' shares</u>	<u>'H' shares</u>
CSR 20-trading day VWAP	RMB5.63	HK\$7.32
Exchange ratio	1.10 for 1	1.10 for 1
CNR reference price (*)	RMB6.19	HK\$8.05

(\*) *The CNR reference prices are not the same as the 20 trading days VWAP of CNR shares prior to the merger announcement, which were RMB5.92 and HK\$7.21 respectively*

A cash alternative of HK\$7.21 per CNR 'H' share was made available to CNR 'H' shareholders voting against the merger (less than 3% did so).

Post merger, the shareholdings in the merged entity attributable to the CSR and CNR shareholders will be in the proportion of 50.6%/49.4% respectively. As part of our analysis as CNR IFA, we compared these proportions with the contributions of CSR and CNR to such factors as revenue, profits, net assets, EBITDA and market capitalisation. The results were on balance very similar to the proportions of shareholdings. The exercise was facilitated by the businesses and sizes of CSR and CNR being very similar; indeed, they had originally been one group before being split up and listed separately. As noted below, such an exercise is not easily carried out for the Company and CKH Holdings, owing principally to the different nature and financial characteristics of their businesses, as further discussed in sub-paragraph 4 below.

In the proposed merger between CR Power and CR Gas, and the merger between CR Gas and ZZ Gas (as announced in 2013 and 2011 respectively), the market price element in establishing the share exchange ratio was determined based on the "prevailing" closing prices of the relevant shares without the length of time being specifically disclosed. Financial information of the relevant companies such as earnings and attributable assets, and other qualitative and subjective factors such as business outlook, were also taken into account.

The transaction between L&F and IDS was based on market price on a single day. It involved a cash alternative and a share alternative by L&F in a proposal to privatise IDS. The size of L&F, in terms of market capitalisation before the merger announcement, was more than 20 times that of IDS. The transaction meets our criteria for inclusion as a Merger Precedent, although it also has some of the characteristics of an acquisition.

In a share exchange transaction involving Denway Motors Limited ("**Denway**") and Guangzhou Automobile Group Co., Ltd ("**GAC**") announced by the controlling shareholder of Denway on 18 May 2010, scheme shareholders of Denway were offered H shares of GAC, which were to be listed subsequently on the Main Board. The exchange ratio was determined on the basis of, among other things, GAC and Denway's historical performance, business potentials, earnings, market price of Denway, benefits of the transaction, and the

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transaction not representing a change in controlling shareholder. As GAC was not a listed company prior to the relevant announcement, the transaction has not been included in the table above, although in all other respects it meets our criteria.

#### **4. *Market prices compared to other metrics***

A ratio based on current market prices is objective, without any subjective valuation assumptions being required, and is easily observed, calculated and understood. In the section headed “III.B.3. Merger Precedents”, other factors such as earnings and assets are also taken into account. In the sections headed “III.D. Sum-of-the-parts analysis of the Group”, “III.F. Sum-of-the-parts analysis of CKH Holdings Group” and “III.G. Evaluation of the Hutchison Share Exchange Ratio by reference to contributions”, we set out the results of our work done to compare ratios based on market price with ratios based on contributions to earnings and net assets and on a “sum-of-the-parts” approach, a measure commonly used by research analysts. This exercise is complex because the businesses of the Company and CKH Holdings are different, being principally non-property related for the Company and principally property related for CKH Holdings at present (other than its holding in the Company). Consequently, the two companies are typically valued on different bases. The use of prevailing market prices to set terms is therefore the most practicable approach, in our view, particularly when both the Shares and CKH Holdings Shares are leading components of the HSI and are actively traded. The period before the Announcement does not seem to show any indication of disturbed trading in advance of the Announcement, although the volume of trading in the Shares was at a high in December 2014. Consequently, we have referred to other methods of setting merger terms as a secondary check.

#### **C. *Financial information on the Group***

Set out below is certain financial information on the Group extracted from Appendix V of the Scheme Document. These are highlights, included mainly to put into context figures used elsewhere in this letter, particularly in sections headed “III.D. Sum-of-the-parts analysis of the Group” and “III.G. Evaluation of the Hutchison Share Exchange Ratio by reference to contributions”. For further information on the Group, please refer to Appendices IV and V of the Scheme Document.



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### 1. *Financial performance*

The following table sets out the consolidated income statement of the Group for the three years ended 31 December 2014, as extracted and summarised from the “Financial Information of the Group” set out in Appendix V of the Scheme Document:

	Notes	<u>For the year ended 31 December</u>		
		<u>2012</u> <u>(restated)</u>	<u>2013</u>	<u>2014</u>
		<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
<i>Revenue (including subsidiaries, share of associates and joint ventures)</i>	(i)	<u>390,263</u>	<u>412,933</u>	<u>421,472</u>
Revenue (subsidiaries only)		243,089	256,234	272,161
Costs and expenses		(219,556)	(226,932)	(237,312)
Change in fair value of investment properties		790	26	24,678
Profits on disposal of investments and others	(ii)	(2,052)	230	(4,532)
Share of profits less losses after tax of:				
associated companies	(iii)	10,558	9,929	28,307
joint ventures	(iii)	<u>10,924</u>	<u>12,597</u>	<u>10,466</u>
		43,753	52,084	93,768
Interest expenses and other finance costs		<u>(9,243)</u>	<u>(8,391)</u>	<u>(8,050)</u>
<b>Profit before tax</b>		<b>34,510</b>	<b>43,693</b>	<b>85,718</b>
Tax		<u>(2,403)</u>	<u>(4,800)</u>	<u>(3,967)</u>
<b>Profit after tax</b>		<b>32,107</b>	<b>38,893</b>	<b>81,751</b>
<b>Profit attributable to ordinary Shareholders</b>	(iv)	<b>25,897</b>	<b>31,112</b>	<b>67,156</b>
<b>Earnings per Share (HK\$)</b>		<b>6.07</b>	<b>7.30</b>	<b>15.75</b>
<b>Dividend per Share (HK\$) (Note)</b>	(v)	<b>2.08</b>	<b>2.30</b>	<b>2.415</b>

*Note: Dividend per Share excludes the special dividend of HK\$7 per Share in respect of 2014. This was the only special dividend paid during the years under review*

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*(i) Segment analysis*

The revenues and earnings of the Group are mainly derived from its business segments of (a) retail, (b) telecommunication, (c) energy, (d) infrastructure, (e) ports and related services, (f) property and hotels, and (g) finance and investments and other operations (which includes returns earned on the Group's holding of cash and other liquid investments). Set out below is a summary of the Group's segmental revenue from external customers and segmental EBITDA:

Segmental revenue from external customers:

	<b>For the year ended 31 December</b>			
	<b>2012</b>			
	<b>(restated)</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>
	<i>HK\$</i> <i>million</i>	<i>HK\$</i> <i>million</i>	<i>HK\$</i> <i>million</i>	<i>%</i>
Retail	138,519	149,147	157,397	37.3
Telecommunication	78,696	81,048	87,676	20.8
Energy	58,744	59,481	57,368	13.6
Infrastructure	39,693	42,460	45,419	10.8
Ports and related services	32,941	34,119	35,624	8.5
Property and hotels	19,970	24,264	16,069	3.8
Finance and investments and others	21,700	22,414	21,919	5.2
<b>Total</b>	<b><u>390,263</u></b>	<b><u>412,933</u></b>	<b><u>421,472</u></b>	<b><u>100.0</u></b>

*Note: Segmental revenue represents (i) revenue from the Group's subsidiaries and (ii) the Group's attributable share of revenue from its associates and joint ventures during the years under review*

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### Segmental EBITDA:

	<u>For the year ended 31 December</u>			
	<u>2012</u>			
	<u>(restated)</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>
	<i>HK\$</i> <i>million</i>	<i>HK\$</i> <i>million</i>	<i>HK\$</i> <i>million</i>	%
Retail	12,779	14,158	15,549	15.7
Telecommunication	12,686	16,248	18,100	18.3
Energy	14,889	14,779	14,410	14.6
Infrastructure	21,405	22,841	24,483	24.8
Ports and related services	11,343	11,447	12,133	12.3
Property and hotels	10,887	13,995	9,998	10.1
Finance and investments and others	<u>2,479</u>	<u>2,179</u>	<u>4,200</u>	<u>4.2</u>
 Total (Note)	 <u>86,468</u>	 <u>95,647</u>	 <u>98,873</u>	 <u>100.0</u>

*Note: Segmental EBITDA represents (i) EBITDA from the Group's subsidiaries and (ii) the Group's attributable share of EBITDA from its associates and joint ventures during the years under review. It excludes certain one-off items and adjustments which were unallocated to the Group's segments during the years under review*

#### *(a) Retail*

The retail segment, principally represented by A.S. Watson, is the biggest business segment of the Group in terms of revenue contribution, accounting for approximately 35.5%, 36.1% and 37.3% of total revenues for 2012, 2013 and 2014 respectively. Major brand names held by A.S. Watson include Rossmann, Superdrug and Watsons (health and beauty retailers), PARKnSHOP (supermarket) and Fortress (electrical appliances).

Although it contributes the largest part of the Group's revenue, the retail segment has the lowest EBITDA margin amongst all of the business segments of the Group. During the years under review, the increase in EBITDA was mainly due to the increase in earnings contribution from the Group's retail operations in China and Western Europe.

#### *(b) Telecommunication*

The telecommunication segment consists of three subdivisions, which are the 3 Group businesses in Europe ("**3 Group Europe**"), the Group's approximately 65.0% interest in Hutchison Telecommunications Hong Kong Holdings Limited (a Hong Kong listed company) and the Group's interests in Hutchison Asia Telecommunications. Revenue accounted for approximately 20.2%, 19.6% and 20.8% of the total revenue of the Group for 2012, 2013 and 2014 respectively.

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The EBITDA margin of the telecommunication segment showed an increasing trend during the years under review, principally due to the increase in service margin of 3 Group Europe driven by a growing customer base. In addition, the increase in EBITDA in 2014 to approximately HK\$18,100 million was partly due to the realisation of cost synergies from the recently completed acquisitions in Austria and Ireland.

*(c) Energy*

The energy segment is comprised of the Group's approximately 34.0% interest in Husky Energy, and accounted for approximately 15.1%, 14.4% and 13.6% of the Group's overall revenues for 2012, 2013 and 2014 respectively. The drop in segmental revenue in 2014 as compared with 2013 was primarily due to the sharp decline in crude oil prices in the last quarter of 2014. During the years under review, the EBITDA and EBITDA margin did not change significantly.

*(d) Infrastructure*

The infrastructure segment is comprised of the Group's approximately 78.2% interest in CKI. The EBITDA margin was maintained at a steady level during the years under review. 2014 EBITDA benefitted from a full year profit contribution from the Group's approximately 78.2% interest in Enviro Waste Services Limited (a waste management business in New Zealand acquired in April 2013) and the approximately 33.4% effective interest in AVR (the largest "energy from waste" company in the Netherlands acquired in August 2013).

*(e) Ports and related services*

The ports and related services segment principally consists of the Group's 80% interest in the group of companies of Hutchison Port Holdings Limited and Hutchison Ports Investments S.a.r.l. It also includes the Group's approximately 27.62% interest in the Singapore listed HPH Trust.

During the years under review, the EBITDA and EBITDA margin of the ports and related services maintained a stable growth.

*(f) Property and hotels*

The property and hotel operations segment comprises the Group's investment property portfolio of office, commercial, industrial and residential premises; residential and commercial property development projects and the Group's interests in hotels principally located in Hong Kong, the PRC and overseas.

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Despite contributing only approximately 3.8% of the Group's total revenue, the EBITDA margin of the property and hotel operations segment is comparatively high partly due to rental income from the Group's investment properties. During the years under review, the fluctuation in EBITDA was mainly caused by the change in sales of the Group's joint ventures residential development projects in the PRC.

*(ii) Profits on disposal of investments and others*

In 2012, the amount entirely represented the Group's share of operating losses from Vodafone Hutchison Australia ("VHA"), a 50% held joint venture of Hutchison Telecommunications (Australia). In 2013, the amount included a one-off gain arising from the partial disposal of Westports Holdings Bhd following its initial public offering in Malaysia and a one-off net gain arising from the disposal of certain non-core telecommunication assets of "3 Austria", offsetting the Group's share of operating losses from VHA.

In 2014, the amount included (i) a provision relating to the restructuring of "3 Ireland" on the acquisition of O<sub>2</sub> Ireland of approximately HK\$3,388 million; (ii) the Group's share of operating losses from VHA of approximately HK\$1,971 million; (iii) impairment charges of ports assets and related provision of approximately HK\$758 million and (iv) impairment of goodwill and store closures of the Marionnaud businesses of approximately HK\$652 million, which were partly offset by the Group's one-off marked-to-market gain of approximately HK\$2,237 million realised upon the transfer of a 17.46% interest held by CKI in AGN to the joint venture company upon the AGN acquisition.

*(iii) Share of profits less losses after tax of associated companies and joint ventures*

The Group's share of profits less losses after tax of joint ventures of approximately HK\$10,924 million, HK\$12,597 million and HK\$10,466 million in 2012, 2013 and 2014 principally resulted from its investments in (i) infrastructure joint ventures (principally comprised of overseas utility projects) through CKI and (ii) property joint ventures for property development projects mainly in the PRC. The drop in 2014 figures was mainly due to the reduced profit contribution from the property sales of the joint ventures in the PRC and 2013 figures included a deferred tax credit adjustment as a result of a UK tax rate reduction.

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The Group's share of profits less losses after tax of associated companies of approximately HK\$10,558 million, HK\$9,929 million and HK\$28,307 million in 2012, 2013 and 2014 respectively principally arose from the associated companies: (i) Power Assets (engaging in power and utility related businesses) which is approximately 38.9% held through CKI and (ii) Husky (engaging in oil and gas), which is approximately 34.0% held by the Group. The substantial increase in 2014 was principally due to a one-off gain resulting from the spin-off of Power Assets' Hong Kong electricity business of approximately HK\$20,554 million, netting off the increase in the Group's share of impairment charge on certain natural gas assets of Husky of approximately HK\$909 million.

*(iv) Profit attributable to the Shareholders*

Profit attributable to the Shareholders increased by approximately 20.1% from approximately HK\$25,897 million in 2012 to approximately HK\$31,112 million in 2013, primarily due to the increase in earnings from the Group's property and hotels, retail, infrastructure and telecommunication segments.

The profit attributable to the Shareholders in 2014 further increased by approximately 1.2 times to approximately HK\$67,156 million as compared with 2013. This mainly resulted from the Group's share of a one-off gain arising from the spin-off of Power Assets in January 2014 as mentioned above, coupled with the higher increase in the fair value change of the Group's investment properties by approximately HK\$24,652 million (HK\$25,164 million after including share of associate and joint venture) compared to 2013.

*(v) Dividend per Share*

Total dividend (excluding the special dividend) paid or payable to the Shareholders increased from HK\$2.08 per Share in 2012 to HK\$2.30 per Share in 2013 and to HK\$2.415 per Share in 2014. From 2012 to 2014, the Group's dividend payout ratio was approximately 34.3%, 31.5% and 15.3% respectively. On a recurring basis, dividend payout ratio was approximately 33.4%, 31.6% and 32.2% respectively.

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### 2. *Financial position*

The following table sets out the consolidated financial position of the Group as at 31 December 2013 and 31 December 2014, as extracted and summarised from the information set out in Appendix V of the Scheme Document:

	<b>As at 31 December 2013</b>	<b>As at 31 December 2014</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Fixed assets	177,324	173,234
Investment properties	42,454	66,211
Associated companies	112,058	126,416
Interests in joint ventures	111,271	119,433
Other non-current assets	196,826	186,963
<b>Total non-current assets</b>	<b>639,933</b>	<b>672,257</b>
<b>Total current assets</b>	<b>175,589</b>	<b>211,178</b>
<b>Total assets</b>	<b>815,522</b>	<b>883,435</b>
Bank and other debts	225,354	247,613
Other liabilities	113,936	116,760
<b>Total liabilities</b>	<b>339,290</b>	<b>364,373</b>
<b>Total equity</b>	<b>476,232</b>	<b>519,062</b>
<b>Net asset value attributable to the Shareholders</b>	<b>386,365</b>	<b>426,580</b>
<b>Reassessed net asset value attributable to the Shareholders (Note 1)</b>		<b>463,560</b>
<b>Net asset value per Share (HK\$)</b>	<b>90.62</b>	<b>100.06</b>
<b>Reassessed net asset value per Share (HK\$) (Note 2)</b>		<b>108.73</b>

*Notes:*

- (1) Representing the sum of net asset value attributable to the Shareholders as at 31 December 2014 and the revaluation surplus arising from the valuation of property interests of the Hutchison Property Group as at 28 February 2015, according to the summary of the property valuation reports set out in Appendix VIII of the Scheme Document, and after adjusting for the estimated attributable tax effect
- (2) Representing the reassessed net asset value attributable to the Shareholders (as mentioned in note (1) above) divided by the total number of issued shares of the Company as at 31 December 2014

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### (i) *Assets*

#### *Fixed assets*

As at 31 December 2014, the Group had fixed assets of approximately HK\$173,234 million, accounting for approximately 19.6% of the Group's total assets. Approximately half of the balance comprised telecommunications network assets.

#### *Investment properties*

Investment properties are shown at independent valuation. The increase in fair value reflects the latest developments in the Hong Kong economy and the property market performance (including the office, retail, industrial, residential and car park properties). These properties (except for the Excluded Property Interests) will form part of the CK Property Group pursuant to the Property Businesses Combination.

#### *Interests in associated companies and joint ventures*

As at 31 December 2014, the Group had interests in associated companies and joint ventures of approximately HK\$245,849 million, accounting for approximately 27.8% of the Group's total assets of approximately HK\$883,435 million. Compared to 31 December 2013, the increase was mainly attributable to the Group's increased shares of net profits from its associated companies in 2014, as mentioned in the section headed "III.C.1. Financial performance".

#### *Others*

As at 31 December 2014, the Group's other assets of approximately HK\$398,141 million (comprising current and non-current assets of approximately HK\$211,178 million and HK\$186,963 million respectively) mainly represented cash and cash equivalents of approximately HK\$125,318 million and telecommunications licenses of approximately HK\$81,602 million.

The Group made several acquisitions with the Cheung Kong Group and the details of the more recent ones are described in the section headed "III.E. Financial information on the Cheung Kong Group".

### (ii) *Liabilities*

As at 31 December 2014, the Group had total principal amounts of bank and other debts of approximately HK\$246,867 million, of which 75% were notes and bonds and 25% were bank and other loans. Out of the total borrowings, 17% were repayable in 2015, 76% were repayable between 2016 and 2024 and 7% were repayable beyond 2024.

As at 31 December 2014, the Group's ratio of net debt to net total capital was approximately 16.8%, which we consider a prudent level. The Group's long term credit ratings were "A3" from Moody's, "A-" from Standard & Poor's and "A-" from Fitch.



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*(iii) Reassessed net asset value attributable to the Shareholders*

As advised by the Company, the revaluation surplus arising from the valuation of certain of the property interests of the Hutchison Property Group as at 28 February 2015, according to the summary of the property valuation reports set out in Appendix VIII of the Scheme Document, and after adjusting for the estimated attributable tax effect, is approximately HK\$37.0 billion. Taking into account such revaluation surplus, the reassessed net asset value attributable to the Shareholders (the “**Hutchison Reassessed NAV**”) is approximately HK\$463.6 billion, representing an uplift of approximately 8.7% compared to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$426.6 billion as at 31 December 2014. On a per Share basis, the Hutchison Reassessed NAV is approximately HK\$108.73.

*Property valuation*

Certain of the property interests of the CK Property Group, including those of the Hutchison Property Group and the Cheung Kong Property Group, have been valued by the Property Valuers as at 28 February 2015 and a summary of the valuations is set out in Appendix VIII to the Scheme Document. The property valuations do not include the Excluded Property Interests. Set out below is a summary of the valuations in relation to the relevant property interests attributable to the Hutchison Property Group, which shows a significant portion of the properties held by the Hutchison Property Group are investment properties, accounting for nearly half of the aggregate value:

	<b>Market value of the relevant property interests in existing state attributable to the Hutchison Property Group</b>	<b>Approximate proportion of total</b>
	<i>(Note)</i>	
	<i>HK\$ million</i>	<i>%</i>
Completed properties held for investment	86,447.2	49.6
Completed properties held for sale	14,154.1	8.1
Completed properties held for operation	20,734.2	11.9
Properties under development	40,627.6	23.3
Properties held for future development	12,473.5	7.1
	<b>174,436.6</b>	<b>100.0</b>

*Note: The summary of the valuation above includes the total property interests attributable to the Hutchison Property Group, but excludes the attributable property interests held by the Cheung Kong Property Group*

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Among the Property Valuers, Gerald Eve LLP, Smiths Core and CBRE are responsible for valuing certain property interests located in the United Kingdom and The Bahamas, while DTZ is responsible for valuing the rest of the property interests of the CK Property Group that have been valued, which constitutes over 95% of the total aggregate value. We have discussed with DTZ the work it performed on its valuation of the relevant property interests. DTZ has applied a mix of valuation methodologies, including, among others, the direct comparison approach, income capitalisation approach and discounted cash flow approach. Set out below is a summary of valuation methodologies adopted by DTZ in valuing the different property interests:

<b>Types of property interests</b>	<b>Valuation methodologies</b>
Completed properties held for investment	Investment approach: based on the capitalisation of rental income derived from the existing tenancies with due allowance for reversionary potential of each of the properties or by reference to comparable market transactions.
Completed properties held for sale	Direct comparison approach: assuming sales of the subject properties in existing state by making reference to comparable sales transactions in the market. Adjustments are then made based on the difference between the subject properties and comparable properties. DTZ also used the investment approach where appropriate.
Completed properties held for operation	Discounted cash flow approach: discounting the future net cash flows of the subject properties under a ten year horizon and the anticipated net operating income receivable thereafter (being capitalised at appropriate terminal capitalisation rate) to present value, using an appropriate discount rate.
Properties under development/held for future development	Valued principally by using the direct comparison approach or the investment approach to assess the development value as if completed, taking into account the incurred and expected future construction costs, or by making reference to comparable land sales transactions.

We have discussed with DTZ the above valuation methodologies, which we consider to be reasonable approaches in establishing the market value of the relevant property interests of the CK Property Group.

We have reviewed and discussed with DTZ the bases and assumptions adopted for the valuation of the property interests of the CK Property Group. We consider that the assumptions adopted by DTZ are fair and reasonable and the bases used are normal. We

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have also performed the work required under note (1)(d) to Listing Rule 13.80 in relation to DTZ and its work as regards the valuation of certain of the property interests of the CK Property Group.

### **D. Sum-of-the-parts analysis of the Group**

The Hutchison Share Exchange Ratio has been set by reference to market prices of the Shares and the Cheung Kong Shares. As a secondary check, we have considered relative contributions to earnings and net assets (see the section headed “III.G.1. By way of profits and net assets”) and have performed a sum-of-the-parts analysis (the “**SOTP Value**”) of the Group and separately of CKH Holdings Group (see the section headed “III.F. Sum-of-the-parts analysis of CKH Holdings Group”). Such calculations are based on the sum of:

- (i) the market value of the Group’s and CKH Holdings Group’s attributable interests in their listed subsidiaries and associates;
- (ii) the assessed value of the Group’s and CKH Holdings Group’s attributable interests in certain unlisted investments acquired or disposed, as implied by the relevant transaction considerations;
- (iii) for the purpose of arriving at the SOTP Value of CKH Holdings Group, its approximately 49.97% attributable interest in the SOTP Value of the Group;
- (iv) the market value of the property interests in the Hutchison Property Group and the Cheung Kong Property Group as at 28 February 2015; and
- (v) the assessed value and book value of other business segments and net assets of the Group and CKH Holdings Group, excluding those relating to (i) to (iv) above.

The calculation of SOTP Values of the Group and CKH Holdings Group is for illustrative purpose only and does not imply a break-up of the two groups. As stated in the section headed “IV.1. Future prospects” and the Explanatory Statement, CKH Holdings intends to continue with the existing business of the Group (other than the property business which will be held by CK Property) and has no intention to introduce any major changes to the business or to redeploy any fixed assets of the Group. No intention has been stated to sell businesses at the valuations set out below or at any other valuation. An SOTP Value is comprised of the sum of asset values that have been derived using different bases and assumptions as applicable, being (i) market prices of listed shares, (ii) property valuation, (iii) book value and (iv) value attributed to an asset based on recent acquisition/disposal consideration or a comparable companies assessment. As such, calculating an SOTP Value is a complex exercise, as evidenced by the various SOTP Values presented by different research houses, as set out in the section headed “III.G.3. Survey of analyst reports”. Despite this, we consider the SOTP Value calculation can serve as a useful secondary check of the Hutchison Share Exchange Ratio.

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Set out below is our calculation of the SOTP Value of the Group:

	<i>HK\$ billion</i>
(i) Market value of the Group's attributable interests in listed subsidiaries and associates ( <i>Note 1</i> )	223
(ii) Assessed value of the Group's attributable interests in a partially sold investment – A.S. Watson ( <i>Note 2</i> )	132
(iii) Market value of the property interests in the Hutchison Property Group as at 28 February 2015 ( <i>Note 3</i> )	174
(iv) Assessed value and book value of other business segments and net assets of the Group ( <i>Note 4</i> )	<div style="border-top: 1px solid black; display: inline-block; width: 100px;"></div> 84
<b>SOTP Value of the Group</b>	<b>613</b>
<b>Per Share (HK\$)</b>	<div style="border: 1px solid black; display: inline-block; padding: 2px 10px;"><b>144</b></div>

*Notes:*

- (1) *Based on the respective closing prices as quoted on the relevant stock exchanges as at the Latest Practicable Date (for overseas listed entities an appropriate exchange rate is used)*
- (2) *Based on the consideration of approximately HK\$44 billion for Temasek to acquire an approximately 25% interest in A.S. Watson. The Group retains an approximately 75% interest*
- (3) *Being the market value of the property interests of the Hutchison Property Group excluding the Excluded Property Interests as at 28 February 2015, as appraised by the Property Valuers in the valuation reports as shown in Appendix VIII of the Scheme Document*
- (4) *The figure is arrived at with reference to (a) for major business segments not covered in items (i) to (iii) in the table above, the mean of enterprise value/EBITDA ratios of respective comparable companies, being listed peers in the same industry as the relevant major business segment, as extracted from Bloomberg, with latest published total assets of between 50% and 200% of the total assets of the relevant business segment of the Group, as at 31 December 2014, (b) the book value of the remaining net assets of the Group (being those not covered in (a) and items (i) to (iii) in the table above), as at 31 December 2014, and (c) an adjustment for estimated attributable tax effect in relation to the surplus of valuation of the property interests of the Hutchison Property Group (excluding the Excluded Property Interests) as at 28 February 2015 over their respective book value.*

Based on the above calculation, the aggregate SOTP Value of the Group is approximately HK\$613 billion. This represents a per Share SOTP Value of the Group of approximately HK\$144.

Please also refer to the section headed “III.F. Sum-of-the-parts analysis of CKH Holdings Group” for the calculation of the SOTP Value of CKH Holdings Group, and the section headed “III.G.2. By way of sum-of-the-parts” for the evaluation of the Hutchison Share Exchange Ratio by comparing the SOTP Values of the Group and CKH Holdings Group respectively.

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### E. Financial information on the Cheung Kong Group/CKH Holdings Group

Set out below is certain financial information on the Cheung Kong Group/CKH Holdings Group extracted from Appendix III of the Scheme Document. These are highlights, included mainly to put into context figures used elsewhere in this letter, particularly in sections headed “III.F. Sum-of-the-parts analysis of CKH Holdings Group” and “III.G. Evaluation of the Hutchison Share Exchange Ratio by reference to contributions”. For further information on the Cheung Kong Group/CKH Holdings Group, please refer to Appendices II and III of the Scheme Document.

#### 1. Financial performance

The following table sets out the consolidated income statement of the Cheung Kong Group/CKH Holdings Group for the three years ended 31 December 2014, as extracted and summarised from the “Financial information of the CKH Holdings Group and the Offeror” set out in Appendix III of the Scheme Document:

	Notes	For the year ended 31 December		
		2012 (restated) HK\$ million	2013 HK\$ million	2014 HK\$ million
Turnover	(i)	19,199	17,013	24,259
Investment and other income		2,180	4,467	2,125
Operating costs		(12,749)	(10,746)	(15,684)
Share of net profits of joint ventures	(ii)	5,997	5,771	4,666
Other operating profit		<u>5,997</u>	<u>5,340</u>	<u>6,891</u>
Operating profit		20,624	21,845	22,257
Share of net profit of associates	(iii)	<u>13,018</u>	<u>15,649</u>	<u>33,670</u>
<b>Profit before taxation</b>		<b>33,642</b>	<b>37,494</b>	<b>55,927</b>
Taxation		<u>(1,234)</u>	<u>(1,522)</u>	<u>(1,319)</u>
<b>Profit for the year</b>		<b>32,408</b>	<b>35,972</b>	<b>54,608</b>
<b>Profit attributable to the Cheung Kong Shareholders</b>	(iv)	<b>32,036</b>	<b>35,260</b>	<b>53,869</b>
<b>Earnings per Cheung Kong Share (HK\$)</b>		<b>13.83</b>	<b>15.22</b>	<b>23.26</b>
<b>Dividend per Cheung Kong Share (HK\$) (Note)</b>	(v)	<b>3.16</b>	<b>3.48</b>	<b>3.654</b>

Note: Dividend per Cheung Kong Share excludes the special dividend of HK\$7 per Cheung Kong Share in 2014. This was the only special dividend paid during the years under review.

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*(i) Turnover*

The revenue of the Group is not consolidated into the turnover of the Cheung Kong Group, as the Group is accounted for as an associate not a subsidiary.

Property sales have been the main revenue stream of the Cheung Kong Group, accounting for approximately 76.1%, 72.2% and 79.9% of total turnover for 2012, 2013 and 2014 respectively. Compared to 2012 the decrease in the Cheung Kong Group's turnover in 2013 was mainly attributable to fewer property sales being recognised in Hong Kong as a result of a prolonged completion schedule of a development.

In 2014, the revenue of the Cheung Kong Group recorded an increase of approximately 42.6% as compared to 2013, which was mainly due to the increased property sales in Hong Kong during the year. In 2014, the Cheung Kong Group recorded revenue of approximately HK\$221 million in respect of its new aircraft leasing business (details are included in the section headed "III.E.2. Financial position").

*(ii) Share of net profits of joint ventures*

The Cheung Kong Group's share of net profits of joint ventures mainly arose from its joint ventures engaging in PRC property and infrastructure businesses. The Cheung Kong Group's joint ventures principally include, among others, (a) stakes in PRC property development businesses and hotels in Hong Kong and the PRC and (b) certain interests in infrastructure businesses, as summarised in the section headed "III.A.2.ii. Division of businesses", including:

- an interest of approximately 27.5% in AGN, an Australian gas distributor company;
- an interest of 40% in Northumbrian Water, a water supply, sewerage and waste water company based in the United Kingdom;
- an interest of 35% in AVR, the largest "energy from waste" company in the Netherlands;
- an interest of 30% in WWU, a regulated gas distribution network in the UK; and
- an interest of 50% in Park'N Fly, the largest off-airport car park provider in Canada.

The decrease in the Cheung Kong Group's share of net profits of joint ventures by approximately 19.1% in 2014 as compared to 2013 was mainly due to the reduced profit contributions from property sales in the PRC.

*(iii) Share of net profits of associates*

The majority of the share of net profit of associates is derived from the profit contribution of the Group, a 49.97% owned associate of Cheung Kong.

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The substantial increase in 2014 was in line with the increased net profits of the Group in the corresponding year, which was principally due to the increased share of the Group's investment property revaluation of approximately HK\$12,540 million and the one-off gain arising from the spin-off of Power Assets' Hong Kong electricity business of approximately HK\$8,026 million. Please see the section headed "III.C.1. Financial performance".

*(iv) Profits attributable to the Cheung Kong Shareholders*

Profits attributable to the Cheung Kong Shareholders of approximately HK\$35,260 million in 2013 was approximately 10.1% higher than for 2012. This was mainly due to the increased share of net profits of the Group in 2013 and a one-off gain recognised from the disposal of Kingswood Ginza (a retail shopping mall in Hong Kong) to Fortune REIT of approximately HK\$2,760 million in the second half of 2013. There was a decrease in fair value increment of the Cheung Kong Group's investment properties of approximately HK\$2,688 million in 2013 as compared to 2012.

In 2014, profits attributable to the Cheung Kong Shareholders further increased by approximately 52.8% to approximately HK\$53,869 million, primarily due to the increased share of net profits of the Group in 2014 as mentioned in the section headed "III.E.1.iii. Share of net profits of associates" and the increase in fair value increment of the Cheung Kong Group's investment properties of approximately HK\$2,760 million. In addition, the Cheung Kong Group's new aircraft leasing business contributed a profit of approximately HK\$334 million.

*(v) Dividend per Cheung Kong Share*

Total dividends (excluding the special dividend) paid or payable to the Cheung Kong Shareholders increased from HK\$3.16 per Share in 2012 to HK\$3.48 per Share in 2013 and to HK\$3.654 per Share in 2014. From 2012 to 2014, the Cheung Kong Group's dividend payout ratio was approximately 22.8%, 22.9% and 15.7% respectively. Although the dividend on a per share amount in 2014 was higher than that in 2013, the payout ratio was lower. This was principally due to the approximately 52.8% increase in profits in 2014 as mentioned above.

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### 2. *Financial position*

The following table sets out the consolidated financial position of the Cheung Kong Group as at 31 December 2013 and 31 December 2014, as extracted and summarised from the information set out in Appendix III of the Scheme Document:

	<b>As at 31 December 2013</b>	<b>As at 31 December 2014</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Investment properties	28,777	33,285
Associates	196,812	216,841
Joint ventures	65,659	68,754
Other non-current assets	20,384	28,936
<b>Total non-current assets</b>	<b>311,632</b>	<b>347,816</b>
Stock of properties	79,784	73,199
Other current assets	37,421	36,926
<b>Total current assets</b>	<b>117,205</b>	<b>110,125</b>
<b>Total assets</b>	<b>428,837</b>	<b>457,941</b>
Bank and other loans	41,890	37,874
Other liabilities	14,126	14,020
<b>Total liabilities</b>	<b>56,016</b>	<b>51,894</b>
<b>Total equity</b>	<b>372,821</b>	<b>406,047</b>
<b>Net asset value attributable to the Cheung Kong Shareholders</b>	<b>360,681</b>	<b>394,145</b>
<b>Reassessed net asset value attributable to Cheung Kong Shareholders (Note 1)</b>		<b>463,021</b>
<b>Net asset value per Cheung Kong Share (HK\$)</b>	<b>155.72</b>	<b>170.17</b>
<b>Reassessed net asset value per Cheung Kong Share (HK\$) (Note 2)</b>		<b>199.91</b>



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Notes:

- (1) *Representing the sum of the net asset value attributable to the Cheung Kong Shareholders as at 31 December 2014 and the revaluation surplus arising from the valuation of property interests of the Cheung Kong Property Group as at 28 February 2015, according to the summary of the property valuation reports set out in Appendix VIII of the Scheme Document, and after adjusting for the estimated attributable tax effect*
- (2) *Representing the reassessed net asset value attributable to the Cheung Kong Shareholders (as mentioned in note (1) above) divided by the total number of issued shares of Cheung Kong as at 31 December 2014*

**(i) Assets**

As at 31 December 2014, the Cheung Kong Group had total assets of approximately HK\$457,941 million, which mainly comprised (i) interests in associated companies (including its share of the Group's net assets) of approximately HK\$216,841 million and (ii) joint ventures of approximately HK\$68,754 million, accounting for approximately 62.4% of the Cheung Kong Group's total assets and (iii) properties (mainly consisting of properties for/under development) of approximately HK\$73,199 million.

The Cheung Kong Group and the Group have been active in pursuing overseas acquisitions. Recent examples announced prior to the publication of the Announcement are listed below:

- In May 2014, a 50:50 joint venture comprising the Cheung Kong Group and CKI was formed for the acquisition of Park'N Fly, the largest off-airport car park provider in Canada, with a transaction value of approximately CAD381.0 million (approximately HK\$2.7 billion) after announcing the acquisition of the Vancouver operation of Park'N Fly on 17 June 2014. The transaction was completed in late July 2014;
- In May 2014, the Cheung Kong Group, CKI and Power Assets made a takeover bid for AGN with a total acquisition consideration of approximately AUD1.96 billion (approximately HK\$14.1 billion). The transaction was completed in September 2014; and
- In November 2014, the Cheung Kong Group entered into several agreements with independent third parties for the purchase of interests in up to a total of 60 aircraft, either through its subsidiaries or a joint venture, for an aggregate consideration of approximately US\$2.6 billion (approximately HK\$20.4 billion).

**(ii) Liabilities**

As at 31 December 2014, the Cheung Kong Group had total borrowings (comprising bank loans, issued notes and other loans) of approximately HK\$37,874 million, the majority of the Cheung Kong Group's total liabilities. The maturity profile of such borrowings is spread over a period of seven years, with approximately 48.5% being repayable within one year.

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As at 31 December 2014, the Cheung Kong Group's net debt to net total capital ratio was approximately 1.1%, a very conservative level.

**(iii) Reassessed net asset value attributable to the Cheung Kong Shareholders**

As advised by the Company, the revaluation surplus arising from the valuation of certain of the property interests of the Cheung Kong Property Group as at 28 February 2015, according to the summary of the property valuation reports set out in Appendix VIII of the Scheme Document, and after adjusting for the estimated attributable tax effect, is approximately HK\$68.9 billion. Taking into account such revaluation surplus, the reassessed net asset value attributable to the Cheung Kong Shareholders (the "**Cheung Kong Reassessed NAV**") is approximately HK\$463.0 billion, representing an uplift of approximately 17.5% compared to the audited consolidated net asset value attributable to the Cheung Kong Shareholders of approximately HK\$394.1 billion as at 31 December 2014. On a per Share basis, the Cheung Kong Reassessed NAV is approximately HK\$199.91.

*Property valuation*

Certain of the property interests of the Cheung Kong Property Group (as part of the CK Property Group) have been valued by the Property Valuers and a summary of valuations as at 28 February 2015 is set out in Appendix VIII to the Scheme Document. Set out below is a summary of the valuation in relation to the relevant property interests attributable to the Cheung Kong Property Group:

	<b>Market value of the relevant property interests in existing state attributable to the Cheung Kong Property Group</b>	<b>Approximate proportion of total</b>
	<i>(Note)</i>	<b>%</b>
	<i>HK\$ million</i>	<i>%</i>
Completed properties held for investment	37,328.4	15.2
Completed properties held for sale	31,475.7	12.8
Completed properties held for operation	44,943.4	18.3
Properties under development	116,092.6	47.2
Properties held for future development	15,872.6	6.5
	<b>245,712.7</b>	<b>100.0</b>

*Note: Includes the total property interests attributable to the Cheung Kong Property Group, but excludes the attributable property interest held by the Hutchison Property Group*

As a major property developer in Hong Kong, the Cheung Kong Property Group has a substantial portfolio of properties under development, for sale and for future development. The Cheung Kong Property Group also holds investment properties for rental purposes and

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properties for operation. In aggregate, the property portfolio of the Cheung Kong Property Group has a value of approximately HK\$245.7 billion as at 28 February 2015, approximately 40.9% higher than the value of the property portfolio of the Hutchison Property Group as at 28 February 2015.

The valuation methodologies, bases and assumptions adopted by DTZ and our work performed in relation to its valuation of the different property interests of the CK Property Group, are summarised in the section headed “III.C. Financial information on the Group”.

### F. Sum-of-the-parts analysis of the CKH Holdings Group

As described in the section headed “III.D. Sum-of-the-parts analysis of the Group”, a SOTP Value for the CKH Holdings Group has been calculated to form part of a secondary check of the Hutchison Share Exchange Ratio. In arriving at the value of CKH Holdings’ approximately 49.97% holding in the Group, we have applied 49.97% of the Group’s SOTP Value as calculated in the section headed “III.D. Sum-of-the-parts analysis of the Group”.

Set out below is the calculation of the SOTP Value of the CKH Holdings Group:

	<i>HK\$ billion</i>	
(i) Market value of the CKH Holdings Group’s attributable interest in listed associate (excluding the Group) ( <i>Note 1</i> )	3	
(ii) Assessed value of CKH Holdings Group’s attributable interests in certain investments through acquisitions ( <i>Note 2</i> )	24	
(iii) 49.97% share of the Group’s SOTP Value ( <i>Note 3</i> )	306	
(iv) Market value of the property interests in the Cheung Kong Property Group as at 28 February 2015 ( <i>Note 4</i> )	246	
(v) Book value of other net assets of CKH Holdings Group ( <i>Note 5</i> )	<u>(20)</u>	
<b>SOTP Value of the CKH Holdings Group</b>	<b>559</b>	
<b>Per CKH Holdings Share (HK\$)</b>	<table border="1"><tr><td style="text-align: center;"><b>241</b></td></tr></table>	<b>241</b>
<b>241</b>		

*Notes:*

- (1) *Based on the closing price as quoted on the relevant stock exchange as at the Latest Practicable Date*
- (2) *Based on the acquisition considerations of the respective investments, adjusted for the CKH Holdings Group’s shareholding interests as at 31 December 2014. Such investments include AGN, “Park’N Fly” business, AVR, MGN Gas Networks (UK) Limited (which holds a 100.0% interest in WWU), and Northumbrian Water*
- (3) *Being approximately 49.97% of the SOTP Value of the Group of approximately HK\$613 billion as shown in section D above*
- (4) *Being the market value of the property interests of the Cheung Kong Property Group (excluding the Excluded Property Interests) as at 28 February 2015, as appraised by the Property Valuers in the valuation reports as shown in Appendix VIII of the Scheme Document*

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- (5) *Based on (a) the book value of the remaining net assets of the Group (being those not covered in items (i) to (iv) in the table above), as at 31 December 2014, and (b) an adjustment for estimated attributable tax effect in relation to the surplus of valuation of the property interests of the Cheung Kong Property Group (excluding the Excluded Property Interests) as at 28 February 2015 over their respective book value*

The major items in the SOTP Value are the 49.97% share of the Group's SOTP Value of approximately HK\$306 billion and the market value of the property interests of approximately HK\$246 billion.

Based on the above calculation, which in particular takes into account CKH Holdings Group's approximately 49.97% interest in the SOTP Value of the Group as shown in the section headed "III.D. Sum-of-the-parts analysis of the Group" as opposed to market price value, the SOTP Value of the CKH Holdings Group is approximately HK\$559 billion. This represents an SOTP Value per CKH Holdings Share of approximately HK\$241.

### **G. Evaluation of the Hutchison Share Exchange Ratio by reference to contributions**

#### ***1. By way of profits and net assets***

As discussed in the section headed "III.B.3. Merger Precedents", in addition to market prices, other factors have been taken into account in establishing the terms of the Merger Precedents. The Hutchison Share Exchange Ratio has been determined based solely on market prices. However, it may be checked by comparing it to the implied exchange ratios based on relative contributions to various factors, including financial information contained in the audited financial statements of the Company and Cheung Kong.

Some possible metrics, for example, as regards revenue, are not practicable to apply in this case. The different nature of the businesses, and the fact that the Company's revenue is not consolidated into Cheung Kong's, means that the revenue of the Company (approximately HK\$272.2 billion for the year ended 31 December 2014) is over 11 times Cheung Kong's (approximately HK\$24.3 billion for the same year, excluding share of property sales of joint ventures). We have selected profits and net assets to be two suitable bases for calculating implied exchange ratios.

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Set out below is a comparison of the relative contributions to attributable profits and net assets by the CKH Holdings Shareholders and the Scheme Shareholders, and the exchange ratios which they imply. The results are compared to the Hutchison Share Exchange Ratio and the percentage shareholdings in CKH Holdings and CK Property which will be allotted to CKH Holdings Shareholders and to the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) under the Scheme (the “Shareholding Proportions”), being approximately 61.3% and 38.7% respectively:

	<u>CKH Holdings Shareholders</u>		<u>Scheme Shareholders</u>		<u>Implied exchange ratio</u>
	<i>HK\$ million</i>	<i>Contribution</i>	<i>HK\$ million</i>	<i>Contribution</i>	<i>(Note 1)</i>
					<i>(Note 2)</i>
<b>1. Profits attributable to shareholders (Note 3)</b>					
– For the year ended 31 December 2013 (audited earnings)	35,260 (HK\$15.22 per share – “A”)	69.4%	15,567 (HK\$7.30 per share – “B”)	30.6%	0.479 (B/A)
– For the year ended 31 December 2014 (audited earnings)	53,869 (HK\$23.26 per share – “C”)	61.6%	33,601 (HK\$15.75 per share – “D”)	38.4%	0.677 (D/C)
– For the year ended 31 December 2013 (recurring earnings) (Note 4)	33,418 (HK\$ 14.43 per share – “E”)	68.3%	15,525 (HK\$7.28 per share – “F”)	31.7%	0.504 (F/E)
– For the year ended 31 December 2014 (recurring earnings) (Note 4)	31,294 (HK\$13.51 per share – “G”)	66.1%	16,015 (HK\$7.51 per share – “H”)	33.9%	0.556 (H/G)
<b>2. Net assets attributable to shareholders (Note 3)</b>					
– As at 30 June 2014	378,575 (HK\$163.45 per share – “I”)	64.3%	209,935 (HK\$98.41 per share – “J”)	35.7%	0.602 (J/I)
– As at 31 December 2014	394,145 (HK\$170.17 per share – “K”)	64.9%	213,438 (HK\$100.06 per share – “L”)	35.1%	0.588 (L/K)
<b>3. Reassessed net assets</b>					
– As at 31 December 2014 with valuations as at 28 February 2015	463,021 (HK\$199.91 per share – “M”) (Note 5)	66.6%	231,941 (HK\$108.73 per share – “O”) (Note 5)	33.4%	0.544 (O/M)
					<b>Range of implied exchange ratios</b>
					<b>0.479 to 0.677</b>
<b>Hutchison Share Exchange Ratio</b>					<b>0.684</b>
<b>Shareholding Proportions (Note 6)</b>		<b>61.3%</b>		<b>38.7%</b>	

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*Notes:*

- (1) Being the quotient of the Scheme Shareholders' contribution (in dollar terms, divided by 2,133,168,007, being the number of Scheme Shares) and the CKH Holdings Shareholders' contribution (in dollar terms, divided by 2,316,164,338, being the total number of CKH Holdings Shares outstanding, as at the Latest Practicable Date)*
- (2) Attributable to the Scheme Shareholders, being approximately 50.03% of the respective totals, as only the Scheme Shareholders would receive CKH Holdings Shares according to the Hutchison Share Exchange Ratio*
- (3) Financial information was extracted from the relevant annual and interim reports/results announcements of the Company and Cheung Kong*
- (4) For the Company, recurring earnings are the profits attributable to ordinary Shareholders before property revaluation after tax and profits on disposal of investments and others after tax, as disclosed in the annual results announcement published by the Company on 26 February 2015. For Cheung Kong, recurring earnings is the sum of the profit attributable to Cheung Kong Shareholders (before investment property revaluation, share of results of the Company, and share of associate's gain on separate listing of Hong Kong electricity business) and the attributable interest of approximately 49.97% of the recurring earnings of the Company*
- (5) Based on the Hutchison Reassessed NAV and the Cheung Kong Reassessed NAV, respectively*
- (6) Excluding the approximately 84.4 million new CKH Holdings Shares to be issued to the Li Family Interests in respect of the Husky Share Exchange*

The implied exchange ratio based on 2014 recurring earnings is 0.556. Based on audited earnings, the figure is 0.677. This difference is principally due to the relatively larger impact on the Group of property revaluation gains and the share of gain to Shareholders of approximately HK\$16.1 billion arising from Power Assets' separate listing of its Hong Kong electricity business.

All the above implied exchange ratios are below 0.684. Similarly all the Scheme Shareholders' contributions to net assets and earnings are below 38.7%, their attributable shareholding proportion in CKH Holdings on completion of the Scheme. This means that the Disinterested Shareholders would have tended to fare worse, as regards merger terms, if these factors had been taken into account in addition to market prices.

We have adopted two bases for 2013 and 2014 earnings, one being the audited earnings attributable to ordinary shareholders, and the other being the audited figure less non-recurring items. Based on earnings, the range of implied exchange ratios is 0.479 to 0.677 as compared to the Hutchison Share Exchange Ratio of 0.684. The contributions attributable to the Scheme Shareholders range from 30.6% to 38.4%, less than the Shareholding Proportion of the Scheme Shareholders of 38.7%. It also follows from this analysis that the Disinterested Shareholders will improve their attributable earnings per share following completion of the Hutchison Proposal.

We have also adopted two bases for net assets, one being book net assets and the other based on the Hutchison Reassessed NAV and the Cheung Kong Reassessed NAV. Based on net assets, the range of implied exchange ratios is 0.544 to 0.602 and the contributions range

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from 33.4% to 35.7%. It also follows from this analysis that the Disinterested Shareholders will improve their attributable net assets per share following completion of the Hutchison Proposal.

### 2. *By way of sum-of-the-parts*

Although not mentioned in the Merger Precedents, a sum-of-the-parts analysis has frequently been used by research analysts covering the Company and Cheung Kong/CKH Holdings. Consequently, we consider it appropriate to make a further check by reference to contribution to SOTP Values. A summary of our calculation of the SOTP Value of each of the Group and CKH Holdings Group, and the implied exchange ratio, is set out below:

	<i>HK\$</i>	
Per share SOTP Value of the Group (see section D above)	144	<b>A</b>
Per share SOTP Value of the CKH Holdings Group (see section F above)	241	<b>B</b>
<b>Implied exchange ratio based on SOTP Values</b>	<b>0.60</b>	<b>A/B</b>

The implied exchange ratio based on our analysis of SOTP Values is 0.60 which is approximately 12.3% below the Hutchison Share Exchange Ratio of 0.684. On this basis, if SOTP Values had been taken into account, the result would have tended to be less favourable to the Disinterested Shareholders.

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### 3. Survey of analyst reports

Both the Company and CKH Holdings are constituents of the HSI and are widely followed by research houses. As a control on our SOTP calculation, on a best endeavours basis, we have obtained recent research reports on the Company and Cheung Kong/CKH Holdings issued by the top 20 global research firms, as ranked by the Institutional Investor Magazine for the year 2014. The SOTP Values of those research reports which provide breakdowns of SOTP Values of the Company or Cheung Kong/CKH Holdings are summarised as follows:

	<u>Prior to the Announcement</u>	<u>Following the 2014 annual results announcements</u>	
	<i>HK\$ per share (Note 2)</i>	<i>HK\$ per share (Note 3)</i>	
Analysts' SOTP Values of the Group			
– Maximum	153.7	152.4	
– Minimum	129.3	135.0	
– Average	139.1	143.4	<b>A</b>
Analysts' SOTP Values of the Cheung Kong Group/ CKH Holdings Group			
– Maximum	225.6	230.4	
– Minimum	175.9	186.8	
– Average	196.9	201.0	<b>B</b>
<b>Implied average exchange ratio</b>	<b><u>0.706</u></b>	<b><u>0.713</u></b>	<b>A/B</b>
– <i>Maximum</i>	<i>0.874</i>	<i>0.816</i>	
– <i>Minimum</i>	<i>0.573</i>	<i>0.586</i>	

*Notes:*

- (1) *The above table includes all research reports that we have obtained, on a best endeavours basis, from the top 20 global research firms as ranked by the Institutional Investor Magazine for the year 2014, which (i) cover the Company or Cheung Kong/CKH Holdings, (ii) provide SOTP Value breakdowns for either the Company or Cheung Kong/CKH Holdings and (iii) represent the most recent report from the same research house containing SOTP Value breakdowns, if a research house has produced more than one relevant report during the relevant period. Reports issued in the period after the publication of the Announcement and the day prior to the publication of the 2014 annual results announcements of the Company and Cheung Kong are not included in this analysis due to a majority of such reports focussing on the Proposals and the two new companies, CKH Holdings and CK Property. Each of the Company and CKH Holdings has confirmed that all research reports the Company and CKH Holdings, respectively, have available since 31 July 2014 for either the Company and/or Cheung Kong/CKH Holdings up to and including the Latest Practicable Date have been forwarded to Somerley. They have been included in this analysis if they fall within the scope*
- (2) *Includes 16 reports (of which 9 reports covered the Company and 7 reports covered Cheung Kong) which are dated after the publication of the Company's interim results announcement for the six month period ended 30 June 2014 on 31 July 2014 and dated before the Announcement, so as to capture the most recent financial results available prior to the Announcement*



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- (3) *Includes 10 reports (of which 6 reports covered the Company and 4 reports covered Cheung Kong) which (i) contain SOTP Value breakdowns for either the Company or Cheung Kong/CKH Holdings and (ii) are dated after the publication of the Company's and Cheung Kong's annual results announcements for the financial year ended 31 December 2014 on 26 February 2015*

The Hutchison Share Exchange Ratio is slightly below the implied average exchange ratios but within the middle third of the range as a whole. Our estimate of the SOTP Value of the CKH Holdings Group is higher than the maximum of the analysts' SOTP Values of the Cheung Kong Group/CKH Holdings Group. When calculating the SOTP Value of Cheung Kong/CKH Holdings Group, most reports use the market or target price of the Shares to value the Company, rather than a separately calculated SOTP Value of the Group. In addition, more recent property valuations are now available (as set out in Appendix VIII of the Scheme Document). We believe these are the main reasons why the analysts' SOTP Values for Cheung Kong/CKH Holdings Group are somewhat lower than our figure.

Based on analysts' averages prior to the Announcement, the SOTP Value of the Group is approximately HK\$139.1 per share and the SOTP Value of the Cheung Kong Group is approximately HK\$196.9 per share, which implies an average exchange ratio of 0.706, approximately 3.2% higher than the Hutchison Share Exchange Ratio of 0.684. The implied minimum and maximum exchange ratio based on analyst reports is 0.573 and 0.874 respectively. Based on analysts' surveys following the 2014 annual results announcements of the Company and Cheung Kong, the average exchange ratio is 0.713, approximately 4.2% above the Hutchison Share Exchange Ratio, with an implied minimum and maximum share exchange ratio of 0.586 and 0.816 respectively. A wide range is expected because of the different bases and assumptions adopted in each analyst report. In addition, analysts who follow the Company may not follow Cheung Kong/CKH Holdings, as the two groups are normally placed in different industry sectors. Consequently, in valuing the Cheung Kong Group/CKH Holdings Group, analysts may use a different valuation for the Company than the values ascribed to the Company by analysts following the Company.

### **H. Information on the Resulting CKH Holdings Group and CK Property**

#### ***1. Resulting CKH Holdings Group***

Appendix VI of the Scheme Document sets out, for illustrative purposes only, the unaudited pro forma financial information of the Resulting CKH Holdings Group, which illustrates the effect of the Merger Proposal and the Spin-off Proposal. The Resulting CKH Holdings Group will not hold the Combined Property Businesses, and as a result its pro forma financial information does not include the financial information on the Combined Property Businesses. The pro forma financial information on the Resulting CKH Holdings Group should be read in conjunction with the audited consolidated financial statements of the Cheung Kong Group and of Group for the year ended 31 December 2014 as set out in Appendices III and V respectively, of the Scheme Document and other financial information elsewhere in the Scheme Document and this letter.

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### *Financial Position*

On a pro forma basis, the Resulting CKH Holdings Group had total assets of approximately HK\$1,029.7 billion as at 31 December 2014, and pro forma net tangible assets attributable to ordinary shareholders of CKH Holdings of approximately HK\$119.4 billion, equivalent to approximately HK\$31 per share.

The pro forma balance sheet of the Resulting CKH Holdings Group has been arrived at after adjusting the consolidated statements of financial position as at 31 December 2014 of the Company and Cheung Kong for pro forma items, including the following:

- A share premium has been credited to the account of CKH Holdings upon completion of the Cheung Kong Reorganisation;
- New CKH Holdings Shares will be issued pursuant to the Husky Share Exchange and the Hutchison Proposal;
- Identifiable assets and liabilities of the Hutchison Group will be adjusted under acquisition accounting at fair values estimated by the directors;
- The Spin-off Proposal results in the exclusion of the Combined Property Businesses at fair values and the inclusion of cash of HK\$55 billion to be paid by CK Property Group to the Resulting CKH Holdings Group; and
- Upon completion of the Hutchison Proposal, Northumbrian Water and Park'N Fly will become subsidiaries and will be consolidated in the financial statements of the Resulting CKH Holdings Group, while AVR, AGN and WWU will be accounted for as joint ventures using the equity method of accounting.

### *Income Statement*

As is the case for the pro forma consolidated balance sheet, the pro forma consolidated income statement of the Resulting CKH Holdings Group has been arrived at after taking into account certain pro forma adjustments, resulting from the completion of the Hutchison Proposals and the Spin-off Proposal. For the year ended 31 December 2014, the Resulting CKH Holdings Group had, on a pro forma basis, revenue and profit attributable to ordinary shareholders of approximately HK\$275.7 billion and HK\$105.6 billion respectively. The recurring profit attributable to ordinary shareholders is a lower figure of approximately HK\$31.2 billion, due to the one-off profits on disposal of investments and others.

## **2. CK Property**

Appendix X of the Scheme Document sets out, for illustrative purposes only, the unaudited pro forma financial information of the CK Property Group. The pro forma financial information of the CK Property Group should be read in conjunction with the accountants' reports on the Cheung Kong Property Group and the Hutchison Property Group, as set out in Appendices IXA and IXB respectively, of the Scheme Document.

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Differences in measurement bases of the Spin-off Proposal by CKH Holdings and CK Property limit the comparability of the unaudited pro forma financial information of CK Property and the Resulting CKH Holdings Group. The pro forma adjustment column “Spin-off Proposal” should not be interpreted as being a proxy for the pro forma financial statements of CK Property, due to differences in measurement bases. For example, properties under and for development are being adjusted to fair value as at 28 February 2015 in the unaudited pro forma financial information of the Resulting CKH Holdings Group, but are stated at their carrying amount at cost as at 31 December 2014 in the unaudited pro forma financial information of the CK Property Group. Details of the differences in measurement bases are set out in Appendix X of the Scheme Document.

### *Financial Position*

On a pro forma basis, the CK Property Group had total and net assets of approximately HK\$416.0 billion and HK\$226.6 billion respectively, as at 31 December 2014. The pro forma combined statement of assets and liabilities of the CK Property Group has been arrived at after adjusting the combined statements of financial position as at 31 December 2014 of the Cheung Kong Property Group and the Hutchison Property Group for certain pro forma items, including (i) the consolidation of certain joint ventures that were previously equity accounted for becoming subsidiaries upon the Listing and (ii) the adjustments for Hui Xian REIT becoming an associate of the CK Property Group upon the listing of CK Property Shares on the Main Board.

### *Income Statement*

As is the case for the pro forma combined statements of assets and liabilities, the pro forma consolidated income statement of the CK Property Group has been arrived at after taking into account certain adjustments. For the year ended 31 December 2014, the CK Property Group had, on a pro forma basis, recorded revenue and profit attributable to shareholders of approximately HK\$46.6 billion and HK\$53.0 billion respectively.

## **I. The Husky Share Exchange**

### ***1. Background to and reasons for the Husky Share Exchange***

As stated in the section headed “III.A. Objectives and benefits of the Merger Proposal and the Spin-off Proposal”, the Merger Proposal and the Spin-off Proposal are inter-conditional. The Husky Share Exchange forms part of the Merger Proposal and as such the reasons and benefits outlined above apply to the Husky Share Exchange also.

The Group has invested in Husky since 1987. Upon the Husky Share Exchange Completion, the Group’s interest in Husky will increase from approximately 34.0% to approximately 40.2%, and the Group will replace the Trust to become the largest shareholder of Husky. The Trust’s interests in Husky will be reduced from approximately 35.6% to approximately 29.3%.

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The transfer of approximately 6.24% of Husky Shares in issue will result in the Trust receiving approximately 84.4 million new CKH Holdings Shares as consideration. At the reference price of HK\$129.06 per CKH Holdings Share and at the closing market price of CKH Holdings Shares and the relevant exchange rate as at the Latest Practicable Date, the cost of the Husky Sale Shares will be approximately HK\$10.9 billion and approximately HK\$13.3 billion respectively. This is equivalent to CAD27.01 and CAD34.91 per Husky Share respectively. Including the approximately 84.4 million new CKH Holdings Shares, on completion of the Proposals, the Li Family Interests will hold approximately 30.1% of each of CKH Holdings and CK Property, and thus of both CKH Holdings and CK Property.

The Husky Share Exchange Ratio of 1.376 was determined based on the average closing prices of the Cheung Kong Shares on the Stock Exchange for the five trading days up to (and including) 7 January 2015 and the Husky Shares on the Toronto Stock Exchange for the five trading days up to (and including) 6 January 2015, of approximately HK\$129.06 and approximately CAD27.01 (the “**Husky 5-Day Average Share Price**”) respectively, without any premium or discount. This is a similar basis as for the determination of the Hutchison Share Exchange Ratio.

### 2. *Financial information on Husky*

#### (a) **Financial performance**

The following table sets out details of the consolidated income statement of Husky for the three years ended 31 December 2014, as extracted and summarised from Husky’s annual reports:

		<b>For the year ended 31 December</b>		
		<b>2012</b>	<b>2013</b>	<b>2014</b>
<i>Notes</i>		<i>CAD million</i>	<i>CAD million</i>	<i>CAD million</i>
		<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Revenue, net of royalties	(i)	22,255	23,317	24,092
Costs and expenses		<u>(19,275)</u>	<u>(20,582)</u>	<u>(22,158)</u>
<b>Earnings from operating activities</b>		2,980	2,735	1,934
Non-operating expenses and net finance costs		<u>(144)</u>	<u>(107)</u>	<u>(150)</u>
<b>Earnings before income tax</b>		<b>2,836</b>	<b>2,628</b>	<b>1,784</b>
Taxes		<u>(814)</u>	<u>(799)</u>	<u>(526)</u>
<b>Net earnings to the shareholders of Husky</b>	(ii)	<b>2,022</b>	<b>1,829</b>	<b>1,258</b>
<b>Earnings per Husky Share (CAD)</b>		<b>2.06</b>	<b>1.85</b>	<b>1.26</b>

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*(i) Revenue*

Revenue is generated mainly from Husky's five core business segments under the two main business streams. These segments are (i) exploration and production and (ii) infrastructure and marketing for Husky's upstream business, and (i) upgrading, (ii) Canadian refined products and (iii) U.S. refining and marketing for Husky's downstream business.

Under the upstream business, exploration and production (mainly the drilling of crude oil, liquids-rich gas resources plays and heavy oil) constituted the largest part of Husky's upstream business and represented approximately 68.0%, 72.6% and 77.0% of Husky's upstream business revenue in 2012, 2013 and 2014 respectively. Infrastructure and marketing is mainly comprised of revenue from the extension projects of pipeline systems in order to increase pipeline connectivity to accommodate production at Husky's exploration projects.

Under the downstream business, United States refining and marketing (mainly sales of refined crude oil products in the United States) constituted the most significant part of Husky's downstream business and generated around 62.0%, 65.1% and 63.1% of Husky's downstream business revenue in 2012, 2013 and 2014 respectively. The upgrading segment includes the processing of heavy sour crude oil into high value synthetic crude oil and low sulphur distillates while the Canadian refined products segment mainly represented sales of diesel fuel wholesale to construction sites and other selected outlets.

*(ii) Net earnings to the shareholders of Husky*

Net earnings to the shareholders of Husky decreased by approximately 9.5% from approximately CAD2,022 million in 2012 to approximately CAD1,829 million in 2013, and further decreased by approximately 31.2% to CAD1,258 million in 2014, despite an increase in revenue during the same period. Apart from the lower realised crude oil price due to the drop in international crude oil prices during the second half of 2014, the reduction of net earnings in 2014 of approximately CAD571 million is primarily due to (i) the increase in one-off after-tax impairment of conventional natural gas assets located in Western Canada, in an amount of approximately CAD622 million in 2014 (as compared with approximately CAD204 million in 2013), resulting from the decline in estimated short and long term crude oil and natural gas prices, and (ii) an after tax inventory write-down of approximately CAD135 million.

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### (b) Financial position

The following table sets out the consolidated financial position of Husky as at 31 December 2013 and 31 December 2014, as extracted and summarised from Husky's annual reports:

	<b>As at 31 December 2013</b>	<b>As at 31 December 2014</b>
	<i>CAD million (Audited)</i>	<i>CAD million (Audited)</i>
Property, plant and equipment, net	29,750	31,987
Other non-current assets	<u>2,237</u>	<u>2,366</u>
<b>Total non-current assets</b>	<b>31,987</b>	<b>34,353</b>
<b>Total current assets</b>	<b><u>4,917</u></b>	<b><u>4,495</u></b>
<b>Total assets</b>	<b>36,904</b>	<b>38,848</b>
Short term and long term debts	4,119	5,292
Deferred tax liabilities	4,942	4,814
Asset retirement obligations	2,918	3,065
Other liabilities	<u>4,847</u>	<u>5,102</u>
<b>Total liabilities</b>	<b>16,826</b>	<b>18,273</b>
<b>Total shareholder's equity</b>	<b>20,078</b>	<b>20,575</b>
<b>Net asset value per Husky Share (CAD)</b>	<b>20.42</b>	<b>20.92</b>

#### (i) Assets

As at 31 December 2014, property, plant and equipment, which comprised mainly oil and gas related properties and refineries, accounted for approximately 82.3% of Husky's total assets. The increment in 2014 is mainly attributable to purchases of properties for more production in 2014. Other assets of Husky include inventories (which mainly represent crude oil, natural gas and refined petroleum products), accounts receivable, exploration and evaluation assets and cash and cash equivalents.

#### (ii) Liabilities

As at 31 December 2014, Husky had total liabilities of approximately CAD18,273 million, which mainly comprised (i) short term and long term debts of approximately CAD5,292 million; (ii) deferred tax liabilities of approximately CAD4,814 million, which relate to exploration and evaluation assets and property, plant and equipment; and (iii) asset retirement obligations of approximately CAD3,065 million, representing an estimate of future payments for reinstatements.

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As at 31 December 2013 and 2014, Husky's debt to capital employed (defined as total debt divided by total debt and shareholders' equity) was approximately 17.0% and 20.0% respectively, which we consider prudent.

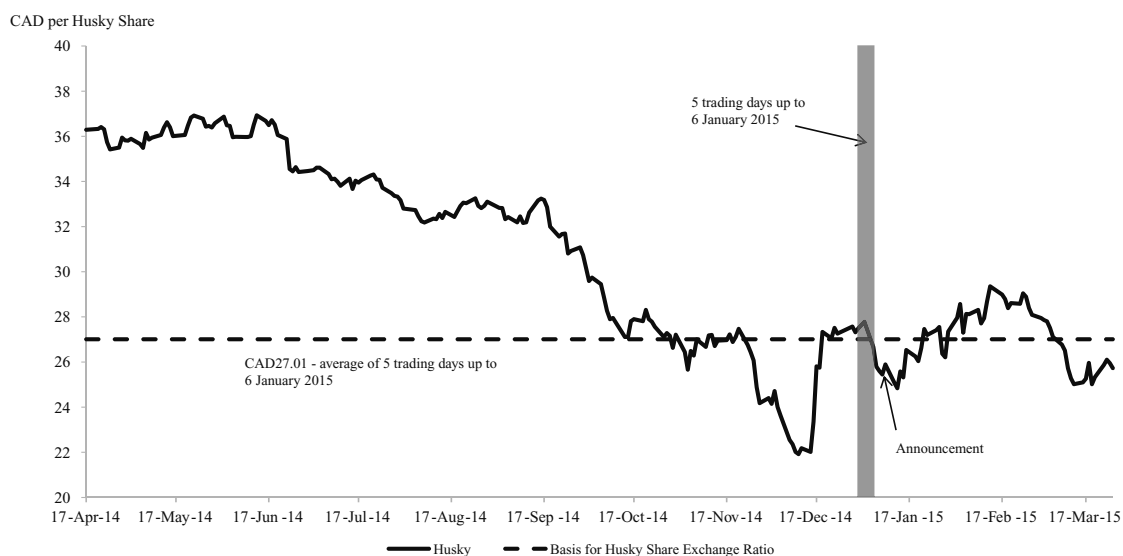
### 3. Evaluation of the Husky Share Exchange Ratio by reference to market price

In the paragraphs below we set out the Husky Share price and trading volume of Husky over a period of 180 trading days (about 9 calendar months). We also set out the effect of using different periods other than the simple average of 5-day closing prices to calculate the Husky Share Exchange Ratio.

#### (a) Analysis of share price performance and trading liquidity

##### Share price analysis

The share price chart below illustrates the daily closing price of the Husky Shares quoted on the Toronto Stock Exchange during the Share Review Period:



Source: Bloomberg

As illustrated in the above chart, the prices of the Husky Shares were generally stable at the beginning of the Share Review Period, before exhibiting a downward trend from June 2014. As with other companies active in the global oil and gas sector, Husky's share price may have been impacted by the changes in the price level of crude oil. The price per Husky Share dropped from CAD36.93 on 13 June 2014, the high during the Share Review Period, to CAD21.92 on 11 December 2014, the low during the Share Review Period. The Husky Shares recovered to CAD25.81 on 17 December 2014 following an announcement by Husky regarding its business plan, including capital spending and production guidance, for 2015.

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Following the Announcement, the price rose by approximately 1.7% from CAD25.45 on 8 January 2015 (last trading day before the Announcement) to CAD25.89 on 9 January 2015 (being the next trading day immediately after the Announcement). Since then, the Husky Shares broadly moved upwards, to CAD29.35 on 13 February 2015, following which they exhibited a general downward trend, closing at CAD25.73 on 26 March 2015, being the day prior to the Latest Practicable Date.

### *Trading volume of the Husky Shares*

The table below sets out the total number of Husky Shares traded per month, the percentage of the monthly trading volume to the issued share capital of Husky and the percentage of the monthly trading volume to Husky Shares held by the public respectively, during the Share Review Period:

	<b>Total monthly trading volume of the Husky Shares</b>	<b>Approximate % of total monthly trading volume to the total issued Husky Shares</b>	<b>Approximate % of total monthly trading volume to the public float</b>
<b>2014</b>			
April	39,681,233	4.0%	13.3%
May	20,914,985	2.1%	7.0%
June	35,577,582	3.6%	11.9%
July	30,606,563	3.1%	10.2%
August	28,243,795	2.9%	9.4%
September	37,952,334	3.9%	12.7%
October	49,529,055	5.0%	16.6%
November	53,786,014	5.5%	18.0%
December	62,120,501	6.3%	20.8%
<b>2015</b>			
January	37,248,297	3.8%	12.4%
February	59,564,459	6.1%	19.9%
From 1 March to the Latest Practicable Date	30,825,015	3.1%	10.3%

*Source: Bloomberg and the Company*

As shown in the above table, the trading volumes ranged from approximately 2.1% to 6.3% of the total issued Husky Shares, and from approximately 7.0% to 20.8% of the issued Husky Shares constituting the public float of Husky. The highest monthly trading volume of Husky Shares was approximately 62.1 million in December 2014 and the lowest monthly trading volume was approximately 20.9 million in May 2014. On this basis, we consider the Husky Shares have been actively traded during the Share Review Period.



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For the share price performance and trading volume of Cheung Kong/CKH Holdings during the same period, please see the section headed “III.B.1. Analysis of share price performance and trading liquidity”.

**(b) Evaluation of the Husky Share Exchange Ratio based on the share prices of Husky and Cheung Kong/CKH Holdings**

**(i) Before the Announcement**

Set out below are exchange ratios based on the average closing prices and the VWAP of the share prices of each of the Husky Shares and the Cheung Kong Shares for a varying number of trading days prior to the Announcement. All figures are approximations:

<b>Number of trading days prior and up to 6/7 January 2015 (Note 2)</b>	<b>Exchange ratios based on</b>	
	<b>average closing prices</b>	<b>VWAP</b>
	<i>(HK\$)</i>	<i>(HK\$)</i>
<b>5 trading days (Husky Share Exchange Ratio)</b>	<b>1.376</b>	
10 trading days	1.379	1.389
20 trading days	1.268	1.253
30 trading days	1.238	1.225
60 trading days	1.281	1.272
90 trading days	1.362	1.337
180 trading days	1.512	1.454

Notes:

- (1) The VWAP is based on the respective sum of the daily turnover of the shares (based on the respective closing price) divided by the respective sum of the daily trading volume of the shares
- (2) For Husky Shares, being the trading days up to (and including) 6 January 2015. For Cheung Kong Shares, being the trading days up to (and including) 7 January 2015. The implied exchange ratios have been arrived at by using the Specified Currency Exchange Rate

The exchange ratios based on simple averages are between 1.238 and 1.512 and based on VWAP are between 1.225 and 1.454. A period of 10 trading days results in a slightly higher exchange ratio (i.e. less favourable to the Company), whereas periods of 20, 30, 60 or 90 trading days result in more favourable ratios. On a 180 trading day basis, the ratio becomes less favourable again. Overall, the Husky Share Exchange Ratio of 1.376 is close to the mid-point of the ranges.

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*(ii) As at the Latest Practicable Date*

As at the Latest Practicable Date, CKH Holdings Shares closed at HK\$157.30. Applying the foreign exchange rates at the same date and the share exchange ratio of 1.376, the price for Husky Shares is equivalent to approximately CAD34.91 per Husky Share (the “**Husky Implied LPD Price**”). This is an increase of 29.2% over the Husky 5-Day Average Share Price of CAD27.01. It is also a 35.7% premium over the closing price of Husky Shares on the Latest Practicable Date of CAD25.73, whereas on 8 January 2015 (the last trading day before the Announcement) Husky Shares closed at CAD25.45.

The main reason for the change in the effective price of acquisition of the Husky Shares is the increase in price of the CKH Holdings Shares since the Announcement, as detailed below. The Canadian dollar has in the meantime weakened against the US dollar. The closing price of the Husky Shares on the Latest Practicable Date is lower than the Husky 5-Day Average Share Price.

The principal reason, in our view, for the strength of the CKH Holdings Shares is the benefits of the Proposals as discussed above. The Husky Share Exchange is an integral part of the Merger Proposal. Consequently, an effective increase in the cost of the Husky Shares primarily due to the positive reception of the Proposals is, in our view, an acceptable concomitant of the Proposals. If the CKH Holdings Shares had declined, the effective cost of the Husky Shares would have been less, but this would not have been a benefit to Scheme Shareholders receiving CKH Holdings Shares under the Scheme.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 4. Peer comparison

The Husky Sale Shares represent approximately 6.24% of the total issued share capital of Husky and we have therefore assessed the Husky Share Exchange as an acquisition rather than a merger, viewed in light of the Proposals. We have performed a search of comparable Toronto listed energy companies, and have identified four such companies (the “Comparable Companies”), as follows:

Name of company	5 trading days average up to (and including) 6 January 2015					Latest Practicable Date (Note 4)		
	Consolidated NAV	Adjusted consolidated net earnings	Market capitalisation	Price to earnings (“P/E”) ratio	Price to book (“P/B”) ratio	Market capitalisation	P/E ratio	P/B ratio
	(CAD million) (B) (Note 2)	(CAD million) (C) (Note 3)	(CAD million) (A)	(times) (A/C)	(times) (A/B)	(CAD million) (D)	(times) (D/C)	(times) (D/B)
Suncor Energy Inc. (stock code: SU)	41,603.0	3,887.0	52,827.6	13.6	1.3	52,791.6	13.6	1.3
Imperial Oil Limited (stock code: IMO)	22,530.0	3,307.0	41,661.2	12.6	1.8	43,134.3	13.0	1.9
Canadian Natural Resources Limited (stock code: CNQ)	28,891.0	3,792.0	38,133.3	10.1	1.3	42,695.8	11.3	1.5
Cenovus Energy Inc. (stock code: CVE)	10,186.0	1,437.0	17,924.3	12.5	1.8	17,364.1	12.1	1.7
<b>Mean</b>				12.2	1.6		12.5	1.6
<b>Median</b>				12.6	1.6		12.6	1.6
<b>Maximum</b>				13.6	1.8		13.6	1.9
<b>Minimum</b>				10.1	1.3		11.3	1.3
<b>Husky (as implied by the Husky Implied LPD Price of CAD34.91)</b>	<b>20,041.0</b>	<b>2,015.0</b>				<b>34,345.9</b>	<b>17.0</b>	<b>1.7</b>
<b>Husky (as implied by the Husky 5-Day Average Share Price of CAD 27.01)</b>	<b>20,041.0</b>	<b>2,015.0</b>	<b>26,572.4</b>	<b>13.2</b>	<b>1.3</b>			

Source: Company filings, Bloomberg, Toronto Stock Exchange

Notes:

- (1) We consider the list of Comparable Companies presented above to be an exhaustive list according to our research on Bloomberg based on the criteria that (i) they are principally engaged in the exploration and upgrading/refining of oil and natural gas related products and (ii) have with market capitalisations of 50.0% to 200.0% of the market capitalisation of Husky, based on the average closing prices of the relevant shares on the Toronto Stock Exchange for the five trading days up to (and including) 6 January 2015
- (2) The consolidated NAV attributable to the ordinary shareholders for each of Husky and the Comparable Companies has been extracted from the latest published financial statements
- (3) The consolidated net earnings for each of Husky and the Comparable Companies have been extracted from the latest published annual financial statements and adjusted for impairments, write-down of inventories and other non-recurring items

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(4) *For the Comparable Companies, being 26 March 2015, the day prior to the Latest Practicable Date*

As shown above, the P/E ratio of the Comparable Companies based on 5 trading days average ranged from approximately 10.1 times to 13.6 times, with a mean and median of 12.2 times and 12.6 times respectively. The P/E ratio of Husky as represented by the Husky 5-Day Average Share Price of approximately 13.2 times is higher than the mean and median, but within the range. The P/B ratio of the Comparable Companies based on 5 trading days average ranged from approximately 1.3 times to 1.8 times, with a mean and median of 1.6 times and 1.6 times respectively. The P/B ratio of Husky of approximately 1.3 times is the same as the minimum of the Comparable Companies.

When the P/E and P/B ratios as implied by the Husky Implied LPD Price are compared with those of the Comparable Companies as implied as at the Latest Practicable Date, the implied P/E ratio of 17.0 times is above the maximum of 13.6 times, while the implied P/B ratio of 1.7 times is close to the median of 1.6 times and within the range. The relatively higher P/E and P/B ratios as implied by the Husky Implied LPD Price are, in our view, principally due to the increase in price of the CKH Holdings Shares since the Announcement. As indicated in the section headed “I.3(b) Evaluation of the Husky Share Exchange Ratio based on the share prices of Husky and Cheung Kong”, the effective increase in the cost of the Husky Shares is primarily due to the positive reception of the Proposals as reflected by the increase in CKH Holdings Share price and is, in our view, an acceptable concomitant of the Proposals.

#### **IV. CORPORATE OUTLOOK**

##### ***1. Future prospects***

The Li Family Interests will hold approximately 30.1% of the issued share capitals of both CKH Holdings and CK Property, and the Li family will continue to chair and lead the management of both companies.

Please make reference to the 2014 annual results of the Company and Cheung Kong, as published on 26 February 2015, regarding prospects for 2015, and the section headed “ 9. Information on the CKH Holdings Group and the Offeror – Financial and Trading Prospects of the CKH Holdings Group” of the Explanatory Statement regarding prospects for the Resulting CKH Holdings Group, as well as Appendix VII of the Scheme Document regarding information on the CK Property Group.

CKH Holdings intends to continue with the business of the Group (being the CKH Holdings’ and the Group’s existing businesses, other than the Combined Property Businesses which will be held by CK Property pursuant to the Property Businesses Combination) and has no intention to introduce any major changes to the business of the Group or to redeploy any fixed assets of the Group. CKH Holdings has no intention to discontinue the employment of any of the management or employees of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. *Directors*

Following completion of the Spin-off Proposal, it is proposed that the boards of directors of CKH Holdings and CK Property will include the following executive directors:

#### **CKH Holdings**

Mr. Li Ka-shing (*Chairman*)<sup>(1)(2)</sup>  
Mr. Li Tzar Kuoi, Victor  
(*Deputy Chairman and Group Co-Managing Director*)<sup>(1)(2)</sup>  
Mr. Fok Kin Ning, Canning  
(*Group Co-Managing Director*)<sup>(1)</sup>  
Mrs. Chow Woo Mo Fong, Susan  
(*Group Deputy Managing Director*)<sup>(1)</sup>  
Mr. Frank John Sixt  
(*Group Finance Director and  
Deputy Managing Director*)<sup>(1)</sup>  
Mr. Ip Tak Chuen, Edmond  
(*Deputy Managing Director*)<sup>(2)</sup>  
Mr. Kam Hing Lam  
(*Deputy Managing Director*)<sup>(1)(2)</sup>  
Mr. Lai Kai Ming, Dominic  
(*Deputy Managing Director*)<sup>(1)</sup>

#### **CK Property**

Mr. Li Ka-shing (*Chairman*)<sup>(1)(2)</sup>  
Mr. Li Tzar Kuoi, Victor  
(*Managing Director and Deputy Chairman*)<sup>(1)(2)</sup>  
Mr. Kam Hing Lam  
(*Deputy Managing Director*)<sup>(1)(2)</sup>  
Mr. Ip Tak Chuen, Edmond  
(*Deputy Managing Director*)<sup>(2)</sup>  
Mr. Chung Sun Keung, Davy<sup>(2)</sup>  
Mr. Chiu Kwok Hung, Justin<sup>(2)</sup>  
Mr. Chow Wai Kam  
Ms. Pau Yee Wan, Ezra<sup>(2)</sup>  
Ms. Woo Chia Ching, Grace<sup>(2)</sup>

*Notes:*

(1) *Currently an executive Director*

(2) *Currently an executive director of CKH Holdings*

Following completion of the Proposals, there will be no overlap in the proposed independent non-executive directors of the two companies. Each of CKH Holdings and CK Property will operate independently from each other.

### 3. *Credit ratings*

The Merger Proposal and the Spin-off Proposal, collectively, result in certain financial creditors being entitled to require the repayment or mandatory pre-payment of certain indebtedness of the CKH Holdings Group and the Group. The relevant companies have available sufficient resources to effect any such repayment or pre-payment. The Merger Proposal and the Spin-off Proposal, collectively, are therefore not expected to have any adverse effect on the CKH Holdings Group, the Group or their respective creditors. In addition, CKH Holdings will, following completion of the Merger Proposal and the Spin-off Proposal, guarantee the existing indebtedness of the CKH Holdings Group and the Group which is guaranteed by Cheung Kong or the Company, including all outstanding bonds and capital securities issued by members of the CKH Holdings Group and the Group and guaranteed by Cheung Kong or the Company. Following completion of the Merger Proposal and the Spin-off Proposal, subject to the confirmation of credit rating agencies, both CKH Holdings and CK Property are expected to obtain and maintain strong investment grade ratings consistent with the Company's current investment grade ratings.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. *Dividends*

Both the Company and Cheung Kong are companies incorporated in Hong Kong. CKH Holdings and CK Property are companies incorporated in the Cayman Islands. Under the Companies Ordinance, a Hong Kong company may only make distributions to shareholders out of its profits available for distribution. For the financial year ended 31 December 2014, the Company and Cheung Kong had pay-out ratios of 15.3% and 15.7% (excluding the 2014 special dividend for each of the Company and Cheung Kong) respectively, which we consider somewhat low. By contrast, the Cayman Companies Law permits a Cayman Islands company to make distributions out of profits and, subject to a solvency test and any provisions of the company's memorandum and articles, out of the share premium account. The amount that was created to the share premium account of CKH Holdings upon completion of the Cheung Kong Reorganisation was approximately HK\$331.7 billion, based on assumptions as noted in the section headed "Reason for the Reorganisation Proposal" of the Letter from the Board in the document relating to the Cheung Kong Reorganisation published by Cheung Kong on 6 February 2015. Consequently, CKH Holdings and CK Property will have greater financial flexibility to make distributions to shareholders than Cheung Kong and the Company.

The Company has declared a second interim dividend of HK\$1.755 per Share in lieu of a final dividend in respect of the financial year of 2014 based on its results for 2014, payable on 15 April 2015, which is earlier than the usual payment date for the final dividends paid by the Company in recent years.

For the financial year of 2015, if the Merger Proposal and the Spin-off Proposal have become effective, an interim dividend will be declared by each of CKH Holdings and CK Property at the time of the announcement of their respective interim results and will take account of the results of the respective businesses of the CKH Holdings Group and the CK Property Group from 1 January 2015. Subject to business results for the financial year of 2015, assuming a Shareholder continues to hold both the CKH Holdings Shares and the CK Property Shares received following completion of the Merger Proposal and the Spin-off Proposal, it is expected that the combined dividend per share that CKH Holdings and CK Property will pay in respect of the financial year of 2015 on those shares will be more than the total dividend per Share of HK\$2.415 paid by the Company in respect of the financial year of 2014 (excluding the 2014 special dividend).

Going forward from the financial year of 2016, each of CKH Holdings and CK Property will adopt a dividend policy that is consistent with its business profile. Subject to business conditions and the maintenance of a strong credit profile, each of CKH Holdings and CK Property expects its dividend policy to result in a higher dividend payout ratio than for the financial year of 2015.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### V. PROCEDURES AND TIMETABLE TO NOTE

A detailed expected timetable is set out in the Scheme Document. Overseas Shareholders are referred to the section headed “Information for Overseas Shareholders” of the Scheme Document.

#### 1. *The Court Meeting and the General Meeting*

Disinterested Shareholders whose names appear on the register of members of the Company on 20 April 2015 will be able to vote at the Court Meeting and the General Meeting, which will be held in direct succession at 2:00 p.m. and 2:30 p.m. on 20 April 2015. Detailed procedures are set out in the Scheme Document.

At the Court Meeting, the Scheme needs to be approved by the Disinterested Shareholders representing at least 75% of the voting rights of Disinterested Shareholders present and voting, in person or by proxy, at the Court Meeting. If votes cast against the Scheme exceed 10% of the disinterested Shares’ voting rights, the Scheme will not proceed. As explained in the Scheme Document, the so-called “headcount test”, where a majority in number of the eligible shareholders (voting in person or by proxy) must vote in favour of a scheme of arrangement, is not applicable in this case, as in the case of a scheme of arrangement that involves a takeovers offer, Hong Kong incorporated companies are no longer subject to this test following the new Companies Ordinance having come into effect on 3 March 2014.

At the General Meeting, the implementation of the Scheme also needs to be approved by way of a special resolution on which all Shareholders can vote. In addition, the Disinterested Shareholders will be asked to approve the Husky Share Exchange as a special deal under Rule 25 of the Takeovers Code.

Completion of the Proposals is also dependent on, among other things, the Independent CKH Holdings Shareholders approving the Hutchison Proposal and the issue of the CKH Holdings Shares under the Husky Share Exchange at the CKH Holdings EGM.

#### 2. *Timetable for dealings*

Dealings in the Shares will be halted from 9:00 a.m. on 20 April 2015 pending the publication of an announcement of the results of the Court Meeting and the General Meeting. Dealings in the Shares are expected to resume at 9:00 a.m. on the trading day following the announcement of those results. Following the Court Hearing on 19 May 2015, dealings in the Shares on the Stock Exchange are expected to cease at 4:00 p.m. on 26 May 2015. Certificates for the CKH Holdings Shares to be issued pursuant to the Scheme are expected to be despatched on 2 June 2015. Certificates for the CK Property Shares to be issued pursuant to the Distribution In Specie are also expected to be despatched on 2 June 2015, with trading commencing at 9:00 a.m. on 3 June 2015. For additional information, please see the expected timetable in the Scheme Document.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. *Odd lots*

Due to the Hutchison Share Exchange Ratio of 0.684 and the Company's board lot of 1,000, shares issued to Scheme Shareholders are likely to include at least one odd lot of CKH Holdings Shares under the Scheme, and consequently one odd lot of CK Property Shares under the Spin-off Proposal. Since odd lots of CKH Holdings Shares and CK Property Shares cannot be traded efficiently on the Stock Exchange, CKH Holdings has appointed the Odd Lot Traders to match the sale and purchase of odd lots of CKH Holdings Shares, on a best efforts basis, during the period of 60 days commencing from (and including) the Effective Date (which is expected to be 3 June 2015). Holders of CKH Holdings Shares received under the Scheme should note that the successful matching of odd lots of CKH Holdings Shares and the provision of liquidity referred to above is not guaranteed. CKH Holdings Shareholders are advised to consult their own professional advisers if they are in doubt about any of these arrangements. It is intended that similar arrangements will be put in place in respect of odd lots of CK Property Shares received pursuant to the Distribution In Specie.

### 4. *Overseas Shareholders*

Disinterested Shareholders who are Overseas Shareholders or Beneficial Owners residing in jurisdictions other than Hong Kong should make reference to the section headed "Information for Overseas Shareholders" in the Scheme Document and inform themselves about and observe all legal and regulatory requirements applicable to them.

## VI. DISCUSSION

The Hutchison Proposal – that Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) should receive 0.684 CKH Holdings Share for each Scheme Share, the Husky Share Exchange – the acquisition of approximately 6.24% further Husky Shares, and the Spin-off Proposal – which involves eligible Scheme Shareholders receiving one CK Property Share for each CKH Holdings Share, are inter-conditional and, therefore, Scheme Shareholders (other than Non-Qualifying Overseas Shareholders and Scheme Shareholders which will be Non-Qualifying CKH Holdings Shareholders) will ultimately receive both CKH Holdings Shares and CK Property Shares.

### (a) **Objectives and benefits of the Proposals (sections III.A.1 and 2 above)**

The objectives and benefits of the Proposals principally relate to the delineation of the businesses into property and non-property held by two separate listed companies. We consider these are specific and substantial benefits.

On completion of the Proposals, the Resulting CKH Holdings Group (see Appendix VI of the Scheme Document) will look similar to the Group at the moment but without its property and hotel business and with a strengthened infrastructure, energy and investments division, and an additional HK\$55 billion cash as part of the consideration for the Combined Property Businesses which will be reorganised to form part of the CK Property Group. CK Property will be a new entity combining the very substantial investment and development properties and hotels and serviced suite interests of the two groups (see Appendix VII to the



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Scheme Document for information on the CK Property Group, Appendix VIII for property valuations and Appendices VI and X for pro forma financial information on the Resulting CKH Holdings Group and the CK Property Group, respectively).

On first impression, some of these benefits may seem to apply to CKH Holdings Shareholders or to Scheme Shareholders, but not to both. For example, the elimination of the holding company discount of CKH Holdings' stake in the Company may seem to apply only to CKH Holdings Shareholders, whereas the removal of the layered holding structure by investing alongside the Trust may seem to apply only to Scheme Shareholders. However, under the Merger Proposal and the Spin-off Proposal, Scheme Shareholders (other than Non-Qualifying Overseas Shareholders and Scheme Shareholders which will be Non-Qualifying CKH Holdings Shareholders) will receive both CKH Holdings Shares and CK Property Shares. The aggregate value of both these companies is likely to be enhanced by the benefits of the Proposals. Any factor which increases the worth of either CKH Holdings or CK Property is a benefit to the Disinterested Shareholders, whether or not it arises from a factor originally applicable to CKH Holdings or the Company, or both.

**(b) Market reaction to the Announcement (section III.A.3 above)**

Immediately following the Announcement, there was an uplift of HK\$10.95 per Share (approximately 12.5%) in the closing price of the Shares on Monday, 12 January 2015 compared to Friday, 9 January 2015. This is equivalent to an aggregate of approximately HK\$23.4 billion attributable to the Scheme Shareholders. This gain has been sustained and increased as at the Latest Practicable Date, during which time there have also been announcements regarding potential acquisitions. It is reasonable to assume that the uplift in market value immediately after the Announcement is attributable to the Proposals and the subsequent sustained and increased rise is substantially so.

**(c) Market price basis of Hutchison Share Exchange Ratio (section III.B.1 and 2 above)**

The use of market prices for setting the Hutchison Share Exchange Ratio is an objective method, easily observed, calculated and understood. It does not involve assumptions, for example, on future growth rates and appropriate discounts or multiples, which are required for other valuation methodologies, including those discussed in sub-paragraph (d) below. Both the Company and Cheung Kong are actively traded stocks and in neither case did the market prices seem to be materially influenced by any rumours of the Proposals in the run-up to the Announcement.

The Hutchison Share Exchange Ratio of 0.684 new CKH Holdings Share for each Share was based on the simple average closing price for the five trading days up to and including 7 January 2015, the same as a ratio based on 30 trading days. The table in the section headed "III.B.2. Effect of using different time periods to set share exchange ratios" sets out the exchange ratios which would apply if varying time periods were adopted. A simple average or VWAP basis makes little material difference. Periods of 5, 10, 20 and 30 trading days produce very similar results, in the narrow range of 0.682 to 0.690 within

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which the Hutchison Share Exchange Ratio of 0.684 lies. Periods of 60, 90 and 180 trading days produce share exchange ratios in the range of 0.697 to 0.733, between 1.9% and 7.2% above the Hutchison Share Exchange Ratio.

Different periods may be adopted to establish market prices in the context of setting merger terms. In our opinion, with actively traded shares and undisturbed prices, periods of up to 30 trading days produce results which are representative of market. In the most recent Merger Precedent (see sub-paragraph (d) below), 20 trading days was considered representative of market. The implied ratio based on closing prices of the Shares and the CKH Holdings Shares as at the Latest Practicable Date was 0.682.

**(d) Merger Precedents (section III.B.3 above)**

We performed a search of merger precedents involving share exchanges between significant-size Hong Kong listed companies announced in the last five years. The basis of determining the share exchange ratio in such cases tends to focus on prevailing market prices, with reference to other factors as well. The most recent Merger Precedent, the merger of CNR and CSR, has a share exchange ratio referencing 20-trading days (VWAP). If that basis were adopted for the Hutchison Proposal, it would produce share exchange ratios of 0.685 (simple average) and 0.686 (VWAP), almost identical to the Hutchison Share Exchange Ratio of 0.684.

**(e) Other illustrative bases for calculating share exchange ratios (sections III.C to G above)**

As a secondary check, we have carried out work on certain of the factors mentioned in the Merger Precedents, including the respective earnings per share and net assets per share of the Company and Cheung Kong. We have also considered SOTP Values which are widely used by analysts. Financial information highlights on the Group, the Group's SOTP, the Cheung Kong Group/CKH Holdings Group and CKH Holdings Group SOTP are set out in sections headed "III.C. Financial information on the Group" to "III.F. Sum-of-the-parts analysis of CKH Holdings Group". Detailed financial and other information is included in the Appendices of the Scheme Document. We have calculated share exchange ratios based on these metrics and compared them to the Hutchison Share Exchange Ratio of 0.684.

The Company has been traditionally valued mainly in relation to earnings, whereas Cheung Kong has been valued by its holding in the Company, plus its property businesses and investments, which are traditionally valued in relation to net assets. Both groups are affected by "one off" transactions such as the spin-off of the Hong Kong electricity business by Power Assets which gave rise to a 2014 profit of approximately HK\$16.1 billion for the Shareholders, approximately half of which fed through to Cheung Kong. Further property valuations are now available (see Appendix VIII) and these have been taken into account in the reassessed NAVs. Not all properties, for example those used in the Group's ports and retail businesses, have been valued.

In calculating SOTP Values, we have used, as far as possible, the market values of listed subsidiaries and associates and the property valuations mentioned above. There remain some significant holdings, such as telecoms, for which various valuation assumptions are

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needed. A remaining number of assets and liabilities are included at unadjusted book values. This means a range of outcomes is inevitable, as illustrated by the research reports to which we refer.

In general, as set out in section headed “III.G. Evaluation of the Hutchison Share Exchange Ratio by reference to contributions”, these approaches produce results similar to or lower than the Hutchison Share Exchange Ratio. In other words, the contributions made by Scheme Shareholders to earnings and net assets are lower than the Shareholding Proportions they will receive. This means that the agreed Hutchison Share Exchange Ratio tends to be more favourable to Disinterested Shareholders than if it had been set by reference to the contributions listed above.

**(f) The Husky Share Exchange (section III.I above)**

The Husky Share Exchange, relating to an approximately 6.24% interest in Husky, forms an integral part of the Merger Proposal. Consequently, the benefits of the Proposals described above apply to the Husky Share Exchange.

The Husky Share Exchange was set by reference to simple 5-day average closing prices in a similar way to the Hutchison Proposal. It results in CKH Holdings Group becoming the single largest shareholder of Husky, replacing the Li Family Interests. Because the consideration is satisfied by the issue of CKH Holdings Shares, it has the effect, combined with the rest of the Proposals, of bringing the Li Family Interests in both CKH Holdings and CK Property to over 30%.

The Husky Share Exchange can be viewed as a minority acquisition. Consequently, we have carried out a comparison of the terms with the rating of certain energy companies listed on the Toronto Stock Exchange which we consider comparable to Husky. On the basis of the Husky 5-Day Average Share Price, the terms of the Husky Share Exchange represent multiples of adjusted earnings and book value within the range of the Comparable Companies. The P/E ratio based on the Husky Implied LPD Price is above the comparables, principally due to the positive reception of the Proposals, leading to an increase in the CKH Holdings Share price and accordingly the Husky Implied LPD Price. We consider this to be acceptable when viewed in the context of the Merger Proposals.

**(g) Corporate outlook (section IV above)**

The Proposals result in the Li Family Interests holding over 30% of both CKH Holdings and CK Property. The executive boards of the two companies are or will be largely drawn from the previous board members of the Company and CKH Holdings, thus assuring continuity of management. The main business policies are not expected to change significantly. The two companies are expected to obtain and maintain strong investment grade credit ratings. The Directors expect that the attributable combined dividend that CKH Holdings and CK Property will pay in respect of 2015 will exceed the Company’s 2014 dividends per share (excluding the special dividend) of HK\$2.415 and that, from 2016, pay-out ratios (excluding special dividends) will be higher than in 2015.

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### (h) Procedures and timetable (section V above)

The Court Meeting, at which only Disinterested Shareholders can vote, will be held on 20 April 2015. Disinterested Shareholders should refer to the detailed timetable and procedures for voting set out in the Scheme Document. If the required approvals are obtained and other conditions of the Proposals are fulfilled, Disinterested Shareholders can expect the CKH Holdings Shares and the CK Property Shares to which they are entitled to be despatched to them on 2 June 2015. The Shares are expected to continue to be listed on the Stock Exchange until 2 June 2015.

### VII. OPINION AND RECOMMENDATION

Based on the principal factors and reasons set out in our letter, in particular:

- the specific and substantial benefits of the Proposals;
- the enhanced value immediately after the Announcement of HK\$10.95 per Share, which has been sustained and increased to HK\$19.90 per Share as at the Latest Practicable Date;
- the Hutchison Share Exchange Ratio was set during a period of active and undisturbed trading and is almost identical if calculated on a basis of 5, 10, 20 or 30-trading days;
- the share exchange ratio for the most recent Merger Precedent, that of CNR and CSR, makes reference to an average closing price of 20-trading days (VWAP), among other factors;
- if other metrics often used in setting merger terms, such as respective contributions to earnings and assets, had been considered, the results would have been similar or less favourable to Disinterested Shareholders. An SOTP analysis points to the same conclusion;
- the Husky Share Exchange is an integral part of the Merger Proposal so the benefits of the Proposals apply to it too. It is based on market prices in the same way as the Hutchison Proposal. It results in the Group becoming the largest shareholder in Husky on terms acceptable when compared to the ratings of the Comparable Companies;
- there will be continuity of management and policies and, other than special dividends, higher expected attributable dividends for 2015 and a higher dividend pay-out ratio for 2016,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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we consider the terms of each of the Hutchison Proposal and the Husky Share Exchange are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Disinterested Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the General Meeting to approve and implement the Hutchison Proposal and the Husky Share Exchange.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**M. N. Sabine**      **John Wong**  
*Chairman*              *Director*

*Mr. M. N. Sabine is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years of experience in the corporate finance industry.*

*Mr. John Wong is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited. He has over seven years of experience in the corporate finance industry.*

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## EXPLANATORY STATEMENT

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*This Explanatory Statement constitutes the statement required under Section 671 of the Companies Ordinance.*

### SCHEME OF ARRANGEMENT

#### 1. INTRODUCTION

On 9 January 2015, the boards of directors of Cheung Kong and the Company jointly announced the Proposals which relate to the reorganisation and combination of the Cheung Kong Group and the Group to create CKH Holdings, which will hold the non-property businesses of both groups, and CK Property, which will hold the property businesses of both groups.

The Proposals consist of (a) the Cheung Kong Reorganisation, (b) the Merger Proposal (comprising the Hutchison Proposal and the Husky Share Exchange) and (c) the Spin-off Proposal. Completion of the Cheung Kong Reorganisation, which occurred on 18 March 2015, was a condition precedent to completion of the Husky Share Exchange and a pre-condition to the making of the Hutchison Proposal.

The purpose of this Explanatory Statement is to explain the terms and effects of the Merger Proposal and, in particular, the Scheme and to provide the Shareholders with other relevant information in relation to the Merger Proposal and the Scheme.

In addition to this Explanatory Statement, your attention is drawn to (1) the letter from the Board set out on pages 1 to 6 of this document, (2) the letter from the Independent Board Committee set out on pages 7 and 8 of this document, (3) the letter from the Independent Financial Adviser set out on pages 9 to 83 of this document and (4) the Appendices. In addition, the terms of the Scheme are set out on pages S-1 to S-10 of this document.

#### 2. SUMMARY OF THE PROPOSALS

##### 2.1 The Cheung Kong Reorganisation

Under the Cheung Kong Reorganisation, the holding company of Cheung Kong Group was changed from Cheung Kong to CKH Holdings by way of the Cheung Kong Scheme under the Companies Ordinance. The Cheung Kong Reorganisation was completed, the CKH Holdings Shares became listed and commenced trading on the Stock Exchange and the listing of the Cheung Kong Shares was withdrawn from the Stock Exchange, on 18 March 2015.

##### 2.2 The Merger Proposal

The Merger Proposal comprises the Hutchison Proposal and the Husky Share Exchange, further details of which are set out in this Explanatory Statement.

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Completion of each of the Hutchison Proposal and the Husky Share Exchange is subject to the fulfilment (or, where relevant, waiver) of certain conditions, as further described in this Explanatory Statement. The Husky Share Exchange will be completed immediately prior to completion of the Hutchison Proposal.

### 2.3 The Spin-off Proposal

The Spin-off Proposal involves the proposed spin-off of the Combined Property Businesses (being the existing property businesses of the CKH Holdings Group and the Group which will be reorganised under the CK Property Group) to the qualifying CKH Holdings Shareholders by way of the Distribution In Specie and the separate listing of the CK Property Shares on the Main Board by way of introduction, further details of which are set out in “*Appendix VII – Information on the CK Property Group and the Spin-off Proposal*”.

Completion of the Spin-off Proposal is subject to the fulfilment (or, where relevant, waiver) of certain conditions precedent, as further described in “*Appendix VII – Information on the CK Property Group and the Spin-off Proposal*”. The Spin-off Proposal will be completed immediately following completion of the Hutchison Proposal.

### 2.4 Effects of the Merger Proposal and the Spin-off Proposal

On completion of the Merger Proposal and the Spin-off Proposal:

- (a) the Company will become an indirect wholly-owned subsidiary of CKH Holdings and the listing status of the Company on the Stock Exchange will be withdrawn;
- (b) the CKH Holdings Group will hold the Combined Non-Property Businesses, including a shareholding interest of approximately 40.20% of the common shares of Husky in issue (assuming there is no other change in the shareholding in Husky); and
- (c) the CK Property Group will hold the Combined Property Businesses and CK Property will be separately listed on the Stock Exchange.

The simplified group structure of (i) each of the CKH Holdings Group and the Group as at the Latest Practicable Date and (ii) each of the CKH Holdings Group and the CK Property Group immediately following completion of the Merger Proposal and the Spin-off Proposal are set out in “*Appendix I – Simplified Group Structure Charts*”.

Please refer to “*Information on the CKH Holdings Group and the Offeror*” in this Explanatory Statement for further information.

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### **3. OBJECTIVES AND BENEFITS OF THE MERGER PROPOSAL AND THE SPIN-OFF PROPOSAL**

The CKH Holdings Directors and the Directors believe that the Merger Proposal and the Spin-off Proposal will achieve the following objectives and benefits for the CKH Holdings Group and the Group and the respective shareholders of CKH Holdings and the Company as a whole.

#### **(a) Shareholder value creation through the elimination of the holding company discount of CKH Holdings' stake in the Company**

The Merger Proposal and the Spin-off Proposal should immediately realise value for shareholders through the elimination of the CKH Holdings holding company discount associated with the existing tiered shareholding structure as no Shares will be held indirectly. Based on the closing price of the Cheung Kong Shares on the Stock Exchange on 7 January 2015 (which was prior to the publication of the Announcement on 9 January 2015), the Cheung Kong Shares were trading at a 23.0% and 26.0% discount to, or HK\$87 billion or HK\$102 billion less than, Cheung Kong's book equity value attributable to shareholders as at 30 June 2014 and 31 December 2014, respectively (based on the unaudited consolidated financial statements of Cheung Kong for the six months ended 30 June 2014 and the audited consolidated financial statements of Cheung Kong for the year ended 31 December 2014), which included its approximately 49.97% stake in the Company. A part of this was attributable to the holding company discount on the CKH Holdings Group's stake in the Company, which would be eliminated through the Merger Proposal and the Spin-off Proposal as shareholders will hold shares in CKH Holdings and CK Property directly.

Since the exchange ratios for each of the Hutchison Proposal and the Husky Share Exchange were determined by reference to the average closing prices of the Cheung Kong Shares and the Shares for the five trading days up to (and including) 7 January 2015 and the average closing price of the Husky Shares for the five trading days up to (and including) 6 January 2015 with no premium or discount involved, all CKH Holdings Shareholders and Shareholders will be able to benefit from the continuing growth of the distinct businesses of CKH Holdings and CK Property.

#### **(b) Greater transparency and business coherence**

Following completion of the Merger Proposal and the Spin-off Proposal, the business profiles of CKH Holdings and CK Property will be very clearly delineated. As a result, shareholders and potential investors will be better able to differentiate and value the businesses of the CKH Holdings Group and the CK Property Group based on their respective earnings, cash flow and net asset value profiles. The increased transparency and greater coherence in the grouping of the existing businesses of the CKH Holdings Group and the Group under the new structure is expected to enhance value, in particular given the differences between the valuation methodologies investors would normally apply to the property business of CK Property and the diversified portfolio of infrastructure and consumer businesses of CKH Holdings.



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The Merger Proposal and the Spin-off Proposal will align the businesses of each of CKH Holdings and CK Property with their respective investor bases and eliminate the investment arbitrage that originates from valuation mismatch between CKH Holdings and the Company.

The Merger Proposal and the Spin-off Proposal will permit each of CKH Holdings and CK Property to focus on its strategic plans and growth opportunities independently and will allow the management of each of CKH Holdings and CK Property to focus independently on the specific and distinct business characteristics of the Combined Non-Property Businesses and the Combined Property Businesses, respectively. The Merger Proposal and the Spin-off Proposal will also provide each of CKH Holdings and CK Property greater flexibility in investing capital in a manner appropriate for its business strategy and facilitate a more company-specific allocation of capital, including increased strategic flexibility to make future acquisitions. Finally, the separation of the businesses of each of CKH Holdings and CK Property through the Merger Proposal and the Spin-off Proposal will permit each of CKH Holdings and CK Property to reduce its exposure to unrelated risk and provide cost savings for each of CKH Holdings and CK Property.

**(c) Removal of the layered holding structure between CKH Holdings and the Company allowing shareholders to directly invest in two separate listed vehicles alongside the Trust**

As at the Latest Practicable Date, the Trust was the controlling shareholder (as defined under the Listing Rules) of CKH Holdings, which in turn owned approximately 49.97% of the Company. Following completion of the Merger Proposal and the Spin-off Proposal, the Trust, together with Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, will directly and/or indirectly hold approximately 30.15% of the shares in each of CKH Holdings and CK Property, and the Li family will continue to chair and lead the management of both companies.

**(d) All eligible shareholders to hold CKH Holdings Shares and CK Property Shares directly, enhancing investment flexibility and efficiencies**

Upon completion of the Merger Proposal and the Spin-off Proposal, all qualifying CKH Holdings Shareholders and Scheme Shareholders will hold CKH Holdings Shares and CK Property Shares directly. This will provide all shareholders with the choice to adjust their shareholdings in CKH Holdings and/or CK Property according to their individual investment objectives and preferences.

**(e) Enhanced size and scale**

Following completion of the Merger Proposal and the Spin-off Proposal, the CKH Holdings Group will be a multinational conglomerate of significant size and scale, operating in over 50 countries. Infrastructure assets currently owned by the CKH Holdings Group, which contributed HK\$1.8 billion to the profit before tax in the financial year of 2014 for Cheung Kong, will be combined with the infrastructure assets currently owned by the Group in the consolidated accounts of the Resulting CKH Holdings Group, and there will be an increased interest in the energy sector through the Resulting CKH Holdings Group becoming

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the largest shareholder in Husky. In addition, the portfolio of the Resulting CKH Holdings Group will include the Group's existing operations in ports and related services, retail and telecommunications. The CKH Holdings Group's newly acquired business of ownership and leasing of movable assets will further diversify the Resulting CKH Holdings Group's business mix.

Upon the listing of CK Property on the Main Board, the CK Property Group will be one of Hong Kong's largest property developers with a leading market share in Hong Kong, strong penetration in the PRC and an international presence through its operations in Singapore and the United Kingdom. As at 31 December 2014, the Combined Property Businesses (which will be held by the CK Property Group pursuant to the Property Businesses Combination) had a total attributable interest in approximately 1.6 million sq.m. of rental properties, a development land bank of approximately 15.8 million sq.m. (of which approximately 14.5 million sq.m. is located in the PRC) and more than 14,600 hotel rooms and also managed approximately 21 million sq.m. of properties in Hong Kong and the PRC. As at 28 February 2015, the CK Property Group's diverse portfolio of development properties, investment properties and hotels and serviced suites that were valued by the Property Valuers (as set out in "*Appendix VIII – Property Valuation*") had a total value of approximately HK\$420.1 billion.

#### **4. INTENTIONS OF CKH HOLDINGS WITH REGARD TO THE GROUP**

If the Merger Proposal and the Spin-off Proposal are completed, CKH Holdings intends to continue with the business of the Group (being the Group's existing business other than the property business which will be held by the CK Property Group pursuant to the Property Businesses Combination) and has no intention to introduce any major changes to the business of the Group or to redeploy any fixed assets of the Group.

Other than those employees of the Group who are involved with the Group's property business which will be held by the CK Property Group pursuant to the Property Businesses Combination, there is no intention by CKH Holdings to discontinue the employment of any of the management or employees of the Group.

The Board has noted CKH Holdings' intention in respect of the business of the Group following completion of the Merger Proposal and the Spin-off Proposal as described above and welcomes such intention.

#### **5. THE HUTCHISON PROPOSAL**

##### **5.1 Summary of the Hutchison Proposal**

Under the Hutchison Proposal, it is proposed that on the Effective Date:

- (a) the share capital of the Company will be reduced by cancelling and extinguishing the Scheme Shares (being all the Shares in issue as at the Record Time other than those held by the Relevant CKH Holdings Subsidiaries);

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## EXPLANATORY STATEMENT

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- (b) subject to and immediately upon such reduction of capital taking effect, the share capital of the Company will be increased to its former amount by the creation of such number of new Shares as is equal to the number of Scheme Shares cancelled;
- (c) the Company will apply all credit arising in its books of account as a result of such capital reduction in paying up the newly created Shares, which will be allotted and issued, credited as fully paid, to the Offeror (which is a wholly-owned subsidiary of CKH Holdings); and
- (d) in consideration for the cancellation and extinguishment of the Scheme Shares, the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) will receive CKH Holdings Shares (which will rank *pari passu* with each other and with all other CKH Holdings Shares then in issue), credited as fully paid, in the following ratio, based on the holding of Scheme Shares as at the Record Time:

**For every one Scheme Share held . . . . . 0.684 of a CKH Holdings Share**

Scheme Shareholders whose names appear in the register of members of the Company as at the record date for entitlement to a dividend declared by the Company on or before the Effective Date will be entitled to receive such dividend. On 26 February 2015, the Company declared a second interim dividend of HK\$1.755 per Share in lieu of a final dividend in respect of the financial year of 2014 based on its full year results for the financial year of 2014. The second interim dividend is payable on 15 April 2015 to Shareholders registered in the register of members of the Company on 17 March 2015.

On completion of the Scheme, the Company will become a wholly-owned subsidiary of CKH Holdings.

### **5.2 Total Consideration under the Hutchison Proposal**

As at the Latest Practicable Date, 4,263,370,780 Shares were in issue, of which 2,130,202,773 Shares (representing approximately 49.97% of the issued shares of the Company) were held by wholly-owned subsidiaries of CKH Holdings, and the remaining 2,133,168,007 Shares (representing approximately 50.03% of the issued shares of the Company) were held by the Scheme Shareholders.

Pursuant to the Scheme, all the Scheme Shares will be cancelled and extinguished and the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) will receive CKH Holdings Shares to be issued credited as fully paid in the share exchange ratio of 0.684 of a new CKH Holdings Share for every one Scheme Share held as at the Record Time.

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The above share exchange ratio was determined by Cheung Kong based on the average closing prices of the Cheung Kong Shares and the Shares on the Stock Exchange for the five trading days up to and including 7 January 2015 (which was prior to the publication of the Announcement on 9 January 2015) of HK\$129.06 per Cheung Kong Share and HK\$88.28 per Share, respectively, without any premium or discount.

### 5.3 Fractions and Rights Attaching to the CKH Holdings Shares

Fractions of CKH Holdings Shares will not be allotted to the Scheme Shareholders under the Scheme. The fractional entitlements of the Scheme Shareholders to CKH Holdings Shares under the Scheme will be aggregated (and, if necessary, rounded down to the nearest whole number of a CKH Holdings Share) and allotted to the Selected Person, who will sell the resulting CKH Holdings Shares (including, for the avoidance of doubt, CK Property Shares received pursuant to the Distribution In Specie and which are attributable to such CKH Holdings Shares) on the market as soon as reasonably practicable after the Scheme becomes effective. The proceeds (net of expenses and taxes) will be paid to the Scheme Shareholders concerned according to their respective attributable entitlements thereto.

The CKH Holdings Shares to be issued pursuant to the Scheme as the Cancellation Consideration will, when issued, be credited as fully paid, be free from all liens, charges and encumbrances, and will rank *pari passu* with all other CKH Holdings Shares then in issue. Holders of such CKH Holdings Shares will be entitled to receive all dividends and other distributions by CKH Holdings, if the record time for determining the entitlement to such dividends and distributions falls at or after the time at which the Scheme becomes effective, and will in particular be entitled to the Distribution In Specie based on the DIS Record Time under the current proposal. Based on the expected timetable that the Merger Proposal and the Spin-off Proposal will be completed on Wednesday, 3 June 2015, holders of the CKH Holdings Shares to be issued pursuant to the Scheme are also expected to receive any dividends and other distributions declared by CKH Holdings in respect of the financial year ending 31 December 2015.

CKH Holdings will make an application to the Stock Exchange for the listing of, and permission to deal in, the CKH Holdings Shares to be issued pursuant to the Scheme on the Main Board.

### 5.4 Conditions Precedent to the Hutchison Proposal

Completion of the Cheung Kong Reorganisation was a pre-condition to the making of the Hutchison Proposal. The Cheung Kong Reorganisation was completed on 18 March 2015.

The Scheme will become effective and binding on the Company and all Scheme Shareholders upon, and completion of the Hutchison Proposal is subject to, the fulfilment (or, where relevant, waiver) of the following conditions precedent:

- (a) the Scheme being approved by the Disinterested Shareholders representing at least 75% of the voting rights of Disinterested Shareholders present and voting, in person or by proxy, at the Court Meeting, with votes cast against the Scheme at

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the Court Meeting not exceeding 10% of the total voting rights attached to all disinterested Shares (as respectively defined in Note 6 to Rule 2 of the Takeovers Code and Division 2 of Part 13 of the Companies Ordinance);

- (b) the passing of a special resolution by the Shareholders at the General Meeting to approve (1) the Scheme and (2) the implementation of the Scheme, including, in particular, the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue of the new Shares to the Offeror;
- (c) the passing of an ordinary resolution by the Independent CKH Holdings Shareholders at the CKH Holdings EGM to approve the Hutchison Proposal and all transactions contemplated thereunder;
- (d) the Scheme, with or without modification, being sanctioned and the proposed reduction of capital provided for in the Scheme being confirmed by the Court, and an office copy of the Court order together with the minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance respectively being registered by the Companies Registrar;
- (e) the Listing Committee granting approval for the listing of, and permission to deal in, the CKH Holdings Shares to be issued as consideration under the Scheme on the Main Board and such approval not having been revoked prior to the Scheme becoming effective;
- (f) the Husky Share Exchange Completion having occurred;
- (g) the fulfilment (or, where relevant, waiver) of all the conditions precedent to the Spin-off Proposal (as further described in “*Appendix VII – Information on the CK Property Group and the Spin-off Proposal*”) (other than the condition precedent relating to the Hutchison Proposal having been completed);
- (h) all applicable filings, notices and waivers required in connection with the Hutchison Proposal and its implementation from or with any competent governmental or regulatory body being made, and if applicable, any waiting periods under any applicable antitrust or similar laws and regulations having expired or terminated; and
- (i) all other Authorisations which may be required in connection with the Hutchison Proposal under any existing contractual arrangements, including loan and other finance documentation, or regulatory requirements having been obtained and all regulatory filing obligations having been complied with.

The Offeror reserves the right to waive the conditions precedent in (h) and (i) above in whole or in part and either generally or in respect of any particular matter. The other conditions precedent cannot be waived in any event. As at the Latest Practicable Date, none of the conditions precedent to the Hutchison Proposal had been fulfilled (or, where relevant, waived).

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Subject to the fulfilment (or, where relevant, waiver) of the conditions precedent to the Hutchison Proposal, completion of the Hutchison Proposal will take place immediately after the Husky Share Exchange Completion and immediately prior to the completion of the Property Businesses Combination on the Effective Date.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror will only be able to invoke any or all of the above conditions precedent as a basis for not proceeding with the Hutchison Proposal if the circumstances which give rise to a right to invoke any such condition(s) precedent are of material significance to the Offeror in the context of the Hutchison Proposal.

Under the repealed section 166 of the previous Companies Ordinance (Chapter 32 of the Laws of Hong Kong), a scheme of arrangement was required to be approved by a majority in number of the shareholders present and voting in person or by proxy at the court meeting (the so-called “headcount test”). Under the Companies Ordinance which came into effect on 3 March 2014, the headcount test does not apply to a scheme of arrangement that involves a takeover offer. The Scheme is a takeover offer under section 674 of the Companies Ordinance, and therefore the headcount test does not apply to it.

The Scheme is subject to the requirement under section 674(2) of the Companies Ordinance that members representing at least 75% of the voting rights of the members present and voting (in person or by proxy) at the Court Meeting agree to the Scheme, and the requirement under Rule 2.10 of the Takeovers Code that the Scheme must be approved by at least 75% of the votes attaching to the disinterested Shares (as defined in Note 6 to Rule 2 of the Takeovers Code) that are cast (in person or by proxy) at the meeting of the holders of the disinterested Shares. Accordingly:

- (i) for the purpose of the Companies Ordinance, the 75% approval threshold will be determined by reference to the voting rights of the Scheme Shareholders, who attend and vote (in person or by proxy) at the Court Meeting. As the Offeror and the Relevant CKH Holdings Subsidiaries are not Scheme Shareholders and the other Offeror Concert Parties are required to abstain from voting at the Court Meeting, the voting rights in respect of the relevant Shares held by the Offeror and all the Offeror Concert Parties will not be taken into account in determining whether the 75% approval requirement under the Companies Ordinance has been satisfied; and
- (ii) for the purpose of the Takeovers Code, the 75% approval threshold will be determined by reference to the votes attaching to all the Scheme Shares held by the Scheme Shareholders (other than any held by the Offeror and the Offeror Concert Parties) which are cast (in person or by proxy) at the Court Meeting.

As such, to satisfy the requirements under both the Companies Ordinance and the Takeovers Code, the 75% approval threshold will be determined by reference to the Shares held by the Shareholders (other than the Offeror and the Offeror Concert Parties) who attend and vote at the Court Meeting, and the Disinterested Shareholders for the purpose of the Court Meeting will be the Shareholders (other than the Offeror and the Offeror Concert Parties).

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The Scheme is also subject to the requirement under section 674(2) of the Companies Ordinance that the votes cast against the Scheme at the Court Meeting shall not exceed 10% of the voting rights attached to all disinterested Shares (as defined in Division 2 of Part 13 of the Companies Ordinance), and the requirement under Rule 2.10 of the Takeovers Code that the number of votes cast against the resolution to approve the Scheme at the meeting of the holders of disinterested Shares (as defined in Note 6 to Rule 2 of the Takeovers Code) shall not be more than 10% of the votes attaching to all disinterested Shares. Accordingly:

- (i) for the purpose of the Companies Ordinance, all Scheme Shares (i.e. all the Shares in issue as at the Record Time, other than any held by the Offeror and the Relevant CKH Holdings Subsidiaries) will be regarded as disinterested Shares; and
- (ii) for the purpose of the Takeovers Code, all Scheme Shares other than any held by the Offeror and the Offeror Concert Parties will be regarded as disinterested Shares.

The action necessary to make the Scheme effective will not be taken unless the Directors are satisfied that the Scheme has been duly approved and the Hutchison Proposal will become unconditional subject only to compliance with the relevant registration requirements and the Listing Committee granting approval for the listing of, and permission to deal in, the CKH Holdings Shares to be issued as the Cancellation Consideration under the Scheme and such approval not having been revoked prior to the Scheme becoming effective.

It is currently expected that, if the required approvals from the Disinterested Shareholders and the Shareholders are obtained at the Court Meeting and the General Meeting, respectively, the Scheme will become effective on Wednesday, 3 June 2015. If the Scheme has not become effective by Tuesday, 30 June 2015, or such later date as the Court may allow, the Scheme will lapse and the Merger Proposal and the Spin-off Proposal will not proceed. An announcement will be made by the Company to advise Shareholders whether the Scheme has become effective and of the Effective Date.

### 5.5 Comparisons of Value

#### *Share Value*

Based on the closing price of the CKH Holdings Shares as at the Latest Practicable Date and the share exchange ratio for the Hutchison Proposal, the value of each Scheme Share of HK\$107.59 under the Hutchison Proposal represents:

- (i) a premium of approximately 23.1% over the closing price of HK\$87.40 for each Share on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 21.3% over the average closing price of HK\$88.69 for each Share based on the daily closing prices of the Shares on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;

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- (iii) a premium of approximately 18.4% over the average closing price of HK\$90.88 for each Share based on the daily closing prices of the Shares on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 14.2% over the average closing price of HK\$94.18 for each Share based on the daily closing prices of the Shares on the Stock Exchange for the 60 trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 0.3% over the closing price of HK\$107.30 for each Share on the Stock Exchange on the Latest Practicable Date.

### 6. THE HUSKY SHARE EXCHANGE

#### 6.1 Key Terms of the Husky Share Exchange

##### *Number of Husky Sale Shares*

Pursuant to the Husky Share Exchange Agreement dated 9 January 2015, the Husky Sale Shares Purchaser (an indirect wholly-owned subsidiary of the Company) will acquire from the Husky Sale Shares Vendor (a company indirectly wholly owned by the Trust) 61,357,010 Husky Shares, representing approximately 6.24% of the common shares of Husky in issue as at the Latest Practicable Date.

##### *Consideration*

The consideration for the acquisition of the Husky Sale Shares will be satisfied by the issue of 84,427,246 new CKH Holdings Shares by CKH Holdings to the Husky Sale Shares Vendor (or as it may direct), representing a share exchange ratio of 1.376 new CKH Holdings Shares for every one Husky Share to be acquired. CKH Holdings has undertaken to the Husky Sale Shares Purchaser that subject to the fulfilment (or, where relevant, waiver) of the conditions precedent set out in the Husky Share Exchange Agreement, CKH Holdings will, on completion of the Husky Share Exchange, allot and issue such new CKH Holdings Shares, credited as fully paid, to the Husky Sale Shares Vendor (or as it may direct).

The above share exchange ratio in respect of the Husky Share Exchange was determined based on the average closing price of the Cheung Kong Shares on the Stock Exchange for the five trading days up to and including 7 January 2015 and the average closing price of the Husky Shares on the Toronto Stock Exchange for the five trading days up to and including 6 January 2015, without any premium or discount, and using the Specified Currency Exchange Rate. Based on the closing price of the CKH Holdings Shares as at the Latest Practicable Date and the share exchange ratio for the Husky Share Exchange, the value of each Husky Sale Share of HK\$216.44 under the Husky Share Exchange represents a premium of approximately 35.7% over the closing



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price of CAD 25.73 for each Husky Share on the Toronto Stock Exchange (equivalent to approximately HK\$159.54 at the exchange rate of CAD 1 to HK\$6.2006) as at the Latest Practicable Date.

The CKH Holdings Shares to be issued as consideration for the Husky Share Exchange, when issued, will be credited as fully paid and will rank *pari passu* with all other CKH Holdings Shares in issue as at the Husky Share Exchange Completion. Holders of such CKH Holdings Shares will be entitled to receive all dividends and other distributions by CKH Holdings if the record time for determining the entitlement to such dividends and distributions falls on or after the Husky Share Exchange Completion, and will in particular be entitled to the Distribution In Specie based on the DIS Record Time under the current proposal. Based on the expected timetable that the Merger Proposal and the Spin-off Proposal will be completed on Wednesday, 3 June 2015, holders of such CKH Holdings Shares are also expected to receive any dividends and other distributions declared by CKH Holdings in respect of the financial year ending 31 December 2015.

### ***Representations and Warranties***

Representations and warranties in respect of Husky (including those in relation to Husky's business, financial position and tax and other liabilities and certain other representations and warranties commonly included in similar transactions) have been given by the Husky Sale Shares Vendor under the Husky Share Exchange Agreement.

### **6.2 Conditions Precedent**

The Husky Share Exchange Completion is conditional upon the fulfilment (or, where relevant, waiver) of the following conditions precedent:

- (a) completion of the Cheung Kong Reorganisation (which occurred on 18 March 2015);
- (b) the conditions precedent to the Hutchison Proposal (other than the condition precedent relating to completion of the Husky Share Exchange) having been fulfilled or waived (as the case may be) and the Hutchison Proposal not having been terminated;
- (c) the Executive granting consent to the Husky Share Exchange as a special deal under Rule 25 of the Takeovers Code and such consent remaining in full force and effect;
- (d) the approval of the issue of the CKH Holdings Shares under the Husky Share Exchange by the Independent CKH Holdings Shareholders pursuant to the Listing Rules at the CKH Holdings EGM;
- (e) the approval of (1) the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code) by the disinterested shareholders of the Company in accordance with the Takeovers Code at a general meeting of the Company and (2)

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the Hutchison Proposal and the transactions contemplated thereunder by the disinterested shareholders of the Company in accordance with the requirements of the Companies Ordinance and the Takeovers Code at a court meeting and a general meeting of the Company;

- (f) all Authorisations which may be required under any existing contractual arrangements or regulatory requirements having been obtained and all regulatory filing obligations having been complied with;
- (g) the Listing Committee granting approval for the listing of, and permission to deal in, the CKH Holdings Shares to be issued as consideration for the Husky Share Exchange on the Main Board and such approval not having been revoked prior to the Husky Share Exchange Completion;
- (h) the warranties, representations, undertakings and indemnities given by the Husky Sale Shares Vendor in the Husky Share Exchange Agreement remaining true and accurate in all material respects and not misleading in any material respect;
- (i) the conditions precedent to the Spin-off Proposal (as further described in “*Appendix VII – Information on the CK Property Group and the Spin-off Proposal*”) (other than the conditions precedent relating to completion of the Husky Share Exchange and the Hutchison Proposal) having been fulfilled or waived (as the case may be); and
- (j) no mandatory general offer obligation under the Takeovers Code being incurred by the Trust in respect of CKH Holdings as a result of the completion of the Husky Share Exchange (whether on its own or together with the completion of the Hutchison Proposal), or if any such mandatory general offer obligation is incurred, a waiver of such obligation having been granted by the Executive and the fulfilment of any conditions or requirements for the waiver.

The Husky Sale Shares Purchaser may in its absolute discretion at any time waive, in whole or in part, the conditions precedent in (f) and (h) above by notice in writing to the Husky Sale Shares Vendor. The other conditions precedent cannot be waived by either party. Each party will use its reasonable endeavours to procure the fulfilment of all the conditions precedent above on or before the earlier of the date of the Husky Share Exchange Completion and 30 June 2015 (or such other date as the parties may otherwise agree in writing) (the “**Long Stop Date**”). In the event that any of the conditions precedent has not been fulfilled or (in the case of the conditions precedent in (f) and (h) above) waived on or before the Long Stop Date, then the Husky Share Exchange Agreement will be terminated and be of no further effect, except in respect of claims for any antecedent breaches.

In relation to the condition precedent in (c) above, the Executive has indicated that it is minded to grant consent to the Husky Share Exchange as a special deal under Rule 25 of the Takeovers Code. Such consent, if granted, is expected to be subject to (i) the opinion of the Independent Financial Adviser that the terms of the Husky Share Exchange are fair and reasonable and (ii) the approval of the Husky Share Exchange by the Shareholders who are not involved in or interested in the transaction (otherwise than solely as Shareholders) at the

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General Meeting. In relation to (i) above, as set out in “*Letter from the Independent Financial Adviser*”, the Independent Financial Adviser considers, among other things, that the terms of the Husky Share Exchange are fair and reasonable so far as the Disinterested Shareholders are concerned.

As at the Latest Practicable Date, the condition precedent in (a) above had been fulfilled but none of the other conditions precedent to the Husky Share Exchange had been fulfilled (or, where relevant, waived).

In the event that the acquisition of 61,357,010 Husky Shares (whether on its own or together with completion of the Hutchison Proposal) by the Husky Sale Shares Purchaser and the issue of the 84,427,246 new CKH Holdings Shares to the Husky Sale Shares Vendor (or as it may direct) as consideration would, after taking into account any other acquisitions of shares by concert parties of the Trust (if any), result in the Trust incurring a mandatory general offer obligation under the Takeovers Code in respect of CKH Holdings, the 61,357,010 Husky Shares which are the subject of the Husky Share Exchange Agreement (and correspondingly the number of CKH Holdings Shares to be issued as consideration under the Husky Share Exchange) may be reduced to such numbers as may be agreed between the parties to the Husky Share Exchange at any time before the Husky Share Exchange Completion to the extent as would result in such mandatory general offer obligation not being incurred.

Subject to the fulfilment (or, where relevant, waiver) of the conditions precedent to the Husky Share Exchange, the Husky Share Exchange Completion will take place immediately before the Scheme becomes effective on the Effective Date.

### 6.3 Guarantees

On 9 January 2015, upon the signing of the Husky Share Exchange Agreement, the following guarantees in connection with such agreement were entered into:

- (a) each of TUT1 (as trustee of UT1) and TDT3 (as trustee of DT3) entered into the Vendor Guarantee with the Husky Sale Shares Purchaser pursuant to which each of TUT1 (as trustee of UT1) and TDT3 (as trustee of DT3) respectively guaranteed to the Husky Sale Shares Purchaser the due and punctual performance by the Husky Sale Shares Vendor of its obligations under the Husky Share Exchange Agreement; and
- (b) the Company entered into the Purchaser Guarantee with the Husky Sale Shares Vendor pursuant to which the Company guaranteed to the Husky Sale Shares Vendor the due and punctual performance by the Husky Sale Shares Purchaser of its obligations under the Husky Share Exchange Agreement.

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### 6.4 Special Deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal

As at the Latest Practicable Date, (a) TUT3 (as trustee of UT3) held 11,496,000 Shares (representing approximately 0.27% of the issued Shares as at the Latest Practicable Date) and (b) the Mr. Li Ka-shing Owned Companies together held 94,534,000 Shares (representing approximately 2.22% of the issued Shares as at the Latest Practicable Date). Therefore, the Scheme Shareholders are expected to include TUT3 (as trustee of UT3) and the Mr. Li Ka-shing Owned Companies.

As the Husky Sale Shares Vendor is a company indirectly wholly owned by the Trust, the Husky Share Exchange is considered a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal.

An application has been made to the Executive for consent to enter into the Husky Share Exchange under Rule 25 of the Takeovers Code, and the Executive has indicated that it is minded to grant such consent as explained in paragraph 6.2 above.

### 6.5 Information on Husky

The principal activity of Husky is investment in oil and gas with upstream and downstream business segments. Upstream operations include the exploration, development and production of crude oil, bitumen and natural gas while downstream operations include commodity marketing, pipeline transportation and storage, upgrading and refining crude oil, power co-generation and marketing gasoline, diesel, jet fuel, asphalt, ethanol and related products in Canada and the United States. Husky is based in Calgary, Alberta, and is publicly traded on the Toronto Stock Exchange under the symbols HSE and HSE.PR.A.

Set out below is certain audited financial information of Husky based on the audited consolidated financial statements of Husky for the three financial years ended 31 December 2014, which were prepared in accordance with International Financial Reporting Standards:

	<b>For the year ended 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Earnings before income taxes</b>	CAD 2,836 million	CAD 2,628 million	CAD 1,784 million
<b>Net earnings</b>	CAD 2,022 million	CAD 1,829 million	CAD 1,258 million

As at 31 December 2014, the audited net asset value of Husky, based on the audited consolidated financial statements of Husky for the year ended 31 December 2014, was CAD 20,575 million.

The published financial statements and annual and quarterly reports of Husky are available on the website of Husky at [www.huskyenergy.com](http://www.huskyenergy.com).

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On completion of the Husky Share Exchange and immediately before completion of the Hutchison Proposal, (a) the Group will own an aggregate of approximately 40.20% of the common shares of Husky in issue (including the Group's existing shareholding of approximately 33.96% in Husky and assuming there is no other change in the shareholding in Husky) and (b) the aggregate shareholding of the Trust, Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor in CKH Holdings is expected to increase from approximately 43.42% to approximately 45.41%.

### 7. THE SPIN-OFF PROPOSAL

Pursuant to the Spin-off Proposal, the following transactions are proposed to be implemented:

- (a) immediately following completion of the Merger Proposal, the Combined Property Businesses will be reorganised to form part of the CK Property Group pursuant to the Property Businesses Combination; and
- (b) immediately following completion of the Property Businesses Combination, CK Property will allot and issue to the CKH Holdings Shareholders (other than the Non-Qualifying CKH Holdings Shareholders) new CK Property Shares pursuant to the Distribution In Specie in the ratio of one CK Property Share for every one CKH Holdings Share held as at the DIS Record Time and immediately thereafter, the two CK Property Shares then held by CKH Holdings will be surrendered for cancellation. These CKH Holdings Shareholders will include, among others, holders of the CKH Holdings Shares to be issued pursuant to (a) the Husky Share Exchange (i.e. the Husky Sale Shares Vendor (or as it may direct)) and (b) the Scheme (i.e. the Scheme Shareholders other than the Non-Qualifying Overseas Shareholders), unless they are Non-Qualifying CKH Holdings Shareholders. Accordingly, the CKH Holdings Shareholders (other than the Non-Qualifying CKH Holdings Shareholders) will hold the same proportionate interests in CK Property as they hold in CKH Holdings as at the DIS Record Time.

Please refer to “*Information on the CKH Holdings Group and the Offeror*” in this Explanatory Statement for the effects of the Merger Proposal and the Spin-off Proposal and “*Appendix VII – Information on the CK Property Group and the Spin-off Proposal*” for further information on CK Property.

CK Property has made an application to the Stock Exchange for the listing by way of introduction of, and permission to deal in, the CK Property Shares on the Main Board. The Spin-off Proposal will be subject to a number of conditions precedent, as described in “*Appendix VII – Information on the CK Property Group and the Spin-off Proposal*”, and if the Spin-off Proposal becomes unconditional, the Spin-off Proposal will be completed immediately following completion of the Hutchison Proposal.

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### 8. EFFECTS OF THE MERGER PROPOSAL ON THE SHAREHOLDING STRUCTURE OF THE COMPANY AND CKH HOLDINGS

#### 8.1 Shareholding Structure of the Company

As at the Latest Practicable Date, there were 4,263,370,780 Shares in issue and there were no options, derivatives, warrants or other securities issued by the Company which are convertible or exchangeable into Shares.

Following completion of the Hutchison Proposal, the CKH Holdings Group will hold 100% of the issued Shares, of which approximately 50.03% will be held by the Offeror and approximately 49.97% will be held by certain other wholly-owned subsidiaries of CKH Holdings.

The table below sets out the shareholding structure of the Company (a) as at the Latest Practicable Date and (b) immediately following completion of the Hutchison Proposal, assuming that there is no other change in the shareholding of the Company after the Latest Practicable Date:

	<b>As at the Latest Practicable Date</b>		<b>Immediately following completion of the Hutchison Proposal</b>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<b>Offeror</b>	–	–	2,133,168,007	50.03
<b>Specified Offeror Concert Parties</b>				
<i>Shares held not subject to the Scheme</i>				
<i>– CKH Holdings<sup>(1)</sup></i>	<u>2,130,202,773</u>	<u>49.97</u>	<u>2,130,202,773</u>	<u>49.97</u>
	<u>2,130,202,773</u>	<u>49.97</u>	<u>4,263,370,780</u>	<u>100.00</u>

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	As at the Latest Practicable Date		Immediately following completion of the Hutchison Proposal	
	<i>Number of Shares</i>	%	<i>Number of Shares</i>	%
<i>Shares held subject to the Scheme</i>				
– TUT3 (as trustee of UT3) <sup>(2)</sup>	11,496,000	0.27	–	–
– Mr. Li Ka-shing <sup>(3)</sup>	94,534,000	2.22	–	–
– Mr. Li Tzar Kuoi, Victor <sup>(4)</sup>	1,386,770	0.03	–	–
– Mr. Kam Hing Lam <sup>(5)</sup>	100,000	0.00	–	–
– Mr. Leung Siu Hon <sup>(6)</sup>	55,600	0.00	–	–
– Mr. Fok Kin Ning, Canning <sup>(7)</sup>	6,010,875	0.14	–	–
– Mr. Frank John Sixt <sup>(8)</sup>	200,000	0.01	–	–
– Mr. Chow Kun Chee, Roland <sup>(9)</sup>	49,931	0.00	–	–
– Mr. George Colin Magnus <sup>(10)</sup>	1,000,000	0.02	–	–
– Mr. Lee Yeh Kwong, Charles <sup>(11)</sup>	1,135,358	0.03	–	–
– Mr. Yeh Yuan Chang, Anthony <sup>(12)</sup>	130,000	0.00	–	–
– Mr. Chow Nin Mow, Albert <sup>(13)</sup>	97	0.00	–	–
– Ms. Hung Siu-lin, Katherine <sup>(14)</sup>	34,000	0.00	–	–
– Mr. Li Tzar Kai, Richard <sup>(15)</sup>	110,000	0.00	–	–
– HSBC <sup>(16)</sup>	563,057	0.01	–	–
– Bank of America Merrill Lynch <sup>(17)</sup>	3,402,560	0.08	–	–
	<u>120,208,248</u>	<u>2.82</u>	<u>–</u>	<u>–</u>
<b>Aggregate number of Shares held by the Offeror and Offeror Concert Parties<sup>(16)(17)</sup></b>	<u>2,250,411,021</u>	<u>52.78</u>	<u>4,263,370,780</u>	<u>100.00</u>
<b>Aggregate number of Shares held by Disinterested Shareholders</b>	<u>2,012,959,759</u>	<u>47.22</u>	<u>–</u>	<u>–</u>
<b>Total</b>	<u>4,263,370,780</u>	<u>100.00</u>	<u>4,263,370,780</u>	<u>100.00</u>
<b>Total number of Scheme Shares</b>	<u>2,133,168,007</u>	<u>50.03</u>	<u>–</u>	<u>–</u>

*Notes:*

- (1) A total of 2,130,202,773 Shares are held by the Relevant CKH Holdings Subsidiaries. The Offeror is also a wholly-owned subsidiary of CKH Holdings.
- (2) Mr. Li Ka-shing is the settlor of each of DT3 and DT4. Each of TDT3 (as trustee of DT3) and TDT4 (as trustee of DT4) holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Therefore, TUT3 (as trustee of UT3) is regarded as acting in concert with the Offeror in relation to the Company.

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- (3) Such 94,534,000 Shares are held by certain companies of which Mr. Li Ka-shing is interested in the entire issued share capital. Mr. Li Ka-shing, who is an executive CKH Holdings Director, is regarded as acting in concert with the Offeror in relation to the Company.
- (4) Among such 1,386,770 Shares, (i) 1,086,770 Shares are held by certain companies of which Mr. Li Tzar Kuoi, Victor is interested in the entire issued share capital and (ii) 300,000 Shares are held by a company of which Mr. Li Tzar Kuoi, Victor's child is entitled to exercise or control the exercise of one-third or more of the voting power at its general meeting. Mr. Li Tzar Kuoi, Victor, who is an executive CKH Holdings Director and an Offeror Director, is regarded as acting in concert with the Offeror in relation to the Company.
- (5) Among such 100,000 Shares, (i) 60,000 Shares are held by Mr. Kam Hing Lam and (ii) 40,000 Shares are held as his family interest. Mr. Kam Hing Lam, who is an executive CKH Holdings Director and an Offeror Director, is regarded as acting in concert with the Offeror in relation to the Company.
- (6) Among such 55,600 Shares, (i) 27,000 Shares are held by Mr. Leung Siu Hon and (ii) 28,600 Shares are held as his family interest. Mr. Leung Siu Hon, who is a non-executive CKH Holdings Director, is regarded as acting in concert with the Offeror in relation to the Company.
- (7) Such 6,010,875 Shares are held by a company equally controlled by Mr. Fok Kin Ning, Canning and his spouse. Mr. Fok Kin Ning, Canning, who is a non-executive CKH Holdings Director, is regarded as acting in concert with the Offeror in relation to the Company.
- (8) Mr. Frank John Sixt, who is a non-executive CKH Holdings Director, is regarded as acting in concert with the Offeror in relation to the Company.
- (9) Mr. Chow Kun Chee, Roland, who is a non-executive CKH Holdings Director, is regarded as acting in concert with the Offeror in relation to the Company.
- (10) Among such 1,000,000 Shares, (i) 40,000 Shares are held by Mr. George Colin Magnus, (ii) 9,900 Shares are held by his spouse and (iii) 950,100 Shares are indirectly held by discretionary trust(s) under which Mr. George Colin Magnus is the settlor and a discretionary beneficiary. Mr. George Colin Magnus, who is a non-executive CKH Holdings Director, is regarded as acting in concert with the Offeror in relation to the Company.
- (11) Among such 1,135,358 Shares, (i) 1,070,358 Shares are held by Mr. Lee Yeh Kwong, Charles, (ii) 55,000 Shares are held by his spouse and (iii) 10,000 Shares are held by a company of which Mr. Lee Yeh Kwong, Charles is interested in the entire issued share capital. Mr. Lee Yeh Kwong, Charles, who is a non-executive CKH Holdings Director, is regarded as acting in concert with the Offeror in relation to the Company. Since the issue of the Announcement, the number of Shares in which Mr. Lee Yeh Kwong, Charles is interested has been restated to be 1,135,358 (and not 1,145,358 as stated in the Announcement), following the correction of an inadvertent mistake in the disclosure of the number of Shares held by his spouse, which should be 55,000 (and not 65,000 as stated in the Announcement).
- (12) Such 130,000 Shares are held as Mr. Yeh Yuan Chang, Anthony's family interest. Mr. Yeh Yuan Chang, Anthony, who is an independent non-executive CKH Holdings Director, is regarded as acting in concert with the Offeror in relation to the Company.
- (13) Mr. Chow Nin Mow, Albert, who is an independent non-executive CKH Holdings Director, is regarded as acting in concert with the Offeror in relation to the Company.
- (14) Ms. Hung Siu-lin, Katherine, who is an independent non-executive CKH Holdings Director, is regarded as acting in concert with the Offeror in relation to the Company.
- (15) Mr. Li Tzar Kai, Richard is the son of Mr. Li Ka-shing and the brother of Mr. Li Tzar Kuoi, Victor, and is presumed to be acting in concert with the Offeror in relation to the Company.



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- (16) HSBC is the financial adviser to CKH Holdings and the Offeror. In addition, HSBC Corporate Finance is a joint sponsor in relation to the Spin-off Proposal. As such, HSBC, HSBC Corporate Finance and relevant members of the HSBC group (except those which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) as regards Shares they own or control are presumed to be acting in concert with CKH Holdings and the Offeror in relation to the Company in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code.
- (17) Bank of America Merrill Lynch is a joint sponsor in relation to the Spin-off Proposal. As such, Bank of America Merrill Lynch and relevant members of the Bank of America Merrill Lynch group (except those which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) as regards Shares they own or control are presumed to be acting in concert with CKH Holdings and the Offeror in relation to the Company in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code. Of the 3,402,560 Shares owned or controlled by members of the Bank of America Merrill Lynch group (except those which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code), 3,220,374 Shares are represented by ADRs (where every one ADR represents two Shares).

### 8.2 Shareholding Structure of CKH Holdings

As at the Latest Practicable Date, there were 2,316,164,338 CKH Holdings Shares in issue and there were no options, derivatives, warrants or other securities issued by CKH Holdings which are convertible or exchangeable into CKH Holdings Shares.

Following completion of the Merger Proposal, the Trust, together with Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, will directly and/or indirectly hold approximately 30.15% of the CKH Holdings Shares in issue.

The table below sets out the shareholding structure of CKH Holdings (a) as at the Latest Practicable Date and (b) immediately following completion of the Merger Proposal, assuming that there is no other change in the shareholding of CKH Holdings after the Latest Practicable Date:

	As at the Latest Practicable Date		CKH Holdings Shares to be issued under		Immediately following completion of the Merger Proposal	
	Number of CKH Holdings Shares	%	Hutchison Proposal	Husky Share Exchange	Number of CKH Holdings Shares	%
Trust <sup>(1)</sup>	936,462,744	40.43	7,863,264 <sup>(4)</sup>	84,427,246 <sup>(9)</sup>	1,028,753,254	26.66
Mr. Li Ka-shing <sup>(2)</sup>	67,189,000	2.90	64,661,256 <sup>(5)</sup>	–	131,850,256	3.42
Mr. Li Tzar Kuoi, Victor <sup>(3)</sup>	1,949,000	0.08	948,550 <sup>(6)</sup>	–	2,897,550	0.07
Other CKH Holdings Directors	1,088,600	0.05	5,961,646 <sup>(7)</sup>	–	7,050,246	0.18
Directors of the Company (other than those who are also CKH Holdings Directors)	–	–	11,210,140 <sup>(8)</sup>	–	11,210,140	0.29
	<u>1,006,689,344</u>	<u>43.46</u>	<u>90,644,856</u>	<u>84,427,246</u>	<u>1,181,761,446</u>	<u>30.62</u>
Other CKH Holdings Shareholders	1,309,474,994	56.54	–	–	1,309,474,994	33.93
Other Shareholders	–	–	1,368,442,060	–	1,368,442,060	35.45
<b>Total</b>	<b><u>2,316,164,338</u></b>	<b><u>100.00</u></b>	<b><u>1,459,086,916</u></b>	<b><u>84,427,246</u></b>	<b><u>3,859,678,500</u></b>	<b><u>100.00</u></b>

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*Notes:*

- (1) The 936,462,744 CKH Holdings Shares as at the Latest Practicable Date are the total number of CKH Holdings Shares held by TUT1 as trustee of UT1 and companies controlled by TUT1 as trustee of UT1, and the 1,028,753,254 CKH Holdings Shares immediately following completion of the Merger Proposal will be the total number of CKH Holdings Shares held by TUT1 as trustee of UT1 and companies controlled by TUT1 as trustee of UT1, TUT3 as trustee of UT3 and a company controlled by TDT3 as trustee of DT3. Mr. Li Ka-shing is the settlor of each of DT1 and DT2. Each of TDT1, which is the trustee of DT1 and TDT2, which is the trustee of DT2, holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Mr. Li Ka-shing is the settlor of each of DT3 and DT4. Each of TDT3 as trustee of DT3 and TDT4 as trustee of DT4 holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of TUT1, TDT1, TDT2, Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor will be taken to have a duty of disclosure in relation to relevant CKH Holdings Shares under the SFO.
- (2) In addition to the 936,462,744 CKH Holdings Shares or 1,028,753,254 CKH Holdings Shares (as the case may be) referred to in note 1 above for which Mr. Li Ka-shing is taken to have a duty of disclosure under the SFO, Mr. Li Ka-shing was interested in 67,189,000 CKH Holdings Shares as at the Latest Practicable Date and will be interested in 131,850,256 CKH Holdings Shares immediately following completion of the Merger Proposal.
- (3) In addition to the 936,462,744 CKH Holdings Shares or 1,028,753,254 CKH Holdings Shares (as the case may be) referred to in note 1 above for which Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure under the SFO, Mr. Li Tzar Kuoi, Victor was interested in 1,949,000 CKH Holdings Shares as at the Latest Practicable Date and will be interested in 2,897,550 CKH Holdings Shares immediately following completion of the Merger Proposal.
- (4) Based on the share exchange ratio of 0.684 of a new CKH Holdings Share for every one Scheme Share and the 11,496,000 Shares in which the Trust was interested as at the Latest Practicable Date, a total of 7,863,264 CKH Holdings Shares will be issued under the Hutchison Proposal in respect of such interest of the Trust.
- (5) Based on the share exchange ratio of 0.684 of a new CKH Holdings Share for every one Scheme Share and the 94,534,000 Shares in which Mr. Li Ka-shing was interested as at the Latest Practicable Date, a total of 64,661,256 CKH Holdings Shares will be issued under the Hutchison Proposal in respect of such interest of Mr. Li Ka-shing.
- (6) Based on the share exchange ratio of 0.684 of a new CKH Holdings Share for every one Scheme Share and the 1,386,770 Shares in which Mr. Li Tzar Kuoi, Victor was interested as at the Latest Practicable Date, a total of 948,550 CKH Holdings Shares will be issued under the Hutchison Proposal in respect of such interest of Mr. Li Tzar Kuoi, Victor.
- (7) Based on the share exchange ratio of 0.684 of a new CKH Holdings Share for every one Scheme Share and the 8,715,861 Shares in which other CKH Holdings Directors were interested as at the Latest Practicable Date, a total of 5,961,464 CKH Holdings Shares will be issued under the Hutchison Proposal in respect of such interest of other CKH Holdings Directors.
- (8) Based on the share exchange ratio of 0.684 of a new CKH Holdings Share for every one Scheme Share and the 16,389,095 Shares in which the Directors (other than those who are also CKH Holdings Directors) were interested as at the Latest Practicable Date, a total of 11,210,140 CKH Holdings Shares will be issued under the Hutchison Proposal in respect of such interest of the Directors (other than those who are also CKH Holdings Directors).
- (9) Based on the share exchange ratio of 1.376 new CKH Holdings Shares for every one Husky Share to be acquired, a total of 84,427,246 CKH Holdings Shares will be issued to the Husky Sale Shares Vendor (or as it may direct) in relation to the acquisition of 61,357,010 Husky Shares under the Husky Share Exchange.
- (10) The number of CKH Holdings Shares to be issued to the relevant parties under the Hutchison Proposal may be subject to change due to possible rounding down of the actual number of CKH Holdings Shares to be issued as a result of exclusion of their respective fractional entitlements under the Scheme (if any).

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### 9. INFORMATION ON THE CKH HOLDINGS GROUP AND THE OFFEROR

#### 9.1 General Information on CKH Holdings and the Offeror

CKH Holdings was incorporated in the Cayman Islands on 11 December 2014 as an exempted company with limited liability. On completion of the Cheung Kong Reorganisation on 18 March 2015, CKH Holdings became the holding company of the Cheung Kong Group and its shares became listed on the Main Board by way of introduction. CKH Holdings is a constituent stock of the Hang Seng Index. The total audited net asset value of Cheung Kong as at 31 December 2014 was approximately HK\$406,047 million.

The present principal business activities of the CKH Holdings Group comprise (i) property development and investment, hotel and serviced suite operation, property and project management, and (ii) investment in infrastructure businesses and securities, and the ownership and leasing of movable assets. The CKH Holdings Group also has an approximately 49.97% shareholding interest in the Company.

The CKH Holdings Group is one of the largest developers in Hong Kong of residential, commercial and industrial properties.

The Offeror is an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CKH Holdings.

Please refer to Appendices II and III to this document for further information and selected financial information of the CKH Holdings Group and the Offeror.

#### 9.2 Financial and Trading Prospects of the CKH Holdings Group

##### *Current financial and trading prospects of the CKH Holdings Group*

The global economic recovery was mixed in 2014 with growth in the U.S. gradually strengthening while economic performance in Europe and Japan was below expectations. The global marketplace continued to face various uncertainties, although the conclusion of the U.S. asset purchase program in October 2014 has caused no significant adverse effects so far.

Global interest rates will likely remain at low levels for a considerable time following the European Central Bank's decision to launch an expanded asset purchase program and the recent moves of certain major economies to cut interest rates. The sharp fall in the Euro against the U.S. dollar is expected to increase the competitiveness of the Euro zone and to benefit its long-term economic development. Looking forward to 2015, the U.S. economy is on track for positive growth, and the global economy is expected to continue a steady recovery, barring no major unforeseen material adverse developments.

China is heading in the right direction by continuing with its implementation of the broad-based and deep-rooted reform and opening policy. This not only brings greater motivation and aspirations to the nation, but also serves as a key driving force

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in establishing China in its proper place in the global economic order. The Central Government has reaffirmed its commitment to a “new normal” state of more sustainable economic growth, and the priority of its economic agenda for 2015 is to keep this growth balanced and steady. With proactive fiscal and prudent monetary policies firmly in place, China’s growth prospects remain optimistic.

Prior to the transactions contemplated by the Merger Proposal and the Spin-off Proposal, the principal activities of the CKH Holdings Group encompass property development and investment, hotel and serviced suite operation, property and project management, and investment in infrastructure businesses and securities, and the newly invested business of the ownership and leasing of movable assets. These core businesses have been the key drivers in providing steady streams of revenue to the CKH Holdings Group. The Company, CKH Holdings’ major listed affiliate, has been a major contributor to the CKH Holdings Group’s results. With diversified operations spanning over 50 countries around the globe, the Group has six core businesses – ports and related services, property and hotels, retail, infrastructure, energy and telecommunications.

The proposed merger and reorganisation of the CKH Holdings Group’s and the Group’s businesses, which will result in two new Hong Kong-listed entities, CKH Holdings, holding all of the non-property businesses of the two groups, and CK Property, combining the property businesses of the two groups, is expected to create significant value for shareholders and realise maximum business synergies. The reorganisation will provide greater transparency and investment flexibility for shareholders and investors.

Faced with intense competition from all corners of the globe, the CKH Holdings Group must steer its course with wisdom in order to meet the challenges that lie ahead. The CKH Holdings Group will adhere to its principle of “Advancing with Stability” and, together with its solid financial profile, make prudent investment and financial decisions based on the long-term interests of its shareholders.

### *Effects of the Merger Proposal and the Spin-off Proposal*

The Merger Proposal, comprising the Husky Share Exchange and the Hutchison Proposal, and the Spin-off Proposal will result in the Combined Non-Property Businesses being held by the Resulting CKH Holdings Group and the Combined Property Businesses being held by the CK Property Group.

Under the Spin-off Proposal, CK Property will allot and issue to the CKH Holdings Shareholders (other than the Non-Qualifying CKH Holdings Shareholders) new CK Property Shares pursuant to the Distribution In Specie in the ratio of one CK Property Share for every one CKH Holdings Share held as at the DIS Record Time. Upon completion of the Spin-off Proposal, CK Property will cease to be a subsidiary of CKH Holdings.

It is expected that completion of the Merger Proposal and the Spin-off Proposal will (i) create shareholders’ value through the elimination of the holding company discount of CKH Holdings’ stake in the Company, (ii) provide greater transparency and

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business coherence, (iii) remove the layered holding structure between CKH Holdings and the Company, allowing shareholders to directly invest in two separate listed vehicles alongside the Trust, (iv) enable all eligible shareholders to hold shares in CKH Holdings and CK Property directly, thereby enhancing investment flexibility and efficiencies, as well as (v) enhance size and scale.

### *Effects on the Resulting CKH Holdings Group*

Following completion of the Merger Proposal and the Spin-off Proposal, the Resulting CKH Holdings Group will be a multinational conglomerate of significant size and scale, operating in over 50 countries across five primary business segments – ports and related services, retail, infrastructure, energy and telecommunications.

In particular, the Resulting CKH Holdings Group’s infrastructure segment will be significantly strengthened following completion of the Merger Proposal. Infrastructure assets currently owned by the CKH Holdings Group contributed HK\$1.8 billion to Cheung Kong’s profit before tax in the year ended 31 December 2014 and will be combined with the infrastructure assets currently owned by the Group. Cheung Kong’s new aircraft leasing business will also be included in the Resulting CKH Holdings Group’s infrastructure segment.

The table below summarises the effective interest in the infrastructure assets owned by the Group as at the Latest Practicable Date and the effective interest in the infrastructure assets which will be owned by the Resulting CKH Holdings Group following completion of the Merger Proposal and the Spin-off Proposal:

Asset	Northumbrian Water Group Limited	Wales & West Utilities Limited (“WWU”)	Australian Gas Networks Limited (“AGN”)	Park’N Fly, Inc.	AVR-Afvalverwerking B.V. (“AVR”)
<b>Size indicator</b>	Total assets: HK\$50.5 bn <sup>(1)</sup> (as at 31 March 2014)	Total assets: HK\$18.1 bn <sup>(1)</sup> (as at 31 March 2014)	Total assets: HK\$24.7 bn <sup>(1)</sup> (as at 30 June 2014)	Acquisition consideration: HK\$2.7 bn (as at 17 June 2014)	Acquisition enterprise value: HK\$9.7 bn (as at 17 June 2013)
Business description	Water and sewerage services in the United Kingdom	Gas distribution networks in the United Kingdom	One of the largest natural gas distributors in Australia	Largest off-airport car park provider in Canada	Largest energy-from-waste company in the Netherlands
<b>Effective interest as at the Latest Practicable Date</b>					
Group’s effective interest <sup>(2)</sup>	30.27%	31.53%	42.12%	37.84%	32.37%
<b>Effective interest following completion of the Merger Proposal and the Spin-off Proposal</b>					
Resulting CKH Holdings Group’s effective interest	70.27%	61.53%	69.63%	87.84%	67.37%
Accounting Treatment	Consolidation	Equity Accounting <sup>(3)</sup>	Equity Accounting <sup>(3)</sup>	Consolidation	Equity Accounting <sup>(3)</sup>

*Notes:*

- (1) Exchange rate: GBP 1 = HK\$12.9052 (as at 31 March 2014) and AUD 1 = HK\$7.3010 (as at 30 June 2014).

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## EXPLANATORY STATEMENT

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- (2) The Group's indirect shareholding through a 75.67% stake in Cheung Kong Infrastructure Holdings Limited as at the Latest Practicable Date.
- (3) Interests in AGN, AVR and WWU will continue to be classified and equity accounted for as interests in joint ventures as the Resulting CKH Holdings Group is not deemed to have control over these assets based on the respective shareholder agreements. The net debt, based on the principal amount of bank and other debts less cash and cash equivalents, of AGN, AVR and WWU amounted to approximately HK\$13,554 million, HK\$3,096 million and HK\$15,807 million, respectively, as at 31 December 2014.

In January 2015, a 50/50 joint venture of Cheung Kong and Cheung Kong Infrastructure Holdings Limited, a subsidiary of the Company, entered into an agreement to acquire Eversholt Rail, one of the three major rolling stock operating companies in the United Kingdom. The enterprise value of the transaction is approximately HK\$29.3 billion (approximately GBP2.5 billion). Eversholt Rail leases a diverse range of rolling stock, including regional, commuter and high speed passenger trains, as well as freight locomotives and wagons, on long-term contracts. Completion is expected to take place around April 2015. If completed, Eversholt Rail will become a member of the Resulting CKH Holdings Group and is expected to deliver recurring cash flows and earnings.

The Resulting CKH Holdings Group will include the aircraft leasing business newly invested in by Cheung Kong in 2014. In 2014, Cheung Kong entered into agreements to acquire 45 aircraft with existing lease agreements for a total consideration of approximately HK\$14.7 billion, of which the acquisition of 26 aircraft was completed in 2014 and of the remaining 19 aircraft is expected to be completed in 2015. Cheung Kong also invested in the aircraft leasing business through a joint venture with independent third parties. The aircraft leasing business (including the share of joint venture) contributed profit before tax of approximately HK\$334 million for the year ended 31 December 2014. The transactions completed to date will form a platform to develop further the aircraft ownership and leasing business, and is expected to add diversity to the Resulting CKH Holdings Group's business mix and generate long-term steady income.

In the energy segment, the Group is currently the second largest shareholder, holding an approximately 33.96% interest in Husky, one of the largest integrated energy companies in Canada. Following completion of the Husky Share Exchange, the Resulting CKH Holdings Group will become the largest shareholder in Husky, with an interest of approximately 40.20%. The incremental stake of approximately 6.24% in Husky would contribute approximately HK\$517 million to the profit after tax of the Resulting CKH Holdings Group for the year ended 31 December 2014 on a pro forma basis.

Following completion of the Merger Proposal and the Spin-off Proposal, through enhanced scale in the non-property businesses, the revenue<sup>(1)</sup>, EBITDA<sup>(1)</sup> and profit attributable to ordinary shareholders of the Resulting CKH Holdings Group for the year

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<sup>(1)</sup> Inclusive of the Resulting CKH Holdings Group's proportionate share of associates and joint ventures' respective items.

## EXPLANATORY STATEMENT

ended 31 December 2014 on a pro forma basis are approximately HK\$427.6 billion, HK\$97.3 billion and HK\$105.6 billion (of which HK\$31.2 billion are recurring profit attributable to ordinary shareholders), respectively, and the total assets and net asset value of the Resulting CKH Holdings Group as at 31 December 2014 on a pro forma basis are approximately HK\$1,029.7 billion and HK\$522.1 billion, respectively.

The charts below show the actual and pro forma contributions for the year ended 31 December 2014 by each business segment to the Group and the Resulting CKH Holdings Group, respectively, demonstrating the enhanced scale and position in the infrastructure and energy business segments of the Resulting CKH Holdings Group following completion of the Merger Proposal and the Spin-off Proposal.

Total Revenue		EBITDA	
Group (actual)	Resulting CKH Holdings Group (pro forma)	Group (actual)	Resulting CKH Holdings Group (pro forma)
<p>HK\$421,472 million</p>	<p>HK\$427,617 million</p>	<p>HK\$98,873 million</p>	<p>HK\$97,286 million</p>

*Notes:*

- (1) Total revenue and EBITDA include the Group's and Resulting CKH Holdings Group's proportionate share of associated companies' and joint ventures' respective items. Total revenue and EBITDA were adjusted to exclude the non-controlling interests' share of results of Hutchison Port Holdings Trust. See note 5(m) to the financial statements of the Group for the year ended 31 December 2014 set out in Appendix V to this document.
- (2) "F&I" refers to Finance and Investments.

As the consideration for implementing the Scheme will be satisfied by way of the issue of CKH Holdings Shares, there is no requirement for financing the consideration for the Scheme on the part of the Offeror.

Pursuant to the Property Businesses Combination, CKH Holdings will receive HK\$55 billion of cash, which will enhance the liquidity position and financial flexibility of the Resulting CKH Holdings Group. On a pro forma basis as at 31 December 2014, CKH Holdings had total cash, liquid funds and other listed investments of approximately HK\$215.8 billion, bank and other debts of approximately HK\$334.4 billion and a net debt to net total capital ratio of 18.2%.

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Please refer to the unaudited pro forma financial information of the Resulting CKH Holdings Group set out in “*Appendix VI – Unaudited Pro Forma Financial Information of the Resulting CKH Holdings Group*”, which has been prepared to illustrate the financial effects of the Merger Proposal and the Spin-off Proposal on the CKH Holdings Group.

### *Prospects for the Resulting CKH Holdings Group*

The Resulting CKH Holdings Group will continue to be registered and listed in Hong Kong and will adhere to its core strategic objective to maximise shareholder value by driving long-term sustainable growth of its businesses.

Achieving an optimal balance between progress and stability has always been one of the defining operating philosophies of the Cheung Kong Group, the predecessor of the CKH Holdings Group, and remains so for the CKH Holdings Group. It is the intention of the CKH Holdings Group to be steadfast in maintaining financial prudence in its pursuit of global acquisitions and investments. Through adhering to its fundamental financial discipline of maintaining a strong financial profile, the Resulting CKH Holdings Group intends to maintain strong liquidity and sufficient financial resources whilst maintaining an appropriate net debt to net total capital ratio to capitalise on potential merger and acquisition transactions and other accretive investment and collaboration opportunities as they arise, and to create shareholder value on a sustainable basis.

### *Effects on CK Property*

Upon the listing of CK Property on the Main Board, the CK Property Group will be one of Hong Kong’s largest property developers with a leading market share in Hong Kong, strong penetration in the PRC and an international presence through its operations in Singapore and the United Kingdom. Information about the CK Property Group, details of the property portfolio and the valuation of certain of the property interests of the CK Property Group as at 28 February 2015, historical financial information of the Cheung Kong Property Group and the Hutchison Property Group and unaudited pro forma financial information of the CK Property Group are set out in Appendices VII, VIII, IXA, IXB and X to this document. This information is provided solely to assist Shareholders in their consideration of the Scheme.

CK Property has made an application to the Stock Exchange for the listing of, and permission to deal in, the CK Property Shares on the Main Board by way of introduction.

## **10. INFORMATION ON THE GROUP**

The Company is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board. The Company is a constituent stock of the Hang Seng Index. The audited net asset value of the Company as at 31 December 2014 was approximately HK\$519,062 million.

The Group is a multinational conglomerate committed to innovation and technology, with six core businesses – ports and related services, property and hotels, retail, infrastructure, energy and telecommunications – in over 50 countries across the world.



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### 11. BOARD OF DIRECTORS OF CKH HOLDINGS AND CK PROPERTY FOLLOWING COMPLETION OF THE MERGER PROPOSAL AND THE SPIN-OFF PROPOSAL

Following completion of the Merger Proposal and the Spin-off Proposal, it is proposed that the composition of the board of directors of each of CKH Holdings and CK Property will be as follows:

#### Board of Directors of CKH Holdings

##### *Executive Directors*

Mr. Li Ka-shing (*Chairman*)  
Mr. Li Tzar Kuoi, Victor (*Deputy Chairman and Group Co-Managing Director*)  
Mr. Fok Kin Ning, Canning (*Group Co-Managing Director*)  
Mrs. Chow Woo Mo Fong, Susan (*Group Deputy Managing Director*)  
Mr. Frank John Sixt (*Group Finance Director and Deputy Managing Director*)  
Mr. Ip Tak Chuen, Edmond (*Deputy Managing Director*)  
Mr. Kam Hing Lam (*Deputy Managing Director*)  
Mr. Lai Kai Ming, Dominic (*Deputy Managing Director*)

##### *Non-executive Directors*

Mr. Chow Kun Chee, Roland  
Mr. Lee Yeh Kwong, Charles  
Mr. Leung Siu Hon  
Mr. George Colin Magnus

##### *Independent Non-executive Directors*

Mr. Kwok Tun-li, Stanley  
Mr. Cheng Hoi Chuen, Vincent  
The Hon Sir Michael David Kadoorie  
Ms. Lee Wai Mun, Rose  
Mr. William Shurniak  
Mr. Wong Chung Hin  
Dr. Wong Yick-ming, Rosanna

#### Board of Directors of CK Property

##### *Executive Directors*

Mr. Li Ka-shing (*Chairman*)  
Mr. Li Tzar Kuoi, Victor (*Managing Director and Deputy Chairman*)  
Mr. Kam Hing Lam (*Deputy Managing Director*)  
Mr. Ip Tak Chuen, Edmond (*Deputy Managing Director*)  
Mr. Chung Sun Keung, Davy  
Mr. Chiu Kwok Hung, Justin  
Mr. Chow Wai Kam  
Ms. Pau Yee Wan, Ezra  
Ms. Woo Chia Ching, Grace

##### *Independent Non-executive Directors*

Mr. Cheong Ying Chew, Henry  
Mr. Chow Nin Mow, Albert  
Ms. Hung Siu-lin, Katherine  
Mr. Simon Murray  
Mr. Yeh Yuan Chang, Anthony

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## EXPLANATORY STATEMENT

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### 12. EXPECTED IMPACT ON CREDIT RATINGS AND PROPOSED DIVIDEND ARRANGEMENTS

#### 12.1 Credit Ratings

The Merger Proposal and the Spin-off Proposal, collectively, result in certain financial creditors being entitled to require the repayment or mandatory pre-payment of certain indebtedness of the CKH Holdings Group and the Group. The relevant companies have available sufficient resources to effect any such repayment or pre-payment. The Merger Proposal and the Spin-off Proposal, collectively, are therefore not expected to have any adverse effect on the CKH Holdings Group, the Group or their respective creditors.

In addition, CKH Holdings will, following completion of the Merger Proposal and the Spin-off Proposal, guarantee the existing indebtedness of the CKH Holdings Group and the Group which is guaranteed by Cheung Kong or the Company, including all outstanding bonds and capital securities issued by members of the CKH Holdings Group and the Group and guaranteed by Cheung Kong or the Company. Following completion of the Merger Proposal and the Spin-off Proposal, subject to the confirmation of credit rating agencies, both CKH Holdings and CK Property are expected to obtain and maintain strong investment grade ratings consistent with the Company's current investment grade ratings.

#### 12.2 Proposed Dividend Arrangements

On 26 February 2015, each of the Company and Cheung Kong declared a second interim dividend in lieu of a final dividend in respect of the financial year of 2014 based on its respective full year results for the financial year of 2014. The payment date for such second interim dividend by the Company and Cheung Kong will be 15 April 2015, which is earlier than the usual payment date for the final dividend paid by the Company and Cheung Kong in recent years.

For the financial year of 2015, if the Merger Proposal and the Spin-off Proposal have become effective, an interim dividend will be declared by each of CKH Holdings and CK Property at the time of the announcement of their respective interim results and will take account of the results of the respective businesses of the CKH Holdings Group and the CK Property Group from 1 January 2015. Subject to business results for the financial year of 2015, assuming an existing CKH Holdings Shareholder or a Shareholder continues to hold both the CKH Holdings Shares and CK Property Shares received following completion of the Merger Proposal and the Spin-off Proposal, it is expected that the combined dividend per share that CKH Holdings and CK Property will pay in respect of the financial year of 2015 on those shares will be more than the total dividend per Cheung Kong Share or per Share, as the case may be, paid in respect of the financial year of 2014, excluding any special dividends paid in that year.

Going forward from the financial year of 2016, each of CKH Holdings and CK Property will adopt a dividend policy that is consistent with its business profile. Subject to business conditions and the maintenance of a strong credit profile, each of CKH Holdings and CK Property expects its dividend policy to result in a higher dividend payout ratio than that in the financial year of 2015.

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## **EXPLANATORY STATEMENT**

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### **13. SHARE CERTIFICATES, DEALINGS AND LISTING**

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled. The share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. An application will be made by the Company to the Stock Exchange for the voluntary withdrawal of the listing of the Shares on the Stock Exchange following the Scheme becoming effective pursuant to Rule 6.15(2) of the Listing Rules.

It is currently expected that dealings in the Shares on the Main Board will cease at 4:00 p.m. on Tuesday, 26 May 2015 and the listing of the Shares on the Main Board will be withdrawn at 9:00 a.m. on Wednesday, 3 June 2015. The Company will make an announcement of the exact dates of the last day for dealing in the Shares and on which date the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

The listing of the Shares on the Stock Exchange will not be withdrawn if the Hutchison Proposal is not approved, lapses or does not become unconditional for any reason. Under the relevant restrictions of the Takeovers Code relating to the making of subsequent offers, if the Hutchison Proposal does not become unconditional or is withdrawn or lapses, neither the Offeror nor any person who acted in concert with it in the course of the Hutchison Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Hutchison Proposal is withdrawn or lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

### **14. REGISTRATION AND DESPATCH OF NEW CKH HOLDINGS SHARE CERTIFICATES**

In order to determine entitlements to the Cancellation Consideration under the Scheme, the register of members of the Company will be closed from Friday, 29 May 2015 (or such other date as may be notified to the Scheme Shareholders by announcement). The Scheme Shareholders should ensure that their Shares are registered or lodged for registration in their names or in the names of their nominees before the closure of the register of members of the Company. The Company's share registrar is Computershare Hong Kong Investor Services Limited, which is located at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

In respect of the CKH Holdings Shares which the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) are entitled to receive as the Cancellation Consideration under the Scheme, each Scheme Shareholder will be sent (a) one share certificate representing CKH Holdings Shares that are a whole multiple of a board lot of 500 CKH Holdings Shares and (b) (if applicable) one share certificate for the remaining CKH Holdings Shares which represent less than a whole multiple of 500 CKH Holdings Shares (i.e. an odd lot of CKH Holdings Shares), except for HKSCC Nominees Limited which may request for share certificates to be issued in such denominations as it may specify.

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Assuming that the Scheme becomes effective on Wednesday, 3 June 2015, the share certificates for the new CKH Holdings Shares are expected to be despatched to the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) on Tuesday, 2 June 2015.

In the absence of any specific instructions to the contrary received in writing by the Hong Kong share registrar of CKH Holdings before the Effective Date, the share certificates for the new CKH Holdings Shares representing the Cancellation Consideration under the Scheme will be sent to the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) whose names appear on the register of members of the Company as at the Record Time at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first on the register of members of the Company in respect of the joint holding. All such share certificates will be sent at the risk of the persons entitled thereto and none of CKH Holdings, the Offeror and the Company will be liable for any loss or delay in transmission.

Settlement of the Cancellation Consideration under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which CKH Holdings may otherwise be, or claim to be, entitled against any Scheme Shareholders.

### 15. ARRANGEMENTS RELATING TO THE SALE OF ODD LOTS OF CKH HOLDINGS SHARES

In order to assist CKH Holdings Shareholders to sell their odd lots of CKH Holdings Shares received under the Scheme if they so wish, CKH Holdings has appointed Fulbright Securities Limited and One China Securities Limited (the “**Odd Lot Traders**”) to provide, on a best efforts basis, a service to match the sale and purchase of odd lots of CKH Holdings Shares (the “**Matching Service**”) during the period of 60 days commencing from (and including) the Effective Date (which is expected to be Wednesday, 3 June 2015) (the “**Matching Period**”).

In the event of successful matching, no brokerage will be charged by the Odd Lot Traders for the odd lots of CKH Holdings Shares sold as CKH Holdings has agreed to absorb this cost as part of the appointment of the Odd Lot Traders. The opening of trading accounts with the Odd Lot Traders for the purpose of the Matching Service is subject to satisfactory completion of requisite account opening procedures.

Any CKH Holdings Shareholder wishing to make use of the Matching Service may contact the following persons during the Matching Period:

**Fulbright Securities Limited**

33rd Floor, Cosco Tower  
Grand Millennium Plaza  
No. 183 Queen’s Road Central  
Hong Kong  
Attention: CHAN Yui Kie  
SAN Uel Sammy  
Telephone: +852 2805 0727

**One China Securities Limited**

2/F, Cheong K. Building  
86 Des Voeux Road Central  
Hong Kong  
Attention: Marco KO  
Frankie MAK  
Telephone: +852 3188 9878  
+852 3188 4321

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CKH Holdings Shareholders who have brokerage accounts and who wish to sell their odd lots of CKH Holdings Shares received under the Scheme may also approach and inform their brokers that the Odd Lot Traders will, on a best efforts basis during the Matching Period, provide liquidity for odd lots of CKH Holdings Shares. CKH Holdings Shareholders selling odd lots of CKH Holdings Shares through their brokers to the Odd Lot Traders will be responsible for all fees (if any) payable to their brokers, but no additional brokerage will be payable by them to the Odd Lot Traders.

Holders of CKH Holdings Shares received under the Scheme should note that the successful matching of odd lots of CKH Holdings Shares and the provision of liquidity referred to above is not guaranteed. CKH Holdings Shareholders are advised to consult their own professional advisers if they are in doubt about any of these arrangements.

It is intended that similar arrangements will be put in place in respect of odd lots of CK Property Shares received pursuant to the Distribution In Specie.

### **16. NON-QUALIFYING OVERSEAS SHAREHOLDERS**

The making of the Hutchison Proposal to certain Shareholders may be subject to the laws of jurisdictions other than Hong Kong. Overseas Shareholders and Beneficial Owners residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Shareholders and the Beneficial Owners to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Scheme, including obtaining any governmental, exchange control or other consents which may be required, and compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

The Scheme provides that if the law of any relevant jurisdiction precludes an offer of the CKH Holdings Shares, or precludes it except after compliance by CKH Holdings with conditions with which CKH Holdings is unable to comply or which CKH Holdings regards as unduly onerous, no CKH Holdings Shares will be issued to the relevant Non-Qualifying Overseas Shareholders.

In such case, the CKH Holdings Shares which would otherwise have been allotted to the relevant Non-Qualifying Overseas Shareholders under the Scheme will be allotted to the Selected Person, who will sell such CKH Holdings Shares (including, for the avoidance of doubt, the CK Property Shares received pursuant to the Distribution In Specie and which are attributable to such CKH Holdings Shares) on the market as soon as reasonably practicable after the Scheme becomes effective.

The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Non-Qualifying Overseas Shareholders (*pro rata* to their shareholdings in the Company as at the Record Time) in Hong Kong dollars in full satisfaction of their rights to the relevant CKH Holdings Shares pursuant to the Scheme, provided that if the amount that a Non-Qualifying Overseas Shareholder would be entitled to receive is less than HK\$50, such sum will be retained for the benefit of CKH Holdings. Such payment will be sent to the relevant Non-Qualifying Overseas Shareholders at their own risk within 14 days after

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any such sale but in any event within 28 days from the Effective Date. In the absence of bad faith or wilful default, none of CKH Holdings, the Offeror, the Company and the Selected Person shall have any liability for any loss or damage arising as a result of such sale.

As at the Latest Practicable Date, there were 507 Shareholders whose addresses as registered in the register of members of the Company were outside Hong Kong, namely, in Australia, Austria, Bermuda, Canada, France, Indonesia, India, Ireland, Japan, Kenya, Macau, Malaysia, New Zealand, Nigeria, Panama, the Philippines, Portugal, the PRC, the Republic of Korea, Singapore, Sri Lanka, Sweden, Switzerland, Tahiti, Taiwan, Thailand, the United Arab Emirates, the United Kingdom and the United States of America.

CKH Holdings and the Company have made enquiries with legal advisers in these jurisdictions regarding the legal restrictions under the applicable laws of each of these jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges regarding the issue or transfer of the CKH Holdings Shares to these Overseas Shareholders as a result of the implementation of the Scheme.

Based on the advice received and where relevant, taking into account the number of Overseas Shareholders in the relevant jurisdictions as at the Latest Practicable Date and/or the number of Shares they then held and assuming that the relevant legal requirements remain unchanged, the Excluded Jurisdiction is expected to be the United Arab Emirates, and therefore, the Overseas Shareholders in the Excluded Jurisdiction are expected to be Non-Qualifying Overseas Shareholders.

If the address of any Shareholder as registered in the register of members of the Company as at the Record Time is located in any other jurisdiction outside Hong Kong which is not referred to above and such Shareholder should, in the view of CKH Holdings and the Company having made the relevant enquiries and having considered the circumstances, be excluded from receiving CKH Holdings Shares pursuant to the Scheme on the basis that the law of such jurisdiction precludes an offer of the CKH Holdings Shares, or precludes it except after compliance by CKH Holdings with conditions with which CKH Holdings is unable to comply or which CKH Holdings regards as unduly onerous, such jurisdiction will, subject to the Executive's consent, be an Excluded Jurisdiction and the Company will make an announcement to inform Shareholders.

Shareholders and Beneficial Owners should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequence under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Shares or the CKH Holdings Shares, as the case may be. It is emphasised that none of CKH Holdings, the Offeror, the Company, HSBC, Goldman Sachs, the Independent Financial Adviser, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Scheme accept any responsibility in relation to the above.

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Overseas Shareholders should refer to “*Information for Overseas Shareholders*” for further details of the requirements applicable to the jurisdictions where they are located or resident.

### 17. TAXATION

#### 17.1 Certain Material Hong Kong Tax Considerations

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

#### 17.2 Certain Material US Federal Income Tax Considerations

The following discussion is a summary of certain material US federal income tax considerations under present law of the exchange of Scheme Shares for CKH Holdings Shares pursuant to the Hutchison Proposal, and the ownership and disposition of CKH Holdings Shares, in each case, by a US Holder (as defined below). This summary deals only with US Holders receiving CKH Holdings Shares in the Hutchison Proposal that use the US dollar as their functional currency and that hold Scheme Shares, and will hold CKH Holdings Shares received pursuant to the Hutchison Proposal, as capital assets. This summary does not address tax considerations applicable to investors subject to special rules, such as persons that immediately after the execution of the Hutchison Proposal will own (directly, indirectly or constructively) 5% or more by vote or value of CKH Holdings equity interests, certain financial institutions, dealers or traders, insurance companies, tax exempt entities, persons holding their Scheme Shares or their CKH Holdings Shares as part of a hedge, straddle, conversion, constructive sale or other integrated transaction. It also does not address US state and local or non-US tax considerations.

As used here, “**US Holder**” means, for purposes of the Hutchison Proposal, a beneficial owner of Scheme Shares and, after the exchange of Scheme Shares for CKH Holdings Shares pursuant to the Hutchison Proposal, CKH Holdings Shares that is, for US federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation or entity treated as such created or organised under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust subject to the control of a US person and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income tax without regard to its source.

The tax consequences to a partner in a partnership (or other entity treated as a partnership for US federal income tax purposes) acquiring, holding or disposing of CKH Holdings Shares generally will depend on the status of the partner and the activities of the partnership. Partnerships holding Scheme Shares should consult their own tax advisers about the US federal income tax consequences to their partners from participating in the Hutchison Proposal and acquiring, owning and disposing of CKH Holdings Shares. The Company believes, and this discussion assumes, that CKH Holdings and the Company will not be passive foreign investment companies (“**PFICs**”) in the current year and future years, except as discussed with respect to the Company under “*The Hutchison Proposal*” below.

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### *The Hutchison Proposal*

The Company believes that the exchange of Scheme Shares for CKH Holdings Shares pursuant to the Hutchison Proposal may qualify as a tax-deferred exchange under section 368(a)(1)(B) of the US Internal Revenue Code of 1986, as amended (the “Code”) and therefore, except as described below, a US Holder receiving CKH Holdings Shares pursuant to the Hutchison Proposal (i) should not recognise any income, gain or loss upon the receipt of those CKH Holdings Shares, (ii) should take an aggregate tax basis in the CKH Holdings Shares received equal to such US Holder’s aggregate tax basis in its Scheme Shares that were exchanged pursuant to the Hutchison Proposal, and (iii) should have a holding period for the CKH Holdings Shares that includes the period during which the US Holder held the exchanged Scheme Shares.

However, the Company has neither requested nor received an opinion of US federal income tax counsel that the exchange pursuant to the Hutchison Proposal qualifies under section 368(a)(1)(B) of the Code and no ruling has been sought or obtained from the US Internal Revenue Service (“IRS”). There can be no assurance that the IRS will not take a position that the Hutchison Proposal does not qualify under section 368(a)(1)(B) of the Code, or that such position would not be sustained if asserted. If such a position were taken and were sustained, then a US Holder would be required to treat the exchange of Scheme Shares for CKH Holdings Shares pursuant to the Hutchison Proposal as a taxable exchange in which such US Holder would recognise gain or loss in an amount equal to the difference between its tax basis in the Scheme Shares and fair market value of the CKH Holdings Shares received, each determined in US dollars, would take a tax basis in the CKH Holdings Shares equal to the fair market value of those CKH Holdings Shares, and would have a holding period in their CKH Holdings Shares that begins with the effective date of the Hutchison Proposal. Any gain or loss generally would be capital gain or loss treated as from sources within the United States for foreign tax credit purposes and will generally be long-term capital gain or loss if such US Holder has owned its Scheme Shares for more than one year.

In addition, if the Company has been a PFIC for any taxable year of the Company in which a US Holder has owned Scheme Shares, such US Holder may be required to recognise gain, if any, as ordinary income and may be subject to certain additional taxes on the exchange of such US Holder’s Scheme Shares for CKH Holdings Shares even if the exchange would otherwise qualify under section 368(a)(1)(B) of the Code. The Company does not believe that it is a PFIC in its current taxable year, and although it has not undertaken to determine whether it had been a PFIC in any prior taxable year, it does not believe it has been a PFIC in the three most recent prior taxable years. US Holders should consult their tax advisers concerning the PFIC rules and any potential considerations relevant to them arising from the Hutchison Proposal.



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### *Ownership of the Shares*

#### *Distributions on the CKH Holdings Shares*

Distributions with respect to the CKH Holdings Shares, including taxes withheld therefrom, if any, will generally be included in a US Holder's gross income as foreign source ordinary dividend income when received. Any dividends will not be eligible for the dividends received deduction generally allowed to US corporations. Any dividends will also not be eligible for the preferential tax rate applicable to "qualified dividend income" received by certain non-corporate US Holders. Dividends received will generally be included in net investment income for purposes of the Medicare tax applicable to certain non-corporate US Holders.

Dividends paid in any currency other than US dollars will be includable in income in the US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are actually or constructively received by the US Holder, regardless of whether the currency is converted into US dollars at that time. A US Holder will have a basis in the currency received equal to the US dollar value on the date of receipt. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includable in the income of the US Holder to the date such payment is converted into US dollars (or the US Holder otherwise disposes of the currency) will be exchange gain or loss and will be treated as US source ordinary income or loss for foreign tax credit limitation purposes. If dividends received in a currency other than US dollars are converted into US dollars on the day the dividends are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

#### *Sale or Other Disposition of the CKH Holdings Shares*

A US Holder generally will recognise capital gain or loss on the sale or other disposition of CKH Holdings Shares in an amount equal to the difference between the US Holder's adjusted tax basis in the CKH Holdings Shares and the US dollar value of the amount realised from the disposition. The gain or loss will be long-term capital gain or loss if the holder has held the CKH Holdings Shares for more than one year. Deductions for capital losses are subject to significant limitations. Gains will be included in net investment income for purposes of the Medicare tax on net investment income generally applicable to certain non-corporate US Holders.

A US Holder that receives a currency other than US dollars on the disposition of CKH Holdings Shares will realise an amount equal to the US dollar value of the currency received at the spot rate on the date of sale (or, in the case of cash basis and electing accrual basis US Holders, the settlement date). An accrual basis US Holder that does not elect to determine the amount realised using the spot rate on the settlement date will recognise foreign currency gain or loss equal to the difference between the US dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A US Holder

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will have a tax basis in the currency received equal to the US dollar value of the currency received on the settlement date. Any gain or loss on a subsequent disposition or conversion of the currency will be US source ordinary income or loss.

### *Backup Withholding and Information Reporting*

The receipt of CKH Holdings Shares pursuant to the Hutchison Proposal, and payments of dividends and other proceeds with respect to the CKH Holdings Shares, may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or otherwise establish a basis for exemption. A US Holder can claim a credit against its US federal income tax liability for amounts withheld under the backup withholding rules, and can claim a refund of amounts in excess of its tax liability by providing the appropriate information to the IRS in a timely manner.

Certain US Holders are required to furnish to the IRS information with respect to investments in the CKH Holdings Shares not held through an account with a financial institution. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisers about these and any other reporting obligations arising from their investment in the CKH Holdings Shares.

### **17.3 General**

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Scheme and in particular, whether the receipt of the Cancellation Consideration under the Scheme would make such Scheme Shareholder liable to taxation in Hong Kong or in other jurisdictions. It is emphasised that none of CKH Holdings, the Offeror, the Company, HSBC, Goldman Sachs, the Independent Financial Adviser, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Scheme accepts any responsibility in relation to any tax or other effects on, or liabilities of, any person in connection with the Scheme in Hong Kong or any other jurisdiction.

### **18. COURT MEETING AND GENERAL MEETING**

In accordance with the direction of the Court, the Court Meeting will be convened for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification).

The General Meeting will be held for the purpose of considering and, if thought fit, passing (a) a special resolution to approve the Scheme and the implementation of the Scheme, including, among other things, the reduction and restoration of the issued share capital of the Company under the Scheme, (b) an ordinary resolution to approve the Husky

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## EXPLANATORY STATEMENT

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Share Exchange (as a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal) and (iii) an ordinary resolution to approve the re-election of the Retiring Director.

Notices convening the Court Meeting and the General Meeting to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Monday, 20 April 2015 at 2:00 p.m. and 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively, are set out on pages N-1 to N-5 of this document.

If a tropical cyclone warning signal no. 8 or above remains hoisted or a black rainstorm warning signal is in force at 11:00 a.m. on the date of the Court Meeting and the General Meeting, the Court Meeting and the General Meeting will be postponed and, by virtue of the same notices of the Court Meeting and the General Meeting set out on pages N-1 to N-5 of this document, the Court Meeting and the General Meeting will be held instead on Tuesday, 21 April 2015 at 2:00 p.m. and 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively, or at a time on an alternative day to be announced that falls within seven Business Days of the original date scheduled for the Court Meeting and the General Meeting in the event that a tropical cyclone warning signal no. 8 or above remains hoisted or a black rainstorm warning signal is in force at 11:00 a.m. on Tuesday, 21 April 2015. Shareholders may call the hotline at +852 3169 3868 or visit the website of the Company at [www.hutchison-whampoa.com](http://www.hutchison-whampoa.com) for details of alternative meeting arrangements. The Court Meeting and the General Meeting will be held as scheduled when an amber or red rainstorm warning signal is in force. Shareholders should make their own decision as to whether to attend the Court Meeting and the General Meeting under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.

The Offeror and the Specified Offeror Concert Parties (namely, Cheung Kong, the relevant entities which hold Shares under the Trust, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mr. Leung Siu Hon, Mr. Fok Kin Ning, Canning, Mr. Frank John Sixt, Mr. Chow Kun Chee, Roland, Mr. George Colin Magnus, Mr. Lee Yeh Kwong, Charles, Mr. Yeh Yuan Chang, Anthony, Mr. Chow Nin Mow, Albert, Ms. Hung Siu-lin, Katherine, Mr. Li Tzar Kai, Richard and members of the HSBC group and the Bank of America Merrill Lynch group (other than exempt fund managers which are recognised by the Executive as such for the purpose of the Takeovers Code and those members of the HSBC group and the Bank of America Merrill Lynch group which are referred to in the definition of “Disinterested Shareholders” in “*Appendix XIII – Definitions*”)) will abstain from voting on the resolution to approve the Scheme at the Court Meeting and the ordinary resolution to approve the Husky Share Exchange at the General Meeting.

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### 19. RECOMMENDATIONS

#### 19.1 Recommendation of the Directors (other than those on the Independent Board Committee)

Having considered (i) the background to the Merger Proposal and the Spin-off Proposal, (ii) the objectives and the reasons for, and benefits of, the Merger Proposal and the Spin-off Proposal and their effects as set out above and (iii) the terms of the Hutchison Proposal and the Husky Share Exchange, the Directors (other than those on the Independent Board Committee whose views are set out in “*Letter from the Independent Board Committee*” in this document) consider that (A) the terms of each of the Hutchison Proposal and the Husky Share Exchange are fair and reasonable and (B) each of the Hutchison Proposal and the Husky Share Exchange is in the interests of the Shareholders as a whole.

Accordingly, the Directors (other than those on the Independent Board Committee) recommend that:

- (1) the Disinterested Shareholders vote in favour of (a) the resolution to approve the Scheme at the Court Meeting and (b) the ordinary resolution to approve the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal) at the General Meeting; and
- (2) the Shareholders vote in favour of the special resolution to approve the Scheme and the implementation of the Scheme, including the reduction and restoration of the issued share capital of the Company under the Scheme, at the General Meeting.

Each of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, who are regarded as having a material interest in the Hutchison Proposal and the Husky Share Exchange, abstained from voting on the relevant board resolutions of the Company for approval of such transactions.

#### 19.2 Recommendation of the Independent Financial Adviser

In the letter from the Independent Financial Adviser set out in this document, the Independent Financial Adviser has stated that based on the principal factors and reasons set out in its letter, it considers that the terms of the Hutchison Proposal and the Husky Share Exchange are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, the Independent Financial Adviser has recommended the Independent Board Committee to advise the Disinterested Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the General Meeting to approve and implement the Hutchison Proposal and the Husky Share Exchange.

Your attention is drawn to the advice and recommendation of the Independent Financial Adviser in “*Letter from the Independent Financial Adviser*” in this document.

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## EXPLANATORY STATEMENT

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### 19.3 Recommendation of the Independent Board Committee

The Board has established the Independent Board Committee, comprising Mr. Cheng Hoi Chuen, Vincent, The Hon Sir Michael David Kadoorie, Mr. William Shurniak and Mr. Wong Chung Hin, all of whom are independent non-executive Directors, to make recommendations to the Disinterested Shareholders in respect of the Merger Proposal. Ms. Lee Wai Mun, Rose, who is an independent non-executive Director, has not been appointed to the Independent Board Committee as she is also a director of HSBC. Mr. Lee Yeh Kwong, Charles and Mr. George Colin Magnus, who are non-executive Directors, have not been appointed to the Independent Board Committee as they are also non-executive CKH Holdings Directors.

The Independent Board Committee, having considered (i) the background to the Merger Proposal and the Spin-off Proposal, (ii) the objectives and the reasons for, and benefits of, the Merger Proposal and the Spin-off Proposal and their effects as set out above and (iii) the terms of the Hutchison Proposal and the Husky Share Exchange and having taken into account the advice of the Independent Financial Adviser, and in particular, the factors, reasons and recommendations set out in “*Letter from the Independent Financial Adviser*” in this document, considers that the terms of each of the Hutchison Proposal and the Husky Share Exchange are fair and reasonable so far as the Disinterested Shareholders are concerned.

Accordingly, the Independent Board Committee recommends that:

- (1) the Disinterested Shareholders vote in favour of (a) the resolution to approve the Scheme at the Court Meeting and (b) the ordinary resolution to approve the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal) at the General Meeting; and
- (2) the Shareholders vote in favour of the special resolution to approve the Scheme and the implementation of the Scheme, including the reduction and restoration of the issued share capital of the Company under the Scheme, at the General Meeting.

Your attention is drawn to the recommendation of the Independent Board Committee in “*Letter from the Independent Board Committee*” in this document.

### 20. INDICATION AS TO VOTING

Each of Cheung Kong, the relevant entities which hold Shares under the Trust, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mr. Leung Siu Hon, Mr. Fok Kin Ning, Canning, Mr. Frank John Sixt, Mr. Chow Kun Chee, Roland, Mr. George Colin Magnus, Mr. Lee Yeh Kwong, Charles, Mr. Yeh Yuan Chang, Anthony, Mr. Chow Nin Mow, Albert, Ms. Hung Siu-lin, Katherine and Mr. Li Tzar Kai, Richard has indicated that if the Scheme is approved at the Court Meeting, those Shares held by it, him or her, directly or indirectly, will be voted in favour of the special resolution to approve the Scheme and the implementation of the Scheme, including the reduction and restoration of the issued share capital of the Company under the Scheme, at the General Meeting.

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In addition, certain Directors, namely, Mr. Lai Kai Ming, Dominic, The Hon Sir Michael David Kadoorie and Mr. William Shurniak, have each indicated that those Shares held by him, directly or indirectly, will be voted in favour of (a) the resolution to approve the Scheme at the Court Meeting, (b) the ordinary resolution to approve the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal) at the General Meeting and (c) the special resolution to approve the Scheme and the implementation of the Scheme at the General Meeting. Mrs. Chow Woo Mo Fong, Susan has indicated that those Shares held by her, directly or indirectly, will be voted in favour of (a) the resolution to approve the Scheme at the Court Meeting and (b) the special resolution to approve the Scheme and the implementation of the Scheme at the General Meeting. Mrs. Chow Woo Mo Fong, Susan will abstain from voting on the ordinary resolution to approve the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal) at the General Meeting as she is regarded as being involved in the Husky Share Exchange pursuant to Rule 25 of the Takeovers Code.

### 21. ACTIONS TO BE TAKEN

#### 21.1 Actions to be taken by Shareholders

A **pink** form of proxy for use at the Court Meeting and a **blue** form of proxy for use at the General Meeting are enclosed with copies of this document sent to the Registered Owners.

**Whether or not you are able to attend the Court Meeting and/or the General Meeting, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and also the enclosed blue form of proxy in respect of the General Meeting, in accordance with the respective instructions printed on them, and to lodge them at the Company's registered office at 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong.**

In order to be valid, the **pink** form of proxy for use at the Court Meeting should be lodged not later than 2:00 p.m. on Saturday, 18 April 2015. The **pink** form of proxy may also be handed to the Chairman of the Court Meeting at the Court Meeting. The **blue** form of proxy for use at the General Meeting should be lodged not later than 2:30 p.m. on Saturday, 18 April 2015. The completion and return of the relevant forms of proxy will not preclude you from attending and voting in person at the relevant meeting should you so wish. In such event, the returned form of proxy for that meeting will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the General Meeting, you will still be bound by the outcome of the Court Meeting and/or the General Meeting. You are therefore strongly urged to attend and vote at the Court Meeting and/or the General Meeting in person or by proxy.

Voting at the Court Meeting and the General Meeting will be taken by poll.

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If any Shareholder has questions concerning administrative matters, such as dates, documentation and procedures relating to the Merger Proposal, please call the Company's share registrar, Computershare Hong Kong Investor Services Limited, at +852 2862 8555 between 9:00 a.m. and 5:00 p.m. on Mondays to Fridays, excluding public holidays. This helpline cannot and will not provide advice on the merits of the Merger Proposal or the Scheme or give financial or legal advice.

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from Wednesday, 15 April 2015 to Monday, 20 April 2015 (both days inclusive) and, during such period, no transfer of Shares will be effected.

In order to qualify to vote at the Court Meeting and the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 14 April 2015.

An announcement will be made by the Company in relation to the results of the Court Meeting and the General Meeting, and if all the resolutions are passed at those meetings, further announcement(s) will be made in relation to, among other things, the results of the Court Hearing of the petition to sanction the Scheme, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

### **21.2 Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner**

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or General Meeting and for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

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## EXPLANATORY STATEMENT

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The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the Articles of Association.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and should be lodged in the manner and before the latest time for lodging the relevant forms of proxy as described in this document.

The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude the Registered Owner from attending and voting in person at the Court Meeting or the General Meeting. In such event, the returned form of proxy will be deemed to have been revoked.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and the General Meeting in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to lodge them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and the General Meeting, then such Beneficial Owner should comply with the requirements of such Registered Owner.

### **21.3 Actions to be taken by Beneficial Owners whose Shares are deposited in CCASS**

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should, unless you are admitted to participate in CCASS as an Investor Participant:

- (a) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons; or
- (b) arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote at the Court Meeting and/or the General Meeting.

The procedure for voting by Investor Participants and Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

## **22. COSTS OF THE SCHEME**

CKH Holdings, the Offeror and the Company have agreed that (a) if the Scheme does not proceed or is withdrawn or lapses, all costs and expenses incurred in connection with the Scheme will be borne by CKH Holdings and (b) if the Scheme becomes effective, all costs



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and expenses incurred in connection with the Scheme will be borne by CKH Holdings and the Company in equal shares. The costs and expenses for the implementation of the Scheme are estimated to be approximately HK\$250 million.

### 23. FURTHER INFORMATION

This document will be despatched to the Shareholders at no cost to them. In addition, Shareholders may obtain free copies of this document from the website of the Company at [www.hutchison-whampoa.com](http://www.hutchison-whampoa.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk).

Further information is set out in the Appendices to, and elsewhere in, this document, all of which form part of this Explanatory Statement.

In addition to the documents available for inspection set out in “Appendix XII – Documents Available for Inspection”, each of CKH Holdings (and prior to 18 March 2015, Cheung Kong) and the Company publishes its annual and interim reports, announcements and other corporate communications on their websites at [www.ckh.com.hk](http://www.ckh.com.hk) and [www.hutchison-whampoa.com](http://www.hutchison-whampoa.com), respectively, and on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). Information published by CKH Holdings (and prior to 18 March 2015, Cheung Kong) and the Company on the Stock Exchange's website can be found on such website by reference to their respective stock codes or stock names.

You should rely only on the information contained in this document in order to vote your Shares at the Court Meeting and the General Meeting. None of CKH Holdings, the Offeror, the Company, HSBC, Goldman Sachs, the Independent Financial Adviser, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Merger Proposal has authorised anyone to provide you with information that is different from what is contained in this document. Unless otherwise stated, no assumption should be made that the information contained in this document is accurate as at any date other than the Latest Practicable Date, and neither the despatch of this document to the Shareholders nor the payment of the Cancellation Consideration pursuant to the Scheme shall create any implication to the contrary.

**Shareholders and holders of other securities of either CKH Holdings or the Company and potential investors in the securities of either CKH Holdings or the Company should note that the Merger Proposal and the Spin-off Proposal and all transactions thereunder are subject to, among other things, compliance with applicable legal and regulatory requirements, including the requirements for approval by shareholders of the companies concerned at general meeting(s), sanction by the Court and approval of the Stock Exchange and/or other regulators. Accordingly, there is no certainty as to whether, and if so when, any such transactions will proceed and/or become effective.**

**Shareholders and holders of other securities of either CKH Holdings or the Company and potential investors in the securities of either CKH Holdings or the Company, should exercise caution when dealing in the shares or other securities of**

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either CKH Holdings or the Company. Any person who is in doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

### 24. LANGUAGE

In case of any inconsistency, the English language text of this document and the accompanying forms of proxy shall prevail over the Chinese language text.

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## INFORMATION FOR OVERSEAS SHAREHOLDERS

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### 1. GENERAL

The making of the Hutchison Proposal to certain Shareholders may be subject to the laws of jurisdictions other than Hong Kong. Overseas Shareholders and Beneficial Owners residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Shareholders and the Beneficial Owners to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Scheme, including obtaining any governmental, exchange control or other consents which may be required, and compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

Shareholders and Beneficial Owners should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequences under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Shares or the CKH Holdings Shares, as the case may be. It is emphasised that none of CKH Holdings, the Offeror, the Company, HSBC, Goldman Sachs, the Independent Financial Adviser, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Merger Proposal or the Scheme accepts any responsibility in relation to the above.

A summary of the requirements applicable to Overseas Shareholders or persons in certain jurisdictions is set out below.

### 2. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN AUSTRALIA

The Company and CKH Holdings are not licensed in Australia to provide financial advice in respect of the CKH Holdings Shares. The Company and CKH Holdings also advise that no cooling off period applies in respect of the CKH Holdings Shares.

### 3. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN AUSTRIA

This document does not constitute an offer of, or an invitation to subscribe for or purchase, any securities. The distribution of this document and the offering, sale and delivery of securities in certain jurisdictions may be restricted by law. In relation to each member state of the European Economic Area (the “EEA”) which has implemented the Prospectus Directive (the expression “**Prospectus Directive**” means Directive 2003/71/EC (and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State, and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU) (each, a “**Relevant Member State**”), as of the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), no offer has been made and will be made to the public in that Relevant Member State except that an offer may, with effect from and including the Relevant Implementation Date, be made (i) to any legal entity which is a qualified investor as defined under the Prospectus Directive; (ii) at any time to fewer than 150 natural or legal

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## INFORMATION FOR OVERSEAS SHAREHOLDERS

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persons other than qualified investors; or (iii) in any other circumstances falling under Article 3(2) of the Prospectus Directive. For the purposes of the above, the expression an “offer of securities to the public” in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

#### **4. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN THE BRITISH VIRGIN ISLANDS**

No CKH Holdings Shares may be offered to the public in the British Virgin Islands for purchase or subscription except under circumstances that will result in compliance with the rules concerning offering of such securities in the British Virgin Islands and with the laws of the British Virgin Islands.

#### **5. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN THE CAYMAN ISLANDS**

This document is sent to you as a registered Shareholder. It is not for distribution to the public in the Cayman Islands who may not be invited to subscribe for the securities.

#### **6. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN FRANCE OR FRENCH POLYNESIA**

This document does not constitute an offer of securities and has not been approved by the French market security regulator (the *Autorités des marchés financiers*). Any offer of securities to the public must be made in accordance with the relevant regulations which may impose the publication of a prospectus approved by the *Autorités des marchés financiers*.

#### **7. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN INDIA**

Each of the Company, the Offeror and CKH Holdings assumes that you are eligible to receive the CKH Holdings Shares without the requirement to seek any approval under applicable Indian laws including but not limited to the approval of the Reserve Bank of India.

#### **8. PERSONS RESIDENT OR LOCATED IN ISRAEL**

This document does not constitute an offer of securities within its meaning in the Israeli Securities Law, 1968 (the “**Israeli Securities Law**”) and is based on an exemption under the Israeli Securities Law.

This document has not been submitted or approved by the relevant Israeli regulator, and a prospectus is not being issued under the Israeli Securities Law. No action has been or will be taken in the State of Israel that would permit a public offering in Israel of the securities described in the Hutchison Proposal.

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## **INFORMATION FOR OVERSEAS SHAREHOLDERS**

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This document does not constitute or include any advice as to the acceptance of the offer or the purchase of the securities, and in making any investment decision, investors must only rely on their own examination of the securities and the terms of the Hutchison Proposal, including the merits and risks involved, and should seek advice from appropriate advisers with respect to the legal, accounting, tax and financial ramifications of purchasing the securities.

### **9. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN KENYA**

The Hutchison Proposal and this document do not comprise a public offer made in Kenya within the meaning of section 30A of the Capital Markets Act (Chapter 485A, Laws of Kenya).

### **10. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN NIGERIA**

The Scheme is not required to be and has not been filed with or cleared by the Nigerian Securities and Exchange Commission. If you are in any doubt about your position or any action to be taken, we recommend that you consult your own professional adviser.

### **11. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN PORTUGAL**

No offer or sale of CKH Holdings Shares may be made in Portugal except under circumstances that will result in compliance with the rules concerning marketing of such shares and with the laws of Portugal generally. No notification has been made nor has any been requested from the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, “**CMVM**”) for the allotment and issue of the CKH Holdings Shares referred to in this document, therefore the same cannot be offered to the public in Portugal. Likewise, no prospectus or equivalent document has been or will be registered, approved or passported into Portugal in respect of the Hutchison Proposal and therefore the CKH Holdings Shares may not be or caused to be offered, marketed or distributed in Portugal nor this document may be or caused to be distributed, disseminated or specifically addressed to Portuguese-resident investors in circumstances which would constitute an offer of securities to the public under the Portuguese Securities Code, as amended from time to time. Accordingly, no CKH Holdings Shares have been or may be offered or sold to unidentified addressees or to 150 or more non-qualified Portuguese resident investors and no allotment or issue of CKH Holdings Shares has been preceded or followed by promotion or solicitation to unidentified investors, public advertisement, publication of any promotional material or in any similar manner.

### **12. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN SINGAPORE**

The CKH Holdings Shares may not be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except under or pursuant to a prospectus registration exemption under Subdivision (4) of Division 1 of Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”) (other than section 280 of the SFA).

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## INFORMATION FOR OVERSEAS SHAREHOLDERS

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### 13. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN SRI LANKA

In accepting the CKH Holdings Shares, the Overseas Shareholders residing or located in Sri Lanka may be subject to legal investment laws and regulations, and/or review or regulation by certain authorities in Sri Lanka, including exchange control. They should hence consult their legal advisers to determine whether and to what extent the shareholding is a legal investment and whether any other restriction(s) apply to their shareholding.

### 14. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN SWEDEN

This document has been prepared for information purposes only. It is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act (*Sw. lag (1991:980) om handel med finansiella instrument*) or the European prospectus regulation (809/2004/EC) (the “**Prospectus Regulations**”). This document and the offer described herein are not subject to any registration or approval requirements under the Prospectus Regulations and have not been, and will not be, examined, approved or registered by the Swedish Financial Supervisory Authority or any other financial supervisory authority or other supervisory body within the European Union.

### 15. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN TAIWAN

The issue of CKH Holdings Shares as described in this document has not been and will not be registered with the Financial Supervisory Commission of Taiwan, the Republic of China pursuant to relevant securities laws and regulations and the CKH Holdings Shares may not be offered or sold in Taiwan, the Republic of China through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan, the Republic of China that requires a registration or approval of the Financial Supervisory Commission of Taiwan, the Republic of China. No person or entity in Taiwan, the Republic of China has been authorised to offer or sell the CKH Holdings Shares in Taiwan, the Republic of China.

### 16. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN THE UNITED ARAB EMIRATES

CKH Holdings and the Company have been advised that the legal regime regarding the offering of foreign securities in the United Arab Emirates (the “**UAE**”) is generally not developed and lacks certainty. The general consensus is that offering of foreign securities may only be conducted by or through an investment company, local promoter or bank licensed to operate and conduct business in the UAE and with the prior approval of the Central Bank of the UAE and/or the Emirates Securities and Commodities Authority (the “**SCA**”) which can take a significant amount of time. None of CKH Holdings, the Offeror or the Company has received authorisation or licensing from the UAE Central Bank, the SCA or any other authorities in the UAE to market or sell securities or other investments within the UAE. Accordingly, any Overseas Shareholders whose registered addresses are in the UAE will be regarded as Non-Qualifying Overseas Shareholders and no CKH Holdings

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## INFORMATION FOR OVERSEAS SHAREHOLDERS

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Shares will be offered and issued to such Non-Qualifying Overseas Shareholders and they will instead receive cash as described in “*Non-Qualifying Overseas Shareholders*” in the Explanatory Statement.

In relation to its use in the UAE, this document is strictly private and confidential and is being distributed to a limited number of recipients and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The CKH Holdings Shares may not be offered or sold directly or indirectly to the public in the UAE.

### **17. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN THE UNITED KINGDOM**

This document does not constitute an offer of securities to the public within the meaning of section 85(1) of the Financial Services and Markets Act 2000 (the “**FSMA**”) or a financial promotion to which section 21(1) of the FSMA applies. This document has not been approved by the Financial Conduct Authority (the “**FCA**”). Any offer of securities to the public in the United Kingdom must be made in accordance with the FSMA and other relevant regulations which may require the publication of a prospectus approved by the FCA.

### **18. OVERSEAS SHAREHOLDERS LOCATED IN THE UNITED STATES**

This document is not an offer of securities for sale in the United States. The CKH Holdings Shares to be issued in connection with the Scheme will not be, and are not required to be, registered under the Securities Act or the securities laws of any state of the United States and will be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) of the Securities Act and available exemptions from such state law registration requirements.

The Hutchison Proposal relates to the securities of CKH Holdings, which is incorporated in the Cayman Islands, and the Company, which is incorporated in Hong Kong. The Hutchison Proposal will be effected under a scheme of arrangement under Hong Kong law. Accordingly, the Scheme is subject to the disclosure requirements, rules and practices applicable to Hong Kong schemes of arrangement, and the information disclosed in this document may not be the same as that which would have been disclosed if this document had been prepared for the purpose of complying with the requirements of US federal securities laws or in accordance with the laws and regulations of any other jurisdiction. The financial information included in this document has not been, and will not be, prepared in accordance with US GAAP and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with US GAAP. US GAAP differ in certain significant respects from HKFRS. None of the financial information in this document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States).

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## INFORMATION FOR OVERSEAS SHAREHOLDERS

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It may be difficult for US holders of the Shares to enforce their rights and any claim arising out of US securities laws, since CKH Holdings and the Company are incorporated outside of the United States, some or all of their respective officers and directors are resident outside of the United States and a substantial portion of their respective assets are located outside of the United States. US holders of Shares may not be able to sue a foreign company or its officers or directors in a foreign court for violations of US securities laws, or enforce against them a judgement rendered by a US court. Further, it may be difficult to compel a foreign company and its affiliates to subject themselves to a US court's jurisdiction.

CKH Holdings Shares issued to a Shareholder that is neither an "affiliate" (within the meaning of the Securities Act), for the purposes of the Securities Act, of CKH Holdings or the Company prior to the Effective Date, nor an affiliate of CKH Holdings after the Effective Date, should not be "restricted securities" under the Securities Act, and such CKH Holdings Shares may be sold by such person in ordinary secondary market transactions without restriction under the Securities Act. CKH Holdings Shares issued pursuant to the Scheme will not be registered under any US state securities laws and may only be issued to persons resident in a state pursuant to an exemption from the registration requirements of the securities laws of such state.

Persons who are affiliates of CKH Holdings or the Company prior to the Effective Date, or an affiliate of CKH Holdings after the Effective Date, may not resell CKH Holdings Shares received pursuant to the Scheme in the United States without registration under the Securities Act, except pursuant to an applicable exemption from the registration requirements of the Securities Act or in a transaction not subject to such requirements. Persons who may be deemed to be affiliates of CKH Holdings or the Company, as the case may be, include individuals who, or entities that, control, directly or indirectly, or are controlled by or are under common control with, CKH Holdings or the Company, as the case may be, and may include certain officers and directors of such company and such company's principal shareholders (such as a holder of more than 10% of the outstanding capital stock). Persons who believe they may be affiliates for the purposes of the Securities Act should consult their own legal advisers prior to any sale of CKH Holdings Shares received pursuant to the Scheme.

The CKH Holdings Shares have not been and will not be listed on a US securities exchange or quoted on any inter-dealer quotation system in the United States. CKH Holdings does not intend to facilitate a market in CKH Holdings Shares in the United States. Consequently, CKH Holdings believes that it is unlikely that an active trading market in the United States will develop for the CKH Holdings Shares.

Neither the SEC nor any other US federal or state securities commission or regulatory authority has approved or disapproved of the CKH Holdings Shares or passed an opinion on the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

For the purposes of qualifying for the exemption from the registration requirements of the Securities Act afforded by section 3(a)(10) thereof, the Company will advise the Court before the Court Hearing that its sanctioning of the Scheme will be relied upon by CKH



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## INFORMATION FOR OVERSEAS SHAREHOLDERS

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Holdings and the Company for such purpose as an approval of the Scheme following a hearing on the fairness of the terms and conditions of the Scheme to the Shareholders, at which hearing all such holders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such holders.

With respect to the Spin-off Proposal, CKH Holdings Shareholders are hereby notified that CKH Holdings Shareholders in the United States will generally be considered Non-Qualifying CKH Holdings Shareholders with respect to the Distribution in Specie of CK Property Shares.

Notwithstanding the above, CKH Holdings may allot and issue the CK Property Shares to a limited number of CKH Holdings Shareholders in the United States whom CKH Holdings reasonably believes are QIBs if it determines it can do so in transactions exempt from the registration requirements of the Securities Act.

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## PARTIES INVOLVED IN THE MERGER PROPOSAL

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<b>Financial Adviser to CKH Holdings and the Offeror</b>	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
<b>Financial Adviser to the Company</b>	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
<b>Independent Financial Adviser to the Independent Board Committee of the Company</b>	Somerley Capital Limited 20th Floor, China Building 29 Queen's Road Central Hong Kong
<b>Legal Advisers to the Company as to Hong Kong and United States Laws</b>	Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square Hong Kong
<b>Legal Advisers to CKH Holdings and the Offeror as to Hong Kong Law</b>	Woo Kwan Lee & Lo 26th Floor, Jardine House 1 Connaught Place Central Hong Kong
<b>Legal Advisers to the Financial Adviser to CKH Holdings and the Offeror as to Hong Kong and United States Laws</b>	Linklaters 10th Floor, Alexandra House 18 Chater Road Central Hong Kong
<b>Auditor and Reporting Accountant</b>	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22nd Floor, Prince's Building Central Hong Kong
<b>Reporting Accountants on the Cheung Kong Property Group, the Hutchison Property Group and the CK Property Group</b>	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F, One Pacific Place 88 Queensway Hong Kong

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## PARTIES INVOLVED IN THE MERGER PROPOSAL

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### **Independent Property Valuers**

*As to all properties valued (other than certain properties in the United Kingdom and properties in The Bahamas):*

DTZ Debenham Tie Leung Limited  
16th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

*As to certain properties in the United Kingdom:*

Gerald Eve LLP  
72 Welbeck Street  
London W1G 0AY  
United Kingdom

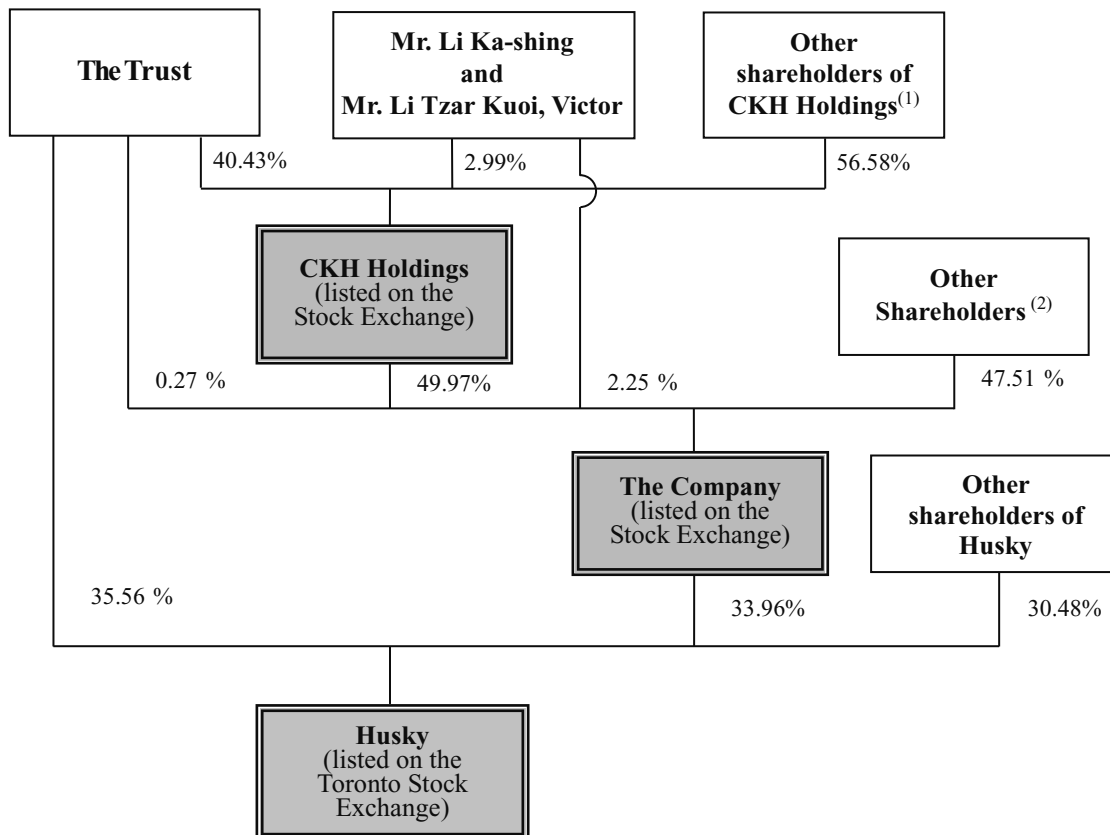
Smiths Gore  
17-18 Old Bond Street  
London W1S 4PT  
United Kingdom

*As to certain properties in The Bahamas:*

CBRE, Inc.  
777 Brickell Ave.  
Suite 900  
Miami, FL 33131  
United States of America

1. Simplified group structure as at the Latest Practicable Date

As at the Latest Practicable Date, the simplified group structure of the CKH Holdings Group and the Group was as follows:

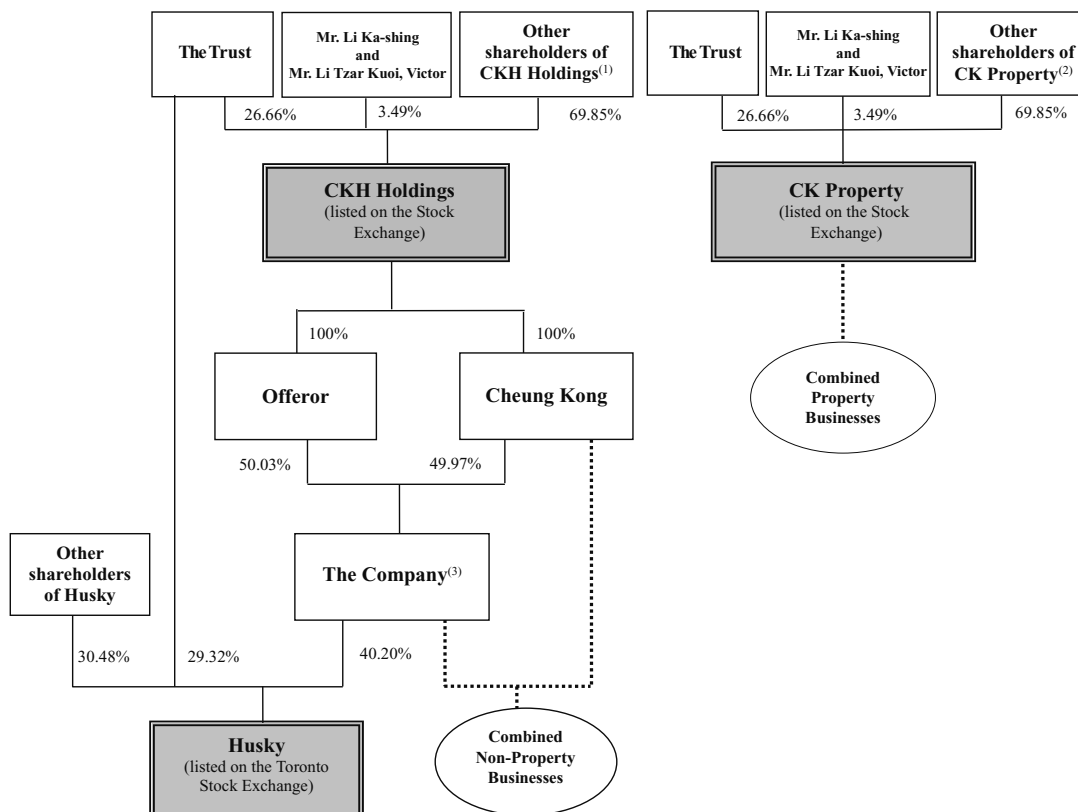


Notes:

- (1) The other shareholders of CKH Holdings include certain core connected persons of CKH Holdings (including, among others, certain CKH Holdings Directors (other than Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor)), who are not regarded as public shareholders of CKH Holdings under the Listing Rules.
- (2) The other Shareholders include certain core connected persons of the Company (including, among others, certain Directors (other than Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor)), who are not regarded as public Shareholders under the Listing Rules.

**2. Simplified group structure of the CKH Holdings Group and the CK Property Group immediately following completion of the Merger Proposal and the Spin-off Proposal**

Immediately following completion of the Merger Proposal and the Spin-off Proposal, the simplified group structure of the CKH Holdings Group and the CK Property Group is expected to be as follows:



Notes:

- (1) The other shareholders of CKH Holdings are expected to include certain core connected persons of CKH Holdings (including, among others, certain CKH Holdings Directors (other than Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor)), who are not regarded as public shareholders of CKH Holdings under the Listing Rules. Such other shareholders of CKH Holdings comprise (i) persons who are shown as “Other shareholders of CKH Holdings” in the simplified group structure chart on page I-1, who are expected to own approximately 33.95% of CKH Holdings in aggregate immediately following completion of the Merger Proposal and the Spin-off Proposal and (ii) persons who are shown as “Other Shareholders” in the simplified group structure chart on page I-1, who are expected to own approximately 35.90% of CKH Holdings immediately following completion of the Merger Proposal and the Spin-off Proposal.
- (2) The other shareholders of CK Property are expected to include certain core connected persons of CK Property (including, among others, certain directors of CK Property (other than Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor)), who are not regarded as public shareholders of CK Property under the Listing Rules. Such other shareholders of CK Property comprise (i) persons who are shown as “Other shareholders of CKH Holdings” in the simplified group structure chart on page I-1, who are expected to own approximately 33.95% of CK Property in aggregate immediately following completion of the Merger Proposal and the

Spin-off Proposal and (ii) persons who are shown as “Other Shareholders” in the simplified group structure chart on page I-1, who are expected to own approximately 35.90% of CK Property immediately following completion of the Merger Proposal and the Spin-off Proposal.

- (3) The listing status of the Company on the Main Board will be withdrawn following the Scheme becoming effective.

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## APPENDIX II      INFORMATION ON THE CKH HOLDINGS GROUP AND THE OFFEROR

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### 1. RESPONSIBILITY STATEMENT

The issue of this document has been approved by the CKH Holdings Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this document ((i) other than information relating to the Group and (ii) in so far as information relates to the CK Property Group, other than information relating to the Hutchison Property Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by the Company or the Directors in their capacity as Directors) have been arrived at after due and careful consideration and there are no other facts ((i) other than information relating to the Group and (ii) in so far as information relates to the CK Property Group, other than information relating to the Hutchison Property Group) not contained in this document, the omission of which would make any statement in this document misleading.

The issue of this document has been approved by the Offeror Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this document ((i) other than information relating to the Group and (ii) in so far as information relates to the CK Property Group, other than information relating to the Hutchison Property Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by the Company or the Directors in their capacity as Directors) have been arrived at after due and careful consideration and there are no other facts ((i) other than information relating to the Group and (ii) in so far as information relates to the CK Property Group, other than information relating to the Hutchison Property Group) not contained in this document, the omission of which would make any statement in this document misleading.

### 2. SHARE CAPITAL

#### 2.1 Share Capital of CKH Holdings

- (a) As at the Latest Practicable Date, the share capital of CKH Holdings was as follows:

##### **Authorised Share Capital**

Number of authorised shares	8,000,000,000
Amount of authorised share capital	HK\$8,000,000,000

##### **Issued and Fully Paid-up Capital**

Number of shares in issue	2,316,164,338
Amount of issued and paid up capital	HK\$2,316,164,338

- (b) All the CKH Holdings Shares in issue and to be issued in connection with the Merger Proposal are or will be fully paid or credited as fully paid and rank *pari passu* in all respects with each other, including as to rights to capital, dividends and voting.

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**APPENDIX II                      INFORMATION ON THE CKH HOLDINGS GROUP  
AND THE OFFEROR**

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- (c) In connection with the Cheung Kong Reorganisation:
- (i) on 2 March 2015, CKH Holdings increased its authorised share capital from HK\$380,000 to HK\$8,000,000,000 by the creation of 7,999,620,000 CKH Holdings Shares of HK\$1.00 par value each; and
  - (ii) on 18 March 2015, CKH Holdings allotted and issued 2,316,164,337 CKH Holdings Shares, credited as fully paid, to certain Cheung Kong Shareholders and the person selected by CKH Holdings to sell the CKH Holdings Shares which would otherwise have been allotted to the relevant non-qualifying overseas Cheung Kong Shareholders.

Save as disclosed in this paragraph 2.1(c), no CKH Holdings Shares had been issued or bought back by CKH Holdings since 31 December 2014, being the end of the last financial year of CKH Holdings, up to and including the Latest Practicable Date.

- (d) As at the Latest Practicable Date, CKH Holdings did not have any outstanding options, warrants or conversion rights affecting CKH Holdings Shares.
- (e) There had been no reorganisation of capital of CKH Holdings from 11 December 2014, being the date of incorporation of CKH Holdings, up to the commencement of the Offer Period.

**2.2 Share Capital of the Offeror**

- (a) The Offeror is authorised to issue a maximum of 50,000 shares (with or without par value) of a single class. As at the Latest Practicable Date, there was one share in the Offeror in issue. CKH Holdings, the sole shareholder of the Offeror, is entitled to rights to capital, dividends and voting in respect of the issued share in the Offeror.
- (b) On 2 January 2015, one share in the Offeror was allotted and issued to CKH Holdings. Save as aforesaid, no shares in the capital of the Offeror had been issued or bought back by the Offeror since 31 December 2014, being the end of the last financial year of the Offeror, up to and including the Latest Practicable Date.
- (c) As at the Latest Practicable Date, the Offeror did not have any outstanding options, warrants or conversion rights affecting shares in the Offeror.
- (d) There had been no reorganisation of capital of the Offeror from 30 December 2014, being the date of incorporation of the Offeror, up to the commencement of the Offer Period.



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**APPENDIX II                      INFORMATION ON THE CKH HOLDINGS GROUP  
AND THE OFFEROR**

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**3. MARKET PRICES**

The table below shows the closing prices of Cheung Kong Shares and (since 18 March 2015, being the date of completion of the Cheung Kong Reorganisation) CKH Holdings Shares on the Stock Exchange on (a) the Latest Practicable Date, (b) the Last Trading Day and (c) at the end of each calendar month during the Relevant Period:

<b>Date</b>	<b>Closing Price of each Cheung Kong Share or CKH Holdings Share <i>(HK\$)</i></b>
31 July 2014	150.70
29 August 2014	141.30
30 September 2014	127.90
31 October 2014	137.60
28 November 2014	142.30
31 December 2014	130.30
9 January 2015 (Last Trading Day)	124.80
30 January 2015	148.50
27 February 2015	153.50
27 March 2015 (Latest Practicable Date)	157.30

During the Relevant Period, the highest closing price of Cheung Kong Shares or CKH Holdings Shares (as the case may be) on the Stock Exchange was HK\$157.30 each on 27 March 2015 and the lowest closing price of the Cheung Kong Shares or CKH Holdings Shares (as the case may be) on the Stock Exchange was HK\$124.80 each on 9 January 2015.

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**APPENDIX II                      INFORMATION ON THE CKH HOLDINGS GROUP  
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**4. DISCLOSURE OF INTERESTS IN CKH HOLDINGS SHARES**

- (a) As at the Latest Practicable Date, the following CKH Holdings Directors had the following interests in CKH Holdings Shares. For the purpose of this paragraph, “interested” and “interests” have the same meanings given to those terms in Part XV of the SFO:

Name of CKH Holdings Director	Capacity	Number of CKH Holdings Shares				Total	Approximate % of shareholding
		Personal Interest	Family Interest	Corporate Interest	Other Interest		
Li Ka-shing	Interest of controlled corporations and founder of discretionary trusts	-	-	67,189,000 <sup>(1)</sup>	936,462,744 <sup>(2)</sup>	1,003,651,744	43.33%
Li Tzar Kuoi, Victor	Beneficial owner, interest of child or spouse, interest of controlled corporations and beneficiary of trusts	220,000	200,000	1,529,000 <sup>(3)</sup>	936,462,744 <sup>(2)</sup>	938,411,744	40.51%
Kam Hing Lam	Beneficial owner	10,000	-	-	-	10,000	0.0004%
Leung Siu Hon	Beneficial owner and interest of child or spouse	645,500	64,500	-	-	710,000	0.03%
Chow Kun Chee, Roland	Beneficial owner	65,600	-	-	-	65,600	0.003%
George Colin Magnus	Beneficial owner, interest of child or spouse and beneficiary of trust	56,000	10,000	-	184,000 <sup>(4)</sup>	250,000	0.01%
Lee Yeh Kwong, Charles	Beneficial owner	30,000	-	-	-	30,000	0.001%
Yeh Yuan Chang, Anthony	Interest of child or spouse	-	3,000	-	-	3,000	0.0001%
Hung Siu-lin, Katherine	Beneficial owner	20,000	-	-	-	20,000	0.0009%

*Notes:*

- (1) Such interests are held by certain companies of which Mr. Li Ka-shing is interested in the entire issued share capital.
- (2) The two references to 936,462,744 CKH Holdings Shares relate to the same block of CKH Holdings Shares. Mr. Li Ka-shing is the settlor of each of DT1 and DT2. Each of TDT1, which is the trustee of DT1, and TDT2, which is the trustee of DT2, holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. TUT1 as trustee of UT1 and companies controlled by TUT1 as trustee of UT1 (“**TUT1 related companies**”) hold a total of such 936,462,744 CKH Holdings Shares.

The entire issued share capital of TUT1, TDT1 and TDT2 is owned by Unity Holdco. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco. TUT1 is interested in the CKH Holdings Shares by reason only of its obligation and power to hold interests in those CKH Holdings Shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the CKH Holdings Shares independently without any reference to Unity Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as set out above.

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**APPENDIX II                      INFORMATION ON THE CKH HOLDINGS GROUP  
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As Mr. Li Ka-shing may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO and Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT1 and DT2, and by virtue of the above, both Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the CKH Holdings Shares held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO as CKH Holdings Directors.

- (3) Such interests are held by certain companies of which Mr. Li Tzar Kuoi, Victor is interested in the entire issued share capital.
  - (4) Such interests are held by a company controlled by a trust under which Mr. George Colin Magnus is a discretionary beneficiary.
- (b) As at the Latest Practicable Date, the following Offeror Concert Parties (other than CKH Holdings Directors) owned or controlled CKH Holdings Shares:

<b>Name of Offeror Concert Parties (other than CKH Holdings Directors)</b>	<b>Number of CKH Holdings Shares</b>	<b>Approximate % of shareholding</b>
Trust <sup>(1)</sup>	936,462,744	40.43
HSBC <sup>(2)</sup>	353,222	0.02
Bank of America Merrill Lynch <sup>(3)</sup>	5,187,212	0.22

*Notes:*

- (1) The 936,462,744 CKH Holdings Shares as at the Latest Practicable Date were held by TUT1 as trustee of UT1 and companies controlled by TUT1 as trustee of UT1. Mr. Li Ka-shing is the settlor of each of DT1 and DT2. Each of TDT1, which is the trustee of DT1 and TDT2, which is the trustee of DT2, holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Therefore, TUT1 (as trustee of UT1) is regarded as acting in concert with the Offeror in relation to the Company.
- (2) HSBC is the financial adviser to CKH Holdings and the Offeror. In addition, HSBC Corporate Finance is a joint sponsor in relation to the Spin-off Proposal. As such, HSBC, HSBC Corporate Finance and relevant members of the HSBC group (except those which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) as regards CKH Holdings Shares they own or control are presumed to be acting in concert with CKH Holdings and the Offeror in relation to the Company in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code.
- (3) Bank of America Merrill Lynch is joint sponsor in relation to the Spin-off Proposal. As such, Bank of America Merrill Lynch and relevant members of the Bank of America Merrill Lynch group (except those which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) as regards CKH Holdings Shares they own or control are presumed to be acting in concert with CKH Holdings and the Offeror in relation to the Company in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code. Of the 5,187,212 CKH Holdings Shares owned or controlled by members of the Bank of America Merrill Lynch group (except those which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code), 2,871,347 CKH Holdings Shares are represented by ADRs.

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**APPENDIX II                      INFORMATION ON THE CKH HOLDINGS GROUP  
AND THE OFFEROR**

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(c) As at the Latest Practicable Date, save as disclosed above in this paragraph 4:

- (i) none of the CKH Holdings Directors or the Offeror Directors was interested in any CKH Holdings Shares or any convertible securities, warrants, options or derivatives in respect of CKH Holdings Shares;
- (ii) none of the Offeror Concert Parties owned or controlled any CKH Holdings Shares or any convertible securities, warrants, options or derivatives in respect of CKH Holdings Shares; and
- (iii) none of CKH Holdings, the Offeror or any of the Offeror Concert Parties had borrowed or lent any CKH Holdings Shares or any convertible securities, warrants, options or derivatives in respect of CKH Holdings Shares, save for any borrowed CKH Holdings Shares which had been either on-lent or sold.

**5. DISCLOSURE OF INTERESTS IN THE OFFEROR SHARES**

The Offeror is a wholly-owned subsidiary of CKH Holdings.

**6. DISCLOSURE OF INTERESTS IN THE SHARES**

As at the Latest Practicable Date, save as disclosed in “*Effects of the Merger Proposal on the Shareholding Structure of the Company and CKH Holdings – Shareholding Structure of the Company*” in the Explanatory Statement:

- (a) none of CKH Holdings, the Offeror or any of their respective directors was interested in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) none of the Offeror Concert Parties owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (c) none of CKH Holdings or the Offeror or any of the Offeror Concert Parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares, save for any borrowed Shares which have been either on-lent or sold.

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**APPENDIX II                      INFORMATION ON THE CKH HOLDINGS GROUP  
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**7. DEALINGS IN CHEUNG KONG SHARES AND CKH HOLDINGS SHARES**

- (a) Details of the dealings in the Cheung Kong Shares by members of the Bank of America Merrill Lynch group (except those which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) during the Offer Period and ending on the Latest Practicable Date are set out below:

<u>Date</u>	<u>Type of transaction</u>	<u>Number of Cheung Kong Shares</u>	<u>Price per Cheung Kong Share</u>
12 January 2015	Purchase due to error trade	19	US\$18.51

- (b) Save as disclosed in the full list of dealings for own account or discretionary investment clients during the period commencing on 9 July 2014 (being the date falling six months prior to the date of the Announcement) and ending on the date of the Announcement prior to the commencement of the Offer Period by the relevant members of each of the HSBC group and the Bank of America Merrill Lynch group (excluding dealings by entities which at the relevant time had exempt principal trader or exempt fund manager status) in shares, convertible securities, warrants, options and derivatives of Cheung Kong and the Company as referred to in “*Appendix XII – Documents Available for Inspection*” and in paragraph 7(a) above, none of CKH Holdings, the Offeror or any of their respective directors or any of the Offeror Concert Parties had dealt for value in any Cheung Kong Shares or CKH Holdings Shares (as the case may be) or any convertible securities, warrants, options or derivatives in respect of Cheung Kong Shares or CKH Holdings Shares (as the case may be) during the Relevant Period.
- (c) No person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CKH Holdings, the Offeror or any of the Offeror Concert Parties had dealt for value in Cheung Kong Shares or CKH Holdings Shares (as the case may be) or any convertible securities, warrants, options or derivatives in respect of Cheung Kong Shares or CKH Holdings Shares (as the case may be) during the Relevant Period.

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**APPENDIX II                      INFORMATION ON THE CKH HOLDINGS GROUP  
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**8. DEALINGS IN THE SHARES**

- (a) Details of the dealings in ADRs representing Shares by members of the Bank of America Merrill Lynch group (except those which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) during the Offer Period and ending on the Latest Practicable Date are set out below:

<u>Date</u>	<u>Type of transaction</u>	<u>Number of ADRs</u>	<u>Price per ADR</u>
12 January 2015	Sale due to error trade	3	US\$25.35
13 January 2015	Purchase due to error trade	17,508	HK\$98.75 <sup>#</sup>
30 January 2015	Sale to unwind error trade	17,508	US\$26.29

*Note: Every one ADR represents two Shares.*

*<sup>#</sup> Calculated on a price per Share basis, equivalent to a price per ADR of HK\$197.50*

- (b) Save as disclosed in the full list of dealings for own account or discretionary investment clients during the period commencing on 9 July 2014 (being the date falling six months prior to the date of the Announcement) and ending on the date of the Announcement prior to the commencement of the Offer Period by the relevant members of each of the HSBC group and the Bank of America Merrill Lynch group (excluding dealings by entities which at the relevant time had exempt principal trader or exempt fund manager status) in shares, convertible securities, warrants, options and derivatives of Cheung Kong and the Company as referred to in “Appendix XII – Documents Available for Inspection” and in paragraph 8(a) above, none of CKH Holdings, the Offeror or any of their respective directors or any of the Offeror Concert Parties had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period.
- (c) No person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CKH Holdings, the Offeror or any of the Offeror Concert Parties had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period.

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## **APPENDIX II            INFORMATION ON THE CKH HOLDINGS GROUP AND THE OFFEROR**

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### **9. MATERIAL LITIGATION**

As at the Latest Practicable Date, none of the members of the CKH Holdings Group (including the Offeror) was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the CKH Holdings Directors and/or the Offeror Directors to be pending or threatened by or against any member of the CKH Holdings Group (including the Offeror).

### **10. MATERIAL CONTRACT**

The following contract (not being a contract entered into in the ordinary course of the business carried on or intended to be carried on by any member of the CKH Holdings Group) had been entered into by members of the CKH Holdings Group after the date which was two years before the commencement of the Offer Period, up to and including the Latest Practicable Date and which is material:

- a letter of undertaking dated 9 January 2015 pursuant to which CKH Holdings gave an undertaking to the Husky Sale Shares Purchaser that, subject to the fulfilment (or, where relevant, waiver) of the conditions precedent set out in the Husky Share Exchange Agreement, it will, on completion of the Husky Share Exchange, allot and issue certain CKH Holdings Shares to the Husky Sale Shares Vendor (or as it may direct) as consideration under the Husky Share Exchange Agreement.

### **11. ARRANGEMENTS IN CONNECTION WITH THE SCHEME**

As at the Latest Practicable Date:

- (a) save for the arrangements contemplated under the Merger Proposal, there were no agreements, arrangements or understanding (including any compensation arrangements) between CKH Holdings, the Offeror or any of the Offeror Concert Parties (on the one part) and any of the Directors, recent Directors, Shareholders or recent Shareholders (on the other part) having any connection with or dependence upon the Scheme;
- (b) there were no agreements or arrangements to which CKH Holdings and/or the Offeror is a party which relate to any circumstances in which either of them may or may not invoke or seek to invoke a condition of the Scheme;
- (c) none of the CKH Holdings Directors or the Offeror Directors will be affected in terms of their emoluments by the acquisition of the Company or by any other associated transaction;
- (d) there was no agreement, arrangement or understanding that the Shares acquired by the Offeror pursuant to the Scheme would be transferred, charged or pledged to any other persons; and

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## APPENDIX II                      INFORMATION ON THE CKH HOLDINGS GROUP AND THE OFFEROR

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- (e) save for the arrangements contemplated under the Merger Proposal, there were no arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between CKH Holdings, the Offeror or any of the Offeror Concert Parties and any other person.

### 12. EXPERTS

The following are the qualifications of the experts which have given advice which is contained in this document:

<u>Name of Expert</u>	<u>Qualification</u>
PricewaterhouseCoopers	Certified Public Accountants
Deloitte Touche Tohmatsu	Certified Public Accountants
DTZ Debenham Tie Leung Limited	Independent property valuer
Gerald Eve LLP	Independent property valuer
Smiths Gore	Independent property valuer
CBRE, Inc.	Independent property valuer

### 13. CONSENTS

Each of HSBC, Anglo Chinese Corporate Finance, Limited, PricewaterhouseCoopers, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, Gerald Eve LLP, Smiths Gore and CBRE, Inc. has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or references to its name in the form and context in which they respectively appear.

### 14. MISCELLANEOUS

- (a) The Offeror is a wholly-owned subsidiary of CKH Holdings. The ultimate controlling shareholder of CKH Holdings is TUT1 (as trustee of UT1).
- (b) The addresses and the names of the directors of the Offeror are as follows:

<b>Registered Address:</b>	East Asia Corporate Services (BVI) Limited East Asia Chambers P.O. Box 901 Road Town, Tortola British Virgin Islands
<b>Board of Directors:</b>	LI Tzar Kuoi, Victor KAM Hing Lam IP Tak Chuen, Edmond

The Offeror does not have a principal office in Hong Kong.



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**APPENDIX II                      INFORMATION ON THE CKH HOLDINGS GROUP  
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- (c) The addresses and the names of the directors of the principal members of the Offeror's concert group are as follows:

**CKH Holdings**

**Address:**

*Registered Address*

Maples Corporate Services Limited,  
PO Box 309, Ugland House, Grand Cayman,  
KY1-1104, Cayman Islands

*Principal Place of Business*

7th Floor, Cheung Kong Center, 2 Queen's  
Road Central, Hong Kong

**Board of directors:**

*Executive Directors*

LI Ka-shing (*Chairman*)  
LI Tzar Kuoi, Victor (*Managing Director  
and Deputy Chairman*)  
KAM Hing Lam (*Deputy Managing  
Director*)  
IP Tak Chuen, Edmond (*Deputy Managing  
Director*)  
CHUNG Sun Keung, Davy  
PAU Yee Wan, Ezra  
WOO Chia Ching, Grace  
CHIU Kwok Hung, Justin

*Non-executive Directors*

LEUNG Siu Hon  
FOK Kin Ning, Canning  
Frank John SIXT  
CHOW Kun Chee, Roland  
George Colin MAGNUS  
LEE Yeh Kwong, Charles

*Independent Non-executive Directors*

KWOK Tun-li, Stanley  
YEH Yuan Chang, Anthony  
Simon MURRAY  
CHOW Nin Mow, Albert  
HUNG Siu-lin, Katherine  
WONG Yick-ming, Rosanna\*  
CHEONG Ying Chew, Henry

\* Also alternate director to Simon MURRAY

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**APPENDIX II                      INFORMATION ON THE CKH HOLDINGS GROUP  
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**TUT1 (as trustee of UT1)<sup>(1)</sup>**

**Registered address:**

P.O. Box 309, Ugland House, George Town,  
Grand Cayman, Cayman Islands, British  
West Indies

**Board of directors:**

LI Tzar Kuoi, Victor  
Frank John SIXT  
PAU Yee Wan, Ezra  
CHOW Kun Chee, Roland  
Peter Peace TULLOCH

**TDT1 (as trustee of DT1)<sup>(1)</sup>**

**Registered address:**

P.O. Box 309, Ugland House, George Town,  
Grand Cayman, Cayman Islands, British  
West Indies

**Board of directors:**

LI Tzar Kuoi, Victor  
Frank John SIXT  
PAU Yee Wan, Ezra  
CHOW Kun Chee, Roland  
Peter Peace TULLOCH

**TDT2 (as trustee of DT2)<sup>(1)</sup>**

**Registered address:**

P.O. Box 309, Ugland House, George Town,  
Grand Cayman, Cayman Islands, British  
West Indies

**Board of directors:**

LI Tzar Kuoi, Victor  
Frank John SIXT  
PAU Yee Wan, Ezra  
CHOW Kun Chee, Roland

*Note:*

- (1) TUT1 in its capacity as trustee of UT1 is regarded as the controlling shareholder of CKH Holdings for the purpose of the Listing Rules and the relevant CKH Holdings Shares are held by TUT1 as trustee of UT1 and companies controlled by TUT1 as trustee of UT1. Each of TDT1, which is the trustee of DT1, and TDT2, which is the trustee of DT2, holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The entire issued share capital of TUT1, TDT1 and TDT2 is owned by Unity Holdco. Mr. Li Tzar Kuoi, Victor, Ms. Pau Yee Wan, Ezra, Mr. Frank John Sixt, Mr. Chow Kun Chee, Roland and Mr. Peter Peace Tulloch are directors of Unity Holdco. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco. TUT1 is interested in the shares of CKH Holdings by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its function as trustee, exercises

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**APPENDIX II                      INFORMATION ON THE CKH HOLDINGS GROUP  
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its power to hold interests in the shares of CKH Holdings independently without any reference to Unity Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as aforesaid.

- (d) HSBC is the financial adviser to CKH Holdings and the Offeror and its address is at 1 Queen's Road Central, Hong Kong.
- (e) Anglo Chinese Corporate Finance, Limited is the independent financial adviser to CKH Holdings and the Offeror and its address is at 40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (f) As at the Latest Practicable Date, no person who owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares had irrevocably committed themselves to vote their Shares in favour of or against the resolutions in respect of the Scheme at the Court Meeting and/or the General Meeting. However, each of Cheung Kong, the relevant entities which hold Shares under the Trust, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mr. Leung Siu Hon, Mr. Fok Kin Ning, Canning, Mr. Frank John Sixt, Mr. Chow Kun Chee, Roland, Mr. George Colin Magnus, Mr. Lee Yeh Kwong, Charles, Mr. Yeh Yuan Chang, Anthony, Mr. Chow Nin Mow, Albert, Ms. Hung Siu-lin, Katherine and Mr. Li Tzar Kai, Richard has indicated that if the Scheme is approved at the Court Meeting, those Shares held by it, him or her directly or indirectly will be voted in favour of the special resolution to approve the Scheme and the implementation of the Scheme, including the reduction and restoration of the issued share capital of the Company under the Scheme, at the General Meeting.

**1. THREE YEAR FINANCIAL SUMMARY**

Pursuant to the Cheung Kong Reorganisation, CKH Holdings became the holding company of Cheung Kong on 18 March 2015. The Offeror, a wholly-owned subsidiary of CKH Holdings, was incorporated on 30 December 2014 and has no operations.

During each of the years ended 31 December 2012, 2013 and 2014, Cheung Kong adopted all of the new and revised standards, amendments and interpretations issued by HKICPA that are relevant to Cheung Kong's operations and mandatory for annual accounting periods beginning 1 January 2012, 2013 and 2014, respectively. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to Cheung Kong's results of operations or financial position except for the adoption in 2013 of HKAS 19 and HKFRS 11. The adoption of HKAS 19 and HKFRS 11 in 2013 resulted in changes in accounting for defined benefit plans and a change in the classification of certain equity-accounted for investments, respectively. In accordance with HKFRS, these changes were applied retrospectively and the 2012 and prior period financial information was restated accordingly. The effect of the adoption of HKAS 19 and HKFRS 11 and Cheung Kong's restated consolidated income statement, restated consolidated statement of comprehensive income, restated consolidated statement of changes in equity and restated consolidated statement of cash flows for the year ended 31 December 2012, Cheung Kong's restated consolidated statement of financial position as at 31 December 2012 and the notes to the financial statements are included in Cheung Kong's audited consolidated financial statements for the year ended 31 December 2013.

The following summary financial information (i) for each of the years ended 31 December 2012 and 2013 is extracted from the audited consolidated financial statements of Cheung Kong for the year ended 31 December 2013 as set forth in the annual report of Cheung Kong for the year ended 31 December 2013 and (ii) for the year ended 31 December 2014 is extracted from the audited consolidated financial statements of Cheung Kong for the year ended 31 December 2014 as set forth in the annual results announcement of Cheung Kong for the year ended 31 December 2014. Defined terms used in this document have been used in the financial information below.

The auditor's reports issued by PricewaterhouseCoopers in respect of the Cheung Kong Group's audited consolidated financial statements for each of the years ended 31 December 2012, 2013 and 2014 did not contain any qualifications. The 2012 financial information has been restated as a result of the adoption of HKFRS 11 and HKAS 19 which have been applied retrospectively by the Cheung Kong Group.

## Consolidated Income Statements

	<u>2012</u> (restated) <sup>(1)</sup>	<u>2013</u>	<u>2014</u>
	<i>HK\$ million</i>		
Cheung Kong Group turnover	19,199	17,013	24,259
Share of property sales of joint ventures	<u>11,907</u>	<u>15,301</u>	<u>6,959</u>
Turnover	<u><u>31,106</u></u>	<u><u>32,314</u></u>	<u><u>31,218</u></u>
Cheung Kong Group turnover	19,199	17,013	24,259
Investment and other income	2,180	4,467	2,125
Operating costs			
Property and related costs	(9,810)	(7,983)	(12,980)
Salaries and related expenses	(1,607)	(1,609)	(1,515)
Interest and other finance costs	(496)	(356)	(328)
Depreciation	(340)	(325)	(393)
Other expenses	(496)	(473)	(468)
	(12,749)	(10,746)	(15,684)
Share of net profit of joint ventures	5,997	5,771	4,666
Increase in fair value of investment properties	4,470	1,782	4,542
Profit on disposal of property joint ventures	450	798	2,349
Profit on disposal of investment properties	–	2,760	–
Surplus on loss of control of interest in subsidiaries	<u>1,077</u>	<u>–</u>	<u>–</u>
Operating profit	20,624	21,845	22,257
Share of net profit of associates	<u>13,018</u>	<u>15,649</u>	<u>33,670</u>
<b>Profit before taxation</b>	33,642	37,494	55,927
Taxation	<u>(1,234)</u>	<u>(1,522)</u>	<u>(1,319)</u>
<b>Profit for the year</b>	<u><u>32,408</u></u>	<u><u>35,972</u></u>	<u><u>54,608</u></u>
<b>Profit attributable to</b>			
Shareholders of Cheung Kong	32,036	35,260	53,869
Non-controlling interests and holders of perpetual securities	<u>372</u>	<u>712</u>	<u>739</u>
	<u><u>32,408</u></u>	<u><u>35,972</u></u>	<u><u>54,608</u></u>
<b>Earnings per share</b>	HK\$13.83	HK\$15.22	HK\$23.26

Note:

- (1) The 2012 financial information was restated as a result of the adoption of HKFRS 11 and HKAS 19 which have been applied retrospectively by the Cheung Kong Group.

No item which was exceptional because of its size, nature or incidence was recorded in the financial statements of the Cheung Kong Group for the years ended 31 December 2012, 2013 and 2014.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 DECEMBER 2014

The following financial information has been extracted from the audited consolidated financial statements of the Cheung Kong Group for the year ended 31 December 2014 as set forth in the annual results announcement of Cheung Kong for the year ended 31 December 2014 which was released on 26 February 2015. Defined terms used in this document have been used in the financial information in the following section, unless otherwise stated.

**Consolidated Income Statement**

*For the year ended 31st December, 2014*

	<b>2014</b>	<b>2013</b>
<i>Note</i>	<i>\$ Million</i>	<i>\$ Million</i>
Cheung Kong Group turnover	24,259	17,013
Share of property sales of joint ventures	6,959	15,301
Turnover	(3) <u>31,218</u>	<u>32,314</u>
<b>Cheung Kong Group turnover</b>	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
<b>Profit before taxation</b>	(4) 55,927	37,494
Taxation	(5) (1,319)	(1,522)
<b>Profit for the year</b>	<u>54,608</u>	<u>35,972</u>
<b>Profit attributable to</b>		
Shareholders of Cheung Kong	(6) 53,869	35,260
Non-controlling interests and holders of perpetual securities	739	712
	<u>54,608</u>	<u>35,972</u>
<b>Earnings per share</b>	(7) \$23.26	\$15.22

**Consolidated Statement of Comprehensive Income***For the year ended 31st December, 2014*

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
<b>Profit for the year</b>	54,608	35,972
<b>Other comprehensive income (loss) – reclassifiable to profit or loss</b>		
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
<b>Other comprehensive income (loss) – not reclassifiable to profit or loss</b>		
Share of other comprehensive income (loss) of associates	(87)	537
Share of other comprehensive income (loss) of joint ventures	(221)	47
<b>Other comprehensive income (loss)</b>	<u>(15,495)</u>	<u>(983)</u>
<b>Total comprehensive income for the year</b>	<u>39,113</u>	<u>34,989</u>
<b>Total comprehensive income attributable to</b>		
Shareholders of Cheung Kong	38,375	34,271
Non-controlling interests and holders of perpetual securities	738	718
	<u>39,113</u>	<u>34,989</u>

**Consolidated Statement of Financial Position***As at 31st December, 2014*

	<i>Note</i>	<u>2014</u> \$ Million	<u>2013</u> \$ Million
<b>Non-current assets</b>			
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	–
		<u>347,816</u>	<u>311,632</u>
<b>Current assets</b>			
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
		<u>110,125</u>	<u>117,205</u>
<b>Current liabilities</b>			
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
		<u>78,775</u>	<u>101,739</u>
<b>Net current assets</b>		<u>426,591</u>	<u>413,371</u>
<b>Total assets less current liabilities</b>		<u>426,591</u>	<u>413,371</u>
<b>Non-current liabilities</b>			
Bank and other loans	(17)	19,522	39,452
Deferred tax liabilities	(19)	1,022	986
Derivative financial instruments		–	112
		<u>20,544</u>	<u>40,550</u>
<b>Net assets</b>		<u>406,047</u>	<u>372,821</u>



		<u>2014</u>	<u>2013</u>
	<i>Note</i>	<i>\$ Million</i>	<i>\$ Million</i>
<b>Representing:</b>			
Share capital	(20)	10,489	1,158
Share premium	(20)	–	9,331
Reserves		<u>383,656</u>	<u>350,192</u>
Shareholders' funds		394,145	360,681
Perpetual securities	(22)	9,045	9,048
Non-controlling interests		<u>2,857</u>	<u>3,092</u>
<b>Total equity</b>		<u><u>406,047</u></u>	<u><u>372,821</u></u>

**Li Ka-shing**  
*Director*

**Ip Tak Chuen, Edmond**  
*Director*

**Statement of Financial Position***As at 31st December, 2014*

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

**Li Ka-shing**  
*Director*

**Ip Tak Chuen, Edmond**  
*Director*

**APPENDIX III**

**FINANCIAL INFORMATION OF THE CKH HOLDINGS GROUP AND THE OFFEROR**

**Consolidated Statement of Changes in Equity**

*For the year ended 31st December, 2014*

	Shareholders' Funds				Holders of perpetual securities	Non- controlling interests	Total Equity
	Share capital	Share premium and reserves <sup>(1)</sup>	Retained profits	Total			
	\$ Million	\$ Million	\$ Million	\$ Million			
<b>Balance at 1st January, 2014</b>	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 <sup>(2)</sup>	–	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 Cheung Kong							
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)
<b>Balance at 31st December, 2014</b>	<b>10,489</b>	<b>11,791</b>	<b>371,865</b>	<b>394,145</b>	<b>9,045</b>	<b>2,857</b>	<b>406,047</b>

**APPENDIX III**
**FINANCIAL INFORMATION OF THE CKH HOLDINGS GROUP AND THE OFFEROR**

	Shareholders' Funds				Holders of perpetual securities	Non- controlling interests	Total Equity
	Share capital	Share premium and reserves <sup>(1)</sup>	Retained profits	Total			
	\$ Million	\$ Million	\$ Million	\$ 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 Cheung Kong							
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	<u>1,158</u>	<u>16,807</u>	<u>342,716</u>	<u>360,681</u>	<u>9,048</u>	<u>3,092</u>	<u>372,821</u>

## (1) Share premium and reserves

	<u>Share premium</u>	<u>Capital reserve</u>	<u>Investment revaluation reserve</u>	<u>Exchange reserve</u>	<u>Share of reserves of associates and joint ventures</u>	<u>Total</u>
	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>
<b>Balance at 1st January, 2014</b>	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 <sup>(2)</sup>	–	–	–	–	19,497	19,497
<b>Balance at 31st December, 2014</b>	<u>–</u>	<u>345</u>	<u>3,566</u>	<u>1,246</u>	<u>6,634</u>	<u>11,791</u>
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	<u>9,331</u>	<u>345</u>	<u>3,373</u>	<u>508</u>	<u>3,250</u>	<u>16,807</u>

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

**Consolidated Statement of Cash Flows***For the year ended 31st December, 2014*

	<u>2014</u>	<u>2013</u>
<i>Note</i>	<i>\$ Million</i>	<i>\$ Million</i>
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 Cheung Kong	(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	<u>(1,822)</u>	<u>(1,920)</u>
Net cash from operating activities	<u>10,164</u>	<u>7,096</u>
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	<u>(7,849)</u>	<u>(162)</u>
Net cash from (used in) investing activities	<u>(7,723)</u>	<u>6,892</u>
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	<u>(704)</u>	<u>(836)</u>
Net cash used in financing activities	<u>(4,281)</u>	<u>(3,878)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,840)</b>	<b>10,110</b>
Cash and cash equivalents at 1st January	<u>31,277</u>	<u>21,167</u>
<b>Cash and cash equivalents at 31st December</b>	<b>(b) <u>29,437</u></b>	<b><u>31,277</u></b>

Notes:

**(a) Cash generated from operations**

	<b>2014</b>	<b>2013</b>
	<i>\$ Million</i>	<i>\$ Million</i>
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)
	<u>7,972</u>	<u>(2,870)</u>
	<u><u>18,109</u></u>	<u><u>5,552</u></u>

**(b) Cash and cash equivalents**

	<b>2014</b>	<b>2013</b>
	<i>\$ Million</i>	<i>\$ Million</i>
Bank balances and deposits	33,179	33,197
Less: Bank deposits maturing over three months	<u>(3,742)</u>	<u>(1,920)</u>
	<u><u>29,437</u></u>	<u><u>31,277</u></u>

## NOTES TO FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Cheung Kong 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 Cheung Kong Group's annual accounting periods beginning on 1st January, 2014 has no significant impact on the Cheung Kong Group's results and financial position, and for the following HKFRSs which are not yet effective, the Cheung Kong Group is in the process of assessing their impact on the Cheung Kong Group's results and financial position.

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

HKFRS 15	Revenue from Contracts with Customers
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*Effective for the Cheung Kong Group's annual accounting periods beginning on 1st January, 2018*

HKFRS 9	Financial Instruments
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**(b) Consolidation**

The consolidated financial statements of the Cheung Kong Group include the financial statements of Cheung Kong and its direct and indirect subsidiaries made up to 31st December, and also incorporate the Cheung Kong 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 Cheung Kong 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 Cheung Kong, investments in subsidiaries are carried at cost less provision for impairment.

**(d) Joint ventures**

A joint venture is an entity in which the Cheung Kong Group has a long term equity interest and of which the Cheung Kong 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 Cheung Kong 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 Cheung Kong 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 Cheung Kong Group's accounting policies.

**(e) Associates**

An associate is an entity, other than a subsidiary or a joint venture, in which the Cheung Kong 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 Cheung Kong 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 Cheung Kong 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 Cheung Kong Group's accounting policies.

**(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.

**(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 Cheung Kong 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.

**(o) Revenue recognition**

When properties under development are presold, 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 Cheung Kong, 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 Cheung Kong 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.

**3. TURNOVER AND CONTRIBUTION**

The principal activities of the Cheung Kong 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 the Cheung Kong 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 Cheung Kong 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 Cheung Kong Group) and turnover of listed and unlisted associates are not included.

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

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
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	<u>221</u>	<u>–</u>
Cheung Kong Group turnover	24,259	17,013
Share of property sales of joint ventures	<u>6,959</u>	<u>15,301</u>
Turnover	<u><u>31,218</u></u>	<u><u>32,314</u></u>

During the year, turnover of the Cheung Kong 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:

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
The Mainland	6,039	16,454
Singapore	1,210	980
Others	<u>127</u>	<u>–</u>
	<u><u>7,376</u></u>	<u><u>17,434</u></u>

**APPENDIX III**
**FINANCIAL INFORMATION OF THE CKH  
HOLDINGS GROUP AND THE OFFEROR**

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

	<b>Cheung Kong and subsidiaries</b>		<b>Joint ventures</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>
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
	<u>9,368</u>	<u>7,625</u>	<u>2,553</u>	<u>6,126</u>	<u>11,921</u>	<u>13,751</u>
Infrastructure business	–	–	1,798	1,602	1,798	1,602
Aircraft leasing	112	–	222	–	334	–
	<u>9,480</u>	<u>7,625</u>	<u>4,573</u>	<u>7,728</u>	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						
Cheung Kong and subsidiaries					(1,319)	(1,522)
Joint ventures					(709)	(2,684)
Profit attributable to non-controlling interests and holders of perpetual securities					<u>(739)</u>	<u>(712)</u>
					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.					<u>119</u>	<u>104</u>
Profit attributable to shareholders of Cheung Kong					<u>53,869</u>	<u>35,260</u>

## 4. PROFIT BEFORE TAXATION

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
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	<u>(86)</u>	<u>(98)</u>
	696	828
Less: Amount capitalised (note (a))	<u>(368)</u>	<u>(472)</u>
	<u>328</u>	<u>356</u>
Directors' emoluments (note (b))		
Salaries, allowances and benefits in kind	129	121
Pension scheme contribution	12	12
Discretionary bonus	<u>104</u>	<u>98</u>
	245	231
Less: Emoluments from listed associates paid back	<u>(13)</u>	<u>(12)</u>
	<u>232</u>	<u>219</u>
Auditors' remuneration	8	8
Costs of properties sold	11,708	6,894
Impairment of investments available for sale	44	614
Operating lease charges – properties	<u>218</u>	<u>242</u>
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	<u>313</u>	<u>1,127</u>

*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.
- (b) Directors' emoluments comprised payments to Cheung Kong's directors (including the five highest paid individuals in the Cheung Kong Group) in connection with the management of the affairs of the Cheung Kong Group. The independent non-executive directors receive an annual director's fee of

**APPENDIX III**

**FINANCIAL INFORMATION OF THE CKH HOLDINGS GROUP AND THE OFFEROR**

\$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 Cheung Kong’s directors, excluding emoluments received by them from listed associates, are as follows:

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

- (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 Cheung Kong.
- (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 Cheung Kong.
- (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 Cheung Kong.
- (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 Cheung Kong.

## 5. TAXATION

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
Current tax		
Hong Kong profits tax	1,398	1,026
Tax outside Hong Kong	(115)	330
Deferred tax	<u>36</u>	<u>166</u>
	<u>1,319</u>	<u>1,522</u>

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:

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
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	<u>2</u>	<u>(4)</u>
	2,028	4,206
Less: Share of taxation of joint ventures	<u>(709)</u>	<u>(2,684)</u>
	<u>1,319</u>	<u>1,522</u>



**6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF CHEUNG KONG**

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

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
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	<u>6,985</u>	<u>6,717</u>
	<u>24,676</u>	<u>8,060</u>

**7. EARNINGS PER SHARE**

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

## 8. FIXED ASSETS

Cheung Kong Group	<u>Hotels and serviced suites</u>		<u>Aircraft</u>	<u>Other assets</u>	<u>Total</u>
	<u>in</u> <u>Hong Kong</u>	<u>outside</u> <u>Hong Kong</u>			
	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>
<b>Cost</b>					
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
<b>Accumulated depreciation/ provisions</b>					
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
<b>Net book value</b>					
At 31st December, 2014	<u>9,256</u>	<u>529</u>	<u>7,506</u>	<u>163</u>	<u>17,454</u>
At 31st December, 2013	<u>9,339</u>	<u>509</u>	<u>–</u>	<u>129</u>	<u>9,977</u>

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.

	<b>Other assets</b>	
	<b>2014</b>	<b>2013</b>
<b>Cheung Kong</b>	<i>\$ Million</i>	<i>\$ Million</i>
Cost		
At 1st January	191	189
Additions	3	2
Disposals	(8)	–
At 31st December	<u>186</u>	<u>191</u>
Accumulated depreciation		
At 1st January	186	183
Depreciation	3	3
Disposals	(8)	–
At 31st December	<u>181</u>	<u>186</u>
Net book value at 31st December	<u><u>5</u></u>	<u><u>5</u></u>

## 9. INVESTMENT PROPERTIES

	<b>Cheung Kong Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>\$ Million</i>	<i>\$ Million</i>
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	<u><u>33,285</u></u>	<u><u>28,777</u></u>

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

	<b>Cheung Kong</b>	
	<b>2014</b>	<b>2013</b>
	<i>\$ Million</i>	<i>\$ Million</i>
Unlisted shares in subsidiaries	7,922	3,222
Amounts due from subsidiaries	19,964	27,702
Amounts due to subsidiaries	(160)	(191)
	<u>27,726</u>	<u>30,733</u>

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

## 11. ASSOCIATES

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

*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 Cheung Kong Group’s carrying amounts are as follows:

	<u>Hutchison Whampoa</u>		<u>CK Life Sciences</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>
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	<u>426,580</u>	<u>386,365</u>	<u>4,663</u>	<u>4,977</u>
Shared by the Cheung Kong Group:				
Capital and reserves	213,119	193,048	2,113	2,256
Other costs/differences	799	761	(5)	(68)
Carrying amount	<u>213,918</u>	<u>193,809</u>	<u>2,108</u>	<u>2,188</u>

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 Cheung Kong 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 Cheung Kong Group’s share of results of unlisted associates for the year are as follows:

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
Net profit	–	1
Other comprehensive income	–	12
Total comprehensive income	<u>–</u>	<u>13</u>

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

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
Interest bearing loans – repayable within 5 years	814	679
Interest bearing loans – repayable after 5 years	–	135
	<u>814</u>	<u>814</u>

## 12. JOINT VENTURES

	Cheung Kong Group		Cheung Kong	
	2014	2013	2014	2013
	\$ Million	\$ Million	\$ Million	\$ 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 Cheung Kong Group's share of results of joint ventures for the year are as follows:

	2014	2013
	\$ Million	\$ Million
Net profit	4,666	5,771
Other comprehensive income	(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	2013
	\$ Million	\$ 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

## 13. INVESTMENTS AVAILABLE FOR SALE

	<u>Cheung Kong</u>	
	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
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
	<u>10,210</u>	<u>8,843</u>
Unlisted investments		
Equity securities	177	193
Debt securities	318	298
	<u>495</u>	<u>491</u>
	<u>10,705</u>	<u>9,334</u>

## 14. STOCK OF PROPERTIES

	<u>Cheung Kong Group</u>		<u>Cheung Kong</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>
Properties for/under development	47,232	50,607	–	–
Joint development projects	21,903	27,420	–	–
Properties for sale	4,064	1,757	3	3
	<u>73,199</u>	<u>79,784</u>	<u>3</u>	<u>3</u>

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

	<u>Cheung Kong Group</u>		<u>Cheung Kong</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>
Trade debtors	1,781	1,600	–	–
Loan receivables	13	21	–	–
Deposits, prepayments and others	716	692	57	150
	<u>2,510</u>	<u>2,313</u>	<u>57</u>	<u>150</u>

The Cheung Kong 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 Cheung Kong Group's trade debtors was as follows:

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
Current to one month	1,718	1,513
Two to three months	44	66
Over three months	<u>19</u>	<u>21</u>
	<u>1,781</u>	<u>1,600</u>

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

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
Overdue within one month	56	142
Overdue for two to three months	40	37
Overdue over three months	<u>18</u>	<u>19</u>
	<u>114</u>	<u>198</u>

#### 16. INVESTMENTS HELD FOR TRADING

	<u>Cheung Kong Group</u>	
	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
Listed investments		
Equity securities – listed in Hong Kong	116	69
Equity securities – listed outside Hong Kong	182	176
Debt securities – listed outside Hong Kong	<u>620</u>	<u>1,115</u>
	<u>918</u>	<u>1,360</u>



## 17. BANK AND OTHER LOANS

	<b>Cheung Kong Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>\$ Million</i>	<i>\$ Million</i>
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	<u>8,591</u>	<u>13,141</u>
	<u>25,300</u>	<u>29,096</u>
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	<u>2,000</u>	<u>2,000</u>
	<u>12,574</u>	<u>12,794</u>
	37,874	41,890
Less: Amounts classified under current liabilities	<u>18,352</u>	<u>2,438</u>
Amounts classified under non-current liabilities	<u><u>19,522</u></u>	<u><u>39,452</u></u>

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 Cheung Kong 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:
- |     |             |  |
|-----|-------------|--|
| SGD | 225,000,000 | 2.25% due November 2015 (issued in 2010) |
| SGD | 180,000,000 | 2.585% due July 2016 (issued in 2011)    |
| SGD | 320,000,000 | 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)   |

**APPENDIX III**

**FINANCIAL INFORMATION OF THE CKH HOLDINGS GROUP AND THE OFFEROR**

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.

**18. CREDITORS AND ACCRUALS**

	<b>Cheung Kong Group</b>		<b>Cheung Kong</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>
Trade creditors	1,663	1,232	–	–
Accruals and other creditors	3,797	3,260	314	291
Customers' deposits received	5,991	7,207	–	–
	<u>11,451</u>	<u>11,699</u>	<u>314</u>	<u>291</u>

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

	<b>2014</b>	<b>2013</b>
	<i>\$ Million</i>	<i>\$ Million</i>
Current to one month	1,605	1,171
Two to three months	25	32
Over three months	33	29
	<u>1,663</u>	<u>1,232</u>

**19. DEFERRED TAX LIABILITIES**

At the year end date:

- (a) 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
- (b) 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

	<b>Cheung Kong</b>			
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<i>No. of shares</i>	<i>No. of shares</i>	<i>\$ Million</i>	<i>\$ Million</i>
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

	<b>Cheung Kong</b>			
	<b>Capital reserve</b>	<b>Retained profits</b>	<b>2014 Total</b>	<b>2013 Total</b>
	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>
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, Cheung Kong's reserves available for distribution to shareholders of Cheung Kong amounted to \$17,903 million (2013 – \$20,995 million). Proposed final dividend for 2013 was approved by shareholders of Cheung Kong on 16th May, 2014 and paid on 5th June, 2014.

## 22. PERPETUAL SECURITIES

	<b>Cheung Kong Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>\$ Million</i>	<i>\$ Million</i>
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 Cheung Kong. The perpetual securities have no fixed maturity and distributions are paid semi-annually in arrears. Distribution may be deferred at the Cheung Kong Group's discretion and in which event, Cheung Kong and the issuer will not declare/pay any dividends or distributions, redeem, reduce, cancel or buy-back any of Cheung Kong's and/or the issuer's share capital.

*Notes:*

- (a) Listed in Singapore, the perpetual securities carry an annual distribution rate of 5.125% and are redeemable at the Cheung Kong Group's option on or after 9th September, 2016.
- (b) 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 Cheung Kong Group's option on or after 9th July, 2017.
- (c) Listed in Hong Kong, the perpetual securities carry an annual distribution rate of 5.375% and are redeemable at the Cheung Kong Group's option on or after 24th January, 2018.

**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 Cheung Kong Group under non-cancellable operating leases at the year end date is as follows:

	<b>Cheung Kong Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>\$ Million</i>	<i>\$ Million</i>
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	–
	<u>6,977</u>	<u>2,564</u>

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

	<b>Cheung Kong Group</b>		<b>Cheung Kong</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>
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	–	–	–
	<u>441</u>	<u>226</u>	<u>338</u>	<u>82</u>

**24. SEGMENT INFORMATION**

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

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

**25. COMMITMENTS AND CONTINGENT LIABILITIES**

At the year end date:

(a) the Cheung Kong 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 Cheung Kong to be received by the partner of a joint development project amounted to \$588 million (2013 – \$600 million);

(c) Cheung Kong provided guarantee for amounts payable under the terms and conditions of the perpetual securities as disclosed in note 22; and

(d) Cheung Kong 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 Cheung Kong 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 Cheung Kong 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 Cheung Kong 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 Cheung Kong 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 Cheung Kong 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 Cheung Kong 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 Cheung Kong 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 Cheung Kong 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 Cheung Kong 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 Cheung Kong Group's investments and joint venture projects outside Hong Kong and cash in these foreign currencies is maintained for business requirements.

**(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 Cheung Kong 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 Cheung Kong 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 Cheung Kong Group's investment revaluation reserve would increase/decrease by approximately \$527 million (2013 – \$396 million) and the Cheung Kong Group's profit for the year would increase/decrease by approximately \$63 million (2013 – \$163 million).

The Cheung Kong 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 Cheung Kong 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 Cheung Kong 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 Cheung Kong Group's profit for the year would increase/decrease by approximately \$447 million (2013 – Nil) and the Cheung Kong Group's other comprehensive income for the year would decrease/increase by approximately \$148 million (2013 – \$157 million).

**(c) Liquidity management**

The Cheung Kong Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Cheung Kong Group's borrowings as appropriate. With cash and marketable securities in hand as well as available banking facilities, the Cheung Kong Group's liquidity position remains strong and the Cheung Kong 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 Cheung Kong Group's borrowings by contractual maturities at the year end date are as follows:

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
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	<u>2,045</u>	<u>2,084</u>
	<u>39,073</u>	<u>43,819</u>

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 Cheung Kong Group's results for the year and financial position at the year end date.

An analysis of the Cheung Kong 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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>
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	<u>–</u>	<u>795</u>	<u>–</u>	<u>795</u>
	<u>11,128</u>	<u>1,126</u>	<u>164</u>	<u>12,418</u>
Financial liabilities				
Derivative financial instruments	<u>–</u>	<u>(191)</u>	<u>–</u>	<u>(191)</u>



**APPENDIX III**
**FINANCIAL INFORMATION OF THE CKH HOLDINGS GROUP AND THE OFFEROR**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>	<i>\$ Million</i>
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
	<u>10,203</u>	<u>861</u>	<u>181</u>	<u>11,245</u>
Financial liabilities				
Derivative financial instruments	–	(279)	–	(279)

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

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
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	<u>164</u>	<u>181</u>

**30. CAPITAL MANAGEMENT**

The Cheung Kong Group manages its capital to ensure that it will be able to continue as a going concern while maximising returns to the shareholders of Cheung Kong through the optimisation of debt and equity balance. The capital structure of the Cheung Kong 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 Cheung Kong 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:

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

### 31. EVENT AFTER THE YEAR END DATE

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

#### (a) The Reorganisation Proposal

The Reorganisation Proposal will be implemented whereby the holding company of the Cheung Kong Group will be changed from Cheung Kong 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 Cheung Kong will become shareholders of CKH Holdings thereafter and all the issued shares of Cheung Kong 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 Cheung Kong 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 Cheung Kong). 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 Cheung Kong 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 Cheung Kong at the court meeting and general meeting.

## 32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements reported in Hong Kong dollars were approved by the board of directors on 26th February, 2015.

**Principal Subsidiaries****Appendix I**

The Cheung Kong 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 Cheung Kong Group. All the companies listed below were incorporated in Hong Kong except otherwise stated.

<u>Name</u>	<u>Issued Ordinary Share Capital</u>	<u>Effective percentage held by Cheung Kong</u>		<u>Principal Activities</u>
		<u>Directly</u>	<u>Indirectly</u>	
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

**APPENDIX III**
**FINANCIAL INFORMATION OF THE CKH HOLDINGS GROUP AND THE OFFEROR**

<u>Name</u>	<u>Issued Ordinary Share Capital</u>	<u>Effective percentage held by Cheung Kong</u>		<u>Principal Activities</u>
		<u>Directly</u>	<u>Indirectly</u>	
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
Joynote Ltd (Singapore)	SGD 2		100	Finance

**APPENDIX III**
**FINANCIAL INFORMATION OF THE CKH HOLDINGS GROUP AND THE OFFEROR**

<u>Name</u>	<u>Issued Ordinary Share Capital</u>	<u>Effective percentage held by Cheung Kong</u>		<u>Principal Activities</u>
		<u>Directly</u>	<u>Indirectly</u>	
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

**APPENDIX III****FINANCIAL INFORMATION OF THE CKH HOLDINGS GROUP AND THE OFFEROR**

<u>Name</u>	<u>Issued Ordinary Share Capital</u>	<u>Effective percentage held by Cheung Kong</u>		<u>Principal Activities</u>
		<u>Directly</u>	<u>Indirectly</u>	
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:

<u>Name</u>	<u>Area of Operation</u>
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 Cheung Kong 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 Cheung Kong Group.

<u>Name</u>	<b>Effective percentage of Issued Ordinary Share Capital held by Cheung Kong Indirectly</b>	<u>Principal Activities</u>
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

**Principal Joint Ventures****Appendix III**

The Cheung Kong 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 Cheung Kong Group. All the joint ventures below were incorporated in Hong Kong except otherwise stated.

<u>Name</u>	<u>Effective percentage of Ownership Interest held by Cheung Kong</u>		<u>Principal Activities</u>
	<u>Directly</u>	<u>Indirectly</u>	
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



<u>Name</u>	<u>Effective percentage of Ownership Interest held by Cheung Kong</u>		<u>Principal Activities</u>
	<u>Directly</u>	<u>Indirectly</u>	
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
Konus 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

<u>Name</u>	<u>Effective percentage of Ownership Interest held by Cheung Kong</u>		<u>Principal Activities</u>
	<u>Directly</u>	<u>Indirectly</u>	
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:

<u>Name</u>	<u>Area of Operation</u>
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

<u>Name</u>	<u>Area of Operation</u>
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

## 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*

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
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	<u>19,141</u>	<u>(504)</u>
	93,768	52,084
Interest expenses and other finance costs	<u>(8,050)</u>	<u>(8,391)</u>
<b>Profit before tax</b>	85,718	43,693
Current tax	(4,307)	(4,231)
Deferred tax	<u>340</u>	<u>(569)</u>
<b>Profit after tax</b>	<u>81,751</u>	<u>38,893</u>
<b>Allocated as:</b>		
<b>Profit attributable to non-controlling interests and holders of perpetual capital securities</b>	<u>(14,595)</u>	<u>(7,781)</u>
<b>Profit attributable to ordinary shareholders of the Company</b>	<u>67,156</u>	<u>31,112</u>

**Consolidated Statement of Comprehensive Income***For the year ended 31st December, 2014*

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
<b>Profit after tax</b>	<u>81,751</u>	<u>38,893</u>
<b>Other comprehensive income (losses)</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
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	<u>75</u>	<u>84</u>
	<u>(248)</u>	<u>1,226</u>
<b>Items that have been reclassified or may be subsequently reclassified to profit or loss:</b>		
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	<u>(53)</u>	<u>(76)</u>
	<u>(29,711)</u>	<u>(4,479)</u>
Other comprehensive income (losses) after tax	<u>(29,959)</u>	<u>(3,253)</u>
<b>Total comprehensive income</b>	<u><u>51,792</u></u>	<u><u>35,640</u></u>
<b>Allocated as:</b>		
<b>Attributable to non-controlling interests and holders of perpetual capital securities</b>	<u>(10,657)</u>	<u>(7,878)</u>
<b>Attributable to ordinary shareholders of the Company</b>	<u><u>41,135</u></u>	<u><u>27,762</u></u>

**Consolidated Statement of Financial Position***At 31st December, 2014*

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
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	<u>15,141</u>	<u>17,136</u>
	<u>672,257</u>	<u>639,933</u>
<b>Current assets</b>		
Cash and cash equivalents	125,318	85,651
Trade and other receivables	66,576	69,083
Inventories	<u>19,284</u>	<u>20,855</u>
	211,178	175,589
<b>Current liabilities</b>		
Trade and other payables	87,139	86,812
Bank and other debts	42,281	18,159
Current tax liabilities	<u>3,005</u>	<u>3,319</u>
	<u>132,425</u>	<u>108,290</u>
<b>Net current assets</b>	<u>78,753</u>	<u>67,299</u>
<b>Total assets less current liabilities</b>	<u>751,010</u>	<u>707,232</u>

	<u>2014</u>	<u>2013</u>
	<i>\$ Million</i>	<i>\$ Million</i>
<b>Non-current liabilities</b>		
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	<u>4,320</u>	<u>5,037</u>
	<u>231,948</u>	<u>231,000</u>
<b>Net assets</b>	<u>519,062</u>	<u>476,232</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	29,425	29,425
Perpetual capital securities	39,638	40,244
Reserves	<u>397,155</u>	<u>356,940</u>
<b>Total ordinary shareholders' funds and perpetual capital securities</b>	466,218	426,609
Non-controlling interests	<u>52,844</u>	<u>49,623</u>
<b>Total equity</b>	<u>519,062</u>	<u>476,232</u>

## 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*

	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Turnover	4,954,043	4,970,927
Cost of sales	<u>(3,213,721)</u>	<u>(3,229,113)</u>
	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	<u>55,922</u>	<u>43,991</u>
Profit before taxation	321,130	303,729
Taxation	<u>(48,378)</u>	<u>(69,183)</u>
Profit for the year	<u><u>272,752</u></u>	<u><u>234,546</u></u>
Attributable to:		
Shareholders of the Company	263,558	229,008
Non-controlling interests of subsidiaries	<u>9,194</u>	<u>5,538</u>
	<u><u>272,752</u></u>	<u><u>234,546</u></u>



**Consolidated Statement of Comprehensive Income***For the year ended 31st December, 2014*

	<u>2014</u>	<u>2013</u>
	<i>\$'000</i>	<i>\$'000</i>
Profit for the year	<u>272,752</u>	<u>234,546</u>
Other comprehensive (expenses)/income		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Gain on revaluation of property, plant and equipment	<u>–</u>	<u>34,379</u>
	<u>–</u>	<u>34,379</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
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	<u>–</u>	<u>2,229</u>
	<u>(389,046)</u>	<u>(691,028)</u>
Other comprehensive expenses for the year	<u>(389,046)</u>	<u>(656,649)</u>
Total comprehensive expenses for the year	<u>(116,294)</u>	<u>(422,103)</u>
Total comprehensive expenses attributable to:		
Shareholders of the Company	(110,860)	(403,640)
Non-controlling interests of subsidiaries	<u>(5,434)</u>	<u>(18,463)</u>
	<u>(116,294)</u>	<u>(422,103)</u>

**Consolidated Statement of Financial Position***As at 31st December, 2014*

	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
<b>Non-current assets</b>		
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	<u>33,767</u>	<u>31,447</u>
	<u>7,297,108</u>	<u>7,332,998</u>
<b>Current assets</b>		
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	<u>979,200</u>	<u>767,661</u>
	3,000,242	2,823,371
Assets classified as held for sale	<u>–</u>	<u>63,409</u>
	<u>3,000,242</u>	<u>2,886,780</u>
<b>Current liabilities</b>		
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	<u>(62,737)</u>	<u>(58,846)</u>
	(1,142,482)	(2,179,714)
Liabilities associated with assets classified as held for sale	<u>–</u>	<u>(36,027)</u>
	<u>(1,142,482)</u>	<u>(2,215,741)</u>
<b>Net current assets</b>	<u>1,857,760</u>	<u>671,039</u>

**APPENDIX III****FINANCIAL INFORMATION OF THE CKH  
HOLDINGS GROUP AND THE OFFEROR**

	<u>2014</u>	<u>2013</u>
	<i>\$'000</i>	<i>\$'000</i>
<b>Total assets less current liabilities</b>	<u>9,154,868</u>	<u>8,004,037</u>
<b>Non-current liabilities</b>		
Bank borrowings	(2,871,858)	(1,479,931)
Finance lease obligations	(847)	(243)
Other borrowings	(1,356,000)	(1,281,000)
Deferred taxation	<u>(51,194)</u>	<u>(42,568)</u>
	<u>(4,279,899)</u>	<u>(2,803,742)</u>
<b>Total net assets</b>	<u><u>4,874,969</u></u>	<u><u>5,200,295</u></u>
<b>Capital and reserves</b>		
Share capital	961,107	961,107
Share premium and reserves	<u>3,701,541</u>	<u>4,015,830</u>
<b>Equity attributable to shareholders of the Company</b>	4,662,648	4,976,937
Non-controlling interests of subsidiaries	<u>212,321</u>	<u>223,358</u>
<b>Total equity</b>	<u><u>4,874,969</u></u>	<u><u>5,200,295</u></u>

**3. OPERATIONS REVIEW OF THE CKH HOLDINGS GROUP**

Further details of the CKH Holdings Group's operating performance for the year ended 31 December 2014 are available in the annual results announcement of Cheung Kong for 2014 which was released on 26 February 2015. CKH Holdings will also release an annual report containing more detailed information regarding the operating performance of the Cheung Kong Group for the year ended 31 December 2014. These documents are, or will be, available at [www.ckh.com.hk](http://www.ckh.com.hk) and on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk).

**4. INDEBTEDNESS STATEMENT**

As at 31 January 2015, being the latest practicable date prior to the printing of this document for ascertaining information for inclusion in this indebtedness statement, the Cheung Kong Group had outstanding borrowings of approximately HK\$37,565 million which comprised unsecured bank loans and other borrowings.

As at 31 January 2015, the Cheung Kong Group had contingent liabilities of approximately HK\$3,517 million. The contingent liabilities comprised guarantees provided for the minimum share of revenue to be received by the partner of a joint development project of approximately HK\$588 million, and guarantees provided for bank loans utilised by joint ventures and investee companies of approximately HK\$2,929 million.

Save as set out above and apart from intra-group liabilities, the Cheung Kong Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans, debt securities or other similar indebtedness or acceptance credits or hire purchase commitments or any guarantees or other material contingent liabilities as at 31 January 2015.

The CKH Holdings Directors have confirmed that there had been no material changes in the indebtedness position of the CKH Holdings Group since 31 January 2015 and up to the Latest Practicable Date.

**5. MATERIAL CHANGES**

On 9 January 2015, the boards of directors of Cheung Kong and the Company jointly announced the Cheung Kong Reorganisation, the Merger Proposal (comprising the Husky Share Exchange Proposal and the Hutchison Proposal) and the Spin-off Proposal. On 9 January 2015, Cheung Kong formally presented to the Board the Hutchison Proposal whereby the CKH Holdings Group would make a conditional share exchange offer to the Scheme Shareholders for the cancellation of all the Scheme Shares by way of a scheme of arrangement. Subject to the fulfilment (or, where relevant, waiver) of the conditions precedent to the Hutchison Proposal, the Hutchison Proposal will be completed immediately after the Husky Share Exchange Completion.

The Cheung Kong Reorganisation whereby the holding company of the Cheung Kong Group was changed from Cheung Kong to CKH Holdings by way of the Cheung Kong Scheme was completed on 18 March 2015. Upon the Cheung Kong Scheme becoming

effective, (a) all the Cheung Kong Shares then in issue were cancelled and extinguished and the Cheung Kong Shareholders received one CKH Holdings Share for every one Cheung Kong Share held by them at the relevant record time and (b) Cheung Kong and its subsidiaries became subsidiaries of CKH Holdings. The CKH Holdings Shares were listed by introduction on the Main Board. Upon completion of the Cheung Kong Reorganisation, CKH Holdings controlled and operated the same assets and businesses as Cheung Kong.

Please refer to the Explanatory Statement in this document for further details.

In January 2015, a 50/50 joint venture of Cheung Kong and Cheung Kong Infrastructure Holdings Limited, a subsidiary of the Company, entered into an agreement to acquire Eversholt Rail, one of the three major rolling stock operating companies in the United Kingdom. The enterprise value of the transaction is approximately HK\$29.3 billion (approximately GBP2.5 billion). Eversholt Rail leases a diverse range of rolling stock, including regional, commuter and high speed passenger trains, as well as freight locomotives and wagons, on long-term contracts. Completion is expected to take place around April 2015. If completed, Eversholt Rail will become a member of the Resulting CKH Holdings Group and is expected to deliver recurring cash flows and earnings.

In March 2015, the Group entered into a share purchase agreement with Telefónica S.A. to purchase O<sub>2</sub> UK. Please refer to “*Appendix V – Financial Information of the Group – Material Changes*” for further details.

Save as disclosed above, the CKH Holdings Directors confirm that there had been no material changes in the financial or trading position or outlook of the Cheung Kong Group (and, following completion of the Cheung Kong Reorganisation on 18 March 2015, the CKH Holdings Group) since 31 December 2014, the date to which the latest published audited consolidated financial statements of the Cheung Kong Group were made up, up to and including the Latest Practicable Date.

## **6. DIVIDENDS**

Excluding the special dividend of HK\$7.00 per Cheung Kong Share declared and paid in respect of the year ended 31 December 2014, the dividends declared and paid or payable by Cheung Kong for the three years ended 31 December 2012, 2013 and 2014 were HK\$7,319 million, HK\$8,060 million and HK\$8,463 million (including the second interim dividend of HK\$6,985 million (representing a dividend per Cheung Kong Share of HK\$3.016) declared on 26 February 2015 in respect of the year ended 31 December 2014 and to be paid on 15 April 2015), respectively, representing a dividend per Cheung Kong Share of HK\$3.16, HK\$3.48 and HK\$3.654, respectively.

**7. RESULTS OF THE OFFEROR FROM ITS INCORPORATION TO 31  
DECEMBER 2014****Formation of the Offeror**

The Offeror, being CK Global Investments Limited, is a company incorporated in the British Virgin Islands with limited liability on 30 December 2014. CKH Holdings became the first and sole shareholder of the Offeror on 2 January 2015 and the Offeror is currently a wholly-owned subsidiary of CKH Holdings.

**Results of the Offeror**

As the Offeror had no assets, liabilities or operations, no financial statements were prepared with respect to the Offeror during the period from 30 December 2014 (date of incorporation) to 31 December 2014.

For this reason and pursuant to the requirements of the Takeovers Code, financial information of its ultimate parent company, CKH Holdings, for the last three financial years is set out above.

**1. RESPONSIBILITY STATEMENT**

The issue of this document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this document ((i) other than information relating to the CKH Holdings Group and (ii) in so far as information relates to the CK Property Group, other than information relating to the Cheung Kong Property Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by CKH Holdings, the Offeror or their respective directors in their capacity as such directors) have been arrived at after due and careful consideration and there are no other facts ((i) other than information relating to the CKH Holdings Group and (ii) in so far as information relates to the CK Property Group, other than information relating to the Cheung Kong Property Group) not contained in this document, the omission of which would make any statement in this document misleading.

**2. SHARE CAPITAL**

- (a) As at the Latest Practicable Date, the share capital of the Company was as follows:

Number of Shares in issue:	4,263,370,780
Amount of issued and paid up capital:	HK\$29,424,795,590

- (b) All the Shares presently in issue are fully paid or credited as fully paid and rank *pari passu* in all respects with each other, including as to rights to capital, dividends and voting rights.
- (c) No Shares were issued by the Company since 31 December 2014, being the end of the last financial year of the Company, up to and including the Latest Practicable Date.
- (d) As at the Latest Practicable Date, the Company did not have any outstanding options, warrants or conversion rights affecting the Shares.

### 3. MARKET PRICES OF THE SHARES

The table below shows the closing prices of the Shares on the Stock Exchange on (i) the Latest Practicable Date, (ii) the Last Trading Day and (iii) at the end of each calendar month during the Relevant Period:

<u>Date</u>	<b>Closing Price of each Share</b>
	<i>(HK\$)</i>
31 July 2014	106.00
29 August 2014	100.80
30 September 2014	94.00
31 October 2014	98.30
28 November 2014	97.20
31 December 2014	89.25
9 January 2015 (Last Trading Day)	87.40
30 January 2015	102.90
27 February 2015	106.20
27 March 2015 (Latest Practicable Date)	107.30

During the Relevant Period, the highest closing price of the Shares on the Stock Exchange was HK\$107.50 each on 11 March 2015 and the lowest closing price of the Shares on the Stock Exchange was HK\$86.05 each on 17 December 2014.

### 4. DISCLOSURE OF INTERESTS IN SHARES

- (a) As at the Latest Practicable Date, the following Directors had the following interests in the Shares. For the purpose of this paragraph, “interested” and “interests” have the same meanings given to those terms in Part XV of the SFO:

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of Shares</u>				<u>Total</u>	<u>Approximate % of shareholding</u>
		<u>Personal Interest</u>	<u>Family Interest</u>	<u>Corporate Interest</u>	<u>Other Interest</u>		
Chow Woo Mo Fong, Susan	Beneficial owner	190,000	-	-	-	190,000	0.0045%
Lai Kai Ming, Dominic	Beneficial owner	50,000	-	-	-	50,000	0.0012%
Michael David Kadoorie	Founder, a beneficiary and/or a discretionary object of discretionary trust(s)	-	-	-	15,984,095 <sup>(1)</sup>	15,984,095	0.3749%
William Shurniak	Beneficial owner	165,000	-	-	-	165,000	0.0039%

*Note:*

- (1) Such Shares are ultimately held by discretionary trust(s) of which The Hon Sir Michael David Kadoorie is either the founder, a beneficiary and/or a discretionary object.



In addition, as at the Latest Practicable Date, certain Directors, namely Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, Mr. Fok Kin Ning, Canning, Mr. Frank John Sixt, Mr. Kam Hing Lam, Mr. George Colin Magnus and Mr. Lee Yeh Kwong, Charles, who are also CKH Holdings Directors, had or were deemed to have interests in Shares. Such Directors' interests in Shares are set out in "*Effects of the Merger Proposal on the Shareholding Structure of the Company and CKH Holdings – Shareholding Structure of the Company*" in the Explanatory Statement.

- (b) As at the Latest Practicable Date, the following pension funds of the Group had the following interests in the Shares:

<u>Name of Pension Fund</u>	<u>Number of Shares</u>	<u>Approximate % of shareholding</u>
Hutchison Provident and Retirement Plan	404,196	0.0095%
Hutchison Provident Fund	387,100	0.0091%

- (c) As at the Latest Practicable Date:

- (i) save as disclosed in paragraph 4(b) above, none of the subsidiaries of the Company, any pension fund of the Group and any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders), owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) there were no arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code, and any other person;
- (iii) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (iv) neither the Company nor any of the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares, save for any borrowed Shares which had been either on-lent or sold.

## 5. DISCLOSURE OF INTERESTS IN THE OFFEROR SHARES

The Offeror is a wholly-owned subsidiary of CKH Holdings.

## 6. DISCLOSURE OF INTERESTS IN CKH HOLDINGS SHARES

- (a) As at the Latest Practicable Date, the following Directors (other than those who are also CKH Holdings Directors whose interests are set out in “*Appendix II – Information on the CKH Holdings Group and the Offeror*”) were interested in CKH Holdings Shares:

<u>Name of Director</u>	<u>Capacity</u>	<u>Nature of Interest</u>	<u>Number of CKH Holdings Shares</u>	<u>Total</u>	<u>Approximate % of shareholding</u>
William Shurniak	Beneficial owner	Personal interest	150,000	150,000	0.0065%

- (b) As at the Latest Practicable Date, the following pension funds of the Group had the following interests in CKH Holdings Shares:

<u>Name of Pension Fund</u>	<u>Number of CKH Holdings Shares</u>	<u>Approximate % of shareholding</u>
Hutchison Provident and Retirement Plan	252,000	0.0109%
Hutchison Provident Fund	229,000	0.0099%

- (c) As at the Latest Practicable Date:

- (i) save as disclosed in paragraph 6(a) above, none of the Company nor any of the Directors had any interests in any CKH Holdings Shares or any convertible securities, warrants, options or derivatives in respect of the CKH Holdings Shares;
- (ii) save as disclosed in paragraph 6(b) above, none of the subsidiaries of the Company, any pension fund of the Group and any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders) owned or controlled any CKH Holdings Shares or any convertible securities, warrants, options or derivatives in respect of the CKH Holdings Shares;
- (iii) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis owned or controlled any CKH Holdings Shares or any convertible securities, warrants, options or derivatives in respect of the CKH Holdings Shares; and
- (iv) neither the Company nor any of the Directors had borrowed or lent any CKH Holdings Shares or any convertible securities, warrants, options or derivatives in respect of any CKH Holdings Shares, save for any borrowed CKH Holdings Shares which had been either on-lent or sold.

**7. DEALINGS IN THE SHARES**

- (a) Neither the Company nor any of the Directors had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period.
- (b) Details of the dealings in the Shares by the pension funds of the Group during the Offer Period and ending on the Latest Practicable Date are set out below:

<u>Name of Pension Fund</u>	<u>Date</u>	<u>Type of Transaction</u>	<u>Number of Shares</u>	<u>Price per Share</u>
Hutchison Provident and Retirement Plan	6 February 2015	Purchase	11,000	HK\$104.30
	6 February 2015	Purchase	42,000	HK\$104.40
	6 February 2015	Purchase	62,000	HK\$104.50

- (c) During the Offer Period and ending on the Latest Practicable Date:
- (i) save as disclosed in paragraph 7(b) above, none of the subsidiaries of the Company, any pension fund of the Group and any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders) had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (iii) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

**8. DEALINGS IN CHEUNG KONG SHARES AND CKH HOLDINGS SHARES**

- (a) Neither the Company nor any of the Directors had dealt for value in any Cheung Kong Shares or CKH Holdings Shares (as the case may be) or any convertible securities, warrants, options or derivatives in respect of the Cheung Kong Shares or the CKH Holdings Shares (as the case may be) during the Relevant Period.

- (b) Details of the dealings in the Cheung Kong Shares by the pension funds of the Group during the Offer Period and ending on the Latest Practicable Date are set out below:

<u>Name of Pension Fund</u>	<u>Date</u>	<u>Type of Transaction</u>	<u>Number of Cheung Kong Shares</u>	<u>Price per Cheung Kong Share</u>
Hutchison Provident and Retirement Plan	6 February 2015	Purchase	3,000	HK\$149.90
	6 February 2015	Purchase	5,000	HK\$150.00
	6 February 2015	Purchase	15,000	HK\$150.10
	6 February 2015	Purchase	37,000	HK\$150.20
	6 February 2015	Purchase	21,000	HK\$150.30

- (c) During the Offer Period and ending on the Latest Practicable Date:
- (i) save as disclosed in paragraph 8(b) above, none of the subsidiaries of the Company, any pension fund of the Group and any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders) had dealt for value in the Cheung Kong Shares or the CKH Holdings Shares (as the case may be) or any convertible securities, warrants, options or derivatives in respect of the Cheung Kong Shares or the CKH Holdings Shares (as the case may be);
  - (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code had dealt for value in the Cheung Kong Shares or the CKH Holdings Shares (as the case may be) or any convertible securities, warrants, options or derivatives in respect of the Cheung Kong Shares or the CKH Holdings Shares (as the case may be); and
  - (iii) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in the Cheung Kong Shares or the CKH Holdings Shares (as the case may be) or any convertible securities, warrants, options or derivatives in respect of the Cheung Kong Shares or the CKH Holdings Shares (as the case may be).

## 9. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

**10. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of the business carried on or intended to be carried on by any member of the Group) have been entered into by members of the Group after the date which was two years before the commencement of the Offer Period, up to and including the Latest Practicable Date and which may or may not be material:

- (a) the Husky Share Exchange Agreement;
- (b) the Purchaser Guarantee; and
- (c) the Vendor Guarantee.

**11. EXPERTS**

The following are the qualifications of the experts which have given advice which is contained in this document:

<u>Name of Expert</u>	<u>Qualification</u>
Somerley Capital Limited	Licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
PricewaterhouseCoopers	Certified Public Accountants
Deloitte Touche Tohmatsu	Certified Public Accountants
DTZ Debenham Tie Leung Limited	Independent property valuer
Gerald Eve LLP	Independent property valuer
Smiths Gore	Independent property valuer
CBRE, Inc.	Independent property valuer

**12. CONSENTS**

Each of Goldman Sachs (Asia) L.L.C., Somerley Capital Limited, PricewaterhouseCoopers, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, Gerald Eve LLP, Smiths Gore and CBRE, Inc. has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or references to its name in the form and context in which they respectively appear.

**13. ARRANGEMENTS AFFECTING THE DIRECTORS**

As at the Latest Practicable Date:

- (a) no benefit (save for statutory compensation required under appropriate laws) will be given to any Director as compensation for loss of office or otherwise in connection with the Scheme;
- (b) there were no agreements or arrangements between any Director and any other person which is conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme; and
- (c) save for the material contract disclosed in “*Appendix II – Information on the CKH Holdings Group and the Offeror – Material Contract*” which relates to the Husky Share Exchange Agreement to which an indirect wholly-owned subsidiary of the Company and a company indirectly wholly-owned by the Trust are parties, there were no material contracts entered into by CKH Holdings or the Offeror in which any Director had a material personal interest (for the relationship between Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, both being Directors, on the one hand and the Trust on the other hand, and for the number of CKH Holdings Shares to be issued to the Husky Sale Shares Vendor (or as it may direct) in relation to the Husky Share Exchange, please refer to note (2) to “*Effects of the Merger Proposal on the Shareholding Structure of the Company and CKH Holdings – Shareholding Structure of the Company*” and notes (1) and (9) to “*Effects of the Merger Proposal on the Shareholding Structure of the Company and CKH Holdings – Shareholding Structure of CKH Holdings*” in the Explanatory Statement).

**14. SERVICE CONTRACTS**

As at the Latest Practicable Date, save for the service contract entered into by the Company with Mr. Cheng Hoi Chuen, Vincent in relation to his appointment as an independent non-executive Director on 10 July 2014, there were no service contracts which had been entered into by any of the Directors with the Company or any of its subsidiaries or associated companies (a) which (including both continuous or fixed term contracts) had been entered into or amended within six months before the commencement of the Offer Period, (b) which were continuous contracts with a notice period of 12 months or more or (c) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

**1. THREE YEAR FINANCIAL SUMMARY**

The Company's consolidated financial statements are prepared and presented in accordance with HKFRS.

The Company's consolidated financial statements for each of the years ended 31 December 2012, 2013 and 2014 have been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in their unqualified audit reports dated 26 March 2013, 28 February 2014 and 26 February 2015, respectively.

During each of the years ended 31 December 2012, 2013 and 2014, the Group adopted all of the new and revised standards, amendments and interpretations issued by HKICPA that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2012, 2013 and 2014, respectively. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position except for the adoption in 2013 of HKAS 19 and HKFRS 11. The adoption of HKAS 19 and HKFRS 11 in 2013 resulted in changes in accounting for defined benefit plans and a change in the classification of certain equity-accounted for investments respectively. In accordance with HKFRS, these changes were applied retrospectively and the 2012 and prior period financial information was restated accordingly. The effect of the adoption of HKAS 19 and HKFRS 11 and a copy of the Company's restated consolidated income statement, restated consolidated statement of comprehensive income, restated consolidated statement of changes in equity and restated consolidated statement of cash flows for the year ended 31 December 2012, the Company's restated consolidated statement of financial position as at 31 December 2012 and the notes to the financial statements are included in the Company's audited consolidated financial statements for the year ended 31 December 2013.

The following summary financial information (i) for each of the years ended 31 December 2012 and 2013 is extracted from the audited consolidated financial statements of the Company for the year ended 31 December 2013 as set forth in the annual report of the Company for the year ended 31 December 2013 and (ii) for the year ended 31 December 2014 is extracted from the audited consolidated financial statements of the Company for the year ended 31 December 2014 as set forth in the annual results announcement of the Company for the year ended 31 December 2014.

## Consolidated Income Statement

	For the year ended 31 December			
	2012	2013	2014	2014
	(restated) <sup>(1)</sup>			US\$
	HK\$ millions			millions
Revenue	243,089	256,234	272,161	34,892
Cost of inventories sold	(98,113)	(102,496)	(110,596)	(14,179)
Staff costs	(31,416)	(33,151)	(34,604)	(4,436)
Telecommunications customer acquisition costs	(25,514)	(24,170)	(24,165)	(3,098)
Depreciation and amortisation	(14,149)	(15,850)	(17,003)	(2,180)
Other operating expenses	(50,364)	(51,265)	(50,944)	(6,532)
Change in fair value of investment properties	790	26	24,678	3,164
Profits on disposal of investments and others	(2,052)	230	(4,532)	(581)
Share of profits less losses after tax of:				
Associated companies before profits on disposal of investments and others	10,558	10,433	9,166	1,175
Joint ventures	10,924	12,597	10,466	1,342
Associated companies' profits on disposal of investments and others	—	(504)	19,141	2,454
	43,753	52,084	93,768	12,021
Interest expenses and other finance costs	(9,243)	(8,391)	(8,050)	(1,032)
<b>Profit before tax</b>	<b>34,510</b>	<b>43,693</b>	<b>85,718</b>	<b>10,989</b>
Current tax	(3,079)	(4,231)	(4,307)	(552)
Deferred tax	676	(569)	340	44
<b>Profit after tax</b>	<b>32,107</b>	<b>38,893</b>	<b>81,751</b>	<b>10,481</b>
<b>Allocated as:</b>				
Profit attributable to non-controlling interests and holders of perpetual capital securities	(6,210)	(7,781)	(14,595)	(1,871)
Profit attributable to ordinary shareholders of the Company	25,897	31,112	67,156	8,610
Earnings per share for profit attributable to ordinary shareholders of the Company	HK\$6.07	HK\$7.30	HK\$15.75	US\$2.02

Note:

- (1) The 2012 financial information was restated in 2013 as a result of the adoption in 2013 of HKAS 19 and HKFRS 11 which were applied retrospectively by the Group.



No item which was exceptional because of its size, nature or incidence was recorded in the financial statements of the Group for the years ended 31 December 2012, 2013 and 2014.

**2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

The following financial information has been extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2014 as set forth in the annual results announcement of the Company for the year ended 31 December 2014 which was released on 26 February 2015.

## CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2014

<u>2014</u>			<u>2014</u>	<u>2013</u>
<i>US\$ millions</i>		<i>Note</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
34,892	Revenue	4, 5	272,161	256,234
(14,179)	Cost of inventories sold		(110,596)	(102,496)
(4,436)	Staff costs		(34,604)	(33,151)
(3,098)	Telecommunications customer acquisition costs		(24,165)	(24,170)
(2,180)	Depreciation and amortisation	5	(17,003)	(15,850)
(6,532)	Other operating expenses		(50,944)	(51,265)
3,164	Change in fair value of investment properties		24,678	26
(581)	Profits on disposal of investments and others	6	(4,532)	230
	Share of profits less losses after tax of:			
	Associated companies before profits on disposal of investments and others	19	9,166	10,433
1,175	Joint ventures	20	10,466	12,597
2,454	Associated companies' profits on disposal of investments and others	6	19,141	(504)
12,021		5	93,768	52,084
(1,032)	Interest expenses and other finance costs	8	(8,050)	(8,391)
10,989	<b>Profit before tax</b>		85,718	43,693
(552)	Current tax	9	(4,307)	(4,231)
44	Deferred tax	9	340	(569)
10,481	<b>Profit after tax</b>		81,751	38,893
	<b>Allocated as:</b>			
(1,871)	<b>Profit attributable to non-controlling interests and holders of perpetual capital securities</b>		(14,595)	(7,781)
8,610	<b>Profit attributable to ordinary shareholders of the Company</b>		67,156	31,112
US\$ 2.02	<b>Earnings per share for profit attributable to ordinary shareholders of the Company</b>	11	HK\$ 15.75	HK\$ 7.30

Details of distributions paid to the holders of perpetual capital securities, special dividend, first interim and final dividends paid, and second interim dividend payable to the ordinary shareholders of the Company are set out in note 10.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2014

<u>2014</u>		<u>2014</u>	<u>2013</u>	
<i>US\$ millions</i>	<i>Note</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	
<b>ASSETS</b>				
<b>Non-current assets</b>				
22,210	Fixed assets	13	173,234	177,324
8,489	Investment properties	14	66,211	42,454
1,091	Leasehold land	15	8,513	9,849
10,462	Telecommunications licences	16	81,602	86,576
5,017	Goodwill	17	39,132	38,028
2,081	Brand names and other rights	18	16,233	18,755
16,207	Associated companies	19	126,416	112,058
15,312	Interests in joint ventures	20	119,433	111,271
2,462	Deferred tax assets	21	19,203	18,548
915	Other non-current assets	22	7,139	7,934
1,941	Liquid funds and other listed investments	23	15,141	17,136
86,187			672,257	639,933
<b>Current assets</b>				
16,066	Cash and cash equivalents	24	125,318	85,651
8,535	Trade and other receivables	25	66,576	69,083
2,473	Inventories		19,284	20,855
27,074			211,178	175,589
<b>Current liabilities</b>				
11,172	Trade and other payables	26	87,139	86,812
5,421	Bank and other debts	28	42,281	18,159
385	Current tax liabilities		3,005	3,319
16,978			132,425	108,290
10,096	<b>Net current assets</b>		78,753	67,299
96,283	<b>Total assets less current liabilities</b>		751,010	707,232
<b>Non-current liabilities</b>				
26,325	Bank and other debts	28	205,332	207,195
1,026	Interest bearing loans from non-controlling shareholders	29	8,000	5,445
1,437	Deferred tax liabilities	21	11,213	10,228
395	Pension obligations	30	3,083	3,095
554	Other non-current liabilities	31	4,320	5,037
29,737			231,948	231,000
66,546	<b>Net assets</b>		519,062	476,232

**APPENDIX V**
**FINANCIAL INFORMATION OF THE GROUP**

<u>2014</u>			<u>2014</u>	<u>2013</u>
<i>US\$ millions</i>		<i>Note</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
	<b>CAPITAL AND RESERVES</b>			
3,772	Share capital*	32(a)	29,425	29,425
5,082	Perpetual capital securities	32(b)	39,638	40,244
<u>50,917</u>	Reserves		<u>397,155</u>	<u>356,940</u>
	<b>Total ordinary shareholders' funds and perpetual capital securities</b>			
59,771			466,218	426,609
<u>6,775</u>	Non-controlling interests		<u>52,844</u>	<u>49,623</u>
<u><u>66,546</u></u>	<b>Total equity</b>		<u><u>519,062</u></u>	<u><u>476,232</u></u>

\* Share capital as at 31 December 2013 includes the balance on the share premium account and capital redemption reserve created under the sections 48B and 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32) totalling HK\$28,359 million, which under the Hong Kong Companies Ordinance (Cap. 622) effective on 3 March 2014 have been included in share capital. Also see note 32(a)(iii).

**Fok Kin Ning, Canning**  
*Director*

**Frank John Sixt**  
*Director*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Attributable to							
	Ordinary shareholders				Holders of perpetual capital securities	Total ordinary shareholders' funds and perpetual capital securities	Non-controlling interests	Total equity
	Share capital <sup>(a)</sup>	Other reserves <sup>(b)</sup>	Retained profit	Sub-total				
HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	
At 1 January 2014*	29,425	13,760	343,180	386,365	40,244	426,609	49,623	476,232
Profit for the year	-	-	67,156	67,156	1,961	69,117	12,634	81,751
Other comprehensive income (losses)								
Available-for-sale investments								
Valuation gains recognised directly in reserves	-	1,017	-	1,017	-	1,017	159	1,176
Valuation gains previously in reserves recognised in income statement	-	(381)	-	(381)	-	(381)	(99)	(480)
Remeasurement of defined benefit obligations recognised directly in reserves	-	-	(234)	(234)	-	(234)	(90)	(324)
Losses on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised directly in reserves	-	(17)	-	(17)	-	(17)	12	(5)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	-	(15,626)	-	(15,626)	-	(15,626)	(1,027)	(16,653)
Gains previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	-	(1,848)	-	(1,848)	-	(1,848)	(1,788)	(3,636)
Gains previously in other reserves related to subsidiaries disposed during the year transferred directly to retained profit	-	(8)	8	-	-	-	-	-
Share of other comprehensive income (losses) of associated companies	-	(4,584)	(48)	(4,632)	-	(4,632)	(222)	(4,854)
Share of other comprehensive income (losses) of joint ventures	-	(4,357)	38	(4,319)	-	(4,319)	(886)	(5,205)
Tax relating to components of other comprehensive income (losses)	-	(42)	61	19	-	19	3	22
Other comprehensive income (losses)	-	(25,846)	(175)	(26,021)	-	(26,021)	(3,938)	(29,959)
Total comprehensive income (losses)	-	(25,846)	66,981	41,135	1,961	43,096	8,696	51,792
Dividends paid relating to 2013	-	-	(7,248)	(7,248)	-	(7,248)	-	(7,248)
Dividends paid relating to 2014	-	-	(2,814)	(2,814)	-	(2,814)	-	(2,814)
Special dividends paid	-	-	(29,843)	(29,843)	-	(29,843)	-	(29,843)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(4,182)	(4,182)
Distributions paid on perpetual capital securities	-	-	-	-	(1,980)	(1,980)	-	(1,980)

	Attributable to							
	Ordinary shareholders				Holders of perpetual capital securities	Total ordinary shareholders' funds and perpetual capital securities	Non-controlling interests	Total equity
	Share capital <sup>(a)</sup>	Other reserves <sup>(b)</sup>	Retained profit	Sub-total				
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Equity contribution from non-controlling interests <sup>(d)</sup>	-	-	-	-	-	-	43,805	43,805
Redemption of capital securities by a subsidiary	-	-	-	-	-	-	(2,340)	(2,340)
Redemption of preferred shares by non-controlling interests	-	-	-	-	-	-	(3,714)	(3,714)
Share option schemes of subsidiaries	-	1	-	1	-	1	2	3
Share option lapsed	-	(1)	1	-	-	-	-	-
Unclaimed dividends write back	-	-	5	5	-	5	-	5
Repurchase of perpetual capital securities <sup>(c)</sup>	-	-	(30)	(30)	(587)	(617)	-	(617)
Relating to purchase of non-controlling interests	-	(68)	-	(68)	-	(68)	31	(37)
Relating to deemed dilution of subsidiary companies <sup>(d)</sup>	-	39,077	-	39,077	-	39,077	(39,077)	-
At 31 December 2014	<u>29,425</u>	<u>26,923</u>	<u>370,232</u>	<u>426,580</u>	<u>39,638</u>	<u>466,218</u>	<u>52,844</u>	<u>519,062</u>

**APPENDIX V**
**FINANCIAL INFORMATION OF THE GROUP**

	Attributable to							
	Ordinary shareholders				Holders of perpetual capital securities	Total ordinary shareholders' funds and perpetual capital securities	Non-controlling interests	Total equity
	Share capital <sup>(a)</sup>	Other reserves <sup>(b)</sup>	Retained profit	Sub-total				
HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	
At 1 January 2013*	29,425	18,091	320,369	367,885	23,634	391,519	47,022	438,541
Profit for the year	–	–	31,112	31,112	1,774	32,886	6,007	38,893
Other comprehensive income (losses)								
Available-for-sale investments								
Valuation gains recognised directly in reserves	–	309	–	309	–	309	73	382
Valuation losses previously in reserves recognised in income statement	–	6	–	6	–	6	–	6
Remeasurement of defined benefit obligations recognised directly in reserves	–	–	551	551	–	551	143	694
Gains on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised directly in reserves	–	318	–	318	–	318	28	346
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(1,696)	–	(1,696)	–	(1,696)	(78)	(1,774)
Gains previously in exchange reserve related to subsidiaries and associated companies disposed during the year recognised in income statement	–	(146)	–	(146)	–	(146)	(6)	(152)
Share of other comprehensive income (losses) of associated companies	–	(3,692)	472	(3,220)	–	(3,220)	(17)	(3,237)
Share of other comprehensive income (losses) of joint ventures	–	567	(84)	483	–	483	(9)	474
Tax relating to components of other comprehensive income (losses)	–	(59)	104	45	–	45	(37)	8
Other comprehensive income (losses)	–	(4,393)	1,043	(3,350)	–	(3,350)	97	(3,253)
Total comprehensive income (losses)	–	(4,393)	32,155	27,762	1,774	29,536	6,104	35,640



	Attributable to							
	Ordinary shareholders				Holders of perpetual capital securities	Total ordinary shareholders' funds and perpetual capital securities	Non-controlling interests	Total equity
	Share capital <sup>(a)</sup>	Other reserves <sup>(b)</sup>	Retained profit	Sub-total				
HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	
Dividends paid relating to 2012	-	-	(6,523)	(6,523)	-	(6,523)	-	(6,523)
Dividends paid relating to 2013	-	-	(2,558)	(2,558)	-	(2,558)	-	(2,558)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(3,532)	(3,532)
Distributions paid on perpetual capital securities	-	-	-	-	(1,351)	(1,351)	-	(1,351)
Equity contribution from non-controlling interests	-	-	-	-	-	-	108	108
Share option schemes of subsidiaries	-	(11)	-	(11)	-	(11)	1	(10)
Share option lapsed	-	(1)	1	-	-	-	-	-
Unclaimed dividends write back	-	-	5	5	-	5	-	5
Issuance of perpetual capital securities <sup>(c)</sup>	-	-	-	-	17,879	17,879	-	17,879
Transaction costs in relation to issuance of perpetual capital securities	-	-	(158)	(158)	-	(158)	-	(158)
Repurchase of perpetual capital securities <sup>(c)</sup>	-	-	(110)	(110)	(1,692)	(1,802)	-	(1,802)
Relating to acquisition of subsidiary companies	-	-	-	-	-	-	2	2
Relating to purchase of non-controlling interests	-	21	-	21	-	21	(30)	(9)
Relating to partial disposal of subsidiary companies	-	53	(1)	52	-	52	(52)	-
At 31 December 2013	29,425	13,760	343,180	386,365	40,244	426,609	49,623	476,232

\* Share capital as at 1 January 2013, 31 December 2013 and 1 January 2014 include the balance on the share premium account and capital redemption reserve created under the sections 48B and 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32) totalling HK\$28,359 million, which under the Hong Kong Companies Ordinance (Cap. 622) effective on 3 March 2014 have been included in share capital. Also see note (a).

- (a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, the amounts standing to the credit of the share premium account and capital redemption reserve created under the sections 48B and 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32) have become part of the Company's share capital.
- (b) See note 33 for further details on other reserves.
- (c) During the year ended 31 December 2014, the Group had repurchased US\$75 million (approximately HK\$587 million) (2013 – US\$217 million, approximately HK\$1,692 million) nominal amount of subordinated guaranteed perpetual capital securities (the “perpetual capital securities”) that were originally issued in October 2010 at an aggregate nominal amount of US\$2,000 million (approximately HK\$15,600 million).

In May 2013, a wholly owned subsidiary company of the Group issued perpetual capital securities with a nominal amount of €1,750 million (approximately HK\$17,879 million) for cash, which are classified as equity under Hong Kong Financial Reporting Standards.

- (d) During the year ended 31 December 2014, the Group entered into a strategic alliance with Temasek Holdings (Private) Limited (“Temasek”) with Temasek acquiring 24.95% equity interests in the Retail division for approximately HK\$44 billion, resulting in an increase of approximately HK\$39 billion in the Group's ordinary shareholders' funds.

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

<u>2014</u>		<u>2014</u>	<u>2013</u>
<i>US\$ millions</i>	<i>Note</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>Operating activities</b>			
8,031		62,640	60,898
(949)	34(a)	(7,403)	(7,695)
(564)		(4,401)	(3,813)
<b>6,518</b>	<b>Funds from operations</b>	<b>50,836</b>	<b>49,390</b>
(374)	Changes in working capital	(2,916)	(4,338)
<b>6,144</b>	<b>Net cash from operating activities</b>	<b>47,920</b>	<b>45,052</b>
<b>Investing activities</b>			
(2,730)		(21,289)	(23,028)
–		–	(532)
(5)	16	(41)	(6,828)
(29)	18	(229)	(105)
(1,086)	34(c)	(8,467)	(17,651)
(127)		(994)	(30)
405		3,160	8,897
(1,692)		(13,200)	(14,184)
103		804	6,442
116	34(d)	905	3,149
74		575	1,895
574		4,477	111
2		20	17
(4,395)		(34,279)	(41,847)
238		1,861	6,245
(313)		(2,445)	(147)
<b>(4,470)</b>	<b>Cash flows used in investing activities</b>	<b>(34,863)</b>	<b>(35,749)</b>
<b>1,674</b>	<b>Net cash inflow before financing activities</b>	<b>13,057</b>	<b>9,303</b>

**APPENDIX V**
**FINANCIAL INFORMATION OF THE GROUP**

<u>2014</u>			<u>2014</u>	<u>2013</u>
<i>US\$ millions</i>		<i>Note</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
	<b>Financing activities</b>			
9,986	New borrowings		77,895	28,323
(5,751)	Repayment of borrowings		(44,860)	(61,822)
	Issue of shares by subsidiary companies to non-controlling shareholders and net loans from (to) non-controlling shareholders			
5,484			42,775	(69)
(300)	Redemption of capital securities by a subsidiary		(2,340)	–
(12)	Payments to acquire additional interests in subsidiary companies		(93)	(9)
–	Proceeds on issue of perpetual capital securities, net of transaction costs		–	17,721
(79)	Repurchase of perpetual capital securities	32(b)	(617)	(1,802)
(547)	Dividends paid to non-controlling interests		(4,265)	(3,510)
(254)	Distributions paid on perpetual capital securities		(1,980)	(1,351)
(5,116)	Dividends paid to ordinary shareholders		(39,905)	(9,081)
<u>3,411</u>	<b>Cash flows from (used in) financing activities</b>		<u>26,610</u>	<u>(31,600)</u>
5,085	Increase (decrease) in cash and cash equivalents		39,667	(22,297)
<u>10,981</u>	Cash and cash equivalents at 1 January		<u>85,651</u>	<u>107,948</u>
<u><u>16,066</u></u>	<b>Cash and cash equivalents at 31 December</b>		<u><u>125,318</u></u>	<u><u>85,651</u></u>
	<b>Analysis of cash, liquid funds and other listed investments</b>			
16,066	Cash and cash equivalents, as above	24	125,318	85,651
<u>1,941</u>	Liquid funds and other listed investments	23	<u>15,141</u>	<u>17,136</u>
18,007	<b>Total cash, liquid funds and other listed investments</b>		140,459	102,787
31,650	Total principal amount of bank and other debts	28	246,867	223,822
<u>1,026</u>	Interest bearing loans from non-controlling shareholders	29	<u>8,000</u>	<u>5,445</u>
14,669	<b>Net debt</b>		114,408	126,480
<u>(1,026)</u>	Interest bearing loans from non-controlling shareholders		<u>(8,000)</u>	<u>(5,445)</u>
<u><u>13,643</u></u>	<b>Net debt (excluding interest bearing loans from non-controlling shareholders)</b>		<u><u>106,408</u></u>	<u><u>121,035</u></u>

**NOTES TO THE ACCOUNTS****1 BASIS OF PREPARATION**

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The accounts have been prepared under the historical cost convention except for certain properties and financial instruments which are stated at fair values, as explained in the significant accounting policies set out in note 2.

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group’s operations and mandatory for annual periods beginning 1 January 2014. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group’s results of operations or financial position.

The accounts also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

**2 SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of consolidation**

The consolidated accounts of the Group include the accounts of the Company and its direct and indirect subsidiary companies and also incorporate the Group’s interest in associated companies and joint ventures on the basis set out in notes 2(c) and 2(d) below. Results of subsidiary and associated companies and joint ventures acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2014 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the acquisition method.

**(b) Subsidiary companies**

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the consolidated accounts, subsidiary companies are accounted for as described in note 2(a) above. In the unconsolidated accounts of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

**(c) Associated companies**

An associate is an entity, other than a subsidiary or a joint venture, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

The results and net assets of associates are incorporated in these accounts using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

**(d) Joint arrangements**

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. Joint ventures are accounted for under the equity method.

The results and net assets of joint ventures are incorporated in these accounts using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

**(e) Fixed assets**

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of 50 years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right of renewal is attached.

Depreciation of other fixed assets is provided at rates calculated to write off their costs over their estimated useful lives on a straight-line basis at the following annual rates:

Motor vehicles	20-25%
Plant, machinery and equipment	3 1/3-20%
Container terminal equipment	3-20%
Telecommunications equipment	2.5-10%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is greater

The gain or loss on disposal or retirement of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

**(f) Investment properties**

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the statement of financial position at their fair value as determined by professional valuation. Changes in fair values of investment properties are recorded in the income statement.

**(g) Leasehold land**

The acquisition costs and upfront payments made for leasehold land are presented on the face of the statement of financial position as leasehold land and expensed in the income statement on a straight-line basis over the period of the lease.

**(h) Telecommunications licences**

Telecommunications licences are comprised of the upfront payments and non-cash consideration made for acquiring telecommunications spectrum licences plus the capitalised present value of fixed periodic payments to be made in subsequent years, together with the interest accrued prior to the date of first commercial usage of the spectrum.

Telecommunications licences that are considered to have an indefinite useful life to the Group are not amortised and are tested for impairment annually and when there is indication that they may be impaired. Telecommunications licences with finite useful lives are amortised on a straight-line basis from the date of first commercial usage of the related spectrum over the remaining expected contracted or expected licence periods ranging from approximately 9 to 20 years and are stated net of accumulated amortisation.

**(i) Telecommunications customer acquisition costs**

Telecommunications customer acquisition costs (“CACs”) comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G and LTE customers. All telecommunications CACs are expensed and recognised in the income statement in the period in which they are incurred.

**(j) Goodwill**

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill is subject to impairment test annually and when there are indications that the carrying value may not be recoverable.

If the cost of acquisition is less than the fair value of the Group’s share of the net identifiable assets of the acquired company, the difference is recognised directly in the income statement.

The profit or loss on disposal is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

**(k) Brand names and other rights**

The payments and non-cash consideration made for acquiring brand names and other rights are capitalised. Brand names and other rights with indefinite lives are not amortised. Brand names and other rights with finite lives are amortised on a straight-line basis from the date of their first commercial usage over their estimated useful lives ranging from approximately 3 to 40 years. Brand names and other rights are stated net of accumulated amortisation, if any.

**(l) Deferred tax**

Deferred tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised.

**(m) Liquid funds and other listed investments and other unlisted investments**

“Liquid funds and other listed investments” are investments in listed / traded debt securities, listed equity securities, long-term deposits and cash and cash equivalents. “Other unlisted investments”, disclosed under other non-current assets, are investments in unlisted debt securities, unlisted equity securities and other receivables. These investments are recognised and de-recognised on the date the Group commits to purchase or sell the investments or when they expire. These investments are classified and accounted for as follows:

***Loans and receivables***

“Loans and receivables” are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

*Held-to-maturity investments*

“Held-to-maturity investments” are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. At the end of the reporting period subsequent to initial recognition, held-to-maturity investments are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

*Financial assets at fair value through profit or loss*

“Financial assets at fair value through profit or loss” are financial assets where changes in fair value are recognised in the income statement in the period in which they arise. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value. In addition, any dividends or interests earned on these financial assets are recognised in the income statement.

*Available-for-sale investments*

“Available-for-sale investments” are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value and changes in fair value are recognised in other comprehensive income and accumulated under the heading of revaluation reserve except for impairment losses which are charged to the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement. Dividends from available-for-sale investments are recognised when the right to receive payment is established. When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognised in revaluation reserve is removed from revaluation reserve and recognised in the income statement.

**(n) Derivative financial instruments and hedging activities**

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. The Group’s policy is not to utilise derivative financial instruments for trading or speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in fair value are recognised based on whether certain qualifying criteria under HKAS 39 are satisfied in order to apply hedge accounting, and if so, the nature of the items being hedged.

Derivatives designated as hedging instruments to hedge the fair value of recognised assets or liabilities may qualify as fair value hedges. The Group mainly enters into interest rate swap contracts to swap certain fixed interest rate borrowings into floating interest rate borrowings. Changes in the fair value of these derivative contracts, together with the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk are recognised in the income statement as interest expenses and other finance costs. At the same time the carrying amount of the hedged asset or liability in the statement of financial position is adjusted for the changes in fair value.

Derivatives designated as hedging instruments to hedge against the cash flows attributable to recognised assets or liabilities or forecast payments may qualify as cash flow hedges. The Group mainly enters into interest rate swap contracts to swap certain floating interest rate borrowings to fixed interest rate borrowings and foreign currency contracts to hedge the currency risk associated with certain forecast foreign currency payments and obligations. Changes in the fair value of these derivative contracts are recognised in other comprehensive income and accumulated under the heading of hedging reserve. Amounts accumulated are removed from hedging reserve and recognised in the income statement in the periods when the hedged derivative contract matures, except, when the forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the amounts accumulated are transferred from hedging reserve and, then they are included in the initial cost of the asset or liability.

Derivatives that do not qualify for hedge accounting under HKAS 39 will be accounted for with the changes in fair value being recognised in the income statement.

**(o) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Appropriate allowance for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

**(p) Properties under development**

Land for properties under development is stated at cost and development expenditure is stated at the aggregate amount of costs incurred up to the date of completion, including capitalised interest on related loans.

**(q) Inventories**

Inventories consist mainly of retail goods and the carrying value is mainly determined using the weighted average cost method. Inventories are stated at the lower of cost and net realisable value.

**(r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**(s) Borrowings and borrowing costs**

The Group's borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount of borrowings and debt instruments is recognised over the period of the borrowings using effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

**(t) Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

**(u) Customer loyalty credits**

Customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted.

**(v) Share capital**

Share capital issued by the Company are recorded in equity at the proceeds received, net of direct issue costs. In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, the amounts standing to the credit of the share premium account and capital redemption reserve created under the sections 48B and 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32) have become part of the Company's share capital.



**(w) Provisions**

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

**(x) Leased assets**

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the income statement. All other leases are accounted for as operating leases and the rental payments are charged to the income statement on accrual basis.

**(y) Asset impairment**

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. Such impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

**(z) Pension plans**

Pension plans are classified into defined benefit and defined contribution plans. The pension plans are generally funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

The Group's contributions to the defined contribution plans are charged to the income statement in the year incurred.

Pension costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations.

Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the year in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Pension costs are charged to the income statement within staff costs.

**(aa) Share-based payments**

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled

share-based payments is expensed on a straight-line basis over the vesting period, based on the respective group companies' estimate of their shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at the end of the reporting period.

**(ab) Foreign exchange**

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the end of the reporting period.

The accounts of foreign operations (i.e. subsidiary companies, associated companies, joint ventures or branches whose activities are based or conducted in a country or currency other than those of the Company) are translated into Hong Kong dollars using the year end rates of exchange for the statement of financial position items and the average rates of exchange for the year for the income statement items. Exchange differences are recognised in other comprehensive income and accumulated under the heading of exchange reserve. Exchange differences arising from foreign currency borrowings and other currency instruments designated as hedges of such overseas investments, are recognised in other comprehensive income and accumulated under the heading of exchange reserve.

Exchange differences arising from translation of inter-company loan balances between Group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity. On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange gains or losses accumulated in exchange reserve in respect of that operation attributable to the owners of the Company are transferred out of the exchange reserve and are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the income statement. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is transferred out of the exchange reserve and are recognised in the income statement.

All other exchange differences are recognised in the income statement.

**(ac) Revenue recognition**

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

*Ports and related services*

Revenue from the provision of ports and related services is recognised when the service is rendered.

*Property and hotels*

Revenue from the sale of properties is recognised either on the date of sale or on the date of issue of the relevant occupation permit, whichever is later, and the economic benefit accrues to the Group and the significant risks and rewards of the properties accrue to the purchasers.

Rental income is recognised on a straight-line basis over the period of the lease.

Revenue from the provision of hotel management, consultancy and technical service is recognised when the service is rendered.

#### ***Retail***

Revenue from the sale of retail goods is recognised at point of sales less an estimate for sales return based on past experience where goods are sold with a right to return. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sales, including credit card fees payable for the transaction.

#### ***Infrastructure***

Income from long-term contracts is recognised according to the stage of completion.

#### ***Energy***

Revenue from the sale of crude oil, natural gas, refined petroleum products and other energy products are recorded when title passes to an external party.

Revenue associated with the sale of transportation, processing and natural gas storage services is recognised when the service is rendered.

#### ***Mobile and fixed-line telecommunications services***

Revenue from the provision of mobile telecommunications services with respect to voice, video, internet access, messaging and media services, including data services and information provision, is recognised when the service is rendered and, depending on the nature of the services, is recognised either at gross amount billed to the customer or the amount receivable as commission for facilitating the services.

Revenue from the sale of prepaid mobile calling cards is recognised upon customer's usage of the card or upon the expiry of the service period.

For bundled transactions under contract comprising of provision of mobile telecommunications services and sale of a device (e.g. handsets), the amount of revenue recognised upon the sale of the device is accrued as determined by considering the estimated fair values of each of the services element and device element of the contract.

Other service income is recognised when the service is rendered.

Customer service revenue is mobile telecommunications service revenue, and where a customer is invoiced for a bundled transaction under contract, the invoiced amount less amounts related to accrued device revenue and also less other service income.

Total revenue arising from mobile and fixed-line telecommunications services comprises of service revenue, other service income and sale of device revenue.

#### ***Finance and investments***

Dividend income from investments in securities is recognised when the Group's right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

At the date these accounts are authorised for issue, the following standards, amendments and interpretations were in issue, and applicable to the Group's accounts for annual accounting periods beginning on or after 1 January 2015, but not yet effective and have not been early adopted by the Group:

HKAS 1 (Amendments) <sup>(iii)</sup>	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments) <sup>(iii)</sup>	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments) <sup>(iii)</sup>	Agriculture: Bearer Plants
HKAS 19 (2011) (Amendments) <sup>(i)</sup>	Defined Benefit Plans – Employee Contributions
HKAS 27 (Amendments) <sup>(iii)</sup>	Equity Method in Separate Financial Statements
HKFRS 9 (2014) <sup>(v)</sup>	Financial Instruments
HKFRS 10 and HKAS 28 (Amendments) <sup>(iii)</sup>	Sale or Contribution of Asset between an Investor and its Associate or Joint Venture
HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments) <sup>(iii)</sup>	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments) <sup>(iii)</sup>	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 15 <sup>(iv)</sup>	Revenue from Contracts with Customers
Annual Improvements 2010-2012 Cycle <sup>(ii)</sup>	Improvements to HKFRSs
Annual Improvements 2011-2013 Cycle <sup>(i)</sup>	Improvements to HKFRSs
Annual Improvements 2012-2014 Cycle <sup>(iii)</sup>	Improvements to HKFRSs

- (i) Effective for the Group for annual periods beginning on or after 1 January 2015.
- (ii) Effective for the Group for annual periods beginning on or after 1 January 2015, except for “Amendment to HKFRS 2 Share-based Payment” and “Amendment to HKFRS 3 Business Combinations” which are applicable to share-based payment transactions with a grant date, and business combinations for which the acquisition date, is on or after 1 July 2014.
- (iii) Effective for the Group for annual periods beginning on or after 1 January 2016.
- (iv) Effective for the Group for annual periods beginning on or after 1 January 2017.
- (v) Effective for the Group for annual periods beginning on or after 1 January 2018.

HKFRS 15 will be effective for the Group's accounts for annual reporting periods beginning on or after 1 January 2017. HKFRS 15 will replace all existing HKFRS revenue guidance and requirements including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is assessing the impact of HKFRS 15 and as a result, it is not practicable to quantify the impact of HKFRS 15 as at the date of publication of these accounts.

The adoption of other standards, amendments and interpretations listed above, in future periods is not expected to have any material impact on the Group's results of operations and financial position.

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 2 includes a summary of the significant accounting policies used in the preparation of the accounts. The preparation of accounts often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the accounts. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the accounts.

**(a) Basis of consolidation**

The determination of the Group's level of control over another entity will require exercise of judgement under certain circumstances. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As such, the classification of the entity as a subsidiary, a joint venture, an associate or a cost investment might require the application of judgement through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors and various other factors including, if relevant, the existence of agreement with other shareholders, applicable statutes and regulations and their requirements. The Group also considers, in particular, whether it obtains benefits, including non-financial benefits, from its power to control the entity.

**(b) Long-lived assets**

The Group has made substantial investments in tangible and intangible long-lived assets, primarily in mobile and fixed-line telecommunications networks and licences, container terminals, and properties. Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

The Group considers its asset impairment accounting policy to be a policy that requires one of the most extensive applications of judgements and estimates.

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. Such impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease and is recognised in other comprehensive income.

Judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to dispose or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions used to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

The Group's 3G businesses have achieved a fifth consecutive year of EBIT positive results but are still building up scale and growing their businesses. Impairment tests were undertaken as at 31 December 2014 and 31 December 2013 to assess whether the carrying values of the Group's telecommunications licences, network assets and goodwill were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. The results of the tests undertaken as at 31 December 2014 and 31 December 2013 indicated that no impairment charge was necessary.

The future cash flow projections for the 3G businesses reflect growing recurring revenue and margins derived from an accumulating customer base and diminishing ongoing investments in network infrastructure and in customer acquisitions.

The forecast growth in recurring revenue and margins is driven primarily by the increasing size of the accumulating customer base, accompanied by profitability improvements due to beneficial changes to services usage profiles. The increase in data usage, which continued to drive growth in the mobile telecommunications business, is forecast to continue supported by the popularity of smartphones. Improving operating margins are forecast driven in part by a change in the mix from voice toward non-voice revenues; increased incoming traffic, which generates revenue from other operators, and increased percentage on-net or intra-network traffic, which avoids interconnection costs being paid to other operators to terminate calls; gradual stabilisation of European mobile termination regimes; and operating cost optimisation and cost savings achieved through cell site and network sharing, network maintenances and other outsourcing programmes, stringent cost controls, and effective working capital management. Improving profitability is also expected to continue based on the economies of scale effect that is able to be achieved in customer operation and network operations functions. Also factored into the forecasts are the potential dilutive effect of attracting lower value customer when growing the customer base and the expected effect of market competition and development.

Initial investments in the upfront licence payments and the network infrastructure which has been built for scale have been significant. However, as the network capital expenditures are forecast to decline progressively as a percentage of revenues as the network construction phase nears completion and a lower “maintenance” level of capital expenditure is required for ongoing operation. Average customer acquisition costs in the start-up years of operation have also been significant, but have declined due to the improved market acceptance of the 3G and LTE technologies and on the widening availability, improving attractiveness and comparatively lower unit cost of smartphones, and the Group’s transition to a non-subsidised handset business model.

For the purposes of impairment tests, the recoverable amount of the Group’s telecommunications licences, network assets and goodwill is determined based on value in use calculations. The value in use calculations primarily use cash flow projections based on financial budgets approved by management and estimated terminal value at the end of the approved financial budgets period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realised for the estimated terminal value. The Group prepared the financial budgets reflecting current and prior year performances and market development expectations. Projections in excess of the approved financial budgets period are used to take into account telecommunications spectrum licence periods, increasing market share and growth momentum. For the purpose of the impairment tests, a market specific growth rate of approximately 2% was used to extrapolate cash flows beyond the approved financial budgets period. This low rate was selected solely for the purposes of the impairment tests to arrive at a conservative projection of cash flows in excess of the approved financial budgets period and does not reflect our expectation of the performance of these businesses nor our forecast of long term industry growth. The discount rates for the tests were based on country specific pre-tax risk adjusted discount rates (for example, 4% and 5.3% used in the Group’s 3G operations in Italy and the UK respectively). Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

**(c) Depreciation and amortisation**

*(i) Fixed assets*

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

**(ii) Telecommunications licences**

Telecommunications licences comprise the right to use spectrum and the right to provide a telecommunications service. Telecommunications licences that are considered to have an indefinite useful life to the Group are not amortised. Telecommunications licences with finite useful lives are amortised on a straight-line basis from the date of first commercial usage of the related spectrum over the remaining expected licence periods and are stated net of accumulated amortisation. Licences are reviewed for impairment annually.

On the basis of confirmation from the Ministry of the Italian Government that the Group's 3G licence term in Italy can be continuously extended for a period equivalent to the previous term, effectively making it a perpetual licence, and the enactment by the UK Houses of Parliament of a statutory instrument, which inter alia changes the life of the Group's 3G licence to indefinite, the Group's 3G licences in Italy and in the UK are considered to have an indefinite useful life.

Judgement is required to determine the useful lives of the Group's telecommunications licences. The actual economic lives of the Group's telecommunications spectrum licences may differ from the current contracted or expected licence periods, which could impact the amount of amortisation expense charged to the income statement. In addition, governments from time to time revise the terms of licences to change, amongst other terms, the contracted or expected licence period, which could also impact the amount of amortisation expense charged to the income statement.

**(iii) Telecommunications customer acquisition costs**

Telecommunications customer acquisition costs ("CACs") comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G and LTE customers. All telecommunications CACs are expensed and recognised in the income statement in the period in which they are incurred.

Judgement is required to determine the most appropriate accounting policy for telecommunications CACs. Any change in the accounting policy to capitalise these costs will impact the charge to the income statement as these costs will be capitalised and amortised over the contract periods.

**(d) Goodwill**

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the impairment test described above.

**(e) Investment properties valuation**

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the statement of financial position at their fair value as determined by professional valuation. In determining the fair value of the investment properties, the valuers use assumptions and estimates that reflect, amongst other things, comparable market transactions, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Judgement is required to determine the principal valuation assumptions to determine the fair value of the investment properties. Changes in fair values of investment properties are recorded in the income statement.

**(f) Tax**

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were previously recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of the reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the deductible temporary differences and the carry forward of unutilised losses and tax credits, the asset balance will be reduced and charged to the income statement.

The 3G businesses commenced commercial operations from 2003 and some of these businesses are incurring losses as the businesses grow to operating scale. Deferred tax assets have been recognised for the deductible temporary differences and the carry forward of unutilised losses and tax credits relating to the Group's 3G operation in the UK where, amongst other things, tax losses can be carried forward indefinitely and there is availability of group relief for tax purposes that can be utilised to offset taxable profits generated by the Group's other operations in the UK. In addition, deferred tax assets have been recognised for the carry forward amount of unused tax losses relating to the Group's 3G operations in Ireland, Austria, Sweden and Denmark, which have become profitable and are expected to have sufficient taxable profits available in the foreseeable future to utilise their unused tax losses. The ultimate realisation of deferred tax assets recognised for 3 UK, 3 Ireland, 3 Austria, 3 Sweden and 3 Denmark depends principally on these businesses maintaining profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. It may be necessary for some or all of the deferred tax assets recognised to be reduced and charged to the income statement if there is a significant adverse change in the projected performance and resulting projected taxable profits of these businesses. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used can significantly affect these taxable profit and loss projections.

**(g) Pension costs**

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19, Employee Benefits. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the year in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Management appointed actuaries to carry out a full valuation of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the accounts in accordance with the HKFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.



**(h) Sale and leaseback transactions**

The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in note 2(x). Determining whether a lease transaction is a finance lease or an operating lease is a complex issue and requires substantial judgement as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from the Group. Careful and considered judgement is required on various complex aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease or operating lease determines whether the leased asset is capitalised and recognised on the statement of financial position as set out in note 2(x). In sale and leaseback transactions, the classification of the leaseback arrangements as described above determines how the gain or loss on the sale transaction is recognised. It is either deferred and amortised (finance lease) or recognised in the income statement immediately (operating lease).

**(i) Allocation of revenue for bundled telecommunications transactions with customers**

The Group has bundled transactions under contract with customers including sales of both services and hardware (for example handsets). The amount of revenue recognised upon the sale of hardware is determined by considering the estimated fair values of each of the service element and hardware element of the contract. Significant judgement is required in assessing fair values of both of these elements by considering inter alia, standalone selling price and other observable market data. Changes in the estimated fair values may cause the revenue recognised for sales of services and hardware to change individually but not the total bundled revenue from a specific customer throughout its contract term. The Group periodically re-assesses the fair value of the elements as a result of changes in market conditions.

**4 TURNOVER AND REVENUE**

Turnover comprises revenues from the sales of goods and development properties, provision of services and rental income from investment properties, interest income and finance charges earned, and dividend income from equity investments. An analysis of revenue of the Company and subsidiary companies is as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Sales of goods	166,066	156,188
Rendering of services	102,296	96,475
Interest	3,471	3,273
Dividends	328	298
	<u>272,161</u>	<u>256,234</u>

**5 OPERATING SEGMENT INFORMATION**

Save as disclosed in the notes below, the column headed as Company and Subsidiaries refers to the Company and subsidiary companies' respective items and the column headed as Associates and JV refers to the Group's share of associated companies and joint ventures' respective items (see notes 19 and 20), and segments are reported in a manner consistent with internal reporting provided to the board of directors of the Company who is responsible for allocating resources and assessing performance of the operating segments.

The Group's telecommunications division consists of 3 Group Europe with businesses in 6 countries in Europe, a 65.01% interest in Hutchison Telecommunications Hong Kong Holdings, which is listed on the Stock Exchange of Hong Kong, Hutchison Asia Telecommunications, and an 87.87% interest in the Australian Securities Exchange listed Hutchison Telecommunications (Australia) ("HTAL"), which has a 50% interest in a joint venture company, Vodafone Hutchison Australia Pty Limited ("VHA").

VHA is undergoing a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. In order to assist in providing a meaningful analysis of the ongoing operating activities, HTAL's share of VHA's results are presented as separate items within the income statement line item titled profits on disposal of investments and others (see note 6(e)) to separately identify them from the Group's recurring earnings profile during this phase.

Finance & Investments and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position. As additional information, "Others" is presented as a separate line item, within Finance & Investments and Others, which covers the activities of other Group areas which are not presented separately and includes Hutchison Water, Hutchison Whampoa (China), Hutchison E-Commerce and corporate head office operations, the Marionnaud business, listed subsidiary Hutchison China MediTech, listed subsidiary Hutchison Harbour Ring ("HHR"), which was disposed in the year, and listed associate Tom Group. "Finance & Investments" within Finance & Investments and Others represents returns earned on the Group's holdings of cash and liquid investments.

Revenue from external customers is after elimination of inter-segment revenue. The amount eliminated mainly attributable to Property and hotels is HK\$416 million (2013 – HK\$384 million), Retail is HK\$70 million (2013 – HK\$61 million), Hutchison Telecommunications Hong Kong Holdings is HK\$162 million (2013 – HK\$134 million) and Hutchison Asia Telecommunications is HK\$12 million (2013 – HK\$10 million).

(a) The following is an analysis of the Group's revenue by operating segments:

	Revenue							
	Company and Associates			Company and Associates				
	Subsidiaries	and JV	2014 Total	%	Subsidiaries	and JV	2013 Total	%
	HK\$ millions	HK\$ millions	HK\$ millions		HK\$ millions	HK\$ millions	HK\$ millions	
Ports and related services	27,914	7,710	35,624	8%	26,562	7,557	34,119	8%
Hutchison Ports Group other than HPH Trust	27,879	4,962	32,841	8%	26,488	4,872	31,360	7%
HPH Trust #	35	2,748	2,783	–	74	2,685	2,759	1%
Property and hotels	7,285	8,784	16,069	4%	6,807	17,457	24,264	6%
Retail	126,709	30,688	157,397	37%	119,637	29,510	149,147	36%
Cheung Kong Infrastructure	6,173	39,246	45,419	11%	5,087	37,373	42,460	10%
Husky Energy	–	57,368	57,368	14%	–	59,481	59,481	14%
3 Group Europe	65,599	24	65,623	16%	61,968	8	61,976	15%
Hutchison Telecommunications Hong Kong Holdings	16,296	–	16,296	4%	12,777	–	12,777	3%
Hutchison Asia Telecommunications	5,757	–	5,757	1%	6,295	–	6,295	2%
Finance & Investments and Others	16,428	5,491	21,919	5%	17,101	5,313	22,414	6%
Finance & Investments	1,472	894	2,366	–	1,432	889	2,321	1%
Others	14,956	4,597	19,553	5%	15,669	4,424	20,093	5%
	272,161	149,311	421,472	100%	256,234	156,699	412,933	100%
Non-controlling interests' share of HPH Trust's revenue	–	964	964		–	897	897	
	272,161	150,275	422,436		256,234	157,596	413,830	

# represents the Group's attributable share of HPH Trust's revenue based on the effective shareholdings in HPH Trust during 2014. Revenue reduced by HK\$964 million and HK\$897 million for 2014 and 2013 respectively, being adjustments to exclude non-controlling interests' share of revenue of HPH Trust.

- (b) The Group uses two measures of segment results, EBITDA (see note 5(m)) and EBIT (see note 5(n)). The following is an analysis of the Group's results by operating segments by EBITDA:

	EBITDA (LBITDA) <sup>(m)</sup>									
	Company and Associates			2014 Total	%	Company and Associates			2013 Total	%
	Subsidiaries	and JV				Subsidiaries	and JV			
HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions		HK\$ millions	HK\$ millions	HK\$ millions			
Ports and related services	8,459	3,674	12,133	12%	7,822	3,625	11,447	12%		
Hutchison Ports Group other than HPH Trust	8,433	2,289	10,722	11%	7,757	2,303	10,060	11%		
HPH Trust #	26	1,385	1,411	1%	65	1,322	1,387	1%		
Property and hotels	7,639	2,359	9,998	10%	7,340	6,655	13,995	15%		
Retail	12,606	2,943	15,549	16%	11,684	2,474	14,158	15%		
Cheung Kong										
Infrastructure	2,465	22,018	24,483	25%	1,657	21,184	22,841	24%		
Husky Energy	–	14,410	14,410	14%	–	14,779	14,779	15%		
3 Group Europe	15,616	(18)	15,598	16%	12,697	(26)	12,671	13%		
Hutchison										
Telecommunications										
Hong Kong Holdings	2,699	81	2,780	3%	2,694	64	2,758	3%		
Hutchison Asia										
Telecommunications <sup>(o)</sup>	(278)	–	(278)	–	819	–	819	1%		
Finance & Investments and Others	2,646	1,554	4,200	4%	439	1,740	2,179	2%		
Finance & Investments	2,797	894	3,691	4%	1,919	889	2,808	3%		
Others	(151)	660	509	–	(1,480)	851	(629)	-1%		
EBITDA before property revaluation and profits on disposal of investments and others	51,852	47,021	98,873	<u>100%</u>	45,152	50,495	95,647	<u>100%</u>		
Profits on disposal of investments (see note 6)	2,237	20,554	22,791		1,889	–	1,889			
Non-controlling interests' share of HPH Trust's EBITDA	–	644	644		–	634	634			
<b>EBITDA (see note 34(a))</b>	<b>54,089</b>	<b>68,219</b>	<b>122,308</b>		<b>47,041</b>	<b>51,129</b>	<b>98,170</b>			
Depreciation and amortisation	(17,003)	(16,378)	(33,381)		(15,850)	(15,421)	(31,271)			
Change in fair value of investment properties	24,678	514	25,192		26	2	28			
Others (see note 6)	(4,798)	(3,384)	(8,182)		–	(2,163)	(2,163)			
Group's share of the following income statement items of associated companies and joint ventures:										
Interest expenses and other finance costs	–	(6,274)	(6,274)		–	(5,768)	(5,768)			
Current tax	–	(6,625)	(6,625)		–	(6,741)	(6,741)			
Deferred tax	–	1,056	1,056		–	192	192			
Non-controlling interests	–	(326)	(326)		–	(363)	(363)			
	<u>56,966</u>	<u>36,802</u>	<u>93,768</u>		<u>31,217</u>	<u>20,867</u>	<u>52,084</u>			

# represents the Group's attributable share of HPH Trust's EBITDA based on the effective shareholdings in HPH Trust during 2014. EBITDA reduced by HK\$644 million and HK\$634 million for 2014 and 2013 respectively, being adjustments to exclude non-controlling interests' share of EBITDA of HPH Trust.

(c) The following is an analysis of the Group's results by operating segments by EBIT:

	EBIT (LBIT) <sup>(a)</sup>							
	Company and Subsidiaries			Company and Associates and JV			2013	
	HK\$ millions	HK\$ millions	HK\$ millions	%	HK\$ millions	HK\$ millions	HK\$ millions	%
Ports and related services	5,474	2,470	7,944	12%	4,981	2,377	7,358	12%
Hutchison Ports Group other than HPH Trust	5,448	1,684	7,132	11%	4,916	1,657	6,573	11%
HPH Trust #	26	786	812	1%	65	720	785	1%
Property and hotels	7,420	2,241	9,661	15%	7,122	6,537	13,659	21%
Retail	10,680	2,343	13,023	20%	9,864	1,907	11,771	18%
Cheung Kong Infrastructure	2,141	16,074	18,215	28%	1,424	16,104	17,528	27%
Husky Energy	-	6,324	6,324	10%	-	7,208	7,208	11%
<b>3 Group Europe</b>								
EBITDA before the following non-cash items	15,616	(18)	15,598		12,697	(26)	12,671	
Depreciation	(7,535)	(3)	(7,538)		(6,941)	-	(6,941)	
Amortisation of licence fees and other rights	(1,168)	-	(1,168)		(874)	-	(874)	
<b>EBIT (LBIT) – 3 Group Europe</b>	6,913	(21)	6,892	10%	4,882	(26)	4,856	8%
Hutchison Telecommunications								
Hong Kong Holdings	1,378	2	1,380	2%	1,359	8	1,367	2%
Hutchison Asia								
Telecommunications <sup>(a)</sup>	(1,465)	-	(1,465)	-2%	(409)	-	(409)	-1%
Finance & Investments and Others	2,308	1,431	3,739	5%	79	1,180	1,259	2%
Finance & Investments	2,797	894	3,691	5%	1,919	889	2,808	4%
Others	(489)	537	48	-	(1,840)	291	(1,549)	-2%
<b>EBIT before property revaluation and profits on disposal of investments and others</b>	34,849	30,864	65,713	<u>100%</u>	29,302	35,295	64,597	<u>100%</u>
Change in fair value of investment properties	24,678	514	25,192		26	2	28	
<b>EBIT</b>	59,527	31,378	90,905		29,328	35,297	64,625	
Profits on disposal of investments and others (see note 6)	(2,561)	17,170	14,609		1,889	(2,163)	(274)	
Non-controlling interests' share of HPH Trust's EBIT	-	423	423		-	413	413	
Group's share of the following income statement items of associated companies and joint ventures:								
Interest expenses and other finance costs	-	(6,274)	(6,274)		-	(5,768)	(5,768)	
Current tax	-	(6,625)	(6,625)		-	(6,741)	(6,741)	
Deferred tax	-	1,056	1,056		-	192	192	
Non-controlling interests	-	(326)	(326)		-	(363)	(363)	
	<u>56,966</u>	<u>36,802</u>	<u>93,768</u>		<u>31,217</u>	<u>20,867</u>	<u>52,084</u>	

# represents the Group's attributable share of HPH Trust's EBIT based on the effective shareholdings in HPH Trust during 2014. EBIT reduced by HK\$423 million and HK\$413 million for 2014 and 2013 respectively, being adjustments to exclude non-controlling interests' share of EBIT of HPH Trust.

(d) The following is an analysis of the Group's depreciation and amortisation by operating segments:

	Depreciation and amortisation					
	Company and Subsidiaries	Associates and JV	2014 Total	Company and Subsidiaries	Associates and JV	2013 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Ports and related services	2,985	1,204	4,189	2,841	1,248	4,089
Hutchison Ports Group other than HPH Trust	2,985	605	3,590	2,841	646	3,487
HPH Trust #	–	599	599	–	602	602
Property and hotels	219	118	337	218	118	336
Retail	1,926	600	2,526	1,820	567	2,387
Cheung Kong Infrastructure	324	5,944	6,268	233	5,080	5,313
Husky Energy	–	8,086	8,086	–	7,571	7,571
3 Group Europe	8,703	3	8,706	7,815	–	7,815
Hutchison Telecommunications						
Hong Kong Holdings	1,321	79	1,400	1,335	56	1,391
Hutchison Asia Telecommunications	1,187	–	1,187	1,228	–	1,228
Finance & Investments and Others	338	123	461	360	560	920
Finance & Investments	–	–	–	–	–	–
Others	338	123	461	360	560	920
	17,003	16,157	33,160	15,850	15,200	31,050
Non-controlling interests' share of HPH Trust's depreciation and amortisation	–	221	221	–	221	221
	<u>17,003</u>	<u>16,378</u>	<u>33,381</u>	<u>15,850</u>	<u>15,421</u>	<u>31,271</u>

# represents the Group's attributable share of HPH Trust's depreciation and amortisation based on the effective shareholdings in HPH Trust during 2014. Depreciation and amortisation reduced by HK\$221 million for both 2014 and 2013, being adjustments to exclude non-controlling interests' share of depreciation and amortisation of HPH Trust.

(e) The following is an analysis of the Group's capital expenditure by operating segments:

	Capital expenditure							
	Fixed assets, investment properties and leasehold land		Telecom- munications licences		Brand names and other rights		2014 Total	
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Ports and related services	3,943	–	48	3,991	7,060	–	11	7,071
Hutchison Ports Group other than HPH Trust	3,943	–	48	3,991	7,060	–	11	7,071
HPH Trust	–	–	–	–	–	–	–	–
Property and hotels	152	–	–	152	535	–	–	535
Retail	2,449	–	–	2,449	2,264	–	–	2,264
Cheung Kong Infrastructure	292	–	13	305	406	–	11	417
Husky Energy	–	–	–	–	–	–	–	–
3 Group Europe <sup>(a)</sup>	11,144	38	127	11,309	10,116	6,824	60	17,000
Hutchison Telecommunications								
Hong Kong Holdings	1,174	3	40	1,217	1,239	4	23	1,266
Hutchison Asia Telecommunications	1,906	–	1	1,907	1,621	–	–	1,621
Finance & Investments and Others	229	–	–	229	319	–	–	319
Finance & Investments	–	–	–	–	–	–	–	–
Others	229	–	–	229	319	–	–	319
	<b>21,289</b>	<b>41</b>	<b>229</b>	<b>21,559</b>	<b>23,560</b>	<b>6,828</b>	<b>105</b>	<b>30,493</b>

(f) The following is an analysis of the Group's total assets by operating segments:

	Total assets							
	Company and Subsidiaries		Investments in associated companies and interests in joint ventures		Company and Subsidiaries		Investments in associated companies and interests in joint ventures	
	Segment assets <sup>(a)</sup>	Deferred tax assets	HK\$ millions	HK\$ millions	Segment assets <sup>(a)</sup>	Deferred tax assets	HK\$ millions	HK\$ millions
Ports and related services	69,324	198	25,799	95,321	71,164	169	27,548	98,881
Hutchison Ports Group other than HPH Trust	69,324	198	12,246	81,768	71,164	169	13,483	84,816
HPH Trust	–	–	13,553	13,553	–	–	14,065	14,065
Property and hotels	75,558	36	47,506	123,100	53,049	21	42,839	95,909
Retail	37,798	881	4,961	43,640	39,329	670	5,035	45,034
Cheung Kong Infrastructure	21,299	15	112,686	134,000	20,134	21	85,589	105,744
Husky Energy	–	–	47,800	47,800	–	–	51,833	51,833
3 Group Europe <sup>(a)</sup>	225,498	17,785	7	243,290	235,401	17,265	18	252,684
Hutchison Telecommunications Hong Kong Holdings	19,174	258	466	19,898	19,169	369	715	20,253
Hutchison Asia Telecommunications	22,260	1	–	22,261	20,785	1	–	20,786
Finance & Investments and Others	147,470	29	2,936	150,435	114,614	30	4,831	119,475
Finance & Investments	130,516	–	–	130,516	89,947	–	–	89,947
Others	16,954	29	2,936	19,919	24,667	30	4,831	29,528
	<b>618,381</b>	<b>19,203</b>	<b>242,161</b>	<b>879,745</b>	<b>573,645</b>	<b>18,546</b>	<b>218,408</b>	<b>810,599</b>
Reconciliation item <sup>(a)</sup>	2	–	3,688	3,690	–	2	4,921	4,923
	<b>618,383</b>	<b>19,203</b>	<b>245,849</b>	<b>883,435</b>	<b>573,645</b>	<b>18,548</b>	<b>223,329</b>	<b>815,522</b>

<sup>(a)</sup> the reconciliation item comprises total assets of HTAL.

(g) The following is an analysis of the Group's total liabilities by operating segments:

	Total liabilities							
	Segment liabilities <sup>(5)</sup>	Current & non-current borrowings <sup>(1)</sup> and other non-current liabilities	Current & deferred tax liabilities	2014		Current & non-current borrowings <sup>(1)</sup> and other non-current liabilities	Current & deferred tax liabilities	2013 Total liabilities
				Total liabilities	Segment liabilities <sup>(5)</sup>			
				HK\$ millions	HK\$ millions			
Ports and related services	16,210	20,367	4,707	41,284	17,031	28,559	4,843	50,433
Hutchison Ports Group other than HPH Trust	16,210	20,367	4,707	41,284	17,031	28,559	4,843	50,433
HPH Trust	-	-	-	-	-	-	-	-
Property and hotels	3,049	418	3,062	6,529	4,156	409	2,730	7,295
Retail	25,062	13,941	1,345	40,348	24,670	87	1,066	25,823
Cheung Kong Infrastructure	5,211	18,709	1,212	25,132	5,200	13,443	1,532	20,175
Husky Energy	-	-	-	-	-	-	-	-
3 Group Europe	26,131	68,018	193	94,342	23,630	101,565	930	126,125
Hutchison Telecommunications Hong Kong Holdings	3,778	4,719	437	8,934	3,860	5,447	356	9,663
Hutchison Asia Telecommunications	3,817	1,284	3	5,104	3,151	1,550	3	4,704
Finance & Investments and Others	6,963	132,477	3,259	142,699	8,085	84,776	2,087	94,948
Finance & Investments	-	117,597	-	117,597	-	78,011	-	78,011
Others	6,963	14,880	3,259	25,102	8,085	6,765	2,087	16,937
	90,221	259,933	14,218	364,372	89,783	235,836	13,547	339,166
Reconciliation item <sup>(6)</sup>	1	-	-	1	124	-	-	124
	90,222	259,933	14,218	364,373	89,907	235,836	13,547	339,290

<sup>(6)</sup> the reconciliation item comprises total liabilities of HTAL.

#### Additional information in respect of geographical locations

(h) Additional disclosures of the Group's revenue by geographical locations are shown below:

	Revenue									
	Company and Subsidiaries		Associates and JV	2014 Total	%	Company and Subsidiaries		Associates and JV	2013 Total	%
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions		HK\$ millions	HK\$ millions	HK\$ millions		
Hong Kong	58,688	7,027	65,715	16%	53,536	8,676	62,212	15%		
Mainland China	30,510	14,315	44,825	11%	27,152	21,667	48,819	12%		
Europe	128,338	54,369	182,707	43%	120,969	49,740	170,709	41%		
Canada <sup>(1)</sup>	71	56,351	56,422	13%	96	59,551	59,647	14%		
Asia, Australia and others	38,126	11,758	49,884	12%	37,380	11,752	49,132	12%		
Finance & Investments and Others	16,428	5,491	21,919	5%	17,101	5,313	22,414	6%		
	272,161	149,311	421,472 <sup>(1)</sup>	100%	256,234	156,699	412,933 <sup>(1)</sup>	100%		

(1) see note 5(a) for reconciliation to total revenue included in the Group's income statement.

- (i) Additional disclosures of the Group's EBITDA by geographical locations are shown below:

	EBITDA <sup>(m)</sup>							
	Company and Subsidiaries	Associates and JV	2014 Total		Company and Subsidiaries	Associates and JV	2013 Total	
	HK\$ millions	HK\$ millions	HK\$ millions	%	HK\$ millions	HK\$ millions	HK\$ millions	%
Hong Kong	8,530	3,271	11,801	12%	8,765	4,741	13,506	14%
Mainland China	7,596	5,923	13,519	14%	5,320	8,871	14,191	15%
Europe	24,673	17,569	42,242	43%	21,158	15,767	36,925	39%
Canada <sup>(u)</sup>	51	13,151	13,202	13%	83	14,550	14,633	15%
Asia, Australia and others	8,356	5,553	13,909	14%	9,387	4,826	14,213	15%
Finance & Investments and Others	2,646	1,554	4,200	4%	439	1,740	2,179	2%
EBITDA before property revaluation and profits on disposal of investments and others	<u>51,852</u>	<u>47,021</u>	<u>98,873<sup>(2)</sup></u>	<u>100%</u>	<u>45,152</u>	<u>50,495</u>	<u>95,647<sup>(2)</sup></u>	<u>100%</u>

- (2) see note 5(b) for reconciliation to total EBITDA included in the Group's income statement.

- (j) Additional disclosures of the Group's EBIT by geographical locations are shown below:

	EBIT <sup>(n)</sup>							
	Company and Subsidiaries	Associates and JV	2014 Total		Company and Subsidiaries	Associates and JV	2013 Total	
	HK\$ millions	HK\$ millions	HK\$ millions	%	HK\$ millions	HK\$ millions	HK\$ millions	%
Hong Kong	6,614	2,019	8,633	13%	6,861	3,253	10,114	16%
Mainland China	6,854	4,167	11,021	17%	4,693	7,879	12,572	19%
Europe	14,007	13,488	27,495	42%	11,391	12,607	23,998	37%
Canada <sup>(u)</sup>	52	5,710	5,762	9%	83	6,987	7,070	11%
Asia, Australia and others	5,014	4,049	9,063	14%	6,195	3,389	9,584	15%
Finance & Investments and Others	2,308	1,431	3,739	5%	79	1,180	1,259	2%
EBIT before property revaluation and profits on disposal of investments and others	<u>34,849</u>	<u>30,864</u>	<u>65,713</u>	<u>100%</u>	<u>29,302</u>	<u>35,295</u>	<u>64,597</u>	<u>100%</u>
Change in fair value of investment properties	<u>24,678</u>	<u>514</u>	<u>25,192</u>		<u>26</u>	<u>2</u>	<u>28</u>	
<b>EBIT</b>	<u><b>59,527</b></u>	<u><b>31,378</b></u>	<u><b>90,905<sup>(3)</sup></b></u>		<u><b>29,328</b></u>	<u><b>35,297</b></u>	<u><b>64,625<sup>(3)</sup></b></u>	

- (3) see note 5(c) for reconciliation to total EBIT included in the Group's income statement.



- (k) Additional disclosures of the Group's capital expenditure by geographical locations are shown below:

	Capital expenditure									
	Fixed assets, investment properties and leasehold land		Telecom-munications licences	Brand names and other rights	2014 Total	Fixed assets, investment properties and leasehold land		Telecom-munications licences	Brand names and other rights	2013 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	
Hong Kong	1,830	3	43	1,876	2,008	4	25	2,037		
Mainland China	911	–	–	911	1,654	–	–	1,654		
Europe	13,250	38	127	13,415	12,460	6,824	60	19,344		
Canada	–	–	–	–	–	–	–	–		
Asia, Australia and others	5,069	–	59	5,128	7,119	–	20	7,139		
Finance & Investments and Others	229	–	–	229	319	–	–	319		
	<u>21,289</u>	<u>41</u>	<u>229</u>	<u>21,559</u>	<u>23,560</u>	<u>6,828</u>	<u>105</u>	<u>30,493</u>		

- (l) Additional disclosures of the Group's total assets by geographical locations are shown below:

	Total assets							
	Company and Subsidiaries		Investments in associated companies and interests	2014 Total	Company and Subsidiaries		Investments in associated companies and interests	2013 Total assets
	Segment assets <sup>(q)</sup>	Deferred tax assets	in joint ventures	HK\$ millions	Segment assets <sup>(q)</sup>	Deferred tax assets	in joint ventures	HK\$ millions
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Hong Kong	101,174	300	45,589	147,063	77,353	417	28,724	106,494
Mainland China	15,635	629	66,320	82,584	14,264	495	65,724	80,483
Europe	281,208	18,058	57,787	357,053	294,553	17,424	56,252	368,229
Canada <sup>(u)</sup>	390	–	44,834	45,224	329	–	47,701	48,030
Asia, Australia and others	72,506	187	28,383	101,076	72,532	182	20,097	92,811
Finance & Investments and Others	147,470	29	2,936	150,435	114,614	30	4,831	119,475
	<u>618,383</u>	<u>19,203</u>	<u>245,849</u>	<u>883,435</u>	<u>573,645</u>	<u>18,548</u>	<u>223,329</u>	<u>815,522</u>

- (m) EBITDA (LBITDA) represents the EBITDA (LBITDA) of the Company and subsidiary companies as well as the Group's share of the EBITDA (LBITDA) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBITDA for this operation. EBITDA (LBITDA) is defined as earnings (losses) before interest expenses and other finance costs, tax, depreciation and amortisation, and includes profits on disposal of investments and other earnings of a cash nature but excludes change in fair value of investment properties. Information concerning EBITDA (LBITDA) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA (LBITDA) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA (LBITDA) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBITDA (LBITDA) is not a measure of cash liquidity or financial performance under generally accepted accounting principles in Hong Kong and the EBITDA (LBITDA) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA (LBITDA) should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with generally accepted accounting principles in Hong Kong.
- (n) EBIT (LBIT) represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBIT for this operation. EBIT (LBIT) is

defined as earnings (losses) before interest expenses and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of results from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to results from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

- (o) Included in EBITDA and EBIT of Hutchison Asia Telecommunications in 2014 are compensation contributions amounting to HK\$238 million (2013 – HK\$717 million).
- (p) Included in capital expenditures of 3 Group Europe in 2014 is the effect of foreign exchange translation of overseas subsidiaries' fixed assets balances at 31 December 2014 which has an effect of decreasing total expenditures by HK\$1,066 million (2013 – increasing total expenditures by HK\$150 million).
- (q) Segment assets comprise fixed assets, investment properties, leasehold land, telecommunications licences, goodwill, brand names and other rights, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets. As additional information, non-current assets (excluding financial instruments, deferred tax assets, post-employment benefits assets and assets from insurance contracts) for Hong Kong, Mainland China, Europe, Canada, and Asia, Australia and others amounted to HK\$135,318 million (2013 – HK\$96,779 million), HK\$76,697 million (2013 – HK\$76,967 million), HK\$295,629 million (2013 – HK\$305,349 million), HK\$44,876 million (2013 – HK\$47,742 million) and HK\$78,254 million (2013 – HK\$69,478 million) respectively.
- (r) Included in total assets of 3 Group Europe is unrealised foreign currency exchange losses arising in 2014 of HK\$13,469 million (2013 – gains of HK\$3,129 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.
- (s) Segment liabilities comprise trade and other payables and pension obligations.
- (t) Current and non-current borrowings comprise bank and other debts and interest bearing loans from non-controlling shareholders.
- (u) Include contribution from the United States of America for Husky Energy.

## 6 PROFITS ON DISPOSAL OF INVESTMENTS AND OTHERS

	Attributable to			Total HK\$ millions
	Ordinary shareholders of the Company HK\$ millions	Holder of perpetual capital securities HK\$ millions	Non-controlling interests HK\$ millions	
<b>Year ended 31 December 2014</b>				
Profits on disposal of investments				
Marked-to-market gain on CKI's investment in AGN <sup>(a)</sup>	1,748	–	489	2,237
Others				
Impairment of goodwill and store closure provisions <sup>(b)</sup>	(652)	–	–	(652)
Provisions relating to the restructuring of 3 Ireland business <sup>(c)</sup>	(3,388)	–	–	(3,388)
Impairment charges on certain port assets and related provisions <sup>(d)</sup>	(581)	–	(177)	(758)
	<u>(4,621)</u>	<u>–</u>	<u>(177)</u>	<u>(4,798)</u>
	(2,873)	–	312	(2,561)
HTAL – share of operating losses of joint venture VHA <sup>(e)</sup>	(1,732)	–	(239)	(1,971)
	<u>(4,605)</u>	<u>–</u>	<u>73</u>	<u>(4,532)</u>
Profits on disposal of investments				
Share of an associated company's gain on disposal <sup>(f)</sup>	16,066	–	4,488	20,554
Others				
Share of Husky Energy's impairment charge on certain crude oil and natural gas assets	(1,413)	–	–	(1,413)
	<u>14,653</u>	<u>–</u>	<u>4,488</u>	<u>19,141</u>
<b>Year ended 31 December 2013</b>				
Profits on disposal of investments				
3 Austria – one-time net gain <sup>(g)</sup>	569	–	–	569
Gain on disposal of partial interest in Westports in Malaysia at IPO <sup>(h)</sup>	1,056	–	264	1,320
	<u>1,625</u>	<u>–</u>	<u>264</u>	<u>1,889</u>
Others				
HTAL – share of operating losses of joint venture VHA <sup>(e)</sup>	(1,458)	–	(201)	(1,659)
	<u>167</u>	<u>–</u>	<u>63</u>	<u>230</u>
Others				
Share of Husky Energy's impairment charge on certain crude oil and natural gas assets	(504)	–	–	(504)

- (a) It represents a marked-to-market gain on CKI's investments in Australian Gas Networks Limited ("AGN") (formerly known as Envestra Limited) realised upon the disposal of its interest in AGN to a joint venture on the AGN acquisition.
- (b) In 2014, the Group recognised provisions of HK\$652 million on the impairment of goodwill and store closure of the Marionnaud businesses to exit Poland and downsize operations in Portugal and Spain.
- (c) In 2014, the Group recognised provisions relating to the restructuring of 3 Ireland business on the acquisition of O<sub>2</sub> Ireland. The main classes of accounts affected by the provisions are fixed assets (see note 13), brand names and other rights (see note 18), and other payables and accruals (see note 26).
- (d) In 2014, the Group recognised impairment charges on certain port assets (see note 13) and related provisions.
- (e) VHA is undergoing a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. In order to assist in providing a meaningful analysis of the ongoing operating activities, HTAL's share of VHA's results for the years ended 31 December 2014 and 2013 are presented as separate items above to separately identify them from the recurring earnings profile during this phase.
- (f) It represents the Group's share of the gain arising from listed associated company, Power Assets Holdings Limited's separate listing of its Hong Kong electricity business on the Main Board of the Stock Exchange of Hong Kong.
- (g) In 2013, the Group recognised a one-time net gain of HK\$569 million, arising from the disposal of certain non-core telecommunications assets in Austria of HK\$2,648 million, upon completion of the acquisition of Orange Austria, net with one-time costs of HK\$2,079 million mainly relating to the restructuring of 3 Austria's business on the acquisition of Orange Austria. The relating tax effect is a tax credit of HK\$389 million.
- (h) In 2013, the Group recognised a one-time gain of HK\$1,056 million, arising on the Group's reduced interest in Westports Holdings Bhd ("Westports") following Westports' successful initial public offering of its shares.

## 7 DIRECTORS' EMOLUMENTS

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the directors of the Company exclude amounts received from the Company's listed subsidiaries and paid to the Company. The amounts paid to each director for both 2014 and 2013 are as below (also see Corporate Governance Report):

Name of directors	2014					
	Director's Fees	Basic salaries, allowances and benefits-in-kind	Discretionary bonuses	Provident fund contributions	Inducement or compensation fees	Total emoluments
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
LI Ka-shing <sup>(a) (f)</sup>	0.05	-	-	-	-	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.12	4.59	50.35	-	-	55.06
Paid by Cheung Kong Infrastructure	0.08	-	24.01	-	-	24.09
Paid to the Company	(0.08)	-	-	-	-	(0.08)
	0.12	4.59	74.36	-	-	79.07
FOK Kin Ning, Canning <sup>(b)</sup>	0.12	10.84	183.12	2.22	-	196.30
CHOW WOO Mo Fong, Susan <sup>(b)</sup>	0.12	8.01	41.11	1.59	-	50.83
Frank John SIXT <sup>(b)</sup>	0.12	8.03	39.83	0.69	-	48.67
LAI Kai Ming, Dominic <sup>(b)</sup>	0.12	5.45	39.26	1.01	-	45.84
KAM Hing Lam						
Paid by the Company	0.12	2.30	8.96	-	-	11.38
Paid by Cheung Kong Infrastructure	0.08	4.20	10.27	-	-	14.55
Paid to the Company	(0.08)	(4.20)	-	-	-	(4.28)
	0.12	2.30	19.23	-	-	21.65
LEE Yeh Kwong, Charles <sup>(d)</sup>	0.12	-	-	-	-	0.12
George Colin MAGNUS <sup>(d)</sup>						
Paid by the Company	0.12	-	-	-	-	0.12
Paid by Cheung Kong Infrastructure	0.08	-	-	-	-	0.08
	0.20	-	-	-	-	0.20
CHENG Hoi Chuen, Vincent <sup>(c) (e) (f) (h)</sup>	0.15	-	-	-	-	0.15
Michael David KADOORIE <sup>(c)</sup>	0.12	-	-	-	-	0.12
Holger KLUGE <sup>(c) (e) (f) (g)</sup>	0.16	-	-	-	-	0.16
LEE Wai Mun, Rose <sup>(c)</sup>	0.12	-	-	-	-	0.12
William SHURNIAK <sup>(c) (e)</sup>	0.25	-	-	-	-	0.25
WONG Chung Hin <sup>(c) (e) (f)</sup>	0.31	-	-	-	-	0.31
Total	2.20	39.22	396.91	5.51	-	443.84

(a) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK\$50,000 (2013 – HK\$50,000) which he paid to Cheung Kong (Holdings) Limited.

(b) Directors' fees received by these directors from the Company's listed subsidiaries during the period they served as executive directors or non-executive directors that have been paid to the Company are not included in the amounts above.

(c) Independent non-executive director. The total emoluments of the independent non-executive directors of the Company are HK\$1,110,000 (2013 – HK\$1,110,000).

(d) Non-executive director.

- (e) Member of the Audit Committee.
- (f) Member of the Remuneration Committee.
- (g) Resigned on 10 July 2014.
- (h) Appointed on 10 July 2014.
- (i) Appointed on 18 January 2013.

Name of directors	2013					
	Director's Fees	Basic salaries, allowances and benefits-in-kind	Discretionary bonuses	Provident fund contributions	Inducement or compensation fees	Total emoluments
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
LI Ka-shing <sup>(a) (f)</sup>	0.05	-	-	-	-	0.05
LI Tzar Kuoi, Victor						
<i>Paid by the Company</i>	0.12	4.59	47.95	-	-	52.66
<i>Paid by Cheung Kong Infrastructure</i>	0.08	-	22.87	-	-	22.95
<i>Paid to the Company</i>	(0.08)	-	-	-	-	(0.08)
	0.12	4.59	70.82	-	-	75.53
FOK Kin Ning, Canning <sup>(b)</sup>	0.12	10.85	175.00	2.22	-	188.19
CHOW WOO Mo Fong, Susan <sup>(b)</sup>	0.12	8.01	39.16	1.59	-	48.88
Frank John SIXT <sup>(b)</sup>	0.12	7.99	37.88	0.69	-	46.68
LAI Kai Ming, Dominic <sup>(b)</sup>	0.12	5.44	37.39	1.01	-	43.96
KAM Hing Lam						
<i>Paid by the Company</i>	0.12	2.30	8.54	-	-	10.96
<i>Paid by Cheung Kong Infrastructure</i>	0.08	4.20	9.78	-	-	14.06
<i>Paid to the Company</i>	(0.08)	(4.20)	-	-	-	(4.28)
	0.12	2.30	18.32	-	-	20.74
LEE Yeh Kwong, Charles <sup>(d) (i)</sup>	0.11	-	-	-	-	0.11
George Colin MAGNUS <sup>(d)</sup>						
<i>Paid by the Company</i>	0.12	-	-	-	-	0.12
<i>Paid by Cheung Kong Infrastructure</i>	0.08	-	-	-	-	0.08
	0.20	-	-	-	-	0.20
Michael David KADOORIE <sup>(c)</sup>	0.12	-	-	-	-	0.12
Holger KLUGE <sup>(c) (e) (f)</sup>	0.31	-	-	-	-	0.31
LEE Wai Mun, Rose <sup>(c)</sup>	0.12	-	-	-	-	0.12
William SHURNIAK <sup>(c) (e)</sup>	0.25	-	-	-	-	0.25
WONG Chung Hin <sup>(c) (e) (f)</sup>	0.31	-	-	-	-	0.31
Total	2.19	39.18	378.57	5.51	-	425.45

The Company does not have an option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2013 – nil).

In 2014, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind – HK\$2.76 million; provident fund contribution – HK\$0.19 million; discretionary bonus – HK\$4.8 million and cash value of share options exercised during the year – HK\$72.42 million.

In 2013, the five individuals whose emoluments were the highest for the year were five directors of the Company.

## 8 INTEREST EXPENSES AND OTHER FINANCE COSTS

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Bank loans and overdrafts	1,363	1,306
Other loans repayable within 5 years	101	73
Other loans not wholly repayable within 5 years	23	28
Notes and bonds repayable within 5 years	3,740	3,374
Notes and bonds not wholly repayable within 5 years	<u>2,014</u>	<u>2,652</u>
	7,241	7,433
Interest bearing loans from non-controlling shareholders repayable within 5 years	176	186
Interest bearing loans from non-controlling shareholders not wholly repayable within 5 years	<u>3</u>	<u>5</u>
	7,420	7,624
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	309	274
Notional non-cash interest accretion <sup>(a)</sup>	338	422
Other finance costs	<u>86</u>	<u>244</u>
	8,153	8,564
Less: interest capitalised <sup>(b)</sup>	<u>(103)</u>	<u>(173)</u>
	<u><u>8,050</u></u>	<u><u>8,391</u></u>

(a) Notional non-cash interest accretion represents notional adjustments to accrete the carrying amount of certain obligations recognised in the statement of financial position such as asset retirement obligation to the present value of the estimated future cash flows expected to be required for their settlement in the future.

(b) Borrowing costs have been capitalised at various applicable rates ranging from 0.5% to 6.6% per annum (2013 – 0.1% to 6.6% per annum).

## 9 TAX

	<u>Current tax</u>	<u>Deferred tax</u>	<u>2014 Total</u>	<u>Current tax</u>	<u>Deferred tax</u>	<u>2013 Total</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Hong Kong	522	316	838	601	378	979
Outside Hong Kong	<u>3,785</u>	<u>(656)</u>	<u>3,129</u>	<u>3,630</u>	<u>191</u>	<u>3,821</u>
	<u>4,307</u>	<u>(340)</u>	<u>3,967</u>	<u>4,231</u>	<u>569</u>	<u>4,800</u>

Hong Kong profits tax has been provided for at the rate of 16.5% (2013 – 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

The differences between the Group's expected tax charge (credit), calculated at the domestic rates applicable to the country concerned, and the Group's tax charge (credit) for the years were as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Tax calculated at the domestic rates applicable in the country concerned	9,785	5,537
Tax effect of:		
Tax losses not recognised	2,200	1,216
Tax incentives	–	(21)
Income not subject to tax	(5,272)	(1,034)
Expenses not deductible for tax purposes	1,362	1,066
Recognition of previously unrecognised tax losses	(2,500)	(1,747)
Utilisation of previously unrecognised tax losses	(188)	(56)
Under provision in prior years	9	669
Deferred tax assets written off	–	(7)
Other temporary differences	(1,351)	(745)
Effect of change in tax rate	(78)	(78)
	<u>3,967</u>	<u>4,800</u>

#### 10 DISTRIBUTIONS AND DIVIDENDS

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Distributions paid on perpetual capital securities	<u>1,980</u>	<u>1,351</u>
Dividends paid and payable on ordinary shares		
First interim dividend, paid of HK\$0.66 per share (2013 – HK\$0.60)	2,814	2,558
Second interim dividend, in lieu of Final dividend, payable of HK\$1.755 per share (2013 – Final dividend, HK\$1.70)	<u>7,482</u>	<u>7,248</u>
	10,296	9,806
Special dividend, paid of HK\$7.00 per share (2013 – nil)	<u>29,843</u>	<u>–</u>
	<u>40,139</u>	<u>9,806</u>

#### 11 EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company HK\$67,156 million (2013 – HK\$31,112 million) and on 4,263,370,780 shares in issue during 2014 (2013 – 4,263,370,780 shares).

The Company has no share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 31 December 2014. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2014 did not have a dilutive effect on earnings per share.



## 12 OTHER COMPREHENSIVE INCOME (LOSSES)

	<b>2014</b>		
	<b>Before-tax amount</b>	<b>Tax effect</b>	<b>Net-of-tax amount</b>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Available-for-sale investments:			
Valuation gains recognised directly in reserves	1,176	(61)	1,115
Valuation gains previously in reserves recognised in income statement	(480)	–	(480)
Remeasurement of defined benefit obligations recognised directly in reserves	(324)	75	(249)
Losses on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised directly in reserves	(5)	8	3
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(16,653)	–	(16,653)
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)	–	(3,636)
Share of other comprehensive income (losses) of associated companies	(4,854)	–	(4,854)
Share of other comprehensive income (losses) of joint ventures	(5,205)	–	(5,205)
	<u>(29,981)</u>	<u>22</u>	<u>(29,959)</u>
	<b>2013</b>		
	<b>Before-tax amount</b>	<b>Tax effect</b>	<b>Net-of-tax amount</b>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Available-for-sale investments:			
Valuation gains recognised directly in reserves	382	(64)	318
Valuation losses previously in reserves recognised in income statement	6	–	6
Remeasurement of defined benefit obligations recognised directly in reserves	694	84	778
Gains on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised directly in reserves	346	(12)	334
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(1,774)	–	(1,774)
Gains previously in exchange reserve related to subsidiaries and associated companies disposed during the year recognised in income statement	(152)	–	(152)
Share of other comprehensive income (losses) of associated companies	(3,237)	–	(3,237)
Share of other comprehensive income of joint ventures	474	–	474
	<u>(3,261)</u>	<u>8</u>	<u>(3,253)</u>

## 13 FIXED ASSETS

	<b>Land and buildings</b>	<b>Telecom- munications network assets</b>	<b>Other assets</b>	<b>Total</b>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>Cost</b>				
At 1 January 2013	47,970	137,877	106,315	292,162
Additions	3,078	2,207	17,320	22,605
Relating to subsidiaries acquired	527	822	1,047	2,396
Disposals	(688)	(1,174)	(3,198)	(5,060)
Relating to subsidiaries disposed	–	–	(5)	(5)
Transfer from (to) other assets	(443)	8	193	(242)
Transfer between categories / investment properties / leasehold land	1,566	6,264	(5,591)	2,239
Exchange translation differences	(27)	160	1,435	1,568
At 1 January 2014	51,983	146,164	117,516	315,663
Additions	2,218	2,689	16,277	21,184
Relating to subsidiaries acquired	1	660	67	728
Disposals	(342)	(662)	(3,317)	(4,321)
Relating to subsidiaries disposed	(4)	–	(4)	(8)
Write-off for the year <sup>(a)</sup>	–	(552)	(15)	(567)
Transfer to other assets	(253)	–	(14)	(267)
Transfer between categories / leasehold land	890	7,693	(8,036)	547
Exchange translation differences	(1,763)	(10,783)	(7,429)	(19,975)
At 31 December 2014	<u>52,730</u>	<u>145,209</u>	<u>115,045</u>	<u>312,984</u>
<b>Accumulated depreciation and impairment</b>				
At 1 January 2013	11,803	49,831	62,940	124,574
Relating to subsidiaries acquired	146	42	518	706
Charge for the year	1,291	7,227	5,328	13,846
Disposals	(46)	(976)	(2,987)	(4,009)
Relating to subsidiaries disposed	–	–	(4)	(4)
Impairment recognised for the year <sup>(b)</sup>	–	426	–	426
Transfer from (to) other assets	(5)	3	6	4
Transfer between categories / investment properties / leasehold land	28	746	369	1,143
Exchange translation differences	72	633	948	1,653
At 1 January 2014	13,289	57,932	67,118	138,339
Relating to subsidiaries acquired	–	–	2	2
Charge for the year	1,414	7,173	6,117	14,704
Disposals	(106)	(638)	(3,113)	(3,857)
Relating to subsidiaries disposed	(1)	–	(3)	(4)
Impairment recognised and write-off for the year <sup>(a)</sup>	140	(163)	219	196
Transfer to other assets	(124)	–	(106)	(230)
Transfer between categories / leasehold land	(10)	(892)	923	21
Exchange translation differences	(504)	(3,477)	(5,440)	(9,421)
At 31 December 2014	<u>14,098</u>	<u>59,935</u>	<u>65,717</u>	<u>139,750</u>
<b>Net book value</b>				
At 31 December 2014	<u>38,632</u>	<u>85,274</u>	<u>49,328</u>	<u>173,234</u>
At 31 December 2013	<u>38,694</u>	<u>88,232</u>	<u>50,398</u>	<u>177,324</u>
At 1 January 2013	<u>36,167</u>	<u>88,046</u>	<u>43,375</u>	<u>167,588</u>

- (a) Mainly relates to restructuring of 3 Ireland (see note 6(c)) and impairment on port assets (see note 6(d)).
- (b) Mainly relates to restructuring of 3 Austria (see note 6(g)).

Land and buildings include projects under development in the amount of HK\$3,527 million (2013 – HK\$4,102 million).

Cost and net book value of fixed assets include HK\$149,644 million (2013 – HK\$153,058 million) and HK\$84,404 million (2013 – HK\$87,820 million) respectively, relating to 3 Group Europe. Impairment tests were undertaken at 31 December 2014 and 31 December 2013 to assess whether the carrying value of the Group's 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. Note 3(b) contains information about the estimates, assumptions and judgements relating to the impairment tests. Save as disclosed above, the results of the tests undertaken as at 31 December 2014 and 31 December 2013 indicated that no other impairment charge was necessary.

#### 14 INVESTMENT PROPERTIES

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>Valuation</b>		
At 1 January	42,454	43,652
Additions	105	423
Disposals	(21)	(98)
Relating to subsidiaries disposed	(1,032)	(573)
Change in fair value of investment properties	24,678	26
Transfer to fixed assets	–	(1,040)
Exchange translation differences	27	64
	<u>66,211</u>	<u>42,454</u>
At 31 December	<u>66,211</u>	<u>42,454</u>

The Group's investment properties comprise:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>Hong Kong</b>		
Long leasehold (not less than 50 years)	30,345	17,303
Medium leasehold (less than 50 years but not less than 10 years)	35,079	23,347
<b>Outside Hong Kong</b>		
Freehold	725	708
Medium leasehold	62	1,096
	<u>66,211</u>	<u>42,454</u>

At 31 December, the analysis of the Group's aggregate future minimum lease payments receivable under non-cancellable operating leases is as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Within 1 year	2,955	2,975
After 1 year, but within 5 years	4,407	5,874
After 5 years	<u>1,204</u>	<u>126</u>

(a) **Fair value measurements**

The table below analyses recurring fair value measurements for investment properties located in Hong Kong and outside Hong Kong. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>At 31 December 2014</b>				
Hong Kong	–	304	65,120	65,424
Outside Hong Kong	–	–	<u>787</u>	<u>787</u>
	<u>–</u>	<u>304</u>	<u>65,907</u>	<u>66,211</u>
<b>At 31 December 2013</b>				
Hong Kong	–	268	40,382	40,650
Outside Hong Kong	–	–	<u>1,804</u>	<u>1,804</u>
	<u>–</u>	<u>268</u>	<u>42,186</u>	<u>42,454</u>

There were no transfers among Level 1, Level 2 and Level 3 during the year. The Group's policy is to recognise transfers into / out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Investment properties have been fair valued as at 31 December 2014 and 31 December 2013 by DTZ Debenham Tie Leung Limited, professional valuers. The fair value of the investment properties was determined based on, amongst other things, comparable market transactions, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The movements of the balance of investment properties measured at fair value based on Level 3 are as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ million</i>	<i>HK\$ million</i>
At 1 January	42,186	43,414
Additions	105	423
Disposals	(21)	(98)
Relating to subsidiaries disposed	(1,032)	(573)
Change in fair value of investment properties	24,678	(4)
Transfer to fixed assets	–	(1,040)
Exchange translation differences	(9)	64
	<u>65,907</u>	<u>42,186</u>
At 31 December	<u>65,907</u>	<u>42,186</u>

The valuations are derived using the income capitalisation method. This method is based on the capitalisation of net income with due allowance for outgoings and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties.

Information about fair value measurements based on Level 3 fair value hierarchy:

<u>Description</u>	<u>2014 Fair value</u>	<u>Valuation techniques</u>	<u>Range of significant unobservable inputs</u>	
			<u>Rental rates</u>	<u>Capitalisation rates</u>
	<i>HK\$ million</i>			
Office properties in Hong Kong	40,493	Income capitalisation method	HK\$22.7 per square foot ("psf") to HK\$112.7 psf	4.5% to 5%
Commercial properties in Hong Kong	14,296	Income capitalisation method	HK\$13.5 psf to HK\$79.6 psf	4.75% to 6.75%
Residential properties in Hong Kong	1,529	Income capitalisation method	HK\$14.5 psf to HK\$45 psf	2% to 2.5%
Industrial properties in Hong Kong	8,802	Income capitalisation method	HK\$6.6 psf to HK\$18 psf	5.5% to 5.75%
Other properties outside Hong Kong	787	Income capitalisation method	HK\$49.6 per square meter ("psm") to HK\$151 psm	6% to 7.5%

Description	2013 Fair value <i>HK\$ million</i>	Valuation techniques	Range of significant unobservable inputs	
			Rental rates	Capitalisation rates
Office properties in Hong Kong	27,979	Income capitalisation method	HK\$17.9 psf to HK\$112.2 psf	4.75% to 6%
Commercial properties in Hong Kong	7,527	Income capitalisation method	HK\$10.5 psf to HK\$69.7 psf	6% to 9.75%
Residential properties in Hong Kong	937	Income capitalisation method	HK\$24.8 psf to HK\$50.5 psf	2.75% to 3.75%
Industrial properties in Hong Kong	3,939	Income capitalisation method	HK\$2.7 psf to HK\$17 psf	8% to 11.5%
Other properties outside Hong Kong	1,804	Income capitalisation method	HK\$63.5 psm to HK\$281.6 psm	6% to 8.5%

For rental rate, the higher the rental rate, the higher the fair value will be. For capitalisation rate, the higher the capitalisation rate, the lower the fair value will be.

#### 15 LEASEHOLD LAND

	2014 <i>HK\$ millions</i>	2013 <i>HK\$ millions</i>
Net book value		
At 1 January	9,849	9,495
Additions	–	532
Amortisation for the year	(444)	(454)
Relating to subsidiaries disposed	(2)	–
Transfer from other assets	–	217
Transfer to fixed assets	(526)	(56)
Exchange translation differences	(364)	115
At 31 December	<u>8,513</u>	<u>9,849</u>

The Group's leasehold land comprises:

	2014 <i>HK\$ millions</i>	2013 <i>HK\$ millions</i>
<b>Outside Hong Kong</b>		
Long leasehold	1,005	1,040
Medium leasehold	<u>7,508</u>	<u>8,809</u>
	<u>8,513</u>	<u>9,849</u>

## 16 TELECOMMUNICATIONS LICENCES

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>Net book value</b>		
At 1 January	86,576	78,655
Additions	41	6,828
Relating to subsidiaries acquired	2,206	440
Amortisation for the year	(894)	(774)
Exchange translation differences	<u>(6,327)</u>	<u>1,427</u>
At 31 December	<u>81,602</u>	<u>86,576</u>
<b>Cost</b>		
Accumulated amortisation and impairment	109,084	114,999
	<u>(27,482)</u>	<u>(28,423)</u>
	<u>81,602</u>	<u>86,576</u>

The carrying amount of the Group's telecommunications licences with indefinite useful life in Italy and the UK is €3,195 million (2013 – €3,192 million) and £3,367 million (2013 – £3,366 million), respectively.

In accordance with the Group's accounting policy on asset impairment (see note 2(y)), the carrying values of telecommunications licences were tested for impairment as at 31 December 2014 and 31 December 2013. Note 3(b) contains information about the estimates, assumptions and judgements relating to telecommunications licences impairment tests. The results of the tests undertaken as at 31 December 2014 and 31 December 2013 indicated no impairment charge was necessary.

## 17 GOODWILL

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>Cost</b>		
At 1 January	38,028	26,492
Relating to subsidiaries acquired	5,783	11,380
Impairment recognised <sup>(a)</sup>	(323)	–
Relating to subsidiaries disposed	(409)	(161)
Exchange translation differences	<u>(3,947)</u>	<u>317</u>
At 31 December	<u>39,132</u>	<u>38,028</u>

The carrying amount of goodwill primarily arises from the acquisition of four retail chains: Marionnaud of €645 million (2013 – €645 million), Kruidvat of €600 million (2013 – €600 million), The Perfume Shop of £140 million (2013 – £140 million), Superdrug of £78 million (2013 – £78 million), 3 Austria of €970 million (2013 – €970 million), 3 Italy of €275 million (2013 – €275 million), 3 Ireland of €547 million (2013 – nil), Hutchison Telecommunications Hong Kong Holdings of HK\$3,754 million (2013 – HK\$3,754 million) and Hutchison Asia Telecommunications of HK\$864 million (2013 – HK\$892 million).

In accordance with the Group's accounting policy on asset impairment (see note 2(y)), the carrying values of goodwill were tested for impairment as at 31 December 2014 and 31 December 2013. Note 3(b) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. Save as disclosed above, the results of the tests undertaken as at 31 December 2014 and 31 December 2013 indicated no other impairment charge was necessary.

- (a) Mainly relates to store closures of the Marionnaud businesses to exit Poland and downsize operations in Portugal and Spain (see note 6(b)).

## 18 BRAND NAMES AND OTHER RIGHTS

	<b>Brand names</b>	<b>Other rights</b>	<b>Total</b>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>Net book value</b>			
At 1 January 2014	2,129	16,626	18,755
Additions	–	229	229
Relating to subsidiaries acquired	28	1,398	1,426
Impairment recognised and write-off for the year <sup>(a)</sup>	–	(1,970)	(1,970)
Disposal	–	(22)	(22)
Amortisation for the year	(13)	(948)	(961)
Exchange translation differences	(183)	(1,041)	(1,224)
	<u>1,961</u>	<u>14,272</u>	<u>16,233</u>
At 31 December 2014	<u>1,961</u>	<u>14,272</u>	<u>16,233</u>
Cost	2,045	23,110	25,155
Accumulated amortisation	(84)	(8,838)	(8,922)
	<u>1,961</u>	<u>14,272</u>	<u>16,233</u>
<b>Net book value</b>			
At 1 January 2013	1,954	13,374	15,328
Additions	–	105	105
Relating to subsidiaries acquired	132	4,376	4,508
Impairment recognised for the year <sup>(b)</sup>	–	(622)	(622)
Disposal	–	(43)	(43)
Transfer from fixed assets	–	22	22
Amortisation for the year	(13)	(763)	(776)
Exchange translation differences	56	177	233
	<u>2,129</u>	<u>16,626</u>	<u>18,755</u>
At 31 December 2013	<u>2,129</u>	<u>16,626</u>	<u>18,755</u>
Cost	2,202	25,404	27,606
Accumulated amortisation	(73)	(8,778)	(8,851)
	<u>2,129</u>	<u>16,626</u>	<u>18,755</u>

- (a) Mainly relates to restructuring of 3 Ireland (see note 6(c)).

- (b) Mainly relates to restructuring of 3 Austria (see note 6(g)).

The brand names as at 31 December 2014 primarily resulted from the acquisitions of Marionnaud and The Perfume Shop in 2005 and are assessed to have indefinite useful lives. The factors considered in the assessment of the useful lives include analysis of market and competitive trends, product life cycles, brand extension opportunities and management's long term strategic development.



The value of brand names acquired in 2005 was determined by an external valuer based on a royalty relief methodology, a commonly applied approach to valuing brand names, which was completed in December 2005. Brand names were tested for impairment as at 31 December 2014 and 31 December 2013 and the results of the tests indicated no impairment charge was necessary.

Other rights, which include rights of use of telecommunications network infrastructure sites of HK\$6,942 million (2013 – HK\$8,293 million), operating and service content rights of HK\$4,517 million (2013 – HK\$5,018 million), resource consents and customer lists of HK\$2,813 million (2013 – HK\$3,315 million) are amortised over their finite useful lives.

## 19 ASSOCIATED COMPANIES

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Unlisted shares	3,744	3,744
Listed shares, Hong Kong	9,512	9,512
Listed shares, outside Hong Kong	34,617	34,617
Share of undistributed post acquisition reserves	<u>73,292</u>	<u>56,951</u>
	121,165	104,824
Amounts due from associated companies	<u>5,251</u>	<u>7,234</u>
	<u>126,416</u>	<u>112,058</u>

The market value of the above listed investments at 31 December 2014 was HK\$144,274 million (2013 – HK\$151,663 million), inclusive of HK\$61,474 million (2013 – HK\$81,864 million) and HK\$62,386 million (2013 – HK\$51,145 million) for material associated companies, namely Husky Energy and Power Assets.

There are no material contingent liabilities relating to the Group's interests in the associated companies, save as for those disclosed in note 37.

Set out below are additional information in respect of the Group's associated companies:

	<b>Material associated companies</b>		<b>Other associated companies</b>	<b>2014 Total</b>
	<b>Husky Energy</b>	<b>Power Assets</b>		
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Group's share of the following items of the associated companies*:				
Profits less losses after tax (before profits on disposal of investments and others)	4,028	3,159	1,979	9,166
Profits on disposal of investments and others	(1,413)	20,554	–	19,141
Other comprehensive income (losses)	<u>(3,753)</u>	<u>(728)</u>	<u>(373)</u>	<u>(4,854)</u>
Total comprehensive income (losses)	<u>(1,138)</u>	<u>22,985</u>	<u>1,606</u>	<u>23,453</u>

	Material associated companies		Other associated companies	2013 Total
	Husky Energy	Power Assets		
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Group's share of the following items of the associated companies*:				
Profits less losses after tax (before impairment charge)	4,623	4,340	1,470	10,433
Impairment charge	(504)	–	–	(504)
Other comprehensive income (losses)	(3,197)	206	(246)	(3,237)
Total comprehensive income	<u>922</u>	<u>4,546</u>	<u>1,224</u>	<u>6,692</u>
	2014		2013	
	Husky Energy	Power Assets	Husky Energy	Power Assets
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Dividends received from associated companies	<u>2,874</u>	<u>2,132</u>	<u>3,092</u>	<u>2,057</u>
Gross amount of the following items of the associated companies*:				
Total revenue	168,878	2,131	175,008	11,578
EBITDA	42,419	72,306	43,481	20,121
EBIT	18,611	67,287	21,207	15,115
Other comprehensive income (losses)	(11,046)	(1,870)	(9,481)	530
Total comprehensive income (losses)	(3,352)	59,322	2,636	11,844
Current assets	31,135	62,100	35,747	10,494
Non-current assets	235,059	73,222	240,667	93,605
Current liabilities	39,197	2,700	30,265	4,952
Non-current liabilities	84,689	10,486	93,638	30,848
Net assets (net of preferred shares)	<u>138,736</u>	<u>122,136</u>	<u>150,395</u>	<u>68,299</u>
Reconciliation to the carrying amount of the Group's interests in associated companies:				
Group's interest	34%	39%	34%	39%
Group's share of net assets	47,129	47,474	51,104	26,548
Amounts due from associated companies	671	–	729	–
Adjustment to cost of investment	–	4,546	–	4,546
Carrying amount	<u>47,800</u>	<u>52,020</u>	<u>51,833</u>	<u>31,094</u>

\* after translation into Hong Kong dollars and consolidation adjustments.

Particulars regarding the principal associated companies are set forth on pages V-103 to V-110.

## 20 INTERESTS IN JOINT VENTURES

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>Joint ventures</b>		
Unlisted shares	73,499	66,769
Share of undistributed post acquisition reserves	<u>16,411</u>	<u>20,559</u>
	89,910	87,328
Amounts due from joint ventures	<u>29,523</u>	<u>23,943</u>
	<u><u>119,433</u></u>	<u><u>111,271</u></u>

There are no material contingent liabilities relating to the Group's interests in the joint ventures, save as for those disclosed in note 37.

Set out below are the aggregate amount of the Group's share of the following items of joint ventures:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Profits less losses after tax <sup>(a)</sup>	10,466	12,597
Other comprehensive income (losses)	<u>(5,205)</u>	<u>474</u>
Total comprehensive income	<u><u>5,261</u></u>	<u><u>13,071</u></u>
Capital commitments	<u><u>1,562</u></u>	<u><u>2,123</u></u>

(a) From the second half of 2012, VHA is undergoing a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. Since then, HTAL's share of VHA's results is presented as a separate item under profits on disposal of investments and others (see note 6(e)) to separately identify it from the recurring earnings profile.

Particulars regarding the principal joint ventures are set forth on pages V-103 to V-110.

## 21 DEFERRED TAX

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Deferred tax assets	19,203	18,548
Deferred tax liabilities	<u>11,213</u>	<u>10,228</u>
Net deferred tax assets	<u><u>7,990</u></u>	<u><u>8,320</u></u>

Movements in net deferred tax assets are summarised as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
At 1 January	8,320	9,091
Relating to subsidiaries acquired	(170)	(271)
Relating to subsidiaries disposed	492	1
Transfer to current tax	(13)	(27)
Net credit to other comprehensive income	22	8
Net credit (charge) to the income statement		
Unused tax losses	916	(107)
Accelerated depreciation allowances	(306)	(104)
Fair value adjustments arising from acquisitions	176	140
Withholding tax on undistributed earnings	(132)	(65)
Other temporary differences	(314)	(433)
Exchange translation differences	<u>(1,001)</u>	<u>87</u>
At 31 December	<u>7,990</u>	<u>8,320</u>

Analysis of net deferred tax assets (liabilities):

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Unused tax losses	20,669	19,987
Accelerated depreciation allowances	(5,717)	(5,558)
Fair value adjustments arising from acquisitions	(3,698)	(3,920)
Revaluation of investment properties and other investments	(11)	(307)
Withholding tax on undistributed earnings	(398)	(302)
Other temporary differences	<u>(2,855)</u>	<u>(1,580)</u>
	<u>7,990</u>	<u>8,320</u>

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for income taxes. To the extent that dividends distributed from investments in subsidiaries, branches and associates, and interests in joint ventures are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for the temporary differences arising from undistributed profits of these companies to the extent that the undistributed profits are considered permanently employed in their businesses and it is probable that such temporary differences will not reverse in the foreseeable future.

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The amounts shown in the consolidated statement of financial position are determined after appropriate offset.

During the year, deferred tax assets of HK\$2,134 million (2013 – HK\$1,586 million) have been recognised for the losses of 3 Group Europe. At 31 December 2014, the Group has recognised accumulated deferred tax assets amounting to HK\$19,203 million (2013 – HK\$18,548 million) of which HK\$17,785 million (2013 – HK\$17,265 million) relates to 3 Group Europe.

Note 3(f) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unused tax losses carried forward.

The Group has not recognised deferred tax assets of HK\$22,525 million at 31 December 2014 (2013 – HK\$22,977 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK\$94,257 million (2013 – HK\$96,430 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK\$67,210 million (2013 – HK\$73,534 million) can be carried forward indefinitely and the balances expire in the following years:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
In the first year	4,406	2,577
In the second year	2,763	3,193
In the third year	2,473	2,484
In the fourth year	9,455	5,350
In the fifth to tenth years inclusive	<u>7,950</u>	<u>9,292</u>
	<u>27,047</u>	<u>22,896</u>

## 22 OTHER NON-CURRENT ASSETS

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	383	392
Other receivables	<u>3,610</u>	<u>4,020</u>
	3,993	4,412
Available-for-sale investments		
Unlisted equity securities	1,798	929
Fair value hedges (see note 28(a))		
Interest rate swaps	1,262	1,813
Cross currency interest rate swaps	–	738
Cash flow hedges (see note 28(a))		
Interest rate swaps	14	42
Forward foreign exchange contracts	<u>72</u>	<u>–</u>
	<u>7,139</u>	<u>7,934</u>

The carrying value of the unlisted debt securities approximates the fair value as these investments bear floating interest rates and are repriced within one to six-month periods at the prevailing market interest rates. The weighted average effective interest rate of unlisted debt securities as at 31 December 2014 is 1.7% (2013 – 1.9%).

Unlisted equity securities where there is a history of dividends are carried at fair value based on the discounted present value of expected future dividends. The value of the remaining unlisted equity securities are not significant to the Group.

## 23 LIQUID FUNDS AND OTHER LISTED INVESTMENTS

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Available-for-sale investments		
Managed funds, outside Hong Kong	4,576	4,522
Listed/traded debt securities, outside Hong Kong	2,806	3,725
Listed equity securities, Hong Kong	4,817	2,130
Listed equity securities, outside Hong Kong	<u>2,641</u>	<u>6,422</u>
	14,840	16,799
Loans and receivables		
Long term deposits	–	36
Financial assets at fair value through profit or loss	<u>301</u>	<u>301</u>
	<u>15,141</u>	<u>17,136</u>

Components of managed funds, outside Hong Kong are as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Listed debt securities	4,566	4,488
Cash and cash equivalents	<u>10</u>	<u>34</u>
	<u>4,576</u>	<u>4,522</u>

Included in listed / traded debt securities outside Hong Kong are notes issued by listed associated company, Husky Energy Inc. Of the principal amount held of US\$103 million as at 31 December 2013, US\$78 million matured and was redeemed during the current year and the balance of US\$25 million held as at 31 December 2014 will mature in 2019.

The fair value of the available-for-sale investments and financial assets designated as “at fair value through profit or loss” are based on quoted market prices. The market value of the liquid funds and other listed investments excluding long term deposits at 31 December 2014 was HK\$15,141 million (2013 – HK\$17,100 million).

Loans and receivables, represent long term deposits, are carried at amortised cost, which approximates their fair value as the deposits carry floating interest rates and are repriced every three months based on the prevailing market interest rates. The weighted average effective interest rate on long term deposits as at 31 December 2013 was 2.1%.

At 31 December, liquid funds and other listed investments are denominated in the following currencies:

	2014			2013		
	Available-for-sale investments Percentage	Loans and receivables Percentage	Financial assets at fair value through profit or loss Percentage	Available-for-sale investments Percentage	Loans and receivables Percentage	Financial assets at fair value through profit or loss Percentage
HK dollars	32%	–	–	13%	–	–
US dollars	36%	–	83%	35%	–	83%
Other currencies	32%	–	17%	52%	100%	17%
	<u>100%</u>	<u>–</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Listed / traded debt securities as at 31 December presented above are analysed as follows:

	2014 Percentage	2013 Percentage
<b>Credit ratings</b>		
Aaa/AAA	16%	24%
Aa1/AA+	50%	31%
Aa2/AA	–	4%
Aa3/AA-	2%	1%
A2/A	1%	1%
Other investment grades	3%	11%
Unrated	28%	28%
	<u>100%</u>	<u>100%</u>
<b>Sectorial</b>		
US Treasury notes	46%	26%
Government and government guaranteed notes	20%	32%
Husky Energy Inc. notes	3%	11%
Financial institutions notes	3%	3%
Others	28%	28%
	<u>100%</u>	<u>100%</u>
Weighted average maturity	<u>3.0 years</u>	<u>3.1 years</u>
Weighted average effective yield	<u>1.63%</u>	<u>1.90%</u>

## 24 CASH AND CASH EQUIVALENTS

	2014 HK\$ millions	2013 HK\$ millions
Cash at bank and in hand	31,011	24,149
Short term bank deposits	94,307	61,502
	<u>125,318</u>	<u>85,651</u>

The carrying amount of cash and cash equivalents approximates their fair value.

## 25 TRADE AND OTHER RECEIVABLES

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Trade receivables <sup>(a)</sup>	22,550	24,991
Less: provision for estimated impairment losses for bad debts <sup>(b)</sup>	<u>(4,297)</u>	<u>(4,296)</u>
Trade receivables – net	18,253	20,695
Other receivables and prepayments	47,167	48,231
Fair value hedges (see note 28(a))		
Cross currency interest rate swaps	327	76
Cash flow hedges (see note 28(a))		
Forward foreign exchange contracts	<u>829</u>	<u>81</u>
	<u>66,576</u>	<u>69,083</u>

Trade and other receivables are stated at the expected recoverable amount, net of any estimated impairment losses for bad debts where it is deemed that a receivable may not be fully recoverable. The carrying amount of these assets approximates their fair value.

Trade receivables exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days. As stated above, trade receivables which are past due at the end of the reporting period are stated at the expected recoverable amount, net of provision for estimated impairment losses for bad debts. Given the profile of our customers and the Group's different types of businesses, the Group generally does not hold collateral over these balances.

The Group's five largest customers contributed less than 4% of the Group's turnover for the years ended 31 December 2014 and 2013.

- (a) At 31 December, the ageing analysis of the trade receivables presented based on the invoice date, is as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Less than 31 days	11,298	13,571
Within 31 to 60 days	1,767	2,091
Within 61 to 90 days	930	870
Over 90 days	<u>8,555</u>	<u>8,459</u>
	<u>22,550</u>	<u>24,991</u>



- (b) As at 31 December 2014, out of the trade receivables of HK\$22,550 million (2013 – HK\$24,991 million), HK\$15,307 million (2013 – HK\$13,956 million) are impaired and it is assessed that a portion of these receivables is expected to be recoverable. The amount of the provision for estimated impairment losses for bad debts is HK\$4,297 million (2013 – HK\$4,296 million). The ageing analysis of these trade receivables is as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Not past due	6,759	5,632
Past due less than 31 days	1,207	1,108
Past due within 31 to 60 days	507	420
Past due within 61 to 90 days	457	471
Past due over 90 days	<u>6,377</u>	<u>6,325</u>
	<u>15,307</u>	<u>13,956</u>

Movements on the provision for estimated impairment losses for bad debts are as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
At 1 January	4,296	4,307
Additions	1,886	1,365
Utilisations	(858)	(1,123)
Write back	(127)	(30)
Exchange translation differences	<u>(900)</u>	<u>(223)</u>
At 31 December	<u>4,297</u>	<u>4,296</u>

The ageing analysis of trade receivables not impaired is as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Not past due	3,344	6,293
Past due less than 31 days	1,426	2,077
Past due within 31 to 60 days	331	602
Past due within 61 to 90 days	421	400
Past due over 90 days	<u>1,721</u>	<u>1,663</u>
	<u>7,243</u>	<u>11,035</u>

## 26 TRADE AND OTHER PAYABLES

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Trade payables <sup>(a)</sup>	21,760	22,309
Other payables and accruals	63,473	61,901
Provisions (see note 27)	824	928
Interest free loans from non-controlling shareholders	1,057	1,181
Cash flow hedges (see note 28(a))		
Interest rate swaps	24	–
Forward foreign exchange contracts	1	493
	<u>87,139</u>	<u>86,812</u>

The Group's five largest suppliers accounted for less than 27% of the Group's cost of purchases for the year ended 31 December 2014 (2013 – less than 29%).

(a) At 31 December, the ageing analysis of the trade payables is as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Less than 31 days	13,146	15,176
Within 31 to 60 days	3,401	3,221
Within 61 to 90 days	1,877	1,607
Over 90 days	3,336	2,305
	<u>21,760</u>	<u>22,309</u>

## 27 PROVISIONS

	<u>Restructuring and closure provision</u>	<u>Assets retirement obligation</u>	<u>Others</u>	<u>Total</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
At 1 January 2013	648	741	450	1,839
Additions	14	46	112	172
Relating to subsidiaries acquired	–	292	–	292
Interest accretion	19	38	–	57
Utilisations	(177)	–	(80)	(257)
Write back	(6)	(96)	(83)	(185)
Exchange translation differences	9	9	13	31
	<u>507</u>	<u>1,030</u>	<u>412</u>	<u>1,949</u>
At 1 January 2014	507	1,030	412	1,949
Additions	39	47	97	183
Interest accretion	16	30	–	46
Utilisations	(36)	(16)	(46)	(98)
Write back	(7)	–	(100)	(107)
Exchange translation differences	(27)	(138)	(33)	(198)
	<u>492</u>	<u>953</u>	<u>330</u>	<u>1,775</u>
At 31 December 2014	<u>492</u>	<u>953</u>	<u>330</u>	<u>1,775</u>

Provisions are analysed as:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Current portion (see note 26)	824	928
Non-current portion (see note 31)	<u>951</u>	<u>1,021</u>
	<u>1,775</u>	<u>1,949</u>

The provision for restructuring and closure obligations represents costs to execute restructuring plans and store closures.

The provision for assets retirement obligations represents the present value of the estimated future costs of dismantling and removing fixed assets when they are no longer used and restoring the sites on which they are located.

## 28 BANK AND OTHER DEBTS

The carrying amount of bank and other debts comprises of items measured at amortised cost and an element of fair value which is due to movements in interest rates. The following is an analysis of the carrying amount of the bank and other debts:

	2014			2013		
	Current portion	Non- current portion	Total	Current portion	Non- current portion	Total
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Bank loans	14,995	45,867	60,862	7,646	57,886	65,532
Other loans	261	339	600	295	429	724
Notes and bonds	26,746	158,659	185,405	10,206	147,360	157,566
Total principal amount of bank and other debts	42,002	204,865	246,867	18,147	205,675	223,822
Unamortised loan facilities fees and premiums or discounts related to debts	(48)	(760)	(808)	(64)	(686)	(750)
Unrealised gain on bank and other debts pursuant to interest rate swap contracts <sup>(a)</sup>	327	1,227	1,554	76	2,206	2,282
	<u>42,281</u>	<u>205,332</u>	<u>247,613</u>	<u>18,159</u>	<u>207,195</u>	<u>225,354</u>

Analysis of principal amount of bank and other debts:

	2014			2013		
	Current portion	Non- current portion	Total	Current portion	Non- current portion	Total
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Bank loans						
Repayable within 5 years	14,995	44,395	59,390	7,646	56,871	64,517
Not wholly repayable within 5 years	–	1,472	1,472	–	1,015	1,015
	14,995	45,867	60,862	7,646	57,886	65,532
Other loans						
Repayable within 5 years	239	24	263	268	78	346
Not wholly repayable within 5 years	22	315	337	27	351	378
	261	339	600	295	429	724
Notes and bonds						
HK\$260 million notes, 4% due 2027	–	260	260	–	260	260
US\$1,309 million notes, 6.25% due 2014	–	–	–	10,206	–	10,206
US\$2,189 million notes, 4.625% due 2015	17,077	–	17,077	–	17,077	17,077
US\$300 million notes, LIBOR + 0.7% due 2017	–	2,340	2,340	–	–	–
US\$500 million notes – Series B, 7.45% due 2017	–	3,900	3,900	–	3,900	3,900
US\$1,000 million notes, 2% due 2017	–	7,800	7,800	–	7,800	7,800
US\$1,000 million notes, 3.5% due 2017	–	7,800	7,800	–	7,800	7,800
US\$2,000 million notes, 1.625% due 2017	–	15,600	15,600	–	–	–
US\$1,000 million notes, 5.75% due 2019	–	7,800	7,800	–	7,800	7,800
US\$1,500 million notes, 7.625% due 2019	–	11,700	11,700	–	11,700	11,700
US\$1,500 million (2013: US\$1,480 million) notes, 4.625% due 2022	–	11,700	11,700	–	11,544	11,544
US\$500 million notes, 3.25% due 2022	–	3,900	3,900	–	3,900	3,900
US\$1,500 million notes, 3.625% due 2024	–	11,700	11,700	–	–	–
US\$329 million notes – Series C, 7.5% due 2027	–	2,565	2,565	–	2,565	2,565
US\$25 million notes – Series D, 6.988% due 2037	–	196	196	–	196	196
US\$1,144 million notes, 7.45% due 2033	–	8,926	8,926	–	8,926	8,926
EUR603 million notes, 4.125% due 2015	5,727	–	5,727	–	6,378	6,378
EUR669 million notes, 4.625% due 2016	–	6,357	6,357	–	7,079	7,079

**APPENDIX V**
**FINANCIAL INFORMATION OF THE GROUP**

	2014			2013		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
EUR1,750 million notes, 4.75% due 2016	-	16,625	16,625	-	18,515	18,515
EUR1,250 million notes, 2.5% due 2017	-	11,875	11,875	-	13,225	13,225
EUR1,500 million notes, 1.325% due 2021	-	14,250	14,250	-	-	-
EUR750 million notes, 3.625% due 2022	-	7,125	7,125	-	7,935	7,935
GBP325 million bonds, 6.75% due 2015	3,942	-	3,942	-	4,124	4,124
GBP113 million bonds, 5.625% due 2017	-	1,371	1,371	-	1,435	1,435
GBP303 million bonds, 5.625% due 2026	-	3,675	3,675	-	3,845	3,845
JPY3,000 million notes, 1.75% due 2019	-	199	199	-	226	226
JPY15,000 million notes, 2.6% due 2027	-	995	995	-	1,130	1,130
	<u>26,746</u>	<u>158,659</u>	<u>185,405</u>	<u>10,206</u>	<u>147,360</u>	<u>157,566</u>
	<u>42,002</u>	<u>204,865</u>	<u>246,867</u>	<u>18,147</u>	<u>205,675</u>	<u>223,822</u>

Bank and other debts at principal amount are repayable as follows:

	2014			2013		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Bank loans						
Current portion	14,995	–	14,995	7,646	–	7,646
After 1 year, but within 2 years	–	5,359	5,359	–	39,423	39,423
After 2 years, but within 5 years	–	39,036	39,036	–	17,448	17,448
After 5 years	–	1,472	1,472	–	1,015	1,015
	14,995	45,867	60,862	7,646	57,886	65,532
Other loans						
Current portion	261	–	261	295	–	295
After 1 year, but within 2 years	–	54	54	–	71	71
After 2 years, but within 5 years	–	89	89	–	131	131
After 5 years	–	196	196	–	227	227
	261	339	600	295	429	724
Notes and bonds						
Current portion	26,746	–	26,746	10,206	–	10,206
After 1 year, but within 2 years	–	22,982	22,982	–	27,579	27,579
After 2 years, but within 5 years	–	70,385	70,385	–	59,754	59,754
After 5 years	–	65,292	65,292	–	60,027	60,027
	26,746	158,659	185,405	10,206	147,360	157,566
	42,002	204,865	246,867	18,147	205,675	223,822

The bank and other debts of the Group as at 31 December 2014 are secured to the extent of HK\$1,751 million (2013 – HK\$1,940 million).

Borrowings with principal amount of HK\$63,417 million (2013 – HK\$64,789 million) bear interest at floating interest rates and borrowings with principal amount of HK\$183,450 million (2013 – HK\$159,033 million) bear interest at fixed interest rates.

Borrowings at principal amount are denominated in the following currencies (inclusive of the effect of hedging transactions):

	<u>2014</u>	<u>2013</u>
	<i>Percentage</i>	<i>Percentage</i>
US dollars	41%	31%
Euro	34%	33%
HK dollars	13%	22%
British Pounds	6%	7%
Other currencies	6%	7%
	<u>100%</u>	<u>100%</u>

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. The Group has entered into interest rate swap agreements with banks and other financial institutions mainly to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2014, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK\$64,793 million (2013 – HK\$62,708 million).

In addition, interest rate swap agreements with notional amount of HK\$5,995 million (2013 – HK\$6,540 million) was entered to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings.

As at 31 December 2014, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$16,968 million (2013 – HK\$28,593 million) to Hong Kong dollar principal amount of borrowings to match currency exposures of the underlying businesses.

- (a) The analysis of derivative financial instruments utilised by the Group in the management of its interest rate and foreign currency exposures are as follows:

	<u>2014</u>			<u>2013</u>		
	<u>Current portion</u>	<u>Non- current portion</u>	<u>Total</u>	<u>Current portion</u>	<u>Non- current portion</u>	<u>Total</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>Fair value hedges</b>						
Derivative financial assets						
Interest rate swaps (see note 22)	–	1,262	1,262	–	1,813	1,813
Cross currency interest rate swaps (see notes 22 and 25)	<u>327</u>	<u>–</u>	<u>327</u>	<u>76</u>	<u>738</u>	<u>814</u>
	<u>327</u>	<u>1,262</u>	<u>1,589</u>	<u>76</u>	<u>2,551</u>	<u>2,627</u>



	2014			2013		
	Current portion	Non- current portion	Total	Current portion	Non- current portion	Total
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Derivative financial liabilities						
Interest rate swaps (see note 31)	–	(35)	(35)	–	(345)	(345)
	–	(35)	(35)	–	(345)	(345)
	<u>327</u>	<u>1,227</u>	<u>1,554</u>	<u>76</u>	<u>2,206</u>	<u>2,282</u>
<b>Cash flow hedges</b>						
Derivative financial assets						
Interest rate swaps (see note 22)	–	14	14	–	42	42
Forward foreign exchange contracts (see notes 22 and 25)	<u>829</u>	<u>72</u>	<u>901</u>	<u>81</u>	<u>–</u>	<u>81</u>
	<u>829</u>	<u>86</u>	<u>915</u>	<u>81</u>	<u>42</u>	<u>123</u>
Derivative financial liabilities						
Interest rate swaps (see notes 26 and 31)	(24)	(80)	(104)	–	(163)	(163)
Forward foreign exchange contracts (see notes 26 and 31)	<u>(1)</u>	<u>–</u>	<u>(1)</u>	<u>(493)</u>	<u>(253)</u>	<u>(746)</u>
	<u>(25)</u>	<u>(80)</u>	<u>(105)</u>	<u>(493)</u>	<u>(416)</u>	<u>(909)</u>
	<u>804</u>	<u>6</u>	<u>810</u>	<u>(412)</u>	<u>(374)</u>	<u>(786)</u>

## 29 INTEREST BEARING LOANS FROM NON-CONTROLLING SHAREHOLDERS

	2014	2013
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Interest bearing loans from non-controlling shareholders	<u>8,000</u>	<u>5,445</u>

These loans bear interest at rates ranging from HIBOR+0.8% to 6% per annum for both 2014 and 2013. The carrying amount of the borrowings approximates their fair value.

## 30 PENSION PLANS

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Defined benefit assets	–	–
Defined benefit liabilities	<u>3,083</u>	<u>3,095</u>
Net defined benefit liabilities	<u><u>3,083</u></u>	<u><u>3,095</u></u>

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

**(a) Defined benefit plans**

The Group's major defined benefit plans are in Hong Kong, the United Kingdom and the Netherlands. The plans are either contributory final salary pension plans or non-contributory guaranteed return defined contribution plans. No other post-retirement benefits are provided.

The Group's major plans were valued by Towers Watson, qualified actuaries as at 31 December 2014 and 31 December 2013 using the projected unit credit method to account for the Group's pension accounting costs.

The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

	<u>2014</u>	<u>2013</u>
Discount rates	0.7%-3.8%	1.5%-4.7%
Future salary increases	0.5%-4.0%	0.5%-4.0%
Interest credited on two principal plans in Hong Kong	<u>5.0%-6.0%</u>	<u>5.0%-6.0%</u>

The amount recognised in the consolidated statement of financial position is determined as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Present value of defined benefit obligations	18,883	17,391
Fair value of plan assets	<u>15,801</u>	<u>14,300</u>
	3,082	3,091
Restrictions on assets recognised	<u>1</u>	<u>4</u>
Net defined benefit liabilities	<u><u>3,083</u></u>	<u><u>3,095</u></u>

Movements in net defined benefit liabilities and its components are as follows:

	<b>Present value of defined benefit obligations</b>	<b>Fair value of plan assets</b>	<b>Asset ceiling</b>	<b>Net defined benefit liabilities</b>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
At 1 January 2014	17,391	(14,300)	4	3,095
Net charge (credit) to the income statement				
Current service cost	563	31	–	594
Past service cost and gains and losses on settlements	(95)	–	–	(95)
Interest cost (income)	635	(501)	–	134
	1,103	(470)	–	633
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	(40)	–	–	(40)
Actuarial loss arising from change in financial assumptions	2,083	–	–	2,083
Actuarial loss arising from experience adjustment	14	–	–	14
Return on plan assets excluding interest income	–	(1,730)	–	(1,730)
Change in asset ceiling	–	–	(3)	(3)
Exchange translation differences	(925)	752	–	(173)
	1,132	(978)	(3)	151
Contributions paid by the employer	–	(677)	–	(677)
Contributions paid by the employee	104	(104)	–	–
Benefits paid	(728)	728	–	–
Transfer to other liabilities	(119)	–	–	(119)
At 31 December 2014	<u>18,883</u>	<u>(15,801)</u>	<u>1</u>	<u>3,083</u>
At 1 January 2013	16,325	(13,038)	329	3,616
Net charge (credit) to the income statement				
Current service cost	554	19	–	573
Past service cost and gains and losses on settlements	(4)	–	–	(4)
Interest cost (income)	430	(351)	–	79
	980	(332)	–	648

	<b>Present value of defined benefit obligations</b>	<b>Fair value of plan assets</b>	<b>Asset ceiling</b>	<b>Net defined benefit liabilities</b>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial loss arising from change in demographic assumptions	19	–	–	19
Actuarial gain arising from change in financial assumptions	(106)	–	–	(106)
Actuarial loss arising from experience adjustment	81	–	–	81
Return on plan assets excluding interest income	–	(335)	–	(335)
Change in asset ceiling	–	–	(325)	(325)
Exchange translation differences	<u>534</u>	<u>(517)</u>	<u>–</u>	<u>17</u>
	528	(852)	(325)	(649)
Contributions paid by the employer	–	(549)	–	(549)
Contributions paid by the employee	110	(110)	–	–
Benefits paid	(581)	581	–	–
Relating to subsidiaries acquired	57	–	–	57
Transfer to other liabilities	<u>(28)</u>	<u>–</u>	<u>–</u>	<u>(28)</u>
At 31 December 2013	<u><u>17,391</u></u>	<u><u>(14,300)</u></u>	<u><u>4</u></u>	<u><u>3,095</u></u>

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed as at 31 December 2014. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 July 2013 reported a funding level of 119% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6% per annum and salary increases of 4% per annum. The valuation was performed by Tian Keat Aun, a Fellow of the Institute of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2014, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK\$24 million (2013 – HK\$19 million) were used to reduce the current year's level of contributions and HK\$1 million was available at 31 December 2014 (2013 – HK\$2 million) to reduce future years' contributions.

The Group operates three contributory defined benefit plans in the United Kingdom for its ports division, of which the Port of Felixstowe Pension Plan is the principal plan. The plans are all final salary in nature and were closed to new entrants in June 2003. On the assumptions adopted at the last formal actuarial valuation using the projected unit method at 31 December 2012, the ratio of assets to liabilities for the Felixstowe Scheme was 78%. Contributions to fund the deficit were increased and the shortfall was

expected to be eliminated by June 2023. The main assumptions in the valuation are an investment return of (i) 5.90% per annum (pre-retirement), (ii) 5.30% per annum and 3.25% per annum (post-retirement for non-pensioners and pensioners respectively), pensionable salary increases of 2.75% per annum and pension increases for pensioners of 2.65% per annum (for service before 6 April 1997), 2.3% per annum (for service between 6 April 1997 and 5 April 2005) and 1.70% per annum (for service after 5 April 2005). The valuation was performed by Lloyd Cleaver, a Fellow of the Institute of Actuaries, of Towers Watson Limited.

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit pensions in return for actuarially agreed contributions. The risk of providing past pension benefits is underwritten by the insurance companies. The Group does not carry funding risk relating to past service. The funding rate to provide current year benefits varies in accordance with annual actuarial calculations.

The Group operates a defined benefit pension plan for part of its retail operation in the United Kingdom. It was assumed on acquisition of a subsidiary company in 2002. It is not open to new entrants. The latest formal valuation for funding purposes was carried out at 31 March 2012. This allowed for the cessation of accrual of future defined benefits for all active members on 28 February 2010, from which date final salary linkage was also severed. On the assumptions adopted at the valuation using the projected unit method, the ratio of actual asset value to the target asset value being funded for past service benefits was 75%. The sponsoring employer has made additional cash contributions totalling £3.75 million in 2014 (2013 – £4 million), and will make further additional contributions of £3.7 million per annum from 1 January 2015 to 30 September 2016 towards the shortfall being corrected by 30 September 2016, assuming the market conditions as at 31 March 2012 remain unchanged. The main assumptions in the valuation are an investment return of 4.1% to 5.7% per annum and pensionable salary increases of 2.0% to 3.2% per annum. The valuation was performed by David Lindsay, a Fellow of the Institute and Faculty of Actuaries, of Aon Hewitt Limited.

(i) *Plan assets*

Fair value of the plan assets are analysed as follows:

	<u>2014</u>	<u>2013</u>
	<i>Percentage</i>	<i>Percentage</i>
Equity instruments		
Consumer markets and manufacturing	9%	10%
Energy and utilities	3%	4%
Financial institutions and insurance	8%	8%
Telecommunications and information technology	4%	4%
Units trust and equity instrument funds	4%	10%
Others	<u>10%</u>	<u>11%</u>
	38%	47%
Debt instruments		
US Treasury notes	1%	1%
Government and government guaranteed notes	8%	8%
Financial institutions notes	3%	3%
Others	<u>6%</u>	<u>6%</u>
	18%	18%
Qualifying insurance policies	32%	28%
Properties	3%	3%
Other assets	<u>9%</u>	<u>4%</u>
	<u>100%</u>	<u>100%</u>

The debt instruments are analysed by issuers' credit rating as follows:

	<u>2014</u>	<u>2013</u>
	<i>Percentage</i>	<i>Percentage</i>
Aaa/AAA	50%	44%
Aa1/AA+	4%	5%
Aa2/AA	6%	6%
Aa3/AA-	2%	1%
A1/A+	3%	1%
A2/A	12%	12%
Other investment grades	18%	18%
No investment grades	5%	13%
	<u>100%</u>	<u>100%</u>

The fair value of the above equity instruments and debt instruments are determined based on quoted market prices.

Fair value of plan assets of HK\$15,801 million (2013 – HK\$14,300 million) includes investments in the Company's shares with a fair value of HK\$75 million (2013 – HK\$97 million).

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership and liability profile, the liquidity requirements of the plans.

**(ii) Defined benefit obligation**

The average duration of the defined benefit obligation as at 31 December 2014 is 17 years (2013 – 17 years).

The Group expects to make contributions of HK\$682 million (2013 – HK\$639 million) to the defined benefit plans during the next year.

HKAS 19 "Employee Benefits" requires disclosure of a sensitivity analysis for the significant actuarial assumptions, used to determine the present value of the defined benefit obligations, that shows the effects of a hypothetical change in the relevant actuarial assumption at the end of the reporting period on defined benefit obligations.

The effect that is disclosed in the following assumes that (a) a hypothetical change of the relevant actuarial assumption had occurred at the end of the reporting period and had applied to the relevant actuarial assumption in existence on that date; and (b) the sensitivity analysis for each type of actuarial assumption does not reflect inter-dependencies between different assumptions.

The preparation and presentation of the sensitivity analysis for significant actuarial assumptions is solely for compliance with HKAS 19 disclosure requirements in respect of defined benefit obligations. The sensitivity analysis measures changes in the defined benefit obligations from hypothetical instantaneous changes in one actuarial assumption (e.g. discount rate or future salary increase), the amount so generated from the sensitivity analysis are "what-if" forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice actuarial assumptions rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the markets which may cause fluctuations in actuarial assumptions (e.g. discount rate or future salary increase) to vary and therefore it is important to note that the hypothetical amounts so generated do not present an projection of likely future events and profits or losses.

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 3.9% or increase by 4.1% respectively (2013 – decrease by 3.1% or increase by 3.2% respectively).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.35% or decrease by 0.34% respectively (2013 – increase by 0.3% or decrease by 0.4% respectively).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

**(b) Defined contribution plans**

The Group's cost in respect of defined contribution plans for the year amounted to HK\$1,221 million (2013 – HK\$1,134 million) which has been charged to the profit or loss for the year. Forfeited contributions of HK\$1 million (2013 – nil) were used to reduce the current year's level of contributions and forfeited contribution of HK\$2 million was available at 31 December 2014 (2013 – HK\$2 million) to reduce future years' contributions.

**31 OTHER NON-CURRENT LIABILITIES**

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Fair value hedges (see note 28(a))		
Interest rate swaps	35	345
Cash flow hedges (see note 28(a))		
Interest rate swaps	80	163
Forward foreign exchange contracts	–	253
Obligations for telecommunications licences and other rights	3,254	3,255
Provisions (see note 27)	<u>951</u>	<u>1,021</u>
	<u>4,320</u>	<u>5,037</u>

## 32 SHARE CAPITAL AND CAPITAL MANAGEMENT

## (a) Share capital

	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<i>Number of shares</i>	<i>Number of shares</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Authorised <sup>(i)</sup> :				
Ordinary shares (2013 – HK\$0.25 each)	N/A <sup>(i)</sup>	5,500,000,000	N/A <sup>(ii)</sup>	1,375
7½% cumulative redeemable participating preference shares (2013 – HK\$1 each)	N/A <sup>(i)</sup>	<u>402,717,856</u>	N/A <sup>(ii)</sup>	<u>403</u>
				<u>1,778</u>
Issued and fully paid:				
Ordinary shares				
At 1 January	4,263,370,780	4,263,370,780	1,066	1,066
Transition to no-par value regime on 3 March 2014 <sup>(iii)</sup>	<u>–</u>	<u>–</u>	<u>28,359</u>	<u>–</u>
At 31 December	<u>4,263,370,780</u>	<u>4,263,370,780</u>	<u>29,425</u>	<u>1,066</u>
Share premium account <sup>(iii)</sup>			–	27,955
Capital redemption reserve <sup>(iii)</sup>			–	<u>404</u>
Share capital <sup>(iii)</sup> as at 31 December 2014/ share capital, share premium and capital redemption reserve as at 31 December 2013			<u>29,425</u>	<u>29,425</u>

- (i) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists. As the Company has no cumulative redeemable participating preference shares in issue at the time of transition to Hong Kong Companies Ordinance (Cap. 622), the cumulative redeemable participating preference shares are not preserved as part of the transition to the new regime.
- (ii) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- (iii) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, the amounts standing to the credit of the share premium account and capital redemption reserve created under the sections 48B and 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32) have become part of the Company's share capital.

## (b) Perpetual capital securities

In October 2010, May 2012 and May 2013, wholly owned subsidiary companies of the Group issued perpetual capital securities with nominal amount of US\$2,000 million (approximately HK\$15,600 million), US\$1,000 million (approximately HK\$7,800 million) and €1,750 million (approximately HK\$17,879 million) respectively for cash. These securities are perpetual, subordinated and the coupon payment is optional in nature. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position.



During the year ended 31 December 2014, the Group had repurchased US\$75 million (approximately HK\$587 million) (2013 – US\$217 million, approximately HK\$1,692 million) nominal amount of perpetual capital securities that were originally issued in October 2010.

**(c) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to ensure optimal capital structure to maintain a balance between higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

At 31 December 2014, total equity amounted to HK\$519,062 million (2013 – HK\$476,232 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK\$106,408 million (2013 – HK\$121,035 million). The Group's net debt to net total capital ratio decreased to 16.8% from 20.0% at the end of last year.

As additional information, the following table shows the net debt to net total capital ratios calculated on the basis of including loans from non-controlling shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at the end of the reporting period.

**Net debt / Net total capital ratios<sup>(i)</sup> at 31 December**

	<u>2014</u>	<u>2013</u>
A1 – excluding interest-bearing loans from non-controlling shareholders from debt	16.8%	20.0%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	15.7%	18.2%
B1 – including interest-bearing loans from non-controlling shareholders as debt	18.0%	20.9%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	<u>16.9%</u>	<u>19.0%</u>

- (i) Net debt is defined on the Consolidated Statement of Cash Flows. Net total capital is defined as total principal amount of bank and other debts plus total equity and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments.

## 33 OTHER RESERVES

	<b>Attributable to ordinary shareholders</b>		
	<b>Exchange reserve</b>	<b>Others <sup>(a)</sup></b>	<b>Total</b>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
At 1 January 2014	6,789	6,971	13,760
Other comprehensive income (losses)			
Available-for-sale investments			
Valuation gains recognised directly in reserves	–	1,017	1,017
Valuation gains previously in reserves recognised in income statement	–	(381)	(381)
Losses on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised directly in reserves	–	(17)	(17)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(15,626)	–	(15,626)
Gains previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	(417)	(1,431)	(1,848)
Gains previously in other reserves related to subsidiaries disposed during the year transferred directly to retained profit	–	(8)	(8)
Share of other comprehensive income (losses) of associated companies	(4,488)	(96)	(4,584)
Share of other comprehensive income (losses) of joint ventures	(3,884)	(473)	(4,357)
Tax relating to components of other comprehensive income (losses)	–	(42)	(42)
Other comprehensive income (losses)	(24,415)	(1,431)	(25,846)
Share option schemes of subsidiaries	–	1	1
Share option lapsed	–	(1)	(1)
Relating to purchase of non-controlling interests	–	(68)	(68)
Relating to deemed dilution of subsidiary companies	1,210	37,867	39,077
At 31 December 2014	<u>(16,416)</u>	<u>43,339</u>	<u>26,923</u>

	Attributable to ordinary shareholders		
	Exchange reserve	Others <sup>(a)</sup>	Total
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
At 1 January 2013	12,064	6,027	18,091
Other comprehensive income (losses)			
Available-for-sale investments			
Valuation gains recognised directly in reserves	–	309	309
Valuation losses previously in reserves recognised in income statement	–	6	6
Gains on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised directly in reserves	–	318	318
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(1,696)	–	(1,696)
Gains previously in exchange reserve related to subsidiaries and associated companies disposed during the year recognised in income statement	(146)	–	(146)
Share of other comprehensive income (losses) of associated companies	(4,044)	352	(3,692)
Share of other comprehensive income (losses) of joint ventures	610	(43)	567
Tax relating to components of other comprehensive income (losses)	–	(59)	(59)
Other comprehensive income (losses)	(5,276)	883	(4,393)
Share option schemes of subsidiaries	–	(11)	(11)
Share option lapsed	–	(1)	(1)
Relating to purchase of non-controlling interests	–	21	21
Relating to partial disposal of subsidiary companies	1	52	53
At 31 December 2013	<u>6,789</u>	<u>6,971</u>	<u>13,760</u>

- (a) Others comprise revaluation reserve, hedging reserve and other capital reserves. As at 31 December 2014, revaluation reserve surplus amounted to HK\$2,848 million (1 January 2014 – HK\$3,883 million and 1 January 2013 – HK\$3,690 million), hedging reserve deficit amounted to HK\$842 million (1 January 2014 – HK\$440 million and 1 January 2013 – HK\$1,125 million) and other capital reserves surplus amounted to HK\$41,333 million (1 January 2014 – HK\$3,528 million and 1 January 2013 – HK\$3,462 million). Revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities which are available for sale are included in the revaluation reserve. Fair value changes arising from the effective portion of hedging instruments designated as cash flow hedges are included in the hedging reserve.

## 34 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

## (a) Reconciliation of profit after tax to cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>Profit after tax</b>	81,751	38,893
Less: 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	<u>(19,141)</u>	<u>504</u>
	42,978	16,367
Adjustments for:		
Current tax charge	4,307	4,231
Deferred tax charge (credit)	(340)	569
Interest expenses and other finance costs	8,050	8,391
Change in fair value of investment properties	(24,678)	(26)
Depreciation and amortisation	17,003	15,850
Others (see note 6)	<u>6,769</u>	<u>1,659</u>
<b>EBITDA of Company and subsidiaries <sup>(i)</sup></b>	54,089	47,041
Loss on disposal of other unlisted investments	–	82
Profit on disposal of fixed assets, leasehold land and investment properties and other assets	(295)	(4,109)
Dividends received from associated companies and joint ventures	14,011	14,906
Distribution from property joint ventures	55	4,928
Profit on disposal of subsidiary companies <sup>(ii)</sup>	(2,844)	(1,672)
Profit on disposal of associated companies and joint ventures <sup>(iii)</sup>	(2,814)	(111)
Profit on partial disposal of an associated company	–	(1,320)
Other non-cash items	<u>438</u>	<u>1,153</u>
	<u>62,640</u>	<u>60,898</u>

## (i) Reconciliation of EBITDA:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
EBITDA of Company and subsidiaries	<u>54,089</u>	<u>47,041</u>
Share of EBITDA of associated companies and joint ventures		
Share of profits less losses after tax:		
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)
Adjustments for:		
Depreciation and amortisation	16,378	15,421
Change in fair value of investment properties	(514)	(2)
Interest expenses and other finance costs	6,274	5,768
Current tax charge	6,625	6,741
Deferred tax credit	(1,056)	(192)
Non-controlling interests	326	363
Others (see note 6)	<u>1,413</u>	<u>504</u>
	<u>68,219</u>	<u>51,129</u>
EBITDA (see notes 5(b) and 5(m))	<u><u>122,308</u></u>	<u><u>98,170</u></u>

(ii) The profits on disposal of subsidiary companies for the years ended 31 December 2014 and 2013 are recognised in the consolidated income statement and are included in the line items titled profits on disposal of investments and others of HK\$2,237 million (2013 – nil) and other operating expenses of HK\$607 million (2013 – HK\$1,672 million).

(iii) The profits on disposal of associated companies and joint ventures for the years ended 31 December 2014 and 2013 are recognised in the consolidated income statement and are included in the line item titled other operating expenses.

**(b) Changes in working capital**

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Decrease (increase) in inventories	191	(1,100)
Decrease (increase) in debtors and prepayments	448	(6,484)
Increase (decrease) in creditors	(390)	4,726
Other non-cash items	<u>(3,165)</u>	<u>(1,480)</u>
	<u><u>(2,916)</u></u>	<u><u>(4,338)</u></u>

**(c) Purchase of subsidiary companies**

On 14 July 2014, the Group has completed its acquisition of the O<sub>2</sub> Ireland business in Ireland. As a result of the acquisition, the Group has increased its market share of the Irish mobile telecommunications services. The Group expects synergies and other benefits from combining the infrastructure and operations of O<sub>2</sub> Ireland with 3 Ireland, and costs savings through economies of scale.

The following table summarises the consideration paid for O<sub>2</sub> Ireland and other acquisitions completed in the current year, and the amounts of the assets acquired and liabilities assumed recognised at the respective acquisition date.

	2014			2013
	O <sub>2</sub> Ireland	Others	Total	Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
<b>Fair value</b>				
Fixed assets	660	66	726	1,690
Telecommunications licences	2,206	–	2,206	440
Brand names and other rights	1,392	34	1,426	4,508
Interests in joint ventures	–	–	–	139
Deferred tax assets	–	–	–	285
Liquid funds and other listed investments	–	–	–	6
Trade and other receivables	1,802	165	1,967	989
Inventories	33	25	58	980
Creditors and current tax liabilities	(2,339)	(126)	(2,465)	(1,844)
Bank and other debts	–	(38)	(38)	(307)
Deferred tax liabilities	(164)	(6)	(170)	(556)
Pension obligations	–	–	–	(57)
Other non-current liabilities	(967)	–	(967)	–
Non-controlling interests	–	(59)	(59)	(2)
	2,623	61	2,684	6,271
Goodwill arising on acquisition	5,702	81	5,783	11,380
Discharged by cash payment	<u>8,325</u>	<u>142</u>	<u>8,467</u>	<u>17,651</u>
Net cash outflow (inflow) arising from acquisition:				
Cash payment	8,667	222	8,889	19,169
Cash and cash equivalents acquired	<u>(342)</u>	<u>(80)</u>	<u>(422)</u>	<u>(1,518)</u>
Total net cash paid	<u>8,325</u>	<u>142</u>	<u>8,467</u>	<u>17,651</u>

The assets acquired and liabilities assumed are recognised at the acquisition date fair value and are recorded at the consolidation level. No fair value adjustments arising from acquisitions are recognised at the underlying companies' separate financial statements. Goodwill arising on these acquisitions is recorded at the consolidation level and is not expected to be deductible for tax purposes. As additional information, the amount deductible for tax purposes (i.e. tax base) of the identifiable assets acquired and liabilities assumed relating to the acquisition of O<sub>2</sub> Ireland are different from and, in general, greater than the amounts shown above.

The contribution to the Group's revenue and profit after tax from these subsidiaries acquired since the respective date of acquisition is not material.

Acquisition related costs of approximately HK\$195 million (2013 – HK\$200 million) had been charged to income statement during the year and included in the line item titled profits on disposal of investments and others.

The 2013 comparative information mainly related to 3 Austria's acquisition of 100% interest of Orange Austria which was completed on 4 January 2013.

**(d) Disposal of subsidiary companies**

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Aggregate net assets disposed at date of disposal (excluding cash and cash equivalents):		
Fixed assets	4	1
Investment properties	1,032	573
Leasehold land	2	–
Goodwill	409	161
Interests in joint ventures	–	854
Liquid funds and other listed investments	3,671	–
Trade and other receivables	20	18
Inventories	–	26
Creditors and current tax liabilities	(106)	(31)
Deferred tax liabilities	(492)	(1)
Non-controlling interests	(1,787)	–
Reserves	(1,697)	(124)
	<u>1,056</u>	<u>1,477</u>
Profits on disposal*	<u>2,844</u>	<u>1,672</u>
	3,900	3,149
Less: Investments retained subsequent to disposal	<u>(2,995)</u>	<u>–</u>
	<u>905</u>	<u>3,149</u>
Satisfied by:		
Cash and cash equivalents received as consideration	3,823	3,161
Less: Cash and cash equivalents sold	<u>(2,918)</u>	<u>(12)</u>
Total net cash consideration	<u>905</u>	<u>3,149</u>

\* See note 34(a)(ii).

The effects on the Group's results from the subsidiaries disposed are not material for the years ended 31 December 2014 and 2013.

**35 SHARE-BASED PAYMENTS**

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. The aggregate amount of the share-based payments recognised by these companies are not material to the Group.

**36 PLEDGE OF ASSETS**

At 31 December 2014, assets of the Group totalling HK\$1,922 million (2013 – HK\$2,299 million) were pledged as security for bank and other debts.

**37 CONTINGENT LIABILITIES**

At 31 December 2014, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to associated companies and joint ventures of HK\$25,285 million (2013 – HK\$24,610 million).

The amount utilised by its associated companies and joint ventures are as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
To associated companies		
Other businesses	1,784	1,973
To joint ventures		
Property businesses	1,239	868
Other businesses	20,869	19,998
	<u>22,108</u>	<u>20,866</u>

At 31 December 2014, the Group had provided performance and other guarantees of HK\$3,694 million (2013 – HK\$4,131 million).

**38 COMMITMENTS**

The outstanding Group commitments not provided for in the accounts at 31 December 2014 are as follows:

**Capital commitments**

(a) Contracted for:

- (i) Ports and related services – HK\$648 million (2013 – HK\$1,111 million)
- (ii) 3 Group Europe – HK\$1,815 million (2013 – HK\$630 million)
- (iii) Telecommunications, Hong Kong and Asia – HK\$16,990 million (2013 – HK\$17,102 million)
- (iv) Investment properties, Hong Kong – HK\$131 million (2013 – HK\$3 million)
- (v) Other fixed assets – HK\$174 million (2013 – HK\$387 million)

(b) Authorised but not contracted for:

The Group, as part of its annual budget process, budgets for future capital expenditures and these amounts are shown below. These budgeted amounts are subject to a rigorous authorisation process before the expenditure is committed.

- (i) Ports and related services – HK\$3,838 million (2013 – HK\$3,713 million)
- (ii) 3 Group Europe – HK\$8,986 million (2013 – HK\$10,265 million)
- (iii) Telecommunications, Hong Kong and Asia – HK\$2,156 million (2013 – HK\$2,646 million)
- (iv) Investment properties, Hong Kong – HK\$550 million (2013 – HK\$1,522 million)
- (v) Investment in joint ventures, Hong Kong – HK\$109 million (2013 – HK\$175 million)



- (vi) Investment in joint ventures outside Hong Kong – HK\$3,530 million (2013 – HK\$401 million)
- (vii) Other fixed assets – HK\$5,446 million (2013 – HK\$4,870 million)

**Operating lease commitments – future aggregate minimum lease payments for land and buildings leases**

- (a) In the first year – HK\$11,749 million (2013 – HK\$11,953 million)
- (b) In the second to fifth years inclusive – HK\$21,839 million (2013 – HK\$22,228 million)
- (c) After the fifth year – HK\$37,537 million (2013 – HK\$38,894 million)

**Operating lease commitments – future aggregate minimum lease payments for other assets**

- (a) In the first year – HK\$1,604 million (2013 – HK\$1,612 million)
- (b) In the second to fifth years inclusive – HK\$4,397 million (2013 – HK\$4,782 million)
- (c) After the fifth year – HK\$984 million (2013 – HK\$2,069 million)

### 39 RELATED PARTIES TRANSACTIONS

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and joint ventures as disclosed in notes 19 and 20 are unsecured. Balances totalling HK\$21,550 million (2013 – HK\$20,451 million) are interest bearing. In addition, during 2009, the Group acquired traded debt securities outside Hong Kong with a principal amount of US\$200 million notes issued by listed associated company, Husky Energy Inc and in the same year, sold certain of these notes with a principal amount of US\$97 million. As disclosed in note 23, of the principal amount held of US\$103 million as at 31 December 2013, US\$78 million matured and was redeemed during the current year and the balance of US\$25 million held as at 31 December 2014 will mature in 2019.

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property and infrastructure, projects. At 31 December 2014, included in associated companies and interests in joint ventures on the statement of financial position is a total amount of HK\$50,705 million (2013 – HK\$38,221 million) representing equity contributions to and the net amount due from these related entities. The Group had guaranteed bank and other borrowing facilities of HK\$4,417 million (2013 – HK\$4,105 million) for the benefit of these same entities.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 7.

### 40 LEGAL PROCEEDINGS

As at 31 December 2014, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

**41 SUBSEQUENT EVENTS**

On 9 January 2015, Cheung Kong (Holdings) Limited (“Cheung Kong”) and the Company made a joint announcement to create two new leading Hong Kong listed companies through a business combination, reorganisation and spin-off, whereby CK Hutchison Holdings Limited (“CKH Holdings”) will hold all the non-property businesses of the Group and Cheung Kong group, and Cheung Kong Property Holdings Limited (“CK Property”) will hold the property businesses of both groups. Qualifying Cheung Kong and Company shareholders will receive shares in both CKH Holdings and CK Property through a series of transactions and will cease to be shareholders of Cheung Kong and the Company. The transactions are subject to regulatory, shareholders and other customary approvals. It is expected that the transactions will be completed before the end of the first half of 2015. There will be no change in business strategies or underlying operations whilst the reorganisation is being completed or following completion of the reorganisation.

On 21 January 2015, Cheung Kong Infrastructure (“CKI”), a subsidiary company of the Group raised approximately HK\$4,600 million by issuing new shares. Following this transaction, the Group’s interest in CKI’s ordinary shares has reduced from approximately 78.155% to 75.674%.

On 23 January 2015, the Group has agreed to enter into exclusive negotiations with Telefónica, S.A. for the potential acquisition by the Group of Telefónica, S.A.’s UK subsidiary, O<sub>2</sub> UK, for an indicative price in cash of £9.25 billion which would be paid at closing and deferred upside interest sharing payments of up to a further £1 billion in the aggregate payable after the cumulative cashflow of the combined business of Hutchison 3G UK Limited and O<sub>2</sub> UK achieves agreed financial targets. The timing and amounts these payments will depend on the actual cash flows of the combined business. The transaction remains subject to, inter alia, satisfactory due diligence over O<sub>2</sub> UK, agreement on terms and signing of definitive agreements and the obtaining of all required corporate and regulatory approvals.

**42 US DOLLAR EQUIVALENTS**

Amounts in these accounts are stated in Hong Kong dollars (HK\$), the currency of the place in which the Company is incorporated and is the functional currency of the Company. The translation into US dollars of these accounts as of, and for the year ended, 31 December 2014, is for convenience only and has been made at the rate of HK\$7.80 to US\$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

**43 APPROVAL OF ACCOUNTS**

The accounts set out on pages V-4 to V-110 were approved and authorised for issue by the Board of Directors on 26 February 2015.

## 44 PROFIT BEFORE TAX

Profit before tax is shown after crediting and charging the following items:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<i>Credits:</i>		
Share of profits less losses of associated companies (including share of gain on disposal of HK\$20,554 million less share of impairment charge of HK\$1,413 million of associated companies in 2014 and share of impairment charge of an associated company of HK\$504 million in 2013)		
Listed	27,069	9,055
Unlisted	<u>1,238</u>	<u>874</u>
	<u>28,307</u>	<u>9,929</u>
Share of gross rental income of associated companies and joint ventures	<u>512</u>	<u>528</u>
Gross rental income from investment properties held by:		
Listed subsidiary – HHR	75	84
Other subsidiaries (excluding HHR)	4,020	3,731
Less: intra group rental income	<u>(445)</u>	<u>(408)</u>
	3,650	3,407
Less: related outgoings	<u>(75)</u>	<u>(106)</u>
Net rental income of subsidiary companies	<u>3,575</u>	<u>3,301</u>
Dividend and interest income from managed funds and other investments		
Listed	484	564
Unlisted	<u>54</u>	<u>35</u>

	2014	2013
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<i>Charges:</i>		
Depreciation and amortisation		
Fixed assets	14,704	13,846
Leasehold land	444	454
Telecommunications licences	894	774
Brand names and other rights	961	776
	<u>17,003</u>	<u>15,850</u>
Inventories write-off	1,012	933
Operating leases		
Properties	19,311	18,262
Hire of plant and machinery	2,254	2,323
Auditors' remuneration		
Audit and audit related work – PricewaterhouseCoopers <sup>(a)</sup>	210	193
– other auditors	13	12
Non-audit work – PricewaterhouseCoopers	33	44
– other auditors	34	30
	<u>34</u>	<u>30</u>

(a) in addition to the auditors' remuneration charged to the consolidated income statement as disclosed above, auditors' remuneration charged directly to equity (for audit and audit related work – PricewaterhouseCoopers) amounted to HK\$69 million (2013 – nil).

#### 45 FINANCIAL RISK MANAGEMENT

The Group's major financial assets and financial liabilities include cash and cash equivalents, liquid funds and other listed investments and borrowings. Details of these financial assets and financial liabilities are disclosed in the respective notes. The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

##### (a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associated companies to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings for which the proportions will change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

The Group continues to maintain a strong financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK\$140,459 million at 31 December 2014, an increase of 37% from the balance of HK\$102,787 million at 31 December 2013, mainly reflecting net cash proceeds of HK\$13,853 million, after special dividend of HK\$7.00 per share amounting to HK\$29,843 million, from Temasek's acquisition of a 24.95%

equity interest in A.S. Watson Holdings Limited during the year, the cash raised from debt capital market of HK\$42,030 million, the cash arising from positive funds from operations from the Group's businesses and cash from new borrowings, net of utilisation of cash for dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, the repayment and early repayment of certain borrowings, the acquisition of O<sub>2</sub> Ireland in Ireland of HK\$8,325 million, purchase of additional interest of 27.51% in the AGN by listed subsidiary, CKI of HK\$4,705 million, the redemption of perpetual capital securities issued in 2012 of US\$300 million (approximately HK\$2,340 million) by listed subsidiary, CKI, advances to property joint ventures, and the acquisition of fixed assets. Liquid assets were denominated as to 16% in HK dollars, 46% in US dollars, 9% in Renminbi, 15% in Euro, 6% in British Pounds and 8% in other currencies (2013 – 21% were denominated in HK dollars, 33% in US dollars, 15% in Renminbi, 10% in Euro, 6% in British Pounds and 15% in other currencies).

Cash and cash equivalents represented 89% (2013 – 84%) of the liquid assets, US Treasury notes and listed/traded debt securities 6% (2013 – 8%) and listed equity securities 5% (2013 – 8%).

The US Treasury notes and listed/traded debt securities, including those held under managed funds, consisted of US Treasury notes of 46% (2013 – 26%), government and government guaranteed notes of 20% (2013 – 32%), notes issued by the Group's associated company, Husky Energy Inc. of 3% (2013 – 11%), notes issued by financial institutions of 3% (2013 – 3%), and others of 28% (2013 – 28%). Of these US Treasury notes and listed/traded debt securities, 66% (2013 – 55%) are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 3.0 years (2013 – 3.1 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

#### **(b) Interest rate exposure**

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Group's main interest rate exposure relates to US dollar, British Pound, Euro and HK dollar borrowings.

At 31 December 2014, approximately 26% (2013 – approximately 29%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 74% (2013 – approximately 71%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$64,793 million (2013 – approximately HK\$62,708 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$5,995 million (2013 – HK\$6,540 million) principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 50% (2013 – approximately 54%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 50% (2013 – approximately 46%) were at fixed rates at 31 December 2014. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

#### **(c) Foreign currency exposure**

For overseas subsidiaries, associated companies and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to the underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associated companies. During the year, the currencies of certain countries where the Group has overseas operations, including Euro, British Pound, the Canadian and Australian dollars as well as Renminbi in the Mainland, fluctuated against the Hong Kong dollar. This gave rise to an unrealised loss of approximately HK\$23,998 million (2013 – HK\$5,130 million) on translation of these operations' net assets to the Group's Hong

Kong dollar reporting currency, including the Group's share of the translation gains and losses of associated companies and joint ventures. This unrealised loss is reflected as a movement in the Consolidated Statement of Changes in Equity under the heading of other reserves.

At 31 December 2014, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$16,968 million (2013 – HK\$28,593 million) to Hong Kong dollar principal amount of borrowings to match the currency exposures of the underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 41% in US dollars, 34% in Euro, 13% in HK dollars, 6% in British Pounds and 6% in other currencies (2013 – 31% in US dollars, 33% in Euro, 22% in HK dollars, 7% in British Pounds and 7% in other currencies).

**(d) Credit exposure**

The Group's holdings of cash, managed funds and other liquid investments, and interest rate and foreign currency swaps and forward contracts with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparties credit risk from its operating activities, which is continuously monitored by the local operational management.

**(e) Market price risk**

The Group's main market price risk exposures relate to listed/traded debt and equity securities described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holding of listed/traded debt and equity securities represented approximately 11% (2013 – approximately 16%) of the liquid assets. The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

**(f) Market risks sensitivity analyses**

For the presentation of financial assets and financial liabilities market risks (including interest rate risk, currency risk and other price risk) information, HKFRS 7 "Financial Instruments: Disclosures" requires disclosure of a sensitivity analysis for each type of financial market risk that shows the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the end of the reporting period on profit for the year and on total equity.

The effect that is disclosed in the following sections assumes that (a) a hypothetical change of the relevant risk variable had occurred at the end of the reporting period and had been applied to the relevant risk variable in existence on that date; and (b) the sensitivity analysis for each type of financial market risk does not reflect inter-dependencies between risk variables, e.g. the interest rate sensitivity analysis does not take into account of the impact of changes in interest rates would have on the relative strengthening and weakening of the currency with other currencies.

**The preparation and presentation of the sensitivity analysis on financial market risk is solely for compliance with HKFRS 7 disclosure requirements in respect of financial assets and financial liabilities. The sensitivity analysis measures changes in the fair value and / or cash flows of the Group's financial assets and financial liabilities from hypothetical instantaneous changes in one risk variable (e.g. functional currency rate or interest rate), the amount so generated from the sensitivity analysis are "what-if" forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates (e.g. exchange or interest rate) to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses.**

(i) *Interest rate sensitivity analysis*

Interest rate risk as defined by HKFRS 7 arises on interest-bearing financial assets and financial liabilities.

The interest rate sensitivity analysis is based on the following assumptions:

In the cases of non-derivative financial assets and financial liabilities with fixed interest rates, changes in market interest rates only affect profit for the year or total equity if these financial assets and financial liabilities are measured at fair value. Accordingly, all non-derivative financial assets and financial liabilities with fixed interest rates that are carried at amortised cost are excluded from the interest rate sensitivity analysis as they are not subject to interest rate risk as defined in HKFRS 7.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging interest rate risks, changes in market interest rates affect their fair value. All interest rate hedges are expected to be highly effective. Changes in the fair value of fair value interest rate hedges and changes in the fair value of the hedged items that are attributable to interest rate movements effectively balance out with each other in income statement in the same period. Accordingly, these hedging instruments and hedged items are excluded from the interest rate sensitivity analysis as they are not exposed to interest rate risk as defined in HKFRS 7. Changes in the fair value of cash flow interest rate hedges resulting from market interest rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

In the cases of derivative financial assets and financial liabilities that are not part of an interest rate risk hedging relationship, changes in their fair value (arising from gain or loss from re-measurement of these interest rate derivatives to fair value) resulting from market interest rate movements affect profit for the year and total equity, and are therefore taken into consideration in the sensitivity analysis.

Major financial assets and financial liabilities for the purpose of the interest rate sensitivity analysis include:

- cash and cash equivalents (see note 24)
- some of the listed debt securities and managed funds (see note 23) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 23) that bear interest at floating rate
- some of the bank and other debts (see note 28) that bear interest at floating rate
- interest bearing loans from non-controlling shareholders (see note 29)

Under these assumptions, the impact of a hypothetical 100 basis points increase in market interest rate at the end of the reporting period, with all other variables held constant:

- profit for the year would decrease by HK\$201 million (2013 – HK\$399 million) due to increase in interest expense;
- total equity would decrease by HK\$201 million (2013 – HK\$399 million) due to increase in interest expense; and
- total equity would have no material impact due to change in fair value of interest rate swaps (2013 – HK\$76 million).

*(ii) Foreign currency exchange rate sensitivity analysis*

Currency risk as defined by HKFRS 7 arises on financial assets and financial liabilities being denominated in a currency that is not the functional currency and being of a monetary nature. Therefore, non-monetary financial assets and financial liabilities, monetary financial assets and financial liabilities denominated in the entity's functional currency and differences resulting from the translation of financial statements of overseas subsidiaries into the Group's presentation currency are therefore not taken into consideration for the purpose of the sensitivity analysis for currency risk.

The foreign currency exchange rate sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial assets and financial liabilities are either directly denominated in the functional currency or are transferred to the functional currency through the use of foreign currency swaps and forward currency contracts. Exchange fluctuations of these monetary financial assets and financial liabilities therefore have no material effects on profit for the year and total equity.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging currency risks, changes in foreign exchange rates affect their fair value. All currency hedges are expected to be highly effective. Changes in the fair value of foreign currency fair value hedges and changes in the fair value of the hedged items effectively balance out with each other in income statement in the same period. As a consequence, these hedging instruments and hedged items are excluded from the foreign currency exchange rate sensitivity analysis as they are not exposed to currency risk as defined in HKFRS 7. Changes in the fair value of cash flow currency hedges resulting from market exchange rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

Major financial assets and financial liabilities for the purpose of the foreign currency exchange rate sensitivity analysis include:

- some of the cash and cash equivalents (see note 24)
- some of the liquid funds and other listed investments (see note 23)
- some of the bank and other debts (see note 28)

Under these assumptions, the impact of a hypothetical 10% weakening of HK dollar against all exchange rates at the end of the reporting period, with all other variables held constant, on the Group's profit for the year and total equity is set out in the table below.

	2014		2013	
	Hypothetical increase (decrease) in profit for the year <i>HK\$ millions</i>	Hypothetical increase (decrease) in total equity <i>HK\$ millions</i>	Hypothetical increase (decrease) in profit for the year <i>HK\$ millions</i>	Hypothetical increase (decrease) in total equity <i>HK\$ millions</i>
Euro	1,071	1,072	115	112
British Pounds	250	(2,039)	242	(2,203)
Australian dollars	79	(487)	133	(255)
Renminbi	19	47	13	35
US dollars	992	991	986	986
Japanese Yen	(199)	(111)	(227)	(205)



*(iii) Other price sensitivity analysis*

Other price risk as defined by HKFRS 7 arises from changes in market prices (other than those arising from interest rate risk and currency risk as detailed in “interest rate exposure” and “foreign currency exposure” paragraphs above) on financial assets and financial liabilities.

The other price sensitivity analysis is based on the assumption that changes in market prices (other than those arising from interest rate risk and currency risk) of financial assets and financial liabilities only affect profit for the year or total equity if these financial assets and financial liabilities are measured at the fair value. Accordingly, all non-derivative financial assets and financial liabilities carried at amortised cost are excluded from the other price sensitivity analysis as they are not subject to other price risk as defined in HKFRS 7.

Major financial assets and financial liabilities for the purpose of the other price sensitivity analysis include:

- available-for-sale investments (see note 23)
- financial assets at fair value through profit or loss (see note 23)

Under these assumptions, the impact of a hypothetical 10% increase in the market price of the Group’s available-for-sale investments and financial assets at fair value through profit or loss at the end of the reporting period, with all other variables held constant:

- profit for the year would increase by HK\$30 million (2013 – HK\$30 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK\$30 million (2013 – HK\$30 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK\$1,484 million (2013 – HK\$1,680 million) due to increase in gains on available-for-sale investments which are recognised in other comprehensive income.

**(g) Contractual maturities of financial liabilities**

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group’s non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted principal cash flows and the earliest date the Group can be required to pay:

**Non-derivative financial liabilities:**

	<u>Contractual maturities</u>				<b>Difference from carrying amount</b>	<b>Carrying amounts</b>
	<b>Within 1 year</b>	<b>After 1 year, but within 5 years</b>	<b>After 5 years</b>	<b>Total undiscounted cash flows</b>		
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>		
<b>At 31 December 2014</b>						
Trade payables	21,760	–	–	21,760	–	21,760
Other payables and accruals	63,473	–	–	63,473	–	63,473
Interest free loans from non-controlling shareholders	1,057	–	–	1,057	–	1,057
Bank loans	14,995	44,395	1,472	60,862	(196)	60,666
Other loans	261	143	196	600	(1)	599
Notes and bonds	26,746	93,367	65,292	185,405	943	186,348
Interest bearing loans from non-controlling shareholders	–	7,767	233	8,000	–	8,000
Obligations for telecommunications licences and other rights	1,013	1,739	984	3,736	(482)	3,254
Fair value hedges – Interest rate swaps (net settled)	(122)	140	–	18	17	35
	<u>129,183</u>	<u>147,551</u>	<u>68,177</u>	<u>344,911</u>	<u>281</u>	<u>345,192</u>

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$13,461 million in “within 1 year” maturity band, HK\$22,643 million in “after 1 year, but within 5 years” maturity band, and HK\$17,210 million in “after 5 years” maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

**Derivative financial liabilities:**

	<u>Contractual maturities</u>			
	<b>Within 1 year</b>	<b>After 1 year, but within 5 years</b>	<b>After 5 years</b>	<b>Total undiscounted cash flows</b>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>At 31 December 2014</b>				
Derivative settled gross:				
Cash flow hedges – interest rate swaps				
Net inflow	15	41	–	56
Cash flow hedges – forward foreign exchange contracts				
Inflow	1,349	–	–	1,349
Outflow	(1,356)	–	–	(1,356)
	<u>1,364</u>	<u>41</u>	<u>–</u>	<u>1,405</u>

**Non-derivative financial liabilities:**

	Contractual maturities				Difference from carrying amount	Carrying amounts
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows		
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions		
<b>At 31 December 2013</b>						
Trade payables	22,309	–	–	22,309	–	22,309
Other payables and accruals	61,901	–	–	61,901	–	61,901
Interest free loans from non-controlling shareholders	1,181	–	–	1,181	–	1,181
Bank loans	7,646	56,871	1,015	65,532	(176)	65,356
Other loans	295	202	227	724	(2)	722
Notes and bonds	10,206	87,333	60,027	157,566	1,710	159,276
Interest bearing loans from non-controlling shareholders	–	5,212	233	5,445	–	5,445
Obligations for telecommunications licences and other rights	915	2,208	814	3,937	(682)	3,255
Fair value hedges – Interest rate swaps (net settled)	(144)	(35)	510	331	14	345
	<u>104,309</u>	<u>151,791</u>	<u>62,826</u>	<u>318,926</u>	<u>864</u>	<u>319,790</u>

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$8,243 million in “within 1 year” maturity band, HK\$21,129 million in “after 1 year, but within 5 years” maturity band, and HK\$17,743 million in “after 5 years” maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

**Derivative financial liabilities:**

	Contractual maturities			
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
<b>At 31 December 2013</b>				
Derivative settled gross:				
Cash flow hedges – interest rate swaps				
Net outflow	(229)	(501)	(402)	(1,132)
Cash flow hedges – forward foreign exchange contracts				
Inflow	20,824	5,992	–	26,816
Outflow	(21,092)	(6,218)	–	(27,310)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

- (h) In accordance with the disclosure requirement of HKFRS 7, other gains and losses recognised in income statement include the following items:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
Change in fair value of financial assets at fair value through profit or loss	–	(128)
Losses arising on derivatives in a designated fair value hedge	(605)	(2,247)
Gains arising on adjustment for hedged item in a designated fair value hedge	605	2,247
Interest income on available-for-sale financial assets	<u>207</u>	<u>298</u>

- (i) Carrying amounts and fair values of financial assets and financial liabilities

The fair values of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position, are as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>Financial assets</b>				
Loans and receivables*				
Trade receivables (see note 25)	18,253	18,253	20,695	20,695
Other receivables and prepayments (see note 25)	47,167	47,167	48,231	48,231
Unlisted debt securities (see note 22)	383	383	392	392
Other receivables (see note 22)	3,610	3,610	4,020	4,020
Long term deposits (see note 23)	–	–	36	36
	<u>69,413</u>	<u>69,413</u>	<u>73,374</u>	<u>73,374</u>
Available-for-sale investments #				
Unlisted equity securities (see note 22)	1,798	1,798	929	929
Managed funds, outside Hong Kong (see note 23)	4,576	4,576	4,522	4,522
Listed/traded debt securities, outside Hong Kong (see note 23)	2,806	2,806	3,725	3,725
Listed equity securities, Hong Kong (see note 23)	4,817	4,817	2,130	2,130
Listed equity securities, outside Hong Kong (see note 23)	2,641	2,641	6,422	6,422
Financial assets at fair value through profit or loss# (see note 23)	<u>301</u>	<u>301</u>	<u>301</u>	<u>301</u>
	<u>16,939</u>	<u>16,939</u>	<u>18,029</u>	<u>18,029</u>

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Fair value hedges #				
Interest rate swaps (see note 22)	1,262	1,262	1,813	1,813
Cross currency interest rate swaps (see notes 22 and 25)	327	327	814	814
Cash flow hedges #				
Interest rate swaps (see note 22)	14	14	42	42
Forward foreign exchange contracts (see notes 22 and 25)	901	901	81	81
	<u>2,504</u>	<u>2,504</u>	<u>2,750</u>	<u>2,750</u>
	<u>88,856</u>	<u>88,856</u>	<u>94,153</u>	<u>94,153</u>
<b>Financial liabilities</b>				
Financial liabilities*				
Trade payables (see note 26)	21,760	21,760	22,309	22,309
Other payables and accruals (see note 26)	63,473	63,473	61,901	61,901
Interest free loans from non-controlling shareholders (see note 26)	1,057	1,057	1,181	1,181
Bank and other debts (see note 28)	247,613	262,912	225,354	236,743
Interest bearing loans from non-controlling shareholders (see note 29)	8,000	8,000	5,445	5,445
Obligations for telecommunications licences and other rights (see note 31)	3,254	3,254	3,255	3,255
	<u>345,157</u>	<u>360,456</u>	<u>319,445</u>	<u>330,834</u>
Fair value hedges #				
Interest rate swaps (see note 31)	35	35	345	345
Cash flow hedges #				
Interest rate swaps (see notes 26 and 31)	104	104	163	163
Forward foreign exchange contracts (see notes 26 and 31)	1	1	746	746
	<u>140</u>	<u>140</u>	<u>1,254</u>	<u>1,254</u>
	<u>345,297</u>	<u>360,596</u>	<u>320,699</u>	<u>332,088</u>

\* carried at amortised costs (see note 45(j)(ii) below)

# carried at fair value (see note 45(j)(i) below)

**(j) Fair value measurements****(i) Financial assets and financial liabilities measured at fair value***Fair value hierarchy*

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>At 31 December 2014</b>				
Available-for-sale investments				
Unlisted equity securities (see note 22)	–	–	1,798	1,798
Managed funds, outside Hong Kong (see note 23)	4,576	–	–	4,576
Listed/traded debt securities, outside Hong Kong (see note 23)	737	2,069	–	2,806
Listed equity securities, Hong Kong (see note 23)	4,817	–	–	4,817
Listed equity securities, outside Hong Kong (see note 23)	2,641	–	–	2,641
Financial assets at fair value through profit or loss (see note 23)	–	301	–	301
	<u>12,771</u>	<u>2,370</u>	<u>1,798</u>	<u>16,939</u>
Fair value hedges				
Interest rate swaps (see note 22)	–	1,262	–	1,262
Cross currency interest rate swaps (see note 25)	–	327	–	327
Cash flow hedges				
Interest rate swaps (see note 22)	–	14	–	14
Forward foreign exchange contracts (see notes 22 and 25)	–	901	–	901
	<u>–</u>	<u>2,504</u>	<u>–</u>	<u>2,504</u>
Fair value hedges				
Interest rate swaps (see note 31)	–	(35)	–	(35)
Cash flow hedges				
Interest rate swaps (see notes 26 and 31)	–	(104)	–	(104)
Forward foreign exchange contracts (see note 26)	–	(1)	–	(1)
	<u>–</u>	<u>(140)</u>	<u>–</u>	<u>(140)</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>At 31 December 2013</b>				
Available-for-sale investments				
Unlisted equity securities (see note 22)	–	–	929	929
Managed funds, outside Hong Kong (see note 23)	4,522	–	–	4,522
Listed/traded debt securities, outside Hong Kong (see note 23)	1,416	2,309	–	3,725
Listed equity securities, Hong Kong (see note 23)	2,130	–	–	2,130
Listed equity securities, outside Hong Kong (see note 23)	5,100	–	1,322	6,422
Financial assets at fair value through profit or loss (see note 23)	–	301	–	301
	<u>13,168</u>	<u>2,610</u>	<u>2,251</u>	<u>18,029</u>
Fair value hedges				
Interest rate swaps (see note 22)	–	1,813	–	1,813
Cross currency interest rate swaps (see notes 22 and 25)	–	814	–	814
Cash flow hedges				
Interest rate swaps (see note 22)	–	42	–	42
Forward foreign exchange contracts (see note 25)	–	81	–	81
	<u>–</u>	<u>2,750</u>	<u>–</u>	<u>2,750</u>
Fair value hedges				
Interest rate swaps (see note 31)	–	(345)	–	(345)
Cash flow hedges				
Interest rate swaps (see note 31)	–	(163)	–	(163)
Forward foreign exchange contracts (see notes 26 and 31)	–	(746)	–	(746)
	<u>–</u>	<u>(1,254)</u>	<u>–</u>	<u>(1,254)</u>

The fair value of financial assets and financial liabilities that are not traded in active market is determined by using valuation techniques. Specific valuation techniques used to value financial assets and financial liabilities include discounted cash flow analysis, are used to determine fair value for the financial assets and financial liabilities.

The Group's policy is to recognise transfers into / out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

*Level 3 fair values*

The movements of the balance of financial assets and financial liabilities measured at fair value based on Level 3 are as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>At 1 January</b>	2,251	2,159
Total gains (losses) recognised in		
Income statement	(500)	79
Other comprehensive income	23	79
Additions	105	31
Disposals	(56)	(100)
Exchange translation differences	(25)	3
	<u>1,798</u>	<u>2,251</u>
<b>At 31 December</b>		
Total gains (losses) recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	<u>(500)</u>	<u>79</u>

The fair value of financial assets and financial liabilities that are grouped under Level 3 is determined by using valuation techniques including discounted cash flow analysis. In determining fair value, specific valuation techniques are used with reference to inputs such as dividend stream and other specific input relevant to those particular financial assets and financial liabilities.

Changing unobservable inputs used in Level 3 valuation to reasonable alternative assumptions would not have significant impact on the Group's profit or loss.

(ii) *Financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required*

Except for bank and other debts as detailed in the table (i) above, the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

*Fair value hierarchy*

The table below analyses the fair value measurements disclosures for bank and other debts. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>At 31 December 2014</b>				
Bank and other debts	<u>199,308</u>	<u>63,604</u>	<u>–</u>	<u>262,912</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>At 31 December 2013</b>				
Bank and other debts	<u>170,667</u>	<u>66,076</u>	<u>–</u>	<u>236,743</u>



The fair value of the bank and other debts included in level 2 category above are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

**(k) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements**

The following tables set out the carrying amounts of recognised financial assets and recognised financial liabilities that:

- (1) are offset in the Group's consolidated statement of financial position; or
- (2) are subject to an enforceable master netting arrangements or similar agreements that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

	Gross amounts of recognised financial assets (liabilities) <i>HK\$ millions</i>	Gross amounts offset in the consolidated statement of financial position <i>HK\$ millions</i>	Net amounts presented in the consolidated statement of financial position <i>HK\$ millions</i>	Related amounts not offset in the consolidated statement of financial position		Net amounts <i>HK\$ millions</i>
				Financial assets (liabilities) <i>HK\$ millions</i>	Cash collateral pledged (received) <i>HK\$ millions</i>	
<b>At 31 December 2014</b>						
<b>Financial assets</b>						
Trade receivables	242	(98)	144	(105)	-	39
Other receivables and prepayments	302	(172)	130	-	-	130
Fair value hedges						
Interest rate swaps	1,262	-	1,262	(17)	-	1,245
Cross currency interest rate swaps	327	-	327	-	-	327
Cash flow hedges						
Interest rate swaps	14	-	14	-	-	14
Forward foreign exchange contracts	901	-	901	(1)	-	900
	<u>3,048</u>	<u>(270)</u>	<u>2,778</u>	<u>(123)</u>	<u>-</u>	<u>2,655</u>
<b>Financial liabilities</b>						
Trade payables	(290)	270	(20)	-	-	(20)
Other payables and accruals	(798)	-	(798)	105	-	(693)
Fair value hedges						
Interest rate swaps	(35)	-	(35)	17	-	(18)
Cash flow hedges						
Interest rate swaps	(104)	-	(104)	-	-	(104)
Forward foreign exchange contracts	(1)	-	(1)	1	-	-
	<u>(1,228)</u>	<u>270</u>	<u>(958)</u>	<u>123</u>	<u>-</u>	<u>(835)</u>

	Gross amounts of recognised financial assets (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
				Financial assets (liabilities)	Cash collateral pledged (received)	
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
<b>At 31 December 2013</b>						
<b>Financial assets</b>						
Trade receivables	918	(314)	604	(148)	-	456
Fair value hedges						
Interest rate swaps	1,813	-	1,813	(345)	-	1,468
Cross currency interest rate swaps	814	-	814	-	-	814
Cash flow hedges						
Interest rate swaps	42	-	42	-	-	42
Forward foreign exchange contracts	81	-	81	(74)	-	7
	<u>3,668</u>	<u>(314)</u>	<u>3,354</u>	<u>(567)</u>	<u>-</u>	<u>2,787</u>
<b>Financial liabilities</b>						
Trade payables	(1,247)	314	(933)	129	-	(804)
Other payables and accruals	(632)	-	(632)	19	-	(613)
Fair value hedges						
Interest rate swaps	(345)	-	(345)	345	-	-
Cash flow hedges						
Interest rate swaps	(163)	-	(163)	-	-	(163)
Forward foreign exchange contracts	(746)	-	(746)	74	-	(672)
	<u>(3,133)</u>	<u>314</u>	<u>(2,819)</u>	<u>567</u>	<u>-</u>	<u>(2,252)</u>

## 46 STATEMENT OF FINANCIAL POSITION OF THE COMPANY, UNCONSOLIDATED

In accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the statement of financial position of the Company as at 31 December 2014 is set out as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
<b>Assets</b>		
Non-current assets		
Subsidiary companies – Unlisted shares <sup>(a)</sup>	39,931	39,931
Current assets		
Amounts due from subsidiary companies <sup>(b)</sup>	39,704	69,533
Other receivables	909	–
Current liabilities		
Other payables and accruals	<u>72</u>	<u>72</u>
Net current assets	<u>40,541</u>	<u>69,461</u>
<b>Net assets</b>	<u><u>80,472</u></u>	<u><u>109,392</u></u>
<b>Capital and reserves</b>		
Share capital* (see note 32(a))	29,425	29,425
Reserves <sup>(c)</sup>	<u>51,047</u>	<u>79,967</u>
<b>Shareholders' funds</b>	<u><u>80,472</u></u>	<u><u>109,392</u></u>

\* Share capital as at 31 December 2013 includes the balance on the share premium account and capital redemption reserve created under the sections 48B and 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32) totalling HK\$28,359 million, which under the Hong Kong Companies Ordinance (Cap. 622) effective on 3 March 2014 have been included in share capital. Also see note 32(a)(iii).

**Fok Kin Ning, Canning**  
Director

**Frank John Sixt**  
Director

- (a) Particulars regarding the principal subsidiary companies are set forth on pages V-103 to V-110.
- (b) Amounts due from subsidiary companies are interest-free, unsecured and repayable on demand.
- (c) Reserves

	<b>Retained profit</b>	<b>Total</b>
	<i>HK\$ millions</i>	<i>HK\$ millions</i>
At 1 January 2013	79,036	79,036
Profit for the year	10,007	10,007
Unclaimed dividend write back	5	5
Dividends paid relating to 2012	(6,523)	(6,523)
Dividends paid relating to 2013	(2,558)	(2,558)
At 31 December 2013	79,967	79,967
Profit for the year	10,980	10,980
Unclaimed dividend write back	5	5
Dividends paid relating to 2013	(7,248)	(7,248)
Dividends paid relating to 2014	(2,814)	(2,814)
Special dividends paid	(29,843)	(29,843)
At 31 December 2014	<u>51,047</u>	<u>51,047</u>

- (d) The Company does not have an option scheme for the purchase of ordinary shares in the Company.
- (e) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the Company is required to disclose that it has guaranteed the borrowings of its finance and other subsidiary companies which have been consolidated and included in the consolidated statement of financial position of the Group. Of the consolidated borrowings included in note 28 totalling HK\$247,613 million (2013 – HK\$225,354 million), the Company has guaranteed a total of HK\$193,371 million (2013 – HK\$179,993 million) which has been borrowed in the name of subsidiary companies. The Company has also guaranteed perpetual capital securities which the nominal amount are US\$3,000 million and €1,750 million, approximately HK\$41,279 million as at 31 December 2014 (2013 – US\$3,000 million and €1,750 million, approximately HK\$41,279 million) issued by wholly owned subsidiary companies.
- (f) The Company has provided some guarantees in respect of the bank and other borrowing facilities utilised by the associated companies and joint ventures totalling HK\$1,784 million (2013 – HK\$1,973 million) and HK\$19,531 million (2013 – HK\$19,998 million) respectively and other guarantees of HK\$8,099 million (2013 – HK\$9,983 million). These amounts have been included in the Group's contingent liabilities disclosed in note 37.
- (g) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the net profit of the Company is HK\$10,980 million (2013 – HK\$10,007 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.
- (h) Reserves of the Company available for distribution to shareholders of the Company as at 31 December 2014 amounting to HK\$51,047 million (2013 – HK\$79,967 million).

**PRINCIPAL SUBSIDIARY AND ASSOCIATED COMPANIES AND JOINT VENTURES**  
*at 31 December 2014*

<u>Subsidiary and associated companies and joint ventures</u>	<u>Place of incorporation/ principal place of operations</u>	<u>Nominal value of issued ordinary share capital**/ registered capital</u>		<u>Percentage of equity attributable to the Group</u>	<u>Principal activities</u>
<b>Ports and related services</b>					
# Alexandria International Container Terminals Company S.A.E.	Egypt	USD	30,000,000	40	Container terminal operating
Amsterdam Port Holdings B.V.	Netherlands	EUR	170,704	56	Holding Company
Brisbane Container Terminals Pty Limited	Australia	AUD	34,100,000	80	Container terminal operating
Buenos Aires Container Terminal Services S.A.	Argentina	ARS	31,628,668	80	Container terminal operating
ECT Delta Terminal B.V.	Netherlands	EUR	18,000	71	Stevedoring activities
ECT Home Terminal B.V.	Netherlands	EUR	18,000	75	Stevedoring activities
Ensenada Cruiseport Village, S.A. de C.V.	Mexico	MXP	145,695,000	80	Cruise terminal operating
Ensenada International Terminal, S.A. de C.V.	Mexico	MXP	160,195,000	80	Container terminal operating
Europe Container Terminals B.V.	Netherlands	EUR	45,000,000	75	Holding company
Euromax Terminal Rotterdam B.V.	Netherlands	EUR	18,000	75	Stevedoring activities
Freeport Container Port Limited	Bahamas	BSD	2,000	41	Container terminal operating
Gdynia Container Terminal S.A.	Poland	PLN	11,379,300	79	Container terminal operating
Harwich International Port Limited	United Kingdom	GBP	16,812,002	80	Container terminal operating
✧ Hongkong United Dockyards Limited	Hong Kong	HKD	76,000,000	50	Ship repairing, general engineering and tug operations
✧ Huizhou Port Industrial Corporation Limited	China	RMB	300,000,000	27	Container terminal operating
✧ Huizhou Quanwan Port Development Co., Ltd.	China	RMB	359,300,000	40	Port related land development
✧ Huizhou International Container Terminals Limited	China	RMB	685,300,000	64	Container terminal operating
Hutchison Ajman International Terminals Limited – F.Z.E.	United Arab Emirates	AED	60,000,000	80	Container terminal operating
Hutchison Port Holdings Limited	British Virgin Islands/Hong Kong	USD	26,000,000	80	Operation, management and development of ports and container terminals, and investment holding
Hutchison Korea Terminals Limited	South Korea	WON	4,107,500,000	80	Container terminal operating
Hutchison Laemchabang Terminal Limited	Thailand	THB	1,000,000,000	64	Container terminal operating

**APPENDIX V**
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<u>Subsidiary and associated companies and joint ventures</u>	<u>Place of incorporation/ principal place of operations</u>	<u>Nominal value of issued ordinary share capital**/ registered capital</u>	<u>Percentage of equity attributable to the Group</u>	<u>Principal activities</u>
◇** Hutchison Port Holdings Trust	Singapore/ China	USD 8,797,780,935	28	Container port business trust
Hutchison Port Investments Limited	Cayman Islands	USD 74,870,807	80	Holding company
Hutchison Ports Investments S.à r.l.	Luxembourg	EUR 12,750	80	Operation, management and development of ports and container terminals, and investment holding
Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP 138,623,200	80	Container terminal operating
International Ports Services Co. Ltd.	Saudi Arabia	SAR 2,000,000	41	Container terminal operating
✧ Jiangmen International Container Terminals Limited	China	USD 14,461,665	40	Container terminal operating
Karachi International Container Terminal Limited	Pakistan	PKR 1,109,384,220	80	Container terminal operating
Korea International Terminals Limited	South Korea	WON 45,005,000,000	71	Container terminal operating
L.C. Terminal Portuaria de Contenedores, S.A. de C.V.	Mexico	MXP 67,000,000	80	Container terminal operating
Maritime Transport Services Limited	United Kingdom	GBP 13,921,323	64	Container terminal operating
✧ Nanhai International Container Terminals Limited	China	USD 42,800,000	40	Container terminal operating
✧ Ningbo Beilun International Container Terminals Limited	China	RMB 700,000,000	39	Container terminal operating
Oman International Container Terminal L.L.C.	Oman	OMR 4,000,000	52	Container terminal operating
Panama Ports Company, S. A.	Panama	USD 10,000,000	72	Container terminal operating
Port of Felixstowe Limited	United Kingdom	GBP 100,002	80	Container terminal operating
PT Jakarta International Container Terminal	Indonesia	IDR 221,450,406,000	41	Container terminal operating
✧ River Trade Terminal Co. Ltd.	British Virgin Islands/Hong Kong	USD 1	40	River trade terminal operation
Saigon International Terminals Vietnam Limited	Vietnam	USD 80,084,000	56	Container terminal operating
✧+ Shanghai Mingdong Container Terminals Limited	China	RMB 4,000,000,000	40	Container terminal operating
✧ Shantou International Container Terminals Limited	China	USD 88,000,000	56	Container terminal operating
South Asia Pakistan Terminals Limited	Pakistan	PKR 5,763,773,300	72	Container terminal operating

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<u>Subsidiary and associated companies and joint ventures</u>	<u>Place of incorporation/ principal place of operations</u>	<u>Nominal value of issued ordinary share capital**/ registered capital</u>		<u>Percentage of equity attributable to the Group</u>	<u>Principal activities</u>
Sydney International Container Terminals Pty Ltd	Australia	AUD	49,000,001	80	Container terminal operating
✧ Taranto Container Terminal S.p.A.	Italy	EUR	1,280,000	40	Container terminal operating
Talleres Navales del Golfo, S.A. de C.V.	Mexico	MXP	143,700,000	80	Marine construction and ship repair yard
+ Tanzania International Container Terminal Services Limited	Tanzania	TZS	1,801,666,000	56	Container terminal operating
Terminal Catalunya, S.A.	Spain	EUR	2,342,800	80	Container terminal operating
Thai Laemchabang Terminal Co., Ltd.	Thailand	THB	800,000,000	70	Container terminal operating
Thamesport (London) Limited	United Kingdom	GBP	2	64	Container terminal operating
*#+ Westports Holdings Berhad	Malaysia	MYR	341,000,000	19	Holding company
✧✧ Xiamen Haicang International Container Terminals Limited	China	RMB	555,515,000	39	Container terminal operating
✧✧ Xiamen International Container Terminals Limited	China	RMB	1,148,700,000	39	Container terminal operating
✧✧ Zhuhai International Container Terminals (Gaolan) Limited	China	USD	105,750,000	40	Container terminal operating
✧✧ Zhuhai International Container Terminals (Jiuzhou) Limited	China	USD	52,000,000	40	Container terminal operating
<b>Property and hotels</b>					
Aberdeen Commercial Investments Limited	Hong Kong	HKD	2	100	Property owning
Consolidated Hotels Limited	Hong Kong	HKD	78,000,000	39	Investment in hotel
Elbe Office Investments Limited	Hong Kong	HKD	2	100	Property owning
Foxtan Investments Limited	Hong Kong	HKD	10,000	100	Property owning
Glenfuir Investments Limited	Hong Kong	HKD	1,000,000	100	Property owning
# Harbour Plaza Hotel Management Limited	Hong Kong	HKD	2	50	Hotel management
Hongville Limited	Hong Kong	HKD	2	100	Property owning
✧✧ Hutchison Enterprises (Chongqing) Limited	China	RMB	470,000,000	50	Property owning
Hutchison Estate Agents Limited	Hong Kong	HKD	50,000	100	Property management, agency & related services
Hutchison Hotel Hong Kong Limited	Hong Kong	HKD	2	100	Investment in hotel
Hutchison Lucaya Limited	Bahamas	USD	5,000	100	Investment in hotel
Hutchison Whampoa Properties Limited	Hong Kong	HKD	2	100	Holding company

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<u>Subsidiary and associated companies and joint ventures</u>	<u>Place of incorporation/ principal place of operations</u>	<u>Nominal value of issued ordinary share capital**/ registered capital</u>	<u>Percentage of equity attributable to the Group</u>	<u>Principal activities</u>
☞+ Hutchison Whampoa Properties (Beijing Chaoyang) Limited	China	USD 81,579,000	50	Property developing & investment
☞+ Hutchison Whampoa Properties (Changchun) Limited	China	USD 34,870,000	50	Property developing & investment
☞+ Hutchison Whampoa Properties (ChangSha WangCheng) Limited	China	RMB 679,000,000	50	Property developing
☞+ Hutchison Whampoa Properties (Chengdu) Limited	China	RMB 1,650,000,000	50	Property developing & investment
☞+ Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited	China	RMB 250,000,000	50	Property developing
☞+ Hutchison Whampoa Properties (Chongqing Nanan) Limited	China	RMB 3,300,000,000	48	Property developing & investment
☞+ Hutchison Whampoa Properties (Guangzhou Panyu) Limited	China	RMB 285,000,000	50	Property developing & investment
☞+ Hutchison Whampoa Properties (Shanghai) Gubei Limited	China	USD 48,550,000	50	Property developing & investment
#☞+ Hutchison Whampoa Properties (Shanghai) Lujiazui Limited	China	USD 372,000,000	25	Property developing & investment
☞+ Hutchison Whampoa Properties (Shenzhen) Co., Ltd.	China	USD 100,000,000	50	Property developing & investment
☞+ Hutchison Whampoa Properties (Tianjin) Limited	China	USD 47,500,000	40	Property developing & investment
☞+ Hutchison Whampoa Properties (Wuhan Jiangnan North) Limited	China	USD 144,400,000	50	Property developing & investment
☞+ Hutchison Whampoa Properties (Wuhan Jiangnan South) Limited	China	USD 147,300,000	50	Property developing
☞+ Hutchison Whampoa Properties (Xi An) Limited	China	USD 59,600,000	50	Property developing
☞+ Hutchison Whampoa Properties (Zhuhai) Company Limited	China	USD 15,000,000	50	Property developing & investment
Hybonia Limited	Hong Kong	HKD 20	100	Property owning
☞+ Jiangmen Hutchison Whampoa Properties Limited	China	RMB 120,000,000	45	Property developing
☞+ Konorus Investment Limited	Hong Kong	HKD 2	43	Property developing
☞+ Marketon Investment Limited	Hong Kong	HKD 4	50	Investment in hotel
Matrica Limited	Hong Kong	HKD 20	70	Property owning and hotel operation
Omaha Investments Limited	Hong Kong	HKD 10,000	100	Property owning
Palliser Investments Limited	Hong Kong	HKD 100,000	100	Property owning
# Randash Investment Limited	Hong Kong	HKD 110	39	Investment in hotel
☞+ Regal Lake Property Development Limited Guangzhou	China	RMB 1,040,640,000	40	Property developing
Rhine Office Investments Limited	Hong Kong	HKD 2	100	Property owning
Richmond Investments Limited	Hong Kong	HKD 10,000	100	Property owning
☞+ Shanghai Helian Property Development Co., Ltd.	China	USD 74,700,000	50	Property developing
☞+ Shanghai Westgate Mall Co., Ltd.	China	USD 40,000,000	30	Property owning



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<u>Subsidiary and associated companies and joint ventures</u>	<u>Place of incorporation/ principal place of operations</u>	<u>Nominal value of issued ordinary share capital**/ registered capital</u>	<u>Percentage of equity attributable to the Group</u>	<u>Principal activities</u>
✧✧+ Shanghai Yahui Property Development Co., Limited	China	USD 30,000,000	50	Property developing
✧✧+ Shenzhen Hutchison Whampoa CATIC Properties Limited	China	RMB 620,000,000	40	Property developing & investment
✧✧+ Shenzhen Hutchison Whampoa Guanlan Properties Limited	China	RMB 250,000,000	50	Property developing
✧✧+ Shenzhen Hutchison Whampoa Longgang Properties Limited	China	RMB 232,000,000	50	Property developing
# The Kowloon Hotel Limited	Bahamas/ Hong Kong	USD 5	50	Investment in hotel
Tremayne Investments Limited	Hong Kong	HKD 2,000,000	100	Property owning
Turbo Top Limited	Hong Kong	HKD 2	100	Property owning
Vember Lord Limited	Hong Kong	HKD 2	100	Property owning
<b>Retail</b>				
A.S. Watson (Europe) Retail Holdings B.V.	Netherlands	EUR 18,001	75	Investment holding in retail businesses
A.S. Watson Retail (HK) Limited	Hong Kong	HKD 100,000,000	75	Retailing
✧+ Dirk Rossmann GmbH	Germany	EUR 12,000,000	30	Retailing
✧ Guanzhou Watson's Personal Care Stores Limited	China	HKD 71,600,000	71	Retailing
PARKnSHOP (HK) Limited	Hong Kong	HKD 100,000,000	75	Supermarket operating
✧ Rossmann Supermarkety Drogeryjne Polska Sp. z o.o.	Poland	PLN 350,000	53	Retailing
Superdrug Stores plc	United Kingdom	GBP 22,000,000	75	Retailing
Wuhan Watson's Personal Care Stores Co., Limited	China	RMB 55,930,000	75	Retailing
<b>Infrastructure and energy</b>				
✧ Australian Gas Network Limited	Australia	AUD 879,082,753	35	Natural gas distribution
✧+ AVR-Afvalverwerking B.V.	Netherlands	EUR 1	27	Producing energy from waste
*+ Cheung Kong Infrastructure Holdings Limited	Bermuda/ Hong Kong	HKD 2,495,845,400	78	Holding Company
✧+ Enviro Waste Services Limited	New Zealand	NZD 84,768,736	78	Waste management services
*#+ Husky Energy Inc.	Canada	CAD 6,939,096,660	34	Integrated energy businesses
✧+ Northern Gas Networks Holdings Limited	United Kingdom	GBP 571,670,980	37	Gas distribution
✧+ Northumbrian Water Group Limited	United Kingdom	GBP 51,862,385	31	Water & sewerage businesses

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**FINANCIAL INFORMATION OF THE GROUP**

<u>Subsidiary and associated companies and joint ventures</u>	<u>Place of incorporation/ principal place of operations</u>	<u>Nominal value of issued ordinary share capital**/ registered capital</u>	<u>Percentage of equity attributable to the Group</u>	<u>Principal activities</u>
*## Power Assets Holdings Limited	Hong Kong	HKD 6,610,008,417	30	Investment holdings in power and utility-related businesses
✧+ UK Power Networks Holdings Limited	United Kingdom	GBP 10,000,000	31	Electricity distribution
✧+ Wales & West Gas Networks (Holdings) Limited	United Kingdom	GBP 290,272,506	23	Gas distribution
<b>Telecommunications</b>				
3 Italia S. p. A.	Italy	EUR 3,047,756,290	97	Mobile telecommunications services
Hi3G Access AB	Sweden	SEK 10,000,000	60	Mobile telecommunications services
Hi3G Denmark ApS	Denmark	DKK 64,375,000	60	Mobile telecommunications services
Hutchison Drei Austria GmbH	Austria	EUR 34,882,960	100	Mobile telecommunications services
Hutchison 3G Ireland Holdings Limited	United Kingdom	EUR 2	100	Holding company of mobile telecommunications services
Hutchison 3G UK Limited	United Kingdom	GBP 1	100	Mobile telecommunications services
Hutchison Global Communications Limited	Hong Kong	HKD 20	65	Fixed-line communications
* Hutchison Telecommunications (Australia) Limited	Australia	AUD 4,204,487,847	88	Holding company
* Hutchison Telecommunications Hong Kong Holdings Limited	Cayman Islands/Hong Kong	HKD 1,204,724,052	65	Holding company of mobile and fixed-line telecommunications businesses
Hutchison Telecommunications (Vietnam) S.à.r.l.	Luxembourg/ Vietnam	USD 20,000	100	Investment holdings in mobile telecommunications business
Hutchison Telephone Company Limited	Hong Kong	HKD 2,730,684,340	49	Mobile telecommunications services
PT. Hutchison 3 Indonesia	Indonesia	IDR 651,156,000,000	65	Mobile telecommunications services

<u>Subsidiary and associated companies and joint ventures</u>	<u>Place of incorporation/ principal place of operations</u>	<u>Nominal value of issued ordinary share capital**/ registered capital</u>	<u>Percentage of equity attributable to the Group</u>	<u>Principal activities</u>
✧+ Vodafone Hutchison Australia Pty Limited	Australia	AUD 6,046,889,713	44	Mobile telecommunications services
<b>Finance &amp; investments and others</b>				
Hutchison International Limited	Hong Kong	HKD 727,966,525	100	Holding company & corporate
Hutchison Whampoa Europe Investments S.à r.l.	Luxembourg	EUR 1,764,026,975	100	Holding company
✧✂ Guanzhou Aircraft Maintenance Engineering Company Limited	China	USD 65,000,000	50	Aircraft maintenance
* Hutchison China MediTech Limited	Cayman Islands/China	USD 53,076,676	69	Holding company of healthcare businesses
Hutchison Water Holdings Limited	Cayman Islands	USD 100,000	80	Investment holding in water businesses
Hutchison Whampoa (China) Limited	Hong Kong	HKD 15,000,000	100	Investment holding & China businesses
Marionnaud Parfumeries SAS	France	EUR 76,575,832	100	Investment holding in perfume retailing businesses
✧ Metro Broadcast Corporation Limited	Hong Kong	HKD 1,000,000	50	Radio broadcasting
**# TOM Group Limited	Cayman Islands/Hong Kong	HKD 389,327,056	24	Cross media

The above table lists the principal subsidiary and associated companies and joint ventures of the Group which, in the opinion of the directors principally affect the results and net assets of the Group. To give full details of subsidiary and associated companies and joint ventures would, in the opinion of the directors, result in particulars of excessive length.

Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation.

Except Hutchison International Limited which is 100% directly held by the Company, the interests in the remaining subsidiary and associated companies and joint ventures are held indirectly.

\* Company listed on the Stock Exchange of Hong Kong except Hutchison Port Holdings Trust which is listed on Singapore Stock Exchange, Westports Holdings Berhad which is listed on the Bursa Malaysia Securities Berhad, Husky Energy Inc. which is listed on the Toronto Stock Exchange, Hutchison Telecommunications (Australia) Limited which is listed on the Australian Securities Exchange and Hutchison China MediTech Limited which is listed on the AIM of the London Stock Exchange.

\*\* For Hong Kong incorporated companies, this represents issued ordinary share capital.

# Associated companies

✧ Joint ventures

✂ Equity joint venture registered under PRC law

- ⌘ Cooperative joint venture registered under PRC law
- ⌘ Wholly owned foreign enterprise (WOFE) registered under PRC law
- ⌘ The share capital of Hutchison Port Holdings Trust is in a form of trust units.
- + The accounts of these subsidiary and associated companies and joint ventures have been audited by firms other than PricewaterhouseCoopers. The aggregate net assets and turnover (excluding share of associated companies and joint ventures) attributable to shareholders of these companies not audited by PricewaterhouseCoopers amounted to approximately 38% and 4% of the Group's respective items.

### **3. OPERATIONS REVIEW OF THE GROUP**

Further details of the Group's operating performance for the year ended 31 December 2014 are available in the annual results announcement of the Company for the year ended 31 December 2014 which was released on 26 February 2015. The Company will also release an annual report containing more detailed information of the Group for the year ended 31 December 2014. These documents are, or will be, available on the website of the Company at [www.hutchison-whampoa.com](http://www.hutchison-whampoa.com) and on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk).

### **4. INDEBTEDNESS STATEMENT**

As at 31 January 2015, being the latest practicable date prior to the printing of this document for ascertaining information for inclusion in this indebtedness statement, the Group had outstanding borrowings of approximately HK\$249,215 million comprising (i) bank loans of HK\$59,663 million, of which HK\$1,232 million were secured and HK\$58,431 million were unsecured, (ii) other loans of HK\$9,238 million, of which HK\$292 million were secured and HK\$8,946 million were unsecured, and (iii) notes and bonds of HK\$180,314 million which were unsecured.

As at 31 January 2015, the Group had pledged assets with aggregate carrying values of approximately HK\$1,728 million, of which approximately HK\$1,322 million and HK\$406 million are pledged as collateral for bank loans and other loans respectively.

As at 31 January 2015, the Group had contingent liabilities of approximately HK\$28,761 million. The contingent liabilities comprised guarantees in respect of bank and other borrowing facilities to associated companies and joint ventures of approximately HK\$24,976 million and performance and other guarantees of HK\$3,785 million.

Save as set out above and apart from intra-group liabilities and guarantees, the Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans, debt securities or other similar indebtedness or acceptance credits or hire purchase commitments or any guarantees or other material contingent liabilities as at 31 January 2015.

The Directors confirm that there had been no material changes in the indebtedness position of the Group since 31 January 2015 and up to the Latest Practicable Date.

### **5. MATERIAL CHANGES**

On 9 January 2015, the boards of directors of Cheung Kong and the Company jointly announced the Cheung Kong Reorganisation, the Merger Proposal (comprising the Husky Share Exchange Proposal and the Hutchison Proposal) and the Spin-off Proposal.

On 9 January 2015, Cheung Kong formally presented to the Board the Hutchison Proposal whereby the CKH Holdings Group would make a conditional share exchange offer to the Scheme Shareholders for the cancellation of all the Scheme Shares by way of a

scheme of arrangement. Subject to the fulfilment (or, where relevant, waiver) of the conditions precedent to the Hutchison Proposal, the Hutchison Proposal will be completed immediately after the Husky Share Exchange Completion.

Please refer to the Explanatory Statement in this document for further details.

Pursuant to the Husky Share Exchange Agreement dated 9 January 2015, the Husky Sale Shares Purchaser (an indirect wholly-owned subsidiary of the Company) will acquire from the Husky Sale Shares Vendor (a company indirectly wholly owned by the Trust) approximately 6.24% of the common shares of Husky in issue. The consideration for the acquisition will be satisfied by the issue of 84,427,246 new CKH Holdings Shares by CKH Holdings, credited as fully paid (representing a share exchange ratio of 1.376 new CKH Holdings Shares for every one Husky Share to be acquired). Such share exchange ratio was determined based on the average closing price of the Cheung Kong Shares on the Stock Exchange for the five trading days up to and including 7 January 2015 and the average closing price of the Husky Shares on the Toronto Stock Exchange for the five trading days up to and including 6 January 2015, without any premium or discount, and using the Specified Currency Exchange Rate.

On completion of the Husky Share Exchange, the Group will own an aggregate of approximately 40.20% of the common shares of Husky in issue (assuming there is no other change in the shareholding in Husky). Subject to the fulfilment (or, where relevant, waiver) of the conditions precedent to the Husky Share Exchange, the Husky Share Exchange will be completed immediately prior to completion of the Hutchison Proposal.

Further details of the Husky Share Exchange are set out in “*The Husky Share Exchange*” in the Explanatory Statement.

In January 2015, a 50/50 joint venture of Cheung Kong and Cheung Kong Infrastructure Holdings Limited, a subsidiary of the Company, entered into an agreement to acquire Eversholt Rail, one of the three major rolling stock operating companies in the United Kingdom. The enterprise value of the transaction is approximately HK\$29.3 billion (approximately GBP2.5 billion). Eversholt Rail leases a diverse range of rolling stock, including regional, commuter and high speed passenger trains, as well as freight locomotives and wagons, on long-term contracts. Completion is expected to take place around April 2015. If completed, Eversholt Rail will become a member of the Resulting CKH Holdings Group and is expected to deliver recurring cash flows and earnings.

On 25 March 2015, the Company announced that Hutchison 3G UK Investments Limited (the “**Purchaser**”) and Hutchison 3G UK Holdings (CI) Limited (“**MergeCo**”) (each an indirect wholly-owned subsidiary of the Company) had entered into a share purchase agreement with Telefónica, S.A. pursuant to which the Purchaser has conditionally agreed to purchase the entire issued share capital of O<sub>2</sub> UK (the “**Acquisition**”) for an aggregate cash purchase price of: (i) GBP9.25 billion, which is subject to adjustment and payable at completion by the Purchaser; and (ii) deferred upside interest sharing payments of up to a further GBP1 billion in aggregate, payable by MergeCo, or another party procured by

MergeCo, after the cumulative cash flow of the combined 3 UK business and the O<sub>2</sub> UK business has reached an agreed threshold. O<sub>2</sub> UK is a leading digital communications business running 2G, 3G and 4G networks across the UK.

Prior to completion of the Acquisition, the Company will, pursuant to an intra-group reorganisation, transfer to MergeCo the company that holds the 3 UK business.

The Company has agreed to guarantee the performance obligations of the Purchaser and MergeCo under the share purchase agreement.

The Acquisition will be funded by a GBP6 billion bridge loan facility that the Purchaser has entered into with HSBC Bank plc, and the Group's own cash resources. None of MergeCo or the Company will be required to provide any credit support in connection with this bridge loan facility. In addition, the Company is in discussions with certain potential co-investors who may, prior to completion, agree to subscribe in cash for a minority interest in MergeCo, which indirectly holds 100% of the total issued share capital of the Purchaser.

Completion of the Acquisition is conditional on the satisfaction or waiver of certain conditions, including among other things, European Commission competition confirmation, and the parties having obtained waivers and/or approvals under certain contractual arrangements with third parties before completion. Such conditions must be satisfied or waived by no later than 30 June 2016, save that in certain circumstances this date may be extended to 30 September 2016.

As completion of the Acquisition is conditional on the satisfaction or waiver of certain conditions, the Acquisition may or may not proceed. There also can be no assurance given that any co-investment in MergeCo will occur. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Pursuant to the Listing Rules, the Acquisition constitutes a major transaction of the Company and requires shareholders' approval. As no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Acquisition, written shareholders' approval has been obtained pursuant to Rule 14.44 of the Listing Rules. After the obtaining of this written shareholders' approval, the Company is not required to convene a general meeting for approving the Acquisition. The Company is expected to despatch a circular in connection with the Acquisition in due course.

Save as disclosed above, the Directors confirm that there had been no material changes in the financial or trading position or outlook of the Group since 31 December 2014, the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

## 6. DIVIDENDS

Excluding the special dividend of HK\$7.00 per Share declared and paid in respect of the year ended 31 December 2014, the dividends declared and paid or payable by the Company for the three years ended 31 December 2012, 2013 and 2014 were HK\$8,868

million, HK\$9,806 million and HK\$10,296 million (including the second interim dividend of HK\$7,482 million (representing a dividend per Share of HK\$1.755) declared on 26 February 2015 in respect of the year ended 31 December 2014 and to be paid on 15 April 2015), respectively, representing a dividend per Share of HK\$2.08, HK\$2.30 and HK\$2.415, respectively.



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## APPENDIX VI    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

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### 1.    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

The following is an illustrative unaudited pro forma consolidated statement of financial position, an illustrative unaudited pro forma net tangible assets per share, an illustrative unaudited pro forma consolidated income statement, and an illustrative unaudited pro forma consolidated statement of cash flows of the Resulting CKH Holdings Group (the “**Unaudited Pro Forma Financial Information**”), which have been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Merger Proposal and the Spin-off Proposal as if they had taken place on 31 December 2014 for the unaudited pro forma consolidated statement of financial position and the unaudited pro forma net tangible assets per share of the Resulting CKH Holdings Group and on 1 January 2014 for the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows of the Resulting CKH Holdings Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, net tangible assets per share, financial results or cash flows of the Resulting CKH Holdings Group had the Merger Proposal and the Spin-off Proposal been completed as at 31 December 2014 and 1 January 2014 respectively or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this document.

# APPENDIX VI UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

## I. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND UNAUDITED PRO FORMA NET TANGIBLE ASSETS PER SHARE OF THE RESULTING CKH HOLDINGS GROUP AS AT 31 DECEMBER 2014

	Audited accounts 31 December 2014		Pro forma adjustments								TOTAL
	Cheung Kong HK\$ millions	Hutchison HK\$ millions	Note 1	Note 2	Note 3	Note 4	Note 5 <i>De-recognition of investment in Hutchison &amp; Purchase Price</i>	Note 6 <i>Accounting for entities co-owned by Cheung Kong &amp; Hutchison</i>	Note 7 <i>Professional expenses</i>	Note 8 <i>Presentation re-classification</i>	
<b>ASSETS</b>											
<b>Non-current assets</b>											
Fixed assets	17,454	173,234	-	-	-	(40,748)	(40,687)	49,740	-	-	158,993
Investment properties	33,285	66,211	-	-	-	(104,733)	5,541	-	-	-	304
Leasehold land	-	8,513	-	-	-	-	-	-	-	-	8,513
Telecommunications licences	-	81,602	-	-	-	-	(55,882)	-	-	-	25,720
Goodwill	-	39,132	-	-	-	-	131,712	21,263	-	-	192,107
Brand names and other rights	-	16,233	-	-	-	-	74,432	8,453	-	-	99,118
Associated companies	216,841	126,416	-	12,960	223,970	(6,301)	(428,502)	1,953	-	-	147,337
Interests in joint ventures	68,754	119,433	-	-	-	(126,403)	10,671	(4,548)	-	-	67,907
Deferred tax assets	-	19,203	-	-	-	(19)	2,014	-	-	-	21,198
Other non-current assets	-	7,139	-	-	-	(308)	(3,304)	-	-	1,272	4,799
Investments available for sale	10,705	-	-	-	-	-	-	-	-	(10,705)	-
Long term loan receivables	301	-	-	-	-	-	-	-	-	(301)	-
Derivative financial instruments	476	-	-	-	-	-	-	-	-	(476)	-
Liquid funds and other listed investments	-	15,141	-	-	-	(9,605)	(588)	(2,040)	-	11,128	14,036
	347,816	672,257	-	12,960	223,970	(288,117)	(304,593)	74,821	-	918	740,032
<b>Current assets</b>											
Cash and cash equivalents	33,179	125,318	-	-	-	41,307	-	1,917	-	-	201,721
Investments held for trading	918	-	-	-	-	-	-	-	-	(918)	-
Derivative financial instruments	319	-	-	-	-	-	-	-	-	(319)	-
Trade and other receivables	2,510	66,576	-	-	-	(3,138)	-	2,408	-	319	68,675
Stock of properties	73,199	-	-	-	-	(73,199)	-	-	-	-	-
Inventories	-	19,284	-	-	-	(24)	-	36	-	-	19,296
	110,125	211,178	-	-	-	(35,054)	-	4,361	-	(918)	289,692
<b>Current liabilities</b>											
Trade and other payables	11,451	87,139	-	-	-	(13,676)	5,280	3,625	250	801	94,870
Derivative financial instruments	191	-	-	-	-	-	-	-	-	(191)	-
Bank and other debts	18,352	42,281	-	-	-	(346)	-	179	-	-	60,466
Current tax liabilities	1,356	3,005	-	-	-	(2,027)	-	-	-	-	2,334
	31,350	132,425	-	-	-	(16,049)	5,280	3,804	250	610	157,670
<b>Net current assets</b>	78,775	78,753	-	-	-	(19,005)	(5,280)	557	(250)	(1,528)	132,022
<b>Total assets less current liabilities</b>	426,591	751,010	-	12,960	223,970	(307,122)	(309,873)	75,378	(250)	(610)	872,054
<b>Non-current liabilities</b>											
Bank and other debts	19,522	205,332	-	-	-	(400)	10,806	38,626	-	-	273,886
Interest bearing loans from non-controlling shareholders	-	8,000	-	-	-	(2,847)	-	2,474	-	2,575	10,202
Deferred tax liabilities	1,022	11,213	-	-	-	(3,411)	(560)	6,816	-	-	15,080
Pension obligations	-	3,083	-	-	-	(100)	-	1,732	-	-	4,715
Other non-current liabilities	-	4,320	-	-	-	-	37,247	4,470	-	-	46,037
	20,544	231,948	-	-	-	(6,758)	47,493	54,118	-	2,575	349,920
<b>Net assets</b>	406,047	519,062	-	12,960	223,970	(300,364)	(357,366)	21,260	(250)	(3,185)	522,134
<b>CAPITAL AND RESERVES</b>											
Share capital	10,489	29,425	(8,173)	84	1,459	-	(29,425)	-	-	-	3,859
Share premium	-	-	353,215	12,876	222,511	(343,615)	-	-	-	-	244,987
Perpetual capital securities	-	39,638	-	-	-	-	-	-	-	9,045	48,683
Reserves	383,656	397,155	(345,042)	-	-	50,581	(387,414)	18,009	(250)	-	116,695
<b>Total ordinary shareholders' funds and perpetual capital securities</b>	394,145	466,218	-	12,960	223,970	(293,034)	(416,839)	18,009	(250)	9,045	414,224
Perpetual securities	9,045	-	-	-	-	-	-	-	-	(9,045)	-
Non-controlling interests	2,857	52,844	-	-	-	(7,330)	59,473	3,251	-	(3,185)	107,910
<b>Total equity</b>	406,047	519,062	-	12,960	223,970	(300,364)	(357,366)	21,260	(250)	(3,185)	522,134
<b>Net tangible assets attributable to ordinary shareholders of the CKH Holdings (note 9)</b>	394,145										119,415
<b>Net tangible assets attributable to ordinary shareholders of the CKH Holdings per share (HK\$) (note 10)</b>	170										31

**APPENDIX VI    UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE RESULTING CKH HOLDINGS GROUP**

**II.    UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT FOR THE  
YEAR ENDED 31 DECEMBER 2014**

	Audited accounts 31 December 2014		Pro forma adjustments						TOTAL
	Cheung Kong HK\$ millions	Hutchison HK\$ millions	Note 2	Note 4	Note 5	Note 6	Note 7	Note 8	HK\$ millions
			Husky Share Exchange	Spin-off Proposal	De-recognition of investment in Hutchison & Purchase Price Allocation adjustments	Accounting for entities co-owned by Cheung Kong & Hutchison	Professional expenses	Presentation re-classification	
Group turnover	24,259	-	-	-	-	-	-	(24,259)	-
Revenue	-	272,161	-	(31,576)	-	9,141	-	25,948	275,674
Cost of inventories sold	-	(110,596)	-	13,191	-	-	-	(12,980)	(110,385)
Staff costs	-	(34,604)	-	1,730	-	(1,704)	-	(1,515)	(36,093)
Telecommunications customer acquisition costs	-	(24,165)	-	-	-	-	-	-	(24,165)
Depreciation and amortisation	(393)	(17,003)	-	507	3,226	(1,922)	-	-	(15,585)
Investment and other income	2,125	-	-	-	-	-	-	(2,125)	-
Other operating expenses	-	(50,944)	-	(4,435)	-	(1,556)	-	2,317	(54,618)
Property and related costs	(12,980)	-	-	-	-	-	-	12,980	-
Salaries and related expenses	(1,515)	-	-	-	-	-	-	1,515	-
Other expenses	(468)	-	-	-	-	-	-	468	-
Change in fair value of investment properties	4,542	24,678	-	(29,220)	-	-	-	-	-
Profits on disposal of investments and others	-	(4,532)	-	50,581	(4,763)	19,082	(250)	-	60,118
Profits on disposal of property joint ventures	2,349	-	-	-	-	-	-	(2,349)	-
Share of profits less losses after tax of:									
Associated companies before profits on disposal of investments and others	33,670	9,166	802	(401)	(33,551)	17	-	-	9,703
Joint ventures	4,666	10,466	-	(5,167)	-	(1,464)	-	-	8,501
Associated companies' profits on disposal of investments and others	-	19,141	(259)	-	-	-	-	-	18,882
	56,255	93,768	543	(4,790)	(35,088)	21,594	(250)	-	132,032
Interest expenses and other finance costs	(328)	(8,050)	-	(311)	2,540	(1,817)	-	(10)	(7,976)
<b>Profit before tax</b>	<b>55,927</b>	<b>85,718</b>	<b>543</b>	<b>(5,101)</b>	<b>(32,548)</b>	<b>19,777</b>	<b>(250)</b>	<b>(10)</b>	<b>124,056</b>
Current tax	(1,283)	(4,307)	(26)	2,417	-	(310)	-	-	(3,509)
Deferred tax	(36)	340	-	85	(75)	123	-	-	437
<b>Profit after tax</b>	<b>54,608</b>	<b>81,751</b>	<b>517</b>	<b>(2,599)</b>	<b>(32,623)</b>	<b>19,590</b>	<b>(250)</b>	<b>(10)</b>	<b>120,984</b>
Allocated as:									
Profit attributable to non-controlling interests and holders of perpetual capital securities	(739)	(14,595)	-	625	(66)	(607)	-	10	(15,372)
Profit attributable to ordinary shareholders of CKH Holdings	53,869	67,156	517	(1,974)	(32,689)	18,983	(250)	-	105,612

## APPENDIX VI UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

### III. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Audited accounts 31 December 2014		Pro forma adjustments						TOTAL
	Cheung Kong HK\$ millions	Hutchison HK\$ millions	Note 2 Husky Share Exchange HK\$ millions	Note 4 Spin-off Proposal HK\$ millions	Note 5 De-recognition of investment in Hutchison & Purchase Price Allocation adjustments HK\$ millions	Note 6 Accounting for co-owned by Cheung Kong & Hutchison HK\$ millions	Note 7 Professional expenses HK\$ millions	Note 8 Presentation re-classification HK\$ millions	
<b>Operating activities</b>									
Cash generated from operations	18,109	-	-	-	-	-	-	(18,109)	-
Cash generated from (used in) operating activities before interest expenses and other finance costs, tax paid and changes in working capital	-	62,640	-	(18,449)	-	4,762	(250)	12,968	61,671
Investment in / loan advance to joint ventures	(3,176)	-	-	-	-	-	-	3,176	-
Dividend / repayment from joint ventures	1,904	-	-	-	-	(1,945)	-	41	-
Dividend from associates	19,969	-	528	-	(19,939)	-	-	(558)	-
Dividend from investments in securities	320	-	-	-	-	-	-	(320)	-
Interest received	1,126	-	-	-	-	-	-	(1,126)	-
Dividends paid to shareholders of the Company	(24,408)	-	-	-	-	-	-	24,408	-
Dividends paid to non-controlling interests	(309)	-	-	-	-	-	-	309	-
Distribution paid on perpetual securities	(460)	-	-	-	-	-	-	460	-
Increase in bank deposits maturing over three months	(1,822)	-	-	-	-	-	-	-	(1,822)
Interest expenses and other finance costs paid	-	(7,403)	-	109	-	(1,707)	-	(704)	(9,705)
Tax paid	(1,089)	(4,401)	-	1,411	-	(856)	-	-	(4,935)
<b>Funds from (used in) operations</b>	10,164	50,836	528	(16,929)	(19,939)	254	(250)	20,545	45,209
Changes in working capital	-	(2,916)	-	(7,295)	-	739	250	7,293	(1,929)
<b>Net cash from (used in) operating activities</b>	10,164	47,920	528	(24,224)	(19,939)	993	-	27,838	43,280
<b>Investing activities</b>									
Purchase of fixed assets and investment properties	(7,867)	(21,289)	-	448	-	(2,945)	-	-	(31,653)
Additions to telecommunications licences	-	(41)	-	-	-	-	-	-	(41)
Additions to brand names and other rights	-	(229)	-	-	-	-	-	-	(229)
Purchase of subsidiary companies	-	(8,467)	-	-	-	(2,366)	-	-	(10,833)
Additions to other unlisted investment	-	(994)	-	-	-	-	-	(46)	(1,040)
Repayments from associated companies and joint ventures	1,711	3,160	-	(428)	-	(374)	-	(455)	3,614
Purchase of and advances to (including deposits from) associated companies and joint ventures	(5,278)	(13,200)	-	7,706	-	-	-	(3,176)	(13,948)
Proceeds on disposal of fixed assets, leasehold land and investment properties and other assets	-	804	-	(717)	-	11	-	-	98
Proceeds on disposal of subsidiary companies	-	905	-	-	-	-	-	-	905
Proceeds on partial disposal / disposal of associated companies	-	575	-	-	-	1,916	-	-	2,491
Proceeds on disposal of joint ventures	3,298	4,477	-	(7,202)	-	-	-	-	573
Proceeds on disposal of other unlisted investments	-	20	-	-	-	-	-	4	24
Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments	(8,136)	(34,279)	-	(193)	-	(3,758)	-	(3,673)	(50,039)
Disposal / redemption of investments available for sale	595	-	-	-	-	-	-	(595)	-
Disposal of liquid funds and other listed investments	-	1,861	-	-	-	1,138	-	857	3,856
Purchase of investments available for sale	(182)	-	-	-	-	-	-	182	-
Additions to liquid funds and other listed investments	-	(2,445)	-	629	-	-	-	(136)	(1,952)
<b>Cash flows from (used in) investing activities</b>	(7,723)	(34,863)	-	436	-	(2,620)	-	(3,365)	(48,135)
<b>Net cash inflow (outflow) before financing activities</b>	2,441	13,057	528	(23,788)	(19,939)	(1,627)	-	24,473	(4,855)

## APPENDIX VI UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

	Audited accounts 31 December 2014		Pro forma adjustments						TOTAL
	Cheung Kong HK\$ millions	Hutchison HK\$ millions	Note 2 Husky Share Exchange HK\$ millions	Note 4 Spin-off Proposal HK\$ millions	Note 5 De-recognition of investment in Hutchison & Purchase Price Allocation adjustments HK\$ millions	Note 6 Accounting for entities co-owned by Cheung Kong & Hutchison HK\$ millions	Note 7 Professional expenses HK\$ millions	Note 8 Presentation re-classification HK\$ millions	
<b>Financing activities</b>									
New borrowings	-	77,895	-	-	-	3,833	-	-	81,728
Repayment of borrowings	(3,370)	(44,860)	-	10	-	(848)	-	-	(49,068)
Repayment from CK Property Group	-	-	-	55,000	-	-	-	-	55,000
Interest and other finance costs paid	(704)	-	-	-	-	-	-	704	-
Issue of shares by subsidiary companies to non-controlling shareholders and net loans from (to) non-controlling shareholders	(207)	42,775	-	210	-	-	-	-	42,778
Redemption of capital securities by a subsidiary	-	(2,340)	-	-	-	-	-	-	(2,340)
Payments to acquire additional interests in subsidiary companies	-	(93)	-	-	-	-	-	-	(93)
Repurchase of perpetual capital securities	-	(617)	-	-	-	-	-	-	(617)
Dividends paid to non-controlling interests	-	(4,265)	-	557	-	(947)	-	(309)	(4,964)
Distributions paid on perpetual capital securities	-	(1,980)	-	-	-	-	-	(460)	(2,440)
Dividends paid to ordinary shareholders	-	(39,905)	-	-	19,939	-	-	(24,408)	(44,374)
<b>Cash flows from (used in) financing activities</b>	<b>(4,281)</b>	<b>26,610</b>	<b>-</b>	<b>55,777</b>	<b>19,939</b>	<b>2,038</b>	<b>-</b>	<b>(24,473)</b>	<b>75,610</b>
Increase (decrease) in cash and cash equivalents	(1,840)	39,667	528	31,989	-	411	-	-	70,755
Cash and cash equivalents at 1 January	31,277	85,651	-	(14,300)	-	1,506	-	-	104,134
<b>Cash and cash equivalents at 31 December</b>	<b>29,437</b>	<b>125,318</b>	<b>528</b>	<b>17,689</b>	<b>-</b>	<b>1,917</b>	<b>-</b>	<b>-</b>	<b>174,889</b>

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## APPENDIX VI UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

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### IV. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

CKH Holdings was incorporated on 11 December 2014. On 18 March 2015, CKH Holdings became the holding company of the Cheung Kong Group pursuant to the Cheung Kong Reorganisation. The management and the ultimate controlling owners of CKH Holdings are the same as Cheung Kong before and after the completion of the Cheung Kong Reorganisation. Accordingly, the consolidated financial information of CKH Holdings has been presented using the carrying values of the business of the Cheung Kong Group as extracted from the audited consolidated statement of financial position of Cheung Kong as at 31 December 2014, the audited consolidated income statement and the audited consolidated statement of cash flows of Cheung Kong for the year ended 31 December 2014 as set out in the 2014 annual results announcement of Cheung Kong.

The consolidated financial information of Hutchison has been extracted from the audited consolidated statement of financial position as at 31 December 2014, the audited consolidated income statement and the audited consolidated statement of cash flows of Hutchison for the year ended 31 December 2014 as set out in the 2014 annual results announcement of Hutchison.

#### (1) Cheung Kong Reorganisation

For the purposes of the Unaudited Pro Forma Financial Information, the issuance of 2,316,164,338 CKH Holdings Shares by CKH Holdings in exchange for 2,316,164,338 shares of Cheung Kong, pursuant to the Cheung Kong Reorganisation, is based on the closing price of HK\$153.5 per Cheung Kong Share as at 27 February 2015.

The pro forma adjustments represent:

- (i) an increase in “Share Capital” and “Share Premium” upon the issuance of 2,316,164,338 CKH Holdings Shares by CKH Holdings; and
- (ii) the elimination of the original paid-up capital of Cheung Kong in “Reserves” in the unaudited pro forma consolidated statement of financial position as at 31 December 2014.

#### (2) Husky Share Exchange

Pursuant to the Husky Share Exchange, CKH Holdings will issue 84,427,246 CKH Holdings Shares as consideration for the acquisition of 61,357,010 Husky Shares (“**Husky Sale Shares**”), representing a share exchange ratio of 1.376 CKH Holdings Shares for every one Husky Share to be acquired. The Husky Sale Shares represent approximately 6.24% of the common shares of Husky in issue. On completion of the Husky Share Exchange, the Resulting CKH Holdings Group will own an aggregate of approximately 40.20% shareholding in Husky.

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## APPENDIX VI UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

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The pro forma adjustments represent:

- (i) an increase in “Share Capital” and “Share Premium” under “Equity” and “Associated companies” under “Non-current Assets” upon the issuance of 84,427,246 CKH Holdings Shares by CKH Holdings as consideration for the acquisition of the Husky Sale Shares in the unaudited pro forma consolidated statement of financial position as at 31 December 2014;
- (ii) an additional 6.24% share of the profit after tax of Husky amounting to HK\$517 million for the year in the unaudited pro forma consolidated income statement as if the Husky Share Exchange had been completed on 1 January 2014; and
- (iii) cash related to dividend from the additional 6.24% interest in Husky amounting to HK\$528 million for the year in the unaudited pro forma consolidated statement of cash flows as if the Husky Share Exchange had been completed on 1 January 2014.

For the purposes of the Unaudited Pro Forma Financial Information, the fair value of the 84,427,246 CKH Holdings Shares to be issued by CKH Holdings amounting to HK\$12,960 million is determined with reference to the closing price of HK\$153.5 per Cheung Kong Share as at 27 February 2015.

Since the fair value of the 84,427,246 CKH Holdings Shares on the date of completion of the Husky Share Exchange may be substantially different from the value used in the Unaudited Pro Forma Financial Information, the final amount of the fair value of the Husky Sale Shares may be different from the amount presented above.

### (3) **Hutchison Proposal**

As at the Latest Practicable Date, the CKH Holdings Group owned approximately 49.97% of the issued shares of Hutchison, and the remaining 50.03% (the “**Scheme Shares**”) was held by the scheme shareholders of Hutchison (the “**Scheme Shareholders**”). Pursuant to the Hutchison Proposal, a wholly-owned subsidiary of CKH Holdings is making a conditional share exchange offer to the Scheme Shareholders for the cancellation of all the Scheme Shares by way of a scheme of arrangement of Hutchison under the Companies Ordinance. Upon completion, Hutchison will become an indirect wholly-owned subsidiary of CKH Holdings.

The pro forma adjustments represent the acquisition of the additional 50.03% interest in Hutchison and reflect an increase in “Share Capital” and “Share Premium” under “Equity” and “Associated companies” under “Non-current Assets” upon the issuance of 1,459,086,916 CKH Holdings Shares by CKH Holdings (the “**Hutchison Consideration Shares**”) as consideration for the cancellation of all the Scheme Shares in the unaudited pro forma consolidated statement of financial position as at 31 December 2014. The investment in the 49.97% and 50.03% equity interests in Hutchison presented under “Associated companies” is eliminated in Note 5.

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## APPENDIX VI UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

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For the purposes of the Unaudited Pro Forma Financial Information, the fair value of the Hutchison Consideration Shares amounting to HK\$223,970 million is determined with reference to the closing price of HK\$153.5 per Cheung Kong Share as at 27 February 2015.

Since the fair value of the Hutchison Consideration Shares on the date of completion of the Hutchison Proposal may be substantially different from the value used in the Unaudited Pro Forma Financial Information, the final amount of the fair value of the Hutchison Consideration Shares may be different from the amount presented above.

#### **(4) Spin-off Proposal**

The Spin-off Proposal involves the separate listing of the CK Property Shares on the Main Board of the Stock Exchange by way of introduction following the Distribution In Specie of such CK Property Shares. As part of the Property Businesses Combination, the Combined Property Businesses will be reorganised to form part of the CK Property Group and settled by the issuance of one CK Property Share to the Resulting CKH Holdings Group. The Resulting CKH Holdings Group will also receive a promissory note of HK\$55 billion from CK Property Group for settlement of Specified Loans, the redemption of which is expected to be within a short period of time upon the completion of the Spin-off Proposal.

CK Property will issue shares to the shareholders of CKH Holdings in the ratio of one CK Property Share for every one CKH Holdings Share held at the DIS Record Time. The issuance of shares by CK Property to shareholders of CKH Holdings will be treated as a deemed distribution by CKH Holdings.

The pro forma adjustments represent:

- (i) the exclusion of assets and liabilities of the Combined Property Businesses as at 31 December 2014 at fair values in the unaudited pro forma consolidated statement of financial position and a corresponding reduction in “Share Premium” under “Equity” as if the Distribution In Specie had been completed on 31 December 2014;
- (ii) the exclusion of the income and expenses and cash flows of the Combined Property Businesses assuming the Distribution In Specie had taken place on 1 January 2014. The difference between the fair values of the assets distributed and their carrying amounts will be recognised as a gain from the Distribution In Specie in the unaudited pro forma consolidated income statement pursuant to Hong Kong Financial Interpretation Committee Interpretation 17 “Distributions of Non-cash Assets to Owners”; and



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## APPENDIX VI UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

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- (iii) the inclusion of cash of HK\$55 billion to be settled by CK Property Group to the Resulting CKH Holdings Group in the unaudited pro forma consolidated statement of cash flows and the unaudited pro forma consolidated statement of financial position as if the settlement had taken place during 2014.

These pro forma adjustments are not expected to have a continuing effect on the consolidated income statement and consolidated statement of cash flows of CKH Holdings.

For the purposes of the Unaudited Pro Forma Financial Information, the fair value of the Combined Property Businesses is determined with reference to the external valuation of the property interests of the Combined Property Businesses that were valued by the Property Valuers as at 28 February 2015.

Since the fair value of the Combined Property Businesses on the date of completion of the Distribution In Specie may be substantially different from the value used in the Unaudited Pro Forma Financial Information, the final amount of the fair value of the Combined Property Businesses and the gain from the Distribution In Specie may be different from the amounts presented above.

### **(5) De-recognition of investment in Hutchison and Purchase Price Allocation adjustments**

Upon completion of the Hutchison Proposal, Hutchison will become an indirect wholly owned subsidiary of CKH Holdings. In accordance with Hong Kong Financial Reporting Standard 3 “Business Combinations” (“**HKFRS 3**”), the Hutchison Proposal is accounted for as a business combination achieved in stages. The acquirer should re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss in the profit and loss. Accordingly, the identifiable assets and liabilities of the Hutchison Group will be accounted for in the Unaudited Pro Forma Financial Information under acquisition accounting at fair values estimated by the directors.

The pro forma adjustments represent:

- (i) the re-measurement loss of the CKH Holdings Group’s existing interests in Hutchison of HK\$4,763 million, which includes the realisation of exchange reserve and other reserves deficits;
- (ii) the fair value adjustments on the carrying values of the identifiable assets and liabilities of the Hutchison Group;
- (iii) the excess amount of the consideration over the CKH Holdings Group’s share of the fair values of the identifiable assets and liabilities of the Hutchison Group recognised as goodwill of HK\$131,712 million;

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## APPENDIX VI UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

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- (iv) the profit or loss impact arising from the adjustments to fair values of the identifiable assets and liabilities including impacts to depreciation and amortisation and interest expenses pursuant to the acquisition accounting as if the Hutchison Proposal had been completed on 1 January 2014;
- (v) the elimination of dividend received by the Cheung Kong Group from Hutchison of HK\$19,939 million as if the Hutchison Proposal had been completed on 1 January 2014;
- (vi) the elimination of the CKH Holdings Group's investment costs in Hutchison previously held as associated companies; and
- (vii) the directors have assessed whether there is any indication of impairment in respect of fixed assets, intangible assets and goodwill with reference to Hong Kong Accounting Standard 36 "Impairment of Assets".

The adjustments in (iv) above are expected to have a continuing effect on the consolidated income statement of CKH Holdings.

Since the fair values of the Hutchison Consideration Shares, Cheung Kong Group's existing interests in Hutchison and the identifiable assets and liabilities of the Hutchison Group at the date of completion of the Hutchison Proposal may be substantially different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information, the final amounts of the identifiable net assets (including intangible assets), goodwill and losses from the re-measurement of the existing interest in Hutchison to be recognised in connection with the Hutchison Proposal may be different from the amounts presented above.

### **(6) Accounting for entities co-owned by Cheung Kong and Hutchison**

The Cheung Kong Group invests in infrastructure businesses through joint ventures with parties including Cheung Kong Infrastructure Holdings Limited ("CKI") and Power Assets Holdings Limited ("**Power Assets**").

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These infrastructure businesses comprise:

<b>Name</b>	<b>Effective voting right exercisable by Cheung Kong Group as at the Latest Practicable Date</b>	<b>Effective voting right exercisable by the Resulting CKH Holdings Group upon completion of the Hutchison Proposal</b>
Northumbrian Water Group Limited ("Northumbrian Water")	40%	80%
Park'N Fly, Inc. ("Park'N Fly")	50%	100%
AVR-Afvalverwerking B.V. ("AVR")	35%	70%
Australian Gas Networks Limited ("AGN")	33.33%	66.7%
Wales & West Utilities Limited ("WWU")	30%	60%

According to the shareholders' agreements of AVR, AGN and WWU, decisions on certain relevant operating activities of these joint ventures would require approval of at least 80% or more of the votes cast on a poll taken at the respective meetings of their boards of directors. Accordingly, the Resulting CKH Holdings Group will not have the ability to exercise control over these three joint ventures and these investments continued to be accounted for using the equity method of accounting as interests in joint ventures under Hong Kong Financial Reporting Standard 11 "Joint Arrangements".

The net debts, based on the principal amount of bank and other debts less cash and cash equivalents, of AVR, AGN and WWU amounting to HK\$3,096 million, HK\$13,554 million and HK\$15,807 million, respectively, as at 31 December 2014 are not consolidated in the Unaudited Pro Forma Financial Information.

Upon completion of the Hutchison Proposal, entities co-owned by Cheung Kong and Hutchison over which CKH Holdings has control (the "Entities"), including Northumbrian Water and Park'N Fly, will become indirectly owned subsidiaries of the Resulting CKH Holdings Group. In accordance with HKFRS 3, the identifiable assets and liabilities of the Entities will be accounted for in the Unaudited Pro Forma Financial Information under acquisition accounting at fair values estimated by the directors. In addition, certain available for sale investments of the Cheung Kong Group will become associated companies of the Resulting CKH Holdings Group and will be accounted for using the equity method of accounting upon completion of the Hutchison Proposal.

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The pro forma adjustments represent:

- (i) the consolidation of the financial position of the Entities as at 31 December 2014 by CKH Holdings as if the Hutchison Proposal had been completed on 31 December 2014. The fair values of the identifiable assets and liabilities of the Entities included in the unaudited pro forma consolidated statement of financial position at 31 December 2014 are estimated by the directors. Income and expenses and cash flows of the Entities are consolidated in the unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of cash flows for the year as if the Hutchison Proposal had been completed on 1 January 2014;
- (ii) the elimination of investment costs in the Entities and share capital and reserves;
- (iii) the reversal of interest income and expenses arising from loans made to the Entities by the Cheung Kong Group and CKI as if the Hutchison Proposal had been completed on 1 January 2014;
- (iv) the elimination of dividend received by the Cheung Kong Group and CKI from the Entities of HK\$1,945 million as if the Hutchison Proposal had been completed on 1 January 2014;
- (v) the gain on re-measurement of the existing interests in the Entities held by the Cheung Kong Group of HK\$19,082 million, which includes the realisation of exchange reserve and other reserves surplus as if the Hutchison Proposal had been completed on 1 January 2014; and
- (vi) the share of profit or losses after tax using the equity method of accounting in the unaudited pro forma consolidated income statement and the corresponding adjustments in the unaudited pro forma statement of cash flows of those entities which were accounted for as available for sale investments by the Cheung Kong Group and become associated companies of the Resulting CKH Holdings Group as if the Hutchison Proposal had been completed on 1 January 2014; and the corresponding adjustments in the unaudited pro forma consolidated statement of financial position as if the Hutchison Proposal had been completed on 31 December 2014.

The adjustments in (vi) above are expected to have a continuing effect on the consolidated income statement of CKH Holdings and the adjustments in (i) above are expected to have a continuing effect on the consolidated statement of cash flows of CKH Holdings.

- (7) The pro forma adjustments represent the estimated legal and professional fees for the Merger Proposal, the Spin-off Proposal and the Distribution In Specie amounting to HK\$250 million, which will be borne by the Resulting CKH

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Holdings Group. These adjustments are not expected to have continuing effect on the consolidated income statement and consolidated statement of cash flows of CKH Holdings.

- (8) The pro forma adjustments reflect the reclassification of certain financial statement line items to conform with the presentation adopted by the Resulting CKH Holdings Group.
- (9) The unadjusted consolidated net tangible assets of CKH Holdings attributable to ordinary shareholders of CKH Holdings as at 31 December 2014 of HK\$394,145 million is derived from the audited consolidated statement of financial position of Cheung Kong as at 31 December 2014, as set out in the 2014 annual results announcement of Cheung Kong, which is based on the audited consolidated net assets of Cheung Kong attributable to ordinary shareholders of Cheung Kong as at 31 December 2014 of HK\$394,145 million.

The unaudited pro forma net tangible assets of the Resulting CKH Holdings Group attributable to ordinary shareholders of CKH Holdings of HK\$119,415 million is derived from the unaudited pro forma consolidated statement of financial position of the Resulting CKH Holdings Group as set out in section I of this appendix, which is based on the unaudited pro forma net assets of the Resulting CKH Holdings Group attributable to ordinary shareholders of CKH Holdings of HK\$365,541 million, excluding the total intangible assets of the Resulting CKH Holdings Group attributable to ordinary shareholders of CKH Holdings as of 31 December 2014 of HK\$246,126 million.

- (10) The unadjusted consolidated net tangible assets of CKH Holdings per share as at 31 December 2014 is determined based on 2,316,164,338 issued shares of Cheung Kong as at 31 December 2014.

The unaudited pro forma net tangible assets of the Resulting CKH Holdings Group per Share is determined based on 3,859,678,500 shares of CKH Holdings assumed to be issued and outstanding as at 31 December 2014, representing 2,316,164,338 existing Cheung Kong Shares as at 31 December 2014 and 84,427,246 and 1,459,086,916 shares to be issued pursuant to the Husky Share Exchange and Hutchison Proposal respectively.

- (11) No other adjustment has been made to the unaudited pro forma consolidated statement of financial position to reflect any trading results or other transactions of the Resulting CKH Holdings Group entered into subsequent to 31 December 2014, or to the unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of cash flows to reflect any trading results or other transactions entered into by the Resulting CKH Holdings Group subsequent to 31 December 2014. In particular, the Unaudited Pro Forma Financial Information has not taken into account the proposed acquisition of certain aircraft as disclosed in the announcement of Cheung Kong dated 4 November 2014, the proposed acquisition of Eversholt Rail Group by CK Investments S.a.r.l, which is

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jointly owned by CKI and Cheung Kong as disclosed in the announcement of CKI dated 20 January 2015, the proposed acquisition of O<sub>2</sub> UK by Hutchison as disclosed in the announcement of Hutchison dated 25 March 2015 and the proposed payment of second interim dividends in lieu of final dividends of HK\$6,985 million and HK\$7,482 million by Cheung Kong and Hutchison respectively on 26 February 2015.

**(12) Additional analysis**

***(a) Unaudited pro forma revenue and EBITDA of the Resulting CKH Holdings Group and profit attributable to ordinary shareholders of CKH Holdings***

Had completion of the Merger Proposal taken place on 1 January 2014, the unaudited pro forma revenue and EBITDA\* of the Resulting CKH Holdings Group (inclusive of the Resulting CKH Holdings Group's proportionate share of associated companies and joint ventures' respective items) by operating segments, geographical locations and major contribution would have been as follows:

	<b>Revenue</b>	<b>EBITDA</b>
	<i>HK\$'millions</i>	<i>HK\$'millions</i>
The Resulting CKH Holdings Group's		
Revenue	275,674	275,674
Cost of inventories sold		(110,385)
Staff costs		(36,093)
Telecommunications customer acquisition costs		(24,165)
Other operating expenses	_____	(54,618)
	275,674	50,413
Share of revenue / EBITDA of the Resulting CKH Holdings Group's associated companies and joint ventures <sup>(i)</sup>	_____	46,873
Unaudited pro forma revenue / EBITDA (inclusive of the Resulting CKH Holdings Group's proportionate share of associated companies and joint ventures' respective items)	_____	97,286

\* EBITDA is defined as earnings before interest expenses and other finance costs, tax, depreciation and amortisation. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles in Hong Kong and the EBITDA measures used by the Resulting CKH Holdings Group may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

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	<u>Revenue</u>		<u>EBITDA</u>	
	<i>HK\$'millions</i>	<i>%</i>	<i>HK\$'millions</i>	<i>%</i>
<i>Analysis by operating segments:</i>				
Ports and related services	35,953	8%	12,284	13%
Retail	157,397	37%	15,549	16%
Infrastructure <sup>(ii)</sup>	54,238	13%	30,105	31%
Husky Energy	67,902	16%	17,056	17%
3 Group Europe <sup>#</sup>	65,623	15%	15,598	16%
Hutchison				
Telecommunications				
Hong Kong Holdings <sup>#</sup>	16,296	4%	2,780	3%
Hutchison Asia				
Telecommunications <sup>#</sup>	5,757	1%	(278)	–
Finance & Investments and				
Others	<u>24,451</u>	<u>6%</u>	<u>4,192</u>	<u>4%</u>
	<u><u>427,617</u></u>	<u><u>100%</u></u>	<u><u>97,286</u></u>	<u><u>100%</u></u>
<i>Analysis by geographical locations:</i>				
Hong Kong	58,789	14%	6,321	6%
Mainland China	38,069	9%	9,887	10%
Europe	190,691	44%	47,101	49%
Canada	66,670	16%	15,593	16%
Asia, Australia and others	48,947	11%	14,192	15%
Finance & Investments and				
Others	<u>24,451</u>	<u>6%</u>	<u>4,192</u>	<u>4%</u>
	<u><u>427,617</u></u>	<u><u>100%</u></u>	<u><u>97,286</u></u>	<u><u>100%</u></u>
<i>Contribution from:</i>				
Cheung Kong Non-Property				
Businesses <sup>(iii)</sup>	12,156		6,374	
Hutchison Non-Property				
Businesses <sup>(iv)</sup>	404,927		88,266	
Husky additional 6.24% contribution	<u>10,534</u>		<u>2,646</u>	
	<u><u>427,617</u></u>		<u><u>97,286</u></u>	

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# Represent the Resulting CKH Holdings Group's telecommunications division which consists of 3 Group Europe with businesses in 6 countries in Europe ("3 Group Europe"), a 65.01% interest in Hutchison Telecommunications Hong Kong Holdings Limited ("Hutchison Telecommunications Hong Kong Holdings") which is listed on the Stock Exchange of Hong Kong, Hutchison Asia Telecommunications Limited ("Hutchison Asia Telecommunications"), and an 87.87% interest in the Australian Securities Exchange listed Hutchison Telecommunications (Australia) Limited, which has a 50% interest in a joint venture company, Vodafone Hutchison Australia Pty Limited ("VHA").

Had completion of the Merger Proposal taken place on 1 January 2014, the unaudited pro forma profit attributable to ordinary shareholders of CKH Holdings can be further analysed as follows:

*HK\$'millions*

Unaudited pro forma profit attributable to ordinary shareholders of CKH Holdings:	
– Recurring profit attributable to ordinary shareholders	31,157
– Profits on disposal of investments and others	<u>74,455</u>
	<u><u>105,612</u></u>

Contribution of recurring profit attributable to ordinary shareholders:

*HK\$'millions*

Cheung Kong Non-Property Businesses <sup>(iii)</sup>	1,101
Hutchison Non-Property Businesses <sup>(iv)</sup>	23,655
Husky additional 6.24% contribution	776
Depreciation and amortisation and interest expenses impacts arising from the fair value adjustments on acquisition	<u>5,625</u>
	<u><u>31,157</u></u>



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Profits on disposal of investments and others mainly comprise:

	<i>HK\$'millions</i>
Marked-to-market gain on CKI's investment in AGN	1,748
Share of gain arising from Power Assets' separate listing of its Hong Kong electricity business	16,066
Impairment of goodwill and store closure provisions	(652)
Provisions relating to the restructuring of 3 Ireland business	(3,388)
Impairment charges on certain port assets and related provisions	(581)
Share of Husky's impairment charge on certain crude oil and natural gas assets	(1,672)
Share of operating losses of joint venture VHA	(1,732)
Costs of the Scheme	(250)
Net gain on de-recognition of investments in Hutchison and other joint ventures to become subsidiary companies	14,335
Gain on Distribution In Specie of property businesses	<u>50,581</u>
	<u><u>74,455</u></u>

(i) Share of revenue / EBITDA of the Resulting CKH Holdings Group's associated companies and joint ventures mainly include:

- (a) the Hutchison Group's share of associated companies and joint ventures retained after the spin off of property businesses to CK Property, mainly include Husky, Power Assets and joint ventures of CKI not co-owned with Cheung Kong Group. The proportionate share of Husky's revenue and EBITDA includes the additional 6.24% share of Husky, resulting in an aggregate share of approximately 40.20%;
- (b) the proportionate share of infrastructure businesses co-owned by Cheung Kong Group and Hutchison Group: 70% of AVR, 72.48% of AGN and 60% of WWU; and
- (c) the proportionate share of Cheung Kong Group's 45.3% share of CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences").

(ii) The Infrastructure operating segment of the Resulting CKH Holdings Group mainly include:

- (a) CKI;
- (b) the adjustment to consolidate Northumbrian Water and Park'N Fly as subsidiary companies;
- (c) the proportionate share of AVR, AGN and WWU; and
- (d) aircraft leasing business.

(iii) The Cheung Kong Non-Property Businesses mainly include:

- (a) the Cheung Kong Group's proportionate share of infrastructure businesses of 35% of AVR, 27.51% of AGN and 30% of WWU;

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- (b) the 60% share of Northumbrian Water (including Cheung Kong Group's 40% share and non-controlling interests' 20% share) and 50% of Park'N Fly;
  - (c) aircraft leasing business; and
  - (d) the proportionate share of Cheung Kong Group's 45.3% share of CK Life Sciences.
- (iv) The Hutchison Non-Property Businesses mainly include:
- (a) Ports, Retail and Telecommunications businesses of Hutchison Group;
  - (b) the proportionate share of 33.96% of Husky of Hutchison Group;
  - (c) the Hutchison's proportionate share of 40% of Northumbrian Water and 50% of Park'N Fly; and
  - (d) the Hutchison's proportionate share of infrastructure businesses of 35% of AVR, 44.97% of AGN and 30% of WWU.

**(b) *Unaudited pro forma bank and other debts and net debt of the Resulting CKH Holdings Group***

Had completion of the Merger Proposal taken place on 1 January 2014, the unaudited pro forma debt maturity profile and net debt would have been as follows:

**Debt maturity profile**

*HK\$'millions*

Unaudited pro forma bank and other debts of the Resulting CKH Holdings Group:	
– Current	60,466
– Non-current	<u>273,886</u>
	<u><u>334,352</u></u>
Analysed as:	
– Principal amount	321,614
– Unamortised loan facility fees and unrealised gain pursuant to interest rate swap contracts	1,932
– Fair value adjustment on acquisition	<u>10,806</u>
	<u><u>334,352</u></u>

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*HK\$'millions*

Bank and other loans at principal amount are repayable as follows:	
– In 2015	60,005
– In 2016	34,734
– In 2017	85,130
– In 2018	12,375
– In 2019	30,045
– Beyond 2019	<u>99,325</u>
	<u><u>321,614</u></u>

**Unaudited pro forma net debt\***

*HK\$'millions*

Unaudited pro forma net debt of the Resulting CKH Holdings Group:	
Bank and other debts	
– Current	60,466
– Non-current	<u>273,886</u>
	334,352
Cash, liquid funds and other listed investments	
– Cash and cash equivalents	201,721
– Liquid funds and other listed investments	<u>14,036</u>
	215,757
Unaudited pro forma net debt	<u><u>118,595</u></u>
Unaudited pro forma net debt to net total capital ratio*	<u><u>18.2%</u></u>

\* Net debt is defined as total amount of bank and other debts net of total cash, liquid funds and other listed investments. Net total capital is defined as total amount of bank and other debts plus total equity and loans from non-controlling shareholders (inclusive of HK\$1 billion interest free loans from non-controlling shareholders) net of total cash, liquid funds and other listed investments.

(13) For the purpose of preparing the Unaudited Pro Forma Financial Information, the translation of certain foreign currencies to HK\$ were made at the following rates:

Australian dollars (AUD)	6.0614
Canadian dollars (CAD)	6.2087
Renminbi (RMB)	1.2400
Danish Krone (DKK)	1.1646
Euro (EUR)	8.6947
Israeli Shekel (ILS)	1.9557
Pound Sterling (GBP)	11.9514
Swedish Krona (SEK)	0.9295

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### 2. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*



羅兵咸永道

### INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE COMPOSITE SCHEME DOCUMENT

TO THE DIRECTORS OF CK HUTCHISON HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CK Hutchison Holdings Limited (“CKH Holdings”) and its subsidiaries (collectively the “CKH Holdings Group”) and Hutchison Whampoa Limited (“Hutchison”) and its subsidiaries (the “Hutchison Group”) (collectively the “Resulting CKH Holdings Group”) by the directors of CKH Holdings for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2014, the unaudited pro forma consolidated statement of financial position and the unaudited pro forma statement of net tangible assets of the Resulting CKH Holdings Group as at 31 December 2014, and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages VI-1 to VI-19 of the composite scheme document dated 31 March 2015 (the “Scheme Document”), in connection with (1) the proposed share exchange offer by a wholly owned subsidiary of CKH Holdings to the Scheme Shareholders for the cancellation of all the Scheme Shares by way of a scheme of arrangement (the “Scheme”) and (2) the proposed acquisition by the Hutchison Group of 6.24% of the common shares of Husky Energy Inc. in issue (the “Husky Share Exchange”). Immediately following the completion of the Scheme, the property businesses of the CKH Holdings Group and the Hutchison Group are proposed to be reorganised under Cheung Kong Property Holdings Limited (“CK Property”) and thereafter, it is proposed that a spin-off of CK Property be implemented by way of the Distribution In Specie of CK Property shares to the shareholders of CKH Holdings (together with the Scheme and the Husky Share Exchange, the “Transactions”). The applicable criteria on the basis of which the directors of CKH Holdings have compiled the Unaudited Pro Forma Financial Information are described on pages VI-1 to VI-19. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Scheme Document.

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The Unaudited Pro Forma Financial Information has been compiled by the directors of CKH Holdings to illustrate the impact of the Transactions on the CKH Holdings Group's financial position as at 31 December 2014 and the CKH Holdings Group's financial performance and cash flows for the year ended 31 December 2014 as if the Transactions had taken place at 31 December 2014 and 1 January 2014 respectively. As part of this process, information about the CKH Holdings Group's financial position, financial performance and cash flows has been extracted by the directors of CKH Holdings from the financial statements of Cheung Kong (Holdings) Limited for the year ended 31 December 2014, on which an audit report has been published.

### **Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors of CKH Holdings are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), as if paragraph 4.29 of the Listing Rules were applicable to the Scheme, and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### **Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, as if paragraph 4.29 of the Listing Rules were applicable to the Scheme, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors of CKH Holdings have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules, as if paragraph 4.29 of the Listing Rules were applicable to the Scheme, and with reference to AG 7 issued by the HKICPA.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a composite scheme document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction

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## APPENDIX VI UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING CKH HOLDINGS GROUP

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had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions at 1 January 2014 or 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of CKH Holdings in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of CKH Holdings on the basis stated;
- (b) such basis is consistent with the accounting policies of the CKH Holdings Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules, as if paragraph 4.29 of the Listing Rules were applicable to the Scheme.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, 31 March 2015

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## APPENDIX VII      INFORMATION ON THE CK PROPERTY GROUP AND THE SPIN-OFF PROPOSAL

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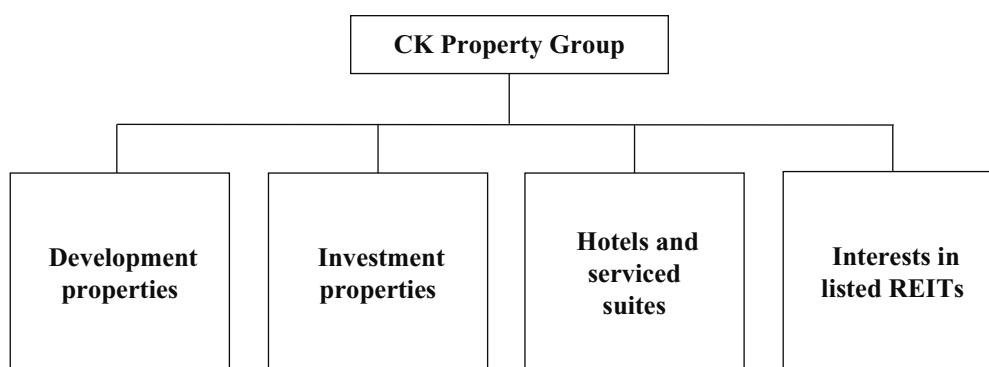
### OVERVIEW OF THE CK PROPERTY GROUP

The CK Property Group is one of Hong Kong's largest property developers with a leading market share in Hong Kong, strong penetration in the PRC and an international presence through its operations in Singapore and the United Kingdom. CK Property's predecessor, Cheung Kong, became listed in Hong Kong in 1972 and the CK Property Group benefits from a long and successful track record of over 40 years.

#### *The CK Property Group's Principal Activities*

The CK Property Group has diverse capabilities with principal activities encompassing property development and investment, hotel and serviced suite operation and property and project management.

#### *The CK Property Group's Property Interests*



The CK Property Group's property interests comprise the following:

- *Development properties*, which include properties for and under development (including completed properties held for sale) and properties in which the CK Property Group has a development interest;
- *Investment properties*, which include office, retail and industrial properties and car park spaces;
- *Hotels and serviced suites*; and
- *Interests in listed REITs*, which include unitholding interests in Fortune REIT, Prosperity REIT and Hui Xian REIT. The CK Property Group also has interests in ARA Asset Management Limited (which is the holding company of the managers of Fortune REIT and Prosperity REIT) and Hui Xian Asset Management Limited (which is the manager of Hui Xian REIT).

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## APPENDIX VII      INFORMATION ON THE CK PROPERTY GROUP AND THE SPIN-OFF PROPOSAL

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### OVERVIEW OF THE CK PROPERTY GROUP'S PROPERTY PORTFOLIO

The CK Property Group has a diversified portfolio of properties globally, which includes properties located in Hong Kong, the PRC, Singapore, the United Kingdom and The Bahamas.

As at 31 December 2014, the Combined Property Businesses (which will be held by the CK Property Group pursuant to the Property Businesses Combination) had a total attributable interest in approximately 1.6 million sq.m. of rental properties, a development land bank of approximately 15.8 million sq.m. (of which approximately 14.5 million sq.m. is located in the PRC), more than 14,600 hotel rooms and also managed approximately 21 million sq.m. of properties in Hong Kong and the PRC.

As at 28 February 2015, the CK Property Group's diverse portfolio of development properties, investment properties and hotels and serviced suites that were valued by the Property Valuers (as set out in "*Appendix VIII – Property Valuation*") had a total valuation of approximately HK\$420.1 billion. The property interests of the CK Property Group that were not valued by the Property Valuers included agricultural land lots with an aggregate net book value of approximately HK\$1.1 billion as at 31 December 2014.

#### **Property Valuation**

A full list of the properties and a summary of the values of such properties issued by the Property Valuers are included in "*Appendix VIII – Property Valuation*". The full property valuation reports issued by the Property Valuers are available for inspection as described in "*Appendix XII – Documents Available for Inspection*".



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A reconciliation of the net book value of the properties as at 31 December 2014 as set out in “*Appendix IXA – Accountants’ Report on the Cheung Kong Property Group*” and “*Appendix IXB – Accountants’ Report on the Hutchison Property Group*” to their fair value as at 28 February 2015 as stated in “*Appendix VIII – Property Valuation*” is set out below:

	<u>HK\$ million</u>
<b>Cheung Kong Property Group</b>	
Net book value as at 31 December 2014	
Hotels and serviced suites	
– in Hong Kong	9,256
– outside Hong Kong	529
Investment properties	33,285
Stock of properties	<u>73,259</u>
	<u>116,329</u>
<b>Hutchison Property Group</b>	
Net book value as at 31 December 2014	
Leasehold land classified as finance leases	763
Hotels and other properties	3,384
Investment properties	72,905
Stock of properties	<u>1,388</u>
	<u>78,440</u>
<b>Joint Ventures</b>	
Net book value of property interests as at 31 December 2014	<u>103,974</u>
Total combined net book value as at 31 December 2014	298,743
Property interests excluded from valuation <sup>(1)</sup>	(4,404)
Net changes during the period from 1 January 2015 to 28 February 2015 <sup>(2)</sup>	<u>4,255</u>
<b>Total</b>	298,594
Add: Valuation surplus	<u>144,737</u>
Gross valuation as at 28 February 2015 as set out in “ <i>Appendix VIII – Property Valuation</i> ”	<u>443,331</u>
Gross valuation attributable to the CK Property Group	<u><u>420,149</u></u>

*Notes:*

- (1) Excludes Chongqing Metropolitan Plaza of which the sale to Hui Xian REIT was completed on 2 March 2015.
- (2) Includes additions, disposals, depreciation and amortisation during the period from 1 January 2015 to 28 February 2015.

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### THE PROPERTY BUSINESSES COMBINATION

In preparation for the listing of CK Property and before the commencement of dealings in CK Property Shares on the Stock Exchange, a number of pre-completion and reorganisation steps have been or will be taken, pursuant to which interests in the Combined Property Businesses currently under the CKH Holdings Group and/or the Group will be reorganised under the CK Property Group. The reorganisation steps include the following:

- (a) shares in a number of the CPB Companies will be reorganised to form part of the CK Property Group; and
- (b) loans owing by certain CPB Companies to the Cheung Kong Group or the Group at Completion (as defined below) will be assigned to the CK Property Group.

Further details of the reorganisation steps are set out below.

#### A. *The Specified Loans Purchase Agreement*

It is proposed that the Specified Loans Purchase Agreement will be entered into among CKH Holdings, CK Property, a wholly-owned subsidiary of Cheung Kong and a wholly-owned subsidiary of the Company, pursuant to which CK Property will conditionally agree to accept the assignment from a number of members of the Cheung Kong Group and the Group of certain interest-bearing loans owing by certain CPB Companies to them as at Completion (as defined below) (the “**Specified Loans**”).

The proposed principal terms and conditions of the Specified Loans Purchase Agreement are summarised below.

#### (1) **Conditions to Completion of the Assignment of the Specified Loans**

Completion of the assignment of the Specified Loans will be conditional upon the fulfilment (or, where applicable, waiver) of the conditions which are summarised below:

- (a) the fulfilment (or, where applicable, waiver) of the conditions to completion of the Reorganisation Agreement Transactions (as defined and referred to in “– *The Reorganisation Agreement*” below), other than the condition relating to the fulfilment (or, where applicable, waiver) of the conditions to completion of the Specified Loans Purchase Agreement; and
- (b) the warranties given by relevant members of the Cheung Kong Group and the Group and CKH Holdings under the Specified Loans Purchase Agreement remaining true and accurate in all material respects and not misleading in any material respects.

The condition in (a) above will not be capable of being waived. CK Property will have the right to waive the condition in (b) in whole or in part. Subject to the fulfilment (or, where applicable, waiver) of the conditions above, completion of the assignment of the Specified Loans will take place simultaneously with completion of the Reorganisation

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Agreement Transactions (together referred to in this section as “**Completion**”) immediately after the Scheme becomes effective and before completion of the Distribution In Specie on the date on which the CK Property Shares are first listed on the Main Board (which is expected to be on Wednesday, 3 June 2015) (referred to in this section as the “**Completion Date**”).

### (2) Consideration

The consideration for the assignment of the Specified Loans will be an amount equal to the outstanding principal amounts of the Specified Loans as at the Completion Date plus any unpaid interest accrued thereon up to and excluding the Completion Date, such consideration will in aggregate be HK\$55 billion.

### (3) Settlement of Consideration

At Completion, the aggregate consideration for the assignment of the Specified Loans will be settled by way of the issue of a promissory note in the principal amount of HK\$55 billion by CK Property to CKH Holdings (the “**Specified Loans Promissory Note**”). Such promissory note is expected to be settled by cash on or before the fifth Business Day following the Completion Date (the “**Payment Date**”) and will be non-interest bearing (except for any amount which remains unpaid after the Payment Date, after which interest will be payable at the rate of one-month HIBOR plus 1% per annum until the date of payment of all outstanding amounts). The CK Property Group intends to enter into a HK\$55 billion syndicated loan facility with a group of lenders (the “**Loan Facility**”), the proceeds of which will be used to settle the Specified Loans Promissory Note. To cater for the event that the Loan Facility is not available to settle the Specified Loans Promissory Note when it becomes due, HSBC and Bank of America Merrill Lynch have entered into commitment letters with the CK Property Group for a bridge facility of HK\$55 billion (the “**Bridge Facility**”), such that the proceeds of the Bridge Facility may be used to settle the Specified Loans Promissory Note, with the proceeds of the Loan Facility when and if it becomes available then being used to repay the Bridge Facility.

### (4) Guarantee

It is proposed that CKH Holdings will guarantee the performance by the relevant members of the Cheung Kong Group and the Group of their respective obligations under or pursuant to the Specified Loans Purchase Agreement.

### (5) Representations and Warranties

It is expected that the Specified Loans Purchase Agreement will contain representations and warranties given severally by the relevant members of the Cheung Kong Group and the Group and representations and warranties given by CKH Holdings subject to limitations.

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### *B. The Reorganisation Agreement*

It is proposed that the Reorganisation Agreement will be entered into among CKH Holdings, CK Property, Cheung Kong, certain subsidiaries of CK Property, and certain members of the Cheung Kong Group and the Group in relation to the following transactions:

- (a) shares and/or other interests in a number of the CPB Companies will be reorganised to form part of the CK Property Group (the “**CPB Companies Share Reorganisation**”); and
- (b) loans owing by certain CPB Companies to the Cheung Kong Group or the Group (other than the Specified Loans) at Completion will be assigned to the CK Property Group (the “**Reorganisation Agreement Loans Assignment**”).

The proposed transactions in (a) and (b) above are together referred to as the “**Reorganisation Agreement Transactions**”.

The proposed principal terms and conditions of the Reorganisation Agreement are summarised below.

#### **(1) Conditions to Completion of the Reorganisation Agreement Transactions**

Completion of the Reorganisation Agreement Transactions will be conditional upon the fulfilment (or, where applicable, waiver) of a number of conditions which are summarised below:

- (a) the Scheme having become effective;
- (b) all authorisations which may be required in connection with the transactions contemplated under the Reorganisation Agreement under any existing contractual arrangements having been obtained and all regulatory filing obligations having been complied with;
- (c) the warranties given by the relevant members of the Cheung Kong Group and the Group and CKH Holdings under the Reorganisation Agreement (together, the “**CKH Holdings Warranties**”) remaining true and accurate in all material respects and not misleading in any material respect and there being no material adverse change or effect on the CPB Companies as a whole resulting from any of the CKH Holdings Warranties not being true and accurate or being misleading;
- (d) there being no material breach of any terms of the Reorganisation Agreement on the part of the relevant members of the Cheung Kong Group and the Group resulting in any material adverse change or effect on the CPB Companies as a whole; and

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- (e) the fulfilment (or, where applicable, waiver) of the conditions to completion of the assignment of the Specified Loans, other than the condition relating to the fulfilment (or, where applicable, waiver) of the conditions to completion of the Reorganisation Agreement Transactions.

The conditions in (a) and (e) above will not be capable of being waived. CK Property will have the right to waive any of the conditions in (b) to (d) above in whole or in part and either generally or in respect of any particular matter.

Subject to the fulfilment (or, where relevant, waiver) of the conditions referred to above, completion of the Reorganisation Agreement Transactions will take place simultaneously with completion of the assignment of the Specified Loans immediately after the Scheme becomes effective and before completion of the Distribution In Specie on the listing date of CK Property.

### **(2) Consideration**

#### *(i) Consideration for the CPB Companies Share Reorganisation*

The consideration for the CPB Companies Share Reorganisation will be an amount equal to the aggregate of the net asset values attributable to ordinary / common shareholders of the CPB Companies as at the Completion Date based on (i) the unaudited consolidated net asset value attributable to ordinary / common shareholders as at 31 March 2015 of the relevant CPB Companies and (ii) the estimated changes in the unaudited consolidated net asset value attributable to ordinary / common shareholders of the relevant CPB Companies during the period from 1 April 2015 to the day immediately preceding the Completion Date, as agreed between CKH Holdings and CK Property.

#### *(ii) Consideration for the Reorganisation Agreement Loans Assignment*

The consideration for the Reorganisation Agreement Loans Assignment will be an amount equal to the aggregate of the outstanding principal amounts of the relevant loans as at the Completion Date (if applicable, plus any unpaid interest accrued thereon up to and excluding the Completion Date).

### **(3) Settlement of Consideration**

The aggregate consideration for the Reorganisation Agreement Transactions will be settled by way of the issue of a promissory note (the “**Reorganisation Promissory Note**”) by CK Property to CKH Holdings, and the debt due from CK Property to CKH Holdings pursuant to such promissory note will be settled at Completion through the issue of one new CK Property Share by CK Property to CKH Holdings credited as fully paid at a premium, with the premium equal to the principal amount of that promissory note less HK\$1 (being the par value of one CK Property Share).

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### **(4) Passing of Economic Interests**

The reorganisation of the shares of certain CPB Companies to form part of the CK Property Group will require third party consents (the “**Third Party Consents**”). In the event that, in respect of any CPB Company, the relevant Third Party Consent cannot be obtained to the satisfaction of CK Property on or before 10 Business Days prior to the Completion Date (the “**CPB Specified Companies**”), the relevant members of the Cheung Kong Group and the Group will, pursuant to arrangements entered into, pass the economic interests in and obligations in respect of such CPB Specified Company to the CK Property Group, upon Completion, with the remaining steps of the Reorganisation Agreement Transactions in respect of the relevant CPB Specified Companies to take place within five Business Days (a) after the Completion Date (in relation to the CPB Specified Companies the Third Party Consents of which are obtained within 10 Business Days prior to the Completion Date) or (b) after the date when the relevant Third Party Consents are obtained (in relation to the CPB Specified Companies the Third Party Consents of which are obtained on or after the Completion Date).

### **(5) Representations and Warranties**

It is proposed that the Reorganisation Agreement will contain representations and warranties given severally by the relevant members of the Cheung Kong Group and the Group, and representations and warranties given by CKH Holdings subject to limitations.

### **(6) Guarantees**

It is proposed that under the Reorganisation Agreement:

- (a) CKH Holdings will agree to guarantee the performance by the Cheung Kong Group and the Group of their respective obligations under or pursuant to the Reorganisation Agreement; and
- (b) CK Property will agree to guarantee the performance by the relevant members of the CK Property Group of their obligations under or pursuant to the Reorganisation Agreement.

### **(7) Undertakings**

It is proposed that under the Reorganisation Agreement, CK Property will use all reasonable endeavours to procure that, as from Completion (and, in the case of the CPB Specified Companies, the completion of the reorganisation of the relevant CPB Specified Companies to form part of the CK Property Group), all members of the CKH Holdings Group are released from all guarantees and indemnities given by any of them in respect of any obligations of any CPB Companies and, pending such release, CK Property will indemnify such members of the CKH Holdings Group against all liabilities arising under the above guarantees and indemnities in respect of, or attributable to, the period after Completion.

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### *C. Deed of Tax Indemnity*

It is proposed that CK Property will enter into a deed of tax indemnity (the “**Deed of Tax Indemnity**”) with CKH Holdings, Cheung Kong and Hutchison International Limited (a wholly-owned subsidiary of the Company) (“**HIL**”), under which Cheung Kong and HIL will severally covenant, conditional upon Completion having taken place and subject to limitations, to indemnify and pay for certain tax liabilities of the CPB Companies owned by the Cheung Kong Group and the Group respectively before the Property Businesses Combination including, among other things, tax liabilities arising from events occurring on or before Completion or in respect of any gains accrued on or before Completion or any tax liabilities arising as a result of the pre-completion reorganisation, the assignment of the Specified Loans, the Reorganisation Agreement Transactions, the Distribution In Specie or the Spin-off Proposal. CKH Holdings will agree to guarantee the performance by Cheung Kong and HIL of their respective obligations under the Deed of Tax Indemnity.

### **THE SPIN-OFF PROPOSAL AND THE DISTRIBUTION IN SPECIE**

Immediately following completion of the Hutchison Proposal and upon completion of the Property Businesses Combination, the Combined Property Businesses will be held by the CK Property Group, which will at that time be wholly-owned by CKH Holdings. Immediately following completion of the Property Businesses Combination, CK Property will allot and issue to the qualifying CKH Holdings Shareholders new CK Property Shares pursuant to the Distribution In Specie in the ratio of one CK Property Share for every one CKH Holdings Share held as at the DIS Record Time and immediately thereafter, the two CK Property Shares then held by CKH Holdings will be surrendered for cancellation. Accordingly, the qualifying CKH Holdings Shareholders will hold the same proportionate interests in CK Property as they hold in CKH Holdings as at the DIS Record Time.

These CKH Holdings Shareholders will include, among others, holders of the CKH Holdings Shares to be issued pursuant to (a) the Husky Share Exchange (i.e. the Husky Sale Shares Vendor (or as it may direct)) and (b) the Scheme (i.e. the Scheme Shareholders other than the Non-Qualifying Hutchison Overseas Shareholders), unless they are Non-Qualifying CKH Holdings Shareholders.

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### *Conditions Precedent to the Spin-off Proposal*

The Spin-off Proposal will be subject to the fulfilment (or, where relevant, waiver) of the following conditions precedent:

- (i) completion of the Cheung Kong Reorganisation (which occurred on 18 March 2015);
- (ii) the Listing Committee granting approval for the listing by way of introduction of, and permission to deal in, the CK Property Shares and such approval not having been revoked prior to completion of the Spin-off Proposal;
- (iii) completion of the Husky Share Exchange having occurred;
- (iv) the Scheme having become effective;
- (v) the fulfilment (or, where applicable, waiver) of the respective conditions precedent to the Specified Loans Purchase Agreement and the Reorganisation Agreement (other than the condition precedent relating to the Scheme having become effective); and
- (vi) all Authorisations which may be required in connection with the Spin-off Proposal under any existing contractual arrangements, including loan and other finance documentation, or regulatory requirements having been obtained and all regulatory filing obligations having been complied with.

CKH Holdings has reserved the right to waive the condition precedent in (vi) above in whole or in part and either generally or in respect of any particular matter. The other conditions precedent cannot be waived. As at the Latest Practicable Date, none of the above conditions (other than the condition precedent in (i) above) had been satisfied.

### *Non-Qualifying CKH Holdings Shareholders*

As at the Latest Practicable Date, based on the legal advice received and, where relevant, taking into account the number of CKH Holdings Overseas Shareholders and Overseas Shareholders in the relevant jurisdictions as at the Latest Practicable Date and/or the number of CKH Holdings Shares and Shares they then held and assuming that the relevant legal requirements remain unchanged, the CKH Holdings Overseas Shareholders in the following jurisdictions would likely be excluded from receiving CK Property Shares under the Distribution In Specie:

- (i) Australia, on the basis that there are expected to be more than 20 CKH Holdings Overseas Shareholders whose addresses registered in the register of members of CKH Holdings are located in Australia as at the DIS Record Time (the “**Australian CKH Holdings Shareholders**”);



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- (ii) the Cayman Islands, other than any CKH Holdings Overseas Shareholders which are registered as Cayman Islands exempted companies or Cayman Islands exempted limited partnerships;
- (iii) the United Arab Emirates; and
- (iv) the United States, subject to the circumstances as described below,

and therefore on the basis and subject to the exceptions described above, the CKH Holdings Shareholders in these jurisdictions are expected to be Non-Qualifying CKH Holdings Shareholders. If, at the DIS Record Time, there are 20 or fewer Australian CKH Holdings Shareholders, the Australian CKH Holdings Shareholders will not be Non-Qualifying CKH Holdings Shareholders.

CKH Holdings Shareholders in the United States will generally be considered Non-Qualifying CKH Holdings Shareholders with respect to the Distribution In Specie of CK Property Shares. Notwithstanding the foregoing, CKH Holdings may allot and issue CK Property Shares to a limited number of CKH Holdings Shareholders in the United States whom CKH Holdings reasonably believes are QIBs if it determines it can do so in transactions exempt from the registration requirements of the Securities Act.

If there is any other jurisdiction outside Hong Kong which is not referred to above in which the address of any CKH Holdings Shareholder as registered in the register of members of CKH Holdings at the DIS Record Time is located or any CKH Holdings Shareholder or beneficial owner of CKH Holdings Shares at the DIS Record Time is otherwise known by CKH Holdings to be resident, and such CKH Holdings Shareholders should, in the view of the CKH Holdings Directors and the CK Property Directors having made the relevant enquiries and having considered the circumstances, be excluded from receiving CK Property Shares pursuant to the Distribution In Specie on the basis of the legal restrictions under the applicable laws of such jurisdiction or the requirements of the relevant regulatory bodies or stock exchanges in such jurisdiction, CKH Holdings will make an announcement.

CK Property has made an application to the Stock Exchange for the listing by way of introduction of the CK Property Shares on the Main Board.

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**SELECTED OPERATING DATA OF THE CK PROPERTY GROUP**

**Development Properties**

During the three years ended 31 December 2014, the Cheung Kong Property Group and its joint ventures primarily generated turnover from property sales, and the Hutchison Property Group primarily conducted sales of properties through its joint ventures. The following table sets out a breakdown of the Cheung Kong Property Group's turnover from recognised sales of properties during the three years ended 31 December 2014:

	<b>Cheung Kong Property Group</b>		
	<b>Year ended 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Subsidiaries</b>			
Hong Kong			
<u>Residential</u>			
<b>Turnover (HK\$ million)</b>	<b>13,044</b>	<b>9,271</b>	<b>19,112</b>
Recognised saleable area (sq.m.)	158,401	133,153	166,098
Average selling price (HK\$/sq.m.)	82,348	69,627	115,065
<u>Commercial</u>			
<b>Turnover (HK\$ million)</b>	–	<b>420</b>	–
Recognised saleable area (sq.m.)	–	11,827	–
Average selling price (HK\$/sq.m.)	–	35,512	–
<u>Others</u>			
<b>Turnover (HK\$ million)</b>	<b>1,570</b>	<b>632</b>	<b>277</b>
PRC and others			
<b>Turnover (HK\$ million)</b>	–	<b>1,965</b>	–
Recognised saleable area (sq.m.)	–	73,288	–
Average selling price (HK\$/sq.m.)	–	26,812	–
<b>Total turnover (HK\$ million)</b>	<b>14,614</b>	<b>12,288</b>	<b>19,389</b>

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The following table sets out a breakdown of the Cheung Kong Property Group's share of property sales of joint ventures and a breakdown of the Hutchison Property Group's share of property sales of joint ventures based on recognised sales of properties for the three years ended 31 December 2014:

	<u>Cheung Kong Property Group</u>			<u>Hutchison Property Group</u>		
	<u>Year ended 31 December</u>			<u>Year ended 31 December</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Attributable interests in joint ventures</b>						
Hong Kong						
<b>Turnover (HK\$ million)</b>	<b>229</b>	<b>75</b>	<b>18</b>	<b>221</b>	<b>75</b>	<b>–</b>
PRC						
<u>Residential</u>						
<b>Turnover (HK\$ million)</b>	<b>10,066</b>	<b>10,866</b>	<b>5,093</b>	<b>10,038</b>	<b>10,830</b>	<b>4,991</b>
Recognised saleable area (sq.m.)	576,401	654,132	286,807	576,091	654,115	286,637
Average selling price (HK\$/sq.m.)	17,464	16,611	17,758	17,423	16,556	17,413
<u>Commercial</u>						
<b>Turnover (HK\$ million)</b>	<b>1,439</b>	<b>3,140</b>	<b>507</b>	<b>1,414</b>	<b>3,102</b>	<b>480</b>
Recognised saleable area (sq.m.)	51,645	66,953	13,993	50,937	65,715	13,246
Average selling price (HK\$/sq.m.)	27,863	46,899	36,232	27,760	47,211	36,223
<u>Others</u>						
<b>Turnover (HK\$ million)</b>	<b>112</b>	<b>240</b>	<b>131</b>	<b>116</b>	<b>246</b>	<b>135</b>
Others						
<b>Turnover (HK\$ million)</b>	<b>–</b>	<b>980</b>	<b>1,210</b>	<b>16</b>	<b>980</b>	<b>1,239</b>
<b>Total share of property sales of joint ventures (HK\$ million)</b>	<b><u>11,846</u></b>	<b><u>15,301</u></b>	<b><u>6,959</u></b>	<b><u>11,805</u></b>	<b><u>15,233</u></b>	<b><u>6,845</u></b>

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**Investment Properties**

The following table sets out the GFA, LFA, average rental rate and occupancy rate of the Cheung Kong Property Group's and the Hutchison Property Group's investment properties for the three years ended 31 December 2014:

	<b>Cheung Kong Property Group<sup>(4)(5)</sup></b>			<b>Hutchison Property Group<sup>(4)</sup></b>		
	<b>Year ended 31 December</b>			<b>Year ended 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
GFA (sq.m.) <sup>(1)</sup>	170,252	170,252	170,252	1,108,238	1,094,933	1,094,500
LFA (sq.m.) <sup>(1)</sup>	172,423	172,475	172,476	981,316	967,337	964,021
Average rental rate (HK\$/sq.m.) <sup>(2)</sup>	767.9	852.0	897.4	282.0	312.5	342.4
Occupancy rate (%) <sup>(3)</sup>	94	93	95	97	97	97

*Notes:*

- (1) The data indicates the GFA and LFA as at the end of each period.
- (2) Calculated by dividing the average monthly rental income by the average monthly area leased.
- (3) Calculated by dividing the average monthly area leased by the average monthly LFA.
- (4) The above data excludes data relating to car park spaces.
- (5) The LFA is higher than the GFA primarily due to the common area and the curtain wall area which are included in the LFA but not in the GFA.

**Hotels and Serviced Suites**

The following table sets out the number of rooms, average room rate, occupancy rate and RevPAR of the Cheung Kong Property Group's hotels and serviced suites and the Hutchison Property Group's hotels and serviced suites for the three years ended 31 December 2014:

	<b>Cheung Kong Property Group</b>			<b>Hutchison Property Group</b>		
	<b>Year ended 31 December</b>			<b>Year ended 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Number of rooms <sup>(1)</sup>	8,432	8,397	8,406	5,057	5,057	5,057
Average room rate (HK\$) <sup>(2)</sup>	670	687	703	1,038	1,073	1,059
Occupancy rate (%) <sup>(3)</sup>	90.0	89.2	89.8	83.8	80.4	81.3
RevPAR (HK\$) <sup>(4)</sup>	603	613	631	870	863	861

*Note:*

- (1) Represents the number of available rooms as individual units at the end of each period.

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- (2) Calculated by dividing total room revenue by the total number of room nights occupied during each period.
- (3) Calculated by dividing the total number of room nights occupied by the total number of available room nights during each period.
- (4) Calculated by dividing total hotel room revenue by the total number of available room nights during each period.

### **HISTORICAL AND UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE CK PROPERTY GROUP**

#### **Historical Financial Information**

The historical financial information as at and for the years ended 31 December 2012, 2013 and 2014 for each of the Cheung Kong Property Group and the Hutchison Property Group set out in Appendix IXA and Appendix IXB, respectively, was derived from their respective audited combined financial statements for such periods.

Such historical financial information does not necessarily reflect the results of operations, financial position and cash flows of CK Property, which will hold the Combined Property Businesses and the joint ventures that will become subsidiaries of CK Property immediately following completion of the Property Businesses Combination. As such, the historical financial information is not directly comparable to the future financial statements of CK Property immediately following completion of the Property Businesses Combination, which will contain the results of operations, financial position and cash flows of the Combined Property Businesses and the joint ventures that will become subsidiaries of CK Property as prepared and presented on a consolidated basis and thus should not be relied upon as an indication or guarantee of CK Property's future operating performance.

It should be noted that following completion of the Property Businesses Combination and the formation of the CK Property Group, the structure of the businesses comprising the CK Property Group will differ from the structure in place prior to completion of the Property Businesses Combination and during the three years ended 31 December 2014. In particular, a substantial portion of the joint venture companies in which the Cheung Kong Property Group and the Hutchison Property Group are interested but which are not and were not previously consolidated into the respective financial statements of either the Cheung Kong Property Group or the Hutchison Property Group will become subsidiaries of CK Property and accordingly will be consolidated into the financial statements of the CK Property Group upon completion of the Property Businesses Combination.

#### *Proposed Combination and Consolidation of Joint Ventures*

Immediately following completion of the Property Businesses Combination, the CK Property Group will hold the property businesses of the Cheung Kong Property Group and the Hutchison Property Group. Historically, the Cheung Kong Property Group and the Hutchison Property Group have been managed and operated largely independently of each other. Many of their development projects in the PRC were conducted through joint ventures that were not consolidated in either company's financial statements. In particular, the Cheung Kong Property Group and the Hutchison Property Group historically did not

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## APPENDIX VII                      INFORMATION ON THE CK PROPERTY GROUP AND THE SPIN-OFF PROPOSAL

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consolidate their joint ventures' turnover under the relevant IFRS accounting rules, and profits contributed by their joint ventures were historically recorded as share of their respective profits from joint ventures. Immediately following completion of the Property Businesses Combination, a substantial portion of the joint ventures between the Cheung Kong Property Group and the Hutchison Property Group will become subsidiaries of CK Property and be consolidated into the financial statements of the CK Property Group. The financial information of the remaining non-consolidated joint ventures will continue to be recorded as share of net profits from joint ventures under the equity method of accounting. As a result, the historical financial statements of the Cheung Kong Property Group and the Hutchison Property Group are not directly comparable to the future financial statements of the CK Property Group immediately following completion of the Property Businesses Combination, which will contain the results of operations, financial position and cash flows of the Combined Property Businesses and the joint ventures that will become subsidiaries of CK Property as prepared and presented on a consolidated basis. The historical results of the Cheung Kong Property Group and the Hutchison Property Group presented in the Accountants' Reports in Appendices IXA and IXB therefore will not be comparable to, or be reflective of, the CK Property Group's results after the combination of the property businesses.

### *Loan Facility, Loan Consolidation and Finance Costs*

The CK Property Group intends to enter into a HK\$55 billion syndicated loan facility with a group of lenders (being the Loan Facility). The proceeds of the Loan Facility will be used to settle the Specified Loans Promissory Note that will be issued by CK Property to CKH Holdings in the principal amount of HK\$55 billion. The Specified Loans Promissory Note is to be settled on or before the fifth Business Day following the Completion Date. To cater for the event that the Loan Facility is not available to settle the Specified Loans Promissory Note when it becomes due, HSBC and Bank of America Merrill Lynch have entered into commitment letters with the CK Property Group for the Bridge Facility of HK\$55 billion, such that the proceeds of the Bridge Facility may then be used to settle the Specified Loans Promissory Note, with the proceeds of the Loan Facility when and if it becomes available then being used to repay the Bridge Facility.

In addition to paying CKH Holdings the proceeds of the Loan Facility to settle the Specified Loans Promissory Note, CK Property will also issue to CKH Holdings the Reorganisation Promissory Note with a principal amount equal to the aggregate consideration for the Reorganisation Agreement Transactions in connection with the Property Businesses Combination. The debt due from CK Property to CKH Holdings pursuant to such promissory note will be settled at Completion through the issue of one new CK Property Share to CKH Holdings, credited as fully paid at a premium. As a result, the amounts due to the Combined Non-Property Businesses that are of a non-trade nature will be settled immediately following completion of the Property Businesses Combination.

Immediately following completion of the Property Businesses Combination, the CK Property Group will also consolidate a substantial portion of the joint ventures' loans into its balance sheet. The net effect is the CK Property Group's overall indebtedness level and its finance costs and interest payments are expected to be lower immediately following the

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listing of CK Property than they were prior to completion of the Property Businesses Combination primarily because of the settlements of the amounts due to the Combined Non-Property Businesses.

### *Cost Structure*

CK Property's cost structure following the listing of CK Property will be different from the historical cost structure for the Cheung Kong Property Group and the Hutchison Property Group. For example, during the three years ended 31 December 2014, salaries and related expenses reported on the Cheung Kong Property Group's combined income statement covered mainly remuneration paid to employees of hotels and serviced suites and the property and project management business. The remuneration for most employees of the property sales and property rental businesses, and the remuneration for directors of Cheung Kong as regards their performance of services for the Cheung Kong Property Group, were paid by other members of the Cheung Kong Group. Service fees were paid by the Cheung Kong Property Group to other members of the Cheung Kong Group to cover these amounts paid and for other support provided by other members of the Cheung Kong Group to the Cheung Kong Property Group. Conversely, salaries and related expenses reported on the Hutchison Property Group's combined income statement included salaries and other benefits paid to all employees of the Hutchison Property Group (including directors of the Hutchison Property Group). As a result, the pro forma amounts referred to as salaries and related expenses will not necessarily provide an accurate illustration of the amount of salaries and related expenses to be incurred following the listing of CK Property.

In addition, the amounts paid by the Cheung Kong Group to the directors of the Cheung Kong Property Group as regards their performance of services for the Cheung Kong Group (including the Cheung Kong Property Group) were not specifically allocated between the Cheung Kong Property Group and the other members of the Cheung Kong Group, and there was no arrangement to recharge the Cheung Kong Property Group for such expenses. As a result, the remuneration arrangements of the directors of Cheung Kong Property Group during the three years ended 31 December 2014 will not be representative of the remuneration that will be paid to the directors by the CK Property Group following the listing of CK Property, which will be costs borne directly by the CK Property Group.

### **Unaudited Pro Forma Financial Information of the CK Property Group**

The unaudited pro forma financial information on the CK Property Group as at and for the year ended 31 December 2014 has been included in Appendix X for the purpose of illustrating the effect of the completion of the Hutchison Proposal, the Property Businesses Combination (including consolidation of joint ventures that will become subsidiaries of CK Property) and the Spin-off Proposal as if the listing of CK Property had taken place on 1 January 2014 for the pro forma combined income statement and statement of cash flows and 31 December 2014 for the pro forma combined statement of assets and liabilities. The unaudited pro forma financial information has been prepared for illustrative purposes only.

*The following is the text of a letter and valuation summaries prepared for the purpose of incorporation in this document received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of the value of certain property interests of the Cheung Kong Property Group and the Hutchison Property Group in the PRC, Hong Kong, Singapore and the United Kingdom as at 28 February 2015. As stated in “Appendix XII – Documents Available for Inspection”, a copy of the full property valuation report is available for public inspection.*



16th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

31 March 2015

The Directors  
Cheung Kong Property Holdings Limited (the “Company”)  
7th Floor  
Cheung Kong Center  
2 Queen’s Road Central  
Hong Kong

Dear Sirs,

#### **Instructions, Purpose & Date of Valuation**

In accordance with your instructions for us to value certain properties in which the Cheung Kong Property Group (as defined in the scheme document dated 31 March 2015 jointly issued by CK Hutchison Holdings Limited, CK Global Investments Limited and Hutchison Whampoa Limited (the “Scheme Document”)) and the Hutchison Property Group (as defined in the Scheme Document) are interested in the People’s Republic of China (the “PRC”), Hong Kong, Singapore and the United Kingdom (the “UK”) (as more particularly described in the attached valuation summaries), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of such properties as at 28 February 2015 (the “Valuation Date”) for incorporation into the Scheme Document.

#### **Basis of Valuation**

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should



exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

### **Valuation Basis and Assumptions**

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties, we have relied on the information and advice given by the Cheung Kong Property Group, the Hutchison Property Group and the Company's legal advisers, Commerce & Finance Law Offices (通商律師事務所) and Guantao Law Firm (觀韜律師事務所) regarding the title to the properties and the interests of the Cheung Kong Property Group and the Hutchison Property Group in the properties in the PRC. Unless otherwise stated in the respective legal opinion, in valuing the properties, we have assumed that each of the Cheung Kong Property Group and the Hutchison Property Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, Singapore and the UK, the status of titles and grant of major certificates approvals and licences, in accordance with the information provided by the Cheung Kong Property Group and the Hutchison Property Group are set out in the notes of the respective valuation certificate included in a full property valuation report which is available for public inspection.

In valuing the property interests in Hong Kong which are held under Government Leases expiring before 30 June 1997, we have taken account of the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of People's Republic of China on the Question of Hong Kong and the New Territories Leases (Extension) Ordinance (Cap. 150) that such leases have been extended without premium until 30 June 2047 and that rents of three per cent of the then rateable value are charged per annum from the date of extension.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

**Method of Valuation**

As at the Valuation Date, the properties in Groups I, II and III; and VI, VII and VIII are completed properties in the PRC and Hong Kong respectively and the relevant title certificates including Construction Works Completion Examination Certificates, Building Ownership Certificates or Real Estate Title Certificates or such equivalent certificates or permits have been obtained.

The properties in Groups IV, IX, XI and XIII comprise properties under development in the PRC, Hong Kong, Singapore and the UK, respectively. Permits for Commencement of Construction Works or such equivalent permits have been obtained but Construction Works Completion Examination Certificates, Building Ownership Certificates or Real Estate Title Certificates or such equivalent certificates or permits have not been obtained yet.

The properties in Groups V, X, XII and XIV comprise properties held for future development in the PRC, Hong Kong, Singapore and the UK, respectively. Permits for Commencement of Construction Works or such equivalent permits have not been obtained but State-owned Land Use Rights Certificates or Grant Contracts of Land Use Rights or such equivalent certificates or contracts have been obtained as at the Valuation Date.

In valuing the properties in Groups I and VI, which are completed properties held by the Cheung Kong Property Group and the Hutchison Property Group for sale in the PRC and Hong Kong respectively, we have used the Direct Comparison Approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market subject to suitable adjustments between the subject properties and the comparable properties or, where appropriate, the Investment Approach on the basis of capitalisation of the rental income derived from the existing tenancies with due allowance for reversionary potential of each of the properties. Given that the properties are mostly strata residential units, industrial units, ancillary commercial podium units and car parking spaces, comparable sales transactions are frequent and information about such sales is readily available. We have therefore used the Direct Comparison Approach which is in line with the market practice. In the cases where there are existing tenancies, the Investment Approach is used to reflect such factor.

In valuing the properties in Groups II and VII, which are completed properties held by the Cheung Kong Property Group and the Hutchison Property Group for investment in the PRC and Hong Kong respectively, we have used the Investment Approach on the basis of capitalisation of rental income derived from the existing tenancies with due allowance for reversionary potential of each of the properties or by reference to comparable market transactions. Transactions involving large scale properties of the same nature and tenancy structure in the same districts are not frequent. On the other hand, as most properties generate rental income from letting arrangements and such rental comparables are more readily available, we consider the Investment Approach, which is also commonly used in valuing properties for investment purpose, to be the best approach to value these properties.

In valuing the properties in Group III, which are completed properties held by the Cheung Kong Property Group and the Hutchison Property Group for operation in the PRC, we have used the Discounted Cash Flow (“DCF”) Approach, which involves discounting the

future net cash flow of each property for a 10-year investment horizon and the anticipated net operating income receivable thereafter being capitalised at appropriate terminal capitalisation rates till the end of the respective land use term to its present value by using an appropriate discount rate that reflects the rate of return required by a third party investor for an investment of this type. We have prepared the cash flow forecast with reference to the current and anticipated market conditions.

In valuing the properties in Group VIII, which are completed hotel properties held by the Cheung Kong Property Group and the Hutchison Property Group for operation in Hong Kong, we have used the DCF Approach, which involves discounting the future net cash flow of each property over a 10-year investment horizon by using an appropriate discount rate that reflects the rate of return required by a third party investor for an investment of this type. The anticipated net operating income receivable thereafter from the 11th year onwards is being capitalised in perpetuity at an appropriate terminal capitalisation rate to its present value. However, in valuing Property No. VIII-12 in Group VIII, which involves a joint venture interest, we have discounted the anticipated net operating income for the remaining joint venture period.

Transactions involving hotel or golf club properties are rare. On the other hand, as these properties have been operated for a certain period of time with proven historical trading records, we consider the DCF Approach to be the most appropriate approach to value the properties in Groups III and VIII.

In respect of the properties in Groups IV, IX, XI and XIII, which are properties held by the Cheung Kong Property Group and the Hutchison Property Group under development in the PRC, Hong Kong, Singapore and the UK, respectively, we have valued them on the basis that each of these properties will be developed and completed in accordance with the latest development scheme of each of the Cheung Kong Property Group and the Hutchison Property Group provided to us (if any). We have assumed that all consents, approvals and licences from the relevant government authorities for the development scheme have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the Direct Comparison Approach or the Investment Approach to assess the development value as if completed and have also taken into account the incurred construction costs and the costs that will be incurred to complete the development to reflect the quality of the completed development. The “development value as if completed” represents our opinion of the aggregate selling prices of the development assuming that it was completed as at the Valuation Date. For similar reasons to those explained above for Groups I and VI, the Direct Comparison Approach is used in the valuation of properties in these property groups. In the cases where the properties are intended to be leased and where rental comparables are available, the Investment Approach is used. Both the Direct Comparison Approach and the Investment Approach are commonly used in conducting valuations of properties under development.

In valuing the properties in Groups V, X, XII and XIV, which are properties held by the Cheung Kong Property Group and the Hutchison Property Group for future development in the PRC, Hong Kong, Singapore and the UK, respectively, we have mainly used the

Direct Comparison Approach assuming sale of each of these properties in its existing state by making reference to comparable land sales transactions as available in the relevant market and have taken into account reasonably incurred land improvement costs, if any. This method is the most appropriate method for valuing land properties.

Property No. I-12 in Group I comprises civil defence car parking spaces which are subject to the use by the public at no cost during war times. As the owner does not have unfettered rights in the property, we have ascribed no commercial value. The land of Property No. V-10 in Group V has not yet been handed over by the government as site clearance has not been completed. Land premium has not been fully settled. Thus no commercial value has been assigned to Property No. V-10. The land of Property No. V-11 in Group V has not yet been handed over by the government as it is subject to a criminal litigation proceeding. Due to such uncertainty, we have ascribed no commercial value to Property No. V-11. For each of the Cheung Kong Property Group's and the Hutchison Property Group's management reference, however, we have separately advised the market value of these properties on the assumption that the proper and unfettered title documents had been obtained without encumbrances, the land premium had been fully settled and the land had been handed over to the project companies.

Regarding Property Nos. VI-1, VI-2 and VI-3 in Group VI; Property Nos. IX-15 and IX-16 in Group IX; and Property No. X-4 in Group X, which are development rights held by the Cheung Kong Property Group and the Hutchison Property Group in Hong Kong, we have valued each of these property interests in accordance with the terms regarding costs and profit sharing as provided in the development agreements. The market value in existing state represents the value of the interest attributable to the developer in each of such development agreements after considering the estimated outlays and incomes which the developer is responsible for and entitled to pursuant to the respective development contract.

In undertaking our valuations for the properties, we have mainly made reference to sales or lettings within the subject properties as well as other relevant comparable sales or rental evidences of properties of similar use type subject to appropriate adjustments including but not limited to location, accessibility, age, quality, maintenance standards, size, time, configuration and other relevant factors.

The capitalisation rates adopted in our valuations are based on our analyses of the yields of properties of similar use type after due adjustments. Such capitalisation rates are estimated with reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rates adopted are reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

The discount rates adopted in the DCF Approach reflect the rates of return required by a third party investor for an investment of similar use type. In determining the discount rates which reflect the inherent risks associated with investment in the individual properties, we take into consideration compensation for risks inherent in future cash flows, inflation, revenue growth, our understanding of the return expected by investors for similar properties

as well as the level of discount rates used in valuations of similar types of properties. The discount rates adopted are reasonable and in line with the market norm having regard to the relevant analyses.

In determining the terminal capitalisation rates for assessing the terminal values, we have had due regard, among other things, to (i) our analyses of known sales transactions of properties of similar use types, or (ii) where transactions of properties of similar use types are not available, the discount rates we have adopted, our forecasted change in revenue over the 10-year investment horizon, and the duration of the remaining land use term of the properties. The terminal capitalisation rates adopted are reasonable and in line with the market norm having regard to the relevant analyses.

Set out below are the key assumptions used in our valuations:

(a) *PRC properties*

Market unit price for

- (i) Residential: RMB5,500 to RMB91,704 per sq.m. on GFA basis
- (ii) Office: RMB7,298 to RMB50,721 per sq.m. on GFA basis
- (iii) Commercial: RMB8,233 to RMB80,000 per sq.m. on GFA basis
- (iv) Carpark: RMB61,000 to RMB400,000 per lot
- (v) Land: RMB536 to RMB24,519 per sq.m. (accommodation value) and RMB270 per sq.m. for agricultural land

Market monthly unit rent for

- (i) Office: RMB50 to RMB339 per sq.m. on GFA basis
- (ii) Commercial: RMB28 to RMB1,510 per sq.m. on GFA basis

Capitalisation rate for

- (i) Office: 6% to 7.5%
- (ii) Commercial: 6.5% to 7.5%

Discount rate for

- (i) Hotel and golf club: 9.5% to 10%

Terminal capitalisation rate for

- (i) Hotel and golf club: 5.5%

*(b) Hong Kong properties*

Market unit price for

- (i) Residential: HKD80,700 to HKD215,300 per sq.m. on saleable area basis or HKD81,800 to HKD646,000 per sq.m. on GFA basis
- (ii) Office: HKD53,800 per sq.m. on GFA basis
- (iii) Commercial: HKD81,800 to HKD592,000 per sq.m. on GFA basis
- (iv) Industrial: HKD34,400 to HKD45,000 per sq.m. on GFA basis
- (v) Land: HKD46,000 to HKD58,000 per sq.m. (accommodation value) and HKD1,180 to HKD9,800 per sq.m. for agricultural land

Market monthly unit rent for

- (i) Residential: HKD129 to HKD484 per sq.m. on GFA basis
- (ii) Office: HKD96 to HKD1,080 per sq.m. on GFA basis
- (iii) Commercial: HKD75 to HKD15,600 per sq.m. on GFA basis
- (iv) Industrial: HKD68 to HKD430 per sq.m. on GFA basis

Capitalisation rate for

- (i) Residential: 2% to 3%
- (ii) Office: 4.5% to 5.75%
- (iii) Commercial: 4% to 6.75%
- (iv) Industrial: 4.25% to 5.5%

Discount rate for

- (i) Hotel: 8.5%

Terminal capitalisation rate for

- (i) Hotel: 3.5% to 5%

(c) *Singapore properties*

Market unit price for

- (i) Residential: SGD13,308 per sq.m. on GFA basis
- (ii) Land: SGD8,800 per sq.m. (accommodation value)

(d) *UK properties*

Market unit price for

- (i) Private residential: GBP7,265 to GBP20,465 per sq.m.
- (ii) Affordable housing provision: GBP1,885 to GBP2,690 per sq.m.

Market monthly unit rent for

- (i) Commercial: GBP9 to GBP31 per sq.m.

Capitalisation rate for

- (i) Commercial: 7% to 9%

As advised by the Cheung Kong Property Group and the Hutchison Property Group, the potential tax liabilities which would arise on the direct disposal of the property interests held by the Cheung Kong Property Group and the Hutchison Property Group at the amounts valued by us mainly comprise the following:

*PRC properties*

- Business tax at 5% on the transaction amount (which will be replaced by value added tax in the future with detailed rules and regulations to be promulgated)
- Enterprise income tax at 25% on gain
- Land appreciation tax at progressive rates from 30% to 60% on the appreciation in property value
- Stamp duty at 0.05% on the transaction amount
- Withholding tax at 10% if the net proceeds (minus taxes and statutory contributions) are repatriated outside the PRC as dividends (reduced to 5% if the Hong Kong-PRC double tax arrangement applies)
- Other surcharge at approximately 11% of business tax

*Hong Kong properties*

- Profits tax at 16.5% on gain (minus any profit which is capital in nature)
- Stamp duty at progressive rates from 1.5% to 8.5% on the transaction amount (of which both the seller and the buyer are jointly and severally liable)

*Singapore properties*

- Income tax at 17% on the gain (minus any profit which is capital in nature)

*UK properties*

- Corporation tax at 21% (20% from 1 April 2015) on gain

In respect of the properties held by the Cheung Kong Property Group and the Hutchison Property Group for investment, operation and future development, the likelihood of the relevant tax liabilities being crystallised is remote as the Cheung Kong Property Group and the Hutchison Property Group have no plans for the disposal of such properties yet. In respect of the completed properties held for sale and the properties under development, it is likely that the relevant tax liabilities will be crystallised upon sale.

**Source of Information**

We have been provided by the Cheung Kong Property Group and the Hutchison Property Group with extracts of documents in relation to the titles to the properties in the PRC and the UK. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have not been provided with copies of the title documents relating to the property interests in Hong Kong and Singapore but have caused searches to be made at the appropriate land registries in Hong Kong and Singapore respectively.

In the course of our valuation of the properties, we have relied on the information and advice given by the Cheung Kong Property Group and the Hutchison Property Group and the Company's legal advisers, Commerce & Finance Law Offices (通商律師事務所) and Guantao Law Firm (觀韜律師事務所) regarding the title to the properties and the interests of the Cheung Kong Property Group and the Hutchison Property Group in the properties in the PRC.

In respect of all properties, we have accepted advice given by the Cheung Kong Property Group and the Hutchison Property Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, pre-sale details, rental incomes and revenue, joint venture agreements, development or redevelopment schemes, development time schedules, construction costs, site and floor areas, interest attributable to the Cheung Kong Property Group and the Hutchison Property Group and all other relevant matters.



Dimensions, measurements and areas included in the valuation summaries are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Cheung Kong Property Group and the Hutchison Property Group which is material to the valuations. We were also advised by the Cheung Kong Property Group and the Hutchison Property Group that no material facts have been omitted from the information provided.

We would point out that the copies of documents of the properties in the PRC provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise you to make reference to the original Chinese editions of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

### **Title Investigation**

We have been provided with extracts of documents relating to the titles of the properties in the PRC and the UK, but no searches have been made in respect of the properties. We have caused searches to be made at the appropriate land registries in Hong Kong and Singapore regarding properties in Hong Kong and Singapore respectively. However, we have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and the UK and we have therefore relied on the advice given by the Cheung Kong Property Group and the Hutchison Property Group or its legal advisers regarding the interests of each of the Cheung Kong Property Group and the Hutchison Property Group in the properties in the PRC and the UK.

### **Site Inspection**

We inspected the exterior and, wherever possible, the interior of the properties between January and February 2015. However, we have not carried out any investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

### **Currency**

Unless otherwise stated, all sums stated in our valuations are in Renminbi (“RMB”), or in Hong Kong Dollars (“HKD”), or in Singapore Dollars (“SGD”), or in Pound Sterling (“GBP”), the official currency of the PRC, Hong Kong, Singapore and the UK, in relation to the properties in the PRC, Hong Kong, Singapore and the UK, respectively.

We enclose herewith our valuation summaries for your attention.

Yours faithfully,  
For and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**K.B. Wong**  
*Registered Professional Surveyor (General Practice)*  
*Registered China Real Estate Appraiser*  
MSc, MHKIS  
*Senior Director, Valuation & Advisory Services*

*Note:* Mr. K.B. Wong is a Registered Professional Surveyor who has over 30 years' experience in the valuation of properties in the PRC, Hong Kong, other Asian and European countries.

The valuations of the properties in Groups XI and XII in Singapore; and Groups XIII and XIV in the UK were undertaken by Mr. K.B. Wong in collaboration with Mr. Nicholas Cheng and Mr. Jonathan Stickells of our Singapore and London offices respectively. Mr. Nicholas Cheng is an executive director of DTZ Singapore office. He is a member of The Singapore Institute of Surveyors and Valuers with more than 25 years' experience in the real estate industry and property valuation in Singapore. Mr. Jonathan Stickells is a senior director of DTZ London office. He is a member of The Royal Institution of Chartered Surveyors with 21 years' experience in property valuation in the UK.

## Summary of Valuations

Property Group (Group I – Group V)	No. of properties	Market value <sup>(1)</sup> in existing state	Market value <sup>(1)</sup> in existing state	Market value <sup>(1)</sup> in existing state	Market value <sup>(1)</sup> in existing state
		Market value <sup>(1)</sup> in existing state as at the Valuation Date	attributable to the Cheung Kong Property Group as at the Valuation Date	attributable to the Hutchison Property Group as at the Valuation Date	attributable to the two property groups as at the Valuation Date
		(RMB million)	(RMB million)	(RMB million)	(RMB million)
<b>Properties in the PRC</b>					
Group I – Completed properties held by the two property groups for sale in the PRC	32 <sup>(2)</sup>	24,512.81	11,652.78	11,402.43	23,055.22
Group II – Completed properties held by the two property groups for investment in the PRC	12 <sup>(3)</sup>	4,545.70	2,096.19	2,145.49	4,241.68
Group III – Completed properties held by the two property groups for operation in the PRC	4 <sup>(4)</sup>	1,809.00	868.78	558.39	1,427.17
Group IV – Properties held by the two property groups under development in the PRC	23 <sup>(5)</sup>	71,690.00	33,921.88	30,414.60	64,336.48
Group V – Properties held by the two property groups for future development in the PRC	18 <sup>(6)</sup>	19,469.22	9,752.28	8,833.60	18,585.88
Sub-Total	89	122,026.73	58,291.92	53,354.52	111,646.44

## Notes:

- The market values are stated in approximations.
- The Cheung Kong Property Group has attributable interests in 31 completed properties held for sale in the PRC.  
The Hutchison Property Group has attributable interests in 31 completed properties held for sale in the PRC.
- The Cheung Kong Property Group has attributable interests in 6 completed properties held for investment in the PRC.  
The Hutchison Property Group has attributable interests in 12 completed properties held for investment in the PRC.
- The Cheung Kong Property Group has attributable interests in 3 completed properties held for operation in the PRC.  
The Hutchison Property Group has attributable interests in 3 completed properties held for operation in the PRC.
- The Cheung Kong Property Group has attributable interests in 23 properties held under development in the PRC.  
The Hutchison Property Group has attributable interests in 22 properties held under development in the PRC.
- The Cheung Kong Property Group has attributable interests in 18 properties held for future development in the PRC.  
The Hutchison Property Group has attributable interests in 17 properties held for future development in the PRC.

## Summary of Valuations

Property Group (Group VI – Group X)	No. of properties	Market value <sup>(1)</sup> in existing state	Market value <sup>(1)</sup> in existing state	Market value <sup>(1)</sup> in existing state	Market value <sup>(1)</sup> in existing state
		Market value <sup>(1)</sup> in existing state as at the Valuation Date	attributable to the Cheung Kong Property Group as at the Valuation Date	attributable to the Hutchison Property Group as at the Valuation Date	attributable to the two property groups as at the Valuation Date
		(HKD million)	(HKD million)	(HKD million)	(HKD million)
<u>Properties in Hong Kong</u>					
Group VI – Completed properties held by the two property groups for sale in Hong Kong	38 <sup>(2)</sup>	18,788.53	17,026.20	15.10	17,041.30
Group VII – Completed properties held by the two property groups for investment in Hong Kong	57 <sup>(3)</sup>	118,068.90	34,577.25	83,190.25	117,767.49
Group VIII – Completed hotel properties held by the two property groups for operation in Hong Kong	14 <sup>(4)</sup>	70,192.00	43,866.15	20,041.79	63,907.94
Group IX – Properties held by the two property groups under development in Hong Kong	17 <sup>(5)</sup>	69,240.00	67,981.20	–	67,981.20
Group X – Properties held by the two property groups for future development in Hong Kong	4 <sup>(6)</sup>	2,654.70	2,276.30	–	2,276.30
Sub-Total	<u>130</u>	<u>278,944.13</u>	<u>165,727.10</u>	<u>103,247.14</u>	<u>268,974.23</u>

## Notes:

- The market values are stated in approximations.
- The Cheung Kong Property Group has attributable interests in 38 completed properties held for sale in Hong Kong.  
The Hutchison Property Group has attributable interests in 1 completed property held for sale in Hong Kong.
- The Cheung Kong Property Group has attributable interests in 17 completed properties held for investment in Hong Kong.  
The Hutchison Property Group has attributable interests in 46 completed properties held for investment in Hong Kong.
- The Cheung Kong Property Group has attributable interests in 12 completed hotel properties held for operation in Hong Kong.  
The Hutchison Property Group has attributable interests in 8 completed hotel properties held for operation in Hong Kong.
- The Cheung Kong Property Group has attributable interests in 17 properties held under development in Hong Kong.  
The Hutchison Property Group has no attributable interests in any property held under development in Hong Kong.
- The Cheung Kong Property Group has attributable interests in 4 properties held for future development in Hong Kong.  
The Hutchison Property Group has no attributable interests in any property held for future development in Hong Kong.

## Summary of Valuations

Property Group (Group XI – Group XII)	No. of properties	Market value <sup>(1)</sup> in existing state as at the Valuation Date	Market value <sup>(1)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date	Market value <sup>(1)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date	Market value <sup>(1)</sup> in existing state attributable to the two property groups as at the Valuation Date
		(SGD million)	(SGD million)	(SGD million)	(SGD million)
<u>Properties in Singapore</u>					
Group XI – Property held by the two property groups under development in Singapore	1	549.00	549.00	–	549.00
Group XII – Property held by the two property groups for future development in Singapore	1	265.00	132.50	132.50	265.00
Sub-Total	2	814.00	681.50	132.50	814.00

Property Group (Group XIII – Group XIV)	No. of properties	Market value <sup>(1)</sup> in existing state as at the Valuation Date	Market value <sup>(1)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date	Market value <sup>(1)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date	Market value <sup>(1)</sup> in existing state attributable to the two property groups as at the Valuation Date
		(GBP million)	(GBP million)	(GBP million)	(GBP million)
<u>Properties in the UK</u>					
Group XIII – Property held by the two property groups under development in the UK	1	515.00	244.62	244.62	489.25
Group XIV – Property held by the two property groups for future development in the UK	1	125.00	62.50	62.50	125.00
Sub-Total	2	640.00	307.12	307.12	614.25

## Notes:

1 The market values are stated in approximations.

## Group I – Completed properties held by the two property groups for sale in the PRC

## Valuation Summary as at 28 February 2015

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	GFA <sup>(1)</sup> ( <i>sq.m.</i> )	Completion date	No. of car parking spaces	Market value <sup>(2)</sup> in existing state as at the Valuation Date ( <i>RMB million</i> )	Interest attributable to the Cheung Kong Property Group (%)	Interest attributable to the Hutchison Property Group (%)	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Group as at the Valuation Date ( <i>RMB million</i> )	Total interest attributable to the two property groups (%)	Market value <sup>(2)</sup> in existing state attributable to the two property groups as at the Valuation Date ( <i>RMB million</i> )
I-1	Portions of Phase 1C and commercial area of The Greenwich	Hutchison Whampoa Properties (Beijing Chaoyang) Limited	Beijing	Chaoyang	Residential, Ancillary, Basement carpark, Basement storage	30 Aug 2044 to 30 Aug 2074	Residential, Commercial, Underground carpark	38,976	2011	903	415.00	50%	50%	207.50	100%	415.00
I-2	Portions of La Grande Ville Phases 1 and 2	Beijing Chang Le Real Estates Development Co., Ltd.	Beijing	Shunyi	Residential, Commercial, Basement storage, Basement carpark	31 Dec 2036 to 31 Dec 2066	Residential	14,313	2010-2013	55	260.00	100%	0%	0.00	100%	260.00
I-3	Portions of Phases 1, 2 and 3 of Regency Park	Hutchison Whampoa Properties (Changchun) Limited	Changchun	Jingyue	Residential, Commercial	21 Mar 2055	Residential	14,551	2011-2013	0	197.00	50%	50%	98.50	100%	197.00
I-4	Portions of Phases 1 and 2 of Regency Residence	Hutchison Whampoa Properties (Changchun) Limited	Changchun	Nanguan	Residential, Commercial	27 Feb 2056	Residential, Commercial	13,080	2011-2013	0	177.00	50%	50%	88.50	100%	177.00
I-5	Portions of Phases 1A, 1B, 2A, 2B, 3A, 3B, 4A, 5A, 6A and 6B <sup>III</sup> of Le Parc	Hutchison Whampoa Properties (Chengdu) Limited	Chengdu	Gaoxin	Commercial, Public service facilities, Residential, Municipal facilities etc.	10 Nov 2044 to 10 Nov 2074	Residential, Commercial, Carpark	257,026	2009-2014	3,232	2,127.00	50%	50%	1,063.50	100%	2,127.00
I-6	Portions of Phases 1A, 1B and 2 of Regency Oasis	Hutchison Whampoa Properties (Chengdu) Regency Oasis Weijiang Limited	Chengdu	Weijiang	Residential, Commercial	4 Mar 2045 to 4 Mar 2075	Residential, Commercial, Basement carpark	226,271	2010-2013	676	1,653.00	50%	50%	826.50	100%	1,653.00
I-7	Portions of Phase 1, 2A, 2B and 2C of Chongqing Noble Hills	Hutchison Whampoa Properties (Chongqing) Jingxiyuan Limited	Chongqing	North New Zone	Residential, Commercial	12 Jun 2045 to 12 Jun 2055	Residential, Commercial, Kindergarten	42,751	2009-2014	0	602.00	50%	50%	301.00	100%	602.00

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	GFA <sup>(1)</sup>	Completion date	No. of car parking spaces	Market value <sup>(2)</sup> in existing state as at the Valuation Date	Interest attributable to the Cheung Kong Property Group	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group	Interest attributable to the Hutchison Property Group	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group	Total interest attributable to the two groups as at the Valuation Date	Market value <sup>(2)</sup> in existing state attributable to the two groups as at the Valuation Date
I-8	Portions of Chongqing Cape Coral	Hutchison Whampoa Properties (Chongqing Nanan) Limited	Chongqing	Nanan	Residential, Commercial	12 Jun 2043 to 12 Jun 2053	Residential, Commercial, Basement carpark	89,950	2009-2013	903	917.00	47.5%	435.57	47.5%	435.57	95%	871.15
I-9	Portions of Phases 1 and 3 of Noble Hills	Hutchison Whampoa Properties (ChangSha WangCheng) Limited	Changsha	Wangcheng	Residential	25 Apr 2075	Residential, Commercial	88,624	2009-2013	0	985.00	50%	492.50	50%	492.50	100%	985.00
I-10	Portions of Phases D1a, G1a, D1b, D1c, E1 and E2 in Laguna Verona Dongguan	Dongguan Asia Commercial Hwang Gang Lake Development Co., Ltd.	Dongguan	Houjie	Residential, Commercial	Feb 2062 to 19 Sep 2068	Residential, Commercial	92,016	2012-2014	0	2,028.00	49.9115%	1,012.20	49.9115%	1,012.20	99.823%	2,024.41
I-11	Portions of Phases 2 and 3, Cape Coral	Hutchison Whampoa Properties (Guangzhou Panyu) Limited	Guangzhou	Panyu	Commercial, Residential	9 July 2070 to 4 Dec 2071	Commercial, Residential	15,911	2013	0	264.00 <sup>(3)</sup>	50%	132.00	50%	132.00	100%	264.00
I-12	Car parking spaces in Greentry	Bruckner Limited	Guangzhou	Tianhe	Residential	8 Nov 2045	Carpark in bomb shelter	246	1995	21	No commercial value <sup>(4)</sup>	0%	No commercial value	65%	No commercial value	65%	No commercial value
I-13	Portions of Phase 1, Noble Hills	Hutchison Whampoa Properties (Guangzhou ZengCheng) Limited	Guangzhou	Zengcheng	Residential	6 Dec 2075 to 26 Apr 2076	Residential	41,568	2014	0	703.00	50%	351.50	50%	351.50	100%	703.00
I-14	Portions of Phases 1 and 2A, Guangzhou Guoji	Guangzhou International Toys And Gifts Center Co., Ltd.	Guangzhou	Huangpu	Commercial	15 Sep 2043 to 15 Sep 2073	Commercial/Office	120,145	2005-2013	392	1,531.00	30%	459.30	30%	459.30	60%	918.60
I-15	Portions of Yuhu Mingdi Phase 1	Regal Lake Property Development Limited	Guangzhou	Luogang	Residential, Commercial	1 Apr 2064 to 13 Apr 2065	Residential, Commercial	8,049	2013	38	157.00	40%	62.80	40%	62.80	80%	125.60
I-16	Portions of The Harbourfront, Lots 1, 2, 3, 4 and 8	Hutchison Whampoa Properties (Qingdao) Limited	Qingdao	Shibei	Residential, Commercial, Science & education	22 Jul 2049 to 11 Aug 2081	Residential, Commercial, Office	112,453	2012-2014	0	2,216.00	45%	997.20	45%	997.20	90%	1,994.40

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	GFA <sup>(1)</sup>	Completion date	No. of car parking spaces	Market value <sup>(2)</sup> in existing state as at the Valuation Date		Interest attributable to the Cheung Kong Property Group		Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date		Interest attributable to the Hutchison Property Group		Market value <sup>(2)</sup> in existing state attributable to the two property groups as at the Valuation Date	
											(RMB million)	(RMB million)	(%)	(RMB million)	(RMB million)	(%)	(RMB million)	(RMB million)	(%)	(RMB million)
I-17	Portions of Maison des Artistes	Hutchison Whampoa Properties (Shanghai) Gubei Limited	Shanghai	Changning	Residential	7 Dec 2069	Residential	29,257	2008	666	187.00	187.00	50%	50%	93.50	93.50	50%	50%	187.00	187.00
I-18	Portions of Regency Park, Phases 2B and 8A	Shanghai Helian Property Development Co., Ltd.	Shanghai	Pudong	Residential	12 Nov 2068	Residential	2,245	2009-2011	52	15.00	15.00	50%	50%	7.50	7.50	50%	50%	15.00	15.00
I-19	Portions of Seasons Villas	Shanghai Yuhui Property Development Co., Limited	Shanghai	Pudong	Residential	4 May 2065	Residential	5,020	2009-2012	0	342.00	342.00	50%	50%	171.00	171.00	50%	50%	342.00	342.00
I-20	Portions of Regency Cove, Phases 1 and 2	Shanghai Qilong Properties Limited	Shanghai	Minhang	Residential	19 Oct 2074	Residential	35,844	2010-2011	0	891.00	891.00	42.5%	42.5%	378.67	378.67	42.5%	42.5%	757.35	757.35
I-21	Portions of Regency Garden	Shanghai Ron Qi Properties Co., Ltd.	Shanghai	Pudong	Residential, Commercial	30 Aug 2044 to 30 Aug 2074	Residential	19,380	2012-2014	314	282.00	282.00	42.5%	42.5%	119.85	119.85	42.5%	42.5%	239.70	239.70
I-22	Portions of commercial space in Upper West Shanghai	Shanghai Changrun Jiangle Property Development Co., Ltd.	Shanghai	Putuo	Residential, Commercial, Office	8 Jan 2047 to 8 Jan 2077	Commercial	28,106	2014	0	804.00	804.00	29.4%	30.6%	246.02	246.02	30.6%	30.6%	482.40	482.40
I-23	Portions of Regency Park, Phases 1, 2, 3A and 3B	Hutchison Whampoa Properties (Changzhou) Limited	Changzhou	Tianjing	Residential, Education	30 May 2078	Residential	121,050	2012-2014	538	1,493.00	1,493.00	50%	50%	746.50	746.50	50%	50%	1,493.00	1,493.00
I-24	Portions of Century Place	Shenzhen Hutchison Whampoa CATIC Properties Limited	Shenzhen	Futian	Composite	28 Dec 2043	Residential, Office	4,485	2012	0	226.00	226.00	40%	40%	90.40	90.40	40%	40%	180.80	180.80
I-25	Portions of Regency Park	Shenzhen Hutchison Whampoa Guanlan Properties Limited	Shenzhen	Longhua	Residential, Commercial	5 Sep 2062 to 5 Sep 2072	Residential	6,530	2010	0	269.00	269.00	50%	50%	134.50	134.50	50%	50%	269.00	269.00
I-26	Portions of Noble Hills	Hutchison Whampoa Properties (Shenzhen) Co., Ltd.	Shenzhen	Longhua	Residential	1 Nov 2077	Residential, Commercial	9,526	2013	0	279.00	279.00	50%	50%	139.50	139.50	50%	50%	279.00	279.00



Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	GFA <sup>(1)</sup>	Completion date	No. of car parking spaces	Market value <sup>(2)</sup> in existing state as at the Valuation Date	Interest attributable to the Cheung Kong Property Group	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group	Interest attributable to the Hutchison Property Group	Market value <sup>(2)</sup> in existing state attributable to the two property groups as at the Valuation Date
								(sq.m.)			(RMB million)	(%)	(RMB million)	(%)	(RMB million)
I-27	Portions of Le Sunnet	Shenzhen Longgang Properties Limited	Shenzhen	Longgang	Residential, Commercial	21 Dec 2074	Residential, Commercial	2,262	2009-2013	0	50.00	50%	25.00	50%	50.00
I-28	Portions of Metropolitan Tower	Hutchison Whampoa Properties (Tianjin) Limited	Tianjin	Heping	Office, Commercial, Residential	3 Nov 2044 and 3 Nov 2074	Office, Commercial, Residential	149,759	2013	0	3,313.81	50%	1,656.90	50%	3,313.81
I-29	Portions of Regency Cove, Phases 1A and 1B	Hutchison Whampoa Properties (Wuhan Caijian) Limited	Wuhan	Caidian	Residential, Commercial	10 Nov 2049 and 10 Nov 2079	Residential	89,357	2014	0	708.00	50%	354.00	50%	708.00
I-30	Portions of Millennium Waterfront, Phase 1A	Hutchison Whampoa Properties (Wuhan Jiangnan South) Limited	Wuhan	Jiangnan	Residential, Commercial, Communal facilities	23 Dec 2052 to 23 Dec 2082	Residential, Commercial	16,124	2014	0	493.00	50%	246.50	50%	493.00
I-31	Portions of The Greenwich, Phases 1, 2 and 3	Hutchison Whampoa Properties (Xi'an) Limited	Xi'an	Gaoxin	Residential, Composite (Commercial Apartment)	16 Dec 2054 to 16 Dec 2074	Residential, Commercial, Campark	91,578	2010-2012	1,351 (plus one garage with 9,126-48 sq.m.)	911.00	50%	455.50	50%	911.00
I-32	Portions of Horizon Cove	Hutchison Whampoa Properties (Zhuhai) Company Limited	Zhuhai	Tangjia Bay	Residential, Commercial	5 Dec 2048	Residential	1,117	2001-2008	0	17.00	50%	8.50	50%	17.00
	Total							1,787,579		9,141	24,512.81		11,652.78		23,055.22

## Notes:

- All areas are stated in approximations.
- All values are stated in approximations.
- The car parking spaces do not have Realty Title Certificates. We have ascribed no commercial value to such portions of property. For the two property groups' management reference, had the relevant title documents been obtained and the land premium been fully settled, the market value of such portion of property (432 car parking spaces) would be RMB9,200,000.
- As advised by the Hutchison Property Group, the property comprises 23 civil defence car parking spaces, 21 of these car parking spaces have obtained Real Estate Ownership Certificate whilst the remaining two have not. Civil defence car parking spaces are subject to the use by the public at no cost during war times. As the owner does not have unfettered rights in the property, we have ascribed no commercial value. For the two property groups' management reference, had the relevant proper and unfettered title documents been obtained without encumbrances and the land premium been fully settled, the market value of such property (23 car parking spaces) would be RMB9,200,000.

## Group II – Completed properties held by the two property groups for investment in the PRC

## Valuation Summary as at 28 February 2015

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	GFA <sup>(1)</sup> (sq.m.)	No. of car parking spaces	Existing occupancy rate	Monthly passing rent (RMB million)	Market value <sup>(2)</sup> in existing state attributable to the Property Group as at the Valuation Date		Interest attributable to the Property Group (%)	Total interest attributable to the two property groups (%)	Market value <sup>(2)</sup> in existing state attributable to the two property groups as at the Valuation Date (RMB million)																																																																									
												(RMB million)	(RMB million)																																																																												
II-1	Beijing Tower	Chang An No. 1 Limited Chang An No. 2 Limited Chang An No. 3 Limited Chang An No. 4 Limited Chang An No. 5 Limited Chang An No. 6 Limited Chang An No. 7 Limited Chang An No. 8 Limited Chang An No. 9 Limited Chang An No. 10 Limited Chang An No. 11 Limited	Beijing	Dongcheng	Office	26 Sep 2043	Office	2,210	1994	0	80%	0.43	46.00	50%	50%	23.00	23.00	46.00																																																																							
																			II-2	Yantone New World Plaza	Qingdao Pacific Property Management Company Limited	Beijing	Xicheng	Office	2 Nov 2043	Office	1,441	1996	0	0%	0	30.00	100%	0.00	30.00	30.00																																																					
																																					II-3	New Times Square	Qingdao Pacific Property Management Company Limited	Chengdu	Qingyang	Office	30 Oct 2045	Office	382	1996	0	0%	0	2.90	100%	0.00	2.90	2.90																																			
																																																							II-4	Units 403-404 on 26th Floor, Minxing Building, 88 Tudu Street, Chengdu	VSCL Limited	Chengdu	Qingyang	Commercial, Office	22 May 2044	Office	425	1998	0	0%	0	4.80	100%	0.00	4.80	4.80																	
																																																																									II-5	Portions of commercial space in Laguna Verona	Dongguan Asia Commercial Hwang Gang Lake Development Co., Ltd.	Dongguan	Houjie	Commercial	11 Apr 2064	Commercial	829	2005	0	36%	0.00	6.40	49.915%	3.19	6.38
II-7	Yinhai Building	Qingdao Pacific Property Management Company Limited	Shanghai	Xuhui	Office	13 Oct 2045	Office	92	1992	0	0%	0	1.20	100%	0.00	1.20	1.20																																																																								
II-8	SIIC Building	VSCL Limited	Shanghai	Xuhui	Office	28 Nov 2044	Office	337	1996	0	0%	0	8.50	100%	0.00	8.50	8.50																																																																								
II-9	Portions of commercial space in Century Place	Shenzhen Hutchison Whampoa CATIC Properties Limited	Shenzhen	Futian	Composite	28 Dec 2043	Commercial	52,762	2012	0	79%	8.00	1,520.00	40%	40%	608.00	1,216.00																																																																								
II-10	Le Parc	Hutchison Whampoa Properties (Shenzhen) Co., Ltd.	Shenzhen	Futian	Composite	27 Jul 2068	Commercial, Club house	10,626	2003	0	100%	0.64	130.00	50%	50%	65.00	130.00																																																																								

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	GFA <sup>(1)</sup>	Completion date	No. of car parking spaces	Existing occupancy rate	Monthly passing rent (RMB million)	Market value <sup>(2)</sup> in existing state as at the Valuation Date	Interest attributable to the Cheung Kong Property Group	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date	Interest attributable to the Hutchison Property Group	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date	Total interest attributable to the two property groups	Market value <sup>(2)</sup> in existing state attributable to the two property groups as at the Valuation Date
II-11	Taihe Plaza	VSCL Limited	Wuhan	Qiaokou	Commercial service	1 Aug 2042	Office	225	1996	0	0%	0	1.90	0%	0.00	100%	1.90	100%	1.90
II-12	Horizon Cove	Hutchison Whampoa Properties (Zuhai) Company Limited	Zuhai	Tangjia Bay	Residential, Commercial	5 Dec 2048	Commercial	2,255	2004	0	81%	0.04	14.00	50%	7.00	50%	7.00	100%	14.00
	Total							173,723		317		39.56	4,545.70		2,096.19		2,145.49		4,241.68

Notes:

- All areas are stated in approximations.
- All values are stated in approximations.

## Group III – Completed properties held by the two property groups for operation in the PRC

## Valuation Summary as at 28 February 2015

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	GFA <sup>(1)</sup>	Completion date	No. of rooms	Market value <sup>(2)</sup> in existing state as at the Valuation Date (RMB million)	Interest attributable to the Cheung Kong Property Group	Interest attributable to the Hutchison Property Group	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date (RMB million)	Total interest attributable to the two property groups	Market value <sup>(2)</sup> in existing state attributable to the two property groups as at the Valuation Date (RMB million)
III-1	The Great Wall Sheraton Hotel Beijing	北京市長城飯店公司 Great Wall Hotel Joint Venture of Beijing	Beijing	Chaoyang	Commercial services	9 Dec 2023	Hotel	81,563 (sq.m.)	1984	827	334.00	0%	0.00	49.82%	49.82%	166.39
III-2	Sheraton Chengde Lido Hotel	成都長天有限公司	Chengde	Qinyang	Composite	17 Jan 2049	Hotel	56,350	2000	387	691.00	69%	476.79	0%	69%	476.79
III-3	Harbour Plaza Chongqing	重慶海濱酒店有限公司	Chongqing	Yuzhong	Composite	30 Aug 2044	Hotel	52,238	1998	389	504.00	50%	252.00	50%	100%	504.00
III-4	Harbour Plaza Golf Club	Dongguan Huijing Holiday Country Co., Ltd.	Dongguan	Houjie	Golf course	8 Mar 2044	Golf course	N/A	1998	N/A	280.00	49.99825%	139.99	49.99825%	99.9965%	279.99
	Total							190,152		1,603	1,809.00		868.78		558.39	1,427.17

## Notes:

- All areas are stated in approximations.
- All values are stated in approximations.

Group IV – Properties held by the two property groups under development in the PRC

Valuation Summary as at 28 February 2015

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	Site area <sup>(1)</sup> (square metres) Gross land use ratio	Site area <sup>(1)</sup> (square metres) Net land use ratio	Planned GFA <sup>(2)</sup> (sqm)	Date of commencement of construction	Scheduled completion date of construction	No. of car parking spaces	Presale GFA <sup>(3)</sup> (sqm)	Presale consideration (RMB million)	Construction cost incurred (RMB million)	Development value <sup>(4)</sup> to be completed at the valuation date (RMB million)	Market value <sup>(5)</sup> attributable to the Chengde Property Group (RMB million)	Interest attributable to the Chengde Property Group (%)	Market value <sup>(6)</sup> attributable to the Haidichou Property Group (RMB million)	Interest attributable to the Haidichou Property Group (%)	Market value <sup>(7)</sup> attributable to the two property groups at the valuation date (RMB million)	Total interest attributable to the two property groups (%)	Market value <sup>(8)</sup> attributable to the two property groups at the valuation date (RMB million)
IV.1	Lu Garden Villa Phases 3 and 4	Beijing B Garden Real Estates Development Co. Ltd.	Beijing	Shunyi	Residential, Commercial, Basement storage, Basement carpark	11 Dec. 2013 to 11 Dec. 2063	Residential	741,322 (all phases)	741,322 (all phases)	360,052	2009	2018	N/A	133,543	3,412	1,289	7,570,000	3,646,000	100%	0%	0.00	100%	3,646,000	
IV.2	Phase 4 of Regency Park	Haidichou Wharppu Properties (Changshu) Limited	Changshu	Jiangsu	Residential, Commercial	21 Mar. 2015	Residential, Commercial	920,689 (all phases)	920,689 (all phases)	224,066	2013 <sup>(1)</sup>	2016	Not stated in the document	5,606	60	538	2,203,000	960,000	50%	50%	480.00	100%	960.00	
IV.3	Regency Cove	Haidichou Wharppu Properties (Changshu) Limited	Changshu	National Hi-Tech Industrial Development Zone	Residential, Commercial	22 Jan. 2015 to 22 Jan. 2081	Residential, Commercial	158,892 (all phases)	158,892 (all phases)	283,044	2013 <sup>(1)</sup>	2015	Not stated in the document	8,311	55	965	2,419,000	1,280,000	50%	50%	874.00	100%	1,280.00	
IV.4	The proposed development of Properties (Chengbi) Phase 1B of Le Parc	Haidichou Wharppu Properties (Chengde) Limited	Chengde	Gaoxin	Commercial, Public service facilities, Residential, Warehouse, Office, facilities etc.	10 Nov. 2014 to 10 Nov. 2074	Residential, Carpark	812,451 (all phases)	812,451 (all phases)	193,647	2013 <sup>(1)</sup>	2015	Not stated in the document <sup>(8)</sup>	9,790	90	454	1,395,000	974,000	50%	50%	487.00	100%	487.00	
IV.5	Chengde Regency Hills	Haidichou Wharppu Properties (Chengde) Limited	Chengde	Nanan	Residential, Commercial, Public carpark	16 Apr. 2014 to 16 Apr. 2037	Residential, Commercial, Basement carpark	1,041,590 (all phases)	329,831 <sup>(1)</sup>	4,121,731	2013 <sup>(1)</sup>	2015-2023	23,422	80,020	689	698	N/A	3,841,000	47.5%	1,834.47	47.5%	1,834.47	95%	3,648.95
IV.6	Chengde Regency Lakeview	Haidichou Wharppu Properties (Chengde) Limited	Chengde	New North Zone	Residential, Commercial	30 Dec. 2010 to 30 Dec. 2100	Residential	132,471 (all phases)	132,471 (all phases)	357,660	2013 <sup>(1)</sup>	2016	Not stated in the document	0	0	715	5,517,000	2,152,000	50%	50%	1,076.00	100%	2,152.00	
IV.7	Phases D2a, D2b, G1b & G2a, and H of Laguna Verona	Dooguan Asia Commercial Hong Kong Lake Development Co., Ltd.	Dongguan	Hongji	Residential, Commercial	Feb. 2002 to 19 Sep. 2008	Residential	3,238,977 (all phases)	3,236,889 (all phases)	296,864	2011 <sup>(1)</sup>	2015-2016	N/A	0	0	795	867	5,115,800	49,915%	1,457.41	49,915%	1,457.41	99.825%	2,914.83
IV.8	Lan 106 No. 5B, Wolong Bay	Haidichou Wharppu Properties (Dalian) Limited	Dalian	Jinzhou	Commercial	4 Jan. 2013	Apartment	39,939 (all phases)	39,939 (all phases)	811,922	2014 <sup>(1)</sup>	2016	Not stated in the document	0	0	120	282	741,000	50%	163.00	50%	163.00	100%	326.00
IV.9	Phase 1A, 1B, 2A and 2B, Emerald Cove	Foshan Haidichou Wharppu Properties Limited	Foshan	Chancheng	Commercial, Residential	30 Mar. 2013 to 30 Mar. 2083	Commercial, Residential, Carpark	74,857 (all phases)	74,857 (all phases)	261,996	2013 <sup>(1)</sup>	2016	Not stated in the document <sup>(8)</sup>	0	0	438	706	2,990,000	50%	830.00	50%	830.00	100%	1,660.00
IV.10	Phase 4-Cape Coral	Haidichou Wharppu Properties (Guangzhou) Limited	Guangzhou	Panyu	Commercial, Residential	9 Jul. 2010 to 4 Dec. 2071	Commercial, Residential	449,608 (All phases)	491,179 (All phases)	256,364	2012	2016	1,376	17,130	280	419	5,599,000	1,864,000	50%	952.00	50%	952.00	100%	1,864.00
IV.11	Guangzhou Gaoji Wanjiang Phase 2B and 2C-1	Guangzhou Gaoji International Toys And Gifts Center Co., Ltd.	Guangzhou	Huangpu	Commercial	15 Sep. 2014 to 15 Sep. 2075	Commercial/office	321,261 (All phases)	303,565 (All phases)	130,672	2011	2015	764	0	665	44	1,442,000	1,315,000	30%	394.30	30%	394.30	60%	788.60
IV.12	Maha Megdali Phases 2 & 3	Regal Lake Property Development Limited	Guangzhou	Luogang	Residential, Commercial	1 Apr. 2004 to 13 Apr. 2065	Residential	225,547 (all phases)	223,547 (all phases)	201,063	2011	2016	313	2,644	71	1,255	3,978,000	2,357,000	40%	1,014.80	40%	1,014.80	80%	2,029.60

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	Site area <sup>(1)</sup> (sqm)	Site area <sup>(1)</sup> (sqm)	Scheduled completion date of construction	No. of car parking spaces	Peak GFV <sup>(1)</sup> (sqm)	Construction cost incurred	Construction cost incurred	Development value <sup>(2)</sup> (RMB million)	Market value <sup>(2)</sup> (RMB million)	Interest attributable to the Cheung Kong Property Group	Market value <sup>(2)</sup> (RMB million)	Interest attributable to the Hutchison Property Group	Market value <sup>(2)</sup> (RMB million)	Total interest attributable to the two property groups	Market value <sup>(2)</sup> (RMB million)	
																							Site area <sup>(1)</sup> (sqm)
IV-13	Emerald City, Phases 1A, 2A, 1B, 1C and 2C	Hutchison Wharpoon Properties (Nanjing) Limited	Nanjing	Jianye	Residential, Commercial	20 Dec 2051 to 29 Dec 2081	Residential, Office	119,502	119,502	573,344	2015	66,977	1,639	1,016	1,862	9,469.23	5,882.00	50%	2,941.00	50%	2,941.00	100%	5,882.00
IV-14	The Ithorfront, Lots 5, 6 and 7	Hutchison Wharpoon Properties (Qingdao) Limited	Qingdao	Shibi	Residential, Commercial	17 Oct 2051 to 11 Oct 2082	Residential, Office	129,899	129,899	673,774	2017 <sup>(14)</sup>	N/A	310	1,081	2,713	8,457.00	4,432.00	45%	1,994.40	45%	1,994.40	90%	3,988.80
IV-15	City Link	Chang Wo Zhibang Properties (Shanghai) Ltd.	Shanghai	Jiangnan	Commercial, Office	18 Dec 2058	Office, Commercial	142,28	142,28	90,661	2009	0	344	666	3,027.00	1,710.00	30%	511.00	30%	511.00	60%	1,022.00	
IV-16	Riviera Palace	Shanghai Hean Property Development Co., Ltd.	Shanghai	Qingpu	Residential	3 Jul 2082	Residential	144,483	144,483	215,931	2015	0	522	675	4,232.00	2,736.00	50%	1,368.00	50%	1,368.00	100%	2,736.00	
IV-17	Royal Waterfront	Shanghai Hehao Property Development Co., Ltd.	Shanghai	Qingpu	Residential	12 Jun 2081	Residential	74,091	74,091	133,142	2011	0	398	247	2,753.00	2,178.00	50%	1,089.00	50%	1,089.00	100%	2,178.00	
IV-18	Regency Garden	Shanghai Box Qi Property Co., Ltd.	Shanghai	Putong	Residential, Commercial	30 Aug 2044 to 30 Aug 2074	Residential	26,347	26,347	179,206	2014 <sup>(15)</sup>	Not stated in the document	200	787	3,817.00	2,478.00	42.5%	1,051.15	42.5%	1,051.15	85%	2,106.30	
IV-19	Upper West Shanghai	Shanghai Chugang Jiangye Property Development Co., Ltd.	Shanghai	Pudong	Commercial, Residential, Office	9 Jun 2047 to 8 Jun 2077	Commercial, Office, Hotel, Residential	176,835	134,290	925,806	2009 <sup>(16)</sup>	Not stated in the document	102,461	2,629	6,222	24,800.00	11,560.00	29.4%	3,396.64	30.6%	3,396.64	60%	6,793.28
IV-20	Hequn Mingdi	Shanghai Heya Property Development Co., Ltd.	Shanghai	Jiading	Residential, Commercial, Office	11 Oct 2049 to 11 Oct 2079	Residential, Office	211,620	211,620	588,115	2007 <sup>(17)</sup>	Not stated in the document	1,672	1,478	1,601	8,775.00	5,596.00	50%	2,796.00	50%	2,796.00	100%	5,596.00
IV-21	Milennium Waterfront, Phase 1B, 2A and 2B	Hutchison Wharpoon Properties (Wuhan Jiangnan South) Limited	Wuhan	Jiangnan	Residential, Commercial, Office	23 Dec 2052 to 23 Dec 2082	Residential, Commercial, Office	110,618	110,618	691,244	2016 <sup>(18)</sup>	Not stated in the document	62,277	1,372	1,662	11,486.00	7,804.00	50%	3,902.00	50%	3,902.00	100%	7,804.00
IV-22	The Metropolitan	Hutchison Wharpoon Properties (Wuhan Jiangnan North) Limited	Wuhan	Jiangnan	Residential, Commercial, Office	27 May 2053 to 27 May 2083	Commercial, Residential	35,271	35,271	267,532	2013 <sup>(19)</sup>	Not stated in the document	0	599	1,045	3,541.00	1,760.00	50%	880.00	50%	880.00	100%	1,760.00
IV-23	The Greenwich, Phase 4	Hutchison Wharpoon Properties (Xi'an) Limited	Xi'an	Gaomin	Residential	20 May 2082	Residential, Carpark	142,334	142,334	499,485	2013 <sup>(20)</sup>	Not stated in the document	40,211	533	1,364	3,734.00	1,631.00	50%	815.50	50%	815.50	100%	1,631.00
Total									11,483,368	11,483,368	71,600.00	63,082	12,653	33,921.88	30,414.40	64,336.48							

Notes:

- All areas are stated in approximations.
- All values are stated in approximations.
- The first contract was signed in 2011.
- The first contract was signed in 2011.
- The first contract was signed in 2010.
- According to the survey report, the number of car parking spaces in the basement is 333.
- Parts of the land have not been handed over by the government. As at the valuation date, parts of the property with a site area of 329,831 sqm, have been issued with state-owned Land Use Rights Certificates. All land premium has been fully settled.
- The first contract was signed in 2005.
- The first contract was signed in 2011.
- The first contract was signed in 2005.
- The first contract was signed in 2011.
- The first contract was signed in 2012.

13. According to information from the two property groups, the number of car parking spaces in the basement is 861.
14. The first contract was signed in 2013.
15. The first contract was signed in 2013. Part of land has not been handed over by the government. However, state-owned Land Use Rights Certificates have been granted and all land premium has been fully settled.
16. The first contract was signed in 2007.
17. The first contract was signed in 2008.
18. The first contract was signed in 2011.
19. The first contract was signed in 2012.
20. The first contract was signed in 2010.

## Group V – Properties held by the two property groups for future development in the PRC

## Valuation Summary as at 28 February 2015

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	Site area <sup>(1)</sup> (according to Grant Contract of Land Use Rights)	Site area <sup>(1)</sup> (according to existing State-owned Land Use Rights Certificate)	Scheduled completion date of construction	No. of car parking spaces	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date		Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date		Market value <sup>(2)</sup> in existing state attributable to the two property groups as at the Valuation Date		
												(sq.m.)	(sq.m.)	(RMB million)	(%)	(RMB million)	(%)	(RMB million)
V-1	Phase 2 of The Greenwich	Hutchison Whampoa Properties (Beijing Chaoyang) Limited	Beijing	Chaoyang	Residential, Ancillary, Basement carpark	30 Aug 2044 to 30 Aug 2074	Residential, Commercial, Underground carpark	97,801	97,801	214,259	2018	0	1,746.00	873.00	873.00	100%	1,746.00	
V-2	The proposed development situated at Berkun Village, Shisanling Town	Rassini Property (Beijing) Limited	Beijing	Changping	Residential, Ancillary	20 May 2044 to 20 May 2074	Residential	254,742	254,742	96,400	2020	0	220.90	110.45	110.45	50%	220.90	
V-3	La Grande Ville Phase 5	Beijing Chang Le Real Estates Development Co., Ltd. Beijing Po Garden Real Estates Development Co., Ltd.	Beijing	Shunyi	Residential, Commercial, Basement storage, Basement carpark	11 Dec 2033 to 31 Dec 2066	Residential	741,822 (all phases)	741,822 (all phases)	113,975	2018	90	941.00	941.00	0%	0.00	100%	941.00
V-4	The proposed development of Phases 6B-L, 6C, 7A, 7B, 8A and 8B of Le Parc	Hutchison Whampoa Properties (Chengdu) Limited	Chengdu	Gaoxin	Commercial, Public service facilities, Residential, Municipal facilities etc.	10 Nov 2044 to 10 Nov 2074	Residential, Commercial, Carpark	812,451 (all phases)	811,625 (all phases)	1,278,980	2018	8,272	4,175.00	2,087.50	50%	2,087.50	100%	4,175.00
V-5	The proposed development of Phases 4 and 5 of Noble Hills	Hutchison Whampoa Properties (Changsha Wangsheng) Limited	Changsha	Wangsheng	Residential	25 Apr 2075	Residential, Commercial	556,708 (for white project)	197,039	292,982	2018	0	280.00	140.00	50%	140.00	100%	280.00
V-6	Phases D2c, F, G1b2, G2a, G1b3, G2a.3, G2b of Laguna Verona Dongguan	Dongguan Asia Commercial Hwang Gong Lake Development Company Limited	Dongguan	Houjie	Residential, Commercial	19 Sep 2068	Residential, Commercial	3,238,977 (all phases)	3,236,869 (all phases)	1,089,013	2016-2027		2,452.00	1,223.83	49.9115%	1,223.83	99.823%	2,447.66
V-7	Land plot Nos. 5A, 6A and 6B, Wolong Bay <sup>(3)</sup>	Hutchison Whampoa Properties (Dalian Wolong North) Limited Hutchison Whampoa Properties (Dalian Wolong South) Limited	Dalian	Jinzhou	Residential, Commercial	N/A	Residential, Commercial	279,370	-	454,146	2018	Not stated in the document	1,195.00 <sup>(4)</sup>	597.50	50%	597.50	100%	1,195.00



Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	Site area <sup>(1)</sup> (according to Grant Contract of Land Use Rights)	Site area <sup>(1)</sup> (according to State-owned Land Use Rights Certificate)	Planned GFA <sup>(1)</sup>	Scheduled completion date of construction	No. of car parking spaces	Market value <sup>(2)</sup> in existing state as at Valuation Date	Interest attributable to the Cheung Kong Property Group	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at Valuation Date	Interest attributable to the Hutchison Property Group	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at Valuation Date	Total interest attributable to the two property groups	Market value <sup>(2)</sup> in existing state attributable to the two property groups as at the Valuation Date
								(sq.m.)	(sq.m.)	(sq.m.)			(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million)
V-8	Heizaiqi, Xigang District	Dalian Dalian Property Development Co., Ltd.	Dalian	Xigang	Residential, Commercial	23 Aug 2052 to 23 Aug 2082	Residential, Apartment, Commercial	143,034	N/A	725,800	2020	2,634	2,150,000 <sup>(5)</sup>	50%	1,075,000	50%	1,075,000	100%	2,150,000
V-9	Maofengshan project	Guangzhou Li Zhi Enterprise Ltd	Guangzhou	Baiyun	Composite, Agricultural	10 Nov 2040 to 10 Nov 2070	Office, Hotel, Basement carpark	1,327,287	1,327,287	N/A	N/A	0	371.00	50%	185.50	50%	185.50	100%	371.00
V-10	Phase 2 and 3, Noble Hills	Hutchison Whampoa Properties (Guangzhou ZengCheng) Limited	Guangzhou	Zengcheng	Residential	6 Dec 2075 to 26 Apr 2076	Residential	2,112,672 (All phases)	2,112,672 (All phases)	238,700	2017	0	No commercial value <sup>(6)</sup>	50%	No commercial value	50%	No commercial value	100%	No commercial value
V-11	Phases 4+10, Noble Hills	Guangzhou Walkin Real Estate Limited, Guangzhou Crystal Rainbow Real Estate Limited, Guangzhou Eternal Star Real Estate Limited	Guangzhou	Zengcheng	Residential	6 Dec 2075 to 26 Apr 2076	N/A	See V-10	See V-10	N/A	N/A	0	No commercial value <sup>(7)</sup>	50%	No commercial value	50%	No commercial value	100%	No commercial value
V-12	Guangzhou Guoji Wanjucheng Phases 2C-2 and 3	Guangzhou Guoji Toys And Gifts Center Co., Ltd.	Guangzhou	Huangpu	Commercial	15 Sep 2043 to 15 Sep 2073	Commercial/office	321,261 (All phases)	305,965 (All phases)	228,889	2019	294	220,000	30%	66,000	30%	66,000	60%	132,000
V-13	Upper West Shanghai	Shanghai Changrun Jiangle Property Development Co., Ltd.	Shanghai	Ptuo	Residential	8 Jan 2077	Residential	176,853 (all phases)	42,624	195,988	2018	0	1,860,000	29.4%	546.84	30.6%	569.16	60%	1,116,000
V-14	Aotou Lot A	Hutchison Whampoa Properties (Huizhou) Limited	Huizhou	Aotou	Residential	25 Aug 2075	Residential	80,052	80,052	240,156	2019	0	129,000	50%	64,50	50%	64,50	100%	129,000
V-15	Regency Cove, Phases 2-9	Hutchison Whampoa Properties (Wuhan Caidian) Limited	Wuhan	Caidian	Residential, Commercial, Hotel	N/A	Residential, Commercial, Hotel	713,208	N/A	1,583,298	2024 <sup>(8)</sup>	Not stated in the document	2,024,32 <sup>(9)</sup>	50%	1,012,16	50%	1,012,16	100%	2,024,32
V-16	Horizon Costa	Hutchison Whampoa Properties (Zhuhai) Company Limited	Zhuhai	Qiao Island	Residential, Commercial	N/A	Residential, Commercial	200,000	200,000	277,995	2018	0	711,00 <sup>(10)</sup>	50%	355,50	50%	355,50	100%	711,00
V-17	Silver Cove	Jiangmen Hutchison Whampoa Properties Limited	Jiangmen	Xinhui	Commercial, Residential	23 Mar 2047 to 23 Mar 2077	Commercial, Residential	1,333,333	1,333,333	429,430	2022 <sup>(11)</sup>	0	470,00 <sup>(12)</sup>	45%	211,50	45%	211,50	90%	423,00
V-18	Cuilihu, Phase 1	Zhongshan Cuilihu Hutchison Whampoa Property Co., Ltd	Zhongshan	Wuguishan	Residential, Commercial	14 Jul 2083	Residential, Commercial	104,808	109,264	65,558	2016 <sup>(13)</sup>	0	524,00	50%	262,00	50%	262,00	100%	524,00
	Total							7,525,571					19,469,22		9,752,28		8,833,60		18,585,88

Notes:

1 All areas are stated in approximations.

- 2 All values are stated in approximations.
- 3 The first contract was signed in 2011.
- 4 The land has not yet been handed over by the government. No State-owned Land Use Rights Certificate has been granted but all land grant fee has been fully settled.
- 5 The land has not yet been handed over by the government. No State-owned Land Use Rights Certificate has been granted but all land grant fee has been fully settled.
- 6 The land has not yet been handed over by the government as site clearance has not been completed. Land premium has not been fully settled. We have ascribed no commercial value to the property. For the two property groups' management reference, had the relevant title documents been obtained and the land premium been fully settled, the market value of the property would be RMB1,526,000,000.
- 7 The land has not yet been handed over by the government as it is subject to a criminal case of "Liang Peikun". We have ascribed no commercial value to the property. For the two property groups' management reference, had the relevant title documents been obtained, the land premium been fully settled and the criminal litigation been cleared, the market value of the property would be RMB5,458,000,000.
- 8 The first contract was signed in 2008.
- 9 The land has not yet been handed over by the government. No State-owned Land Use Rights Certificate has been granted but all land grant fee has been fully settled.
- 10 The land has not yet been handed over by the government. However, State-owned Land Use Rights Certificate has been granted and all land grant fee has been fully settled.
- 11 Reclamation works in progress. The first contract was signed in 2010.
- 12 A contract between Jianguan Huichun Whampoa Properties Limited ("Party A") and Guanglong Geotechnical Engineering Group Company ("Party B") was entered into on 3 May 2010, whereby Party B performs geotechnical treatment and land formation construction works on the property commencing from April 2010 for a consideration of RMB186,311,977.
- 13 The first contract was signed in 2013.



Property No.	Property name	Holding entity	District	Expiry date of land tenure	Type of property	Floor area <sup>(1)</sup> (G/S)	Completion date	No. of car parking spaces	Existing occupancy rate	Monthly passing rent (HKD)	Market value <sup>(2)</sup> in existing state attributable to the Property Group as at the Valuation Date		Market value <sup>(2)</sup> in existing state attributable to the Property Group as at the Valuation Date		Market value <sup>(2)</sup> in existing state attributable to the Property Group as at the Valuation Date	
											(HKD million)	(%)	(HKD million)	(%)	(HKD million)	(%)
VI-11	3rd Floor, 42C Macdonnell Road	Sprado Company Limited	Mid-Levels	25 Oct 2095	Residential	96 S	1955	0	100%	23,000	16.00	100%	0.00	0.00	16.00	100%
VI-12	Factory Unit 14 on 4th Floor, Various Roofs and Carparks, Vanta Industrial Centre, 21-33 Tai Lin Pai Road	Haynes Estates Limited	Kwai Chung	30 Jun 2047	Industrial & Carpark	1,357 G	1988	3	100%	150,000	46.60	100%	0.00	0.00	46.60	100%
VI-13	Retail Units and 10 Retail Car Parks, Retail Complex, Deerhill Bay, 4699 Tai Po Road Tai Po Kau	Montaco Limited	Tai Po	30 Jun 2047	Retail & Carpark	1,461 G	1998	10	100%	134,203	39.00	100%	0.00	0.00	39.00	100%
VI-14	Retail Development and Commercial Car Parking Spaces Nos. P127 to P134 on Lower Ground Mezzanine Floor, The Apex, 33 Wo Yi Hop Road	Peat Wisdom Limited	Kwai Chung	3 Jun 2052	Retail & Carpark	1,502 G	2007	8	100%	265,680	84.00	100%	0.00	0.00	84.00	100%
VI-15	West Kowloon Place One West Kowloon, 873 Lai Chi Kok Road, Lai Chi Kok, Kowloon	Tony Investments Limited	Cheung Sha Wan	6 Jul 2059	Retail & Carpark	2,666 G	2013	13	100%	454,828	106.00	100%	0.00	0.00	106.00	100%
VI-16	Flat No. 1, 5th Floor, Block B and Car Park Space 10, Jardine's Lookout Garden Mansion, 148-150 Tai Hang Road	Go Rise Investments Limited	Jardine's Lookout	16 Sep 2078	Residential & Carpark	131 S	1961	1	100%	53,000	27.50	100%	0.00	0.00	27.50	100%
VI-17	5 Tung Yuen Street, Remaining Portion of Yau Tong Inland Lot No. 4	Kom Reach Investment Limited	Yau Tong	30 Jun 2047	Industrial	5,438 Site area	N/A	0	N/A	288,000	340.00	100%	0.00	0.00	340.00	100%
VI-18	Flat No. 1, 1st Floor, Block B and Car Park Space 61, Jardine's Lookout Garden Mansion, 148-150 Tai Hang Road	Lead All Investments Limited	Jardine's Lookout	16 Sep 2078	Residential & Carpark	131 S	1961	1	100%	49,000	27.00	100%	0.00	0.00	27.00	100%

Property No.	Property name	Holding entity	District	Expiry date of land tenure	Type of property	Floor area <sup>(1)</sup> (G/S) (sq.m.)	Completion date	No. of car parking spaces	Existing occupancy rate	Monthly passing rent (HKD)	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date		Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date		Market value <sup>(2)</sup> in existing state attributable to the two groups as at the Valuation Date		
											(HKD million)	(%)	(HKD million)	(%)	(HKD million)	(%)	(HKD million)
VI-19	Flat No. 3, 7th Floor, Block B and Car Park Space 36, Jardine's Lookout Garden Mansion, 148-150 Tai Hang Road	Lion Focus Investments Limited	Jardine's Lookout	16 Sep 2078	Residential & Carpark	103 S	1961	1	100%	48,000	22.00	100%	22.00	0.00	0%	22.00	100%
VI-20	Various Units and Carparks, Mont Vert (Phase 1), 9 Fung Yuen Road	Fanatic State Limited	Tai Po	8 Aug 2057	Residential & Carpark	26,824 S	2014	247	0%	0	2,708.00	100%	2,708.00	0.00	0%	2,708.00	100%
VI-21	Various Units and Carparks, The Rise, 63 You Ma Hom Road	Rainbow Elite Investments Limited	Kwai Chung	30 Jun 2047	Residential & Carpark	766 S	2014	74	0%	0	158.30	100%	158.30	0.00	0%	158.30	100%
VI-22	Flat D, 41st Floor, Tower 1, One West Kowloon, 873 Lai Chi Kok Road	Tony Investments Limited	Cheung Sha Wan	6 Jul 2059	Residential	81 S	2013	0	0%	0	12.00	100%	12.00	0.00	0%	12.00	100%
VI-23	Kindergarten and Various Carparks, Uptown, 600 Castle Peak Road, Hung Shui Kiu	Clayton Power Enterprises Limited	Yuen Long	11 May 2055	Retail & Carpark	415 G	2011	22	100%	75,000	30.20	50%	15.10	15.10	50%	15.10	100%
VI-24	Celestial Heights Mall 80 Shiang Shing Street, Ho Man Tin, Kowloon	Volly Best Investment Limited	Ho Man Tin	11 Oct 2054	Retail & Carpark	8,513 G	2009	512	100%	2,339,563	557.00	90%	483.30	0.00	0%	483.30	90%
VI-25	Attributable interest of 10 shops, Admiralty Centre, 18 Harcourt Road	Cheung Kong (Holdings) Limited	Admiralty	17 Aug 2128	Retail	392 <sup>(3)</sup> G	1980	0	100%	525,498	66.00 <sup>(5)</sup>	100% <sup>(6)</sup>	66.00	0.00	0%	66.00	100%
VI-26	Portions of The Laguna Mall, 8 Laguna Verde Avenue	Biro Investment Limited	Hung Hom	30 Jun 2047	Retail & Carpark	11,725 G	2000	122	96%	3,664,000	851.00	100%	851.00	0.00	0%	851.00	100%
VI-27	Attributable interest of Commercial Units on Ground and 1st Floors and Various Carparks, Banyan Garden, 863 Lai Chi Kok Road	Gingerbread Investments Limited ("Gingerbread") and The Lucky Dragon Development (H.K.) Limited	Cheung Sha Wan	13 Aug 2049	Retail & Carpark	6,073 <sup>(3)</sup> G	2005	191	99%	3,110,512	556.11 <sup>(5)</sup>	100% <sup>(6)</sup>	556.11	0.00	0%	556.11	100%
VI-28	Attributable interest of Various Units, La Splendeur, Le Prestige, LOHAS Park, 1 LOHAS Park Road	Rich Asia Investments Limited	Tseng Kwan O	15 May 2052	Residential	329 <sup>(3)</sup> S	2012	0	0%	0	28.97 <sup>(5)</sup>	85% <sup>(6)</sup>	24.62	0.00	0%	24.62	85%

Property No.	Property name	Holding entity	District	Expiry date of land tenure	Type of property	Floor area <sup>(1)</sup> (sq.m.)	Floor (G/S)	Completion date	No. of car parking spaces	Existing occupancy rate	Monthly passing rent (HKD)	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date		Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date		Market value <sup>(2)</sup> in existing state attributable to the two groups as at the Valuation Date	
												(HKD million)	(%)	(HKD million)	(%)	(HKD million)	(%)
VI-29	Attributable interest of Various Carparks, Le Prestige, LOHAS Park, 1 LOHAS Park Road	Rich Asia Investments Limited	Tseung Kwan O	15 May 2052	Carpark	0	-	2012	12 <sup>(4)</sup>	N/A	0	11.35 <sup>(5)</sup>	9.64	0.00	0.00	85%	9.64
VI-30	Attributable interest of Various Units, The Beaumont, 8 Shek Kok Road	Garbo Field Limited	Tseung Kwan O	17 Mar 2058	Residential	378 <sup>(3)</sup>	S	2013	0	0%	0	21.25 <sup>(5)</sup>	21.25	0.00	0.00	100%	21.25
VI-31	Attributable interest of Various Carparks, The Beaumont, 8 Shek Kok Road	Garbo Field Limited	Tseung Kwan O	17 Mar 2058	Carpark	0	-	2013	138 <sup>(4)</sup>	N/A	0	126.17	126.17	0.00	0.00	100%	126.17
VI-32	Various Carparks, Central Park Towers, 2 Tin Yan Road	New Profit Resources Limited	Yuen Long	12 Jul 2052	Carpark	0	-	2007	777	N/A	600,000	361.35	355.82	0.00	0.00	98.47%	355.82
VI-33	Car Parking Space No. 113 on Lower Ground Floor, Sherwood Court, Kingswood Villas, 3 Tin Wu Road, Tin Shui Wai	New Profit Resources Limited	Yuen Long	30 Jun 2047	Carpark	0	-	1993	1	N/A	0	0.55	0.54	0.00	0.00	98.47%	0.54
VI-34	Various Carparks, Crown by The Sea, 3 Tsing Yung Street	New Accord Limited	Tuen Mun	30 Jun 2047	Carpark	0	-	2012	6	N/A	0	3.72	3.72	0.00	0.00	100%	3.72
VI-35	Private Car Parking Space No. P61 on Lower Ground Floor, The Apex, 33 Wo Yi Hop Road	Peat Wisdom Limited	Kwai Chung	3 Jun 2052	Carpark	0	-	2007	1	N/A	0	0.75	0.75	0.00	0.00	100%	0.75
VI-36	Private Car Parking Space No. P6 on Lower Ground 4 Floor, Kennedy Park at Central, 4 Kennedy Road	Ruby Star Enterprises Limited	Mid-Levels	12 Jul 2095	Carpark	0	-	2014	1	N/A	0	2.00	2.00	0.00	0.00	100%	2.00
VI-37	Unit 101A on Basement, Hunghom Commercial Centre, 37-39 Ma Tau Wat Road	Thorngood Estates Limited	Hung Hom	14 Sep 2047	Retail	9	G	1982	0	100%	1,700	0.70	0.70	0.00	0.00	100%	0.70

Property No.	Property name	Holding entity	District	Expire date of land tenure	Type of property	Floor area <sup>(1)</sup> (G/S) (sq.m.)	Completion date	No. of car parking spaces	Existing occupancy rate	Monthly passing rent (HKD)	Market value <sup>(2)</sup> in existing state as at the Valuation Date (HKD million)	Interest attributable to the Cheung Kong Property Group (%)	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date (HKD million)	Interest attributable to the Hutchison Property Group (%)	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date (HKD million)	Total interest attributable to the two property groups (%)	Market value <sup>(2)</sup> in existing state attributable to the two property groups as at the Valuation Date (HKD million)
V1-38	Various Units and Carparks, Hong Kong Spinners Industrial Centre (Phase V and VI), 760-762 Cheung Sha Wan Road and 481 Castle Peak Road	Thornegood Estates Limited	Cheung Sha Wan	30 Jun 2047	Industrial & Carpark	160 G	1977 & 1980	9	N/A	47,650	19.40	100%	0.00	0%	0.00	100%	19.40
	Total										18,788.53		17,026.20		15.10		17,041.30

## Notes:

- All areas are stated in approximations.
- All values are stated in approximations.
- The floor area stated is the whole 100% floor area of the property.
- The number of car parking spaces is the whole 100% of the property.
- The market value in existing state represents the value of the attributable interest.
- For properties in which the Group's interest is in relation to development rights, the percentage interest shown represents the Group's attributable interest in the developer company which entered into relevant joint development contract with the land owner.

## Group VII – Completed properties held by the two property groups for investment in Hong Kong

## Valuation Summary as at 28 February 2015

Property No.	Property name	Holding entity	District	Expiry date of land tenure	Type of property	Floor area <sup>(1)</sup> (G/S) (sq.m.)	Completion date	No. of car parking spaces	Existing occupancy rate	Monthly passing rent (HKD)	Market value <sup>(2)</sup> in existing state as at the Valuation Date (HKD million)	Interest attributable to the Cheung Kong Property Group (%)	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date (HKD million)	Interest attributable to the Hutchison Property Group (%)	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date (HKD million)	Total interest attributable to the two property groups (%)	Market value <sup>(2)</sup> in existing state attributable to the two property groups as at the Valuation Date (HKD million)
VII-1	Portions of The Center, 99 Queen's Road Central, Central, Hong Kong	Various companies	Central	30 Jun 2047	Office, Retail & Carpark	113,170 G	Jun 1998	402	97%	69,778,507	17,735.00	100%	17,735.00	0%	0.00	100%	17,735.00
VII-2	Shop Nos. 1001 to 1014 and 1019 to 1043 on 1st Floor, United Centre, 95 Queensway, Central, Hong Kong	Porfield Investments Limited	Central	3 Aug 2128	Retail	3,512 G	1981	0	100%	4,540,158	922.00	100%	922.00	0%	0.00	100%	922.00
VII-3	1881 Heritage, 2A Canton Road, Tsim Sha Tsui, Kowloon	Flying Snow Limited	Tsim Sha Tsui	11 Jun 2053	Retail & Hotel	13,023 G	2009	0	100%	69,426,504	13,634.00	100%	13,634.00	0%	0.00	100%	13,634.00
VII-4	Conic Investment Building, 13 Hok Yuen Street, Hunghom, Kowloon	Global Coin Limited	Hunghom	14 Sep 2047	Industrial & Carpark	30,409 G	1982	95	89%	2,530,550	1,019.00	100%	1,019.00	0%	0.00	100%	1,019.00
VII-5	8 Tung Yuen Street, Yau Tong, Kowloon	Glass Bead Limited	Yau Tong	30 Jun 2047	Industrial	7,170 G	1977	0	24%	520,000	112.00	100%	112.00	0%	0.00	100%	112.00
VII-6	Workshop Unit No. 7 on 1st Floor of Tower 1, Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon	Pako Wise Limited	Hunghom	14 Sep 2047	Industrial	1,673 G	1989	0	100%	158,000	60.00	100%	60.00	0%	0.00	100%	60.00
VII-7	Unit 03 on 8th Floor, 9th to 12th Floors, 15th Floor, Unit 05 on 28th Floor, Unit 01 on 29th Floor, Unit 08 on 31st Floor and the Roof immediately above 31st Floor, Wayland House, 55 Shek Pai Wan Road, Aberdeen, Hong Kong	Pine Fragrance Limited	Aberdeen	12 Dec 2887	Office	1,295 G	1996	0	100%	245,500	65.00	100%	65.00	0%	0.00	100%	65.00
VII-8	Remaining Portion of Marine Lot No. 293 and the Extension thereto	Pako Wise Limited	North Point	4 Nov 2056	Land	2,089 site area	N/A	0	N/A	76,000	16.00	100%	16.00	0%	0.00	100%	16.00



Property No.	Property name	Holding entity	District	Expiry date of land tenure	Type of property	Floor area <sup>(1)</sup> (G/S)	Completion date	No. of car parking spaces	Existing occupancy rate	Monthly passing rent (HKD)	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date		Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date		Market value <sup>(2)</sup> in existing state attributable to the two groups as at the Valuation Date		
											(HKD million)	(%)	(HKD million)	(%)	(HKD million)	(%)	(HKD million)
VII-9	97 Carparks on Lower and Upper Ground Floors, Robinson Heights, 8 Robinson Road, Mid-Levels, Hong Kong	Thorough Estates Limited	Mid-Levels	7 Mar 2857 and 11 Dec 2844	Carpark	N/A -	1989	97	N/A	540,588	92.00	100%	92.00	0.00	0%	0.00	92.00
VII-10	121 Car Parking Spaces on the 3rd, 4th and 5th Floors, North Point Centre, 278-288 King's Road, North Point, Hong Kong	Tremendous Wealth Limited	North Point	24 Apr 2122	Carpark	N/A -	1974	121	N/A	387,587	73.00	100%	73.00	0.00	0%	0.00	73.00
VII-11	Commercial Development (known as Victoria Mall) and Commercial Car Parking Space Nos. R1 to R79 on Basement, The Victoria Towers, 188 Canton Road, Tsim Sha Tsui, Kowloon	Konons Investment Limited	Tsim Sha Tsui	8 Apr 2048	Retail & Carpark	15,634 G	2002	79	90%	4,223,260	1,063.00	42.5%	451.77	451.77	42.5%	451.77	903.55
VII-12	4 Kindergartens, Flat E on 8th floor of Tower 22 and Flat A on 15th floor of Tower 23A, 240 Car Parking Spaces, 34 Goods Vehicle Parking Spaces, South Horizons, Aberdeen, Hong Kong	Secan Limited	Aberdeen	31 Mar 2040	Kindergarten, Residential & Carpark	3,869 (suitable, kindergarten); 170 (gross, residential)	1991-1994	274	100% (Kindergarten & Residential)	1,049,162 (Kindergarten & Residential) 904,000 (Car Parking Spaces)	519.10	30%	155.73	259.55	50%	259.55	415.28
VII-13	2nd Floor of East Commercial Block, 372 Car Parking Spaces at Phases 1, 3 and 4 and Flat G on 6th Floor of Tower 26, South Horizons, Ap Lei Chau, Hong Kong	Uranock Limited (Retail) & Juno Investments Limited (car parks and residential unit)	Aberdeen	31 Mar 2040	Retail, Residential & Carpark	899 (suitable, retail); 88 (gross, residential)	1993 & 1995	372	100% (shop only)	306,262	408.95	0%	0.00	408.95	100%	408.95	408.95
VII-14	Commercial Accommodation on Level 1, Shop Nos. 3 and 4 on Level 5, Rambler Crest, 1 Tsing Yi Road, Tsing Yi, New Territories	Marvel Front Limited	Tsing Yi	30 Jun 2047	Retail	4,104 G	2003	0	88%	1,084,743	240.68	30%	72.20	168.47	70%	168.47	240.68

Property No.	Property name	Holding entity	District	Expiry date of land tenure	Type of property	Floor area <sup>(1)</sup> (G/S)	Completion date	No. of car parking spaces	Existing occupancy rate	Monthly passing rent (HKD)	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date		Interest attributable to the Cheung Kong Property Group		Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date		Total interest attributable to the two groups as at the Valuation Date	
											(HKD million)	(%)	(HKD million)	(%)	(HKD million)	(%)	(HKD million)	(%)
VII-15	Kindergarten in Site A, 12 Laguna Street, Laguna City, Kowloon	Ranon Limited	Kwan Tong	30 Jun 2047	Kindergarten	1,380 G	1992 to 1994	0	100%	230,000	41.00	20.50	50%	20.50	50%	20.50	100%	41.00
VII-16	Car Parks Nos. 1 to 12, 53 to 59 and 65 to 78 on 5th Floor together with adjoining spaces, if any, Shun Tak Centre, 168-200 Comaught Road Central, Central, Hong Kong	Granlai Company Limited	Central	30 Dec 2130	Carpark	N/A -	1986	33	N/A	546,425	83.00	44.86	54.0541%	44.86	0%	0.00	54.0541%	44.86
VII-17	Whampoa Garden Shops and Car Parking Spaces, Hung Hom, Kowloon	Whampoa Investments Ltd, Tremayne Investments Ltd, Gratton Properties Ltd, Mossburn Investments Ltd, Glenlaur Investments Ltd, Ambridge Investments Ltd, Foxton Investments Ltd, Darwin Investments Ltd, Oregon Investments Ltd, Polliser Investments Ltd, Richmond Investments Ltd, Great Dynasty Enterprises Ltd, Starford Choice Ltd	Hung Hom	13 Dec 2134	Retail & Carpark	159,235 G	1985-1991	1,026	95%	52,363,963	12,847.30	0.00	0%	0.00	100%	12,847.30	100%	12,847.30
VII-18	Shops & Carparks, Aberdeen Centre, Aberdeen, Hong Kong	Aberdeen Commercial Investments Limited	Aberdeen	31 May 2856	Retail & Carpark	32,054 G	1980-1982	133	95%	19,903,942	4,351.00	0.00	0%	0.00	100%	4,351.00	100%	4,351.00
VII-19	Shops on Ground Floor, Offices on 1st and 2nd Floors of Blocks G, H and J and 16 Car Parking Spaces on Basement, Hung Hom Bay Centre, 92-112 Baker Street, Hung Hom, Kowloon	Hung Hom Bay Commercial Investments Limited	Hung Hom	20 Mar 2886	Retail, Office & Carpark	7,470 G	1979	16	89%	3,345,579	823.00	0.00	0%	0.00	100%	823.00	100%	823.00
VII-20	Chun Fai Centre, 9 Chun Fai Road, Tai Hang, Hong Kong	Portwave Limited	Tai Hang	30 Jun 2047	Retail & Carpark	2,998 G	1993	103	100%	830,105	224.00	0.00	0%	0.00	100%	224.00	100%	224.00

Property No.	Property name	Holding entity	District	Expiry date of land tenure	Type of property	Floor area <sup>(1)</sup> (G/S)	Completion date	No. of car parking spaces	Existing occupancy rate	Monthly passing rent (HKD)	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date		Interest attributable to the Cheung Kong Property Group		Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date		Interest attributable to the Hutchison Property Group		Market value <sup>(2)</sup> in existing state attributable to the two groups as at the Valuation Date	
											(HKD million)	(%)	(HKD million)	(%)	(HKD million)	(%)	(HKD million)	(%)	(HKD million)	(%)
VII-21	Shop No. 47 on Ground Floor (known as entrance for Mass Transit Station on Basement and Ground Floor), Kwan Yick Building (Phase II), 343 Des Voeux Road West, Western, Hong Kong	China Provident Development Company Limited	Western	5 Jun 2895 and 6 Jun 2861	Retail	74 G	1977	0	0%	0	3.50	0.00	0%	100%	3.50	100%	3.50	100%	3.50	
VII-22	Shop Nos. 4 to 9 on Ground Floor, Smithfield Court, 41A and 43 Smithfield Road, Kennedy Town, Hong Kong	Pinkett Limited	Kennedy Town	23 Jun 2882	Retail	655 G	1985	0	100%	503,000	132.00	0.00	0%	100%	132.00	100%	132.00	100%	132.00	
VII-23	Space being the Playground (now converted to Commercial Use) on 2nd Lower Ground Floor and Car Parking Space Nos. 1 to 40 on 2nd Lower Ground Floor, Blocks 32 to 40, Baguio Villa, 555 Victoria Road, Pokfulam, Hong Kong	Island Mark Limited	Pokfulam	25 Dec 2859	Retail & Carpark	1,201 G	1975	40	100%	732,263	130.00	0.00	0%	100%	130.00	100%	130.00	100%	130.00	
VII-24	Shops A, B and C on Ground Floor and the Entire Lower Ground Floor, Arts Building, 36-40 Robinson Road, Mid-Levels, Hong Kong	Pelista Limited	Mid-Levels	16 Mar 2854	Retail	552 G	1977	0	100%	233,000	59.90	0.00	0%	100%	59.90	100%	59.90	100%	59.90	
VII-25	Lower Ground Floor (at Village Road Level) and Parking Spaces Nos. 24 and 24A on Ground Floor (Lower Car Park), Fine Mansion, 32-40 Village Road, Happy Valley, Hong Kong	Tezzini Limited	Happy Valley	15 Dec 2079	Retail & Carpark	1,273 G	1973	2	100%	844,522	193.00	0.00	0%	100%	193.00	100%	193.00	100%	193.00	

Property No.	Property name	Holding entity	District	Expiry date of land tenure	Type of property	Floor area <sup>(1)</sup> (G/S) (sq.m.)	Completion date	No. of car parking spaces	Existing occupancy rate	Monthly passing rent (HKD)	Market value <sup>(2)</sup> in existing state as at the Valuation Date (HKD millions)	Interest attributable to the Cheung Kong Property Group as at the Valuation Date (%)	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date (HKD million)	Interest attributable to the Hutchison Property Group as at the Valuation Date (%)	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date (HKD million)	Total interest attributable to the two property groups as at the Valuation Date (%)	Market value <sup>(2)</sup> in existing state attributable to the two property groups as at the Valuation Date (HKD million)
VII-26	Shop Nos. 23 to 26, 81 to 83 on 1st Floor of the Podium, Admiralty Centre, 18 Hacourt Road, Central, Hong Kong	Sanoran Limited	Central	17 Aug 2128	Retail	162 S	1980	0	100%	128,550	37.00	0%	0.00	100%	37.00	100%	37.00
VII-27	Shop Nos. N58, N65, N66, N67 and N68 on Ground Floor, 1-17 Mount Sterling Mall and 10-16 Lai Wan Road, Mei Foo Sun Chuen, Lai Chi Kok, Kowloon	Dinaland Limited	Lai Chi Kok	30 Jun 2047	Retail	474 G	1982	0	100%	425,676	109.00	0%	0.00	100%	109.00	100%	109.00
VII-28	2 Car Parking Spaces on Ground Floor of Fu Bon Court and 15 Car Parking Spaces on Upper Ground Floor of Fu Kar Court, Fortress Garden, Car Parking Spaces on the Ground and Lower Ground Floors in Fullview Court, Fortress Hill Road, North Point, Hong Kong	Cavendish Property Development Limited	North Point	6 May 2101	Carpark	N/A -	1981, 1983 and 1988	67	N/A	157,000	31.80	0%	0.00	100%	31.80	100%	31.80
VII-29	Shop No. M18 on 1st Floor, Flat C on 2nd Floor and Flat Roof, Gardenview Building, 197-209 Sai Yeung Choi Street North, Mongkok, Kowloon	Hoblake Properties Limited	Mongkok	30 Jun 2047	Retail & Residential	1,156 G	1983	0	100%	251,366	61.00	0%	0.00	100%	61.00	100%	61.00
VII-30	Shop No. M18 on Mezzanine Floor, Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong, Kowloon	Hoblake Properties Limited	Kwun Tong	30 Jun 2047	Retail	8 G	1986	0	100%	35,750	7.80	0%	0.00	100%	7.80	100%	7.80

Property No.	Property name	Holding entity	District	Expiry date of land tenure	Type of property	Floor area <sup>(1)</sup> (G/S) (sq.m.)	Completion date	No. of car parking spaces	Existing occupancy rate	Monthly passing rent (HKD)	Market value <sup>(2)</sup> in existing state as at the Valuation Date		Interest attributable to the Cheung Kong Property Group as at the Valuation Date		Market value <sup>(2)</sup> in existing state attributable to the Hutchison Group as at the Valuation Date		Total interest attributable to the two property groups as at the Valuation Date	
											(HKD million)	(%)	(HKD million)	(%)	(HKD million)	(%)	(HKD million)	(%)
VII-31	Shop C on Ground Floor and the Lavatory for Shop C on Mezzanine Floor, Silver Commercial Building, 719 Nathan Road, Mongkok, Kowloon	Baha Properties Limited	Mongkok	8 May 2071	Retail	48 G	1980	0	100%	165,000	0%	0.00	0%	0.00	100%	44.00	100%	44.00
VII-32	Flat B on 1st Floor, Flat C on 5th Floor, Flat D on 6th Floor, Flat D on 9th Floor and 16 Car Parking Spaces on Ground and Upper Ground Floors, King's Court, 50 Kai Yuen Street, North Point, Hong Kong	Pogust Limited	North Point	12 Jun 2066	Residential & Carpark	486 G	1973	16	100%	95,300	0%	0.00	0%	0.00	100%	41.00	100%	41.00
VII-33	Flat F on 2nd Floor and Flat G on 6th Floor, Cheong Hong Mansion, 25-33 Thomson Road and 1-3 Wanchai, Hong Kong	Pogust Limited	Wanchai	24 May 2127 and 14 Apr 2127	Residential	133 S	1966	0	100%	35,000	0%	0.00	0%	0.00	100%	14.00	100%	14.00
VII-34	Flat B on 16th Floor of Block 2 and Flat B on 16th Floor of Block 3, Whampoa Garden Site 1, 121 Baker Street, Hungloom, Kowloon	Pogust Limited	Hungloom	13 Dec 2134	Residential	137 G	1985	0	100%	19,400	0%	0.00	0%	0.00	100%	13.90	100%	13.90
VII-35	23 Coombe Road, The Peak, Hong Kong	Juli May Limited	The Peak	22 Mar 2036	Residential	569 G	pre-war	0	0%	13,613	0%	0.00	0%	0.00	100%	132.00	100%	132.00
VII-36	1st Floor (including the Flat Roof adjacent thereto) of 90 Sai Yee Street, 1st Floor of 92 Sai Yee Street, 1st Floor of 72 & 74 Argyle Street, 2nd Floor of 90 Sai Yee Street and 2nd Floor of 72 Argyle Street, Mongkok, Kowloon	Holyake Properties Limited	Mongkok	23 Mar 2073	Residential	369 S	1959	0	78%	60,500	0%	0.00	0%	0.00	100%	29.40	100%	29.40

Property No.	Property name	Holding entity	District	Expiry date of land tenure	Type of property	Floor area <sup>(1)</sup> (G/S) (sq.m.)	Completion date	No. of car parking spaces	Existing occupancy rate	Monthly passing rent (HKD)	Market value <sup>(2)</sup> in existing state as at the Valuation Date (HKD million)	Interest attributable to the Cheung Kong Property Group as at the Valuation Date (%)	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date (HKD million)	Interest attributable to the Hutchison Property Group as at the Valuation Date (%)	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date (HKD million)	Total interest attributable to the two groups as at the Valuation Date (%)	Market value <sup>(2)</sup> in existing state attributable to the two groups as at the Valuation Date (HKD million)
VII-37	Houses A, B, D and E, Provident Villas, 29 Sassoon Road and Houses A and B, Provident Villas, 30 Sassoon Road, Pokfulam, Hong Kong	Hina Tor Limited	Pokfulam	2 Apr 2100 and 21 May 2100	Residential & Carpark	1,797 G	1981	12	84%	642,424	423.00	0%	0.00	100%	423.00	100%	423.00
VII-38	Peak Villas, 86-88 Peak Road, The Peak, Hong Kong	Carnio Ford Limited	Peak	16 Mar 2029	Residential & Carpark	927 G	1983	6	34%	145,000	269.00	0%	0.00	100%	269.00	100%	269.00
VII-39	Hutchison House, 10 Harcourt Road, Central, Hong Kong	Hongville Limited	Central	28 Sep 2122	Office, Retail & Carpark	46,797 G	1974	5	94%	30,329,224	7,772.40	0%	0.00	100%	7,772.40	100%	7,772.40
VII-40	China Building, 29 Queen's Road Central, Central, Hong Kong	Vember Lord Limited, Harley Development Inc. & Trillium Investment Limited	Central	10 Oct 2071	Office, Retail	24,039 G	1978	0	94%	22,310,637	5,531.00	0%	0.00	100%	5,531.00	100%	5,531.00
VII-41	Office Tower 1, The Harbourfront, 18-22 Tak Fung Street, Hunglom, Kowloon	Elbe Office Investments Limited, Rhine Office Investments Limited and Hutchison Hotel Hong Kong Limited	Hunglom	19 Apr 2090	Office, Retail & Carpark	40,119 G	1995	107	98%	9,787,559	3,105.00 <sup>(3)</sup>	0%	0.00	100%	3,105.00	100%	3,105.00
VII-42	Office Tower 2, The Harbourfront, 18-22 Tak Fung Street, Hunglom, Kowloon	Elbe Office Investments Limited, Rhine Office Investments Limited and Hutchison Hotel Hong Kong Limited	Hunglom	19 Apr 2090	Office, Retail & Carpark	40,055 G	1995	107	98%	9,493,272	3,357.00 <sup>(4)</sup>	0%	0.00	100%	3,357.00	100%	3,357.00
VII-43	Cheung Kong Center, 2 Queen's Road Central, Hong Kong	Turbo Top Limited	Central	30 Jun 2047	Office, Retail & Carpark	117,370 G	1999	1,038	98%	126,090,433	27,000.00	0%	0.00	100%	27,000.00	100%	27,000.00
VII-44	12th Floor, Kwun Tong Harbour Plaza, 182 Wai Yip Street, Kwun Tong, Kowloon	Deroma Limited	Kwun Tong	30 Jun 2047	Office	2,284 G	1988	0	46%	173,558	74.50	0%	0.00	100%	74.50	100%	74.50
VII-45	Portions of 99 Cheung Fui Road, Tsing Yi, New Territories	Dragon View Resources Limited	Tsing Yi	30 Jun 2047	Office & Carpark	27,896 G	2004	68	100%	3,491,255	799.00	0%	0.00	100%	799.00	100%	799.00
VII-46	Portion of Hutchison Logistics Centre, 18 Container Port Road, Kwai Chung, New Territories	Omaha Investments Limited	Kwai Chung	30 Jun 2047	Industrial, Office & Carpark	437,122 G	1993	118	99%	45,707,621	9,738.00	0%	0.00	100%	9,738.00	100%	9,738.00

Property No.	Property name	Holding entity	District	Expiry date of land tenure	Type of property	Floor area <sup>(1)</sup> (G/S)	Completion date	No. of car parking spaces	Existing occupancy rate	Monthly passing rent (HKD)	Market value <sup>(2)</sup> in existing state as at the Valuation Date (HKD million)	Interest attributable to the Cheung Kong Property Group as at the Valuation Date (%)	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date (HKD million)	Interest attributable to the Hutchison Property Group as at the Valuation Date (%)	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date (HKD million)	Total interest attributable to the two groups as at the Valuation Date (%)	Market value <sup>(2)</sup> in existing state attributable to the two groups as at the Valuation Date (HKD million)
VII-47	Cavendish Centre, 23 Yip Kan Street, Wong Chuk Hang, Aberdeen, Hong Kong	Valmet Limited	Aberdeen	1 Feb 2129	Industrial & Carpark	31,854 G	1984	50	88%	2,383,271	950.00	0%	0.00	100%	950.00	100%	950.00
VII-48	Workshop on Lower Ground Floor and all that Portion of Land thereto and Car Parking Space Nos. 40 and 41 on Ground Floor, Edwick Industrial Centre, 4-30 Lei Muk Road, Kwai Chung, New Territories	Williston Limited	Kwai Chung	30 Jun 2047	Industrial & Carpark	1,261 G	1979	2	100%	230,690	54.10	0%	0.00	100%	54.10	100%	54.10
VII-49	Watson Centre, 16-22 King Yip Street, Kwai Chung, New Territories	Lynmore Limited	Kwai Chung	30 Jun 2047	Industrial & Carpark	63,843 G	1978	95	100%	4,346,846	921.00	0%	0.00	100%	921.00	100%	921.00
VII-50	Watson House, 1-5 Wo Liu Hang Road, Fo Tan, New Territories	Hyboma Limited	Fo Tan	30 Jun 2047	Industrial & Carpark	26,096 G	1982	28	100%	2,156,355	477.00	0%	0.00	100%	477.00	100%	477.00
VII-51	Fanling Sheng Shui Town Lot No. 97, Sheng Shui, New Territories	Kung Hei Investment Limited	Sheng Shui	30 Jun 2047	Industrial & Carpark	13,229 G	1991	20	100%	1,172,918	264.00	0%	0.00	100%	264.00	100%	264.00
VII-52	Unit A on Ground Floor, Unit C on 2nd Floor and Car Parking Space Nos. P14, P15, P17 to P22 and P27 on 1st Floor, Hung Cheung Industrial Centre (Phase II), 10 Tsing Yeung Circuit, Tuen Mun, New Territories	More Faith Limited	Tuen Mun	30 Jun 2047	Industrial & Carpark	1,307 G	1982	9	100%	102,278	25.60	0%	0.00	100%	25.60	100%	25.60
VII-53	Workshop F on 7th Floor, Hop Hing Industrial Building, 704 Castle Peak Road, Lai Chi Kok, Kowloon	Holylake Properties Limited	Lai Chi Kok	30 Jun 2047	Industrial	314 G	1980	0	100%	39,600	10.60	0%	0.00	100%	10.60	100%	10.60
VII-54	Parking Space Nos. SP1 to SP52 at Level 5 and Parking Space Nos. SP53 to SP155 at Level 6, No. 6 Metropolis Drive, The Metropolis, Hung Hom, Kowloon	Becogate Limited	Hung Hom	30 Jun 2047	Carpark	N/A	2002	155	N/A	582,755	100.75	50%	50.37	50%	50.37	100%	100.75

Property No.	Property name	Holding entity	District	Expiry date of land tenure	Type of property	Floor area <sup>(1)</sup> (G/S) (sq.m.)	Completion date	No. of car parking spaces	Existing occupancy rate	Monthly passing rent (HKD)	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date (HKD million)		Interest attributable to the Cheung Kong Property Group (%)		Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date (HKD million)		Interest attributable to the Hutchison Property Group (%)		Market value <sup>(2)</sup> in existing state attributable to the two groups as at the Valuation Date (HKD million)		Total interest attributable to the two groups (%)	
											Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date	0%	30%	0%	100%	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date	0%	70%	Market value <sup>(2)</sup> in existing state attributable to the two groups as at the Valuation Date	100%
VII-55	78 Car Parking Spaces in Greenvale Court, 644-654 Castle Peak Road, Tsuen Wan, New Territories	Impromptu Limited	Tsuen Wan	30 Jun 2047	Carpark	N/A -	1982	78	N/A	121,000	27.30	0.00	0%	100%	27.30	0.00	100%	100%	27.30	27.30	100%	
VII-56	446 Car Parking Spaces and 46 Motor Cycle Parking Spaces, Rambler Crest, 1 Tsing Yi Road, Tsing Yi, New Territories	Alona Limited	Tsing Yi	30 Jun 2047	Carpark	N/A -	2003	446 (CPS) 46 (MPS)	N/A	1,012,000	179.32	53.79	30%	70%	125.52	53.79	70%	100%	179.32	179.32	100%	
VII-57	Houses 1, 5 & 6, Carpark Space Nos. 1, 2 & 8-11, 28 Barker Road	Minto Properties Limited	Peak	12 Aug 2056	Residential & Carpark	1,656 S	2013	6	N/A	Owner-occupied	1,622.00	0.00	0%	100%	1,622.00	0.00	100%	100%	1,622.00	1,622.00	100%	
	Total										118,068.90	34,577.25			83,190.25				117,767.49	117,767.49		

## Notes:

- All areas are stated in approximations.
- All values are stated in approximations.
- Including an extension of a gross floor area of about 9,301.00 sq.m. (100,115 sq ft) for office use with work in progress.
- Including an extension of a gross floor area of about 16,309.14 sq.m. (175,550 sq ft) for hotel use with work in progress.



## Group VIII – Completed hotel properties held by the two property groups for operation in Hong Kong

## Valuation Summary as at 28 February 2015

Property No.	Property name	Holding entity	District	Expiry date of land tenure	Type of property	GFA <sup>(1)</sup> (sq.m.)	Completion date	No. of car parking spaces	No. of rooms	Market value <sup>(2)</sup> in existing state as at the Valuation Date (HKD million)	Interest attributable to the Cheung Kong Property Group (%)	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date (HKD million)	Interest attributable to the Hutchison Property Group (%)	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date (HKD million)	Total interest attributable to the two property groups (%)	Market value <sup>(2)</sup> in existing state attributable to the two property groups as at the Valuation Date (HKD million)
VIII-1	Harbourview Horizon All-Suite Hotel	Bermington Investment Limited	Hunghom	15 Oct 2051	Hotel & Carpark	119,280	Dec 2005	400	1,980	11,450.00	100%	11,450.00	0%	0.00	100%	11,450.00
VIII-2	Harbourfront Horizon All-Suite Hotel	Sino China Enterprises Limited	Hunghom	12 Aug 2051	Hotel & Carpark	107,444	Jan 2006	20	1,662	11,140.00	100%	11,140.00	0%	0.00	100%	11,140.00
VIII-3	The Apex Horizon (excluding retail shops and commercial parking spaces)	Pearl Wisdom Limited	Kwai Chung	3 Jun 2052	Hotel & Carpark	21,190	Nov 2007	3	360	1,053.00	100%	1,053.00	0%	0.00	100%	1,053.00
VIII-4	Harbour Plaza 8 Degrees	Harbour Plaza 8 Degrees Limited	To Kwa Wan	8 May 2088	Hotel & Carpark	21,420	Jun 2009	10	704	2,394.00	100%	2,394.00	0%	0.00	100%	2,394.00
VIII-5	Harbour Plaza Resort City	Harbour Plaza Resort City Limited	Tin Shui Wai	30 Jun 2047	Hotel & Carpark	61,513	Dec 1998 and Jan 1999	8	1,102	2,860.00	98.47%	2,816.24	0%	0.00	98.47%	2,816.24
VIII-6	Harbour Plaza Metropolis	Harbour Plaza Metropolis Limited	Hunghom	30 Jun 2047	Hotel & Carpark	42,857	Nov 2002	6	821	5,074.00	50%	2,537.00	50%	2,537.00	100%	5,074.00
VIII-7	The Kowloon Hotel	The Kowloon Hotel Limited	Tsim Sha Tsui	23 Jun 2039	Hotel & Commercial	30,610	Nov 1985	0	736	7,778.00	50%	3,889.00	50%	3,889.00	100%	7,778.00
VIII-8	Rambler Garden Hotel	Matrica Limited	Tsing Yi	30 Jun 2047	Hotel	19,613	Dec 2003	0	800	1,817.00	30%	545.10	70%	1,271.90	100%	1,817.00
VIII-9	Rambler Oasis Hotel	Matrica Limited	Tsing Yi	30 Jun 2047	Hotel	19,810	Dec 2003	0	822	1,900.00	30%	570.00	70%	1,330.00	100%	1,900.00
VIII-10	Harbour Plaza North Point	Randash Investment Limited	North Point	30 Jun 2047	Hotel & Carpark	31,873	Sep 1999	6	669	2,757.00	60.91%	1,679.28	39.09%	1,077.71	100%	2,757.00
VIII-11	Horizon Suite Hotel	Towertich Limited	Ma On Shan	25 Mar 2048	Hotel & Carpark	56,000	Jun 2002	42	831	2,652.00	51%	1,352.52	49%	1,299.48	100%	2,652.00
VIII-12	Joint venture Interest at Harbour Grand Hong Kong	Harbour Grand Hong Kong Limited	North Point	25 May 2104	Hotel & Carpark	41,341	Dec 2008	38	828	4,440.00	100%	4,440.00	0%	0.00	100%	4,440.00
VIII-13	Harbour Grand Kowloon	Elbe Office Investments Limited, Rhine Office Investments Limited and Hutchison Hotel Hong Kong Limited	Hunghom	19 Apr 2090	Hotel & Carpark	47,467	Jul 1995	14	555	4,647.00	0%	0.00	100%	4,647.00	100%	4,647.00
VIII-14	Sheraton Hong Kong Hotel and Towers	Consolidated Hotels Limited	Tsim Sha Tsui	27 Nov 2119	Hotel, Commercial & Carpark	61,950	Mar 1974	19	782	10,230.00	0%	0.00	39%	3,989.70	39%	3,989.70
	<b>Total</b>									<u>70,192.00</u>		<u>43,866.15</u>		<u>20,041.79</u>		<u>63,907.94</u>

## Notes:

- All areas are stated in approximations.
- All values are stated in approximations.

Group IX – Properties held by the two property groups under development in Hong Kong

Valuation Summary as at 28 February 2015

Property No.	Property Name	Holding entity	District	Expiry date of land lease	Type of property	Site area (1) (sq.m.)	Planned GFA (2) (sq.m.)	Scheduled completion date of construction	No. of car parking spaces	Presently GFA (3) (sq.m.)	Pre-sale consideration (HKD million)	Construction cost incurred (HKD million)	Construction cost to be incurred (HKD million)	Development value (4) as if value completed at the Valuation Date (HKD million)	Market value (5) in existing state as at the Valuation Date (HKD million)	Interest attributable to the Cheung Kong Property Group as at the Valuation Date (%)	Market value (6) in existing state attributable to the Hutchison Property Group as at the Valuation Date (HKD million)	Interest attributable to the Hutchison Property Group (%)	Market value (7) in existing state attributable to the two property groups as at the Valuation Date (HKD million)	Total interest attributable to the two property groups (%)
IX-1	Mont Vert, Phase 2	Fantasic State Limited	Tai Po	8 Aug 2057	Residential & Carpark	126,347	16,892	Apr 2015	66	15,295	1,426	469	43	1,540.00	1,540.00	100%	0.00	0%	100%	1,540.00
IX-2	DIVA, Electric Road	Regent Land Investments Limited	North Point	18 Dec 2054	Residential & Commercial	722	6,606	Mar 2015	0	6,606	1,392	163	67	1,323.00	1,323.00	100%	0.00	0%	100%	1,323.00
IX-3	Stars by the Harbour	New Harbour Investments Limited	Hung Hom	16 Aug 2060	Residential & Carpark	7,551	33,979	Jun 2015	227	0	0	766	537	6,861.00	5,500.00	100%	5,500.00	0%	100%	5,500.00
IX-4	The Beaumont II	Oxford Investments Limited	Tseng Kwan O	20 Dec 2060	Residential & Carpark	10,200	51,000	Jun 2016	247	0	0	439	1,015	4,403.00	2,736.00	100%	2,736.00	0%	100%	2,736.00
IX-5	90 Repulse Bay	Kingsmark Investments Limited	Southern	2 Oct 2071	Residential & Carpark	3,295	6,613	Jun 2016	22	0	0	33	332	4,173.00	3,200.00	100%	3,200.00	0%	100%	3,200.00
IX-6	41 Heung Yip Road	Wide Global Investment Limited	Aberdeen	18 Jan 2120	Office & Carpark	2,006	30,099	Sept 2015	195	30,099	3,300	413	678	3,300.00	2,405.00	100%	2,405.00	0%	100%	2,405.00
IX-7	Lot No.2120 in Demaregion District No. 121, Pring Shan	Great Art Investment Limited	Yuen Long	8 Jun 2061	Residential & Carpark	6,076	6,076	Jul 2015	41	0	0	118	185	739.00	460.00	100%	460.00	0%	100%	460.00
IX-8	La Lumiere, 9 Lee Kung Street	Alcon Investments Limited	Hung Hom	17 Jul 2061	Residential & Carpark	1,298	9,740	Oct 2015	43	0	0	132	289	1,530.00	1,039.00	100%	1,039.00	0%	100%	1,039.00
IX-9	Lot No.2086 in Demaregion District No. 105, Ngau Tan Mei	Stanley Investments Limited	Yuen Long	11 May 2061	Residential & Carpark	23,480	9,391	Aug 2016	59	0	0	53	560	1,617.00	750.00	100%	750.00	0%	100%	750.00
IX-10	77-87 Ma Tau Wai Road	Cheer Good Limited	To Kwa Wan	24 Sep 2049	Residential & Commercial	543	3,577	Oct 2016	0	0	0	23	156	601.00	349.00	100%	349.00	0%	100%	349.00
IX-11	Yuen Long Town Lot No. 518	Carlford Investments Limited	Yuen Long	23 Mar 2061	Residential, Commercial & Carpark	12,340	61,700	Jun 2016	145	0	0	707	1,479	6,679.00	3,960.00	100%	3,960.00	0%	100%	3,960.00
IX-12	Sha Tin Town Lot No. 574, Choi Sha Street, Lok Wo Sha 8920, Old Street	Crown Treasure Investments Limited	Ma On Shan	5 Dec 2062	Residential & Carpark	14,400	52,227	Oct 2016	270	0	0	127	1,666	6,120.00	3,140.00	100%	3,140.00	0%	100%	3,140.00
IX-13	Inland Lot No. 8949, Boreat Road	Ocean Century Investments Limited	North Point	26 Sep 2061	Residential, Hotel & Carpark	7,887	70,200	Dec 2017	199	0	0	491	2,394	14,182.00	8,633.00	100%	8,633.00	0%	100%	8,633.00
IX-14	Inland Lot No. 8949, Boreat Road	Brislow Investments Limited	Mid Levels	8 Jun 2061	Residential & Carpark	10,488	40,440	Jun 2017	334	0	0	332	1,672	20,157.00	14,930.00	100%	14,930.00	0%	100%	14,930.00
IX-15	Development right in Peel Street/ Graham Street (Site B)	King Century Investments Limited	Central	23 Jul 2062	Residential & Commercial	1,690	17,790	Feb 2017	0	0	0	34	841	3,518.00	1,861.00	100%	1,861.00	0%	100%	1,861.00
IX-16	Development right in West Road, Tsun Wan Station TWS Bayside	Jubilee Year Investments Limited	Tsun Wan	19 Nov 2062	Residential, Commercial & Carpark	42,870	207,650	Mar 2018	469	0	0	298	7,249	23,285.00	11,120.00	100%	11,120.00	0%	100%	11,120.00
IX-17	Kowloon Inland Lot No. 11125, Argyle Street	Bradford Investments Limited	Ho Man Tin	16 Aug 2060	Residential & Carpark	7,326	36,630	Oct 2015	294	0	0	398	937	8,312.00	6,294.00	80%	5,035.20	0%	80%	5,035.20
														69,240.00	67,981.20	0.00	67,981.20	0.00	69,240.00	

Notes:  
1. All areas are stated in approximations.  
2. All values are stated in approximations.

## Group X – Properties held by the two property groups for future development in Hong Kong

## Valuation Summary as at 28 February 2015

Property No.	Property name	Holding entity	District	Expiry date of land tenure	Type of property	Site area <sup>(1)</sup>	Planned GFA <sup>(1)</sup>	Scheduled completion date of construction	No. of car parking spaces	Construction cost to be incurred	Development value <sup>(2)</sup> as if completed at the valuation date	Interest attributable to the Cheung Kong Property Group as at the Valuation Date	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date	Interest attributable to the Hutchison Property Group as at the Valuation Date	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date	Total interest attributable to the two property groups	Market value <sup>(2)</sup> in existing state attributable to the two property groups as at the Valuation Date
						(sq.m.)	(sq.m.)			(HKD million)	(HKD million)	(%)	(HKD million)	(%)	(HKD million)	(%)	(HKD million)
X-1	Attributable interest in various lots in Demarcation District No. 379, Siu Sau Tsuen	Galaxy Power Investment Limited	Tuen Mun	30 Jun 2047	Agricultural Land Lots	7,166	0	planning	0	0	0.00	28.70	28.70	0%	0.00	100%	28.70
X-2	Various lots in Survey District No. 1 Ngai Tsai Wai Village	Sai Ling Realty Limited	Kowloon	30 Jun 2047	Building	3,025	0	planning	0	0	0.00	400.00	400.00	0%	0.00	100%	400.00
X-3	The Remaining Portion of Lot No. 1457 in Demarcation District No. 123, Fung Lok Wai	Matal Luck Investment Limited	Yuen Long	30 Jun 2047	Agricultural Land Lots	799,983	0	planning	0	0	0.00	946.00	567.60	0%	0.00	60%	567.60
X-4	Development right in Hai Tan Street/ Kwelin Street/Pai Ho Street	Swiss Investments Limited	Sham Shui Po	To be advised <sup>(3)</sup>	Residential/ Commercial	7,507	55,342	planning	50	2,200	6,477.00	1,280.00	1,280.00	0%	0.00	100%	1,280.00
	Total										2,654.70	2,276.30	0.00				2,276.30

## Notes:

- All areas are stated in approximations.
- All values are stated in approximations.
- To be advised subject to execution of land grant document.

## Group XI – Property held by the two property groups under development in Singapore

## Valuation Summary as at 28 February 2015

Property No.	Property name	Holding entity	Expiry date of land tenure	Type of property	Site area (sq.m.)	Planned (1) floor area (sq.m.)	Scheduled completion date of construction	Pre-sale GFA (1) (sq.m.)	Pre-sale consideration (SGD million)	Construction cost incurred (SGD million)	Construction cost to be incurred (SGD million)	Development value (2) as if completed as at the Valuation Date (SGD million)	Market value (2) in existing state attributable to the Cheung Kong Property Group as at the Valuation Date (%)	Interest attributable to the Hutchison Property Group (%)	Market value (2) in existing state attributable to the Hutchison Property Group as at the Valuation Date (SGD million)	Total interest attributable to the two property groups (%)	Market value (2) in existing state attributable to the two property groups as at the Valuation Date (SGD million)
XI-1	Thomson Grand	Luxury Green Development Pte. Ltd	7 Feb 2109	Residential	20,848	48,159	2015	48,159	641	154	92	641.00	100%	0%	549.00	100%	549.00
	<b>Total</b>				<b>20,848</b>	<b>48,159</b>		<b>48,159</b>	<b>641</b>	<b>154</b>	<b>92</b>	<b>641.00</b>			<b>549.00</b>		<b>549.00</b>

## Notes:

- All areas are stated in approximations.
- All values are stated in approximations.

## Group XII – Property held by the two property groups for future development in Singapore

## Valuation Summary as at 28 February 2015

Property No.	Property name	Holding entity	Expiry date of land tenure	Type of property	Site area <sup>(1)</sup> (sq.m.)	Permissible GFA <sup>(1)</sup> (sq.m.)	Market value <sup>(2)</sup> in existing state as at the Valuation Date (SGD million)	Interest attributable to the Cheung Kong Property Group	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date (SGD million)	Interest attributable to the Hutchison Property Group	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date (SGD million)	Total interest attributable to the two property groups	Market value <sup>(2)</sup> in existing state attributable to the two property groups as at the Valuation Date (SGD million)
XII-1	Land Parcel at Upper Serangoon Road	Kovan Treasure Pte. Ltd.	24 Feb 2114	Residential, Commercial	10,097	30,292	265.00	50%	132.50	50%	132.50	100%	265.00
	Total				10,097	30,292	265.00		132.50		132.50		265.00

## Notes:

1. All areas are stated in approximations.
2. All values are stated in approximations.

## Group XIII – Property held by the two property groups under development in the UK

## Valuation Summary as at 28 February 2015

Property No.	Property name	Holding entity	City	Land use	Nature of land tenure	Type of property	Site area <sup>(1)</sup>	Planned commencement of construction	Date of commencement of construction	Scheduled completion date of construction	No. of car parking spaces	Construction cost incurred	Construction cost to be incurred	Development value (2) as if completed at the Valuation Date	Market value (2) in existing state as at the Valuation Date	Interest attributable to the Cheung Kong Property Group	Market value (2) in existing state attributable to the Cheung Kong Property Group as at the Valuation Date	Interest attributable to the Hutchison Property Group as at the Valuation Date	Market value (2) in existing state attributable to the Hutchison Property Group as at the Valuation Date	Total interest attributable to the two property groups	Market value (2) in existing state attributable to the two property groups as at the Valuation Date
							(sq.m.)	(sq.m.)				(GBP million)	(GBP million)	(GBP million)	(GBP million)	(%)	(GBP million)	(%)	(GBP million)	(%)	(GBP million)
XIII-1	Chelsea Waterfront (Lois Road)	Circadian Limited	London	Residential, Leisure, Commercial, Culture, Carpark	Freehold	Residential led mixed use development	35,620	119,069	2012	2018	618	26	440	1,551.00	515.00	47.5%	244.62	47.5%	244.62	95%	489.25
	Total						35,620	119,069			618	26	440	1,551.00	515.00		244.62		244.62		489.25

## Notes:

- All areas are stated in approximations.
- All values are stated in approximations.

Group XIV – Property held by the two property groups for future development in the UK

Valuation Summary as at 28 February 2015

Property No.	Property name	Holding entity	City	Land use	Nature of land tenure	Type of Property	Site area <sup>(1)</sup> (sq.m.)	Planned GFA <sup>(1)</sup> (sq.m.)	Date of commencement of construction	Scheduled completion date of construction	No. of car parking spaces	Market value <sup>(2)</sup> in existing state as at the Valuation Date (GBP million)	Interest attributable to the Cheung Kong Property Group (%)	Market value <sup>(2)</sup> in existing state attributable to the Cheung Kong Property Group as at the Valuation Date (GBP million)	Interest attributable to the Hutchison Property Group (%)	Market value <sup>(2)</sup> in existing state attributable to the Hutchison Property Group as at the Valuation Date (GBP million)	Total interest attributable to the two property groups (%)	Market value <sup>(2)</sup> in existing state attributable to the two property groups as at the Valuation Date (GBP million)
XIV-1	Convoys Wharf	Convoys Properties Limited	London	Residential, Leisure/Hotel Retail, Culture, Wharf uses, Employment Carpark	Freehold	Residential led mixed use development	161,400	419,000	2015	2024	1,840	125.00	50%	62.50	50%	62.50	100%	125.00
	<b>Total</b>						<b>161,400</b>	<b>419,000</b>			<b>1,840</b>	<b>125.00</b>		<b>62.50</b>		<b>62.50</b>		<b>125.00</b>

Notes:

1. All areas are stated in approximations.
2. All values are stated in approximations.

*The following is the text of a letter and a summary of valuations prepared for the purpose of incorporation in this document received from Gerald Eve LLP, an independent property valuer, in connection with its opinion of the value of certain property interests of the Cheung Kong Property Group and the Hutchison Property Group in the United Kingdom as at 28 February 2015. As stated in “Appendix XII – Documents Available for Inspection”, the full property valuation report is available for public inspection.*

**GERALDEVE**

Gerald Eve LLP  
72 Welbeck Street, London, W1G 0AY  
www.geraldeve.com

31 March 2015

The Directors  
Cheung Kong Property Holdings Limited  
7th Floor  
Cheung Kong Center  
2 Queen’s Road Central  
Hong Kong

Dear Sirs

**Instructions**

In accordance with your instructions we have undertaken a valuation of the freehold and long leasehold subject property, Albion Riverside, Hester Road, London, SW11 4AN (the “Property”). We have pleasure in providing this valuation report. We understand that this valuation report is prepared for the purpose of incorporation into the scheme document jointly issued by CK Hutchison Holdings Limited, CK Global Investments Limited and Hutchison Whampoa Limited.

In preparing this report, we confirm that Gerald Eve LLP are acting as independent valuers and we are not aware of any conflict of interest in this respect, albeit we note that Gerald Eve LLP has carried out accounts valuations on the Property within the past 6 months.

**Bases of Valuation and Valuation Assumptions**

Our report and valuation have been carried out in accordance with the Valuation Practice Statements and Practice Guidance contained in the Valuation – Professional Standards, incorporating the International Valuation Standards of the International Valuation Standards Council (IVSC), January 2014 (the “Standards”). We confirm that this valuation conforms with the requirements as set out in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the “Listing Rules”).



In valuing the Property we have adopted a market rent which is defined as “the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

We have also valued on the basis of market value which is “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

As advised by Hutchison Whampoa Properties (Europe) Limited, the potential tax liability that would arise on the disposal of the Property at the amount valued by us should mainly comprise a corporate tax at 21% (20% from 1 April 2015) on any gain on the freehold interest in the Property and residential ground rents. There is no potential tax liability which should arise upon the disposal of the commercial parts of the Property and the rental income related thereto.

According to our standard practice and in the course of our valuation, we have neither verified nor taken into account such tax liability and we accept no liabilities in relation to the aforementioned tax liability statements.

#### ***Method of valuation***

We have valued the Property on the basis that it is held as an investment and we have therefore used the investment method of valuation which involves capitalising the rental income with consideration taken as to whether there is any reversionary potential or not in the property. With regard to both the market rent and market value we have referred to comparable market transactions to arrive at a rental rate and net initial yield to be adopted for the Property.

#### **Limitation**

Our valuation is totally dependent on the accuracy of the information which has been supplied to us and upon the assumptions set out herein. If they prove to be incorrect or inadequate, the accuracy of the valuation may be affected. We have relied upon information provided by Hutchison Whampoa Properties (Europe) Limited with regard to title documents and leases and have relied upon these as being true copies of the originals.

#### **Investigations**

A full inspection of the Property was undertaken by James King (MRICS and RICS Registered Valuer) on 16 February 2015. The valuation reported herein is subject to the assumption that no material changes to either the Property or its immediate locality have taken place between our inspection and the valuation date.

On the day of inspection the buildings of the Property appeared to be in a good condition commensurate with their age. We did not notice any signs of deleterious materials such as asbestos. We would comment that we have not carried out a building survey and our comments relate to a visual inspection of the buildings only. The Property appeared to be served by electricity, mains water and drainage services although we have not tested these services.

The valuation date for the valuation reported herein is 28 February 2015.

This report has been prepared by Nigel Whitehurst MRICS and checked by Michael Riordan MRICS, both of whom are RICS Registered Valuers. We also confirm that the individuals carrying out this valuation have the appropriate knowledge, skills and experience to undertake the valuation competently.

We enclose herewith a summary of our valuations.

Yours faithfully

**Nigel Whitehurst** MRICS,  
RICS Registered Valuer  
Partner

**Michael Riordan** MRICS,  
RICS Registered Valuer  
Partner

For and on behalf of Gerald Eve LLP

For and on behalf of Gerald Eve LLP

Gerald Eve LLP is a limited liability partnership registered in England and Wales (registered number OC339470) and is regulated by the RICS. The term partner is used to refer to a member of Gerald Eve LLP or an employee or consultant with equivalent standing and qualifications. A list of members and non-members who are designated as partners is open to inspection at our registered office; 72 Welbeck Street, London W1G 0AY and on our website.

## 1. Location

The Property is situated in Battersea in south west London. The Property is situated some 1.5 miles north of Clapham Junction, 4 miles south west of the West End and 1.5 miles east of Fulham. Further Kings Road is situated some 0.5 miles to the north.

The Property is situated on Hester Road which is accessed via the A3220 (Battersea Bridge Road) immediately to the south of the River Thames in between Battersea Bridge Road and Albert Bridge Road. The site is irregular in shape and is bounded to the north by the River Thames, to the south by residential and Ransome's Dock Business Centre and to the west by Battersea Bridge Road.

The Property forms part of a large development of commercial and residential premises which was constructed in 2004 and forms part of three buildings.

**Building 1: Unit 1** comprises a ground floor retail unit beneath the Peabody residential block.

**Main Building: Units 2-8** are all situated beneath the main residential block. Units 5, 6 and 8 are all irregular in shape. Unit 8 further suffers from intrusion into the office space from the core for the residential block above.

**Building 2:** Finally the offices are situated on the south side of Hester Road and again are self-contained.

At the time of our inspection the Property appeared to be served by mains electricity, water and drainage services.

None of these services were tested at the time of inspection, but, for the purpose of the valuation reported herein, we have assumed all services to be fully operational.

## 2. Accommodation

We have relied on floor areas provided by Hutchison Whampoa Properties (Europe) Limited which show the Property having a total net internal floor area of 6,378.71 sq.m. (68,662 sq ft) on a site of 14,949.06 sq.m. (3.694 acres).

## 3. Condition

The inspection we have carried out was for valuation purposes only and did not include a full building survey. However, from our observation, with regard to the general condition of the subject premises, we would comment as follows.

The subject premises were generally in a good condition. We did not notice any major structural defects or wants of repair and would expect the Property to let and/or sell readily in its current condition.

Upon inspection we did not notice any obvious sign of deleterious and/or hazardous materials nor would we expect any as the buildings were only constructed within the last 10 years. Accordingly, for the purpose of the valuation reported herein we have assumed that the subject premises are free from such materials.

With regard to physical obsolescence, if a regular maintenance programme is adhered to we would expect the subject premises to have a useful life in excess of twenty five years as the buildings were constructed in 2004.

#### **4. Environmental Issues**

The inspection we have carried out was for valuation purposes only and did not include an environmental survey. However, we have commissioned and reviewed an Enviroscreen desktop environmental survey (the “Enviroscreen survey”) which provides a basic indication as to whether there is potentially contamination on the site from previous uses either on the site or nearby. As stated below historical maps are used to ascertain this information.

The findings of Enviroscreen survey are as follows.

“From a review of historical map data the Enviroscreen data has identified that the site is located on or within 25 metres of metal casting/foundries, weapons & ammunition manufacture and storage, road haulage.

A review of selected 1:2,500 and 1:1,250 scale Ordnance Survey mapping covering a period from 1943 to 1996 has identified that the site is on or within 25 metres of potential tanks, tanks, electrical sub station facilities.

Larger scale mapping has also been considered in order to formulate this certificate. The 1874 edition 1:2,500 map indicates that a lead works, timber yard and saltpetre works was located on site”.

We would comment however that the Property was only developed in the last 10 years and any contamination should have been dealt with at that point.

We can accept no liability with regard to the accuracy of the Enviroscreen survey. However, for the purpose of the valuation reported herein, we have assumed that the subject premises do not suffer from any environmental issues which might adversely affect their value.

We have had reference to the Environment Agency’s flood map. The flood map identifies sites that may be at risk from sea or river flooding. The assessment of flood risk for the site of the Property is as follows.

Low – “...unlikely to flood except in extreme conditions. The chance of flooding each year is 0.5% (1 in 200)”. Whilst the Property is adjacent to the River Thames there are flood defenses in place (most notably the Thames Barrier).

## **5. Planning**

We have had reference to the planning policies of the London Borough of Wandsworth whose planning policies are contained within the Wandsworth Local Plan of which the Core Strategy adopted in October 2010 is the most important document. Within the proposals map adopted in February 2012 the Property is situated in the Wandsworth Thames Policy Area and Focal Points of Activity. Both of these are covered by Policy 6, Meeting the needs of the local economy and Policy 9, River Thames and the riverside.

We have made enquiries of the London Borough of Wandsworth and can confirm that the subject premises have planning permission for their current B1 (office), D1 (Art Gallery and non residential), D2 (dance/sports hall/gym/leisure uses), A2 (financial and professional services), A3 and A1 (retail) uses.

We have had reference to the planning website of the London Borough of Wandsworth and note the Property is subject to various planning permissions between 15 March 2001 and 12 January 2015 relating to the construction of the original development to changes of use.

The subject premises are not listed as a building of special architectural or historic interest nor are they situated within a conservation area.

We understand that the property is accessed via a public highway and are not aware of any planning or highway proposals for the surrounding area which might adversely affect the Property.

## **6. Tenure**

The Property is held freehold by Albion Properties Limited with three 999 year leases to Albion Riverside Commercial Limited at a peppercorn rent and one 999 year lease to Albion Residential Limited passing through the ground rents receivable from 989 year subleases of apartments.

### **Title Investigation**

We have been provided with copies of Land Registry documents by Hutchison Whampoa Properties (Europe) Limited and we have relied upon these documents as being true copies of the originals. We have relied upon these documents in the course of our valuation as well as any information provided by Hutchison Whampoa Properties (Europe) Limited relating to number of car parking spaces and ground rents payable from the residential property.

Having reviewed the Land Registry documents we would comment that the long leasehold interests are free from any encumbrances, options, rights of pre-emption, unduly onerous or unusual easements, rights of way, rights of light, restrictions, outgoing or conditions which would have an adverse effect upon the value of the Property. Within the title documents there are a number of charges relating to a variety of transfers and also

agreements made pursuant to Section 106 of the Town and Country Planning Act 1990 when the site was developed in 2004. Further there is a charge to HSBC Bank plc which relates to a mortgage taken out over the commercial parts of the Property.

If we are subsequently provided with a report on title we would be pleased to comment upon what impact its content would have upon the valuation reported herein. We would remind you that if information should come to light which contradicts the assumptions made herein this could have a material effect upon our valuation. We, therefore, reserve the right to amend our valuation accordingly should this prove necessary.

## **7. Tenancy**

We have been provided with a copy of all of the leases by Hutchison Whampoa Properties (Europe) Limited and have relied upon these as being true copies of the originals. All of the leases are on standard institutional leases with full repairing and insuring terms and are subject to 5 yearly upwards only rent reviews to open market rent.

The ground floor commercial units are let on 10 leases and 17 motorbike/car parking spaces whilst the offices are let on 10 leases and 3 motorbike/car parking spaces. All of the flats and residential car parking spaces have been sold off on 989 year leases.

The total monthly rent is £126,931.83 per month (£1,523,182 per annum).

## **8. Market Commentary**

The UK commercial real estate market continued to perform strongly during Q3 2014, with values rising on average by 3.0% for all property. This rate of growth however was slightly down on the 3.3% for the second quarter, after five successive quarters of accelerating growth. The strong level of value growth contributed to a total return of 4.4% for the quarter, the second highest since Q1 2010. A total return of 4.4% exceeds the performance of both bonds and equities over the period, which returned 2.9% and -0.9% respectively (JP Morgan 7-10 year/MSCI UK).

Rental value growth improved marginally across all UK property, rising from on average 0.7% in Q2 to 0.8% in Q3. Nevertheless, the majority of capital value growth stemmed from continued improvements in investor sentiment as yield compression added 2.7% to values over the quarter.

Looking at the twelve months to September 2014, UK commercial property posted on average a total return of 18.3%, up on the return of 16.4% in the twelve months to end June. The return to the end of Q3 was also the highest level recorded since 2010, reflecting the continuing market upswing across the country. Disaggregating returns by geography shows the continued strong performance of the London market, driven by the capital's retailing and its office occupier demand. However, many UK regions, even if looking slightly more subdued than in Q2, are still sharing in the overall picture of solid rental markets and rising values.

The office sector performed robustly with a total return of 5.1% on average for the quarter based on capital growth of 3.9%. West End office growth decelerated compared to Q2, but offices on the inner London fringes and in outer London picked up. Offices in the capital continued to see by far the strongest rental value growth in the UK, reflecting buoyant occupier conditions whilst the regional office market has been aided by strong investor demand.

The Property is not situated in an established office location but as evidenced by the recent sub letting to Victoria Beckham Limited the offices can attract well known occupiers to the area. This is in part due to the location close to Kings Road but also the more competitive office rents than those being achieved in the West End or areas immediately to the north of the river. There are other offices in the Battersea area including Glassmill at 1 Battersea Bridge but these tend to be older buildings, above retail units or converted warehouses along the river and do not offer much competition for the Property which provides higher specified Grade A space.

## 9. Method of Valuation

In valuing the Property we have adopted a market rent which is defined as:

*“The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

We have also valued on the basis of market value:

*“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

We have valued the Property on the basis that it is held as an investment and we have therefore used the investment method of valuation which involves capitalising the rental income with consideration taken as to whether there is any reversionary potential or not in the Property. With regard to both the market rent and market value we have referred to comparable market transactions to arrive at a rental rate and net initial yield to be adopted for the Property.

## 10. Market Rent

Due to the lack of similar office buildings in the immediate area we researched rental comparables north of the River Thames rental levels in Millbank Tower, which is closer to the House of Parliament and Westminster, at annual rent of around £312.04 per sq.m. to £322.80 per sq.m. (£29 per sq ft to £30 per sq ft) with a further letting at Harbour Yard in Chelsea Harbour achieving £349.70 per sq.m. (£32.50 per sq ft). However the most pertinent evidence comes from within the Property where a letting at a rent of £285.14 per sq.m. (£26.50 per sq ft) was agreed last year.

With regard to the Property we have adopted rental values of between £247.48 per sq.m. to £285.14 per sq.m. (£23 per sq ft to £26.50 per sq ft) on the ground floor only units reflecting the irregular shapes and locations within the Property.

Further we have adopted a rental value of £295.90 per sq.m. (£27.50 per sq ft) on the 1st to 4th floors and £269 per sq.m. (£25 per sq ft) on the ground floor of Building 2 reflecting the uniform shape and specification of the building.

We have then added on the ground rent of £57,925 per annum for the residential property.

Having had reference to the above evidence, we are of the opinion that, as at 28 February 2015, the subject premises could command a market rent of:

£1,903,000 per annum rounded (net)

## **11. Lettability**

Given the nature of the subject premises we would expect them let fairly readily should they become vacant in the near future.

With reference to current market conditions, if the Property is vacant as at the valuation date we would expect a marketing period of 9 months and a rent free period of 6-9 months to be required to achieve lettings at the market rents reported above.

## **12. Market Value**

Due to the location and size of the Property we have researched investment sales in the wider central London area with deals most notably being from around Holborn in an area known as mid town. We have valued the Property using net initial yields which reflect the initial immediate return of the Property at the stated valuation or price based on the present income the Property produces. This is calculated by reference to current passing rent divided by the gross value before deduction of purchasers costs taken as 5.8%) range from 3.34% to 5.5% dependant on lot sizes, unexpired lease terms and covenant strengths of the tenants. Currently net initial yields for office buildings in central London are reflecting good demand from investors. The Property is outside of the West End in a non office location but is a modern building let to strong covenants. We have therefore adopted an overall net initial yield of 5.25% reflecting the above. This excludes the residential ground rents.

All of the comparables show net initial yields which we then refer to in order to arrive at a net initial yield for the Property reflecting the location, how long is left on the leases and how strong the tenants are financially.

Further there is currently a strong demand from funds for ground rent investments with yields ranging from sub 4% for investments with fixed rental increases to over 6% for those without. With regards to the ground rents we have adopted a net initial yield of 5% reflecting the location of the block above offices but on the River Thames and the rental increases.



**Market Value**

In assessing the market value of the subject premises we have followed the investment method of valuation. We have valued the ground units, detached office block and car parking spaces individually to reflect the different lease lengths and covenant strengths of the tenants. We have therefore valued the ground units at a net initial yield of 4.54% (although there is a rent free on Unit 1 which means the net initial yield is artificially low), 6% on the offices and 7% on the car parking spaces. This shows an overall net initial yield of 5.25% and a reversionary yield of 6.35% for the entire property.

Where there are outstanding rent reviews we have assumed that where market rents are higher than the passing rent the review is settled at a mid-way point (as a rent review is subject to negotiation between the 2 parties).

We have valued the residential ground rent at a net initial yield of 5%.

We are of the opinion that the market value of the freehold and long leasehold interests in the subject premises, subject to the existing tenancies, as at 28 February 2015, is in the sum of:

**£28,340,000**

**(Twenty Eight Million Three Hundred and Forty Thousand Pounds)**

**13. Saleability**

The market value stated above, makes the assumption that, prior to the valuation date, the Property is exposed to the market in the most appropriate manner and over a sufficient length of time so as to effect its disposal at the best price reasonably obtainable.

We are of the opinion that a sale of the subject premises would take in the order of six months from commencement of marketing to exchange of contracts.

We would expect potential purchasers to include funds or wealthy private individuals.

## Summary disclosure

## Property held for investment

Albion Riverside, Hester Road, London, SW11 4AN

United Kingdom

Use and Brief Description of Project	Total Gross Floor Area	Leasable/ Saleable Area	Number of Rooms/ Units	Number of Car Parking Spaces	Terms of Tenure (Year of Leasehold Expiry)	Construction Commencement Date (if under Development)	Year of Completion	Development Cost, where Property is being Developed (as required under rule 5.06(3)(e))	Average Effective Rent (as required under rule 5.06(2))	Market Value in Existing State as at 28 February 2015	Interest Attributable to the Cheung Kong Property Group as at 28 February 2015	Market Value in Existing State Attributable to the Cheung Kong Property Group as at 28 February 2015	Interest Attributable to the Hutchison Property Group as at 28 February 2015	Market Value in Existing State Attributable to the Hutchison Property Group as at 28 February 2015	Total interest attributable to the two property groups	Market Value in Existing State Attributable to the two property groups as at 28 February 2015
Freehold (ground rent)	N/A	N/A	N/A	N/A	N/A	N/A	2004	N/A	£4,827.08 per month	£1,095,000	45%	£492,750	45%	£492,750	90%	£985,500
Office/Commercial	7,331.23 sq.m. (78,915 sq ft)	6,378.71 sq.m. (68,622 sq ft)	22	24	999 years (3002)	N/A	2004	N/A	£122,104.75 per month	£27,245,000	45%	£12,260,250	45%	£12,260,250	90%	£24,520,500
										£28,340,000						£25,506,000

*The following is the text of a letter and a summary of valuations prepared for the purpose of incorporation in this document received from Smiths Gore, an independent property valuer, in connection with its opinion of the value of certain property interests of the Cheung Kong Property Group and the Hutchison Property Group in the United Kingdom as at 28 February 2015. As stated in “Appendix XII – Documents Available for Inspection”, the full property valuation report is available for public inspection.*

**SMITHSGORE**

Smiths Gore  
17-18 Old Bond Street  
London W1S 4PT  
United Kingdom

31 March 2015

The Directors  
Cheung Kong Property Holdings Limited  
7th Floor  
Cheung Kong Center  
2 Queen’s Road Central  
Hong Kong

## **1.0 VALUATION TERMS**

### **1.1 Instructions**

In accordance with your instructions, we have undertaken a valuation of the freehold interest in the property known as the land at Teversham Road, Fulbourn, Cambridgeshire with vacant possession (the “Property”) held for future development. The asset valued will be referred to in this report as the Property and essentially comprises approximately 68,500 square metres (16.93 acres) of bare land adjoining the village of Fulbourn. The Property is jointly owned by Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited, with each holding a 50% interest in the Property.

This valuation is carried out in accordance with our standard assumptions for the preparation of valuations.

All valuations are carried out in accordance with The Royal Institution of Chartered Surveyors (the “RICS”) Valuation – Professional Standards January 2014 (the “Standards”) which is fully compliant with the International Valuation Standards of the International Valuation Standards Council.

We confirm that this valuation conforms with the requirements set out in Chapter 5 of the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“The Hong Kong Stock Exchange Listing Rules”).

## 1.2 Purpose and valuation basis

The valuation is to be used for the purpose of incorporation into the scheme document jointly issued by CK Hutchison Holdings Limited, CK Global Investments Limited and Hutchison Whampoa Limited.

The basis of valuation is **Fair Value** as adopted by the International Accounting Standards Board (IASB) in International Financial Reporting Standards (IFRS 13), which is defined as:–

*“The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date”*

For reference, the HKIS (Hong Kong Institute of Surveyors) Valuation Standards 2012 Valuation Standard 9 – Valuations for Financial Statements and Accounts Reporting – follows the same definition of “Fair Value” as defined by the IFRS 13 (HKFRS 13).

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). The references in IFRS 13 to market participants and a sale make it clear that for most practical purposes, Fair Value is consistent with the concept of Market Value, the most commonly used valuation base.

## 1.3 Date of valuation

The date of the valuation is the 28th February 2015.

## 1.4 Disclosure of prior involvement

Patrick Moseley (joint valuer) has previously provided advice pertaining to the subject property to Castlefield International Limited but we do not consider this poses a conflict of interest.

## 1.5 Status of the valuer

The valuation is carried out by Thomas Lockton MA(Cantab) MSc MRICS FAAV (RICS Registered Valuer) and Patrick Moseley MSc MRICS (RICS Registered Valuer) acting as external valuers having no material links with the client, an agent acting on behalf of the client or the subject. We confirm that Thomas Lockton and Patrick Moseley have the necessary skill and knowledge of the market to undertake this valuation competently.

## 1.6 Extent of investigations

The Property was inspected by Patrick Moseley on 28th November 2014. As stated in 2.4 and 2.5 of this report, no ground or environmental surveys have been carried-out.

### **1.7 Nature and sources of information relied upon**

We were provided with the following from Hutchison Whampoa Properties (Europe) Limited (“Hutchison Whampoa”) which we have relied upon in our valuation:

- Title Register and Title Plan of the Property
- Verbal information regarding the Property’s attributes and current planning status

We have also carried out our own investigations into the site’s planning situation.

## **2.0 PROPERTY DESCRIPTION**

### **2.1 Location & Description**

The Property is a plot of land situated on the northern edge of the village of Fulbourn, bounded by Cow Lane to the south and Teversham Road to the west. Fulbourn itself is located approximately 3 miles to the East of Cambridge.

The Property has no existing use. It is capable of agricultural, horticultural, equestrian or amenity use but as far as we are aware is not used for such and lies vacant.

The Property is held for potential future development.

The Property extends to approximately 68,500 square metres (16.93 acres) predominantly comprising pasture and divided into two main blocks. Approximately 6,880 square metres (1.70 acres) is made up of a pond and woodland. The Property is bounded along the northern boundary by a railway line and by residential properties on the western, southern and eastern boundaries.

#### **2.1.1 Buildings**

There are no buildings on the site.

### **2.2 Condition**

The Property appears to be in good condition but is not cultivated and subject to minimal management. There is evidence of (unauthorised) public access.

### **2.3 Site and Ground Conditions**

There were no obvious signs of any adverse ground conditions noted during our inspection of the site or in the immediate locality. We are unaware of any soil investigations having been undertaken on the site and have assumed, therefore, that there are no adverse ground conditions.

## **2.4 Environmental factors**

We have not undertaken or commissioned an environmental assessment or soil test to establish whether contamination exists or may exist. We are not aware of any such assessments having been prepared by a specialist advisor in respect of the Property and its environs. In practice, purchasers in the property market do require knowledge about contamination and other environmental factors. A prudent purchaser of the Property would be likely to require appropriate investigations to be made to assess any risk before completing a transaction. Should it be established that contamination does exist, or the property is affected by other environmental factors, this might reduce the value now reported.

During our inspection we did not observe any evidence of potential or actual contamination or deleterious materials in the Property itself or its immediate vicinity that we consider would be likely to affect our valuations. However we would emphasise that we have not undertaken any detailed site investigations. Our inspection was only of a limited visual nature and we cannot give any assurances that previous uses on the site or in the surrounding areas have not contaminated subsoils or groundwaters.

For the purposes of this valuation, we have therefore assumed that neither contamination nor deleterious materials exist within the Property that would affect our opinions of value reported herein. However, we would stress that should this assumption prove to be incorrect, we would reserve the right to reconsider the market values reported herein.

## **3.0 LEGAL AND TITLE MATTERS**

### **3.1 Title**

We are to value the freehold of the Property subject to any tenancies identified below.

The Property consists of 2 Titles:

1. Title No. CB344724 (access land off Teversham Road)
2. Title No. CB292379 (main block of land)

The Property is jointly owned by Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited, with each holding a 50% interest in the Property.

We have had sight of the Title Register (Title No. CB344724) and Title Plan of the Property (provided by Hutchison Whampoa) which appears to show that there is good and marketable title and not subject to any onerous restrictive covenants or encumbrances, and thus have valued on this assumption:

- The Registered Proprietor is listed as “Castlefield International Limited ... care of Cheung Kong International Limited”

- The date of registration appears to be the 28th April 2009

We have had sight of the Title Register (Title No. CB292379) and Title Plan of the Property (provided by Hutchison Whampoa) which appears to show that there is good and marketable title:

- The Registered Proprietor is listed as “Castlefield International Limited ... care of Cheung Kong International Limited”
- The date of registration appears to be the 14th February 2005

We have relied on the information provided by Hutchison Whampoa regarding the title to the Property. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature, including any options or rights of pre-emption, which could affect their values.

We have assumed that the minerals and sporting rights are included in the Titles.

### **3.2 Access**

Access is taken from Teversham Road at the Western end of the site. There is also potential access off Cox’s Drove which runs along the eastern boundary. We have assumed the Property has vehicular and pedestrian access from the public highway for the current use and for any future development.

### **3.3 Subsidies and grants**

We are not aware of any subsidies or grants in favour of the Property and have valued upon the assumption that there are none.

### **3.4 Tenancies**

We have been informed by Hutchison Whampoa that there are no tenancies or occupational agreements over the land and thus have valued on the basis of Vacant Possession.

### **3.5 Services**

We have assumed that the Property is currently not supplied with any services but that if developed, the land could be connected at a reasonable cost to all necessary services. In accordance with our Standard Assumptions, these services have not been tested or verified.

### 3.6 Planning

The site falls within the planning jurisdiction of South Cambridgeshire District Council, who submitted their new Local Plan (2011-2031) and its supporting documents for independent examination to the Secretary of State for Communities and Local Government via the Planning Inspectorate in March 2014 with the next block of hearings scheduled for the first quarter of 2015.

The proposed policies map for Fulbourn shows the land provisionally designated as “Local Green Space”. However, we understand that this designation will be contested at the Examination in Public.

The site is subject to a Planning Application for Outline Planning Permission for “Land at Teversham Road, Fulbourn – High quality residential development of up to 110 dwellings with areas of landscaping and public open space, one access point and associated infrastructure works” (the “Planning Application”).

The Planning Application was registered on the 19th September 2014; the publicity period began on the 14th of October and ended on the 4th of November 2014. No decision has been made as at the date of valuation. We understand that the Planning Application is to be heard by the South Cambridgeshire District Council Planning Committee in April 2015.

## 4.0 MARKET COMMENTARY AND VALUATION

### 4.1 UK Market Commentary

#### 4.1.1 Farmland – England and Wales

With a decrease in commodity prices over the last year, an anticipated increase in interest rate and reduced land-related subsidies one would expect to see that the pressure on land prices should ease. Nevertheless over the last year we have seen examples of record breaking prices being achieved and our research suggests overall prices are up 3% over the year, with prices of bare land up 7%.

In certain parts of the country prices are rising, especially in the Hampshire/Wiltshire/Gloucestershire area, where values have not only increased, but some have been well above the general market level. We have noticed a general trend of size premium developing in the market of late, and there have been many more such examples over the last six months, but mainly for primarily arable land in sought after regions.

These well publicised sales and national price movements are however only part of the story. In much of the rest of the country, where sales are taking longer to transact and in a number of instances, guide prices are not being achieved. However, with increasing evidence of guide prices not being achieved, we have reason to believe that the data, which is based on guide prices, may be belying true market sentiment and that for many parts of the country we do not believe there has been much of an increase in land values.



Therefore, although the national data suggests a rise in values, for most areas this may not be applicable, since these national movements hide some wide variations in prices as well as differences in market sentiment. The valuation of farmland is becoming increasingly difficult over the last year and much more localised. The range of values between quality has not only increased, but so too, the spread between regions, with some areas becoming extremely competitive, especially the fashionable parts of the country of easily workable arable land in large contiguous blocks. Elsewhere the picture is more mixed.

#### 4.2 Valuation Methodology & Commentary

As at the date of valuation there has been no decision made on the Planning Application (as stated in 3.6 of this report). There currently exists 'Hope Value' attached to the land with respect to the possibility of the current Planning Application (or another future application for a revised residential scheme) being granted.

When quantifying Hope Value, there exists a degree of uncertainty as land with such development potential is rarely sold in the open market; i.e. the land is either held until permission is granted or refused. We have valued on a **Comparable Basis**.

We consider the level of Hope Value premium the market would attach to the land is modest given the current planning situation. Principally, the fact that the Property was rejected for proposed residential development in the South Cambridgeshire District Council's Strategic Housing Land Availability Assessment (SHLAA, 2012) and designated as 'Local Green Space' in the draft Local Plan would suggest prima facie that the likelihood of permission being granted for the current Planning Application is unlikely. That is not to say that if the decision were to be appealed that permission may not be possible, but at this stage with no certainty over viability, we are of the opinion that the market would deem the risk too high to pay beyond quite modest Hope Value over and above its Existing Use Value (as grazing pasture, pony paddocks, amenity land). However from our knowledge of marketing such sites, as the lot size is relatively small, the site should appeal to a wide variety of purchasers and in particular to private individuals who would be prepared to take a gamble on such a site.

The comparables we have analysed show a range of values, which generally reflects local demand (i.e. farmers looking to expand their existing holdings) rather than from national investors. A selection of comparables considered is listed below:

##### ***1. Cambridge Road, Waterbeach, Cambridgeshire***

A block of Grade 2 arable land strategically located on the edge of Waterbeach village. The land is classified as Milton series being deep calcareous loamy soil, suitable for growing combinable crops, is currently in arable rotation and is ring fenced. Sold August 2014 for around £20,000/acre or £4.94/square metre.

##### ***2. Land South of St Johns Church, Waterbeach, Cambridge***

15 acres of grazing land. Marketed since March 2012 and still for sale. No offers and agent believes it is priced too high at £33,000/acre or £8.15/square metre.

### 3. *Walden Road, Little Chesterford, Essex*

About 11 acres of paddock/amenity land in an accessible location a few miles from Saffron Walden. Marketed from November to December 2014. Withdrawn but had a guide of £250,000 (£22,727/acre or £5.62/square metre).

### 4. *Land at West Wickham, Cambridgeshire*

A single rectangular field classified Grade 2 and of the Ragdale soil series, suitable for growing winter cereals, some arable crops and grass. 10.18 acres (4.12 ha). Sold in September 2013 in excess of the guide price of £85,000 (£8,350/acre or £2.06/square metre).

We deem the best comparable is the first on the schedule due to its relatively close proximity to the Property and its 'strategic' village edge location, however, given the advanced planning position of the Property we consider it would command a premium.

We consider the Existing Use Value to be around £12,500/acre or £3.09/square metre (i.e. £211,625 total over 68,500 square metres/16.93 acres).

With respect to the additional Hope Value, bearing in-mind the uncertainties over planning, we are of the opinion that the Fair Value as at the valuation date to be in the region of £25,000/acre or £6.18/square metre (i.e. £423,250 total over 68,500 square metres/16.93 acres, say £425,000).

Clearly, as the planning situation progresses this value will alter significantly.

### 4.3 Valuation

We are of the opinion that the current **Fair Value** of the freehold of the Property, on our Standard Assumptions as of **28th February 2015** is **£425,000 (Four Hundred and Twenty Five Thousand Pounds)**.

As advised by the owners of the Property, there is no potential tax liability which would arise on the disposal of the Property at the amount valued by us. We have not verified this.

For and on behalf of Smiths Gore

Thomas Lockton MA(Cantab) MSc MRICS FAAV (RICS Registered Valuer)

Patrick Moseley MSc MRICS (RICS Registered Valuer)

Summary Disclosure

Property held for development

Land at Teversham Road, Fulbourn, Cambridgeshire

United Kingdom

Use and Brief Description of Project	Total Site Area	Leaseable/Saleable Area	Number of Rooms/Units	Number of Car Parking Spaces	Terms of Tenure (Year of Leasehold Expiry)	Construction Commencement Date (if Under Development)	Year of Completion/Expected Completion Date	Development Cost, where Property is being Developed (as required under Rule 5.06(3)(e))	Average Effective Rent (as required under Rule 5.06(2))	Market Value in Existing State at 28 February 2015	Interest Attributable to the Cheung Kong Property Group	Market value in Existing State Attributable to the Cheung Kong Property Group as at 28 February 2015	Interest Attributable to the Hutchison Property Group	Market Value in Existing State Attributable to the Hutchison Property Group as at 28 February 2015	Total interest attributable to the two property groups	Market Value in Existing State Attributable to the two property groups as at 28 February 2015
Land at Teversham road, Fulbourn, Cambridgeshire - vacant land held for development	68,500 sq. m.	68,500 sq. m.	N/A (bare land)	N/A (bare land)	Freehold	N/A	N/A	N/A	50%	4212,500	50%	4212,500	50%	4212,500	100%	4425,000

*The following is the text of a letter and a summary of valuations prepared for the purpose of incorporation in this document received from CBRE, Inc., an independent property valuer, in connection with its opinion of the value of certain property interests of the Hutchison Property Group in The Bahamas as at 28 February 2015. As stated in “Appendix XII – Documents Available for Inspection”, the full property valuation report is available for public inspection.*



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31 March 2015

The Directors

**CHEUNG KONG PROPERTY HOLDINGS LIMITED**

7/F Cheung Kong Center, 2 Queen’s Road Central, Hong Kong

RE: Appraisal of Silver Point Beach Land Freeport,  
Grand Bahama Island

Dear Sirs:

At your request and authorization, CBRE, Inc. has prepared an appraisal of the market value of the referenced property (the “Property”). Our analysis is presented in the following appraisal report. The Property includes the Silver Point Beach Land held by Hutchison Whampoa Limited. This would include approximately 17 acres of land (excluding 1.05 acres of road easement) which is near the Port Lucaya area of Grand Bahama. The aforementioned lands total approximately 68,796.62 square metres according to information that is provided to the appraisers for the purpose of this appraisal.

Based on the analysis contained in the following report (which refers to our full appraisal), the market value of the subject is concluded as follows:

<b>MARKET VALUE CONCLUSION</b>				
<u>Appraisal Premise</u>	<u>Interest Appraised</u>	<u>Date of Value</u>	<u>Exposure Time</u>	<u>Value Conclusion</u>
Silver Point Beach Land Value	Fee Simple	28 February 2015	12 Months	USD2,100,000

*Compiled by CBRE*

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and the Bahamian Licensing requirements. It also conforms to Title XI Regulations and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) updated in 1994 and further updated by the Interagency Appraisal and Evaluation Guidelines promulgated in 2010 and International Valuation Standards (IVS).

Respectfully submitted,

**CBRE, Inc. – VALUATION & ADVISORY SERVICES**

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Scott L. Webb  
Senior Appraiser – Hospitality Specialist  
Florida Cert Gen RZ2002

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James E. Agner, MAI, SGA, MRICS  
Managing Director – Florida/Caribbean  
Florida Cert Gen RZ382

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Robin Brownrigg, CCRA, CREA  
Bahamas Realty

**SUMMARY OF SALIENT FACTS**

<b>Property Name</b>	<b>Silver Point Beach Land</b>	
Location	Royal Palm Way, Freeport, Grand Bahama Island	
Highest and Best Use		
As Though Vacant	Resort/Residential	
As Improved	Resort/Residential	
Property Rights Appraised	Fee Simple	
Total Land Area Acres/Square Feet*	17.00	740,520
Total Land Area Hectares/Square Metres*	6.88	68,797
Estimated Exposure/Marketing Time	12 Months	

\* Excluding road easement.

**VALUATION**

<b>PREMISE</b>	<b>DATE OF VALUE</b>	<b>TOTAL</b>	<b>Per Acre</b>
Total Land Value	28 February 2015	USD2,100,000	USD123,529
Silver Point Beach Land	28 February 2015	USD2,100,000	USD123,529

**CONCLUDED MARKET VALUE**

<b>Appraisal Premise</b>	<b>Interest Appraised</b>	<b>Date of Value</b>	<b>Value</b>
Silver Point Beach Land Value	Fee Simple	28 February 2015	USD2,100,000
Total Land Value	Fee Simple	28 February 2015	USD2,100,000

*Compiled by CBRE*

**PURPOSE OF THE APPRAISAL**

The purpose of this appraisal is to estimate the market value of the Property. The current economic definition of market value agreed upon by agencies that regulate federal financial institutions in the U.S. (and used herein) is as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;

4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>1</sup>

### EXTRAORDINARY ASSUMPTIONS

An *extraordinary assumption* is defined as “an assumption directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis.”<sup>2</sup>

- Extraordinary assumptions associated with this analysis are that the general descriptions and maps provided to the appraiser are essentially correct. Additionally, we have assumed as an extraordinary assumption, that we have relied on information provided by the owner being correct and accurate and should an actual survey be provided to the appraisers that indicates that the property being appraised is less than or greater than the amounts indicted on the description of the property being appraised, that our appraisal and value conclusions may be subject to change.

### HYPOTHETICAL CONDITIONS

A hypothetical condition is defined as “that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the Property; or about conditions external to the Property, such as market conditions or trends; or about the integrity of data used in an analysis.”<sup>3</sup>

- There are no hypothetical assumptions associated with this analysis.

#### Notes:

- 1 Appraisal Institute, *The Appraisal of Real Estate Appraisal*, 14th ed. (Chicago: Appraisal Institute, 2013), 132.
- 2 The Appraisal Foundation, *USPAP*, 2014-2015 ed., U-3.
- 3 *Dictionary of Real Estate Appraisal*, 97.

**PROPERTY IDENTIFICATION**

The Property is identified through maps and information provided to the appraisers and consists of approximately 68,797 square metres of land owned by Hutchison Whampoa Limited (the “owner”). The site is located on Grand Bahama Island in the Commonwealth of The Bahamas near the Port Lucaya area. The subject site is more fully described within the enclosed report.

**OWNERSHIP AND PROPERTY HISTORY**

Title to the Property is effectively held by Hutchison Whampoa Limited as to 100%. According to Graham Torode, Chief Executive Officer of The Grand Bahama Development Company, the Property was acquired more than 9 years ago. To the best of our knowledge, there has been no other ownership transfer of the Property during the previous three years. It is our understanding that the Property is not being marketed for sale at this time.

**PREMISE OF THE APPRAISAL/RELEVANT DATES**

The various dates associated with the valuation of the subject and the valuation premise(s) are illustrated as follows:

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**PREMISE OF THE APPRAISAL/RELEVANT DATES**

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Date of Report:	31 March 2015
Date of Inspection:	14 January 2015
Dates of Value Silver Point Beach Land Value	28 February 2015

*Compiled by CBRE*

**INTENDED USE OF REPORT**

This appraisal is to be used for the purpose of incorporation into the scheme document jointly issued by CK Hutchison Holdings Limited, CK Global Investments Limited and Hutchison Whampoa Limited.



**DESCRIPTION OF THE PROPERTY**

The following chart summarizes the salient characteristics of the subject site.

**SITE SUMMARY AND ANALYSIS**

**Physical Description**

Gross Site Area* (Acres/ Square Feet)		17.00	740,520
Gross Site Area* (Hectares/ Square Metres)		6.88	68,797
Additional Frontage Shape	Atlantic Ocean Irregular		670 Feet/204 Metres
Topography	Generally Level at Grade		
Zoning District	Mixed Use		
Flood Map Panel No.	No Flood Zones in Bahamas		
Flood Zone	No Flood Zones in Bahamas		
Adjacent Land Uses	Hotels, Retail, Commercial and Residential		

\* Excluding road easement

**Comparative Analysis**

	<b>Rating</b>
Access	Good
Visibility	Good
Functional Utility	Good
Traffic Volume	Average
Adequacy of Utilities	Serviced by Utilities
Landscaping	None
Drainage	Assumed Adequate

**Utilities**

		<b>Adequacy</b>
Water	Grand Bahama Utility Company	Yes
Sewer	Grand Bahama Utility Company	Yes
Natural Gas	None	N/A
Electricity	Grand Bahama Power Company (GBPC)	Yes
Telephone	Bahama Telephone Company (BTC)	Yes
Mass Transit	None	N/A

**Other**

	<b>No</b>	<b>Unknown</b>
Detrimental Easements		X
Encroachments		X
Deed Restrictions		X
Reciprocal Parking Rights		X
Common Ingress/Egress		X

Source: Various sources compiled by CBRE and the owner of the Property

**COVENANTS, CONDITIONS AND RESTRICTIONS**

There are no known covenants, conditions and restrictions impacting the Property that are considered to affect the marketability or highest and best use, other than zoning restrictions, which are somewhat vague in The Bahamas. The Property is designated for use as a multi-family resort or hotel use, but any plan would need specific approval by the local authorities.

**CURRENT DEVELOPMENT**

The Property is currently vacant with no planned development for the near future. There is no development budget, plans and there is no completion date. The land is owned in freehold and there are no known leases involved to the knowledge of the appraisers. There are no buildings on the Property and the only improvements are a seawall along the canal portions of the Property. All utilities including a road are available to the edge of the Property. We have relied upon the owner of the Property for many of the Property details regarding size, potential uses etc. The site once had potential plans for a multi-family development according to the owner but the plans were scrapped due to lack of demand. Detailed development plans were not provided. We do not see that demand existing at the current time or in the near future. As such, the highest and best use of the Property at this time is for holding until such time that demand exists to support development. The Property is not currently listed for sale to the knowledge of the appraisers. No information indicating clarity or defect of title was provided by the client. As such, we can neither confirm nor deny any defect on title.

**ENVIRONMENTAL ISSUES**

CBRE, Inc. has not observed, yet is not qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the site. The existence of hazardous materials or underground storage tanks may have an effect on the value of the Property. For this appraisal, CBRE, Inc. has specifically assumed that any hazardous materials and/or underground storage tanks that may be present on or near the Property do not affect the Property.

**DATA RESOURCES UTILIZED IN THE ANALYSIS**

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**RESOURCE VERIFICATION**

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<b>Site Data</b>	<i>Source/Verification:</i>
Size and Shape	Information provided by the owner
Character of Site	Inspection and information provided by the owner

*Compiled by CBRE*

**EXTENT TO WHICH THE PROPERTY IS INSPECTED**

CBRE, Inc. inspected the exterior of the subject, as well as its surrounding environs on 14 January 2015. The date of valuation is 28 February 2015 per the client's request. This included the following:

- subject exterior
- subject sites topography
- subject sites exposure to water/ocean

This inspection sample was considered an adequate representation of the Property and is the basis for our findings.

**CONCLUSION**

The Property is vacant and is located in the resort/residential areas of island of Grand Bahama in the Commonwealth of The Bahamas. The site of the Property is serviced by utilities and has street frontage along the Royal Palm Way. Portions of the site have frontage along internal canals and portions have direct ocean frontage (approximately 670 front feet or 204 front metres). The portion of the site that has beach frontage along the Atlantic Ocean is considered to have a very positive value attribute. Overall, there are no known factors which are considered to prevent the site from development to its highest and best use, as if vacant.

**APPRAISAL METHODOLOGY**

In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available. We have taken these factors into consideration when determining which valuation method is the most appropriate for the valuation of a particular asset. In the case of the subject, which is vacant land, the sales comparison approach is deemed most appropriate.

**SALES COMPARISON APPROACH**

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per acre, price per room, price per suite, or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons. Typically, the sales comparison approach is the primary approach utilized for vacant land.

## METHODOLOGY APPLICABLE TO THE PROPERTY

In valuing the subject sites, only the sales comparison approach is deemed applicable and has been utilized exclusively.

## COMPARABLE LAND SALES AND LISTINGS

The following summary chart shows the sales and listings we have utilized from the Caribbean and The Bahamas.

SUMMARY OF COMPARABLE LAND SALES

No.	Property Location	Transaction		Proposed Use	Actual Sale Price	Adjusted Sale Price <sup>1</sup>	Size (SF)	Price Per Acre	Price Per SF	Price Per SQ.M.
		Type	Date							
1	Lot 390 Great River Avenue, St. Anne, Jamaica	Sale	Jun-10	Resort	USD1,300,000	USD1,300,000	615,699	USD91,974	USD2.11	USD22.73
2	Frenchman Bay, St. Thomas, USVI	Sale	Jun-10	Resort/ Residential	USD7,000,000	USD7,000,000	5,662,800	USD53,846	USD1.24	USD13.31
3	Norman Manley Boulevard Negril, St. Anne, Jamaica	Sale	Jun-10	Resort	USD4,000,000	USD4,000,000	1,200,000	USD145,200	USD3.33	USD35.88
4	Private Island Exuma, Exuma, Bahamas	Sale	Oct-13	Residential	USD29,000,000	USD29,000,000	7,274,520	USD173,653	USD3.99	USD42.91
5	Banks Road, Governor's Harbour, Eleuthera, Bahamas	Listing	Dec-14	Hotel/ Residential	USD2,500,000	USD2,500,000	805,860	USD135,135	USD3.10	USD33.39
Subject	Royal Palm Way, Freeport, Grand Bahama Island	-	-	Resort/ Residential	-	-	-	-	-	-

Compiled by CBRE

Note:

<sup>1</sup> Transaction amount adjusted for cash equivalency and/or development costs (where applicable)

The sales utilized were chosen based upon their location in the Caribbean, their sold or listed status along with physical and developmental properties of the comparable sales. The adjustments made to the comparable sales were based upon differences in location, frontage, development potential, date of sale, site size and other differences in physical characteristics. After adjusting for such differences, the sales ranged from USD18.44 to USD40.76 per sq.m..

**RECONCILIATION OF VALUE**

The value indications from the approaches to value are summarized as follows:

**MARKET VALUE CONCLUSION**

<b>Appraisal Premise</b>	<b>Interest Appraised</b>	<b>Date of Value</b>	<b>Exposure Time</b>	<b>Value Conclusion</b>
Silver Point Beach Land Value	Fee Simple	28 February 2015	12 Months	USD2,100,000

*Compiled by CBRE*

As advised by the owner of the Property, the potential tax liability which would arise on the direct disposal of the Property at the amount valued by us is the Bahamian stamp duty at progressive rates from 4% to 10% of the transaction amount of which both the seller and the buyer are jointly and severally liable.

The likelihood of the tax liability being crystallized is remote as the owner has no plans for the disposal of the Property yet.

Summary Disclosure

Property held for development

Silver Point Beach Land

Commonwealth of The Bahamas

Use and Brief Description of Project	Total Site Area	Number of Rooms/Units	Number of Car Parking Spaces	Terms of Tenure (Year of Leasehold Expiry)	Construction Commencement Date (if Under Development)	Year of Completion/Expected Completion Date	Development Cost, where Property is being Developed (as required under Rule 5.06(3)(e))	Average Occupancy Rates	Average Effective Rent (as required under Rule 5.06(2))	Market Value in Existing State as at 28 February 2015	Interest Attributable to the Hutchison Property Group	Market Value in Existing State Attributable to the Hutchison Property Group as at 28 February 2015
Silver Point Beach Land (excluding road easement) – vacant land held for development	68,797 sq.m.	N/A	N/A	Freehold	N/A	N/A	N/A	N/A	USD2,100,000	100%	USD2,100,000	

*The following is the text of a letter and a summary of valuations prepared for the purpose of incorporation in this document received from CBRE, Inc., an independent property valuer, in connection with its opinion of the value of certain property interests of the Hutchison Property Group in The Bahamas as at 28 February 2015. As stated in “Appendix XII – Documents Available for Inspection”, the full property valuation report is available for public inspection.*

**CBRE**

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31 March 2015

The Directors

**CHEUNG KONG PROPERTY HOLDINGS LIMITED**

7/F Cheung Kong Center, 2 Queen’s Road Central, Hong Kong

RE: Appraisal of Grand Lucayan Beach and Golf Resort  
1 Sea Horse Lane,  
Freeport, Grand Bahama Island

Dear Sirs:

At your request and authorization, CBRE, Inc. has prepared an appraisal of the market value of the referenced property (the “Property”) that includes three hotel structures, a casino, retail building, central services building and two golf courses. Currently only two of the hotel structures and one of the golf courses are in operation. The other building has been closed during the last few years. While the hotel contains 1,271 total units, it is effectively operating as a 542-unit resort. Additionally, Hutchison Whampoa Limited (the “owner”) has recently leased out one of the other two hotel buildings to a high-end, all-inclusive operator. The lease commencement date is February of 2014 and it runs for seven years with a five year renewal. The lease is essentially a net lease. The renovations were completed in February of 2014. As such, the entire project is not considered stabilized. Therefore, we have also estimated the prospective market values as is and at stabilized operation. In addition to the leased out hotel, the Property also contains a casino which is currently operating and leased out to a third party operator. That revenue stream has been included in the value of the entire project.

Based on the analysis contained in the following report (which refers to our full appraisal), the market value of the Property is concluded as follows:

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**MARKET VALUE CONCLUSION**

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<u>Appraisal Premise</u>	<u>Interest Appraised</u>	<u>Date of Value</u>	<u>Exposure Time</u>	<u>Value Conclusion</u>
Prospective As Is	Leased Fee	28 February 2015	12 Months	USD57,000,000
Prospective As Stabilized	Leased Fee	28 February 2017	12 Months	USD63,100,000

*Compiled by CBRE*

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and the Bahamian Licensing requirements. It also conforms to Title XI Regulations and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) updated in 1994 and further updated by the Interagency Appraisal and Evaluation Guidelines promulgated in 2010 and International Valuation Standards (IVS).

Respectfully submitted,

**CBRE, Inc. – VALUATION & ADVISORY SERVICES**

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Scott L. Webb  
Senior Appraiser – Hospitality Specialist  
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James E. Agner, MAI, SGA, MRICS  
Managing Director – Florida/Caribbean  
Florida Cert Gen RZ382

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Robin Brownrigg, CCRA, CREA  
Bahamas Realty



## SUMMARY OF SALIENT FACTS

<b>Property Name</b>	<b>Grand Lucayan Beach and Golf Resort</b>	
<b>Location</b>	1 Sea Horse Lane, Lucaya, Freeport, Grand Bahama Island	
<b>Highest and Best Use</b>		
As Though Vacant	Hotel	
As Improved	Hotel	
<b>Property Rights Appraised</b>	Leased Fee	
<b>Total Land Area Acres/Square Feet</b>	405.0	17,641,800
<b>Total Land Area Hectares/Square Metres</b>	163.9	1,638,978
<b>Improvements – Upon Renovation/ Construction</b>		
Number of Buildings	7	
Number of Stories	1 to 10	
Gross Building Area (Combined)	1,027,494 SF	
Number of Rooms	1271 (With 542 Rooms Operated/522 Leased Out & 207 Currently Closed)	
Restaurant/Lounge	19	
Total Meeting Space (Square Feet/ Square Metres)	45,000 Sq. Ft./4,181 Sq m (Air conditioned)	
Property Amenities	3 pools, multiple restaurants and bars, beach, casino, spa, golf course and convention center	
Year Built	1963 and 2000	
Condition	Good	
<b>Estimated Exposure/Marketing Time</b>	12 Months	
<b>Financial Indicators</b>		
Projected Year 1 Occupancy	66.0%	
Stabilized Occupancy	68.0%	
Estimated Stabilization	Feb-17	
Projected Year 1 Average Daily Rate	USD117.79	
Stabilized Average Daily Rate	USD134.22	
Projected Inflation Rates	ADR	Expenses
Year 1	5.5%	3.0%
Year 2	6.5%	3.0%
Year 3	7.0%	3.0%
Stabilized	3.0%	3.0%
Going-In Capitalization Rate	8.50%	
Terminal Capitalization Rate	9.00%	
Discount Rate	11.00%	

**APPENDIX VIII****PROPERTY VALUATION**

<b>Year 1 Operating Data</b>	<b>Total</b>	<b>Per Room (542 Rooms)</b>
Total Revenue	USD41,529,666	USD76,623
Operating Expenses	USD38,299,903	USD70,664
Expense Ratio	92.22%	
Net Operating Income (EBITDA)	USD3,229,763	USD5,959

<b>Stabilized Operating Data – Year 3</b>	<b>Total</b>	<b>Per Room (542 Rooms)</b>
Total Revenue	USD46,455,061	USD85,710
Operating Expenses	USD41,085,561	USD75,804
Expense Ratio	88.44%	
Net Operating Income (EBITDA)	USD5,369,500	USD9,906

<b>VALUATION PREMISE</b>	<b>DATE OF VALUE</b>	<b>TOTAL</b>	<b>Per Room (542 Rooms)</b>
<b>Prospective As Is Analysis</b>	28 February 2015		
Sales Comparison Approach		USD63,300,000	USD116,790
Income Capitalization Approach		USD57,000,000	USD105,166
<b>Prospective As Stabilized Analysis</b>	28 February 2017		
Sales Comparison Approach		USD69,400,000	USD128,044
Income Capitalization Approach		USD63,100,000	USD116,421

**CONCLUDED MARKET VALUE**

<b>Appraisal Premise</b>	<b>Interest Appraised</b>	<b>Date of Value</b>	<b>Value</b>
Prospective As Is	Leased Fee	28 February 2015	USD57,000,000
Prospective As Stabilized	Leased Fee	28 February 2017	USD63,100,000

*Compiled by CBRE*

**PURPOSE OF THE APPRAISAL**

The purpose of this appraisal is to estimate the market value of the Property. The current economic definition of market value agreed upon by agencies that regulate federal financial institutions in the U.S. (and used herein) is as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>1</sup>

**EXTRAORDINARY ASSUMPTIONS**

An extraordinary assumption is defined as “an assumption directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the Property; or about conditions external to the Property such as market conditions or trends; or about the integrity of data used in an analysis”.<sup>2</sup>

- Extraordinary assumptions associated with this analysis are that the existing lease that began in February of 2014 will continue for its term of 7 years. Additionally, we have assumed as an extraordinary assumption, that we have relied on information provided by the owner being correct and accurate and should an actual survey be provided to the appraisers that indicates that the Property being appraised is less than or greater than the amounts indicated on the description of the Property being appraised, that our appraisal and value conclusions may be subject to change.

**HYPOTHETICAL CONDITIONS**

A hypothetical condition is defined as “that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the Property; or about conditions external to the Property, such as market conditions or trends; or about the integrity of data used in an analysis.”<sup>3</sup>

There are no hypothetical assumptions associated with this analysis.

## Notes:

- 1 Appraisal Institute, *The Appraisal of Real Estate Appraisal*, 14th ed. (Chicago: Appraisal Institute, 2013), 132.
- 2 The Appraisal Foundation, *USPAP*, 2014-2015 ed., U-3.
- 3 *Dictionary of Real Estate Appraisal*, 97.

**PROPERTY IDENTIFICATION**

The Property is a 1,271-room full service hotel property built in 1963 and 2000 which has had approximately 729 rooms closed for several years. The current owner recently renovated approximately 522 of the rooms and leased them to a third party (Blue Diamond Grand Bahama Ltd.). The Property is situated on a 405-acre (1,638,978-square metre) site in Freeport, Grand Bahama Island. The Property is operated as a beach and golf resort facility with one functioning golf course and one that has been closed for a few years. The Property address is 1 Sea Horse Lane, Freeport, Grand Bahama Island.

Additionally, the golf course which is not being utilized might have some additional value. This value would be created by a potential conversion of the site to residential land. However, there is currently no plan to do so and it is unknown whether the government would allow such a conversion. No soil sample has been performed to determine if the chemicals/fertilizers utilized on the property as a golf course would cause a contamination issue and no estimates of the cost to convert the land to a potential residential use have been performed. As such, it is impossible for the appraiser to determine whether this could generate additional value for this site.

**OWNERSHIP AND PROPERTY HISTORY**

Title to the Property is effectively 100% held by Hutchison Whampoa Limited. According to Graham Torode, Chief Executive Officer of The Grand Bahama Development Company, the Property was acquired more than 10 years ago and has been expanded to include the current structures. To the best of our knowledge, there has been no other ownership transfer of the Property during the previous three years. It is our understanding that the Property is not being marketed for sale at this time.

**PREMISE OF THE APPRAISAL/RELEVANT DATES**

The various dates associated with the valuation of the Property and the valuation premise(s) are illustrated as follows:

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**PREMISE OF THE APPRAISAL/RELEVANT DATES**

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Date of Report:	31 March 2015
Date of Inspection:	14 January 2015
Dates of Value	
Prospective As Is	28 February 2015
Prospective As Stabilized	28 February 2017

*Compiled by CBRE*

**INTENDED USE OF REPORT**

This appraisal is to be used for incorporation into the scheme document jointly issued by CK Hutchison Holdings Limited, CK Global Investments Limited and Hutchison Whampoa Limited.

**DESCRIPTION OF THE PROPERTY**

The following charts summarize the salient characteristics of the Property site and improvements.

**SITE SUMMARY AND ANALYSIS**

<b>Physical Description</b>		<b>Square Feet</b>	<b>Square Metres</b>
Gross Resort Site Area (Including Golf Courses)	405 Acres	17,641,800	1,638,978
Total Hotel Site Area	54.3 Acres	2,365,308	219,744
Grand Lucayan Site Area	30.4 Acres	1,324,224	123,025
Reef Hotel Site Area	21.7 Acres	945,252	87,817
Laundry Facility	2.2 Acres	95,832	8,903
Golf Course Site Area	350.7 Acres	15,276,492	1,419,234
Primary Road Frontage	Sea Horse Lane		
Additional Frontage	Atlantic Ocean		
Excess Land Area	None		
Shape	Irregular		
Topography	Generally Level at Grade		
Zoning District	Tourist		
Flood Map Panel No.	No Flood Zones in Bahamas		
Flood Zone	No Flood Zones in Bahamas		
Adjacent Land Uses	Hotels, Retail, Restaurant and Residential		

**Comparative Analysis**

	<b>Rating</b>
Access	Good
Visibility	Good
Functional Utility	Average
Traffic Volume	Average
Adequacy of Utilities	Average
Landscaping	Good
Drainage	Assumed adequate

**Utilities**

		<b>Adequacy</b>
Water	Grand Bahama Utility Company	Yes
Sewer	Grand Bahama Utility Company	Yes
Natural Gas	None	N/A
Electricity	Grand Bahama Power Company (GBPC)	Yes
Telephone	Bahama Telephone Company (BTC)	Yes
Mass Transit	None	N/A

**Other**

	<u>No</u>	<u>Unknown</u>
Detrimental Easements		
Encroachments		X
Deed Restrictions		X
Reciprocal Parking Rights		X
Common Ingress/Egress		X

Source: *Various sources compiled by CBRE*

**COVENANTS, CONDITIONS AND RESTRICTIONS**

There are no known covenants, conditions and restrictions impacting the site that are considered to affect the marketability or highest and best use, other than zoning restrictions.

**ENVIRONMENTAL ISSUES**

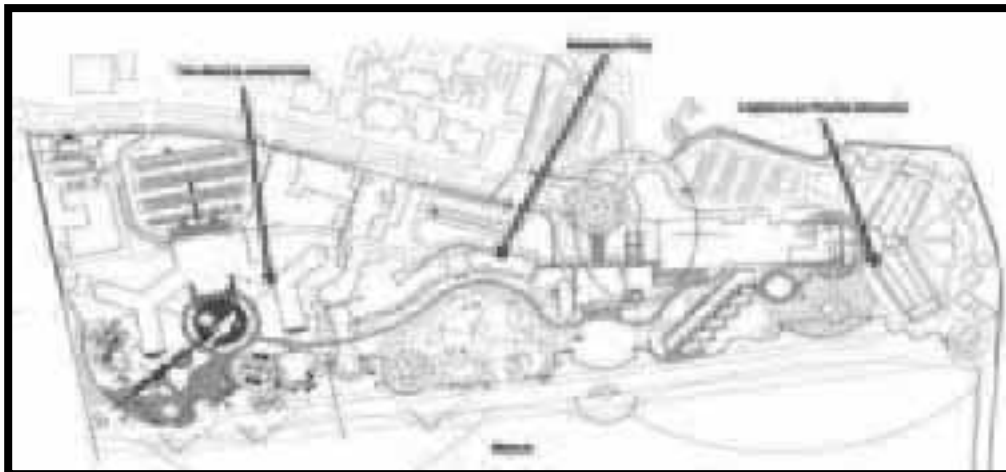
CBRE, Inc. has not observed, yet is not qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the site. The existence of hazardous materials or underground storage tanks may have an effect on the value of the Property. For this appraisal, CBRE, Inc. has specifically assumed that any hazardous materials and/or underground storage tanks that may be present on or near the Property do not affect the Property.

**CONCLUSION**

The site is well located and afforded average access and good visibility from roadway frontage. The size of the site is typical for the area and use, and there are no known detrimental uses in the immediate vicinity. The street frontage along Seahorse Lane and the beach frontage along the Atlantic Ocean is considered to provide a very positive value attribute. Overall, there are no known factors which are considered to prevent the site from development to its highest and best use, as if vacant, or adverse to the existing use of the site.

**IMPROVEMENTS ANALYSIS**

The quality of a lodging facility's physical building and site improvements (as well as any other amenities) has a direct influence on its marketability and operating success. Design and functionality can also affect the operations and profitability. The Property's physical building, site improvements, and furniture, fittings and equipments (FF&E) are analyzed and presented below.





**IMPROVEMENT SUMMARY AND ANALYSIS**

Number of Buildings	7	
Number of Stories	1 to 10	
Gross Building Area (SF/Sq M.)	1,027,494 SF	95,457 Sq M.
Number of Guest Rooms	1,271 Total with 542 operated as Grand Lucayan and 522 leased out to Blue Diamond Grand Bahama Ltd.. The remaining 207 rooms are not currently operating	
Meeting/Banquet Rooms	Yes	
Site Amenities	3 pools, multiple restaurants and bars, beach, casino, spa, golf course and convention center	
Golf Course	36 total with 18 holes currently operating (designed by Robert Trent Jones Jr. and 18 currently closed (designed by Dick Wilson)	
Parking Type	Surface level parking	
Number of Parking Spaces	500	
Functional Utility	Typical	

<b>Building</b>	<b>Square Feet</b>	<b>Square Metres</b>	<b>Year Built</b>	<b>% of Total</b>
Reef Village	275,270	25,573	1963	26.8%
Breakers Cay	330,214	30,678	2000	32.1%
Lighthouse Pointe	220,018	20,440	1965	21.4%
Manor House	40,862	3,796	2000	4.0%
Central Services Building	26,710	2,481	2000	2.6%
Laundry Building	19,300	1,793	2000	1.9%
Casino Building	115,120	10,695	2000	11.2%
<b>Total</b>	<b>1,027,494</b>	<b>95,457</b>		<b>100.0%</b>

Source: Various sources compiled by CBRE

**QUALITY AND STRUCTURAL CONDITION**

The Property is in good condition after the recent renovations. CBRE did not observe any evidence of structural fatigue, and the improvements appear structurally sound for occupancy.

**FUNCTIONAL UTILITY**

The current design characteristics of the Property appear to meet modern standards. All of the floor plans are considered to feature functional layouts and the overall layout of the Property is considered functional in utility. The unit mix appears functional and no conversion is warranted.

**ENVIRONMENTAL ISSUES**

CBRE has not observed, yet is not qualified to detect, the existence of any potentially hazardous materials such as lead paint, asbestos, urea formaldehyde foam insulation or other potentially hazardous construction materials on or in the improvements. The existence of such substances may have an effect on the value of the Property. For the purpose of this assignment, we have specifically assumed that the Property is not affected by any hazardous materials which would cause a loss in value.

**DEFERRED MAINTENANCE**

No deferred maintenance is expected due to the recently renovated condition of the subject property.

**ECONOMIC AGE AND LIFE**

Since the Property was built over several years, CBRE's estimate of the Property improvements effective age and remaining economic life takes into account blended age of the subject properties and their respective condition. This estimate is shown in the following table.

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**ECONOMIC AGE AND LIFE**

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Actual Age	52 Years
Effective Age	15 Years
MVS Expected Life	45 Years
Remaining Economic Life	30 Years
Accrued Physical Incurable Depreciation	33.3%

*Compiled by CBRE*

The overall life expectancy is based upon our on-site observations and a comparative analysis of typical life expectancies reported for buildings of similar construction as published by Marshall and Swift, LLC, in the Marshall Valuation Service cost guide. While CBRE did not observe anything to suggest a different economic life, a capital improvement program could extend the life expectancy.

**LEASE DETAILS**

The revenues that are derived from the subject’s ancillary operations which include a lease of approximately 522 units to Blue Diamond Grand Bahama Ltd., a leased out casino and various retail shops that are also leased out. Most of these leased out areas are subject to a 3.0% increase per year. In some cases, the rent can be variable based upon a percentage of revenue. Details of all of the leases were not provided to the appraiser. These income items have been expressed on a net of any expenses basis in all of our projections.

**OWNERSHIP RIGHTS**

The owner of the Property has leased out one of the hotel buildings to another party (Blue Diamond Grand Bahama Ltd.) as noted previously in the report. This results in the Property’s freehold ownership converting to one of a leased fee ownership (subject to the aforementioned lease). The Property is not currently listed for sale to the knowledge of the appraisers. No information indicating clarity or defect of title was provided by the client. As such, we can neither confirm nor deny any defect on title.

**DATA RESOURCES UTILIZED IN THE ANALYSIS**

<b>RESOURCE VERIFICATION</b>	
<b>Site Data</b>	Source/Verification:
Size	Information provided by owner
<b>Improved Data</b>	Source/Verification:
No. of Rooms	Building Engineer/Prior CBRE Appraisal
No. Bldgs.	Inspection
Parking Spaces	Building Engineer/Prior CBRE Appraisal
YOC	Building Engineer/Prior CBRE Appraisal
<b>Economic Data</b>	Source/Verification:
Income Data:	STR Host Report/Expense Comparables/PKF Trends Data/ Information from the owner
Expense Data:	STR Host Report/Expense Comparables/PKF Trends Data/ Information from the owner

*Compiled by CBRE*

**EXTENT TO WHICH THE PROPERTY IS INSPECTED**

CBRE, Inc. inspected the interior and exterior of the subject, as well as its surrounding environs on 14 January 2015. The date of valuation is 28 February 2015 per the client request. This included the following:

- subject exterior
- subject interior units
- subject common areas

- subject golf courses

This inspection sample was considered an adequate representation of the Property and is the basis for our findings.

## **CONCLUSION**

The improvements are considered to be in good overall condition and are considered to be typical for the age and location in regard to improvement design and layout, as well as interior and exterior amenities. Overall, there are no known factors that could be considered to adversely impact the marketability of the improvements.

## **APPRAISAL METHODOLOGY**

In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available. We have taken these factors into consideration when determining which valuation method is the most appropriate for the valuation of a particular asset. In the case of the subject, which is a beach and golf resort, the sales comparison approach and the income approach are deemed most appropriate.

## **SALES COMPARISON APPROACH**

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per room, price per suite, or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons. Typically, the sales comparison approach is used to bracket the indication provided by the income capitalization approach.

## **INCOME CAPITALIZATION APPROACH**

The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are discounted cash flow (DCF) analysis and direct capitalization.

**METHODOLOGY APPLICABLE TO THE SUBJECT**

In valuing the subject, only the sales comparison and income capitalization approaches are applicable and have been used. The cost approach is not applicable in the estimation of market value due to the fact that the subject was built over a long period of time and is on average more than 15 years in age. Additionally, the property has been renovated several times throughout the years rendering estimates of depreciation even more highly speculative. Additionally, and more importantly, buyers of hotels such as the subject do not typically consider the cost approach in a potential acquisition.

**SALES COMPARISON APPROACH**

The following sales were utilized in our price per unit estimate of market value via the sales comparison approach.

SUMMARY OF COMPARABLE HOTEL SALES										
No.	Name	Transaction			No. Rooms	Actual Sale Price	Adjusted Sale Price <sup>1</sup>	Price Per Room <sup>1</sup>	Gross Rev. Multiplier	OAR
		Type	Date	Year Built						
1	San Juan Marriott Resort and Stellaris Casino, San Juan, Puerto Rico	Sale	Mar-11	1964	525	\$133,000,000	\$133,000,000	\$253,333	N/A	N/A
2	Breezes Runaway Bay, Runaway Bay, Jamaica	Sale	Apr-12	1960	266	\$24,800,000	\$24,800,000	\$93,233	N/A	N/A
3	ME by Melia Cancun, Cancun, Mexico	Sale	Jul-12	1999	417	\$77,488,380	\$77,488,380	\$185,823	N/A	N/A
4	Renaissance La Concha San Juan Resort, San Juan, Puerto Rico	Sale	Mar-14	1958	483	\$205,000,000	\$184,660,000	\$382,319	N/A	N/A
Subject	Grand Lucayan Beach and Golf Resort, Freeport, Grand Bahama Island	-	-	1963 and 2000	542	-	-	-	-	-

Compiled by CBRE

Subject is effectively operating as a 542 unit hotel

Note:

<sup>1</sup> Transaction amount adjusted for cash equivalency and/or deferred maintenance (where applicable)

The sales utilized were chosen based upon their location in the Caribbean, their sold or listed status along with physical and operational properties of the comparable sales. The adjustments made to the comparable sales were based upon differences in property rights conveyed, financing, conditions of sale, market conditions, location, condition, size and operational characteristics of the sales. After adjusting for such differences, the sales ranged from USD111,467 to USD 152,928. In addition, we utilized a GRM analysis of recent golf and beach resort sales shown in the chart below:

RECENT GOLF RESORT SALES GROSS REVENUE MULTIPLIERS		
Sale No.	Sale Date	GRM
Wyndham Bay Panama City Beach, Florida	May-14	1.02
Pheasant Run Resort St. Charles, Illinois	Mar-14	0.57
Marriott Rancho Las Palmas, Rancho Mirage, California	Jul-14	2.80
Doral Resort and Spa, Doral, Florida	Jun-14	3.39

GROSS REVENUE MULTIPLIER VALUE INDICATION

<b>Gross Revenue</b>		<b>GRM</b>		<b>Value Indication</b>
\$46,455,061	x	1.50	=	\$69,682,592
Rounded				\$69,700,000

Compiled by CBRE

Based upon our analysis of the aforementioned sales comparables, we concluded a market value indication via the sales comparison approach as follows:

SALES COMPARISON APPROACH CONCLUSION

<i>Method</i>	<i>Indicated Value</i>
Price Per Room Valuation	\$69,100,000
Gross Revenue Multipliers	\$69,700,000
<b>Reconciled Value Indication “As Stabilized”</b>	<b>\$69,400,000</b>
Stabilization Discount	(\$ 6,100,000)
<b>“As Is” Value Indication</b>	<b>\$63,300,000</b>
<b>Rounded</b>	<b>\$63,300,000</b>
<b>Value Per Room (542 Rooms)</b>	<b>\$ 116,790</b>
<b>Value Per Room (1,271 Rooms)</b>	<b>\$ 49,803</b>

Compiled by CBRE

INCOME CAPITALIZATION APPROACH

The following table summarizes the comparable data used in the valuation of the Property.

PRIMARY COMPETITIVE HOTELS

Property	Number of Rooms	Percentage Competitive	Year Built	12 Months Ending October 31, 2014							
				Percent of Yr. Occ.	Percent of Yr. Open	Total Room Nights	Occupied Room Nights	Occupancy Penetration	ADR	ADR Penetration	RevPAR
Grand Lucayan Beach and Golf Resort	542	100%	1963 and 2000	57%	100%	197,830	112,170	91%	\$110.54	82%	\$ 62.67
Melia Nassau Beach	694	100%	1983	70%	100%	253,310	177,317	112%	\$ 145	108%	\$101.50
Wyndham Resort Nassau & Crystal Palace	559	100%	1988	50%	50%	101,201	50,325	80%	\$ 120	89%	\$ 59.67
Comfort Suites Paradise Island	223	100%	1991	65%	100%	81,395	52,907	104%	\$ 135	100%	\$ 87.63
Hilton British Colonial	288	100%	1999	65%	100%	105,120	68,328	104%	\$ 155	115%	\$100.75
Primary Totals/Averages	<u>2,306</u>			62%	88%	738,856	461,046		\$134.20		\$ 83.74

## SUBJECT ESTIMATED OCCUPANCY AND ADR

The following chart shows our estimate of occupancy and ADR.

## OCCUPANCY, ADR, &amp; ROOMS REVENUE CONCLUSIONS

<b>Fiscal Year Ending 2/27</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Avg. Available Rooms	542	542	542
Annual Room Nights	197,830	197,830	197,830
Occupancy	66%	67%	68%
Occupied Rooms	130,568	132,546	134,524
ADR	\$ 117.79	\$ 125.44	\$ 134.22
RevPAR	\$ 77.74	\$ 84.05	\$ 91.27
Total Rooms Revenue	\$15,379,045	\$16,626,845	\$18,056,258

Source: CBRE

## DISCOUNTED CASH FLOW ANALYSIS

The discounted cash flow analysis relies on a projection of net operating income over a fixed holding period and a future sale of the property at the end of the holding period. This is consistent with current investor trends for analyzing this property type. The discounted cash flow analysis takes into consideration the timing and degree of the projected changes in average daily rate, occupancy, and expenses for the subject.

## FINANCIAL ASSUMPTIONS

## SUMMARY OF GROWTH RATES

<b>Growth Rate Indicator</b>	<b>ADR</b>	<b>Other Revenue</b>	<b>Expenses</b>	<b>General Inflation</b>
U.S. Bureau of Labor Statistics (CPI-U) 10-Year Snapshot Average as of Nov-14				2.15%
Surveyed Market Participants	3.00%	3.00%	3.00%	3.00%
<b>CBRE Estimates</b>				
<b>Year 1</b>	<b>5.50%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Year 2</b>	<b>6.50%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Year 3</b>	<b>7.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Year 4</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Year 5</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Year 6</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Stabilized</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>

Source: PwC Real Estate Investment Survey & www.bls.gov

**HOTEL INVESTOR RATES**

Provided on the following pages is a summary of the discount, overall and terminal capitalization rates.

***Capitalization Rate Conclusion***

The following chart summarizes the OAR conclusions.

**OVERALL CAPITALIZATION RATE – CONCLUSION**

<b>Source</b>	<b>Indicated OAR</b>
<i>Hotel Investor Survey</i>	8.50%
Market Participants	8.50%
Band of Investment	8.40%
<b>CBRE, Inc. Estimate</b>	8.50%

*Compiled by CBRE*

**DISCOUNTED CASH FLOW ANALYSIS (DCF)**

The DCF assumptions concluded for the subject are summarized as follows:

**SUMMARY OF DISCOUNTED CASH FLOW ASSUMPTIONS****General Assumptions**

Start Date	28 February 2015
Terms of Analysis	10 Years
Basis	Fiscal
Software	Excel

**Growth Rate Assumptions**

Income Growth	3.00%
Expense Growth	3.00%
Inflation (CPI)	3.00%
Real Estate Tax Growth	3.00%

**Revenue Assumptions**

Current/TTM Average Daily Rate	\$112.14
Stabilized Average Daily Rate	\$134.22

**Occupancy Assumptions**

Stabilized Occupancy	68.0%
Estimated Stabilization	Feb-17

**Financial Assumptions**

As Complete Discount Rate	11.00%
As Complete Terminal Capitalization Rate	9.00%
As Stabilized Terminal Capitalization Rate	9.00%

**Other Assumptions**

Cost of Sale	2.0%
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*Compiled by CBRE*



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**DIRECT CAPITALIZATION SUMMARY**


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Analysis Premise	Discounted Cash Flow			
	Stabilized Income (YR 3)			
Number of Rooms:	542			
Annual Rooms Available:	197,830			
Occupied Rooms:	134,524			
Occupancy:	68%			
Average Rate:	USD134.22			
RevPAR:	USD91.27			
			<b>\$ Per</b>	<b>\$ Per</b>
			<b>Available</b>	<b>Available</b>
			<b>(542</b>	<b>(1,271</b>
	<b>Total \$</b>	<b>Percent</b>	<b>Rooms)</b>	<b>Rooms)</b>
<b>NET OPERATING</b>				
<b>INCOME</b>	<b>5,369,500</b>	<b>11.6%</b>		
<b>OAR</b>		<b>8.50%</b>		
<b>Rounded Indicated</b>				
<b>Capitalized Value</b>				
<b>(As Stabilized)</b>		<b>USD63,200,000</b>		
<b>Stabilization Discount</b>		<b>(USD6,100,000)</b>		
<b>Indicated Capitalized Value</b>				
<b>(As Is)</b>		<b>USD57,100,000</b>		
<b>Rounded</b>		<b>USD57,100,000</b>		
<b>Per Room</b>		<b>USD105,351</b>	<b>USD105,351</b>	<b>\$44,925</b>

Compiled by CBRE

**CONCLUSION OF INCOME CAPITALIZATION APPROACH**

The conclusions via the valuation methods employed for this approach are as follows:

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**INCOME CAPITALIZATION APPROACH VALUES**


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<b>Appraisal Premise</b>	<b>As Is</b>	<b>Prospective As Stabilized</b>
Direct Capitalization Method	USD57,100,000	USD63,200,000
Discounted Cash Flow Analysis	USD56,900,000	USD63,000,000
Reconciled Value	USD57,000,000	USD63,100,000

Compiled by CBRE

## RECONCILIATION OF VALUE

The value indications from the approaches to value are summarized as follows:

## SUMMARY OF VALUE CONCLUSIONS

<u>Appraisal Premise</u>	<u>Prospective As Is</u>	<u>Prospective As Stabilized</u>
Sales Comparison Approach	USD63,300,000	USD69,400,000
Income Capitalization Approach	USD57,000,000	USD63,000,000
Reconciled Value	USD57,000,000	USD63,100,000

\* Value indications expressed in current dollars. Compiled by CBRE

In valuing the Property, the income approach is considered most reliable and has been given primary emphasis, with secondary emphasis placed on the sales comparison approach. Based on the foregoing, the market value of the Property has been concluded as follows:

## MARKET VALUE CONCLUSION

<u>Appraisal Premise</u>	<u>Interest Appraised</u>	<u>Date of Value</u>	<u>Exposure Time</u>	<u>Value Conclusion</u>
Prospective As Is	Leased Fee	28 February 2015	12 Months	USD57,000,000
Prospective As Stabilized	Leased Fee	28 February 2017	12 Months	USD63,100,000

Compiled by CBRE

As advised by the owner of the Property, the potential tax liability which would arise on the direct disposal of the Property at the amount valued by us is the Bahamian stamp duty at progressive rates from 4% to 10% of the transaction amount of which both the seller and the buyer are jointly and severally liable.

The likelihood of the tax liability being crystallized is remote as the owner has no plans for the disposal of the Property yet.

Summary Disclosure

Property held for investment

Grand Lucayan Beach and Golf Resort

Commonwealth of The Bahamas

Use and Brief Description of Project	Total Gross Floor Area	Leaseable/Saleable Area	Number of Rooms/Units	Number of Car Parking Spaces	Terms of Tenure (Year of Leasehold Expiry)	Construction Commencement Date (if Under Development)	Year of Completion	Development Cost, where Property is being Developed (as required under Rule 5.06(3)(e))	Average Occupancy Rates	Average Effective Rent (as required under Rule 5.06(2))	Market Value in Existing State as at 28 February 2015	Interest Attributable to the Hutchison Property Group	Market Value in Existing State Attributable to the Hutchison Property Group as at 28 February 2015
Hotel	95,457 sq. m.	N/A	1,271	500	Freehold	N/A	1963 – 2000	N/A	56.7%	USD62.76	USD57,000,000	100%	USD57,000,000

*The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Cheung Kong Property Group, for the purpose of incorporation in this document.*

**Deloitte.**  
**德勤**

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Deloitte Touche Tohmatsu  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

31 March 2015

The Directors  
CK Hutchison Holdings Limited  
7th Floor, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

The Directors  
CK Global Investments Limited  
East Asia Corporate Services (BVI) Limited  
East Asia Chambers  
P.O. Box 901  
Road Town, Tortola  
British Virgin Islands

The Directors  
Hutchison Whampoa Limited  
22nd Floor, Hutchison House  
10 Harcourt Road  
Hong Kong

Dear Sirs,

We set out below our report on the financial information of the property business of Cheung Kong (Holdings) Limited ("CKH") and its subsidiaries (collectively referred to as the "Cheung Kong Property Group" or the "Group") (the "Cheung Kong Property Group Financial Information"), which will be reorganised and held by Cheung Kong Property Holdings Limited ("CK Property") upon completion of the proposed reorganisation mentioned below, for each of the three years ended 31 December 2012, 2013 and 2014 (the "Relevant Periods") for inclusion in the scheme document with the title of (1) Merger proposal – (A) Proposed share exchange offer to the scheme shareholders for the cancellation of all the scheme shares by way of a scheme of arrangement of Hutchison Whampoa Limited under the Companies Ordinance; and (B) Husky Share Exchange as a special deal under Rule 25 of The Takeovers Code in relation to the Hutchison Proposal and (2) Proposal for re-election of retiring director jointly issued by CK Hutchison Holdings Limited ("CKH Holdings"), CK Global Investments Limited and Hutchison Whampoa Limited ("HWL") dated 31 March 2015 (the "Scheme Document").

CK Property was incorporated and registered as an exempted company in the Cayman Islands under the Cayman Islands Companies Law on 2 January 2015 with limited liability. CK Property, which is currently a wholly-owned subsidiary of CK Hutchison Holdings Limited, is an investment holding company and has not carried on any business except for equity transactions and preparation for the listing by way of introduction of the entire issued share capital of CK Property on the Main Board of The Stock Exchange of Hong Kong Limited, subject to a number of conditions precedent, as described in "Appendix VII – Information on the CK Property Group and the Spin-off Proposal" and approval of The Stock Exchange of Hong Kong Limited and/or other regulators since its incorporation.

Pursuant to the corporate reorganisation, CK Property will become the holding company of the companies comprising the Cheung Kong Property Group (the "Proposed Reorganisation").

At the date of this report and during the Relevant Periods, the particulars of the companies comprising the Cheung Kong Property Group, all of which are companies with limited liabilities, are as follows:

Name	Place of incorporation/establishment	Date of incorporation/establishment	Equity interest attributable to the Group (effective holding)				Issued and fully paid share/registered capital	Place of operation	Principal activities
			2012	2013	2014	At the date of this report			
			%	%	%	%			
U.S. Assets, Inc. . . . .	Arizona, U.S.A.	8 August 2001	100	100	100	100	USD1,000	U.S.A.	Property development
Able Sharp Group Limited . . . . .	British Virgin Islands	21 September 2005	100	100	100	100	USD1	note (a)	Investment holding
Achieve Point Holdings Limited . . . . .	British Virgin Islands	16 February 2006	100	100	100	100	USD1	note (a)	Investment holding
Aesthetic Investments Limited. . . . .	British Virgin Islands	20 November 1996	100	100	100	100	USD1	note (a)	Investment holding
Agate Enterprises Limited . . . . .	British Virgin Islands	1 April 2014	N/A	N/A	100	100	USD1	note (a)	Investment holding
Aim Clever Holdings Limited . . . . .	British Virgin Islands	2 July 2004	100	100	100	100	USD1	note (a)	Investment holding
Akerman Holdings Limited . . . . .	British Virgin Islands	5 July 1995	100	100	100	100	USD1	note (a)	Investment holding
Amberland Investment Holdings Limited. . . . .	British Virgin Islands	1 April 2014	N/A	N/A	100	100	USD2	note (a)	Investment holding
Amityville Limited. . . . .	British Virgin Islands	1 June 1995	100	100	100	100	USD1	note (a)	Investment holding
Ascardo Limited . . . . .	British Virgin Islands	8 December 1997	100	100	100	100	USD1	note (a)	Investment holding
Asset Legend Limited . . . . .	British Virgin Islands	29 March 2011	100	100	50	50	USD1	note (a)	Investment holding
Astino Limited . . . . .	British Virgin Islands	4 November 1998	100	100	100	100	USD1	note (a)	Investment holding
Autogrow Enterprises Corporation . . . . .	British Virgin Islands	7 April 2011	100	100	100	100	USD1	note (a)	Investment holding
Aventee Resources Limited . . . . .	British Virgin Islands	31 July 2003	100	100	100	100	USD1	note (a)	Investment holding
Banco Investment Limited . . . . .	British Virgin Islands	4 January 1999	100	100	100	100	USD1	note (a)	Investment holding
Barbina Enterprises Limited (sold on 29 November 2013) . . . . .	British Virgin Islands	4 July 2013	N/A	N/A	N/A	N/A	N/A	note (a)	Investment holding
Bavette Limited . . . . .	British Virgin Islands	25 July 2012	100	100	100	100	USD1	note (a)	Investment holding
Beaumont Holdings Limited . . . . .	British Virgin Islands	24 August 2011	100	100	100	100	USD1	note (a)	Investment holding
Benform Limited. . . . .	British Virgin Islands	17 November 2005	100	100	100	100	USD1	note (a)	Investment holding
Best Desire Investments Limited . . . . .	British Virgin Islands	28 January 2011	100	100	100	100	USD1	note (a)	Investment holding
Best Yet Resources Limited . . . . .	British Virgin Islands	30 July 1999	100	100	100	100	USD1	note (a)	Investment holding
Better Ace Group Limited . . . . .	British Virgin Islands	21 May 2007	100	100	100	100	USD1	note (a)	Investment holding
Bignet Limited . . . . .	British Virgin Islands	20 January 2000	100	100	100	100	USD1	note (a)	Investment holding
Bingham Venture Limited . . . . .	British Virgin Islands	11 February 2004	100	100	100	100	USD1	note (a)	Investment holding
Bios Investment Limited. . . . .	British Virgin Islands	10 March 2005	100	100	100	100	USD1	note (a)	Investment holding
Blackmoor Investments Limited. . . . .	British Virgin Islands	24 August 2011	100	100	100	100	USD1	note (a)	Investment holding
Blissjoy International Limited . . . . .	British Virgin Islands	8 July 2005	80	80	80	80	USD10	note (a)	Investment holding
Bolo Investment Limited . . . . .	British Virgin Islands	3 October 2000	100	100	100	100	USD1	note (a)	Investment holding

**APPENDIX IXA**

**ACCOUNTANTS' REPORT ON THE  
CHEUNG KONG PROPERTY GROUP**

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
Bonson Resources Limited . . . . .	British Virgin Islands	4 July 2000	100	100	100	100	USD1	note (a)	Investment holding	
Boombay Limited . . . . .	British Virgin Islands	25 November 1998	100	100	100	100	USD1	note (a)	Investment holding	
Bouga Investments Limited . . . . .	British Virgin Islands	7 April 2011	100	100	100	100	USD1	note (a)	Investment holding	
Bovision Limited. . . . .	British Virgin Islands	3 March 2004	100	100	100	100	USD1	note (a)	Investment holding	
Bowstar Limited . . . . .	British Virgin Islands	2 January 2003	100	100	100	100	USD1	note (a)	Investment holding	
Bravo Time Holdings Limited. . . . .	British Virgin Islands	26 January 2011	100	100	100	100	USD1	note (a)	Investment holding	
Broadstairs International Limited . . . . .	British Virgin Islands	8 June 1999	100	100	100	100	USD1	note (a)	Investment holding	
Burgeon Force Limited . . . . .	British Virgin Islands	18 November 2010	100	100	100	100	USD1	note (a)	Investment holding	
Cabramatta Limited . . . . .	British Virgin Islands	25 July 1995	100	100	100	100	USD1	note (a)	Investment holding	
Campanelle Investments Limited . . . . .	British Virgin Islands	17 January 2014	N/A	N/A	100	100	USD1	note (a)	Investment holding	
Carton International Limited. . . . .	British Virgin Islands	1 August 2000	100	100	100	100	USD2	Hong Kong	Investment holding and consultancy services	
Cashwin Limited. . . . .	British Virgin Islands	4 January 2013	N/A	100	100	100	USD1	note (a)	Investment holding	
Cellentani Investments Limited . . . . .	British Virgin Islands	17 January 2014	N/A	N/A	100	100	USD2	note (a)	Investment holding	
Century Sixty Limited . . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Financing	
Champion Leaf Limited . . . . .	British Virgin Islands	25 January 2013	N/A	100	100	100	USD2	note (a)	Investment holding	
Charm Aim International Limited . . . . .	British Virgin Islands	8 May 2007	100	100	100	100	USD1	note (a)	Investment holding	
Chasterton Limited. . . . .	British Virgin Islands	29 August 1995	100	100	100	100	USD1	note (a)	Investment holding	
Cheerjoy Limited. . . . .	British Virgin Islands	2 December 2008	100	100	100	100	USD10,000	note (a)	Investment holding	
Chengdu Lido Limited. . . . .	British Virgin Islands	21 July 2011	100	100	100	100	USD1	note (a)	Inactive	
Cheung Kong (China Hotel) Ltd. . . . .	British Virgin Islands	9 November 1993	100	100	100	100	USD1	note (a)	Investment holding	
Cheung Kong (China Housing Development) Ltd. . . . .	British Virgin Islands	22 July 1991	100	100	100	100	USD1	note (a)	Investment holding	
Cheung Kong (China Investment Holdings) Limited . . . . .	British Virgin Islands	1 December 2004	100	100	100	100	USD1	note (a)	Inactive	
Cheung Kong (China Investment Enterprises) Ltd . . . . .	British Virgin Islands	31 August 2007	100	100	100	100	USD1	note (a)	Inactive	
Cheung Kong (China Property Development) Ltd. . . . .	British Virgin Islands	23 June 1992	100	100	100	100	USD1	note (a)	Investment holding	
Cheung Kong (China Property) Ltd. . . . .	British Virgin Islands	14 September 1993	100	100	100	100	USD1	note (a)	Investment holding	
Cheung Kong Development (China) Limited. . . . .	British Virgin Islands	12 December 2005	100	100	100	100	USD10,000	note (a)	Investment holding	
Cheung Kong Jingyang Housing Development Ltd. . . . .	British Virgin Islands	7 December 1993	100	100	100	100	USD1	note (a)	Inactive	
China Cheung Kong Property Investment Limited . . . . .	British Virgin Islands	27 July 2010	100	100	100	100	USD1	note (a)	Inactive	
Chinawide Profits Limited. . . . .	British Virgin Islands	18 September 2002	100	100	100	100	USD1	note (a)	Investment holding	
Chinex Ltd. . . . .	British Virgin Islands	13 August 2003	100	100	100	100	USD1	note (a)	Investment holding	

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
Choice Century Limited . . . . .	British Virgin Islands	19 August 2002	100	100	100	100	USD1	note (a)	Investment holding	
City Access Limited . . . . .	British Virgin Islands	3 May 2005	100	100	100	100	USD1	note (a)	Investment holding	
City Magic Holdings Limited . . . . .	British Virgin Islands	3 September 2004	100	100	100	100	USD100	note (a)	Investment holding	
City Orient Investments Limited . . . . .	British Virgin Islands	23 September 2004	100	100	100	100	USD1	note (a)	Investment holding	
City Sparkling Limited . . . . .	British Virgin Islands	2 November 2011	100	100	100	100	USD2	note (a)	Investment holding	
City Vanguard Limited . . . . .	British Virgin Islands	10 November 2011	100	100	100	100	USD1	note (a)	Investment holding	
Citytex Investment Limited . . . . .	British Virgin Islands	12 April 2005	100	100	100	100	USD1	note (a)	Investment holding	
CKH Star Limited . . . . .	British Virgin Islands	20 January 2000	100	100	100	100	USD1	note (a)	Investment holding	
Classic One Investments Limited . . . . .	British Virgin Islands	6 January 2011	100	100	100	100	USD1	note (a)	Investment holding	
Clear Success International Limited . . . . .	British Virgin Islands	8 August 2005	100	100	100	100	USD1	note (a)	Investment holding	
Cleverking International Limited . . . . .	British Virgin Islands	3 December 2004	100	100	100	100	USD1	note (a)	Investment holding	
Coco Resources Limited . . . . .	British Virgin Islands	12 October 1998	100	100	100	100	USD1	note (a)	Inactive	
Complete Wiz Investments Limited . . . . .	British Virgin Islands	16 February 2006	100	100	100	100	USD1	note (a)	Inactive	
Corzetti Limited . . . . .	British Virgin Islands	19 October 2012	100	100	100	100	USD2	note (a)	Investment holding	
Cropland Investment Limited . . . . .	British Virgin Islands	21 November 2000	100	100	100	100	USD1	note (a)	Investment holding	
Croyland Investments Limited . . . . .	British Virgin Islands	3 January 1997	100	100	100	100	USD1	note (a)	Inactive	
Curvers Holdings Limited . . . . .	British Virgin Islands	13 June 1995	100	100	100	100	USD1	note (a)	Investment holding	
Datalink Enterprises Limited . . . . .	British Virgin Islands	29 March 2000	100	100	100	100	USD1	note (a)	Investment holding	
Datalink Resources Limited . . . . .	British Virgin Islands	21 January 2000	100	100	100	100	USD1	note (a)	Investment holding	
Dellian Developments Limited . . . . .	British Virgin Islands	6 January 2000	100	100	100	100	USD1	note (a)	Investment holding	
Desmark Investment Limited . . . . .	British Virgin Islands	12 December 2005	100	100	100	100	USD1	note (a)	Investment holding	
Dinmax Limited . . . . .	British Virgin Islands	6 March 2003	100	100	100	100	USD1	note (a)	Investment holding	
Doko Limited . . . . .	British Virgin Islands	30 January 2003	100	100	100	100	USD1	note (a)	Investment holding	
Dragon Focus Group Limited . . . . .	British Virgin Islands	28 April 2005	100	100	100	100	USD1	note (a)	Investment holding	
Dreamsell Group Limited . . . . .	British Virgin Islands	6 January 2000	100	100	100	100	USD1	note (a)	Investment holding	
Easypro Group Limited . . . . .	British Virgin Islands	9 January 2006	100	100	100	100	USD1	note (a)	Investment holding	
Enterpark Limited . . . . .	British Virgin Islands	6 September 2005	100	100	100	100	USD1	note (a)	Investment holding	
Equisite Taste Investments Limited . . . . .	British Virgin Islands	7 March 1995	100	100	100	100	USD1	note (a)	Investment holding	
Esteem-Rite Limited . . . . .	British Virgin Islands	15 April 2011	100	100	100	100	USD1	note (a)	Investment holding	
Estimated Return Investments Limited . . . . .	British Virgin Islands	12 April 2000	100	100	100	100	USD1	note (a)	Investment holding	

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
Even Market Investments Limited . . . . .	British Virgin Islands	30 August 2000	100	100	100	100	USD1	note (a)	Investment holding	
Even Spread Limited . . . . .	British Virgin Islands	10 April 2006	100	100	100	100	USD1	note (a)	Investment holding	
Ever Attain Limited . . . . .	British Virgin Islands	18 January 2011	100	100	100	100	USD1	note (a)	Investment holding	
Expert Pro Holdings Limited . . . . .	British Virgin Islands	1 February 2011	100	100	50	50	USD2	note (a)	Investment holding	
Fairy International Limited . . . . .	British Virgin Islands	2 October 2003	100	100	100	100	USD1	note (a)	Investment holding	
Famous Star Venture Limited . . . . .	British Virgin Islands	27 April 1999	100	100	100	100	USD1	note (a)	Investment holding	
Favor Aim Enterprises Limited . . . . .	British Virgin Islands	9 January 2006	100	100	100	100	USD1	note (a)	Investment holding	
Filand Enterprises Limited . . . . .	British Virgin Islands	31 May 1999	100	100	100	100	USD1	note (a)	Investment holding	
Fiori Global Limited . . . . .	British Virgin Islands	29 November 2012	100	100	100	100	USD1	note (a)	Investment holding	
Fireball Enterprises Limited . . . . .	British Virgin Islands	29 April 1999	100	100	100	100	USD1	note (a)	Investment holding	
Flextop Limited . . . . .	British Virgin Islands	6 July 1999	100	100	100	100	USD1	note (a)	Investment holding	
Focus Eagle Investments Limited . . . . .	British Virgin Islands	15 April 2003	100	100	100	100	USD1	note (a)	Investment holding	
Foncom Limited . . . . .	British Virgin Islands	18 July 2000	100	100	100	100	USD10,000	note (a)	Investment holding	
Fortech Resources Limited . . . . .	British Virgin Islands	2 January 2002	100	100	100	100	USD1	note (a)	Investment holding	
Full Vantage Limited . . . . .	British Virgin Islands	10 April 2006	100	100	100	100	USD1	note (a)	Investment holding	
Gadera Investments Limited . . . . .	British Virgin Islands	7 June 1994	100	100	100	100	USD1	note (a)	Investment holding	
Galand Limited . . . . .	British Virgin Islands	4 July 2006	100	100	100	100	USD1	note (a)	Investment holding	
Gartech Resources Limited . . . . .	British Virgin Islands	9 September 2005	100	100	100	100	USD1	note (a)	Investment holding	
Giant Step Holdings Group Inc. . . . .	British Virgin Islands	6 July 2005	100	100	100	100	USD1	note (a)	Inactive	
Giga Resources Limited . . . . .	British Virgin Islands	11 August 2001	100	100	100	100	USD1	note (a)	Inactive	
Gingerbread Investments Limited . . . . .	British Virgin Islands	2 January 1992	100	100	100	100	USD1	Hong Kong	Property development	
Glass Bead Limited . . . . .	British Virgin Islands	26 November 1991	100	100	100	100	USD1	Hong Kong	Property investment	



Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
Gleaming Profits Limited . . . . .	British Virgin Islands	25 September 1997	100	100	100	100	USD1	note (a)	Investment holding	
Globeat Strategy Limited . . . . .	British Virgin Islands	8 March 2000	100	100	100	100	USD1	note (a)	Investment holding	
Go Best Investments Limited . . . . .	British Virgin Islands	25 August 2005	100	100	100	100	USD1	note (a)	Investment holding	
Goda International Limited . . . . .	British Virgin Islands	21 May 1997	100	100	100	100	USD1	note (a)	Inactive	
Going Places Group Limited . . . . .	British Virgin Islands	25 September 1997	100	100	100	100	USD1	note (a)	Investment holding	
Gold Braid Limited . . . . .	British Virgin Islands	26 November 1991	100	100	100	100	USD1	note (a)	Investment holding	
Gold Creek Enterprises Limited . . . . .	British Virgin Islands	12 April 2012	100	100	100	100	USD1	note (a)	Investment holding	
Goldcent Investments Limited . . . . .	British Virgin Islands	29 August 1995	100	100	100	100	USD1	note (a)	Investment holding	
Goldleaf Venture Limited . . . . .	British Virgin Islands	16 May 1997	100	100	100	100	USD1	note (a)	Investment holding	
Goldwise Limited . . . . .	British Virgin Islands	2 April 1998	100	100	100	100	USD1	note (a)	Investment holding	
Good Sun Profits Limited . . . . .	British Virgin Islands	13 October 2005	100	100	100	100	USD1	note (a)	Investment holding	
Gosula Limited . . . . .	British Virgin Islands	26 April 1994	100	100	100	100	USD1	note (a)	Investment holding	
Gowrie Profits Limited . . . . .	British Virgin Islands	28 February 2000	100	100	100	100	USD1	note (a)	Investment holding	
Grand Plan Investments Inc. . . . .	British Virgin Islands	15 April 2011	100	100	100	100	USD1	note (a)	Investment holding	
Grandeur Era Limited . . . . .	British Virgin Islands	28 March 2012	100	100	100	100	USD1	note (a)	Investment holding	
Greats Assets Limited (wound up on 17 October 2012) . . . . .	British Virgin Islands	11 January 1993	N/A	N/A	N/A	N/A	N/A	note (a)	Inactive	
Great Fame International Limited . . . . .	British Virgin Islands	8 June 2007	100	100	100	100	USD1	note (a)	Inactive	
Great Hope International Limited . . . . .	British Virgin Islands	8 June 2007	100	100	100	100	USD1	note (a)	Inactive	
Great Region Investments Limited . . . . .	British Virgin Islands	10 March 2011	100	100	100	100	USD1	note (a)	Investment holding	
Greenage Holdings Limited . . . . .	British Virgin Islands	16 February 2011	100	100	100	100	USD1	note (a)	Investment holding	
Harbour Plaza Resort City Limited . . . . .	British Virgin Islands	10 July 2013	N/A	98.47	98.47	98.47	USD10,000	Hong Kong	Hotel and serviced suite operation	
Haseldene International Limited . . . . .	British Virgin Islands	28 October 2010	100	100	100	100	USD1	note (a)	Investment holding	
Hauder Investments Limited . . . . .	British Virgin Islands	5 July 1994	100	100	100	100	USD1	note (a)	Investment holding	
Herolink Limited . . . . .	British Virgin Islands	4 July 2000	100	100	100	100	USD1	note (a)	Investment holding	
High Acceptation Limited . . . . .	British Virgin Islands	20 April 2000	100	100	100	100	USD1	note (a)	Investment holding	
Highbury International Limited . . . . .	British Virgin Islands	3 January 1995	100	100	100	100	USD1	note (a)	Investment holding	
Holistic Gain Limited . . . . .	British Virgin Islands	14 December 2011	100	100	100	100	USD1	note (a)	Investment holding	
Honey Bear Holdings Limited . . . . .	British Virgin Islands	26 November 1991	100	100	100	100	USD1	note (a)	Investment holding	
Hosar Investment Limited . . . . .	British Virgin Islands	21 May 2003	100	100	100	100	USD1	note (a)	Investment holding	

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
Hoshing Resources Limited . . . . .	British Virgin Islands	4 July 2000	100	100	100	100	USD1	note (a)	Investment holding	
Hyperforce Limited . . . . .	British Virgin Islands	12 September 2005	100	100	100	100	USD1	note (a)	Investment holding	
Idola Holdings Limited . . . . .	British Virgin Islands	15 July 2010	100	100	100	100	USD1	note (a)	Investment holding	
In Favour Assets Limited . . . . .	British Virgin Islands	3 July 2001	100	100	100	100	USD1	note (a)	Investment holding	
Interwest Resources Limited. . . . .	British Virgin Islands	9 May 2006	100	100	100	100	USD1	note (a)	Investment holding	
Ivision International Limited . . . . .	British Virgin Islands	22 February 2001	100	100	100	100	USD100	Hong Kong	Financing	
Jadeland Resources Limited . . . . .	British Virgin Islands	6 May 1997	100	100	100	100	USD1	note (a)	Investment holding	
Jolly Concept Holdings Limited. . . . .	British Virgin Islands	20 April 2006	100	100	100	100	USD1	note (a)	Investment holding	
Juralco Limited. . . . .	British Virgin Islands	3 January 1997	100	100	100	100	USD1	note (a)	Investment holding	
Kalop Limited . . . . .	British Virgin Islands	3 January 2002	100	100	100	100	USD1	note (a)	Investment holding	
Kamlun Profits Limited . . . . .	British Virgin Islands	28 April 2005	100	100	100	100	USD1	note (a)	Investment holding	
Kenten Road Investments Limited. . . . .	British Virgin Islands	3 April 2006	100	100	100	100	USD1	note (a)	Investment holding	
Kentex Enterprises Limited . . . . .	British Virgin Islands	22 May 2006	100	100	100	100	USD1	note (a)	Investment holding	
Keyswin International Limited . . . . .	British Virgin Islands	4 January 2005	100	100	100	100	USD1	note (a)	Investment holding	
Kiadina Investments Limited . . . . .	British Virgin Islands	7 June 1994	100	100	100	100	USD1	note (a)	Investment holding	
Killam Group Limited . . . . .	British Virgin Islands	22 November 2005	100	100	100	100	USD1	note (a)	Investment holding	
Kismet Developments Limited. . . . .	British Virgin Islands	3 November 1997	100	100	100	100	USD1	note (a)	Investment holding	
Know Win Limited. . . . .	British Virgin Islands	3 April 2006	100	100	100	100	USD1	note (a)	Inactive	
Kolane Limited. . . . .	British Virgin Islands	4 April 2005	100	100	100	100	USD1	note (a)	Investment holding	
Landinvest Investment Limited . . . . .	British Virgin Islands	3 October 2005	100	100	100	100	USD1	note (a)	Investment holding	
Lasco Resources Limited . . . . .	British Virgin Islands	20 March 2006	100	100	100	100	USD1	note (a)	Investment holding	
Lead Ahead Group Limited . . . . .	British Virgin Islands	10 August 2005	100	100	100	100	USD1	note (a)	Investment holding	
Leckford Resources Limited. . . . .	British Virgin Islands	18 June 1997	100	100	100	100	USD1	note (a)	Investment holding	
Lema International Limited . . . . .	British Virgin Islands	12 March 1997	100	100	100	100	USD1	note (a)	Investment holding	
Lico Investment Limited. . . . .	British Virgin Islands	23 April 1997	100	100	100	100	USD1	note (a)	Investment holding	
Light Crown International Limited . . . . .	British Virgin Islands	12 September 1995	100	100	100	100	USD1	note (a)	Investment holding	
Lipwin Resources Limited . . . . .	British Virgin Islands	29 August 2000	100	100	100	100	USD1	note (a)	Investment holding	
Liverton Investment Limited . . . . .	British Virgin Islands	4 July 1996	100	100	100	100	USD1	note (a)	Inactive	
Lumistar Limited. . . . .	British Virgin Islands	29 November 2002	100	100	100	100	USD1	note (a)	Investment holding	

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014	At the date of this report			
			%	%	%	%			
Lytall Limited. . . . .	British Virgin Islands	8 April 2013	N/A	100	100	100	USD1	note (a)	Investment holding
Magic Champ Limited. . . . .	British Virgin Islands	28 July 2010	100	100	100	100	USD1	note (a)	Inactive
Magic Fortune Limited. . . . .	British Virgin Islands	10 March 1998	100	100	100	100	USD1	note (a)	Investment holding
Marino Capital Holdings Limited. . . . .	British Virgin Islands	25 January 2005	85	85	85	85	USD20	Hong Kong	Investment holding and financing
Mass Success Investments Limited. . . . .	British Virgin Islands	10 March 1998	100	100	100	100	USD1	note (a)	Investment holding
Mastronic Enterprises Limited. . . . .	British Virgin Islands	24 July 1998	100	100	100	100	USD1	note (a)	Investment holding
Maysprings Holdings Limited. . . . .	British Virgin Islands	22 April 1997	100	100	100	100	USD1	note (a)	Investment holding
Mcbride International Limited. . . . .	British Virgin Islands	13 July 2006	100	100	100	100	USD1	note (a)	Inactive
Megawin International Ltd. . . . .	British Virgin Islands	2 January 2003	100	100	100	100	USD2	Hong Kong	Investment holding and provision of consultancy services
Merry Finance Ltd. . . . .	British Virgin Islands	22 March 1994	100	100	100	100	USD1	note (a)	Investment holding
Merry Investments Limited. . . . .	British Virgin Islands	19 October 1993	100	100	100	100	USD1	note (a)	Investment holding
Mesa Investment Limited. . . . .	British Virgin Islands	24 March 1999	100	100	100	100	USD1	note (a)	Investment holding
Mocore Investment Limited. . . . .	British Virgin Islands	22 March 2005	100	100	100	100	USD1	note (a)	Investment holding
Monopro Investment Limited. . . . .	British Virgin Islands	3 January 2002	100	100	100	100	USD1	note (a)	Investment holding
Monway Investment Limited. . . . .	British Virgin Islands	5 January 2005	100	100	100	100	USD1	note (a)	Investment holding
More Fortune Investments Limited. . . . .	British Virgin Islands	12 August 2005	100	100	100	100	USD1	note (a)	Investment holding
Mosco Enterprises Limited. . . . .	British Virgin Islands	21 July 1999	100	100	100	100	USD1	note (a)	Investment holding
Most Sunny Limited. . . . .	British Virgin Islands	3 May 2006	100	100	100	100	USD1	note (a)	Inactive
Munrose Limited. . . . .	British Virgin Islands	22 April 1997	100	100	100	100	USD1	note (a)	Investment holding
Narada Investment Limited. . . . .	British Virgin Islands	25 May 1999	100	100	100	100	USD1	note (a)	Investment holding
Newsbury Enterprises Limited. . . . .	British Virgin Islands	13 March 1996	100	100	100	100	USD1	note (a)	Investment holding
Nimble Market Limited. . . . .	British Virgin Islands	20 April 2011	100	100	100	100	USD1	note (a)	Investment holding
Nito International Limited. . . . .	British Virgin Islands	6 March 2002	100	100	100	100	USD1	note (a)	Investment holding
Noblecrown Investment Limited. . . . .	British Virgin Islands	28 September 2000	100	100	100	100	USD1	note (a)	Investment holding
Numarko Limited. . . . .	British Virgin Islands	18 October 2005	100	100	100	100	USD1	note (a)	Investment holding
Onwin Enterprises Limited. . . . .	British Virgin Islands	21 November 2002	100	100	100	100	USD1	note (a)	Investment holding
Orator Investment Limited. . . . .	British Virgin Islands	6 March 2002	100	100	100	100	USD1	note (a)	Investment holding
Ostobo Limited. . . . .	British Virgin Islands	2 January 2002	100	100	100	100	USD1	note (a)	Investment holding
Paola Holdings Limited. . . . .	British Virgin Islands	29 September 2010	100	100	100	100	USD1	note (a)	Investment holding

**APPENDIX IXA**

**ACCOUNTANTS' REPORT ON THE  
CHEUNG KONG PROPERTY GROUP**

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
Pentech Investment Limited (wound up on 28 November 2014)	British Virgin Islands	4 July 2006	100	100	N/A	N/A	N/A	note (a)	Investment holding	
Perfect Figure Investments Limited (wound up on 1 July 2014)	British Virgin Islands	5 January 2006	100	100	N/A	N/A	N/A	note (a)	Investment holding	
Pervasive Developments Limited	British Virgin Islands	22 May 2001	100	100	100	100	USD1	note (a)	Investment holding	
Phonic Limited	British Virgin Islands	29 March 1996	100	100	100	100	USD1	note (a)	Investment holding	
Pine Fragrance Limited	British Virgin Islands	19 September 1995	100	100	100	100	USD1	Hong Kong	Property investment	
Plan Achieve Limited	British Virgin Islands	8 September 2010	100	100	100	100	USD1	note (a)	Investment holding	
Platinum Ring Limited	British Virgin Islands	10 May 2005	100	100	100	100	USD1	note (a)	Investment holding	
Pofield Investments Limited	British Virgin Islands	21 June 1993	100	100	100	100	USD1	Hong Kong	Property investment	
Polytown Investments Limited	British Virgin Islands	3 January 1997	100	100	100	100	USD1	note (a)	Investment holding	
Potent Limited	British Virgin Islands	7 July 2005	100	100	100	100	USD1	note (a)	Investment holding	
Pomer International Limited	British Virgin Islands	1 May 1997	100	100	100	100	USD1	note (a)	Investment holding	
Powercell Investment Limited (wound up on 25 November 2014)	British Virgin Islands	27 February 2001	100	100	N/A	N/A	N/A	note (a)	Investment holding	
Presion Limited	British Virgin Islands	6 June 1990	100	100	100	100	USD650	note (a)	Investment holding	
Prima Enterprise Corp. (dissolved on 18 September 2012)	British Virgin Islands	6 July 2000	N/A	N/A	N/A	N/A	N/A	note (a)	Inactive	
Prime Prosperous Limited	British Virgin Islands	28 March 2012	100	100	100	100	USD1	note (a)	Investment holding	
Prime Riches Limited	British Virgin Islands	18 April 2012	100	100	100	100	USD2	note (a)	Investment holding	
Primefair Investment Limited	British Virgin Islands	2 December 1996	100	100	100	100	USD1	note (a)	Investment holding	
Primrose Profits Corp. (wound up on 25 November 2014)	British Virgin Islands	19 September 1996	100	100	N/A	N/A	N/A	note (a)	Inactive	
Profit Land Global Enterprises Inc.	British Virgin Islands	15 April 2011	100	100	100	100	USD1	note (a)	Investment holding	
Profit Town Investments Limited (wound up on 7 May 2014)	British Virgin Islands	28 January 2005	100	100	N/A	N/A	N/A	note (a)	Inactive	
Progress Future Limited	British Virgin Islands	1 August 1997	100	100	100	100	USD1	note (a)	Investment holding	
Prospect Acme Limited	British Virgin Islands	28 March 2011	100	100	100	100	USD1	note (a)	Investment holding	
Punto Investment Limited	British Virgin Islands	16 October 1998	100	100	100	100	USD1	note (a)	Investment holding	
Radiant Talent Investments Limited	British Virgin Islands	6 April 2011	100	100	100	100	USD1	note (a)	Investment holding	
Ramway Investment Limited	British Virgin Islands	4 January 2005	100	100	100	100	USD1	note (a)	Investment holding	

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
Raven Profits Limited . . . . .	British Virgin Islands	20 April 1995	100	100	100	100	USD1	note (a)	Investment holding	
Reagan Enterprises Limited (wound up on 10 December 2014) . . . . .	British Virgin Islands	11 January 2005	100	100	N/A	N/A	N/A	note (a)	Investment holding	
Reedy Profits Limited . . . . .	British Virgin Islands	20 April 1995	100	100	100	100	USD1	note (a)	Investment holding	
Renton International Limited . . . . .	British Virgin Islands	6 June 1990	100	100	100	100	USD650	note (a)	Investment holding	
Richly Reward Limited . . . . .	British Virgin Islands	22 December 2011	100	100	100	100	USD1	note (a)	Investment holding	
Rivet Profits Limited . . . . .	British Virgin Islands	8 November 2005	85	85	85	85	USD20	note (a)	Investment holding	
Roseberg Resources Limited . . . . .	British Virgin Islands	3 October 2005	100	100	100	100	USD1	note (a)	Investment holding	
Rothwell Resources Limited (wound up on 11 October 2012) . . . . .	British Virgin Islands	11 June 1997	N/A	N/A	N/A	N/A	N/A	note (a)	Inactive	
Rubic International Limited . . . . .	British Virgin Islands	25 January 1994	100	100	100	100	USD1	note (a)	Investment holding	
Ryleston Limited . . . . .	British Virgin Islands	26 April 1994	100	100	100	100	USD1	note (a)	Investment holding	
Ryona Holdings Limited . . . . .	British Virgin Islands	5 July 1995	100	100	100	100	USD1	note (a)	Investment holding	
Saba Resources Limited . . . . .	British Virgin Islands	6 April 2000	100	100	100	100	USD1	note (a)	Investment holding	
Sanwick Associates Limited . . . . .	British Virgin Islands	2 January 1996	100	100	100	100	USD1	note (a)	Investment holding	
Satiate Group Limited . . . . .	British Virgin Islands	8 August 1996	100	100	100	100	USD1	note (a)	Investment holding	
Sharp Bright Enterprises Limited (wound up on 8 November 2013) . . . . .	British Virgin Islands	28 July 2004	100	N/A	N/A	N/A	N/A	note (a)	Inactive	
Sheer Profit Enterprises Limited . . . . .	British Virgin Islands	27 March 1997	100	100	100	100	USD1	note (a)	Investment holding	
Sherio Limited . . . . .	British Virgin Islands	9 July 2010	100	100	100	100	USD1	note (a)	Investment holding	
Sherlock Assets Limited . . . . .	British Virgin Islands	2 January 1996	100	100	100	100	USD1	note (a)	Investment holding	
Silver Charm Limited . . . . .	British Virgin Islands	18 January 1994	100	100	100	100	USD10	note (a)	Investment holding	
Silver Palace International Limited . . . . .	British Virgin Islands	18 January 2000	100	100	100	100	USD1	note (a)	Investment holding	
Silverhill Holdings Limited . . . . .	British Virgin Islands	24 August 2011	100	100	100	100	USD2	note (a)	Investment holding	
Sinobond Investment Limited . . . . .	British Virgin Islands	4 July 2000	100	100	100	100	USD1	note (a)	Investment holding	
Smartary Limited . . . . .	British Virgin Islands	19 April 2013	N/A	100	100	100	USD2	note (a)	Investment holding	
Soundmax Limited . . . . .	British Virgin Islands	22 July 2003	100	100	100	100	USD1	note (a)	Investment holding	
Special Cheer Investments Limited (wound up on 22 May 2014) . . . . .	British Virgin Islands	5 January 1995	100	100	N/A	N/A	N/A	note (a)	Investment holding	
Speed Mark Profits Limited . . . . .	British Virgin Islands	31 March 1998	100	100	100	100	USD1	note (a)	Investment holding	
Spinebill Investments Limited . . . . .	British Virgin Islands	26 July 1994	100	100	100	100	USD1	note (a)	Investment holding	
Spotlight Investment Limited . . . . .	British Virgin Islands	12 August 1996	100	100	100	100	USD1	note (a)	Investment holding	
Starboard Profits Limited . . . . .	British Virgin Islands	4 April 1996	100	100	100	100	USD1	note (a)	Investment holding	

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
Starcom Venture Limited . . . . .	British Virgin Islands	15 March 2000	100	100	100	100	USD1	Hong Kong	Financing	
Steelmill Resources Limited . . . . .	British Virgin Islands	8 February 2001	100	100	100	100	USD1	note (a)	Investment holding	
Stephigh Holdings Limited (wound up on 8 November 2013) . . . . .	British Virgin Islands	22 July 2004	100	N/A	N/A	N/A	N/A	note (a)	Inactive	
Stocklink Limited . . . . .	British Virgin Islands	28 March 2000	80	80	80	80	USD5	Hong Kong	Investment holding and financing	
Sulham Limited . . . . .	British Virgin Islands	24 August 2011	100	100	100	100	USD1	note (a)	Investment holding	
Sunbest International Limited (wound up on 26 May 2014) . . . . .	British Virgin Islands	2 January 2001	100	100	N/A	N/A	N/A	note (a)	Inactive	
Sunway Asia Limited . . . . .	British Virgin Islands	7 July 2000	100	100	100	100	USD1	note (a)	Inactive	
Sunwell Resources Limited (wound up on 1 November 2012) . . . . .	British Virgin Islands	2 July 2004	N/A	N/A	N/A	N/A	N/A	note (a)	Inactive	
Super Heaven Holdings Limited . . . . .	British Virgin Islands	25 March 1997	100	100	100	100	USD1	note (a)	Investment holding	
Superfun Limited . . . . .	British Virgin Islands	2 June 1997	100	100	100	100	USD1	note (a)	Investment holding	
Superquest Holdings Limited . . . . .	British Virgin Islands	25 May 1993	100	100	100	100	USD10,000	note (a)	Investment holding	
Tajo Holdings Limited . . . . .	British Virgin Islands	12 October 2010	100	100	100	100	USD1	note (a)	Investment holding	
Talent Sun Limited . . . . .	British Virgin Islands	25 January 1994	65	65	65	65	USD100	note (a)	Investment holding	
Terrier International Limited . . . . .	British Virgin Islands	2 January 1998	51	51	51	51	USD100	note (a)	Investment holding	
The Center (19) Limited . . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (20) Limited . . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (21) Limited . . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (22) Limited . . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (23) Limited . . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (25) Limited . . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (26) Limited . . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (27) Limited . . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (28) Limited . . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (29) Limited . . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (30) Limited . . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (31) Limited . . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (32) Limited . . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
The Center (33) Limited. . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (35) Limited. . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (36) Limited. . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (37) Limited. . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (38) Limited. . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (39) Limited. . . . .	British Virgin Islands	22 September 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (42) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (43) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (45) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (46) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (47) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (48) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (49) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (50) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (51) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (52) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (53) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (55) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (56) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (57) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (58) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (59) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (61) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (62) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (63) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (65) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (66) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (67) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (68) Limited. . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
The Center (69) Limited . . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (72) Limited . . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (75) Limited . . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (76) Limited . . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (77) Limited . . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (Car Parks) Limited . . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (Display Spaces) Limited . . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center (Finance) Limited (wound up on 1 November 2012) . . . . .	British Virgin Islands	4 September 1997	N/A	N/A	N/A	N/A	N/A	note (a)	Inactive	
The Center (Holdings) Limited . . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	note (a)	Investment holding	
The Center 42 (No. 2) Limited . . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center 78 (No. 2) Limited . . . . .	British Virgin Islands	30 October 1998	100	100	100	100	USD1	Hong Kong	Property investment	
The Center Commercial (B.V.L) Limited . . . . .	British Virgin Islands	8 August 1997	100	100	100	100	USD1	Hong Kong	Property investment	
The Center International Limited . . . . .	British Virgin Islands	14 August 1997	100	100	100	100	USD10	note (a)	Investment holding	
Tibon Limited . . . . .	British Virgin Islands	14 August 1997	100	100	100	100	USD1	note (a)	Investment holding	
Time Grow Holdings Limited . . . . .	British Virgin Islands	26 October 2005	100	100	100	100	USD1	note (a)	Investment holding	
Toba Investment Limited . . . . .	British Virgin Islands	18 September 2003	100	100	100	100	USD1	note (a)	Investment holding	
Top Dollar Limited . . . . .	British Virgin Islands	29 November 1995	90	90	90	90	USD1	note (a)	Investment holding	
Top Fame Group Limited . . . . .	British Virgin Islands	26 October 2010	100	100	100	100	USD1	note (a)	Inactive	
Top Merit Enterprises Limited . . . . .	British Virgin Islands	26 October 2010	100	100	100	100	USD1	note (a)	Inactive	
Topa International Limited . . . . .	British Virgin Islands	4 January 2000	100	100	100	100	USD1	note (a)	Investment holding	
Torrens Global Limited . . . . .	British Virgin Islands	19 April 2013	N/A	100	100	100	USD1	note (a)	Investment holding	
Total Win Group Limited . . . . .	British Virgin Islands	8 September 2005	100	100	100	100	USD1	note (a)	Investment holding	
Total Wonder Holdings Limited . . . . .	British Virgin Islands	11 September 2009	100	100	100	100	USD1	note (a)	Investment holding	
Trade Ally Holdings Limited . . . . .	British Virgin Islands	9 July 2010	100	100	100	100	USD1	note (a)	Investment holding	
Treasure Well Investments Limited . . . . .	British Virgin Islands	11 September 2009	100	100	100	100	USD1	note (a)	Investment holding	
Tremendous Wealth Limited . . . . .	British Virgin Islands	12 June 1992	100	100	100	100	USD1	Hong Kong	Property investment	
Triumph King Limited . . . . .	British Virgin Islands	29 October 2010	100	100	100	100	USD1	note (a)	Investment holding	
Trivictory Investments Limited (wound up on 14 August 2014) . . . . .	British Virgin Islands	8 July 2005	100	100	N/A	N/A	N/A	note (a)	Inactive	
Trudeau Holdings Limited . . . . .	British Virgin Islands	16 November 1995	90	90	90	90	USD10	note (a)	Investment holding	



Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
Tullieres Limited . . . . .	British Virgin Islands	2 January 1998	100	100	100	100	USD1	note (a)	Investment holding	
Ultimate Happy Limited . . . . .	British Virgin Islands	15 September 2000	100	100	100	100	USD1	note (a)	Investment holding	
Union Way Profits Limited (wound up on 23 December 2013) . . . . .	British Virgin Islands	1 September 2005	100	N/A	N/A	N/A	N/A	note (a)	Investment holding	
Versa International Limited . . . . .	British Virgin Islands	19 March 2002	100	100	100	100	USD1	note (a)	Investment holding	
Warble Limited . . . . .	British Virgin Islands	2 November 1998	100	100	100	100	USD1	note (a)	Investment holding	
Wateredge Enterprises Limited . . . . .	British Virgin Islands	11 April 2012	100	100	100	100	USD1	note (a)	Investment holding	
Waygone Investments Limited . . . . .	British Virgin Islands	1 June 1995	100	100	100	100	USD1	note (a)	Investment holding	
Wealth Finder Limited . . . . .	British Virgin Islands	28 September 2010	100	100	100	100	USD1	note (a)	Investment holding	
Wealthman Group Limited . . . . .	British Virgin Islands	7 July 2005	100	100	100	100	USD1	note (a)	Investment holding	
Wei Po Profits Limited . . . . .	British Virgin Islands	8 February 2000	100	100	100	100	USD1	note (a)	Investment holding	
Well Support Investments Limited . . . . .	British Virgin Islands	8 August 2005	100	100	100	100	USD1	note (a)	Investment holding	
Wholesome Global Limited . . . . .	British Virgin Islands	24 January 2013	N/A	100	100	100	USD2	note (a)	Investment holding	
Wideplex Limited . . . . .	British Virgin Islands	2 July 1999	60	60	60	60	USD5	note (a)	Investment holding	
Wincom Investment Limited (wound up on 25 November 2014) . . . . .	British Virgin Islands	18 September 2003	100	100	N/A	N/A	N/A	note (a)	Investment holding	
Winfolk International Limited . . . . .	British Virgin Islands	4 July 1996	100	100	100	100	USD1	note (a)	Investment holding	
Wingco Investment Limited (wound up on 25 November 2014) . . . . .	British Virgin Islands	19 March 2002	100	100	N/A	N/A	N/A	note (a)	Investment holding	
Wintop Investment Limited . . . . .	British Virgin Islands	16 July 1996	100	100	100	100	USD1	note (a)	Investment holding	
Wisdom Ally Limited . . . . .	British Virgin Islands	10 March 2011	100	100	100	100	USD1	note (a)	Investment holding	
Wit Profits Limited . . . . .	British Virgin Islands	2 January 2003	85	85	85	85	USD100	Hong Kong	Investment holding and financing	
Wogan Holdings Limited . . . . .	British Virgin Islands	13 June 1995	100	100	100	100	USD1	note (a)	Investment holding	
World Trump Ltd. . . . .	British Virgin Islands	8 January 1999	100	100	100	100	USD1	note (a)	Investment holding	
Wychwood Development Limited . . . . .	British Virgin Islands	16 April 2012	100	100	100	100	USD2	note (a)	Investment holding	
Wyre Development Limited . . . . .	British Virgin Islands	23 January 2013	N/A	100	100	100	USD1	note (a)	Investment holding	
Maenhout Investment N.V. . . . .	Curacao	23 November 1995	100	100	100	100	USD6,000	note (a)	Investment holding	
U.S. Assets Limited . . . . .	Delaware, U.S.A.	22 April 1983	100	100	100	100	Ordinary share USD1,000 Preference share USD2,504	U.S.A.	Property development	
U.S. Assets (Texas) Ltd, Inc. . . . .	Delaware, U.S.A.	29 December 1999	100	100	100	100	USD20	U.S.A.	Property development	
1881 Heritage Hotel Management Limited . . . . .	Hong Kong	12 March 2008	100	100	100	100	HK\$1	Hong Kong	Hotel management	
8 Degrees Resources Limited . . . . .	Hong Kong	8 September 2008	100	100	100	100	HK\$1	Hong Kong	Provision of staff recruitment service	
AgriLa Limited . . . . .	Hong Kong	14 August 1987	100	100	100	100	HK\$2	Hong Kong	Property development	
Albany Investment Limited . . . . .	Hong Kong	23 October 2013	N/A	100	100	100	HK\$1	note (a)	Inactive	
Alcon Investments Limited . . . . .	Hong Kong	21 March 2011	100	100	100	100	HK\$1	Hong Kong	Property development	

Name	Place of incorporation/establishment	Date of incorporation/establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
Allex Development Limited . . . . .	Hong Kong	28 November 1996	100	100	100	100	HKS2	Hong Kong	Agricultural land	
Alliance Talent Limited (wound up on 3 January 2014) . . . . .	Hong Kong	17 February 2011	100	100	N/A	N/A	N/A	note (a)	Inactive	
Allied Way International Development Limited . . . . .	Hong Kong	1 December 2006	100	100	100	100	HKS1	Hong Kong	Agricultural land	
Ansett Limited . . . . .	Hong Kong	3 December 1997	100	100	100	100	HKS2	Hong Kong	Agricultural land	
Arenal Limited . . . . .	Hong Kong	20 September 1994	100	100	100	100	HKS2	Hong Kong	Financing	
Art Champion Investment Limited . . . . .	Hong Kong	23 August 2012	100	100	100	100	HKS1	note (a)	Inactive	
Art Rich Investment Limited . . . . .	Hong Kong	16 July 2005	100	100	100	100	HKS1	Hong Kong	Agricultural land	
Art State Limited . . . . .	Hong Kong	30 March 2006	100	100	100	100	HKS1	Hong Kong	Property holding	
Asia Pacific International Enterprises Limited . . . . .	Hong Kong	11 November 2005	100	100	100	100	HKS1	Hong Kong	Provision of consultancy services	
Asia-Tele-Venture Company Limited . . . . .	Hong Kong	26 October 2005	100	100	100	100	HKS1	Hong Kong	Project management	
Asian Treasure Investments Limited (deregistered on 10 January 2014) . . . . .	Hong Kong	18 February 2011	100	100	N/A	N/A	N/A	note (a)	Inactive	
Azalea Enterprises Limited . . . . .	Hong Kong	18 July 2012	100	100	100	100	HKS1	note (a)	Investment holding	
Bayshore Property Management Limited . . . . .	Hong Kong	14 October 1993	100	100	100	100	HKS2	Hong Kong	Property management	
Beauty Gold Enterprises Limited . . . . .	Hong Kong	27 January 2004	100	100	100	100	HKS2	note (a)	Inactive	
Bermington Investment Limited . . . . .	Hong Kong	22 November 2000	100	100	100	100	HKS2	Hong Kong	Hotel and serviced suite operation	
Best Finder Investment Limited . . . . .	Hong Kong	20 July 2011	100	100	100	100	HKS1	note (a)	Inactive	
Best World Construction Limited . . . . .	Hong Kong	24 April 2002	100	100	100	100	HKS2	Hong Kong	Building contractor	
Bestford International Enterprises Limited . . . . .	Hong Kong	17 January 2008	100	100	100	100	HKS1	note (a)	Inactive	
Big Sky Resources Limited . . . . .	Hong Kong	29 November 2002	100	100	100	100	HKS2	Hong Kong	Provision of consultancy services	
Biro Investment Limited . . . . .	Hong Kong	3 May 1983	100	100	100	100	HKS10,000	Hong Kong	Property development	
Bonder Way Investment Limited . . . . .	Hong Kong	6 November 1998	100	100	100	100	HKS2	Hong Kong	Property development	
Bradford Investments Limited . . . . .	Hong Kong	4 July 2007	80	80	80	80	HKS1	Hong Kong	Property development	
Bright Sign Services Limited . . . . .	Hong Kong	11 April 1997	100	100	100	100	HKS2	Hong Kong	Property management	
Bristow Investments Limited . . . . .	Hong Kong	17 November 2009	100	100	100	100	HKS1	Hong Kong	Property development	
Capital Star Development Limited . . . . .	Hong Kong	8 January 2001	100	100	100	100	HKS2	Hong Kong	Agricultural land	
Carlford Investments Limited . . . . .	Hong Kong	23 December 2010	100	100	100	100	HKS1	Hong Kong	Property development	
Casanova Investments Limited . . . . .	Hong Kong	28 January 2013	N/A	100	100	100	HKS1	note (a)	Inactive	
Casson Investments Limited (deregistered on 10 January 2014) . . . . .	Hong Kong	3 June 2011	100	100	N/A	N/A	N/A	note (a)	Inactive	
Champful Limited . . . . .	Hong Kong	7 April 1995	100	100	100	100	HKS100	Hong Kong	Financing	
Charm City Investments Limited . . . . .	Hong Kong	4 May 2012	100	100	100	100	HKS1	note (a)	Inactive	
Cheer Good Limited . . . . .	Hong Kong	1 June 2009	100	100	100	100	HKS1	Hong Kong	Property development	
Cheung Kong Advertising Company Limited . . . . .	Hong Kong	7 March 1980	100	100	100	100	HKS200	Hong Kong	Advertising	
Cheung Kong Center Property Management Limited . . . . .	Hong Kong	13 May 1998	100	100	100	100	HKS2	Hong Kong	Property management	
Cheung Kong China Property Limited . . . . .	Hong Kong	25 November 1993	100	100	100	100	HKS2	note (a)	Investment holding	
Cheung Kong Development Company Limited . . . . .	Hong Kong	3 January 1973	100	100	100	100	HKS20	note (a)	Investment holding	
Cheung Kong E&M Engineering Limited . . . . .	Hong Kong	26 January 2000	100	100	100	100	HKS2	Hong Kong	Provision of consultancy services	
Cheung Kong Property Development Limited . . . . .	Hong Kong	11 November 1980	100	100	100	100	HKS2	Hong Kong	Project management	

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Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
Cheung Kong Property Management Limited . . . . .	Hong Kong	3 May 1974	100	100	100	100	HK\$10,000	note (a)	Investment holding	
Cheung Kong Real Estate Agency Limited . . . . .	Hong Kong	23 July 1997	100	100	100	100	HK\$2	Hong Kong	Provision of real estate agency and related services	
China Linkway Technology Limited . . . . .	Hong Kong	3 May 2005	100	100	100	100	HK\$1	Hong Kong	Property investment	
China Sheen (Hong Kong) Limited . . . . .	Hong Kong	1 August 2005	100	100	100	100	HK\$1	Hong Kong	Property investment	
City Champion Investments Limited . . . . .	Hong Kong	14 November 2011	100	100	100	100	HK\$1	note (a)	Inactive	
City Investments Limited . . . . .	Hong Kong	26 November 2004	100	100	100	100	HK\$1	Hong Kong	Property development	
Citybase Property Management Limited . . . . .	Hong Kong	11 June 1985	100	100	100	100	HK\$100,000	Hong Kong	Property management	
Citypoint Investment Limited . . . . .	Hong Kong	4 August 2011	100	100	100	100	HK\$1	Hong Kong	Property development	
Citytruth Property Management Limited . . . . .	Hong Kong	23 May 1995	100	100	100	100	HK\$2	Hong Kong	Property management	
CK Construction Management Limited . . . . .	Hong Kong	21 May 2002	100	100	100	100	HK\$2	Hong Kong	Construction management	
Concordia Property Management Limited . . . . .	Hong Kong	23 September 1993	100	100	100	100	HK\$2	Hong Kong	Property management	
Conford Investments Limited . . . . .	Hong Kong	21 September 2012	100	100	100	100	HK\$1	Hong Kong	Property development	
Crown Gain Investments Limited . . . . .	Hong Kong	3 June 2011	100	100	100	100	HK\$1	note (a)	Inactive	
Crown Treasure Investments Limited . . . . .	Hong Kong	29 February 2012	100	100	100	100	HK\$1	Hong Kong	Property development	
Crystal Mark Enterprises Limited . . . . .	Hong Kong	11 April 2011	100	100	100	100	HK\$1	Hong Kong	Property holding	
Deerhill Bay Management Limited . . . . .	Hong Kong	24 October 1997	100	100	100	100	HK\$2	Hong Kong	Property management	
Delight World Limited . . . . .	Hong Kong	16 November 1993	100	100	100	100	HK\$2	Hong Kong	Agricultural land	
Diamond Jubilee Investment Limited . . . . .	Hong Kong	30 April 2004	100	100	100	100	HK\$1	Hong Kong	Property development	
East City Investments Limited . . . . .	Hong Kong	5 January 2006	100	100	100	100	HK\$1	Hong Kong	Property development	
East King Investments Limited . . . . .	Hong Kong	8 May 2002	100	100	100	100	HK\$2	Hong Kong	Agricultural land	
East Leader Investments Limited . . . . .	Hong Kong	25 September 2002	100	100	100	100	HK\$2	Hong Kong	Agricultural land	
Elite Property Advisors Limited (deregistered on 14 February 2014) . . . . .	Hong Kong	19 February 2001	100	100	N/A	N/A	N/A	note (a)	Inactive	
E-Park Parking Management Limited . . . . .	Hong Kong	15 June 1998	100	100	100	100	HK\$2	Hong Kong	Carpark management	
Excellent Star Limited . . . . .	Hong Kong	30 August 2006	100	100	100	100	HK\$1	Hong Kong	Property holding	
Express Time Limited . . . . .	Hong Kong	16 November 1993	100	100	100	100	HK\$2	Hong Kong	Agricultural Land	
Express Way Resources Limited . . . . .	Hong Kong	6 February 2002	100	100	100	100	HK\$2	Hong Kong	Property investment	
Fair Chance Enterprises Limited . . . . .	Hong Kong	24 March 2003	100	100	100	100	HK\$2	note (a)	Inactive	
Fantastic State Limited . . . . .	Hong Kong	2 August 2000	100	100	100	100	HK\$2	Hong Kong	Property development	
Flying Snow Limited . . . . .	Hong Kong	29 November 2002	100	100	100	100	HK\$2	Hong Kong	Property investment	
Foo Chung Realty Limited . . . . .	Hong Kong	4 July 1972	100	100	100	100	HK\$10,000	Hong Kong	Property holding	
Foo-Yik Estate Company Limited . . . . .	Hong Kong	6 April 1973	100	100	100	100	HK\$70,000	Hong Kong	Project management	
Galaxy Power Investment Limited . . . . .	Hong Kong	26 May 1999	100	100	100	100	HK\$2	Hong Kong	Agricultural land	
Garbo Field Limited . . . . .	Hong Kong	12 July 1994	100	100	100	100	HK\$2	Hong Kong	Property development	
Garrison Security Services Limited (deregistered on 2 July 2014) . . . . .	Hong Kong	18 October 2000	100	100	N/A	N/A	N/A	Hong Kong	Provision of security services	
Global Coin Limited . . . . .	Hong Kong	26 March 1997	100	100	100	100	HK\$2	Hong Kong	Property investment	
Glorient Investments Limited . . . . .	Hong Kong	19 March 2004	100	100	100	100	HK\$1	Hong Kong	Property holding	
Go Rise Investments Limited . . . . .	Hong Kong	31 August 2005	100	100	100	100	HK\$1	Hong Kong	Property investment	

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			2012	2013	2014					
			%	%	%	%				
Goldwin Property Management Limited . . . . .	Hong Kong	8 September 1972	100	100	100	100	HK\$10,000	Hong Kong	Property management	
Good Rich Investments Limited (deregistered on 21 June 2013) . . . . .	Hong Kong	19 February 2008	100	N/A	N/A	N/A	N/A	note (a)	Inactive	
Goodwell-Fortune Property Services Limited . . . . .	Hong Kong	28 March 2003	100	100	100	100	HK\$2	Hong Kong	Property management	
Goodwell Property Management Limited . . . . .	Hong Kong	9 June 1981	100	100	100	100	HK\$100,000	Hong Kong	Property management	
Goodwell-Prosperity Property Services Limited . . . . .	Hong Kong	19 August 2005	100	100	100	100	HK\$1	Hong Kong	Property management	
Grand Elegant Investment Limited . . . . .	Hong Kong	26 April 2004	100	100	100	100	HK\$1	note (a)	Inactive	
Grandon Investment Limited . . . . .	Hong Kong	15 April 2005	100	100	100	100	HK\$1	Hong Kong	Property investment	
Grandwood Investments Limited . . . . .	Hong Kong	25 July 2008	100	100	100	100	HK\$1	Hong Kong	Property development	
Granlai Company Limited . . . . .	Hong Kong	10 May 1985	54.05	54.05	54.05	54.05	HK\$37	Hong Kong	Property investment	
Grayhill Estates Limited (deregistered on 30 January 2015) . . . . .	Hong Kong	12 September 1980	100	100	100	N/A	N/A	Hong Kong	Property trading	
Great Art Investment Limited . . . . .	Hong Kong	1 April 2011	100	100	100	100	HK\$1	Hong Kong	Property development	
Great Rainbow Investments Limited . . . . .	Hong Kong	28 February 2014	N/A	N/A	100	100	HK\$1	note (a)	Inactive	
Harbour Grand (H.K.) Resources Limited . . . . .	Hong Kong	14 August 2008	100	100	100	100	HK\$1	Hong Kong	Provision of staff recruitment services	
Harbour Grand Hong Kong Limited . . . . .	Hong Kong	19 September 1996	100	100	100	100	HK\$2	Hong Kong	Hotel and serviced suite operation	
Harbour Plaza 8 Degrees Limited . . . . .	Hong Kong	19 December 2003	100	100	100	100	HK\$2	Hong Kong	Hotel and serviced suite operation	
Harbour Plaza North Point Resources Limited . . . . .	Hong Kong	26 April 1999	60.91	60.91	60.91	60.91	HK\$2	Hong Kong	Provision of staff recruitment services	
Harbour Plaza Resort City (H.K.) Resources Limited . . . . .	Hong Kong	26 April 1999	100	100	100	100	HK\$2	Hong Kong	Provision of staff recruitment services	
Harbourfront Landmark Management Limited . . . . .	Hong Kong	12 April 2000	100	100	100	100	HK\$2	Hong Kong	Property management	
Harvey International Limited . . . . .	Hong Kong	17 January 2008	100	100	100	100	HK\$1	Hong Kong	Agricultural land	
Haynes Estates Limited . . . . .	Hong Kong	12 September 1980	100	100	100	100	HK\$2	Hong Kong	Property holding	
Hilder Company Limited . . . . .	Hong Kong	16 May 1975	100	100	100	100	HK\$10,000	Hong Kong	Agricultural land	
Horizon Hotels & Suites Limited . . . . .	Hong Kong	20 February 2002	100	100	100	100	HK\$2	Hong Kong	Hotel management	
Horse Saddle Interior Design Limited (deregistered on 21 June 2013) . . . . .	Hong Kong	26 January 2010	100	N/A	N/A	N/A	N/A	note (a)	Inactive	
Huge Grace Enterprises Limited . . . . .	Hong Kong	2 September 2006	100	100	100	100	HK\$400,000,000	Hong Kong	Financing and provision of consultancy services	
Jabrin Limited . . . . .	Hong Kong	3 March 1978	80	80	80	80	HK\$10,000	Hong Kong	Agricultural land	
Jet Well Investments Limited . . . . .	Hong Kong	28 October 1993	100	100	100	100	HK\$2	Hong Kong	Agricultural land	
Jetkind Limited . . . . .	Hong Kong	26 March 1997	100	100	100	100	HK\$2	Hong Kong	Agricultural land	
Jetmark Limited . . . . .	Hong Kong	9 January 2004	100	100	100	100	HK\$2	Hong Kong	Property holding	
Jubilant Plant Nursery Limited . . . . .	Hong Kong	28 July 2000	100	100	100	100	HK\$2	Hong Kong	Provision of gardening services	
Jubilee Year Investments Limited . . . . .	Hong Kong	16 May 2012	100	100	100	100	HK\$1	Hong Kong	Property development	
Jurado Limited . . . . .	Hong Kong	11 March 1980	100	100	100	100	HK\$10,000	Hong Kong	Agricultural land	
Kamos Limited . . . . .	Hong Kong	10 November 1987	100	100	100	100	HK\$2	Hong Kong	Property development and trading	
Kaway Limited . . . . .	Hong Kong	5 June 1998	100	100	100	100	HK\$2	Hong Kong	Agricultural land	
Kenstar Investments Limited . . . . .	Hong Kong	22 April 2005	100	100	100	100	HK\$1	Hong Kong	Agricultural land	
Kimpton Investments Limited . . . . .	Hong Kong	14 October 2005	100	100	100	100	HK\$1	Hong Kong	Agricultural land	

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Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
King Century Investments Limited . . .	Hong Kong	3 June 2011	100	100	100	100	HKS1	Hong Kong	Property development	
Kingsford Investments Limited . . . . .	Hong Kong	15 July 2002	100	100	100	100	HKS2	Hong Kong	Agricultural land	
Kingsmark Investments Limited . . . . .	Hong Kong	23 October 2006	100	100	100	100	HKS1	Hong Kong	Property investment	
Kong Wah Investment Limited . . . . .	Hong Kong	22 September 2004	100	100	100	100	HKS1	Hong Kong	Agricultural land	
Korn Reach Investment Limited . . . . .	Hong Kong	2 February 2005	100	100	100	100	HKS1	Hong Kong	Property investment	
Laguna City Property Management Limited . . . . .	Hong Kong	29 December 1989	100	100	100	100	HKS2	Hong Kong	Property management	
Laguna Verde Property Management Limited . . . . .	Hong Kong	24 September 1996	100	100	100	100	HKS2	Hong Kong	Property management	
Lead All Investments Limited . . . . .	Hong Kong	28 July 2005	100	100	100	100	HKS1	Hong Kong	Property investment	
Lifestyle Plus Limited . . . . .	Hong Kong	3 September 1992	100	100	100	100	HKS2	Hong Kong	Provision of lifestyle plus services	
Lion Focus Investments Limited . . . . .	Hong Kong	20 October 2005	100	100	100	100	HKS1	Hong Kong	Property investment	
Mansford Enterprises Limited . . . . .	Hong Kong	1 March 2006	100	100	100	100	HKS1	Hong Kong	Design and promotion	
Mantex Services Limited . . . . .	Hong Kong	17 May 1994	100	100	100	100	HKS2	Hong Kong	Property management	
Maranta Estates Limited . . . . .	Hong Kong	13 January 1981	100	100	100	100	HKS2	Hong Kong	Property trading	
Master Logistics Limited (deregistered on 2 May 2014) . . . . .	Hong Kong	9 August 2005	100	100	N/A	N/A	N/A	note (a)	Inactive	
Match Power Investment Limited . . . . .	Hong Kong	11 February 1998	100	100	100	100	HKS2	Hong Kong	Property development	
Maxchief Limited . . . . .	Hong Kong	21 August 1998	100	100	100	100	HKS2	Hong Kong	Agricultural land	
Mdvista Limited . . . . .	Hong Kong	20 March 2000	100	100	100	100	HKS2	note (a)	Inactive	
Meko Limited . . . . .	Hong Kong	10 September 2004	100	100	100	100	HKS1	Hong Kong	Agricultural land	
Melbourne Vision Limited . . . . .	Hong Kong	14 November 2014	N/A	N/A	100	100	HKS1	note (a)	Inactive	
Metrofond Limited . . . . .	Hong Kong	18 April 1997	100	100	100	100	HKS2	Hong Kong	Property development	
Mightycity Company Limited . . . . .	Hong Kong	26 October 1979	98.47	98.47	98.47	98.47	HK\$1,000,000	Hong Kong	Investment holding and financing	
Milo Top Development Limited . . . . .	Hong Kong	25 August 1999	100	100	100	100	HKS2	note (a)	Inactive	
Montaco Limited . . . . .	Hong Kong	12 October 1993	100	100	100	100	HK\$100	Hong Kong	Property holding	
Monte Vista Management Limited . . . . .	Hong Kong	3 March 1999	100	100	100	100	HKS2	Hong Kong	Property management	
Mutual Luck Investment Limited . . . . .	Hong Kong	29 July 1977	60.04	60.04	60.04	60.04	HK\$30,000	Hong Kong	Property development	
New Accord Limited . . . . .	Hong Kong	7 October 2005	100	100	100	100	HKS1	Hong Kong	Property development	
New City Investments Limited . . . . .	Hong Kong	21 March 2006	100	100	100	100	HKS1	Hong Kong	Property development	
New Harbour Investments Limited . . . . .	Hong Kong	17 June 2008	100	100	100	100	HKS1	Hong Kong	Property development	
New Harmony Limited . . . . .	Hong Kong	19 April 2007	100	100	100	100	HKS1	Hong Kong	Property investment	
New Profit Resources Limited . . . . .	Hong Kong	24 April 2002	98.47	98.47	98.47	98.47	HKS2	Hong Kong	Property development	
New Solomon Investments Limited (deregistered on 17 January 2014) . . . . .	Hong Kong	5 May 2011	100	100	N/A	N/A	N/A	note (a)	Inactive	
New Vision Development Limited . . . . .	Hong Kong	30 September 2004	100	100	100	100	HKS1	Hong Kong	Property development	
Newton City Limited . . . . .	Hong Kong	26 March 1996	100	100	100	100	HKS2	note (a)	Investment holding	
Ocean Century Investments Limited . . . . .	Hong Kong	6 May 2011	100	100	100	100	HKS1	Hong Kong	Property development	
Oxford Investments Limited . . . . .	Hong Kong	20 March 2002	100	100	100	100	HKS2	Hong Kong	Property development	
Pacific Land International Limited . . . . .	Hong Kong	4 July 2007	100	100	100	100	HKS1	Hong Kong	Provision of consultancy services	
Pacific Top Development Limited . . . . .	Hong Kong	29 April 1998	100	100	100	100	HKS2	Hong Kong	Agricultural land	
Pako Wise Limited . . . . .	Hong Kong	16 October 1990	100	100	100	100	HKS2	Hong Kong	Property investment	
Pearl Wisdom Limited . . . . .	Hong Kong	10 October 1996	100	100	100	100	HKS2	Hong Kong	Hotel and serviced suite operation	

APPENDIX IXA

ACCOUNTANTS' REPORT ON THE  
CHEUNG KONG PROPERTY GROUP

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
Perfect Idea Limited . . . . .	Hong Kong	4 February 1993	100	100	100	100	HK\$20	Hong Kong	Property investment and development	
Petman Limited . . . . .	Hong Kong	5 August 1960	100	100	100	100	HK\$6,450,570	note (a)	Inactive	
Polin Limited. . . . .	Hong Kong	13 June 2001	100	100	100	100	HK\$2	Hong Kong	Property holding	
Portofino Management Limited . . . . .	Hong Kong	22 March 2000	100	100	100	100	HK\$2	Hong Kong	Property management	
Prompton Property Management Limited. . . . .	Hong Kong	22 January 1991	100	100	100	100	HK\$2	Hong Kong	Property management	
Queensway Investments Limited . . . . .	Hong Kong	17 June 2008	85	85	85	85	HK\$1	Hong Kong	Property development	
Rainbow Elite Investments Limited . . . . .	Hong Kong	22 February 2005	100	100	100	100	HK\$1	Hong Kong	Property development	
Randash Investment Limited. . . . .	Hong Kong	22 September 1992	60.91	60.91	60.91	60.91	HK\$110	Hong Kong	Hotel and serviced suite operation	
Regent Land Investments Limited. . . . .	Hong Kong	15 June 2009	100	100	100	100	HK\$1	Hong Kong	Property development	
Resort Clubs Limited . . . . .	Hong Kong	5 September 1995	100	100	100	100	HK\$2	Hong Kong	Provision of club house management services	
Rich Asia Investments Limited . . . . .	Hong Kong	2 June 2005	85	85	85	85	HK\$1,000,000	Hong Kong	Property development	
Rich Group Investments Limited (deregistered on 20 December 2013) . . . . .	Hong Kong	3 June 2011	100	N/A	N/A	N/A	N/A	note (a)	Inactive	
Rich Hill Investments Limited. . . . .	Hong Kong	14 November 2011	100	100	100	100	HK\$1	Hong Kong	Agricultural land	
Rich View Investment Limited . . . . .	Hong Kong	29 February 2012	100	100	100	100	HK\$1	note (a)	Inactive	
Rich Will Investment Limited (deregistered on 20 December 2013) . . . . .	Hong Kong	19 May 2011	100	N/A	N/A	N/A	N/A	note (a)	Inactive	
Ruby Star Enterprises Limited. . . . .	Hong Kong	19 December 2006	100	100	100	100	HK\$1	Hong Kong	Property development	
Sai Ling Realty Limited . . . . .	Hong Kong	16 March 1973	100	100	100	100	HK\$10,000	Hong Kong	Property development	
Sarin Limited. . . . .	Hong Kong	13 April 1995	100	100	100	100	HK\$2	Hong Kong	Agricultural land	
Sceneway Property Management Limited. . . . .	Hong Kong	12 December 1989	100	100	100	100	HK\$2	Hong Kong	Property management	
Serwell Property Management Limited (deregistered on 6 February 2015) . . . . .	Hong Kong	26 February 1996	100	100	100	N/A	N/A	Hong Kong	Property management	
Silver King Investments Limited . . . . .	Hong Kong	4 August 2011	100	100	100	100	HK\$1	note (a)	Inactive	
Silver Treasure Investment Limited . . . . .	Hong Kong	22 July 2010	100	100	100	100	HK\$1	note (a)	Inactive	
Sino China Enterprises Limited . . . . .	Hong Kong	4 April 2001	100	100	100	100	HK\$2	Hong Kong	Hotel and serviced suite operation	
Smart Fine Development Limited . . . . .	Hong Kong	22 July 2006	100	100	100	100	HK\$1	note (a)	Investment holding	
Splendid Well Limited . . . . .	Hong Kong	24 October 1986	75	75	75	75	HK\$20	Hong Kong	Agricultural plans	
Sprado Company Limited . . . . .	Hong Kong	18 March 1983	100	100	100	100	HK\$28	Hong Kong	Property trading and letting	
Springrun Limited . . . . .	Hong Kong	7 December 1993	100	100	100	100	HK\$37,297,504	Hong Kong	Property development	
Stanley Investments Limited. . . . .	Hong Kong	23 October 2006	100	100	100	100	HK\$1	Hong Kong	Property development	
Sunflex Limited. . . . .	Hong Kong	26 March 1997	100	100	100	100	HK\$2	Hong Kong	Agricultural land	
Superb Gain Investments Limited (deregistered on 22 March 2013) . . . . .	Hong Kong	10 November 2006	100	N/A	N/A	N/A	N/A	note (a)	Inactive	
Swiss Investments Limited . . . . .	Hong Kong	18 March 2013	N/A	100	100	100	HK\$1	Hong Kong	Property development	
Tenox Development Limited. . . . .	Hong Kong	22 October 1997	100	100	100	100	HK\$2	Hong Kong	Agricultural land	
The Apex Horizon Property Management Limited . . . . .	Hong Kong	18 June 2001	100	100	100	100	HK\$2	Hong Kong	Property management	
The Center (Leasing Agent) Limited . . . . .	Hong Kong	30 September 1998	100	100	100	100	HK\$2	Hong Kong	Provision of property leasing agency services	
The Lucky Dragon Development (H.K.) Limited. . . . .	Hong Kong	10 May 1985	100	100	100	100	HK\$2	Hong Kong	Property development	

## APPENDIX IXA

ACCOUNTANTS' REPORT ON THE  
CHEUNG KONG PROPERTY GROUP

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)				At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
			%	%	%	%				
The Paramount Management Limited . . .	Hong Kong	26 January 1998	100	100	100	100	HK\$2	Hong Kong	Property management	
Thomson Investments Limited. . . . .	Hong Kong	14 March 2003	100	100	100	100	HK\$2	Hong Kong	Agricultural land	
Thorogood Estates Limited . . . . .	Hong Kong	27 July 1979	100	100	100	100	HK\$2	Hong Kong	Property trading and investment	
Tin Shui Wai Development Limited (sold on 9 October 2013) . . . . .	Hong Kong	26 June 1979	98.47	N/A	N/A	N/A	N/A	Hong Kong	Property development, property investment and hotel operations	
Tony Investments Limited . . . . .	Hong Kong	15 April 2004	100	100	100	100	HK\$1	Hong Kong	Property development	
Top Sign Enterprises Limited . . . . .	Hong Kong	27 November 2007	100	100	100	100	HK\$1	Hong Kong	Agricultural land	
Top Success Resources Limited . . . . .	Hong Kong	19 December 2006	100	100	100	100	HK\$1	note (a)	Inactive	
Top Talent International Limited . . . . .	Hong Kong	6 September 2004	100	100	100	100	HK\$1	note (a)	Inactive	
Topview Development Limited (deregistered on 19 September 2014). . . . .	Hong Kong	17 June 2011	100	100	N/A	N/A	N/A	note (a)	Inactive	
Towerich Limited . . . . .	Hong Kong	17 December 1997	51	51	51	51	HK\$2	Hong Kong	Hotel and serviced suite operation	
Treasure King Investment Limited . . . . .	Hong Kong	3 May 2013	N/A	100	100	100	HK\$1	note (a)	Inactive	
Union Art Investment Limited. . . . .	Hong Kong	30 March 2005	100	100	100	100	HK\$1	Hong Kong	Property development	
Union Ford Investments Limited . . . . .	Hong Kong	25 September 2002	80	80	80	80	HK\$2	Hong Kong	Property development	
Union Land Investments Limited . . . . .	Hong Kong	4 April 2001	100	100	100	100	HK\$2	Hong Kong	Agricultural land	
United Land Investments Limited. . . . .	Hong Kong	21 August 2000	100	100	100	100	HK\$2	Hong Kong	Agricultural land	
University Heights Management Company Limited . . . . .	Hong Kong	18 October 1994	100	100	100	100	HK\$1,000	Hong Kong	Property management	
Vista Paradiso Property Management Limited. . . . .	Hong Kong	19 February 1997	100	100	100	100	HK\$2	Hong Kong	Property management	
Volly Best Investment Limited . . . . .	Hong Kong	22 September 2004	90	90	90	90	HK\$1	Hong Kong	Property development and investment	
Wealth Pine Investment Limited. . . . .	Hong Kong	21 September 2007	85	85	85	85	HK\$1	Hong Kong	Property development	
Wide Global Investment Limited . . . . .	Hong Kong	24 March 2003	100	100	100	100	HK\$2	Hong Kong	Property development	
Wilson Investments Limited . . . . .	Hong Kong	18 January 2013	N/A	100	100	100	HK\$1	note (a)	Inactive	
Winchesto Finance Company Limited. . . . .	Hong Kong	4 May 1979	100	100	100	100	HK\$15,000,000	Hong Kong	Financing	
Winning Top Limited . . . . .	Hong Kong	9 December 2006	100	100	100	100	HK\$1	note (a)	Inactive	
Wisdom Choice Investment Limited . . . . .	Hong Kong	12 July 1999	60	60	60	60	HK\$2	Hong Kong	Property development	
Worldchamp Investments Limited . . . . .	Hong Kong	9 June 2004	100	100	100	100	HK\$1	Hong Kong	Agricultural land	
Yick Ho Limited . . . . .	Hong Kong	25 April 1969	100	100	100	100	HK\$6,000,000	Hong Kong	Investment in hotel projects	
Japura Pte Ltd . . . . .	Singapore	8 July 1996	76	76	76	76	SGD100	note (a)	Investment holding	
Japura Development Pte Ltd. . . . .	Singapore	21 March 1997	76	76	76	76	SGD1,000,000	Singapore	Property development	
Luxury Green Development Pte. Ltd. . . . .	Singapore	4 December 2009	100	100	100	100	SGD1,000,000	Singapore	Property development	
Property Enterprises Development (Singapore) Pte. Ltd. . . . .	Singapore	7 July 2001	100	100	100	100	SGD100,000	Singapore	Provision of corporate services	
U.S. Assets Management, Inc. . . . .	Texas, U.S.A.	5 July 1990	100	100	100	100	USD1,000	U.S.A.	Property management	
Arra Development S.A. . . . .	The Republic of Panama	21 September 1987	100	100	100	100	USD2	note (a)	Investment holding	
Dobie Development S.A. . . . .	The Republic of Panama	29 May 1985	100	100	100	100	USD2	note (a)	Investment holding	
Wooco Investment S.A. . . . .	The Republic of Panama	21 September 1987	100	100	100	100	USD2	note (a)	Investment holding	
上海信卫物业管理有限公司 . . . . .	The People's Republic of China (the "PRC")	3 November 2011	100	100	100	100	USD100,000	The PRC	Property management	

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group (effective holding)			At the date of this report	Issued and fully paid share/ registered capital	Place of operation	Principal activities
			2012	2013	2014				
			%	%	%	%			
北京信卫物业管理有限公司 . . . . .	The PRC	3 February 2008	100	100	100	100	USD500,000	The PRC	Property management
北京宝苑房地产开发有限公司 . . . . .	The PRC	6 January 1993	100	100	100	100	USD29,000,000	The PRC	Property development
北京港基世纪物业管理有限公司 . . . . .	The PRC	28 April 2002	99.5	99.5	99.5	99.5	USD400,000	The PRC	Property management
北京长乐房地产开发有限公司 . . . . .	The PRC	6 January 1993	100	100	100	100	USD29,000,000	The PRC	Property development
北京高卫世纪物业管理有限公司 . . . . .	The PRC	28 April 2002	99.5	99.5	99.5	99.5	USD400,000	The PRC	Property management
广州长江实业企业管理有限公司 . . . . .	The PRC	19 May 2008	100	100	100	100	USD2,200,000	The PRC	Provision of consultancy services
广州高卫物业管理有限公司 . . . . .	The PRC	29 March 2005	100	100	100	100	RMB3,000,000	The PRC	Property management
成都长天有限公司 . . . . .	The PRC	18 June 1998	70	69	69	69	RMB98,000,000	The PRC	Hotel operation
长江实业(上海)企业管理有限公司 . . . . .	The PRC	20 May 2008	100	100	100	100	HK\$40,000,000	The PRC	Provision of consultancy services
沈阳丽都物业管理有限公司 (wound up on 11 March 2013) . . . . .	The PRC	20 December 2001	100	N/A	N/A	N/A	N/A	note (a)	Inactive

*Notes:*

- (a) The company is inactive or has not carried on any operation except for acting as an investment holding company.
- (b) N/A: not applicable

The financial year end of CK Property and the companies comprising Cheung Kong Property Group is 31 December.

No audited statutory financial statements have been prepared for companies incorporated in Arizona, U.S.A., the British Virgin Islands, Curacao, Delaware, U.S.A., the Republic of Panama and Texas, U.S.A., where part 16 of the Hong Kong Companies Ordinance (Cap 622) is not applicable, since their respective dates of incorporation as there is no statutory audit requirement in the jurisdiction where they were incorporated.

No audited statutory financial statements have been prepared for Albany Investment Limited, Great Rainbow Investments Limited and Melbourne Vision Limited as they have not reached the statutory time limit imposed on the issuance of the first set of audited financial statements since their respective date of incorporation.

The statutory financial statements of companies incorporated in the Hong Kong Special Administrative Region for the years ended 31 December 2012 and 2013, or since their respective dates of incorporation, where this is a shorter period, were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards of Auditing issued by the HKICPA.



The statutory financial statements of companies established in the PRC for the Relevant Periods or since respective date of establishment, where there is a shorter period, were prepared in accordance with the relevant accounting policies and financial regulations applicable to enterprises established in the PRC. They were audited by the following firms of certified public accountants registered in the PRC.

<u>Name of company</u>	<u>Period covered</u>	<u>Name of auditors</u>
长江实业(上海)企业管理有限公司	For the years ended 31 December 2012 and 2013	上海琳方会计师事务所有限公司
广州长江实业企业管理有限公司	For the years ended 31 December 2012 and 2013	广州岭南会计师事务所有限公司
成都长天有限公司	For the year ended 31 December 2012 For the years ended 31 December 2013 and 2014	信永中和会计师事务所(特殊普通合伙) 四川安必信会计师事务所有限责任公司
北京港基世纪物业管理有限公司	For the years ended 31 December 2012 and 2013	北京中永众合会计师事务所有限责任公司
北京高卫世纪物业管理有限公司	For the years ended 31 December 2012 and 2013	北京中永众合会计师事务所有限责任公司
北京长乐房地产开发有限公司	For the years ended 31 December 2012 and 2013	北京今创会计师事务所(普通合伙)
北京宝苑房地产开发有限公司	For the years ended 31 December 2012 and 2013	北京今创会计师事务所(普通合伙)
北京信卫物业管理有限公司	For the year ended 31 December 2012 For the year ended 31 December 2013	北京中恒会计师事务所有限责任公司 北京安瑞普会计师事务所有限公司
上海信卫物业管理有限公司	For the years ended 31 December 2012 and 2013	上海琳方会计师事务所有限公司
广州高卫物业管理有限公司	For the year ended 31 December 2012 For the year ended 31 December 2013	广州正粤会计师事务所(普通合伙) 广州市大公会会计师事务所有限公司

The statutory financial statements of companies incorporated in Singapore for the years ended 31 December 2012 and 2013 were prepared in accordance with the provisions of the Singapore Companies Act and the Singapore Financial Reporting Standards. They were audited by PricewaterhouseCoopers LLP in accordance with Singapore Standards on Auditing.

The audited statutory financial statements of certain companies have not been issued for the year ended 31 December 2014 as the statutory time limits imposed on the issuance of audited financial statements have not been reached.

For the purpose of this report, CKH has prepared the combined financial statements of the Cheung Kong Property Group for the Relevant Periods in accordance with the HKFRSs (the “Cheung Kong Property Group Underlying Financial Statements”) which were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We examined the Cheung Kong Property Group Underlying Financial Statements for the Relevant Periods in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Cheung Kong Property Group Financial Information set out in this report has been prepared from the Cheung Kong Property Group Underlying Financial Statements, on the basis set out in note 1(b) to Section II below. No adjustments were deemed necessary to adjust the Cheung Kong Property Group Underlying Financial Statements in preparing our report.

The Cheung Kong Property Group Underlying Financial Statements are the responsibility of the directors of CKH who approve their issuance. The directors of CKH Holdings and HWL are responsible for the contents of the Scheme Document in which this report is included. It is our responsibility to compile the Cheung Kong Property Group Financial Information set out in this report from the Cheung Kong Property Group Underlying Financial Statements, to form an independent opinion on the Cheung Kong Property Group Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1(b) to Section II below, the Cheung Kong Property Group Financial Information, gives, for the purpose of this report, a true and fair view of the state of affairs of the Cheung Kong Property Group as at 31 December 2012, 2013 and 2014 and of the combined profits and combined cash flows of the Cheung Kong Property Group for each of the three years ended 31 December 2012, 2013 and 2014.

## I. FINANCIAL INFORMATION OF THE GROUP

## COMBINED INCOME STATEMENTS

	<i>Notes</i>	Year ended 31 December		
		2012	2013	2014
		HK\$ million	HK\$ million	HK\$ million
Group turnover	3	19,192	17,011	24,038
Investment and other income		94	95	784
Operating costs				
Property and related costs		(9,848)	(8,011)	(12,985)
Service fees	4	(971)	(836)	(892)
Salaries and related expenses		(542)	(556)	(525)
Interest and other finance costs		(650)	(776)	(815)
Depreciation		(313)	(301)	(286)
Other expenses		(127)	(132)	(106)
		(12,451)	(10,612)	(15,609)
Share of net profit of joint ventures		5,480	4,031	2,835
Increase in fair value of investment properties		4,470	1,782	4,542
Profit on disposal of investment properties		–	2,760	–
Surplus on loss of control of interest in subsidiaries		1,077	–	–
Profit on disposal of joint ventures		450	798	2,349
Operating profit		18,312	15,865	18,939
Share of net profit of associates		1	1	1
Profit before taxation	5	18,313	15,866	18,940
Taxation	6	(1,250)	(1,442)	(1,624)
Profit for the year		<u>17,063</u>	<u>14,424</u>	<u>17,316</u>
Profit attributable to				
Shareholders of the Cheung Kong Property Group		16,930	14,152	17,068
Non-controlling interests		133	272	248
		<u>17,063</u>	<u>14,424</u>	<u>17,316</u>
Earnings per share	7	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Profit for the year	17,063	14,424	17,316
Other comprehensive income/(expense) – reclassifiable to profit or loss			
Translation of financial statements of operations outside Hong Kong			
Exchange gain/(loss)	41	15	(147)
Exchange gain reclassified to profit or loss upon disposal	(145)	–	–
Investments available for sale			
Gain/(loss) in fair value	1,598	(61)	435
Share of other comprehensive income/ (expense) of joint ventures	953	829	(1,631)
Other comprehensive income/(expense)	2,447	783	(1,343)
Total comprehensive income for the year	19,510	15,207	15,973
Total comprehensive income attributable to			
Shareholders of the Cheung Kong Property Group	19,377	14,930	15,726
Non-controlling interests	133	277	247
	19,510	15,207	15,973

## COMBINED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December		
		2012	2013	2014
		HK\$ million	HK\$ million	HK\$ million
Non-current assets				
Fixed assets	8	10,093	9,942	9,928
Investment properties	9	29,656	28,777	33,285
Associates		3	3	2
Joint ventures	10	46,069	45,306	45,895
Investments available for sale	11	5,345	5,468	7,172
Long term loan receivables		251	138	301
		<u>91,417</u>	<u>89,634</u>	<u>96,583</u>
Current assets				
Stock of properties	12	80,116	79,815	73,259
Debtors, deposits and prepayments	13	1,557	1,831	1,810
Amounts due from Other Group Companies	14	1,906	975	1,210
Bank balances and deposits		12,896	10,069	10,354
		<u>96,475</u>	<u>92,690</u>	<u>86,633</u>
Current liabilities				
Creditors and accruals	15	(12,099)	(10,973)	(10,493)
Amounts due to Other Group Companies	14	(91,903)	(79,891)	(70,707)
Borrowings	16	(300)	–	(250)
Derivative financial instruments		(518)	–	–
Provision for taxation		(275)	(730)	(1,346)
		<u>(105,095)</u>	<u>(91,594)</u>	<u>(82,796)</u>
Net current (liabilities)/assets		<u>(8,620)</u>	<u>1,096</u>	<u>3,837</u>
Total assets less current liabilities		<u>82,797</u>	<u>90,730</u>	<u>100,420</u>
Non-current liabilities				
Borrowings	16	(315)	(610)	(350)
Deferred tax liabilities	17	(805)	(966)	(999)
		<u>(1,120)</u>	<u>(1,576)</u>	<u>(1,349)</u>
Net assets		<u>81,677</u>	<u>89,154</u>	<u>99,071</u>
Representing:				
Combined capital	26	93	93	93
Reserves		78,519	86,002	96,161
Shareholders' funds		78,612	86,095	96,254
Non-controlling interests		3,065	3,059	2,817
Total equity		<u>81,677</u>	<u>89,154</u>	<u>99,071</u>

## COMBINED STATEMENTS OF CHANGES IN EQUITY

	Shareholders' funds						Total equity HK\$ million
	Combined capital	Investment valuation reserve	Exchange reserve	Retained profits	Total	Non- controlling interests	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Balance at 1 January 2012	93	(145)	4,544	54,984	59,476	3,112	62,588
Profit for the year	–	–	–	16,930	16,930	133	17,063
Other comprehensive income/(expense)							
Translation of financial statements of operations outside Hong Kong							
Exchange gain	–	–	41	–	41	–	41
Exchange gain reclassified to profit or loss upon disposal	–	–	(145)	–	(145)	–	(145)
Investments available for sale							
Gain in fair value	–	1,598	–	–	1,598	–	1,598
Share of other comprehensive income of joint ventures	–	663	290	–	953	–	953
Total comprehensive income for the year	–	2,261	186	16,930	19,377	133	19,510
Change in non-controlling interests	–	–	–	–	–	(130)	(130)
Dividend paid to non-controlling interests	–	–	–	–	–	(50)	(50)
Dividend paid to shareholders of the Cheung Kong Property Group	–	–	–	(241)	(241)	–	(241)
Balance at 31 December 2012	<u>93</u>	<u>2,116</u>	<u>4,730</u>	<u>71,673</u>	<u>78,612</u>	<u>3,065</u>	<u>81,677</u>

	Shareholders' funds						Total equity
	Combined capital	Investment valuation reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Balance at 1 January 2013	93	2,116	4,730	71,673	78,612	3,065	81,677
Profit for the year	–	–	–	14,152	14,152	272	14,424
Other comprehensive income/(expense)							
Translation of financial statements of operations outside Hong Kong							
Exchange gain	–	–	10	–	10	5	15
Investments available for sale							
Loss in fair value	–	(61)	–	–	(61)	–	(61)
Share of other comprehensive (expense)/income of joint ventures	–	(156)	985	–	829	–	829
Total comprehensive (expense)/income for the year	–	(217)	995	14,152	14,930	277	15,207
Change in non-controlling interests	–	–	–	–	–	(202)	(202)
Dividend paid to non-controlling interests	–	–	–	–	–	(81)	(81)
Dividend paid to shareholders of the Cheung Kong Property Group	–	–	–	(7,447)	(7,447)	–	(7,447)
Balance at 31 December 2013	<u>93</u>	<u>1,899</u>	<u>5,725</u>	<u>78,378</u>	<u>86,095</u>	<u>3,059</u>	<u>89,154</u>

	Shareholders' funds						Total equity
	Combined capital	Investment valuation reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Balance at 1 January 2014	93	1,899	5,725	78,378	86,095	3,059	89,154
Profit for the year	–	–	–	17,068	17,068	248	17,316
Other comprehensive income/(expense)							
Translation of financial statements of operations outside Hong Kong							
Exchange loss	–	–	(146)	–	(146)	(1)	(147)
Investments available for sale							
Gain in fair value	–	435	–	–	435	–	435
Share of other comprehensive expense of joint ventures	–	(297)	(1,334)	–	(1,631)	–	(1,631)
Total comprehensive income/(expense) for the year	–	138	(1,480)	17,068	15,726	247	15,973
Change in non-controlling interests	–	–	–	–	–	(195)	(195)
Dividend paid to non-controlling interests	–	–	–	–	–	(294)	(294)
Dividend paid to shareholders of the Cheung Kong Property Group	–	–	–	(5,567)	(5,567)	–	(5,567)
Balance at 31 December 2014	<u>93</u>	<u>2,037</u>	<u>4,245</u>	<u>89,879</u>	<u>96,254</u>	<u>2,817</u>	<u>99,071</u>



## COMBINED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December		
		2012	2013	2014
		HK\$ million	HK\$ million	HK\$ million
Operating activities				
Cash (used in)/generated from operations	(a)	(259)	7,041	16,500
Investment in/loan advance to joint ventures		(1,867)	(605)	(3,124)
Dividend/repayment from joint ventures		878	5,428	1,159
Dividend from associates		1	1	2
Dividend from investments in securities		165	188	209
Interest received		47	70	62
Dividend paid to shareholders of the Cheung Kong Property Group		(241)	(7,447)	(5,567)
Dividend paid to non-controlling interests		(50)	(81)	(294)
Profits tax paid		(2,076)	(826)	(975)
Net cash (used in)/from operating activities		(3,402)	3,769	7,972
Investing activities				
Loss of control of interest in subsidiaries		1,065	–	–
Investment in/loan advance to joint ventures		(233)	(122)	(85)
Dividend/repayment from joint ventures		1,862	199	–
Disposal of joint ventures		503	1,560	3,298
Purchase of investments available for sale		(75)	–	–
Addition of investment properties		(21)	(6)	(18)
Disposal of investment properties		–	5,427	–
Addition of fixed assets		(80)	(155)	(278)
Net cash from investing activities		3,021	6,903	2,917
Financing activities				
Drawdown of borrowings		100	–	–
Repayment of borrowings		(414)	(5)	(10)
Advance from/(repayment to) Other Group Companies		5,475	(12,012)	(9,184)
Decrease in funding from non-controlling interests		(130)	(202)	(195)
Interest and other finance costs paid		(1,110)	(1,280)	(1,215)
Net cash from/(used in) financing activities		3,921	(13,499)	(10,604)
Net increase/(decrease) in cash and cash equivalents		3,540	(2,827)	285
Cash and cash equivalents at 1 January		9,356	12,896	10,069
Cash and cash equivalents at 31 December	(b)	12,896	10,069	10,354

Notes:

## (a) Cash (used in)/generated from operations

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Profit before taxation	18,313	15,866	18,940
Interest income	(54)	(80)	(75)
Interest and other finance costs	650	776	815
Dividend income from investments in securities	(206)	(283)	(361)
Share of net profit of joint ventures	(5,480)	(4,031)	(2,835)
Share of net profit of associates	(1)	(1)	(1)
Increase in fair value of investment properties	(4,470)	(1,782)	(4,542)
Gain on disposal of investments available for sale	–	–	(137)
Profit on disposal of investment properties	–	(2,760)	–
Surplus on loss of control of interest in subsidiaries	(1,077)	–	–
Profit on disposal of joint ventures	(450)	(798)	(2,349)
(Increase)/decrease in long term loan receivables	(72)	113	(163)
Depreciation	313	301	286
Exchange difference and other items	(86)	(85)	(71)
Changes in working capital			
(Increase)/decrease in stock of properties	(10,715)	846	6,976
Increase/(decrease) in customers' deposits received	3,318	184	(1,154)
(Increase)/decrease in debtors, deposits and prepayments	(788)	(276)	773
(Increase)/decrease in amounts due from Other Group Companies	(102)	931	(235)
Increase/(decrease) in derivative financial instruments	355	(518)	–
Increase/(decrease) in creditors and accruals	293	(1,362)	633
	<u>(259)</u>	<u>7,041</u>	<u>16,500</u>

## (b) Cash and cash equivalents

	As at 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Bank balances and deposits	<u>12,896</u>	<u>10,069</u>	<u>10,354</u>

## II. NOTES TO THE FINANCIAL INFORMATION

## 1. BACKGROUND AND BASIS OF PREPARATION

## (a) Background

CK Property was incorporated in the Cayman Islands on 2 January 2015 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The principal place of business of CK Property is 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong. CK Property is currently a wholly owned subsidiary of CK Hutchison Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

## (b) Basis of preparation

Pursuant to the Proposed Reorganisation, CK Property will become the holding company of the Cheung Kong Property Group.

The Cheung Kong Property Group Financial Information including the combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods and the combined statements of financial position on the respective reporting dates has been prepared as if the companies comprising the Cheung Kong Property Group had been a single reporting entity throughout the Relevant Periods, or since the respective dates of incorporation or establishment of the relevant entities, or up to the respective dates of disposal or dissolution where this is a shorter period.

The Cheung Kong Property Group Financial Information is presented in Hong Kong dollar which is the functional currency of the major companies comprising the Cheung Kong Property Group.

## 2. PRINCIPAL ACCOUNTING POLICIES

**Application of International Financial Reporting Standards ("IFRSs")**

For the following IFRSs which are not yet effective, the management of the Cheung Kong Property Group is in the process of assessing their impact on the Group's combined results and financial position.

**Effective for the Cheung Kong Property Group's annual accounting periods beginning on 1 January 2015**

Amendments to IFRSs	Annual Improvements 2010 – 2012 Cycle
Amendments to IFRSs	Annual Improvements 2011 – 2013 Cycle
IAS 19 (amendments)	Defined Benefit Plans – Employee Contributions

**Effective for the Cheung Kong Property Group's annual accounting periods beginning on 1 January 2016**

Amendments to IFRSs	Annual Improvements 2012 – 2014 Cycle
Amendments to IAS 1	Disclosure Initiative
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 (amendments)	Agriculture: Bearer Plants
IAS 27 (amendments)	Equity Method in Separate Financial Statements
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 11 (amendments)	Accounting for Acquisitions of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
IFRS 10 and IFRS 12 and IAS 28 (amendments)	Investment Entities: Applying the Consolidation Exception

**Effective for the Cheung Kong Property Group's annual accounting periods beginning on 1 January 2017**

IFRS 15	Revenue from Contracts with Customers
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**Effective for the Cheung Kong Property Group's annual accounting periods beginning on 1 January 2018**

IFRS 9	Financial Instruments
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The Cheung Kong Property Group Financial Information has been prepared in accordance with accounting policies conform with IFRSs. In addition, the Cheung Kong Property Group Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The Cheung Kong Property Group Financial Information is prepared under the historical cost convention except that investments in securities, investment properties and derivative financial instruments, as set out in notes 2(d), 2(f) and 2(j) respectively, are stated at fair values.

**(a) Combination of the group**

The Cheung Kong Property Group Financial Information incorporates the financial statement items of the subsidiaries of CKH which are engaged in the property business.

A subsidiary is an entity which after considering the relevant facts, the reporting entity 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.

The results and assets and liabilities of the combining entities or businesses are combined using the existing book values from the perspective of CKH.

The profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under control of CKH, where this is a shorter period.

The comparative amounts in the Cheung Kong Property Group Financial Information are presented as if the entities or businesses had been combined at the earliest date of statement of financial position presented or when they first came under control of CKH, whichever is the later.

Inter-company transactions, balances and unrealised gains on transactions within the Cheung Kong Property Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies and financial information of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Cheung Kong Property Group.

**(b) Joint ventures**

A joint venture is an entity in which the Cheung Kong Property Group have a long term equity interest and of which the Cheung Kong Property Group share joint control with other parties under contractual arrangements on decisions that significantly affect the return.

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

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

**(c) Associates**

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

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

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

**(d) Investments in securities**

Investments in securities, other than subsidiaries, joint ventures or associates, are classified as investments available for sale, and are stated at fair value. 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 and impairment, if any, is charged to combined income statement and is not reversible.

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

**(e) 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. Other fixed assets are depreciated on a straight-line basis at annual rates of 5% to 33 1/3% based on their respective estimated useful lives.

**(f) 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 combined income statement.

**(g) 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.

**(h) 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 the Cheung Kong Property Group are adjusted in the Cheung Kong Property Group Financial Information to reflect the Cheung Kong Property Group's actual costs incurred where appropriate.

**(i) Debtors**

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

**(j) Derivative financial instruments**

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

**(k) Borrowings**

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

**(l) Creditors**

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

**(m) 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 relevant 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.

Rental income is 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.

**(n) 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 date. Exchange differences are included in combined income statement.

For translation of the financial statements of subsidiaries, joint ventures and associates denominated in foreign currencies into presentation currency of the Cheung Kong Property Group, 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.

**(o) 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 Cheung Kong Property 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.

**(p) Borrowing costs**

Borrowing costs are charged to combined 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.

**(q) Combined capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### **3. TURNOVER AND CONTRIBUTION**

The principal activities of the Cheung Kong Property Group are property development and investment, hotel and serviced suite operation, property and project management and investments in securities.

Turnover of the Cheung Kong Property Group's activities comprise proceeds from property sales, gross rental income, revenue from hotel and serviced suite operation and income from property and project management.

Turnover of the Cheung Kong Property Group and its share of property sales of joint ventures by operating activities for the years are as follows:

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Property sales	14,614	12,288	19,389
Property rental	1,867	1,961	1,908
Hotel and serviced suite operation	2,350	2,368	2,213
Property and project management	361	394	528
Group turnover	19,192	17,011	24,038
Share of property sales of joint ventures	11,846	15,301	6,959
Turnover	31,038	32,312	30,997

For the years ended 31 December 2012, 2013 and 2014, turnover outside Hong Kong accounted for approximately 38%, 54% and 23% of the turnover respectively and was derived from the following locations:

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
The PRC	11,919	16,454	5,945
Singapore	–	980	1,210
	11,919	17,434	7,155

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

	Subsidiaries			Joint ventures			Total		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Property sales	5,261	4,686	6,577	4,655	5,486	1,924	9,916	10,172	8,501
Property rental	1,704	1,795	1,769	275	322	300	1,979	2,117	2,069
Hotel and serviced suite operation	931	991	952	302	281	275	1,233	1,272	1,227
Property and project management	124	133	154	45	46	61	169	179	215
	8,020	7,605	9,452	5,277	6,135	2,560	13,297	13,740	12,012
Investment and finance							79	574	852
Interest and other finance costs							(650)	(776)	(815)
Increase in fair value of investment properties									
Subsidiaries							4,470	1,782	4,542
Joint ventures							531	24	510
Profit on disposal of investment properties							–	2,760	–
Surplus on loss of control of interest in subsidiaries							1,077	–	–
Surplus on loss of control of indirect interest in joint ventures							1,326	–	–
Profit on disposal of joint ventures							450	798	2,349
Others							121	108	213
Taxation									
Subsidiaries							(1,250)	(1,442)	(1,624)
Joint ventures							(2,389)	(3,145)	(724)
Profit attributable to non-controlling interests							(133)	(272)	(248)
							16,929	14,151	17,067
Share of net profit of associates							1	1	1
Profit attributable to shareholders of the Cheung Kong Property Group							16,930	14,152	17,068

## 4. SERVICE FEES

Service fees represented costs paid to CKH for property and project management, administration, human resources, information technology, sales and marketing and other support provided by CKH to the Cheung Kong Property Group.

## 5. PROFIT BEFORE TAXATION

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Profit before taxation is arrived at after (charging)/crediting:			
Interest and other finance costs			
Other loans repayable within 5 years	(1,138)	(1,309)	(1,245)
Less: Amount capitalised (Note)	488	533	430
	<u>(650)</u>	<u>(776)</u>	<u>(815)</u>
Auditors' remuneration	(5)	(5)	(6)
Costs of properties sold	(8,424)	(6,919)	(11,708)
Service fees	(971)	(836)	(892)
Operating lease charges – properties	(61)	(70)	(71)
Interest income from banks	26	34	47
Interest income from joint ventures	11	37	20
Interest income from loan receivables	17	9	8
Dividend income from listed investments in equity securities	206	283	361
Gain on disposal of investments available for sale	–	–	137
Exchange difference	19	(160)	(30)
	<u>19</u>	<u>(160)</u>	<u>(30)</u>

*Note:* Interest and other finance costs were capitalised at annual rate of approximately 1.7%, 1.8% and 1.5% on average respectively for the years ended 31 December 2012, 2013 and 2014 to various property development projects.

## 6. TAXATION

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Current tax			
Hong Kong profits tax	1,072	939	1,364
Tax outside Hong Kong	138	342	231
Deferred tax	40	161	29
	<u>1,250</u>	<u>1,442</u>	<u>1,624</u>



Hong Kong profits tax has been provided for at the rate of 16.5% during the Relevant Periods on the estimated assessable profits for the years. Taxation outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less available tax losses.

The profit before taxation is reconciled with taxation as follows:

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Profit before taxation less share of net profit of joint ventures and associates	12,832	11,834	16,104
Calculated at Hong Kong profits tax rate of 16.5% (2012 and 2013 – 16.5%)	2,117	1,953	2,657
Effect of tax rate differences at locations outside Hong Kong	(95)	182	(49)
Dividend income	(34)	(47)	(60)
Increase in fair value of investment properties	(738)	(294)	(749)
Profit on disposal of investment properties	–	(455)	–
Net effect of tax losses and deductible temporary differences utilised/not recognised	(16)	57	(8)
Net effect of non-assessable/deductible items	8	56	(13)
Tax provision in prior year written back	–	–	(149)
Others	8	(10)	(5)
	1,250	1,442	1,624

## 7. EARNINGS PER SHARE

No earning per share information is presented as its inclusion, for the purpose of Cheung Kong Property Group Financial Information, is not considered meaningful due to the Reorganisation and the preparation of the results for each of the years ended 31 December 2012, 2013 and 2014 on a combined basis as disclosed in note 1(b).

## 8. FIXED ASSETS

	<u>Hotels and serviced suites</u>		<u>Other assets</u>	<u>Total</u>
	<u>in Hong</u>	<u>outside</u>		
	<u>Kong</u>	<u>Hong Kong</u>		
	<u>HK\$ million</u>	<u>HK\$ million</u>	<u>HK\$ million</u>	<u>HK\$ million</u>
<b>COST</b>				
At 1 January 2012	11,966	1,711	1,054	14,731
Additions/transfers	32	18	15	65
Disposals	–	–	(27)	(27)
Derecognised on loss of control in subsidiaries	–	(1,008)	(121)	(1,129)
At 31 December 2012	11,998	721	921	13,640
Translation difference	–	23	4	27
Additions/transfers	97	10	31	138
Disposals	–	–	(25)	(25)
At 31 December 2013	12,095	754	931	13,780
Translation difference	–	(2)	(1)	(3)
Additions/transfers	143	37	98	278
Disposals	–	–	(32)	(32)
At 31 December 2014	12,238	789	996	14,023
<b>ACCUMULATED DEPRECIATION/ PROVISIONS</b>				
At 1 January 2012	2,310	412	830	3,552
Depreciation	221	16	76	313
Disposals	–	–	(17)	(17)
Derecognised on loss of control in subsidiaries	–	(207)	(94)	(301)
At 31 December 2012	2,531	221	795	3,547
Translation difference	–	7	4	11
Depreciation	225	17	59	301
Disposals	–	–	(21)	(21)
At 31 December 2013	2,756	245	837	3,838
Translation difference	–	(1)	–	(1)
Depreciation	226	16	44	286
Disposals	–	–	(28)	(28)
At 31 December 2014	2,982	260	853	4,095
<b>NET BOOK VALUE</b>				
At 31 December 2012	9,467	500	126	10,093
At 31 December 2013	9,339	509	94	9,942
At 31 December 2014	9,256	529	143	9,928

At 31 December 2012, 2013 and 2014, hotels and serviced suites with carrying value of HK\$8,935 million, HK\$8,817 million and HK\$8,744 million were held in Hong Kong under medium-term leases respectively; while hotels and serviced suites with carrying value of HK\$532 million, HK\$522 million and HK\$512 million were held in Hong Kong under long leases respectively. Hotels and serviced suites with carrying value of HK\$500 million, HK\$509 million and HK\$529 million were held outside Hong Kong under medium-term leases at 31 December 2012, 2013 and 2014 respectively.

## 9. INVESTMENT PROPERTIES

	<u>As at 31 December</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<u>HK\$ million</u>	<u>HK\$ million</u>	<u>HK\$ million</u>
<b>Investment properties in Hong Kong</b>			
At 1 January	25,180	29,656	28,777
Additions/cost adjustments	6	2	(34)
Disposals	–	(2,663)	–
Increase in fair value	4,470	1,782	4,542
At 31 December	29,656	28,777	33,285

At 31 December 2012, 2013 and 2014:

- (a) investment properties were fair valued by DTZ Debenham Tie Leung Limited, independent professional valuers and its office is located on 16/F, 1063 King's Road, Quarry Bay, Hong Kong;
- (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 3% to 8% generally and inversely related to the values derived, are based on analysis of relevant sale transactions and interpretation of prevailing market expectations;
- (c) investment properties with carrying value of HK\$28,765 million, HK\$27,768 million and HK\$32,050 million were held under medium-term leases respectively; HK\$891 million, HK\$1,009 million and HK\$1,235 million were held under long leases respectively;
- (d) gross rental income of investment properties for the years ended 31 December 2012, 2013 and 2014 amounted to HK\$1,686 million, HK\$1,802 million and HK\$1,761 million respectively; and
- (e) direct operating expenses of investment properties for the years ended 31 December 2012, 2013 and 2014 amounted to HK\$28 million, HK\$46 million and HK\$12 million respectively.

## 10. JOINT VENTURES

	<b>As at 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>HK\$ million</b>
Investments in joint ventures – unlisted	17,803	13,275	13,006
Share of results less dividends (note (a))	22,071	25,263	23,613
	39,874	38,538	36,619
Amounts due from joint ventures (note (b))	6,195	6,768	9,276
	<b>46,069</b>	<b>45,306</b>	<b>45,895</b>

Notes:

- (a) The Cheung Kong Property Group's share of results of joint ventures for the years is as follows:

	<b>Year ended 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>HK\$ million</b>
Net profit	5,480	4,031	2,835
Other comprehensive income/(expense)	953	829	(1,631)
Total comprehensive income	<b>6,433</b>	<b>4,860</b>	<b>1,204</b>

- (b) At the year end dates, amounts due from joint ventures included the following:

	<b>As at 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>HK\$ million</b>
Interest bearing loans			
– repayable within 5 years	830	800	955
Non-interest bearing loans			
– no fixed repayment terms	5,365	5,968	8,321
	<b>6,195</b>	<b>6,768</b>	<b>9,276</b>

The directors considered that no single joint venture is material to the Group and hence no summarised financial information for any individual joint venture is disclosed.

Particulars of the principal joint ventures are set out below:

Name	Place of incorporation	Equity interest attributable to the Group (effective holding)				At the date of this report	Place of operation	Principal activities
		2012	2013	2014				
		%	%	%	%			
Bayswater Developments Limited	British Virgin Islands	50	50	50	50	The PRC	Property development and investment	
Beright Investments Limited	British Virgin Islands	50	50	50	50	The PRC	Property development	
Billion Rise Limited	British Virgin Islands	50	50	50	50	Singapore	Property development	
Cheung Wo Enterprises Limited	British Virgin Islands	50	50	50	50	The PRC	Property investment	
Choicewide Group Limited	British Virgin Islands	50	50	50	50	Singapore	Investment in property project	
Extreme Selection Investments Limited (disposal in 2014)	British Virgin Islands	50	50	N/A	N/A	The PRC	Property development	
Gislingham Limited	British Virgin Islands	50	50	50	50	The PRC	Property development	
Golden Castle Management Limited	British Virgin Islands	50	50	50	50	The PRC	Property development	
Harbour Plaza Hotel Management (International) Limited	British Virgin Islands	50	50	50	50	Hong Kong	Hotel management	
Harbour Plaza Metropolis Limited	British Virgin Islands	50	50	50	50	Hong Kong	Hotel and serviced suite operation	
Mapleleaf Developments Limited	British Virgin Islands	25	25	25	25	The PRC	Property development	
Shanklin Developments Limited	British Virgin Islands	50	50	50	50	The PRC	Property development	
Sky Island Limited	British Virgin Islands	50	50	50	50	The PRC	Property development	
Smart Rainbow Limited	British Virgin Islands	50	50	50	50	Hong Kong	Hotel and serviced suite operation	
Swayfield Limited	British Virgin Islands	30	30	30	30	Hong Kong	Property investment	
True Ample Developments Limited	British Virgin Islands	50	50	50	50	The PRC	Property development	
Willpower Developments Limited	British Virgin Islands	50	50	50	50	The PRC	Property development	
Zealand Limited	British Virgin Islands	50	50	50	50	The PRC	Property development	
Afford Limited (disposal in 2013)	Hong Kong	50	N/A	N/A	N/A	The PRC	Property development and investment	
Chesgold Limited (disposal in 2015)	Hong Kong	50	50	50	N/A	The PRC	Property investment	
Clayton Power Enterprises Limited	Hong Kong	50	50	50	50	Hong Kong	Property development	
Dragon Beauty International Limited	Hong Kong	50	50	50	50	Hong Kong	Property development	
Elegant Wealth Investment Limited	Hong Kong	49	49	49	49	The PRC	Property development	
Forton Investment Limited	Hong Kong	50	50	50	50	The PRC	Property development	
Glory Sense Limited	Hong Kong	50	50	50	50	The PRC	Property development	

Name	Place of incorporation	Equity interest attributable to the Group (effective holding)			At the date of this report	Place of operation	Principal activities
		2012	2013	2014			
		%	%	%	%		
Hildon Development Limited	Hong Kong	50	50	50	50	The PRC	Property development
Hui Xian Holdings Limited	Hong Kong	33.4	33.4	33.4	33.4	Hong Kong	Investment holding and financing
Konus Investment Limited	Hong Kong	42.5	42.5	42.5	42.5	Hong Kong	Property investment
Metro Broadcast Corporation Limited	Hong Kong	50	50	50	50	Hong Kong	Radio broadcasting
Mighty General Limited	Hong Kong	50	50	50	50	The PRC	Property development
Montoya (HK) Limited	Hong Kong	50	50	50	50	The PRC	Property development
New China Sheen Limited	Hong Kong	50	50	50	50	The PRC	Property development
New China Target Limited	Hong Kong	50	50	50	50	The PRC	Property development
Hong Kong Shanghai Development Co Ltd	Samoa	25	25	25	25	The PRC	Property development and investment
Kovan Treasure Pte. Limited	Singapore	N/A	N/A	50	50	Singapore	Property development
Hutchison Whampoa Properties (Chengdu) Limited	The PRC	50	50	50	50	The PRC	Property development

## 11. INVESTMENTS AVAILABLE FOR SALE

	As at 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Listed investments			
Equity securities – listed in Hong Kong	3,139	3,208	4,716
Equity securities – listed outside Hong Kong	2,151	2,196	2,449
	5,290	5,404	7,165
Unlisted investments			
Equity securities	55	64	7
	5,345	5,468	7,172

## 12. STOCK OF PROPERTIES

	As at 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Properties for/under development	48,923	50,638	47,292
Joint development projects	29,746	27,420	21,903
Properties for sale	1,447	1,757	4,064
	80,116	79,815	73,259

Properties for/under development and joint development projects amounting to HK\$63,466 million, HK\$54,476 million and HK\$43,217 million were not scheduled for completion within twelve months at 31 December 2012, 2013 and 2014 respectively.

## 13. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Trade debtors	1,194	1,512	1,549
Loan receivables	21	13	13
Deposits, prepayments and others	342	306	248
	<u>1,557</u>	<u>1,831</u>	<u>1,810</u>

The Cheung Kong Property Group's trade debtors mainly comprise receivables for sales of properties and rental. 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 tenants.

At the year end dates, ageing analysis of the Cheung Kong Property Group's trade debtors was as follows:

	As at 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Current to one month	1,154	1,455	1,487
Two to three months	33	40	43
Over three months	7	17	19
	<u>1,194</u>	<u>1,512</u>	<u>1,549</u>

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

	As at 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Overdue within one month	47	111	47
Overdue for two to three months	26	34	39
Overdue over three months	7	17	18
	<u>80</u>	<u>162</u>	<u>104</u>

## 14. AMOUNTS DUE FROM/TO OTHER GROUP COMPANIES

Amounts due from CKH or its subsidiaries not formed part of the Group (the "Other Group Companies") were unsecured, interest-free and had no fixed terms of repayment. Amounts due to the Other Group Companies were unsecured had no fixed terms of repayment and interest-free, except for amounts of HK\$53,238 million, HK\$46,803 million and HK\$43,620 million at 31 December 2012, 2013 and 2014 respectively which carried interests at average rates of 2.2%, 2.5% and 2.5% per annum respectively.

## 15. CREDITORS AND ACCRUALS

	As at 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Trade creditors	2,575	1,082	1,618
Accruals and other creditors	2,526	2,684	2,884
Customers' deposits received	6,998	7,207	5,991
	<u>12,099</u>	<u>10,973</u>	<u>10,493</u>

At the year end dates, ageing analysis of the Cheung Kong Property Group's trade creditors was as follows:

	As at 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Current to one month	2,513	1,071	1,563
Two to three months	38	7	24
Over three months	24	4	31
	<u>2,575</u>	<u>1,082</u>	<u>1,618</u>

## 16. BORROWINGS

	As at 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Repayable			
within 1 year	300	–	250
after 1 year but not exceeding 2 years	–	250	50
after 2 years but not exceeding 5 years	315	360	300
	<u>615</u>	<u>610</u>	<u>600</u>
Less: Amounts classified under current liabilities	(300)	–	(250)
Amounts classified under non-current liabilities	<u>315</u>	<u>610</u>	<u>350</u>

Borrowings represent loans from joint venture, which are unsecured and interest bearing at prime rate per annum for the years ended 31 December 2012, 2013 and 2014 respectively. The amounts of total borrowings approximate their fair values as at 31 December 2012, 2013 and 2014.

## 17. DEFERRED TAX LIABILITIES

At 31 December 2012, 2013 and 2014:

- (a) deferred tax liabilities amounting to HK\$820 million, HK\$808 million and HK\$869 million were provided for accelerated tax depreciation respectively; HK\$14 million, HK\$36 million and HK\$35 million were provided for withholding tax on undistributed profits respectively; and HK\$(29) million, HK\$122 million and HK\$95 million were provided for other (deductible) taxable temporary differences respectively; and
- (b) unutilised tax losses and deductible temporary differences amounting to a total of HK\$2,205 million, HK\$2,555 million and HK\$2,479 million were not recognised respectively, of which HK\$2 million, nil and nil expires within 5 years respectively.

## 18. OPERATING LEASE

Analysis of future minimum lease income receivable by the Cheung Kong Property Group under non-cancellable operating leases, mainly on 2 to 3 year terms, for property rental at the year end dates is as follows:

	As at 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Future minimum lease income receivable			
not later than 1 year	1,725	1,633	1,202
later than 1 year but not later than 5 years	1,633	919	1,022
	<u>3,358</u>	<u>2,552</u>	<u>2,224</u>

Analysis of future minimum lease charges payable by the Cheung Kong Property Group under non-cancellable operating leases at the year end dates are as follows:

	As at 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Future minimum lease charges payable			
not later than 1 year	37	39	52
later than 1 year but not later than 5 years	27	29	30
	<u>64</u>	<u>68</u>	<u>82</u>

## 19. SEGMENT INFORMATION

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

	As at 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Hotel and serviced suite operation	306	294	282
Property and project management	7	7	4
	<u>313</u>	<u>301</u>	<u>286</u>

Other segmental information is set out in note 3.

## 20. COMMITMENTS

At 31 December 2012, 2013 and 2014, the Cheung Kong Property Group had capital commitments as follows:

### (a) Contracted but not provided for

	As at 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Acquisition of fixed assets	210	499	408
	<u>210</u>	<u>499</u>	<u>408</u>

### (b) Authorised but not contracted for

	As at 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Acquisition of fixed assets	5	5	–
Loan advances to joint ventures	–	398	3,925
Investment in joint ventures	–	–	380
	<u>5</u>	<u>403</u>	<u>4,305</u>

At 31 December 2012, 2013 and 2014, the minimum share of revenue undertaken by the Cheung Kong Property Group to be received by the partner of a joint development project amounted to HK\$612 million, HK\$600 million and HK\$588 million respectively.



**21. RELATED PARTY TRANSACTIONS**

Except as disclosed elsewhere in the Cheung Kong Property Group Financial Information, the Cheung Kong Property Group entered into transactions in the normal course of business with the Other Group Companies and related companies, details of the material ones were as follows:

	<b>Year ended 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>HK\$ million</b>
Interest expenses paid to the			
Other Group Companies (note 14)	1,035	1,206	1,142
Service fees paid to CKH (note 4)	971	836	892
	<u>          </u>	<u>          </u>	<u>          </u>

**22. FINANCIAL RISKS AND MANAGEMENT**

Financial assets and financial liabilities of the Cheung Kong Property Group include investments in securities, cash balances maintained for liquidity, trade receivables, loan receivables, trade creditors, borrowings, amounts due from/to the Other Group Companies and derivative financial instruments for investment and financial purposes. The Cheung Kong Property 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 Cheung Kong Property Group maintains a conservative approach on foreign exchange exposure management and ensure that their exposure to fluctuations in foreign exchange rates is minimised.

The Cheung Kong Property Group's borrowings and amounts due to the Other Group Companies are principally on a floating rate basis.

At 31 December 2012, 2013 and 2014, the Cheung Kong Property Group's borrowings were in Hong Kong Dollar ("HK\$") and their bank balances and deposits were mainly in HK\$.

**(b) Risk management**

Loan receivables normally carry interest at rates with reference to market 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. The Cheung Kong Property Group have legal rights to claim repossession of the properties in the event of default by purchasers/tenants. Regular review and follow-up actions are carried out on overdue amounts to minimise credit risk exposures. At the year end dates, overdue loan receivables and trade debtors were less than 2% of the Cheung Kong Property Group's profit for the years 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 dates, the Cheung Kong Property Group's investment revaluation reserve would increase/decrease by approximately HK\$267 million, HK\$273 million, and HK\$359 million and the Cheung Kong Property Group's profit for the years ended 31 December 2012, 2013 and 2014 would increase/decrease by approximately HK\$26 million, nil and nil respectively.

The Cheung Kong Property Group's borrowings and those amounts due to the Other Group Companies carrying interest on floating rate basis are exposed to interest rate fluctuation. It is estimated that an increase/a decrease of 1 % in interest rates would increase/decrease the Cheung Kong Property Group's finance costs for the years ended 31 December 2012, 2013 and 2014 by approximately HK\$405 million, HK\$401 million and HK\$375 million respectively, assuming the change in interest rates had been applied to the Cheung Kong Property Group's relevant amounts due to the Other Group Companies and borrowings at the year end dates which were kept constant throughout the relevant year, and the amount of finance costs capitalised would increase/decrease by approximately HK\$174 million, HK\$163 million and HK\$130 million based on the proportion of finance cost capitalised during the year.

**(c) Liquidity management**

The Cheung Kong Property Group monitors their liquidity requirements on a short to medium-term basis and arranges refinancing of the Cheung Kong Property Group's borrowings as appropriate. With cash and marketable securities in hand, the Cheung Kong Property Group's liquidity positions remain strong and the Cheung Kong Property Group have sufficient financial resources to satisfy their commitments and working capital requirements.

Contractual obligations of creditors and derivative financial instruments mature within one year from the year ended dates. Amounts due to the Other Group Companies had no fixed terms of repayment. The contractual undiscounted cash flows (including interest payments computed at rates at the year end dates) of the Cheung Kong Property Group's borrowings by contractual maturities at the respective year end dates were as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
	HK\$ million	HK\$ million	HK\$ million
Within 1 year	329	30	279
After 1 year but not exceeding 2 years	16	280	66
After 2 years but not exceeding 5 years	330	404	328
	<u>675</u>	<u>714</u>	<u>673</u>

**23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

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 Cheung Kong Property Group's results for the years and financial position at the year end dates.

An analysis of the Cheung Kong Property 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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
<b>At 31 December 2012</b>				
<i>Financial assets</i>				
Investments available for sale				
– Equity securities	<u>5,290</u>	<u>–</u>	<u>55</u>	<u>5,345</u>
<i>Financial liabilities</i>				
Derivative financial instruments	<u>–</u>	<u>(518)</u>	<u>–</u>	<u>(518)</u>
<b>At 31 December 2013</b>				
<i>Financial assets</i>				
Investments available for sale				
– Equity securities	<u>5,404</u>	<u>–</u>	<u>64</u>	<u>5,468</u>
<b>At 31 December 2014</b>				
<i>Financial assets</i>				
Investments available for sale				
– Equity securities	<u>7,165</u>	<u>–</u>	<u>7</u>	<u>7,172</u>

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
	HK\$ million	HK\$ million	HK\$ million
Fair value at 1 January	45	55	64
Gain/(loss) in fair value recognised in other comprehensive income	10	9	(45)
Disposal during the year	–	–	(12)
Fair value at 31 December	<u>55</u>	<u>64</u>	<u>7</u>

#### 24. CAPITAL MANAGEMENT

The Cheung Kong Property Group manage their capital to ensure that they will be able to continue as a going concern while maximising returns to the shareholders of the Cheung Kong Property Group through the optimisation of debt and equity balances. The capital structure of the Cheung Kong Property Group consists of borrowings as detailed in note 16, amounts due to the Other Group Companies, bank balances and deposits, shareholders' funds (comprising combined capital and reserves) and non-controlling interests as detailed in the combined statement of financial position. The management of Cheung Kong Property Group reviews their capital structure on a regular basis to maintain an optimal capital structure.

#### 25. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Cheung Kong Property Group, none of them were directors and chief executive. Emoluments of these individuals were as follows:

	<u>Year ended 31 December</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	HK\$ million	HK\$ million	HK\$ million
Salaries and other benefits	22	23	24
Contributions to pension schemes	1	1	1
Share-based payment expense	–	–	–
Discretionary and performance related incentive payments	6	8	7
Incentive paid on joining	–	–	–
Compensation for loss of office paid: Contractual	–	–	–
Other	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>

The emoluments of the above individuals were within the following bands:

	<u>Year ended 31 December</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	No. of employee	No. of employee	No. of employee
HK\$2,500,001 – HK\$3,000,000	–	–	1
HK\$3,500,001 – HK\$ 4,000,000	1	1	–
HK\$4,000,001 – HK\$ 4,500,000	2	–	–
HK\$4,500,001 – HK\$ 5,000,000	–	2	–
HK\$5,000,001 – HK\$ 5,500,000	–	–	2
HK\$5,500,001 – HK\$ 6,000,000	1	–	–
HK\$6,500,001 – HK\$ 7,000,000	–	1	1
HK\$11,500,001 – HK\$ 12,000,000	1	–	–
HK\$12,000,001 – HK\$ 12,500,000	–	1	–
HK\$12,500,001 – HK\$ 13,000,000	–	–	1
	<u>5</u>	<u>5</u>	<u>5</u>

#### 26. COMBINED CAPITAL

The Cheung Kong Property Group's combined capital as at each year end dates represents the aggregate of the share capital of all the companies comprising the Cheung Kong Property Group after elimination of inter-company investments.

**27. IMMEDIATE/ULTIMATE HOLDING COMPANY**

At the date of this report, the directors of CK Property consider that CK Hutchison Holdings Limited to be the immediate holding company and the ultimate holding company of Cheung Kong Property Group.

**III. EVENTS AFTER THE REPORTING PERIOD**

In March 2015, the Cheung Kong Property Group paid a dividend of HK\$131 million to its shareholders. Such dividend was not accounted for in the Cheung Kong Property Group Financial Information during the Relevant Periods.

**IV. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by any of the companies now comprising the Cheung Kong Property Group in respect of any period subsequent to 31 December 2014 up to the date of this report. Save as disclosed above, no dividend or distribution has been declared or made by CK Property or any of the companies now comprising the Cheung Kong Property Group in respect of any period subsequent to 31 December 2014.

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

*The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Hutchison Property Group, for the purpose of incorporation in this document.*

**Deloitte.**  
**德勤**

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31 March 2015

The Directors  
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7th Floor, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

The Directors  
CK Global Investments Limited  
East Asia Corporate Services (BVI) Limited  
East Asia Chambers  
P.O. Box 901  
Road Town, Tortola  
British Virgin Islands

The Directors  
Hutchison Whampoa Limited  
22nd Floor, Hutchison House  
10 Harcourt Road  
Hong Kong

Dear Sirs,

We set out below our report on the financial information of the property and hotel businesses of Hutchison Whampoa Limited (“HWL”) and its subsidiaries (collectively referred to as the “Hutchison Property Group” or the “Group”) (the “Hutchison Property Group Financial Information”), which will be reorganised and held by Cheung Kong Property Holdings Limited (“CK Property”) upon completion of the proposed reorganisation mentioned below, for each of the three years ended 31 December 2012, 2013 and 2014 (the “Relevant Periods”) for inclusion in the scheme document with the title of (1) Merger proposal – (A) Proposed share exchange offer to the scheme shareholders for the cancellation of all the scheme shares by way of a scheme of arrangement of Hutchison Whampoa Limited under the Companies Ordinance; and (B) Husky share exchange as a special deal under Rule 25 of The Takeovers Code in relation to the Hutchison Proposal and (2) Proposal for re-election of retiring director jointly issued by CK Hutchison Holdings Limited (“CKH Holdings”), CK Global Investments Limited and HWL dated 31 March 2015 (the “Scheme Document”).

CK Property was incorporated and registered as an exempted company in the Cayman Islands under the Cayman Islands Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 2 January 2015 with limited liability. CK Property, which is currently a wholly-owned subsidiary of CKH Holdings, is an investment holding company and has not carried on any business except for equity transactions and preparation for the listing by way of introduction of the entire issued share capital of CK Property on the Main Board of The Stock Exchange of Hong Kong Limited, subject to a number of conditions precedent, as described in “Appendix VII – Information on the CK Property Group and the Spin-off Proposal” and approval of The Stock Exchange of Hong Kong Limited and/or other regulators since its incorporation.

Pursuant to a group reorganisation to rationalise the group structure of the Hutchison Property Group, HWPL Holdings Limited, a company incorporated on 20 November 2014 in the British Virgin Islands with limited liability, will become the holding company of the companies comprising the Hutchison Property Group (the “Proposed Reorganisation”).

At the date of this report and during the Relevant Periods, the particulars of the companies comprising the Hutchison Property Group, all of which are companies with limited liabilities, are as follows:

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group at				Date of report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
<b>Subsidiary companies</b>										
Bahama Reef Limited . . . . .	The Bahamas	24 April 1997	100%	100%	100%	100%	Ordinary US\$5,000	The Bahamas	Property ownership and investment	
Bahamas Golf Holdings Limited . . . . .	The Bahamas	27 March 2007	100%	100%	100%	100%	Ordinary US\$2	Note (a)	Investment holding	
Golf Club Holdings Limited . . . . .	The Bahamas	27 March 2007	100%	100%	100%	100%	Ordinary US\$2	Note (a)	Investment holding	
Hutchison Development (Bahamas) Limited . . . . .	The Bahamas	19 November 1997	100%	100%	100%	100%	Ordinary BS2	The Bahamas	Property ownership and investment	
Hutchison Lucaya Limited . . . . .	The Bahamas	24 April 1997	100%	100%	100%	100%	Ordinary US\$5,000	The Bahamas	Hotel ownership and operation	
Island Resorts Holdings Limited . . . . .	The Bahamas	27 March 2007	100%	100%	100%	100%	Ordinary US\$2	Note (a)	Investment holding	
Lucaya Golf Club Limited . . . . .	The Bahamas	24 April 1997	100%	100%	100%	100%	Ordinary US\$5,000	The Bahamas	Property ownership and investment	
Trillium Investment Limited . . . . .	The Bahamas	29 September 1980	100%	100%	100%	100%	Ordinary US\$1,060,000	Hong Kong	Property ownership and investment	
E-S Pacific Development and Construction Company Limited . . . . .	Bermuda	13 August 1979	100%	100%	100%	100%	Ordinary US\$12,000	Note (a)	Investment holding	
Aicom Assets Limited . . . . .	British Virgin Islands	25 October 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Alpachina Limited . . . . .	British Virgin Islands	25 March 1996	100%	100%	100%	100%	Ordinary US\$10	Hong Kong	Investment holding	
Alpino Investments Limited . . . . .	British Virgin Islands	2 June 2010	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Armery Limited . . . . .	British Virgin Islands	6 October 1989	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Asian Wide Resources Limited . . . . .	British Virgin Islands	5 January 1995	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Astrolin Investments Limited . . . . .	British Virgin Islands	16 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Backporch Limited . . . . .	British Virgin Islands	20 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Ballston Profits Limited . . . . .	British Virgin Islands	8 April 2002	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Baysa Properties Limited . . . . .	British Virgin Islands	13 March 1996	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Beautifloral Limited . . . . .	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Bengal Developments Limited . . . . .	British Virgin Islands	29 November 1994	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Berwell Holdings Limited . . . . .	British Virgin Islands	14 December 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
BVI Concord Holdings Limited . . . . .	British Virgin Islands	29 September 1994	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Cactus Holdings Limited . . . . .	British Virgin Islands	4 November 1991	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Cantec Properties Limited . . . . .	British Virgin Islands	28 March 1996	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Caseright Limited . . . . .	British Virgin Islands	3 January 1997	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Cayley Estate Management (China) Limited . . . . .	British Virgin Islands	25 March 1997	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Centiflex Investments Limited . . . . .	British Virgin Islands	26 April 1994	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Cheetan Properties Limited . . . . .	British Virgin Islands	13 March 1996	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Childwise Holdings Limited . . . . .	British Virgin Islands	8 March 2000	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Coboton Limited . . . . .	British Virgin Islands	27 April 1999	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Continental Estate Agency Limited . . . . .	British Virgin Islands	13 December 2007	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Inactive company	
Continental Project Management Limited . . . . .	British Virgin Islands	22 November 2007	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Inactive company	
Coowin Enterprises Limited . . . . .	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Corprise Limited . . . . .	British Virgin Islands	4 January 1999	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Inactive company	
Cothill Developments Limited . . . . .	British Virgin Islands	3 December 2004	100%	100%	100%	100%	Ordinary US\$12	Note (a)	Investment holding	
Cottage Enterprises Limited . . . . .	British Virgin Islands	8 March 2000	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Coworld Investments Limited . . . . .	British Virgin Islands	26 November 2004	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Creator Limited . . . . .	British Virgin Islands	10 January 1996	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Crystal Full Investments Limited . . . . .	British Virgin Islands	18 January 2008	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Dalecourt Investments Limited . . . . .	British Virgin Islands	8 January 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Dessingburn Limited . . . . .	British Virgin Islands	29 November 1995	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Devinity Limited . . . . .	British Virgin Islands	3 January 1997	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Doncaster International Limited . . . . .	British Virgin Islands	14 December 1993	51%	51%	51%	51%	Ordinary US\$80,882	Note (a)	Inactive company	

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group at				Date of report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
Dovecote Limited . . . . .	British Virgin Islands	26 November 1991	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Dynamic Properties Limited . . . . .	British Virgin Islands	28 March 1996	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Earswick Investments Limited . . . . .	British Virgin Islands	8 May 2003	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Easewin Company Limited . . . . .	British Virgin Islands	24 November 1992	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Elpin Enterprises Limited . . . . .	British Virgin Islands	16 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Eraelite Limited . . . . .	British Virgin Islands	20 October 2004	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Fairvale Profits Limited . . . . .	British Virgin Islands	16 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Fentilla Investments Limited . . . . .	British Virgin Islands	28 March 2007	100%	100%	100%	100%	Ordinary US\$10	Note (a)	Investment holding	
Ferrensbay Limited . . . . .	British Virgin Islands	23 November 1999	100%	100%	100%	100%	Ordinary US\$4	Note (a)	Investment holding	
Findwest Investments Limited . . . . .	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Fine Run Limited . . . . .	British Virgin Islands	13 June 2007	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Firerose Limited . . . . .	British Virgin Islands	26 November 1991	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Flowsuite Limited . . . . .	British Virgin Islands	20 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Galmon Investments Limited . . . . .	British Virgin Islands	16 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Gima Properties Limited . . . . .	British Virgin Islands	13 March 1996	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Glass Flower Investments Limited . . . . .	British Virgin Islands	30 January 2006	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Goalpost Limited . . . . .	British Virgin Islands	8 August 2008	70%	70%	70%	70%	Ordinary US\$100	Note (a)	Investment holding	
Goveram Limited . . . . .	British Virgin Islands	8 February 2007	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Greatrait Holdings Limited . . . . .	British Virgin Islands	24 June 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hadida Investments Limited . . . . .	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Happy Lion Ventures Ltd. . . . .	British Virgin Islands	5 February 1992	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Happy Magic Enterprises Inc. . . . .	British Virgin Islands	27 February 1992	100%	100%	100%	100%	Ordinary US\$25	Note (a)	Investment holding	
HCL Property Investments Limited . . . . .	British Virgin Islands	12 September 2006	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Headquarter Enterprises Limited . . . . .	British Virgin Islands	16 March 2000	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Heathcliff Developments Limited . . . . .	British Virgin Islands	29 November 1994	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Heronhurst Limited . . . . .	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hillwatch Limited . . . . .	British Virgin Islands	26 November 1981	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Holylake Properties Limited . . . . .	British Virgin Islands	30 March 1994	100%	100%	100%	100%	Ordinary US\$1	Hong Kong	Property ownership and investment	
Homeway Company Ltd. . . . .	British Virgin Islands	2 July 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
HPL Finance Limited . . . . .	British Virgin Islands	10 October 2011	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Inactive company	
HPL Property Investments Limited . . . . .	British Virgin Islands	15 December 2000	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
HPS Limited . . . . .	British Virgin Islands	8 December 1999	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hutchison Bahamas Property Holdings Limited . . . . .	British Virgin Islands	21 November 2014	N/A	N/A	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hutchison China Property Holdings Limited . . . . .	British Virgin Islands	21 November 2014	N/A	N/A	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hutchison Consolidated Hotels Limited. . . . .	British Virgin Islands	21 November 2014	N/A	N/A	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hutchison Estate Management (China) Limited . . . . .	British Virgin Islands	26 April 1994	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hutchison Estate Management (Shanghai) Limited . . . . .	British Virgin Islands	18 March 1999	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hutchison Hong Kong Hotels Holdings Limited . . . . .	British Virgin Islands	20 November 2014	N/A	N/A	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hutchison Hong Kong Property Holdings Limited . . . . .	British Virgin Islands	20 November 2014	N/A	N/A	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hutchison Hotels Holdings (International) Limited. . . . .	British Virgin Islands	1 December 1997	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hutchison International Hotels Limited . . . . .	British Virgin Islands	2 January 1991	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hutchison LR Development Limited . . . . .	British Virgin Islands	8 September 2000	90%	90%	90%	90%	Ordinary US\$100	Note (a)	Investment holding	
Hutchison Property Group Limited . . . . .	British Virgin Islands	17 November 2014	N/A	N/A	100%	100%	Ordinary US\$1	Hong Kong	Provision of management services	
Hutchison Ports Properties Limited. . . . .	British Virgin Islands	12 November 1996	100%	100%	100%	100%	Ordinary US\$10	Note (a)	Investment holding	
Hutchison PT Limited . . . . .	British Virgin Islands	21 November 2014	N/A	N/A	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hutchison REIT Holdings Limited . . . . .	British Virgin Islands	19 November 2014	N/A	N/A	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hutchison Singapore Property Holdings Limited . . . . .	British Virgin Islands	21 November 2014	N/A	N/A	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hutchison UK Property Holdings Limited . . . . .	British Virgin Islands	21 November 2014	N/A	N/A	100%	100%	Ordinary US\$1	Note (a)	Investment holding	

**APPENDIX IXB**

**ACCOUNTANTS' REPORT ON  
THE HUTCHISON PROPERTY GROUP**

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group at				Date of report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
Hutchison Whampoa Building Services Limited	British Virgin Islands	25 July 1995	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Inactive company	
Hutchison Whampoa Estate Management (China) Limited	British Virgin Islands	20 April 1994	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Hutchison Whampoa Project Management (Bahamas) Limited	British Virgin Islands	18 June 1997	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Inactive company	
Hutchville Investments Limited	British Virgin Islands	12 January 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
HWCL Property Investments Limited	British Virgin Islands	8 February 2001	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
HWP Finance Limited	British Virgin Islands	21 December 2006	100%	100%	100%	100%	Ordinary US\$1	British Virgin Islands	Finance company	
HWPL Holdings Limited	British Virgin Islands	20 November 2014	N/A	N/A	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
HWPL Hong Kong Holdings Limited	British Virgin Islands	19 November 2014	N/A	N/A	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Iambic Investments Limited	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Iceville Limited	British Virgin Islands	8 May 1997	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Intellitrade Limited	British Virgin Islands	12 November 2004	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Irontime Investments Limited	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Japuri Limited	British Virgin Islands	8 February 2007	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Joinpower Holdings Ltd.	British Virgin Islands	25 November 1992	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Julian Profits Limited	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Kamenka Limited	British Virgin Islands	3 January 1997	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Kelo Properties Limited	British Virgin Islands	13 March 1996	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Kinaleck Limited	British Virgin Islands	2 August 2007	100%	100%	100%	100%	Ordinary US\$10	Note (a)	Inactive Company	
Kimmount Investments Limited	British Virgin Islands	15 October 1987	100%	100%	100%	100%	Ordinary US\$3	Note (a)	Investment holding	
Knebworth Limited	British Virgin Islands	10 October 1995	100%	100%	100%	100%	Ordinary US\$3	British Virgin Islands	Finance company	
Lanehurst Investments Limited	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Lavonna Holdings Limited	British Virgin Islands	20 April 1994	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Leadmace Investments Limited (disposed in 2013)	British Virgin Islands	27 April 1993	100%	N/A	N/A	N/A	N/A	Note (a)	Investment holding	
Leggate Limited	British Virgin Islands	16 March 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Lidcombe Limited	British Virgin Islands	16 August 1995	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Lignite Investments Limited	British Virgin Islands	3 May 1994	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Lochin Assets Limited	British Virgin Islands	13 December 1994	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Lushgreen Investments Limited	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Luxfield Limited	British Virgin Islands	28 August 1996	70%	70%	70%	70%	Ordinary US\$100	Note (a)	Investment holding	
Macedonia Limited	British Virgin Islands	3 January 1997	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Max Crystal Limited	British Virgin Islands	2 January 1998	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Meterfield Limited	British Virgin Islands	8 August 2008	70%	70%	70%	70%	Ordinary US\$100	Note (a)	Investment holding	
Mindstep Investments Limited	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Mingcourt Profits Limited	British Virgin Islands	16 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Mion Investments Limited	British Virgin Islands	30 March 1994	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Moonstruck Company Limited	British Virgin Islands	2 October 1989	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Munkton Limited	British Virgin Islands	5 July 1994	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Nagano Limited	British Virgin Islands	2 January 1991	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Inactive company	
Neatside Assets Limited	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
New Atkinson Investments Limited	British Virgin Islands	2 February 2005	100%	100%	100%	100%	Ordinary US\$10	Note (a)	Investment holding	
New Case Limited	British Virgin Islands	2 January 1991	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
New Hansen Investments Limited	British Virgin Islands	31 March 2005	100%	100%	100%	100%	Ordinary US\$10	Note (a)	Investment holding	
Northpier Enterprises Limited	British Virgin Islands	13 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Nzuki Investments Limited	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Oakshire Investments Limited	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	



Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group at				Date of report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
Oulette Limited	British Virgin Islands	30 January 2007	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Overath Limited	British Virgin Islands	2 January 1991	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Pacific Property Net Limited	British Virgin Islands	12 October 2000	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Palmbrook Investments Limited	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Peakchase Investments Limited	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Peakview Limited	British Virgin Islands	22 January 1998	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Pencester Resources Limited	British Virgin Islands	17 August 2001	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Penniwest Enterprises Limited	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Perfect Tune Limited	British Virgin Islands	18 February 1998	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Ploverarm Limited	British Virgin Islands	3 July 1996	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Purepearl Limited	British Virgin Islands	3 January 1997	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Queensfield Limited	British Virgin Islands	18 February 1998	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Quickmart Investments Limited	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Qulbro Trading Limited	British Virgin Islands	2 March 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Raborn Investments Limited	British Virgin Islands	13 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Radiant Pearl Limited	British Virgin Islands	5 May 1998	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Rhine Rise Limited (disposed in 2013)	British Virgin Islands	7 January 1992	100%	N/A	N/A	N/A	N/A	Note (a)	Investment holding	
Riberio Investments Limited	British Virgin Islands	29 November 1994	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Ritello Limited	British Virgin Islands	3 January 1997	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
River Best Limited	British Virgin Islands	20 April 2009	70%	70%	70%	70%	Ordinary US\$100	Note (a)	Investment holding	
Robtek Investments Limited	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Robust International Limited	British Virgin Islands	5 July 1995	100%	100%	100%	100%	Ordinary US\$10	Note (a)	Investment holding	
Ruotolo Investments Limited	British Virgin Islands	5 July 1994	60%	60%	60%	60%	Ordinary US\$10	Note (a)	Investment holding	
Seddon Developments Limited	British Virgin Islands	4 January 1994	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Septron Properties Limited	British Virgin Islands	28 March 1996	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Sharbara Limited	British Virgin Islands	30 January 2007	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Shrewd Century Limited	British Virgin Islands	2 May 2001	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Inactive company	
Sialake High Limited	British Virgin Islands	30 September 1999	100%	100%	100%	100%	Ordinary US\$4	Note (a)	Investment holding	
Sinex Properties Limited	British Virgin Islands	28 March 1996	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Sino Summit Global Limited	British Virgin Islands	4 December 2013	N/A	95%	95%	95%	Ordinary US\$100	Note (a)	Investment holding	
Smart Faith Developments Limited	British Virgin Islands	3 September 2004	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Smart Planet Limited	British Virgin Islands	1 March 2011	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Steveland Investments Limited	British Virgin Islands	23 March 2005	100%	100%	100%	100%	Ordinary US\$10	Note (a)	Investment holding	
Swartberg Limited	British Virgin Islands	3 August 2006	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Swayfield Limited	British Virgin Islands	18 August 2008	70%	70%	70%	70%	Ordinary US\$100	Note (a)	Investment holding	
Tesseyman Limited	British Virgin Islands	27 April 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Upper Speed Limited	British Virgin Islands	2 December 2005	100%	100%	100%	100%	Ordinary US\$100	Note (a)	Investment holding	
Validhalt Investments Limited	British Virgin Islands	22 March 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Viewin Holdings Limited	British Virgin Islands	26 February 1993	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Inactive company	
Viewsun Company Limited	British Virgin Islands	27 August 1992	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Wellming Properties Limited	British Virgin Islands	18 June 1999	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Whittall Way Limited	British Virgin Islands	5 January 2000	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Whittle Properties Limited	British Virgin Islands	13 March 1996	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Wide Option Investments Limited	British Virgin Islands	12 August 2005	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Wilton Place Limited	British Virgin Islands	30 November 1999	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Win World Corporation	British Virgin Islands	18 June 1992	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Winfast Investments Limited	British Virgin Islands	18 June 1992	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Winfield Profits Limited	British Virgin Islands	22 October 1998	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Wiscon Properties Limited	British Virgin Islands	28 March 1996	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Wordflex Limited	British Virgin Islands	20 December 1990	100%	100%	100%	100%	Ordinary US\$1	Hong Kong	Investment holding	
Yanter Services Limited	British Virgin Islands	2 January 1991	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Investment holding	
Whampooproperty Limited	Cayman Islands	20 November 2000	100%	100%	100%	100%	Ordinary US\$1	Note (a)	Inactive company	
15MR Limited	Hong Kong	27 August 2014	N/A	N/A	39%	39%	Ordinary HK\$1	Note (a)	Inactive company	

**APPENDIX IXB**

**ACCOUNTANTS' REPORT ON  
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Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group at				Date of report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
Aberdeen Commercial Investments Limited	Hong Kong	3 December 1991	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Alona Limited	Hong Kong	5 December 2006	70%	70%	70%	70%	Ordinary HK\$20	Hong Kong	Property ownership and investment	
Ambridge Investments Limited	Hong Kong	28 October 1986	100%	100%	100%	100%	Ordinary HK\$10,000	Hong Kong	Property ownership and investment	
Autoguide Limited	Hong Kong	26 May 1981	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Provision of air-conditioning services	
Baba Properties Limited	Hong Kong	9 February 1993	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Blue Point Investment Limited	Hong Kong	3 June 1993	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Bruckner Limited	Hong Kong	7 February 1992	100%	100%	100%	100%	Ordinary HK\$5,000,000	Hong Kong	Provision of consulting and advisory services	
Bymoon Limited	Hong Kong	28 November 1980	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Provision of management and agency services	
Carino Ford Limited	Hong Kong	1 June 1993	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Cavendish Hotels (Holdings) Limited	Hong Kong	3 January 1973	51%	51%	51%	51%	Ordinary HK\$100,000,000	Note (a)	Investment holding	
Cavendish Property Development Limited	Hong Kong	15 January 1973	100%	100%	100%	100%	Ordinary HK\$980 and deferred HK\$20	Hong Kong	Property sales, ownership and investment	
Cayley Property Management Limited	Hong Kong	24 August 1982	100%	100%	100%	100%	Ordinary HK\$500,000	Hong Kong	Property management	
Cayley Security Company Limited	Hong Kong	16 May 1986	100%	100%	100%	100%	Ordinary HK\$1,000,000	Hong Kong	Provision of security services	
China Provident Development Company Limited	Hong Kong	6 August 1971	100%	100%	100%	100%	Ordinary HK\$500,020	Hong Kong	Property ownership and investment	
Clifton Properties Limited (disposed in 2013)	Hong Kong	8 January 1980	100%	N/A	N/A	N/A	N/A	Hong Kong	Property ownership and investment	
Consolidated Hotels Limited	Hong Kong	25 November 1969	39%	39%	39%	39%	Ordinary HK\$78,000,000	Hong Kong	Hotel ownership and operation	
Darwin Investments Limited	Hong Kong	28 October 1986	100%	100%	100%	100%	Ordinary HK\$10,000	Hong Kong	Property ownership and investment	
Deroma Limited	Hong Kong	7 April 1989	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Dinaland Limited	Hong Kong	26 March 1996	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Dragon View Resources Limited	Hong Kong	12 October 2001	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Elbe Office Investments Limited	Hong Kong	11 December 1990	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
E-S Pacific Development and Construction (HK) Company Limited	Hong Kong	21 August 2007	100%	100%	100%	100%	Ordinary HK\$1,000,000	Note (a)	Investment holding	
Estoril Court Management Company Limited	Hong Kong	13 October 1981	80%	80%	80%	80%	Ordinary HK\$10,000	Hong Kong	Property management	
FortWay Finance Limited	Hong Kong	3 October 1980	100%	100%	100%	100%	Ordinary HK\$4,000,000	Hong Kong	Finance company	
Foxton Investments Limited	Hong Kong	23 June 1972	100%	100%	100%	100%	Ordinary HK\$10,000	Hong Kong	Property ownership and investment	
Glenfuir Investments Limited	Hong Kong	30 March 1973	100%	100%	100%	100%	Ordinary HK\$1,000,000	Hong Kong	Property ownership and investment	
Grafton Properties Limited	Hong Kong	27 August 1975	100%	100%	100%	100%	Ordinary HK\$100,000	Hong Kong	Property ownership and investment	
Great Dynasty Enterprises Limited	Hong Kong	22 March 2000	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Harbourfront Landmark Premium Services Limited	Hong Kong	23 October 1981	100%	100%	100%	100%	Ordinary HK\$245,002	Hong Kong	Property management	
Hina Tor Limited	Hong Kong	1 June 1993	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	

**APPENDIX IXB**

**ACCOUNTANTS' REPORT ON  
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Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group at			Date of report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
			2012	2013	2014				
Hongville Limited . . . . .	Hong Kong	12 January 1993	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment
Hunghom Bay Commercial Investments Limited . . . . .	Hong Kong	3 December 1991	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment
Hutchison Estate Agents (Mestoni) Limited . . . . .	Hong Kong	15 February 1996	100%	100%	100%	100%	Ordinary HK\$20	Hong Kong	Provision of leasing agency service
Hutchison Estate Agents (Tung Well) Limited . . . . .	Hong Kong	1 April 1998	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Provision of sales agency services
Hutchison Estate Agents Limited . . . . .	Hong Kong	26 February 1971	100%	100%	100%	100%	Ordinary HK\$50,000	Hong Kong	Property agency
Hutchison Hotel Hong Kong Limited . . . . .	Hong Kong	19 October 1990	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Hotel ownership and operation
Hutchison Hotels (Holdings) Limited . . . . .	Hong Kong	26 February 1971	100%	100%	100%	100%	Ordinary HK\$43,960,000	Note (a)	Investment holding
Hutchison Logistics Centre Management Limited . . . . .	Hong Kong	28 April 1989	100%	100%	100%	100%	Ordinary HK\$10,000	Hong Kong	Property management
Hutchison Premium Services (HK) Limited . . . . .	Hong Kong	10 November 1994	100%	100%	100%	100%	Ordinary HK\$20	Hong Kong	Development and operation of internet portal and provision of administrative services
Hutchison Premium Services Limited . . . . .	Hong Kong	24 January 1995	100%	100%	100%	100%	Ordinary HK\$20	Hong Kong	Provision of administrative services
Hutchison Whampoa Estate Management (Tino Level) Limited . . . . .	Hong Kong	1 June 1993	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Provision of property management consulting services
Hutchison Whampoa Project Management (Livia Winbo) Limited . . . . .	Hong Kong	1 June 1993	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Provision of project management services
Hutchison Whampoa Properties (Management & Agency) Limited . . . . .	Hong Kong	7 June 1994	100%	100%	100%	100%	Ordinary HK\$20	Hong Kong	Provision of project management services
Hutchison Whampoa Property Consultants Limited . . . . .	Hong Kong	5 January 1995	100%	100%	100%	100%	Ordinary HK\$20	Hong Kong	Provision of consultancy services
HWP Finance (Hong Kong) Limited . . . . .	Hong Kong	8 April 2005	100%	100%	100%	100%	Ordinary HK\$1	Hong Kong	Finance company
HWP Finance (Hong Kong) No. 2 Limited . . . . .	Hong Kong	27 April 2006	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Finance company
HWP Finance (Hong Kong) No. 3 Limited . . . . .	Hong Kong	3 December 2012	100%	100%	100%	100%	Ordinary HK\$1	Hong Kong	Finance company
Hybonia Limited . . . . .	Hong Kong	15 February 1996	100%	100%	100%	100%	Ordinary HK\$20	Hong Kong	Property ownership and investment
Impromptu Limited . . . . .	Hong Kong	17 February 1994	100%	100%	100%	100%	Ordinary HK\$20	Hong Kong	Property ownership and investment
Island Mark Limited . . . . .	Hong Kong	26 March 1996	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment
Juli May Limited . . . . .	Hong Kong	1 June 1993	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment
Juno Cliff Limited (disposed in 2013) . . . . .	Hong Kong	1 June 1993	100%	N/A	N/A	N/A	N/A	Hong Kong	Property ownership and investment
Juno Investments Limited . . . . .	Hong Kong	5 March 1971	100%	100%	100%	100%	Ordinary HK\$10,000	Hong Kong	Property ownership and investment
Keneford Investment Limited . . . . .	Hong Kong	28 April 1994	100%	100%	100%	100%	Ordinary HK\$5,000,000	Note (a)	Investment holding
Kingsmill Properties Limited . . . . .	Hong Kong	31 December 1971	100%	100%	100%	100%	Ordinary HK\$105,000,000	Note (a)	Inactive company
Kin Shing Realty Limited . . . . .	Hong Kong	8 September 1972	100%	100%	100%	100%	Ordinary HK\$3,190,000	Hong Kong	Provision of management and agency service
Kung Hei Investment Limited . . . . .	Hong Kong	26 March 1996	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment
Lynnore Limited . . . . .	Hong Kong	15 February 1996	100%	100%	100%	100%	Ordinary HK\$20	Hong Kong	Property ownership and investment
Marvel Front Limited . . . . .	Hong Kong	13 June 2008	70%	70%	70%	70%	Ordinary HK\$20	Hong Kong	Property ownership and investment

**APPENDIX IXB**

**ACCOUNTANTS' REPORT ON  
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Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group at				Date of report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
Matrica Limited . . . . .	Hong Kong	3 October 1996	70%	70%	70%	70%	Ordinary HK\$20	Hong Kong	Hotel ownership and operation	
Minto Properties Limited . . . . .	Hong Kong	2 March 1993	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
More Faith Limited . . . . .	Hong Kong	26 March 1996	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Mossburn Investments Limited . . . . .	Hong Kong	4 September 1979	100%	100%	100%	100%	Ordinary HK\$1,000	Hong Kong	Property ownership and investment	
Omaha Investments Limited . . . . .	Hong Kong	28 October 1986	100%	100%	100%	100%	Ordinary HK\$2,000	Hong Kong	Property owning	
Oregon Investments Limited . . . . .	Hong Kong	28 October 1986	100%	100%	100%	100%	Ordinary HK\$10,000	Hong Kong	Property ownership and investment	
Pacific Property Limited . . . . .	Hong Kong	10 February 1999	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Development and operation of internet portal, property agency services	
Pacific Property Net Limited . . . . .	Hong Kong	15 January 1997	100%	100%	100%	100%	Ordinary HK\$20	Note (a)	Inactive company	
Palliser Investments Limited . . . . .	Hong Kong	11 September 1979	100%	100%	100%	100%	Ordinary HK\$100,000	Hong Kong	Property ownership and investment	
Patstreet Property Limited . . . . .	Hong Kong	26 January 1973	100%	100%	100%	100%	Ordinary HK\$100,000	Note (a)	Inactive company	
Pelista Limited . . . . .	Hong Kong	15 February 1996	100%	100%	100%	100%	Ordinary HK\$20	Hong Kong	Property ownership and investment	
Pinkett Limited . . . . .	Hong Kong	28 November 1980	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property sales, ownership and investment	
Po Tak Lee Investments Limited . . . . .	Hong Kong	25 August 1972	100%	100%	100%	100%	Ordinary HK\$100,000	Note (a)	Inactive company	
Pogust Limited . . . . .	Hong Kong	1 June 1993	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Portwave Limited . . . . .	Hong Kong	31 January 1989	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Promotal Limited . . . . .	Hong Kong	7 July 1989	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Project management	
Prosper Charm Limited . . . . .	Hong Kong	3 June 2009	70%	70%	70%	70%	Ordinary HK\$20	Note (a)	Inactive company	
Prostric Limited . . . . .	Hong Kong	30 June 1981	100%	100%	100%	100%	Ordinary HK\$2	Note (a)	Inactive company	
Provident Commercial Investments Limited . . . . .	Hong Kong	3 December 1991	100%	100%	100%	100%	Ordinary HK\$2	Note (a)	Inactive company	
Quibonet Limited . . . . .	Hong Kong	26 January 1995	100%	100%	100%	100%	Ordinary HK\$20	Hong Kong	Finance company	
Rhine Office Investments Limited . . . . .	Hong Kong	8 January 1991	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Richmond Investments Limited . . . . .	Hong Kong	28 October 1986	100%	100%	100%	100%	Ordinary HK\$10,000	Hong Kong	Property ownership and investment	
Rise Champ Investments Limited . . . . .	Hong Kong	23 April 2008	100%	100%	100%	100%	Ordinary HK\$1	Note (a)	Investment holding	
Sandoran Limited . . . . .	Hong Kong	15 February 1996	100%	100%	100%	100%	Ordinary HK\$20	Hong Kong	Property ownership and investment	
Shepherd Investments Limited . . . . .	Hong Kong	20 July 1973	52%	52%	52%	52%	Ordinary HK\$10,000	Note (a)	Investment holding	
Shing Cheong Development Limited . . . . .	Hong Kong	22 September 2004	70%	70%	70%	70%	Ordinary HK\$2	Hong Kong	Hotel license holder	
Shinta Limited . . . . .	Hong Kong	20 September 1994	60%	60%	60%	60%	Ordinary HK\$2	Hong Kong	Property development and trading	
Sino Wealth Resources Limited . . . . .	Hong Kong	22 March 2000	100%	100%	100%	100%	Ordinary HK\$100	Note (a)	Inactive company	
Sky Lake Development Limited . . . . .	Hong Kong	6 September 2004	70%	70%	70%	70%	Ordinary HK\$2	Hong Kong	Provision of staff recruitment services	
South Horizons Management Limited . . . . .	Hong Kong	4 June 1991	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property management	
Starford Choice Limited . . . . .	Hong Kong	17 April 2000	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Tember Limited . . . . .	Hong Kong	3 June 1993	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Tezzini Limited . . . . .	Hong Kong	15 February 1996	100%	100%	100%	100%	Ordinary HK\$20	Hong Kong	Property ownership and investment	

APPENDIX IXB

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Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group at				Date of report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
			2012	2013	2014					
Tremayne Investments Limited . . . . .	Hong Kong	20 March 1973	100%	100%	100%	100%	Ordinary HK\$2,000,000	Hong Kong	Property ownership and investment, and subletting of properties	
Turbo Top Limited. . . . .	Hong Kong	12 January 1993	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property owning	
Uranock Limited. . . . .	Hong Kong	5 January 1995	100%	100%	100%	100%	Ordinary HK\$20	Hong Kong	Property ownership and investment	
Valmet Limited . . . . .	Hong Kong	15 June 1993	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Vember Lord Limited . . . . .	Hong Kong	1 June 1993	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
VSCL Limited. . . . .	Hong Kong	19 April 1985	100%	100%	100%	100%	Ordinary HK\$2 and non-voting deferred Shares HK\$300,000	The PRC	Property ownership and investment	
Whampoa Garden Management Limited . . . . .	Hong Kong	19 March 1971	100%	100%	100%	100%	Ordinary HK\$14,400,010	Hong Kong	Property management	
Whampoa Investments Limited. . . . .	Hong Kong	15 October 1976	100%	100%	100%	100%	Ordinary HK\$100,000	Hong Kong	Property ownership and investment	
Whampoa Property Management Limited . . . . .	Hong Kong	9 November 1976	100%	100%	100%	100%	Ordinary HK\$1,000	Hong Kong	Property management	
Williston Limited . . . . .	Hong Kong	15 June 1993	100%	100%	100%	100%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Convoys Investments S. à r. l. (dissolved in 2013) . . . . .	Luxembourg	8 April 2005	100%	N/A	N/A	N/A	N/A	Luxembourg	Property development	
HWP Finance Marina Bay Limited . . . . .	Mauritius	5 July 2005	100%	100%	100%	100%	Ordinary US\$9,691,991	Singapore	Finance company	
Grayseal Holdings Inc. . . . .	The Republic of Panama	14 May 1985	100%	100%	100%	100%	Ordinary US\$200	Note (a)	Investment holding	
Harley Development Inc. . . . .	The Republic of Panama	24 July 1985	100%	100%	100%	100%	Ordinary US\$2	Hong Kong	Property ownership and investment	
Kingdom Development S.A. . . . .	The Republic of Panama	22 July 1986	100%	100%	100%	100%	Ordinary US\$2	Note (a)	Investment holding	
Marston Enterprise Inc. . . . .	The Republic of Panama	8 August 1985	100%	100%	100%	100%	Ordinary US\$2	Note (a)	Inactive company	
Nikkor Corp. . . . .	The Republic of Panama	7 August 1985	100%	100%	100%	100%	Ordinary US\$200	Note (a)	Investment holding	
Roton Finance Inc. . . . .	The Republic of Panama	21 September 1987	100%	100%	100%	100%	Ordinary US\$2	Note (a)	Investment holding	
Vizell Equities S.A. . . . .	The Republic of Panama	21 September 1987	100%	100%	100%	100%	Ordinary US\$2	Note (a)	Investment holding	
Walcoh Finance Inc. . . . .	The Republic of Panama	31 January 1985	100%	100%	100%	100%	Ordinary US\$2	Note (a)	Investment holding	
Zimboton Investment Inc. . . . .	The Republic of Panama	21 September 1987	100%	100%	100%	100%	Ordinary US\$2	Note (a)	Investment holding	
HWP Finance (Singapore) Private Limited . . . . .	Singapore	9 October 2006	100%	100%	100%	100%	Ordinary S\$ 1	Note (a)	Inactive company	
Chelsea Waterfront Limited . . . . .	United Kingdom	4 December 2013	N/A	95%	95%	95%	Ordinary GBP100	Note (a)	Inactive company	
Chelsea Waterfront Nominee 1 Limited. . . . .	United Kingdom	9 May 2014	N/A	N/A	95%	95%	Ordinary GBP100	Note (a)	Inactive company	
Chelsea Waterfront Nominee 2 Limited. . . . .	United Kingdom	12 March 2014	N/A	N/A	95%	95%	Ordinary GBP100	Note (a)	Inactive company	
Circadian Limited . . . . .	United Kingdom	6 October 1999	95%	95%	95%	95%	Ordinary GBP100	United Kingdom	Property development	
Circadian (CH) Limited . . . . .	United Kingdom	1 June 2000	95%	95%	95%	95%	Ordinary GBP100	Note (a)	Investment holding	
Convoys Properties Limited . . . . .	United Kingdom	20 January 2005	100%	100%	100%	100%	Ordinary GBP100	United Kingdom	Property development	
Hutchison LR Properties Limited. . . . .	United Kingdom	17 December 1999	90%	90%	90%	90%	Ordinary GBP100	Note (a)	Inactive Company	
Hutchison Whampoa Properties (Europe) Limited . . . . .	United Kingdom	31 May 2000	100%	100%	100%	100%	Ordinary GBP 1	United Kingdom	Project management	
Harbour Plaza Marketing Inc. . . . .	United States of America	23 February 1998	100%	100%	100%	100%	Ordinary US\$1	United States of America	Marketing agent	
北京市長城飯店公司 . . . . .	The PRC	10 December 1983	50%	50%	50%	50%	US\$40,000,000	The PRC	Hotel ownership and operation	
和記轉辦事網絡服務(上海)有限公司 . . . . .	The PRC	26 July 2001	100%	100%	100%	100%	US\$ 350,000	The PRC	Provision of premium services	
和興房地產經紀(北京)有限公司 . . . . .	The PRC	28 October 2002	100%	100%	100%	100%	US\$350,000	The PRC	Property agency	
和興房地產經紀(長春)有限公司 . . . . .	The PRC	28 October 2010	100%	100%	100%	100%	US\$70,000	The PRC	Property agency	
和興房地產經紀(深圳)有限公司 . . . . .	The PRC	19 April 2004	100%	100%	100%	100%	RMB1,000,000	The PRC	Property agency	
和興物業諮詢(上海)有限公司 . . . . .	The PRC	23 August 2001	100%	100%	100%	100%	US\$350,000	The PRC	Property agency	
東莞海逸豪庭物業管理有限公司 . . . . .	The PRC	30 June 1999	100%	100%	100%	100%	US\$24,500	The PRC	Property management	
青島太平洋物業管理有限公司 . . . . .	The PRC	9 October 1999	100%	100%	100%	100%	US\$1,500,000	The PRC	Property management	

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to the Group at				Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
			2012	2013	2014	Date of report			
家利物業管理(上海)有限公司 . . . . .	The PRC	18 August 1999	100%	100%	100%	100%	US\$820,000	The PRC	Property management
家利物業管理(北京)有限公司 . . . . .	The PRC	15 December 2003	100%	100%	100%	100%	US\$150,000	The PRC	Property management
家利物業管理(重慶)有限公司 . . . . .	The PRC	14 August 2003	100%	100%	100%	100%	RMB3,000,000	The PRC	Property management
家利物業管理(深圳)有限公司 (Previously 和記物業服務(深圳)有限公司) . . . . .	The PRC	27 March 2001	100%	100%	100%	100%	US\$750,000	The PRC	Property management
家利物業管理(廣州)有限公司 . . . . .	The PRC	28 August 2003	100%	100%	100%	100%	RMB5,000,000	The PRC	Property management
翡翠園物業管理(上海)有限公司 . . . . .	The PRC	5 September 2008	100%	100%	100%	100%	HK\$660,000	The PRC	Property management
廣州和記城市房產有限公司 . . . . .	The PRC	1 June 1992	65%	65%	65%	65%	US\$7,200,000	The PRC	Property development and investment
廣州和興物業諮詢有限公司 . . . . .	The PRC	5 December 2005	100%	100%	100%	100%	RMB500,000	The PRC	Property agency

*Note (a):* The company is inactive or has not carried on any operation except for acting as an investment holding.

The financial year end of HWPL Holdings Limited and the companies comprising the Hutchison Property Group is 31 December.

No statutory audited financial statements have been prepared for companies incorporated or established in The Bahamas, Bermuda, British Virgin Islands, the Cayman Islands, Luxembourg, Mauritius, the Republic of Panama and the United States of America, where part 16 of the Hong Kong Companies Ordinance (Cap. 622) is not applicable, since their respective dates of establishment/incorporation as there is no statutory audit requirement in the jurisdiction where they were incorporated or established, except for Hutchison Development (Bahamas) Limited and Trillium Investment Limited, which were incorporated in The Bahamas, Alpachina Limited, Hutchison Ports Properties Limited, Nagano Limited, Ruotolo Investments Limited and Swayfield Limited, which were incorporated in the British Virgin Islands, and Harley Development Inc. which was incorporated in the Republic of Panama.

No audited statutory financial statements have been prepared for the year ended 31 December 2014 as the statutory time limit imposed on the issuance of audited financial statements have not been reached.

The statutory financial statements of companies incorporated in the Hong Kong Special Administrative Region for the years ended 31 December 2012 and 2013, or since their respective dates of incorporation, where this is a shorter period, were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards of Auditing issued by the HKICPA.

The statutory financial statements of HWP Finance (Singapore) Private Limited, a limited liability company incorporated in Singapore, for the years ended 31 December 2012 and 2013 were prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards. They were audited by Gabriel Ng & Co, a certified public accountants registered overseas.

The statutory financial statements of companies incorporated in United Kingdom, for the years ended 31 December 2012 and 2013 or since their respective date of incorporation, where this is a shorter period, were prepared in accordance with United Kingdom Generally Accepted Accounting Practice. They were audited by PricewaterhouseCoopers LLP registered overseas, except for Convoys Properties Limited as it had not carried on any business during the year ended 31 December 2012 and Hutchison LR Properties Limited as it had not carried on any business during the years ended 31 December 2012 and 2013.

The statutory financial statements of companies established in the People's Republic of China ("the PRC") for the years ended 31 December 2012 and 2013 or since their respective dates of establishment, where this is a shorter period, were prepared in accordance with the relevant accounting policies and financial regulations applicable to enterprises established in the PRC. They were audited by the following firms of certified public accountants registered in the PRC.

<u>Name of subsidiary</u>	<u>Financial year</u>	<u>Name of auditor</u>
家利物業管理(北京)有限公司	For the years ended 31 December 2012 and 2013	北京安審會計師事務所 有限責任公司
家利物業管理(重慶)有限公司	For the years ended 31 December 2012 and 2013	重慶海平會計師事務所 有限公司
家利物業管理(廣州)有限公司	For the years ended 31 December 2012 and 2013	廣州嶺南會計師事務所 有限公司
家利物業管理(上海)有限公司	For the years ended 31 December 2012 and 2013	上海立達聯合會計師事 務所
家利物業管理(深圳)有限公司 (Previously 和記物業服務(深 圳)有限公司)	For the years ended 31 December 2012 and 2013	深圳市長城會計師事務 所有限公司
東莞海逸豪庭物業管理有限公司	For the years ended 31 December 2012 and 2013	廣東中誠安泰會計師事 務所有限公司
廣州和記城市房產有限公司	For the year ended 31 December 2012 For the year ended 31 December 2013	廣州嶺南會計師事務所 有限公司 廣東正中珠江會計師 事務所(特殊普通合 夥)
青島太平洋物業管理有限公司	For the years ended 31 December 2012 and 2013	青島信永達會計師事務 所有限公司
御翠園物業管理(上海)有限公司	For the years ended 31 December 2012 and 2013	上海立達聯合會計師事 務所
廣州和巽物業諮詢有限公司	For the years ended 31 December 2012 and 2013	廣州嶺南會計師事務所 有限公司
和記好辦事網絡服務(上海)有限 公司	For the years ended 31 December 2012 and 2013	上海立達聯合會計師事 務所
和巽房地產經紀(北京)有限公司	For the years ended 31 December 2012 and 2013	北京安審會計師事務所 有限責任公司
和巽房地產經紀(長春)有限公司	For the year ended 31 December 2012 For the year ended 31 December 2013	利安達會計師事務所有 限責任公司吉林分公 司 瑞華會計師事務所(特 殊普通合夥)吉林分 所
和巽物業諮詢(上海)有限公司	For the years ended 31 December 2012 and 2013	上海立達聯合會計師事 務所
和巽房地產經紀(深圳)有限公司	For the years ended 31 December 2012 and 2013	深圳市長城會計師事務 所有限公司

For the purpose of this report, the directors of the HWPL Holdings Limited have prepared the combined financial statements of the Hutchison Property Group for the Relevant Periods in accordance with the Hong Kong Financial Reporting Standards (the “HKFRSs”) (the “Hutchison Property Group Underlying Financial Statements”) which were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We examined the Hutchison Property Group Underlying Financial Statements for the Relevant Periods in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountants” as recommended by the HKICPA.

The Hutchison Property Group Financial Information set out in this report has been prepared from the Hutchison Property Group Underlying Financial Statements, on the basis set out in note 1 to Section II below. No adjustments were deemed necessary to adjust the Hutchison Property Group Underlying Financial Statements in preparing our report.

The Hutchison Property Group Underlying Financial Statements are the responsibilities of the directors of HWPL Holdings Limited who approve their issuance. The directors of CKH Holdings and HWL are responsible for the contents of the Scheme Document in which this report is included. It is our responsibilities to compile the Hutchison Property Group Financial Information set out in this report from the Hutchison Property Group Underlying Financial Statements, to form an independent opinion on the Hutchison Property Group Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1 to Section II below, the Hutchison Property Group Financial Information, gives, for the purpose of this report, a true and fair view of the state of affairs of the Hutchison Property Group as at 31 December 2012, 2013 and 2014 and of the combined profits and combined cash flows of the Hutchison Property Group for each of the three years ended 31 December 2012, 2013 and 2014.



## I. FINANCIAL INFORMATION OF THE HUTCHISON PROPERTY GROUP

## COMBINED INCOME STATEMENTS

	<i>Notes</i>	Year ended 31 December		
		2012	2013	2014
		HK\$ million	HK\$ million	HK\$ million
Group turnover	5	6,237	6,676	6,901
Investment and other income		128	139	148
Operating costs				
Property and related costs		(904)	(960)	(974)
Salaries and related expenses		(1,202)	(1,289)	(1,318)
Interest and other finance costs		(1,094)	(1,099)	(1,222)
Depreciation and amortisation		(200)	(177)	(178)
Other expenses		(246)	(202)	(149)
		(3,646)	(3,727)	(3,841)
Share of net profit of joint ventures		4,959	3,763	2,342
Increase in fair value of investment properties		859	17	28,088
Profits on disposal of investments and others	5	167	3,067	2,807
Operating profit		8,704	9,935	36,445
Share of net profit of associates		199	120	399
Profit before taxation	6	8,903	10,055	36,844
Taxation	7	(425)	(663)	(885)
Profit for the year		<u>8,478</u>	<u>9,392</u>	<u>35,959</u>
Profit attributable to:				
Shareholders of the Hutchison Property Group		8,179	9,110	35,569
Non-controlling interests		299	282	390
		<u>8,478</u>	<u>9,392</u>	<u>35,959</u>
Earnings per share	8	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Profit for the year	8,478	9,392	35,959
<b>Other comprehensive (expenses) income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit obligations recognised directly in reserves	(36)	156	8
Share of other comprehensive income of associates	–	3	–
Share of other comprehensive (expenses) income of joint ventures	(1)	5	–
Tax relating to items that will not be reclassified to profit or loss	–	(1)	–
	<u>(37)</u>	<u>163</u>	<u>8</u>
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss:</i>			
Investments available-for-sale			
Valuation gains (losses) recognised directly in reserves	459	(62)	166
(Losses) gains on translating overseas subsidiaries' net assets recognised directly in reserves	(61)	49	(69)
Share of other comprehensive income of associates	7	29	76
Share of other comprehensive income (expenses) of joint ventures	273	904	(1,065)
Release of exchange reserve upon disposal of a joint venture and subsidiary companies	–	(138)	(141)
	<u>678</u>	<u>782</u>	<u>(1,033)</u>
Other comprehensive income (expenses) after tax	<u>641</u>	<u>945</u>	<u>(1,025)</u>
<b>Total comprehensive income for the year</b>	<b><u>9,119</u></b>	<b><u>10,337</u></b>	<b><u>34,934</u></b>
<b>Total comprehensive income attributable to</b>			
Shareholders of the Hutchison Property Group	8,821	10,039	34,552
Non-controlling interests	298	298	382
	<u>9,119</u>	<u>10,337</u>	<u>34,934</u>

## COMBINED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	At 31 December		
		2012	2013	2014
		HK\$ million	HK\$ million	HK\$ million
<b>Non-current assets</b>				
Fixed assets	9	4,620	4,971	4,627
Investment properties	10	45,983	44,717	72,905
Associates	11	1,762	2,122	2,346
Joint ventures	12	38,319	40,683	42,767
Deferred tax assets	20	43	21	37
Investments available-for-sale	13	1,662	1,645	2,440
		<u>92,389</u>	<u>94,159</u>	<u>125,122</u>
<b>Current assets</b>				
Stock of properties	14	1,362	1,410	1,388
Debtors, deposits and prepayments	15	2,423	4,775	3,173
Amounts due from Other Group				
Companies	18	32,601	40,591	47,867
Bank balances and deposits	16	8,995	4,231	3,361
		<u>45,381</u>	<u>51,007</u>	<u>55,789</u>
<b>Current liabilities</b>				
Creditors and accruals	17	3,103	4,955	3,858
Amounts due to Other Group				
Companies	18	25,442	21,217	27,790
Borrowings	19	739	150	756
Provision for taxation		126	361	615
		<u>29,410</u>	<u>26,683</u>	<u>33,019</u>
<b>Net current assets</b>		<u>15,971</u>	<u>24,324</u>	<u>22,770</u>
<b>Total assets less current liabilities</b>		<u>108,360</u>	<u>118,483</u>	<u>147,892</u>
<b>Non-current liabilities</b>				
Borrowings	19	100	644	50
Loans from Other Group Companies	18	30,408	30,115	29,310
Deferred tax liabilities	20	1,083	1,165	1,239
Pension obligations	21	221	91	100
Other non-current liabilities		3	2	1
		<u>31,815</u>	<u>32,017</u>	<u>30,700</u>
<b>Net assets</b>		<u>76,545</u>	<u>86,466</u>	<u>117,192</u>
<b>Representing:</b>				
Combined capital		–	–	–
Reserves		75,949	85,841	116,449
Shareholders' funds		75,949	85,841	116,449
Non-controlling interests		596	625	743
<b>Total equity</b>		<u>76,545</u>	<u>86,466</u>	<u>117,192</u>

## COMBINED STATEMENTS OF CHANGES IN EQUITY

	Shareholders' funds							Non-controlling interests	Total equity
	Combined capital	Investment revaluation reserve	Exchange reserve	PRC statutory reserves	Retained profit	Sub-total			
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million		
Balance at 1 January 2012	-	(34)	4,028	510	62,763	67,267	539	67,806	
Profit for the year	-	-	-	-	8,179	8,179	299	8,478	
Other comprehensive income (expenses)									
Investments available-for-sale valuation gains recognised directly in reserves	-	459	-	-	-	459	-	459	
Remeasurement of defined benefit obligations recognised directly in reserves	-	-	-	-	(34)	(34)	(2)	(36)	
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	-	-	(62)	-	-	(62)	1	(61)	
Share of other comprehensive income of associates	-	-	7	-	-	7	-	7	
Share of other comprehensive income (expenses) of joint ventures	-	111	162	-	(1)	272	-	272	
Other comprehensive income (expenses)	-	570	107	-	(35)	642	(1)	641	
Total comprehensive income for the year	-	570	107	-	8,144	8,821	298	9,119	
Transfer	-	-	-	39	(39)	-	-	-	
Dividends paid to shareholders of the Hutchison Property Group relating to 2012	-	-	-	-	(139)	(139)	-	(139)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	(241)	(241)	
Balance at 31 December 2012	-	536	4,135	549	70,729	75,949	596	76,545	
Balance at 1 January 2013	-	536	4,135	549	70,729	75,949	596	76,545	
Profit for the year	-	-	-	-	9,110	9,110	282	9,392	
Other comprehensive income (expense)									
Investments available-for-sale valuation losses recognised directly in reserves	-	(62)	-	-	-	(62)	-	(62)	
Remeasurement of defined benefit obligations recognised directly in reserves	-	-	-	-	150	150	6	156	
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	-	-	39	-	-	39	10	49	
Share of other comprehensive income of associates	-	-	29	-	3	32	-	32	
Share of other comprehensive income (expenses) of joint ventures	-	(78)	982	-	5	909	-	909	
Release of exchange reserve upon disposal of a joint venture and subsidiary companies	-	-	(138)	-	-	(138)	-	(138)	
Tax relating to components of other comprehensive expenses	-	-	-	-	(1)	(1)	-	(1)	
Other comprehensive (expenses) income	-	(140)	912	-	157	929	16	945	
Total comprehensive (expenses) income for the year	-	(140)	912	-	9,267	10,039	298	10,337	
Transfer	-	-	-	183	(183)	-	-	-	
Dividends paid to shareholders of the Hutchison Property Group relating to 2013	-	-	-	-	(147)	(147)	-	(147)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	(269)	(269)	
Balance at 31 December 2013	-	396	5,047	732	79,666	85,841	625	86,466	

	Shareholders' funds							Total equity
	Combined capital	Investment revaluation reserve	Exchange reserve	PRC statutory reserves	Retained profit	Sub-total	Non-controlling interests	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Balance at 1 January 2014	-	396	5,047	732	79,666	85,841	625	86,466
Profit for the year	-	-	-	-	35,569	35,569	390	35,959
Other comprehensive income (expenses)								
Investments available-for-sale valuation gains recognised directly in reserves	-	166	-	-	-	166	-	166
Remeasurement of defined benefit obligations recognised directly in reserves	-	-	-	-	11	11	(3)	8
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	-	-	(64)	-	-	(64)	(5)	(69)
Share of other comprehensive income of associates	-	-	76	-	-	76	-	76
Share of other comprehensive expenses of joint ventures	-	(170)	(895)	-	-	(1,065)	-	(1,065)
Release of exchange reserve upon disposal of a joint venture and subsidiary companies	-	-	(141)	-	-	(141)	-	(141)
Other comprehensive (expenses) income	-	(4)	(1,024)	-	11	(1,017)	(8)	(1,025)
Total comprehensive (expenses) income for the year	-	(4)	(1,024)	-	35,580	34,552	382	34,934
Transfer	-	-	-	96	(96)	-	-	-
Dividends paid to the shareholders of the Hutchison Property Group relating to 2014	-	-	-	-	(3,944)	(3,944)	-	(3,944)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(264)	(264)
Balance at 31 December 2014	-	392	4,023	828	111,206	116,449	743	117,192

## COMBINED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December		
		2012	2013	2014
		HK\$ million	HK\$ million	HK\$ million
<b>Operating activities</b>				
Cash generated from (used in) operating activities before interest income, interest and other finance costs and tax paid	(a)	924	(839)	2,035
Dividends received from associates and joint ventures		280	2,454	1,101
Interest income received		63	31	17
Interest and other finance costs paid		(1,154)	(1,097)	(1,166)
Tax paid		(271)	(328)	(436)
<b>Net cash (used in) from operating activities</b>		<u>(158)</u>	<u>221</u>	<u>1,551</u>
<b>Investing activities</b>				
Purchase of fixed assets and investment properties		(267)	(534)	(260)
Repayments from (advances to) associates and joint ventures		2,583	(1,159)	(3,715)
Investments in joint ventures		–	–	(378)
Proceeds on disposal of fixed assets and investment properties		64	681	718
Proceeds on disposal of subsidiary companies	(b)	194	2,058	–
Proceeds on disposal of joint ventures		–	–	3,904
<b>Net cash from investing activities</b>		<u>2,574</u>	<u>1,046</u>	<u>269</u>
<b>Financing activities</b>				
New borrowings		142	–	40
Repayment of borrowings		(130)	(50)	–
Increase (decrease) of intercompany loans		506	(5,565)	1,478
Dividends paid to non-controlling interests		(241)	(269)	(264)
Dividend paid to shareholders of the Hutchison Property Group		(139)	(147)	(3,944)
<b>Net cash from (used in) financing activities</b>		<u>138</u>	<u>(6,031)</u>	<u>(2,690)</u>
Net increase (decrease) in cash and cash equivalents		2,554	(4,764)	(870)
Cash and cash equivalents at 1 January		<u>6,441</u>	<u>8,995</u>	<u>4,231</u>
<b>Cash and cash equivalents at 31 December</b>	16	<u><u>8,995</u></u>	<u><u>4,231</u></u>	<u><u>3,361</u></u>

- (a) Reconciliation of profit before taxation to cash generated from operating activities before interest income, interest and other finance costs and profits tax paid

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Profit before taxation	8,903	10,055	36,844
Dividend income	(65)	(96)	(128)
Interest income	(63)	(43)	(20)
Interest and other finance costs	1,094	1,099	1,222
Depreciation and amortisation	200	177	178
Changes in fair value of investment properties	(859)	(17)	(28,088)
Share of profits less losses of associates and joint ventures	(5,158)	(3,883)	(2,741)
Profit on disposal of investment properties	(32)	(211)	(15)
Loss (profit) on disposal of fixed assets	1	(1,142)	(506)
Profit on disposal of subsidiary companies	(135)	(1,714)	–
Profit on disposal of a joint venture	–	–	(2,286)
Non-cash items	92	90	46
Changes in working capital			
Increase in amounts due from Other Group Companies	(3,891)	(7,163)	(2,850)
(Increase) decrease in stock of properties	(26)	(22)	46
Decrease in debtors, deposits and prepayments	1,083	235	1,666
(Decrease) increase in creditors and accruals	(182)	1,847	(1,139)
Increase in net pension obligations	20	27	17
Decrease in deferred income	(1)	(1)	(1)
Exchange adjustments	(59)	(71)	(90)
Others	2	(6)	(120)
	<u>924</u>	<u>(839)</u>	<u>2,035</u>

- (b) Disposal of subsidiary companies

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Net assets disposed of:			
Investment properties	90	573	–
Joint ventures	–	854	–
Debtors, deposits and prepayments	1	2	–
Creditors and accruals	(32)	(11)	–
	<u>59</u>	<u>1,418</u>	<u>–</u>
Cash consideration	194	3,132	–
Less: amounts receivable	–	(1,074)	–
Net cash inflow for the year	<u>194</u>	<u>2,058</u>	<u>–</u>

**II. NOTES TO THE FINANCIAL INFORMATION****1. BACKGROUND AND BASIS OF PREPARATION****(a) Background**

HWPL Holdings Limited is a limited company incorporated in the British Virgin Islands. The address of the registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The directors of HWPL Holdings Limited consider that HWPL Group Holdings Limited, a limited company incorporated in the British Virgin Islands, is the immediate holding company, and HWL, a limited company incorporated in Hong Kong and whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, is the ultimate holding company of the Hutchison Property Group.

**(b) Basis of preparation**

Pursuant to the Reorganisation, HWPL Holdings Limited and the companies comprising the Hutchison Property Group will be reorganised and held by CK Property.

The Hutchison Property Group Financial Information including combined income statements, combined statements of comprehensive income, combined statements of financial position, combined statements of changes in equity and combined statements of cash flows of the companies now comprising Hutchison Property Group has been prepared as if the current group structure had been in existence on the respective reporting dates and throughout the Relevant Periods, or since the respective dates of incorporation or establishment of the relevant entities, or up to the respective dates of disposals or dissolution, where this is a shorter period.

The Hutchison Property Group Financial Information is presented in Hong Kong dollar which is the functional currency of the major companies comprising the Hutchison Property Group.

**2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

For the purpose of preparing and presenting the Hutchison Property Group Financial Information for the Relevant Periods, the Hutchison Property Group has consistently adopted all those new and revised IFRSs, which are effective for the Hutchison Property Group's financial year beginning on 1 January 2014 throughout the Relevant Periods.

For the following IFRSs which are issued by not yet effective, the management of the Hutchison Property Group is in the process of assessing their impact on the Hutchison Property Group's combined results and financial position.

**Effective for the Hutchison Property Group's annual accounting periods beginning on 1 January 2015**

Amendments to IFRSs	Annual Improvements 2010 – 2012 Cycle
Amendments to IFRSs	Annual Improvements 2011 – 2013 Cycle
IAS 19 (Amendments)	Defined Benefit Plans – Employee Contributions

**Effective for the Hutchison Property Group's annual accounting periods beginning on 1 January 2016**

Amendments to IFRSs	Annual Improvements 2012 – 2014 Cycle
Amendments to IAS1	Disclosure Initiative
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 (Amendments)	Agriculture: Bearer Plants
IAS 27 (Amendments)	Equity Method in Separate Financial Statements
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
IFRS 14	Regulatory Deferral Accounts



Effective for the Hutchison Property Group's annual accounting periods beginning on 1 January 2017

IFRS 15 Revenue from Contracts with Customers

Effective for the Hutchison Property Group's annual accounting periods beginning on 1 January 2018

IFRS 9 Financial Instruments

### 3. PRINCIPAL ACCOUNTING POLICIES

The Hutchison Property Group Financial Information has been prepared in accordance with accounting policies which confirm with IFRSs. In addition, the Hutchison Property Group Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Hutchison Property Group Financial Information has been prepared on the historical cost basis except for investment properties and investments available-for-sale, which are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Hutchison Property Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these combined financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

#### (a) Combination of the Group

The Hutchison Property Group Financial Information incorporates the financial statement items of the subsidiaries of HWL which are engaged in the property and hotel business.

A subsidiary is an entity which after considering the relevant facts, the Hutchison Property Group have (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.

The result, assets and liabilities of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective of Hutchison Property Group.

The profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under control of HWL, where this is a shorter period.

The comparative amounts in the Hutchison Property Group Financial Information are presented as if the entities or businesses had been combined at the earliest date of statement of financial position presented or when they first came under common control, whichever is the later.

Inter-company transactions, balances and unrealised gains on transactions between the combining entities or businesses are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence at an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Hutchison Property Group.

**(b) Joint ventures**

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

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

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

**(c) Associate**

An associate is an entity, other than a subsidiary or a joint venture, in which the Hutchison Property Group has a long term equity interest and significant influence over its management, including participation in the financial and operating policy decisions.

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

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

**(d) Fixed assets**

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of 50 years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is lesser. The period of the lease includes the period for which a right of renewal is attached.

Depreciation of other fixed assets is provided at rates calculated to write off their costs over their estimated useful lives on a straight-line basis at the following annual rates:

Motor vehicles	25%
Plant, machinery and equipment	5% – 20%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is greater

The gain or loss on disposal or retirement of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

**(e) Investment properties**

Investment properties, which are held for rental and/or for capital appreciation, 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 combined income statement.

**(f) Properties held for sale**

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes prepaid operating lease payments for leasehold land and development expenditure. Net realisable value is determined by the management based on prevailing market conditions. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses.

**(g) Properties under development**

Land for properties under development is stated at cost and development expenditure is stated at the aggregate amount of costs incurred up to the date of completion, including capitalised interest on related loans.

Properties under development included in the current assets are expected to be realised in, or are intended for sale in the Hutchison Property Group's normal operating cycle.

**(h) Loans and receivables**

"Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

**(i) Investments available-for-sale**

Investments available-for-sale are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value and changes in fair value are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve except for impairment losses which are charged to the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement. Dividends from investments available-for-sale are recognised when the right to receive payment is established. When investments available-for-sale are sold, the cumulative fair value gains or losses previously recognised in investment revaluation reserve is removed from investment revaluation reserve and recognised in the income statement.

**(j) Debtors**

Debtors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Appropriate allowance for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

**(k) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**(l) Borrowings**

The Hutchison Property Group's borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount of borrowings and debt instruments is recognised over the period of the borrowings using effective interest method.

**(m) Creditors**

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

**(n) Combined capital**

Ordinary shares are recorded in equity at the proceeds received, net of direct issue costs.

**(o) Asset impairment**

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Such impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

**(p) Pension plans**

Pension plans are classified into defined benefit and defined contribution plans. The pension plans are generally funded by the relevant group companies taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

The Hutchison Property Group's contributions to the defined contribution plans are charged to the income statement in the year incurred.

Pension costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations.

Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the year in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Pension costs are charged against the income statement within staff costs.

**(q) Revenue recognition**

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Hutchison Property Group and the revenue and costs, if applicable, can be measured reliably.

Revenue from the sale of properties is recognised either on the date of sale or on the date of issue of the relevant occupation permit, whichever is later, and the economic benefit accrues to the selling entities and the significant risks and rewards of the properties accrue to the purchasers.

Rental income is recognised on a straight-line basis over the period of the lease.

Revenue from the provision of hotel management, consultancy and technical service is recognised when the service is rendered.

**(r) Foreign exchange**

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the end of the reporting period.

The accounts of foreign operations (i.e. subsidiary companies, associates, joint ventures or branches whose activities are based or conducted in a country or currency other than those of HWPL Holdings Limited) are translated into Hong Kong dollars using the year end rates of exchange for the statement of financial position items and the average rates of exchange for the year for the income statement items. Exchange differences are recognised in other comprehensive income and accumulated under the heading of exchange reserve. Exchange differences arising from foreign currency borrowings and other currency instruments designated as hedges of such overseas investments, are recognised in other comprehensive income and accumulated under the heading of exchange reserve.

Exchange differences arising from translation of inter-company loan balances between group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Hutchison Property Group's net investment in a foreign entity. On the disposal of a foreign operation (i.e. a disposal of the Hutchison Property Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange gains or losses accumulated in exchange reserve in respect of that operation attributable to the Hutchison Property Group are transferred out of the exchange reserve and are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Hutchison Property Group losing control over the subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the income statement. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Hutchison Property Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is transferred out of the exchange reserve and are recognised in the income statement.

All other exchange differences are recognised in the income statement.

**(s) Taxation**

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

Deferred tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised.

**(t) Borrowing cost**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Note 3 includes a summary of the principal accounting policies used in the preparation of the accounts. The preparation of accounts often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the accounts. The Hutchison Property Group bases their estimates and judgements on historical experience and various other assumptions that they believe are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the accounts.

**Basis of consolidation**

The determination of the Hutchison Property Group's level of control over another entity will require exercise of judgement under certain circumstances. A group entity controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As such, the classification of the entity as a subsidiary, a joint venture, an associate or a cost investment might require the application of judgement through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors and various other factors including, if relevant, the existence of agreement

with other shareholders, applicable statutes and regulations and their requirements. The Hutchison Property Group also considers, in particular, whether they obtain benefits, including non-financial benefits, from their power to control the entity.

**Investment properties valuation**

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the statement of financial position at their fair value as determined by professional valuation. In determining the fair value of the investment properties, the valuers use assumptions and estimates that reflect, amongst other things, comparable market transactions, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Judgement is required to determine the principal valuation assumptions to determine the fair value of the investment properties. Changes in fair values of investment properties are recorded in the income statement.

**Stock of properties**

Properties under development for sales and completed properties for sale are stated at the lower of the cost and net realisable value. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are estimated based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions, there may be written down on the properties under development for sale and completed properties for sale.

**Tax**

The Hutchison Property Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were previously recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**Pension costs**

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with IAS 19, Employee Benefits. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the year in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Management appointed actuaries to carry out a full valuation of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the accounts in accordance with the IFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

**5. TURNOVER AND CONTRIBUTION**

The principal activities of the Hutchison Property Group are property development and investment, hotel and serviced suite operation and property and project management.

Turnover of Hutchison Property Group's activities comprise proceeds from property sales, gross rental income, revenue from hotel and serviced suite operation and income from property and project management.

Turnover of the Hutchison Property Group and its share of property sales of joint ventures by operating activities for the years are as follows:

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Property rental	3,318	3,682	3,995
Hotels and serviced suites	2,221	2,196	2,230
Property and project management	698	798	676
Group turnover	6,237	6,676	6,901
Share of property sales of joint ventures	11,805	15,233	6,845
Turnover	18,042	21,909	13,746

For the years ended 31 December 2012, 2013 and 2014, turnover outside Hong Kong accounted for approximately 67%, 71% and 53% of the turnover respectively and was derived from the following locations:

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
The PRC	11,806	14,373	5,784
Singapore	–	964	1,223
Others	224	251	282
	12,030	15,588	7,289

Save as disclosed in the notes below, the column headed as Subsidiaries refers to the subsidiary companies respective items and the column headed as Associates and JVs refers to the Hutchison Property Group's share of associates and joint ventures' respective items (see notes 11 and 12), and segments are reported in a manner consistent with internal reporting provided to the management of the Hutchison Property Group, who is responsible for allocating resources and assessing performance of the operating segments.

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

	Results								
	2012	2013	2014	2012	2013	2014	2012	2013	2014
	Subsidiaries	Subsidiaries	Subsidiaries	Associates and JVs	Associates and JVs	Associates and JVs	Total	Total	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Property sales	–	–	–	6,219	6,039	1,903	6,219	6,039	1,903
Property rental	2,959	3,343	3,617	381	378	361	3,340	3,721	3,978
Hotels and serviced suites	681	692	705	259	245	244	940	937	949
Property and project management	43	13	(42)	–	–	–	43	13	(42)
EBIT before property valuation and profits on disposals of investments and others	3,683	4,048	4,280	6,859	6,662	2,508	10,542	10,710	6,788
Investment and other income							319	449	212
Interest and other finance costs							(1,094)	(1,099)	(1,222)
Increase in fair value of investment properties							859	17	28,088
Subsidiaries									
Associates and JVs							395	21	513
Profit on disposal of investment properties							32	211	15
Profit on disposal of fixed assets							–	1,142	506
Profit on disposal of subsidiary companies							135	1,714	–
Profit on disposal of joint ventures							–	–	2,286
Others							2	–	2
Taxation									
Subsidiaries							(425)	(663)	(885)
Associates and JVs							(2,287)	(3,110)	(344)
Profit attributable to non-controlling interests							(299)	(282)	(390)
							8,179	9,110	35,569

## 6. PROFIT BEFORE TAXATION

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Profit before taxation is arrived after charging:			
Interest and other finance costs:			
Bank loans repayable within 5 years	16	18	15
Amounts due to Other Group Companies	1,085	1,089	1,219
Amounts due to joint ventures	10	9	1
	1,111	1,116	1,235
Less: amounts capitalised	(17)	(17)	(13)
	1,094	1,099	1,222
Auditor's remuneration	11	10	12
Depreciation and amortisation	200	177	178
Loss on disposal of fixed assets	1	–	–
Operating lease rental	48	57	99
Outgoings in respect of investment properties	187	181	152
Staff costs (including directors' remuneration)	1,202	1,289	1,318
and after crediting:			
Gross rental income from investment properties	3,318	3,682	3,995
Profit on disposal of investment properties	32	211	15
Profit on disposal of fixed assets	–	1,142	506
Profit on disposal of subsidiary companies	135	1,714	–
Profit on disposal of a joint venture	–	–	2,286
Net foreign exchange gain	–	83	–

## 7. TAXATION

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Current tax			
Hong Kong profits tax	260	382	460
(Over)under provision in prior years	(50)	8	7
Overseas and The PRC taxation	35	171	357
	245	561	824
Deferred tax ( <i>Note 20</i> )	180	102	61
	425	663	885

Hong Kong profits tax has been provided for at the rate of 16.5% (2012 and 2013: 16.5%) on the estimated assessable profits less available tax losses for the year. Taxation outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less available tax losses.



The differences between the Hutchison Property Group's expected tax charge, calculated at the domestic rates applicable to the countries concerned, and the Hutchison Property Group's taxation for the years were as follows:

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Profit before taxation	8,903	10,055	36,844
Less: Share of net profits of			
– Associates	(199)	(120)	(399)
– Joint ventures	(4,959)	(3,763)	(2,342)
	<u>3,745</u>	<u>6,172</u>	<u>34,103</u>
Expected tax calculated at the domestic rates applicable to the countries concerned	612	736	5,271
Temporary differences not recognised	(2)	(4)	–
Tax losses not recognised	2	4	3
Income not subject to taxation	(149)	(227)	(4,753)
Expenses not deductible for taxation purposes	9	17	12
Reversal of previously recognised temporary differences	–	(3)	–
Recognition of previously unrecognised tax losses	–	1	–
Utilisation of previously unrecognised tax losses	(17)	(24)	(8)
(Over)under provision in prior years	(50)	8	6
Other PRC taxes	–	137	351
Other temporary differences	20	18	3
	<u>425</u>	<u>663</u>	<u>885</u>

## 8. EARNINGS PER SHARE

No earning per share information is presented as its inclusion, for the purpose of the presentation of Hutchison Property Group Financial Information, is not considered meaningful due to the Reorganisation and the preparation of the results for each of the years ended 31 December 2012, 2013 and 2014 on a combined basis as disclosed in note 1.

## 9. FIXED ASSETS

	Leasehold land classified as finance leases	Hotel and other properties	Other assets	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
<b>COST</b>				
At 1 January 2012	581	5,368	2,018	7,967
Translation difference	–	2	(1)	1
Additions/transfers	–	1	43	44
Disposals	–	(1)	(55)	(56)
At 31 December 2012	581	5,370	2,005	7,956
Translation difference	–	11	13	24
Additions/transfers	986	55	107	1,148
Disposals	(420)	(209)	(364)	(993)
At 31 December 2013	1,147	5,227	1,761	8,135
Translation difference	–	(9)	(10)	(19)
Additions/transfers	–	17	113	130
Disposals	(157)	(253)	(128)	(538)
At 31 December 2014	990	4,982	1,736	7,708
<b>ACCUMULATED DEPRECIATION</b>				
At 1 January 2012	200	1,448	1,541	3,189
Translation difference	–	2	–	2
Depreciation	6	97	97	200
Disposals	–	(1)	(54)	(55)
At 31 December 2012	206	1,546	1,584	3,336
Translation difference	–	5	10	15
Depreciation	8	90	79	177
Disposals	(1)	(2)	(361)	(364)
At 31 December 2013	213	1,639	1,312	3,164
Translation difference	–	(4)	(7)	(11)
Depreciation	15	92	71	178
Disposals	(1)	(129)	(120)	(250)
At 31 December 2014	227	1,598	1,256	3,081
<b>NET BOOK VALUE</b>				
At 31 December 2012	375	3,824	421	4,620
At 31 December 2013	934	3,588	449	4,971
At 31 December 2014	763	3,384	480	4,627

Leasehold land classified as finance leases and hotel and other properties comprises:

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Hong Kong			
Long term leasehold (not less than 50 years)	1,209	1,183	1,156
Medium term leasehold (less than 50 years but not less than 10 years)	592	1,422	1,110
Overseas			
Medium term leasehold	477	465	445
Freehold	1,921	1,452	1,436
	4,199	4,522	4,147

## 10. INVESTMENT PROPERTIES

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
VALUATION			
At 1 January	45,020	45,983	44,717
Exchange differences	–	1	(1)
Additions	228	427	122
Changes in fair value	859	17	28,088
Disposals	(34)	(98)	(21)
Disposal of subsidiaries	(90)	(573)	–
Transfer to fixed assets	–	(1,040)	–
At 31 December	<u>45,983</u>	<u>44,717</u>	<u>72,905</u>
Investment properties comprise:			
Completed investment properties	44,733	44,717	72,905
Investment properties under development	<u>1,250</u>	–	–
	<u>45,983</u>	<u>44,717</u>	<u>72,905</u>
Hong Kong			
Long term leasehold (not less than 50 years)	19,390	19,215	33,812
Medium term leasehold (less than 50 years but not less than 10 years)	26,433	24,737	38,306
Outside Hong Kong			
Freehold	109	708	726
Medium term leasehold	<u>51</u>	<u>57</u>	<u>61</u>
	<u>45,983</u>	<u>44,717</u>	<u>72,905</u>

Investment properties have been revalued as at 31 December 2012, 31 December 2013 and 31 December 2014 by DTZ Debenham Tie Leung Limited, independent professional valuers. The fair value of the investment properties was determined based on, amongst other thing, comparable market transactions, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value measurements for the Hutchison Property Group's investment properties are categorised into level 3 in the fair value hierarchy based on the inputs to valuation techniques used.

There were no transfers between Level 1, Levels 2 and 3 during the years. The Hutchison Property Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The valuations are derived using the income capitalisation approach. This approach is based on the capitalisation of net income with due allowance for outgoings and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties.

Information about fair value measurements based on Level 3 fair value hierarchy:

Description	Fair value 2012 HK\$ million	Valuation technique	Range of significant unobservable inputs	
			Capitalisation rate	Rental rate
Office buildings in Hong Kong	29,742	Income capitalisation approach	4.75% to 7.80%	HK\$6.0 per square foot ("psf") to HK\$99.1 psf
Commercial properties in Hong Kong	8,774	Income capitalisation approach	5% to 9.75%	HK\$11.2 psf to HK\$85.6 psf
Residential properties in Hong Kong	2,312	Income capitalisation approach	2.25% to 6%	HK\$4.7 psf to HK\$50.5 psf
Industrial properties in Hong Kong	4,995	Income capitalisation approach	7.5% to 11.5%	HK\$2.8 psf to HK\$13 psf
Office buildings and others outside Hong Kong	160	Income capitalisation approach	6% to 7.5%	HK\$55.1 per square meter ("psm") to HK\$176.2 psm

Description	Fair value 2013 HK\$ million	Valuation technique	Range of significant unobservable inputs	
			Capitalisation rate	Rental rate
Office buildings in Hong Kong	29,233	Income capitalisation approach	4.75% to 7.25%	HK\$6.1 psf to HK\$112.2 psf
Commercial properties in Hong Kong	8,774	Income capitalisation approach	5% to 9.75%	HK\$10.5 psf to HK\$85.6 psf
Residential properties in Hong Kong	949	Income capitalisation approach	2.75% to 6%	HK\$5.5 psf to HK\$50.5 psf
Industrial properties in Hong Kong	4,996	Income capitalisation approach	7.5% to 11.5%	HK\$2.7 psf to HK\$17 psf
Office buildings and others outside Hong Kong	765	Income capitalisation approach	6% to 7.5%	HK\$63.5 psm to HK\$190.6 psm

Description	Fair value 2014 HK\$ million	Valuation technique	Range of significant unobservable inputs	
			Capitalisation rate	Rental rate
Office buildings in Hong Kong	42,658	Income capitalisation approach	4.5% to 5.25%	HK\$11.3 psf to HK\$112.7 psf
Commercial properties in Hong Kong	16,731	Income capitalisation approach	4.25% to 6.75%	HK\$13.5 psf to HK\$87.1 psf
Residential properties in Hong Kong	1,568	Income capitalisation approach	2% to 4%	HK\$12.6 psf to HK\$45 psf
Industrial properties in Hong Kong	11,161	Income capitalisation approach	4.5% to 5.75%	HK\$6.6 psf to HK\$18 psf
Office buildings and others outside Hong Kong	787	Income capitalisation approach	6% to 7.5%	HK\$62 psm to HK\$188.8 psm

For rental rate, the higher the rental rate is, the higher the fair value will be. For capitalisation rate, the higher the capitalisation rate is, the lower the fair value will be.

## 11. ASSOCIATES

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Unlisted shares	832	832	832
Share of undistributed post acquisition reserves	913	952	1,074
Amounts due from associates	158	498	479
	1,903	2,282	2,385
Amounts due to associates	(141)	(160)	(39)
	1,762	2,122	2,346

The amounts due from (to) associates are unsecured and have no fixed term of repayments.

The carrying amounts of amounts due from (to) associates approximate their fair values.

Set out below are the aggregate amounts of the Hutchison Property Group's share of the following items of associates:

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Profit for the year	199	120	399
Other comprehensive income for the year	7	32	76
Total comprehensive income for the year	206	152	475

The directors considered that no single associate is material to the Hutchison Property Group and have no summarised financial information for any individual associate is disclosed.

Particulars regarding the principal associates are set out below:

Name of associate	Place of incorporation/establishment	Equity interest attributable to the Group at			Date of report	Issued and fully paid share capital/registered capital	Place of operation	Principal activities
		2012	2013	2014				
The Kowloon Hotel Limited	The Bahamas	50%	50%	50%	50%	Ordinary US\$5	Hong Kong	Hotel ownership and operation
Dragon Strong Assets Limited	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Note (a)	Investment holding
Mapleleaf Developments Limited	British Virgin Islands	25%	25%	25%	25%	Ordinary US\$104	Note (a)	Investment holding
Merseyside Limited	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$10	Note (a)	Investment holding
Swingfield Developments Limited	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$1	Note (a)	Investment holding
Terrier International Limited	British Virgin Islands	49%	49%	49%	49%	Ordinary US\$100	Note (a)	Investment holding
Harbour Plaza North Point Resources Limited	Hong Kong	39%	39%	39%	39%	Ordinary HK\$2	Hong Kong	Provision of staff employment services
KLNH Limited	Hong Kong	50%	50%	50%	50%	Ordinary HK\$1	Hong Kong	Shopping mall ownership
Randash Investment Limited	Hong Kong	39%	39%	39%	39%	Ordinary HK\$110	Hong Kong	Hotel ownership and operation
Towerich Limited	Hong Kong	49%	49%	49%	49%	Ordinary HK\$2	Hong Kong	Hotel ownership and operation
The Kowloon Hotel Resources Limited	Hong Kong	50%	50%	50%	50%	Ordinary HK\$1	Hong Kong	Provision of staff employment and property management services
和記黃埔地產(上海)陸家嘴有限公司	The PRC	25%	25%	25%	25%	US\$372,000,000	The PRC	Property development and investment

Note (a): The company is inactive or has not carried on any operation except for acting as an investment holding company.

## 12. JOINT VENTURES

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Unlisted shares	17,546	12,992	12,649
Share of undistributed post acquisition reserves	20,141	21,629	20,673
Amounts due from joint ventures	8,573	9,005	11,365
	46,260	43,626	44,687
Amounts due to joint ventures	(7,941)	(2,943)	(1,920)
	38,319	40,683	42,767

The amounts due from (to) joint ventures are unsecured and have no fixed term of repayments.

The carrying amounts of amounts due from (to) joint ventures approximate their fair values.

There are no material capital commitments and contingent liabilities relating to the Hutchison Property Group's interests in the joint ventures, save as for those disclosed in Notes 24 and 25.

Set out below are the aggregate amounts of the Hutchison Property Group's share of the following items of joint ventures:

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Profit for the year	4,959	3,763	2,342
Other comprehensive income (expenses) for the year	272	909	(1,065)
Total comprehensive income for the year	5,231	4,672	1,277

The directors considered that no single joint venture is material to the Hutchison Property Group and hence no summarised financial information for any individual joint venture is disclosed.

Particulars of the principal joint ventures are set out below:

Name of joint venture	Place of Incorporation/ establishment	Equity interest attributable to the Group at			Date of report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
		2012	2013	2014				
The Grand Bahama Development Company Limited . . . . .	The Bahamas	50%	50%	50%	50%	Class A and Class B BS\$10,725,000 each	The Bahamas	Developing, selling and leasing of land
Albion Riverside Commercial Limited . . . . .	British Virgin Islands	45%	45%	45%	45%	Ordinary US\$100	United Kingdom	Property ownership and investment holding
Asset Legend Limited. . . . .	British Virgin Islands	N/A	N/A	50%	50%	Ordinary US\$1	Note (a)	Investment holding
Bayswater Developments Limited . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$20	Note (a)	Investment holding
Beright Investments Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$641,026	Note (a)	Investment holding
Billion Rise Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$4	Note (a)	Investment holding
Braintech Limited . . . . .	British Virgin Islands	45%	45%	45%	45%	Ordinary US\$10	Note (a)	Investment holding
Castlefield International Limited . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	United Kingdom	Property development
Champion Runner Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Note (a)	Investment holding
Cheung Wo Enterprises Limited. . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$100	Note (a)	Investment holding
China Champion Investments Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Note (a)	Investment holding
Choicewide Group Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Note (a)	Investment holding
Clevinger International Limited . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Note (a)	Investment holding
Cosmo Best Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Note (a)	Inactive company

Name of joint venture	Place of Incorporation/ establishment	Equity interest attributable to the Group at				Date of report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
		2012	2013	2014					
Dalton Blue Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$4	Note (a)	Investment holding	
Expert Pro Holdings Limited . . . . .	British Virgin Islands	N/A	N/A	50%	50%	Ordinary US\$2	Note (a)	Investment holding	
Extreme Selection Investment Limited (disposed in 2014) . . . . .	British Virgin Islands	50%	50%	N/A	N/A	N/A	Note (a)	Investment holding	
Forecaster Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Note (a)	Investment holding	
Gislingham Limited. . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$12	Note (a)	Investment holding	
Gold Season Investments Limited. . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Note (a)	Investment holding	
Golden Beatles Assets Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Hong Kong	Property development	
Golden Castle Management Limited. . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$6	Note (a)	Investment holding	
Harbour Plaza Golf Club Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$1	The PRC	Operation of golf club	
Harbour Plaza Hotel Enterprises Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$1	British Virgin Islands	Holding and licensing of trademarks	
Harbour Plaza Hotel Management (International) Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Note (a)	Investment holding	
Harbour Plaza Metropolis Limited. . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$1	Hong Kong	Hotel operation	
Hilltop Venture Limited. . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Note (a)	Investment holding	
Jingostar Investment Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Note (a)	Inactive company	
Kido Profits Limited . . . . .	British Virgin Islands	42.5%	42.5%	42.5%	42.5%	Ordinary US\$200	Note (a)	Investment holding	
Masterland Investment Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Note (a)	Investment holding	
Mega Rise Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$10	Note (a)	Investment holding	
Millen Investment Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Note (a)	Investment holding	
New Zetland Investments Limited. . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$1	Note (a)	Investment holding	
Shanklin Developments Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$14	Note (a)	Investment holding	
Sherrington Development Ltd. . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$6,879,228	Note (a)	Investment holding	
Sky Island Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$32	Note (a)	Investment holding	
Talent Sun Limited . . . . .	British Virgin Islands	35%	35%	35%	35%	Ordinary US\$100	Note (a)	Investment holding	
Top Sails Limited. . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Note (a)	Investment holding	
Toprow Investment Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$2	Note (a)	Investment holding	
Trefore Limited. . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$10	Note (a)	Investment holding	
True Ample Developments Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$102	Note (a)	Investment holding	
Tronic Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$4	Note (a)	Investment holding	
Willpower Developments Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$16	Note (a)	Investment holding	
Zealand Limited . . . . .	British Virgin Islands	50%	50%	50%	50%	Ordinary US\$4	Note (a)	Investment holding	
Afford Limited (disposed in 2013) . . . . .	Hong Kong	50%	N/A	N/A	N/A	N/A	Note (a)	Investment holding	
Araski Limited. . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$20	Note (a)	Inactive company	
Asia Commercial Development Limited . . . . .	Hong Kong	49.91%	49.91%	49.91%	49.91%	Class "1" HK\$ 309,750,000 Class "2" HK\$ 386,634,247.68	Note (a)	Investment holding	
Bayswater Regency (HK) Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$5,000,000	Note (a)	Investment holding	
Becogate Limited. . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$4	Hong Kong	Property ownership and investment	
Celestial Development and Construction (HK) Company Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$5,000,000	Note (a)	Investment holding	
Chesgold Limited (disposed in 2015) . . . . .	Hong Kong	50%	50%	50%	N/A	N/A	Note (a)	Investment holding	

Name of joint venture	Place of Incorporation/ establishment	Equity interest attributable to the Group at				Date of report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
		2012	2013	2014					
Clayton Power Enterprises Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$2	Hong Kong	Property development	
Cosmos Wide International Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$2	Hong Kong	Property development	
Elegant Wealth Investment Limited . . . . .	Hong Kong	51%	51%	51%	51%	Ordinary HK\$290,000,000	Note (a)	Investment holding	
Forton Investment Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$410,000,000	Note (a)	Investment holding	
Gislingham (HK) Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$5,000,000	Note (a)	Investment holding	
Glory Sense Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$135,000,000	Note (a)	Investment holding	
Harbour Plaza Golf Service Limited. . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$2	Hong Kong	Administration of golf club membership	
Harbour Plaza Hotel Management Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$2	Hong Kong	Hotel management and consultancy services	
Hildon Development Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$150,000,000	Hong Kong	Investment holding and provision of consulting and advisory services	
Hui Xian Holdings Limited . . . . .	Hong Kong	17.97%	17.97%	17.97%	17.97%	Ordinary US\$16,000	Hong Kong	Investment holding	
Konorus Investment Limited . . . . .	Hong Kong	42.5%	42.5%	42.5%	42.5%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Marketon Investment Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$4	Hong Kong	Property development and investment	
Mighty General Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary US\$8,333,336	Note (a)	Investment holding	
Montoya (HK) Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$500,000,000	Note (a)	Investment holding	
New China Sheen Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$20,000,000	Note (a)	Investment holding	
New China Target Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$20,000,000	Note (a)	Investment holding	
New Zetland Investments (HK) Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$5,000,000	Note (a)	Investment holding	
Ranon Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$2	Hong Kong	Property ownership and investment	
Secan Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$10	Hong Kong	Property ownership and investment	
Uni Lite Investment Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$2	Hong Kong	Provision of staff recruitment services	
Wonder Pacific Investment Limited . . . . .	Hong Kong	50%	50%	50%	50%	Ordinary HK\$4	Hong Kong	Property ownership and investment	
Central Boulevard Development Pte. Ltd . . . . .	Singapore	16.67%	16.67%	16.67%	16.67%	Ordinary US\$6	Note (a)	Investment holding	
Glenfield Investments Pte Ltd. . . . .	Singapore	50%	50%	50%	50%	Ordinary S\$1,000,000	Singapore	Property development	
Grand Waterfront Development Pte. Ltd. . . . .	Singapore	50%	50%	50%	50%	Ordinary S\$1,000,000	Singapore	Property development	
Japura Development Pte. Ltd. . . . .	Singapore	24%	24%	24%	24%	Ordinary S\$1,000,000	Singapore	Property development and investment	
Japura Pte Ltd . . . . .	Singapore	24%	24%	24%	24%	Ordinary S\$100	Note (a)	Investment holding	
Kovan Treasure Pte. Ltd. . . . .	Singapore	N/A	N/A	50%	50%	Ordinary S\$1	Singapore	Property development and investment	
Marina Bay Suites Pte. Ltd. . . . .	Singapore	16.5%	16.5%	16.5%	16.5%	Ordinary S\$1,000,000	Singapore	Property development	
Albion Properties Limited. . . . .	United Kingdom	45%	45%	45%	45%	Ordinary GBP200	United Kingdom	Property development	
Albion Residential Limited . . . . .	United Kingdom	45%	45%	45%	45%	Ordinary GBP200	United Kingdom	Property resale	
上海和聯房產開發有限公司 . . . . .	The PRC	50%	50%	50%	50%	US\$74,700,000	The PRC	Property development and investment	
上海長大房地產有限公司 (disposed in 2014) . . . . .	The PRC	50%	50%	N/A	N/A	N/A	The PRC	Property development	
上海梅龍鎮廣場有限公司 . . . . .	The PRC	30%	30%	30%	30%	US\$40,000,000	The PRC	Property ownership and investment	
上海雅匯房產開發有限公司 . . . . .	The PRC	50%	50%	50%	50%	US\$30,000,000	The PRC	Property development and investment	
江門市和記黃埔地產有限公司 . . . . .	The PRC	45%	45%	45%	45%	RMB120,000,000	The PRC	Property development	
和記黃埔地產(上海)吉北有限公司 . . . . .	The PRC	50%	50%	50%	50%	US\$48,550,000	The PRC	Property development and investment	
和記黃埔地產(天津)有限公司 . . . . .	The PRC	40%	40%	40%	40%	US\$47,500,000	The PRC	Property development and investment	
和記黃埔地產(西安)有限公司 . . . . .	The PRC	50%	50%	50%	50%	US\$59,600,000	The PRC	Property development and investment	
和記黃埔地產(北京朝陽)有限公司 . . . . .	The PRC	50%	50%	50%	50%	US\$81,579,000	The PRC	Property development and investment	
和記黃埔地產(成都)有限公司 . . . . .	The PRC	50%	50%	50%	50%	RMB1,650,000,000	The PRC	Property development and investment	
和記黃埔地產(成都)溫江有限公司 . . . . .	The PRC	50%	50%	50%	50%	RMB570,000,000	The PRC	Property development	



Name of joint venture	Place of Incorporation/ establishment	Equity interest attributable to the Group at				Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
		2012	2013	2014	Date of report			
和記黃埔地產(武漢江漢北)有限公司 . . . . .	The PRC	50%	50%	50%	50%	US\$144,400,000	The PRC	Property development and investment
和記黃埔地產(武漢江漢南)有限公司 . . . . .	The PRC	50%	50%	50%	50%	US\$147,300,000	The PRC	Property development
和記黃埔地產(武漢蔡甸)有限公司 . . . . .	The PRC	50%	50%	50%	50%	US\$309,300,000	The PRC	Property development
和記黃埔地產(長沙望城)有限公司 . . . . .	The PRC	50%	50%	50%	50%	RMB149,000,000	The PRC	Property development
和記黃埔地產(長春)有限公司 . . . . .	The PRC	50%	50%	50%	50%	US\$34,870,000	The PRC	Property development
和記黃埔地產(青島)有限公司 . . . . .	The PRC	45%	45%	45%	45%	US\$318,600,000	The PRC	Property development and investment
和記黃埔地產(重慶江北)有限公司 . . . . .	The PRC	50%	50%	50%	50%	RMB99,600,000	The PRC	Property development and investment
和記黃埔地產(重慶南岸)有限公司 . . . . .	The PRC	47.5%	47.5%	47.5%	47.5%	RMB2,384,500,000	The PRC	Property development and investment
和記黃埔地產(重慶短跑園)有限公司 . . . . .	The PRC	50%	50%	50%	50%	RMB250,000,000	The PRC	Property development
和記黃埔地產(珠海)有限公司 . . . . .	The PRC	50%	50%	50%	50%	US\$15,000,000	The PRC	Property development and investment
和記黃埔地產(深圳)有限公司 . . . . .	The PRC	50%	50%	50%	50%	US\$100,000,000	The PRC	Property development and investment
和記黃埔地產(惠州)有限公司 . . . . .	The PRC	50%	50%	50%	50%	RMB68,822,428	The PRC	Property development
和記黃埔地產(廣州番禺)有限公司 . . . . .	The PRC	50%	50%	50%	50%	RMB285,000,000	The PRC	Property development and investment
和記實業(重慶)有限公司 (disposed in 2015) . . . . .	The PRC	50%	50%	50%	N/A	N/A	The PRC	Property ownership and investment
和黃地產(深圳寶安)有限公司 . . . . .	The PRC	50%	50%	50%	50%	RMB96,000,000	The PRC	Property development and investment
東莞冠亞環湖商住區建造有限公司 . . . . .	The PRC	49.91%	49.91%	49.91%	49.91%	US\$49,510,000	The PRC	Property development and investment
東莞湖景渡假村有限公司 . . . . .	The PRC	50%	50%	50%	50%	RMB200,500,000	The PRC	Golf course development and operation
重慶海逸酒店有限公司 . . . . .	The PRC	50%	50%	50%	50%	US\$22,800,000	The PRC	Hotel operation
深圳和記黃埔中航地產有限公司 . . . . .	The PRC	40%	40%	40%	40%	RMB620,000,000	The PRC	Property development and investment
深圳和記黃埔龍崗地產有限公司 . . . . .	The PRC	50%	50%	50%	50%	RMB232,000,000	The PRC	Property development
深圳和記黃埔觀瀾地產有限公司 . . . . .	The PRC	50%	50%	50%	50%	RMB250,000,000	The PRC	Property development
瑞盛地產(北京)有限公司 . . . . .	The PRC	50%	50%	50%	50%	US\$22,350,000	The PRC	Property development
廣州立織實業有限公司 . . . . .	The PRC	50%	50%	50%	50%	US\$19,400,000	The PRC	Property development
廣州國際玩具禮品城有限公司 . . . . .	The PRC	30%	30%	30%	30%	RMB370,000,000	The PRC	Property development and investment
廣州御湖房地產發展有限公司 . . . . .	The PRC	40%	40%	40%	40%	RMB1,040,640,000	The PRC	Property development

*Note (a):* The company is inactive or has not carried on any operation except for acting as an investment holding.

### 13. INVESTMENTS AVAILABLE-FOR-SALE

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Listed equity securities in Hong Kong, at market value	1,662	1,645	2,440

The fair value measurements for the Hutchison Property Group's investments available-for-sales are categorised into level 1 in the fair value hierarchy and are based on quoted market prices.

## 14. STOCK OF PROPERTIES

Stock of properties represent property project under development in the United Kingdom.

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Freehold land	1,126	1,135	1,085
Property development expenditures	208	230	248
Interest capitalised	28	45	55
	<u>1,362</u>	<u>1,410</u>	<u>1,388</u>

Stock of properties amounting to HK\$1,362 million, HK\$1,410 million and HK\$1,388 million were not scheduled for completion within twelve months at 31 December 2012, 2013 and 2014 respectively.

## 15. DEBTORS, DEPOSITS AND PREPAYMENTS

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Debtors	1,310	1,257	1,408
Other receivables, deposits and prepayments	1,113	3,518	1,765
	<u>2,423</u>	<u>4,775</u>	<u>3,173</u>

Debtors and other receivable mainly include receivables from joint ventures. Debtors, deposits and prepayments are stated at the expected recoverable amount, net of any estimated impairment losses for bad debts where it is deemed that a receivable may not be fully recoverable. The carrying amount of these assets approximates their fair value.

The ageing analysis of debtors presented based on the invoice date, is as follows:

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Less than 31 days	279	235	178
Within 31 to 60 days	13	9	14
Within 61 to 90 days	156	133	135
Over 90 days	862	880	1,081
	<u>1,310</u>	<u>1,257</u>	<u>1,408</u>

The ageing analysis of debtors past due but not impaired, which are mainly receivables from joint ventures is as follows:

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Past due less than 31 days	231	192	150
Past due within 31 to 60 days	2	1	12
Past due within 61 to 90 days	153	130	135
Past due over 90 days	851	872	1,081
	<u>1,237</u>	<u>1,195</u>	<u>1,378</u>

## 16. BANK BALANCES AND DEPOSITS

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Cash at bank and on hand	5,522	943	1,378
Short term bank deposits	3,473	3,288	1,983
	<u>8,995</u>	<u>4,231</u>	<u>3,361</u>

## 17. CREDITORS AND ACCRUALS

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Creditors	79	69	78
Other payables and accruals	2,448	4,254	3,088
Customers' deposits received	576	632	692
	<u>3,103</u>	<u>4,955</u>	<u>3,858</u>

At 31 December the ageing analysis of the creditors presented based on the invoice date, is as follows:

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Less than 31 days	47	54	43
Within 31 to 60 days	13	12	28
Within 61 to 90 days	3	2	3
Over 90 days	16	1	4
	<u>79</u>	<u>69</u>	<u>78</u>

## 18. AMOUNTS DUE/LOANS FROM (TO) OTHER GROUP COMPANIES

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Current assets			
Amounts due from Other Group Companies			
– interest free	32,043	39,537	46,893
– interest bearing	558	1,054	974
	<u>32,601</u>	<u>40,591</u>	<u>47,867</u>
Current liabilities			
Amounts due to Other Group Companies, interest free	(25,207)	(20,964)	(27,469)
Interest payable to Other Group Companies	(235)	(253)	(321)
	<u>(25,442)</u>	<u>(21,217)</u>	<u>(27,790)</u>
Long term liabilities			
Amounts due to Other Group Companies			
– interest free	(3,001)	(2,711)	(2,701)
– interest bearing	(27,407)	(27,404)	(26,609)
	<u>(30,408)</u>	<u>(30,115)</u>	<u>(29,310)</u>
	<u>(23,249)</u>	<u>(10,741)</u>	<u>(9,233)</u>

The amounts due from (to) HWL or its subsidiaries not formed part of the Group (the "Other Group Companies") are unsecured and repayable on demand. The amounts due from (to) Other Group Companies carry interest at rates Hong Kong inter-bank offered rates ("HIBOR") minus 0.25% (2012 and 2013: HIBOR minus 0.25%) and rates ranging from 1.1% to 7.5% (2012: 1.0% to 7.5%; 2013: 1.1% to 7.5%) respectively at 31 December 2014. The effective interest rate is 4.6% in 2014 (2012 and 2013: 4.0% and 4.1% respectively). The carrying amounts approximate their fair values.

## 19. BORROWINGS

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Bank loans repayable			
Within 1 year	739	150	756
Between 2 and 5 years	100	644	50
	839	794	806
Less: current portion	(739)	(150)	(756)
	100	644	50

The bank loans are denominated in the following currencies:

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
HK dollars	200	150	150
British Pounds	639	644	656
	839	794	806

The bank loans denominated in HK dollars carry interest based on HIBOR plus 0.7% to 1.3% at 31 December 2014 (2012 and 2013: HIBOR plus 0.75% to 1.7%). The bank loan denominated in British Pounds is unsecured and carries interest at rate of 1.95% (2012 and 2013: 2.12% and 1.17% respectively). The effective interest rate is 1.9% in 2014 (2012 and 2013: 1.9% and 2.2% respectively). The carrying amounts of the bank loans approximate their fair values.

## 20. DEFERRED TAX LIABILITIES (ASSETS)

Deferred taxation is calculated in full on temporary differences under the liability method using the domestic tax rates prevailing in the countries in which the group companies operate.

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Deferred tax assets	(43)	(21)	(37)
Deferred tax liabilities	1,083	1,165	1,239
Net deferred tax liabilities	1,040	1,144	1,202

Analysis of net deferred tax liabilities:

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Accelerated depreciation allowances	1,145	1,177	1,229
Unused tax losses	(150)	(70)	(54)
Changes in fair value of investment properties	4	4	4
Other temporary differences	41	33	23
Net deferred tax liabilities	1,040	1,144	1,202

Movements in net deferred tax liabilities are as follows:

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
At 1 January	859	1,040	1,144
Exchange difference	1	1	(3)
Net charge to profit or loss (Note 7)	180	102	61
Net charge to equity	–	1	–
At 31 December	<u>1,040</u>	<u>1,144</u>	<u>1,202</u>

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits is probable. At 31 December 2014, the Hutchison Property Group have unrecognised tax losses of HK\$301,125,000 (2012 and 2013: HK\$440,328,000 and HK\$335,436,000 respectively) to carry forward against future taxable income, of which, HK\$301,125,000 (2012 and 2013: HK\$440,328,000 and HK\$335,436,000 respectively) can be carried forward indefinitely.

## 21. PENSION OBLIGATIONS

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Defined benefit liabilities	<u>221</u>	<u>91</u>	<u>100</u>

The major defined benefit plans participated by the Hutchison Property Group are in Hong Kong. The plans are mainly contributory final salary pension plans.

The Hutchison Property Group's major plans were valued by Towers Watson Hong Kong Limited, qualified actuaries as at 31 December 2012, 31 December 2013 and 31 December 2014 using the projected unit credit method to account for the Hutchison Property Group's pension accounting.

The principal actuarial assumptions used for the purpose of the actuarial valuation are as follows:

	At 31 December		
	2012	2013	2014
Discount rate	0.4 – 0.7%	1.5 – 2.1%	1.5 – 1.9%
Future salary increases	4.0%	4.0%	4.0%
Interest credited on plan accounts	<u>5.0 – 6.0%</u>	<u>5.0 – 6.0%</u>	<u>5.0 – 6.0%</u>

The amount recognised in the combined statements of financial position is determined as follows:

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Present value of defined benefit obligations	806	757	804
Fair value of plan assets	(585)	(666)	(704)
Net defined benefit liabilities	<u>221</u>	<u>91</u>	<u>100</u>

Movements in the net defined benefit liabilities and its components are as follows:

	<b>Present value of defined benefit obligation</b>	<b>Fair value of plan assets</b>	<b>Net defined benefit liabilities</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>HK\$ million</b>
At 1 January 2012	721	(557)	164
Net charge (credit) to the income statement			
Current service cost	58	–	58
Interest cost (income)	9	(7)	2
	67	(7)	60
Net charge (credit) to other comprehensive income			
Remeasurements loss (gain):			
Actuarial loss arising from change in demographic assumptions	15	–	15
Actuarial loss arising from change in financial assumptions	52	–	52
Return on plan assets excluding interest income	–	(31)	(31)
	67	(31)	36
Contributions paid by the employer	–	(39)	(39)
Contributions paid by the employee	3	(3)	–
Benefits paid	(52)	52	–
At 31 December 2012	806	(585)	221
Net charge (credit) to the income statement			
Current service cost	65	–	65
Interest cost (income)	5	(3)	2
	70	(3)	67
Net charge (credit) to other comprehensive income			
Remeasurements loss (gain):			
Actuarial loss arising from change in demographic assumptions	13	–	13
Actuarial gain arising from change in financial assumptions	(78)	–	(78)
Actuarial gain arising from experience adjustment	(16)	–	(16)
Return on plan assets excluding interest income	–	(75)	(75)
	(81)	(75)	(156)
Contributions paid by the employer	–	(41)	(41)
Contributions paid by the employee	3	(3)	–
Benefits paid	(41)	41	–
At 31 December 2013	757	(666)	91
Net charge (credit) to the income statement			
Current service cost	53	–	53
Interest cost (income)	13	(11)	2
	66	(11)	55
Net charge (credit) to other comprehensive income			
Remeasurements loss (gain):			
Actuarial loss arising from change in financial assumptions	8	–	8
Actuarial loss arising from experience adjustment	13	–	13
Return on plan assets excluding interest income	–	(29)	(29)
	21	(29)	(8)
Contributions paid by the employer	–	(38)	(38)
Contributions paid by the employee	3	(3)	–
Benefits paid	(43)	43	–
At 31 December 2014	804	(704)	100

	Year ended 31 December		
	2012	2013	2014
	Percentage	Percentage	Percentage
Fair value of the plan assets are analysed as follows:			
Equity instruments			
Consumer markets and manufacturing	11%	15%	12%
Energy and utilities	5%	5%	5%
Financial institutions and insurance	14%	14%	14%
Telecommunications and information technology	6%	9%	11%
Units trust and equity instrument funds	5%	6%	6%
Others	19%	21%	21%
	60%	70%	69%
Debt instruments			
US Treasury notes	4%	3%	5%
Government and government guaranteed notes	8%	9%	9%
Financial institutions notes	6%	6%	5%
Others	5%	7%	8%
	23%	25%	27%
Cash and others	17%	5%	4%
At 31 December	100%	100%	100%

The debt instruments are analysed by issuers' credit rating as follows:

	Year ended 31 December		
	2012	2013	2014
	Percentage	Percentage	Percentage
Aaa/AAA	35%	31%	30%
Aa1/AA+	13%	13%	11%
Aa2/AA	4%	2%	2%
Aa3/AA-	3%	3%	5%
A1/A+	3%	4%	9%
A2/A	6%	9%	5%
Other investment grades	23%	28%	25%
Unrated	13%	10%	13%
	100%	100%	100%

The fair value of the above equity instruments and debt instruments are determined based on quoted market prices.

Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Hutchison Property Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Hutchison Property Group's major defined benefit plans are detailed below.

The Hutchison Property Group are participating in two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 July 2013 reported a funding level of 119% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6% per annum and salary increases of 4% per annum. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2014 vested benefits under this plan are fully funded in accordance with the ORSO funding requirements.

The average duration of the defined benefit obligation as at 31 December 2014 is 7 years (2012 and 2013: 9 years and 8 years respectively).

The Hutchison Property Group expects to make contributions of HK\$46 million (2012 and 2013: HK\$44 million and HK\$46 million respectively) to the defined benefit plans during the next year.

IAS19 "Employee Benefits" requires disclosure of a sensitivity analysis for the significant actuarial assumptions, used to determine the present value of the defined benefit obligations, that shows the effects of a hypothetical change in the relevant actuarial assumption at the end of the reporting period on defined benefit obligations.

The effect that is disclosed in the following assumes that (a) a hypothetical change of the relevant actuarial assumption had occurred at the end of the reporting period and had applied to the relevant actuarial assumption in existence on that date; and (b) the sensitivity analysis for each type of actuarial assumption does not reflect inter-dependencies between different assumptions.

The preparation and presentation of the sensitivity analysis for significant actuarial assumptions is solely for compliance with IAS19 disclosure requirements in respect of defined benefit obligations. The sensitivity analysis measures changes in the defined benefit obligations from hypothetical instantaneous changes in one actuarial assumption (e.g. discount rate or future salary increase), the amount so generated from the sensitivity analysis are "what-if" forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice actuarial assumptions rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the markets which may cause fluctuations in actuarial assumptions (e.g. discount rate or future salary increase) to vary and therefore it is important to note that the hypothetical amounts so generated do not present a projection of likely future events and profits or losses.

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 2.3% (2013: 1.3%) or increase by 2.4% (2013: 2.4%) respectively.

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.8% (2013: 2.0%) or decrease by 2.2% (2013: 0.9%) respectively.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit liability recognised in the statement of financial position.

## 22. OPERATING LEASE

### The Hutchison Property Group as lessor

At 31 December the analysis of the Hutchison Property Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Within 1 year	2,771	2,855	2,940
After 1 year, but within 5 years	1,961	5,559	4,467
After 5 years	2,809	1,034	1,386
	<u>7,541</u>	<u>9,448</u>	<u>8,793</u>

### The Hutchison Property Group as lessee

At 31 December the analysis of the Hutchison Property Group's aggregate future minimum rental payable under non-cancellable leases is as follows:

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Within 1 year	27	42	42
After 1 year, but within 5 years	26	57	41
After 5 years	2	1	–
	<u>55</u>	<u>100</u>	<u>83</u>



## 23. SEGMENT INFORMATION

Depreciation and amortisation for the years analysed by operating activities is as follows:

	Depreciation and amortisation		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Hotels and serviced suites	160	135	153
Property and project management	40	42	25
	<u>200</u>	<u>177</u>	<u>178</u>

Other segment information is set out in note 5.

## 24. COMMITMENT

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Contracted but not provided for:			
Investment properties and fixed assets	<u>106</u>	<u>81</u>	<u>49</u>
Authorised but not contracted for:			
Investment properties and fixed assets	980	1,066	1,084
Interests in joint ventures	<u>1,186</u>	<u>401</u>	<u>3,530</u>

## 25. CONTINGENT LIABILITIES

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Guarantees for bank loans of joint ventures	965	546	911
Guarantees for utility deposits	<u>2</u>	<u>–</u>	<u>–</u>
	<u>967</u>	<u>546</u>	<u>911</u>

## 26. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the Hutchison Property Group Financial Information, the Hutchison Property Group regularly conduct transactions in the normal course of business with the Hutchison Group and related companies, details at the material ones are as follows:

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Rental and other related income from holding company and fellow subsidiary companies	437	481	524
Project management and sales consultancy fee received from joint ventures	480	535	381
Interest paid to holding company and fellow subsidiary companies	(1,085)	(1,089)	(1,219)
Management fee and other cost paid to holding company, fellow subsidiary companies and joint ventures	<u>(190)</u>	<u>(184)</u>	<u>(188)</u>

## 27. FINANCIAL RISK MANAGEMENT

## 27.1 Financial risk factors

The Hutchison Property Group's activities expose them to a variety of financial risks: market risk (foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk. The Hutchison Property Group's overall risk management programme focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on the Hutchison Property Group's financial performance.

The preparation and presentation of the sensitivity analysis on market risk is solely for compliance with IFRS7 disclosure requirements in respect of financial instruments. The sensitivity analysis measures changes in the fair value and/or cash flows of the Hutchison Property Group's financial instruments from hypothetical instantaneous changes in one risk variable (e.g. functional currency rate or interest rate), the amount so generated from the sensitivity analysis are what-if forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates (e.g. exchange or interest rate) to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses.

## (i) Foreign exchange risk

The Hutchison Property Group and its associates and joint ventures operate in Hong Kong, the PRC, the United Kingdom, Singapore and The Bahamas. The Hutchison Property Group's revenue and expenditure are denominated in the respective local currencies. The Hutchison Property Group are subject to foreign exchange risk arising from future commercial transactions, recognised assets and liabilities which are not denominated in the relevant functional currencies of the entities. The Hutchison Property Group currently does not have a foreign currency hedging policy. The Hutchison Property Group manages their foreign currency risk by closely monitoring the movement of the foreign currency rates.

The net carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the Hutchison Property Group are as follows:

	At 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
<b>Assets</b>			
Euro	5	5	5
Renminbi	36	19	14
Singapore dollar	917	305	152
	<u>917</u>	<u>305</u>	<u>152</u>
<b>Liabilities</b>			
British pound	(172)	(186)	(205)
	<u>(172)</u>	<u>(186)</u>	<u>(205)</u>

The following table shows the sensitivity analysis of a 10% decrease in the exchange rate of Hong Kong dollar against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. If there is a 10% decrease in the exchange rate of Hong Kong dollar against the relevant currencies, the effects in the profit before taxation and equity are as follows:

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Increase of profit before taxation			
Euro	1	1	1
Singapore dollar	16	3	15
Renminbi	4	2	1
	<u>4</u>	<u>2</u>	<u>1</u>
Increase (decrease) of equity			
British pound	(18)	(19)	(21)
Singapore dollar	76	28	-
	<u>76</u>	<u>28</u>	<u>-</u>

*(ii) Interest rate risk*

The Hutchison Property Group is exposed to interest rate risk arising from certain amounts due from (to) joint ventures and Other Group Companies and bank balances and deposits. Other than these, the Hutchison Property Group has no significant interest bearing assets, their income and operating cash flows are substantially independent of changes in market interest rates. In addition, certain amounts due to Other Group Companies, and bank loans at market interest rates also expose the Hutchison Property Group to cash flow interest rate risk.

The following sensitivity analysis has been determined based on the exposure to interest rate risks for non-derivative instruments existed at the end of the reporting period. For floating rate assets and liabilities, the sensitivity analysis is prepared assuming the amounts of assets and liabilities outstanding at the end of the reporting period were outstanding for a whole year. The following table shows the sensitivity analysis of an increase of 100 basis-point in interest rates at the end of the reporting period to profit or loss.

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Increase (decrease) of profit before taxation			
Bank balances and deposits	80	31	22
Net amounts due to joint ventures	(42)	(15)	(5)
Net amounts due to Other Group Companies	(268)	(264)	(256)
Borrowings	(9)	(8)	(8)
	<u>(239)</u>	<u>(256)</u>	<u>(247)</u>

*(iii) Credit risk*

The Hutchison Property Group is exposed to credit risk in relation to debtors, deposits and prepayments, cash held by stakeholders, cash deposits with banks and amounts due from Other Group Companies, associates and joint ventures.

The carrying amounts of debtors, deposits and prepayments, bank balances, cash held by stakeholders and amounts due from Other Group Companies, associates and joint ventures represent the Hutchison Property Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, deposits are mainly placed with high-credit-quality financial institutions. The Hutchison Property Group have policies in place to ensure that rental deposits are required from tenants prior to commencement of leases. Monthly rental in respect of investment properties are payable in advance by tenants in accordance with the lease agreements. They also have other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Hutchison Property Group reviews regularly the recoverable amount of each individual receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

The Hutchison Property Group made advances to Other Group Companies, associates and joint ventures and provided guarantees for bank loans of joint ventures. The Hutchison Property Group has assessed the recoverability of the advances and the Creditworthiness of the Other Group Companies by reference to the budgeted profitability of the property projects of the Other Group Companies before committing the Hutchison Property Group to making advances to and providing guarantees for these Other Group Companies. The Hutchison Property Group have no significant concentrations of credit risk, with exposure spread over a number of counterparties.

*(iv) Liquidity risk*

Management of the Hutchison Property Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of borrowings from Other Group Companies.

The table below analyses the non-derivative financial liabilities of the Hutchison Property Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due over twelve months equal their carrying balances, as the impact of discounting is not significant.

	<b>Within 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>HK\$ million</b>
<b>At 31 December 2012</b>			
Creditors and accruals (Note 17)	3,103	–	3,103
Borrowings (Note 19)	739	100	839
Amounts due to Other Group Companies (Note 18)	25,207	30,408	55,615
Interest payable to Other Group Companies (Note 18)	235	–	235
	<b>235</b>	<b>–</b>	<b>235</b>
<b>At 31 December 2013</b>			
Creditors and accruals (Note 17)	4,955	–	4,955
Borrowings (Note 19)	150	644	794
Amounts due to Other Group Companies (Note 18)	20,964	30,115	51,079
Interest payable to Other Group Companies (Note 18)	253	–	253
	<b>253</b>	<b>–</b>	<b>253</b>
<b>At 31 December 2014</b>			
Creditors and accruals (Note 17)	3,858	–	3,858
Borrowings (Note 19)	756	50	806
Amounts due to Other Group Companies (Note 18)	27,469	29,310	56,779
Interest payable to Other Group Companies (Note 18)	321	–	321
	<b>321</b>	<b>–</b>	<b>321</b>

(v) **Price risk**

The Hutchison Property Group is exposed to equity securities price risk related to the investments available-for-sale. The listed investments are held for strategic rather than trading purpose. The Hutchison Property Group does not actively trade these investments.

If the equity price at the reporting date had been 10% higher, the Hutchison Property Group's investment revaluation reserve would increase by HK\$244 million (2013 and 2012: HK\$164 million and HK\$166 million respectively) as a result of changes in fair value of investments available-for-sale.

## 27.2 Capital risk management

The Hutchison Property Group's objectives when managing capital are to safeguard the Hutchison Property Group's ability as a going concern in order to provide returns for shareholders and to support future development of business through the optimisation of the debt and equity balances. The Hutchison Property Group's strategy remains unchanged over Relevant Periods.

The capital structure of the Hutchison Property Group consists of borrowings (including amounts due to Other Group Companies and borrowings) and shareholders' fund, as disclosed in the combined statements of financial position.

The management of the Hutchison Property Group reviews the capital structure periodically and manages their overall capital structure through the payment of dividends, new share issues and drawdown of new borrowings or repayments of existing borrowings.

**27.3 Fair value measurement**

The different levels of fair value measurement for financial instruments carried at fair value have been defined as follows:

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Hutchison Property Group is the current bid price. The Hutchison Property Group's investments available-for-sale are included in Level 1.

The carrying values less impairment provision of trade debtors and other receivables and the carrying value of trade creditors and other payables are a reasonable approximation of their fair value.

**28. EMPLOYEES' EMOLUMENTS**

Of the five individuals with the highest emoluments in the Hutchison Property Group, the emoluments of them were as follows:

	Year ended 31 December		
	2012	2013	2014
	HK\$ million	HK\$ million	HK\$ million
Salaries and other benefits	14	14	15
Contributions to retirement benefits schemes	1	2	2
Share-based payment expense	–	–	–
Discretionary and performance related incentive payments	34	37	37
Incentive paid on joining	–	–	–
Compensation for loss of office paid:			
Contractual	–	–	–
Other	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>

The emoluments of the above individuals were within the following bands:

	Year ended 31 December		
	2012	2013	2014
	No. of employee	No. of employee	No. of employee
HK\$5,000,001 – HK\$5,500,000	1	1	–
HK\$5,500,001 – HK\$ 6,000,000	1	–	–
HK\$6,000,001 – HK\$ 6,500,000	–	1	2
HK\$6,500,001 – HK\$ 7,000,000	1	–	1
HK\$7,000,001 – HK\$ 7,500,000	1	1	–
HK\$7,500,001 – HK\$ 8,000,000	–	1	–
HK\$8,000,001 – HK\$ 8,500,000	–	–	1
HK\$23,500,001 – HK\$ 24,000,000	1	–	–
HK\$25,500,001 – HK\$ 26,000,000	–	1	–
HK\$26,000,001 – HK\$ 26,500,000	–	–	1
	<u>5</u>	<u>5</u>	<u>5</u>

**29. DIRECTORS' REMUNERATION**

None of the directors received any fees or other emoluments in respect of their services to the Hutchison Property Group during the year (2012 and 2013: nil).

**30. IMMEDIATE/ULTIMATE HOLDING COMPANY**

At the date of this report, the directors of HWPL Holdings Limited consider that HWPL Group Holdings Limited, a limited company incorporated in the British Virgin Islands, is the immediate holding company, and Hutchison Whampoa Limited, a limited company incorporated in Hong Kong, is the ultimate holding company of the Hutchison Property Group.

**III. EVENTS AFTER THE REPORTING PERIOD**

During the first quarter 2015, the Hutchison Property Group paid a dividend of HK\$83 million to its shareholder. Such dividend was not accounted for in the Hutchison Property Group Financial Information during the Relevant Periods.

Save as disclosed above, no dividend or distribution has been declared or made by HWPL Holdings Limited or any of the companies now comprising the Hutchison Property Group in respect of any period subsequent to 31 December 2014.

**IV. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of HWPL Holdings Limited or any of the companies now comprising the Hutchison Property Group, have been prepared in respect of any period subsequent to 31 December 2014, up to the date of this report.

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

*The following information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Cheung Kong Property Group and the accountants' report on the historical financial information of the Hutchison Property Group issued by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of CK Property set out in "Appendix IXA – Accountants' Report on the Cheung Kong Property Group" and "Appendix IXB – Accountants' Report on the Hutchison Property Group", respectively, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the accountants' reports set out in "Appendix IXA – Accountants' Report on the Cheung Kong Property Group" and "Appendix IXB – Accountants' Report" on the Hutchison Property Group".*

## 1. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following sets out, for illustrative purposes only, the unaudited pro forma financial information of the CK Property Group prepared in accordance with paragraph 4.29 of the Listing Rules to illustrate the impact of the Property Businesses Combination as if it had taken place on 31 December 2014 in the case of the unaudited pro forma combined statement of assets and liabilities of the CK Property Group and on 1 January 2014 in the case of the unaudited pro forma combined income statement and combined statement of cash flows of the CK Property Group.

The unaudited pro forma financial information of the CK Property Group is based on a number of assumptions, estimates and uncertainties. The Unaudited Pro Forma Financial Information of the CK Property Group does not purport to describe (i) the actual assets and liabilities of the CK Property Group that would have been attained had the Property Businesses Combination been completed on 31 December 2014; and (ii) the actual results and cash flows of the CK Property Group that would have been attained had the Property Businesses Combination been completed on 1 January 2014. The Unaudited Pro Forma Financial Information of the CK Property Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it does not purport to predict the future assets and liabilities, results and cash flows of the CK Property Group. In addition, the unaudited pro forma financial information of the CK Property Group would not be directly comparable to the column headed "Spin-off Proposal" as set out in the unaudited pro forma financial information of the Resulting CKH Holdings Group, as set out in "Appendix VI – Unaudited Pro Forma Financial Information of the Resulting CKH Holdings Group", because:

- other properties, for the purpose of the Distribution In Specie, which are adjusted to fair value as at 28 February 2015 in the unaudited pro forma financial information of the Resulting CKH Holdings Group are stated at their carrying amount at cost as at 31 December 2014, as reflected in the respective books of the Hutchison Property Group and the Cheung Kong Property Group, in the unaudited pro forma financial information of the CK Property Group;
- properties under and for development, for the purpose of the Distribution In Specie, which are adjusted to fair value as at 28 February 2015 in the unaudited pro forma financial information of the Resulting CKH Holdings Group are stated

at their carrying amount at cost as at 31 December 2014, as reflected in the respective books of the Hutchison Property Group and the Cheung Kong Property Group, in the unaudited pro forma financial information of the CK Property Group;

- properties for other operations (including hotel and serviced suites properties), for the purpose of the Distribution In Specie, which are adjusted to fair value as at 28 February 2015 in the unaudited pro forma financial information of the Resulting CKH Holdings Group are stated at their carrying amount at cost as at 31 December 2014, as reflected in the respective books of the Hutchison Property Group and the Cheung Kong Property Group, in the unaudited pro forma financial information of the CK Property Group;
- investment properties, for the purpose of the Distribution In Specie, which are adjusted to fair value as at 28 February 2015 in the unaudited pro forma financial information of the Resulting CKH Holdings Group are stated at their carrying amount at fair value as at 31 December 2014, as reflected in the respective books of the Hutchison Property Group and the Cheung Kong Property Group, in the unaudited pro forma financial information of the CK Property Group;
- properties held for sale, for the purpose of the Distribution In Specie, which are adjusted to fair value as at 28 February 2015 in the unaudited pro forma financial information of the Resulting CKH Holdings Group are stated at their carrying amount at cost as at 31 December 2014, as reflected in the respective books of the Hutchison Property Group and the Cheung Kong Property Group, in the unaudited pro forma financial information of the CK Property Group; and
- the redemption of the promissory note of HK\$55 billion issued by CK Property Group for settlement of the Specified Loans is assumed to have taken place during 2014 in the unaudited pro forma financial information of the Resulting CKH Holdings Group and after 2014 in the unaudited pro forma financial information of the CK Property Group. Accordingly, the inclusion of cash of HK\$55 billion is reflected in the unaudited pro forma financial information of the Resulting CKH Holdings Group, and is not reflected in the unaudited pro forma financial information of the CK Property Group.

These differences in the measurement basis limit the comparability of the unaudited pro forma financial information of the CK Property Group and that of the Resulting CKH Holdings Group.



**Unaudited Pro Forma Combined Income Statement of the CK Property Group upon  
completion of the Property Businesses Combination**

	Pro forma adjustments					Unaudited pro forma combined income statement of the CK Property Group
	The Cheung Kong Property Group for the year ended 31 December 2014	The Hutchison Property Group for the year ended 31 December 2014	Effect on consolidation of certain joint ventures becoming subsidiaries upon completion of the Property Businesses Combination	Effect on accounting for Hui Xian REIT becoming an associate upon completion of the Property Businesses Combination	Other adjustments	
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Group turnover . . . . .	24,038	6,901	15,667	-	-	46,606
Investment and other income . . . . .	784	148	730	(281)	-	1,381
Operating costs						
Property and related costs . . . . .	(12,985)	(974)	(9,543)	-	-	(23,502)
Service fees . . . . .	(892)	-	-	-	-	(892)
Salaries and related expenses . . . . .	(525)	(1,318)	(498)	-	-	(2,341)
Interest and other finance costs . . . . .	(815)	(1,222)	(323)	-	-	(2,360)
Depreciation and amortisation . . . . .	(286)	(178)	(165)	-	-	(629)
Other expenses . . . . .	(106)	(149)	(126)	-	-	(381)
	(15,609)	(3,841)	(10,655)	-	-	(30,105)
Share of net profit of joint ventures . . . . .	2,835	2,342	(5,084)	-	-	93
Increase in fair value of investment properties . . .	4,542	28,088	1,053	-	-	33,683
Profit on disposal of subsidiaries . . . . .	-	-	-	-	4,660	4,660
Profit on disposal of joint ventures . . . . .	2,349	-	-	-	(2,349)	-
Profit on disposal of investments and others . .	-	2,807	25	-	(2,311)	521
Operating profit . . . . .	18,939	36,445	1,736	(281)	-	56,839
Share of net profit of associates . . . . .	1	399	(399)	951	-	952
Profit before taxation . . . .	18,940	36,844	1,337	670	-	57,791
Taxation . . . . .	(1,624)	(885)	(1,230)	-	-	(3,739)
Profit for the year . . . . .	17,316	35,959	107	670	-	54,052
Profit attributable to Shareholders of the Cheung Kong Property Group/the Hutchison Property Group . . . . .	17,068	35,569	-	350	-	52,987
Non-controlling interests . .	248	390	107	320	-	1,065
	17,316	35,959	107	670	-	54,052

*Notes:*

- (1) The balances have been extracted from the audited combined income statement of the Cheung Kong Property Group for the year ended 31 December 2014 as set out in “Appendix IXA – Accountants’ Report on the Cheung Kong Property Group”.
- (2) The balances have been extracted from the audited combined income statement of the Hutchison Property Group for the year ended 31 December 2014 as set out in “Appendix IXB – Accountants’ Report on the Hutchison Property Group”.
- (3) Before completion of the Property Businesses Combination, the Cheung Kong Property Group and the Hutchison Property Group co-invest in entities which are accounted for as joint ventures using the equity method of accounting in their respective combined financial statements. Upon completion of the Property Businesses Combination, these joint ventures will become subsidiaries of the CK Property Group. Accordingly, the share of net results of these joint ventures is eliminated, the income and expenses of these joint ventures are incorporated in the pro forma combined income statement of the CK Property Group and intra group income and expenses are eliminated.
- (4) Before completion of the Property Businesses Combination, certain equity interests in Hui Xian REIT are held through an entity co-invested in by the Cheung Kong Property Group, the Hutchison Property Group and other parties which is accounted for as a joint venture using the equity method of accounting in the respective combined financial statements of the Cheung Kong Property Group and the Hutchison Property Group; while the equity interests in Hui Xian REIT directly held by the Cheung Kong Property Group and the Hutchison Property Group are accounted for as investments available for sale and stated at fair value in their respective combined financial statements. Upon completion of the Property Businesses Combination, Hui Xian REIT will become an associate of the CK Property Group and be accounted for using the equity method of accounting.
- (5) During the year ended 31 December 2014, the Cheung Kong Property Group and the Hutchison Property Group disposed of certain joint ventures that were co-invested in by them. Had completion of the Property Businesses Combination taken place on 1 January 2014, these joint ventures would have been subsidiaries of the CK Property Group. Accordingly, the profit on disposal of these joint ventures is reclassified as disposal of subsidiaries.
- (6) Before completion of the Property Businesses Combination, the Cheung Kong Property Group has entered into joint development arrangements with third party land owners for property developments on land owned by those third parties. Under these joint development arrangements, typically the Cheung Kong Property Group is under a contractual obligation to carry out the development and to finance the construction costs and occasionally also the land costs, and is entitled to share the surplus proceeds or development profits of these properties after their completion. Joint development property projects of this category comprise those in which the CK Property Group will be interested, directly or economically, following the completion of the Property Businesses Combination.

For the purpose of preparing this unaudited pro forma financial information of the CK Property Group, it is assumed that all third party consents in relation to any transfer of any joint venture interest, including any interests pursuant to any joint development agreement, had been obtained.

**APPENDIX X****UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE CK PROPERTY GROUP**

- (7) Had completion of the Property Businesses Combination taken place on 1 January 2014, pro forma turnover and profit contribution of the CK Property Group by operating activities and geographical locations would have been as follows:

	<b>For the year ended 31 December 2014</b>				
	<b>Hong Kong</b>	<b>The PRC</b>	<b>Singapore</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Pro forma turnover:					
Property sales	19,389	11,913	2,377	–	33,679
Property rental	5,988	813	–	20	6,821
Hotel and serviced suite operation	4,943	356	–	265	5,564
Property and project management	517	25	–	–	542
	<u>30,837</u>	<u>13,107</u>	<u>2,377</u>	<u>285</u>	<u>46,606</u>
Pro forma profit contribution:					
Property sales	6,665	3,157	781	(1)	10,602
Property rental	5,488	493	–	21	6,002
Hotel and serviced suite operation	2,312	(31)	–	(96)	2,185
Property and project management	99	41	36	(1)	175
	<u>14,564</u>	<u>3,660</u>	<u>817</u>	<u>(77)</u>	<u>18,964</u>

**APPENDIX X**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE CK PROPERTY GROUP**

**Unaudited Pro Forma Combined Statement of Assets and Liabilities of the CK Property Group upon completion of the Property Businesses Combination**

	The Cheung Kong Property Group as at 31 December 2014	The Hutchison Property Group as at 31 December 2014	Pro forma adjustments		Unaudited pro forma combined statement of assets and liabilities of the CK Property Group
			Effect on consolidation of certain joint ventures becoming subsidiaries upon completion of the Property Businesses Combination	Effect on accounting for Hui Xian REIT becoming an associate upon completion of the Property Businesses Combination	
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Non-current assets					
Fixed assets <sup>(6)</sup>	9,928	4,627	3,430	–	17,985
Investment properties	33,285	72,905	13,208	–	119,398
Associates	2	2,346	(2,346)	11,447	11,449
Joint ventures	45,895	42,767	(85,154)	–	3,508
Investments available for sale	7,172	2,440	6,512	(10,633)	5,491
Deferred tax assets	–	37	1,825	–	1,862
Long term loan receivables	301	–	2,545	–	2,846
	<u>96,583</u>	<u>125,122</u>	<u>(59,980)</u>	<u>814</u>	<u>162,539</u>
Current assets					
Stock of properties	73,259	1,388	87,478	–	162,125
Debtors, deposits and prepayments	1,810	3,173	4,630	–	9,613
Tax prepaid	–	–	328	–	328
Amounts due from group companies (Combined Non-Property Businesses) <sup>(8)</sup>	1,210	47,867	–	–	49,077
Bank balances and deposits	10,354	3,361	18,643	–	32,358
	<u>86,633</u>	<u>55,789</u>	<u>111,079</u>	<u>–</u>	<u>253,501</u>
Current liabilities					
Creditors and accruals	10,493	3,858	14,826	–	29,177
Amounts due to group companies (Combined Non-Property Businesses) <sup>(8)</sup>	70,707	27,790	2,995	–	101,492
Borrowings	250	756	4,271	–	5,277
Provision for taxation	1,346	615	1,328	–	3,289
	<u>82,796</u>	<u>33,019</u>	<u>23,420</u>	<u>–</u>	<u>139,235</u>
Net current assets	<u>3,837</u>	<u>22,770</u>	<u>87,659</u>	<u>–</u>	<u>114,266</u>
Total assets less current liabilities	<u>100,420</u>	<u>147,892</u>	<u>27,679</u>	<u>814</u>	<u>276,805</u>
Non-current liabilities					
Borrowings	350	50	11,125	–	11,525
Loans from group companies (Combined Non-Property Businesses) <sup>(8)</sup>	–	29,310	–	–	29,310
Deferred tax liabilities	999	1,239	7,043	–	9,281
Pension obligations	–	100	2	–	102
Other non-current liabilities	–	1	–	–	1
	<u>1,349</u>	<u>30,700</u>	<u>18,170</u>	<u>–</u>	<u>50,219</u>
Net assets	<u>99,071</u>	<u>117,192</u>	<u>9,509</u>	<u>814</u>	<u>226,586</u>

*Notes:*

- (1) The balances have been extracted from the audited combined statement of financial position of the Cheung Kong Property Group as at 31 December 2014 as set out in “Appendix IXA – Accountants’ Report on the Cheung Kong Property Group”.
- (2) The balances have been extracted from the audited combined statement of financial position of the Hutchison Property Group as at 31 December 2014 as set out in “Appendix IXB – Accountants’ Report on the Hutchison Property Group”.
- (3) Before completion of the Property Businesses Combination, the Cheung Kong Property Group and the Hutchison Property Group co-invest in entities which are accounted for as joint ventures using the equity method of accounting in their respective combined financial statements. Upon completion of the Property Businesses Combination, these joint ventures will become subsidiaries of the CK Property Group. Accordingly, their respective carrying values of interest in these joint ventures are eliminated, the assets and liabilities of these joint ventures are incorporated in the pro forma combined statement of assets and liabilities of the CK Property Group and intra group balances are eliminated.
- (4) Before completion of the Property Businesses Combination, certain equity interests in Hui Xian REIT are held through an entity co-invested in by the Cheung Kong Property Group, the Hutchison Property Group and other parties which is accounted for as a joint venture using the equity method of accounting; while the equity interests in Hui Xian REIT directly held by the Cheung Kong Property Group and the Hutchison Property Group are accounted for as investments available for sale and stated at fair value in their respective combined financial statements. Upon completion of Property Businesses Combination, Hui Xian REIT will become an associate of the CK Property Group and be accounted for using the equity method of accounting.
- (5) Before completion of the Property Businesses Combination, the Cheung Kong Property Group has entered into joint development arrangements with third party land owners for property developments on land owned by those third parties. Under these joint development arrangements, typically the Cheung Kong Property Group is under a contractual obligation to carry out the development and to finance the construction costs and occasionally also the land costs, and is entitled to share the surplus proceeds or development profits of these properties after their completion. Joint development property projects of this category comprise those in which the CK Property Group will be interested, directly or economically, following the completion of the Property Businesses Combination.

For the purpose of preparing this unaudited pro forma financial information of the CK Property Group, it is assumed that all third party consents in relation to any transfer of any joint venture interest, including any interests pursuant to any joint development agreement, had been obtained.

- (6) The net book value as at 31 December 2014 of fixed assets of certain joint ventures that will become subsidiaries upon completion of the Property Businesses Combination was as follows:

	<b>HK\$ million</b>
Fixed assets	
Hotel and other properties	3,288
Other assets	142
	3,430

- (7) During the first quarter 2015, the Cheung Kong Property Group and the Hutchison Property Group paid a dividend of HK\$131 million and HK\$83 million to their shareholders respectively.
- (8) Based on the balances as at 31 December 2014, the net amount of HK\$81,725 million resulting from (i) amounts due from group companies (HK\$49,077 million), (ii) amounts due to group companies (HK\$101,492 million) and (iii) loans from group companies (HK\$29,310 million) will be partially settled by a loan promissory note of HK\$55,000 million which will be issued by CK Property upon completion of the Property Businesses Combination. The loan promissory note will be settled by cash upon drawdown of the CK Property Loan Facility or Bridge Loan Facility. The remaining balance of HK\$26,725 million together with the consideration for the CPB Companies Share Reorganisation, as further explained in the “The Property Businesses Combination” section in “Appendix VII – Information on the CK Property Group and the Spin-off Proposal”, will be settled by another promissory note which, in turn, will be settled by the issuance of a single share by CK Property. For further details of the settlement arrangement, please refer to Appendix VII.

**APPENDIX X**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE CK PROPERTY GROUP**

**Unaudited Pro Forma Combined Statement of Cash Flows of the CK Property Group  
upon completion of the Property Businesses Combination**

	The Cheung Kong Property Group for the year ended 31 December 2014	The Hutchison Property Group for the year ended 31 December 2014	Pro forma adjustments			Notes	Unaudited pro forma combined statement of cash flows of the CK Property Group (Note 5)
			Effect on consolidation of certain joint ventures becoming subsidiaries upon completion of the Property Businesses Combination	Effect on accounting for Hui Xian REIT becoming associate upon completion of the Property Businesses Combination	Reclassification		
	(Note 1)	(Note 2)	(Note 3)	(Note 4)			
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million		HK\$ million
Operating activities							
Cash generated from/ (used in) operations/ operating activities before interest and other finance costs and tax paid	16,500	2,035	(1,173)	–	671	6	18,033
Investment in/loan advance to joint ventures	(3,124)	–	7,024	–	(4,008)	6	(108)
Dividend/repayment from joint ventures	1,159	1,101	(1,768)	–	(256)	6	236
Dividend from associates	2	–	(256)	590	256	6	592
Dividend from investments in securities	209	–	590	(590)	–		209
Interest received	62	17	402	–	–		481
Interest and other finance costs paid	–	(1,166)	–	–	1,166	6	–
Dividend paid to the shareholders of the Cheung Kong Property Group/the Hutchison Property Group	(5,567)	–	–	–	(3,944)	6	(9,511)
Dividend paid to non-controlling interests	(294)	–	(437)	–	(264)	6	(995)
Profits tax paid	(975)	(436)	(7,712)	–	–		(9,123)
Net cash from/(used in) operating activities	7,972	1,551	(3,330)	–	(6,379)		(186)
Investing activities							
(Investment in) repayments from (advances to) associates and joint ventures	(85)	(4,093)	170	–	4,008	6	–
Disposal of joint ventures	3,298	3,904	–	–	(7,202)	6, 7	–
Addition of fixed assets and investment properties	(296)	(260)	(127)	–	–		(683)
Disposal of fixed assets and investment properties	–	718	196	–	–		914
Disposal of subsidiary companies	–	–	–	–	6,531	7	6,531
Net cash from investing activities	2,917	269	239	–	3,337		6,762

**APPENDIX X**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE CK PROPERTY GROUP**

	The Cheung Kong Property Group for the year ended 31 December 2014	The Hutchison Property Group for the year ended 31 December 2014	Pro forma adjustments			Notes	Unaudited pro forma combined statement of cash flows of the CK Property Group
			Effect on consolidation of certain joint ventures becoming subsidiaries upon completion of the Property Businesses Combination	Effect on accounting for Hui Xian REIT becoming associate upon completion of the Property Businesses Combination	Reclassification		
	(Note 1)	(Note 2)	(Note 3)	(Note 4)			(Note 5)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million		HK\$ million
Financing activities							
Drawdown of borrowings	-	40	7,767	-	-		7,807
Repayment of borrowings	(10)	-	(4,956)	-	-		(4,966)
Advance from/repayment to group companies (Combined Non-Property Businesses)	(9,184)	1,478	1,270	-	-		(6,436)
Decrease in funding from non-controlling interests	(195)	-	(2)	-	-		(197)
Interest and other finance costs paid	(1,215)	-	(980)	-	(1,166)	6	(3,361)
Dividend paid to the shareholders of the Hutchison Property Group	-	(3,944)	-	-	3,944	6	-
Dividend paid to non-controlling interests	-	(264)	-	-	264	6	-
Net cash (used in)/from financing activities	(10,604)	(2,690)	3,099	-	3,042		(7,153)
Net increase /(decrease) in cash and cash equivalents	285	(870)	8	-	-		(577)
Cash and cash equivalents at 1 January	10,069	4,231	18,635	-	-		32,935
Cash and cash equivalents at 31 December	10,354	3,361	18,643	-	-		32,358

**Notes:**

- (1) The balances have been extracted from the audited combined statement of cash flows of the Cheung Kong Property Group for the year ended 31 December 2014 as set out in "Appendix IXA – Accountants' Report on the Cheung Kong Property Group".
- (2) The balances have been extracted from the audited combined statement of cash flows of the Hutchison Property Group for the year ended 31 December 2014 as set out in "Appendix IXB – Accountants' Report on the Hutchison Property Group".
- (3) Before completion of the Property Businesses Combination, the Cheung Kong Property Group and the Hutchison Property Group co-invest in entities which are accounted for as joint ventures using the equity method of accounting in their respective combined financial statements. Upon completion of the Property Businesses Combination, these joint ventures will become subsidiaries of the CK Property Group. Accordingly, the cash flows in relation to their respective interest in these joint ventures are eliminated. The cash flows of these joint ventures are incorporated in the pro forma combined statement of cash flows of the CK Property Group and cash flows arising from intra group transactions are eliminated.
- (4) Before completion of the Property Businesses Combination, certain equity interests in Hui Xian REIT are held through an entity co-invested in by the Cheung Kong Property Group, the Hutchison Property Group and other parties which is accounted for as a joint venture using the equity method of accounting; while equity interests in Hui Xian REIT directly held by the Cheung Kong Property Group and the Hutchison Property Group are accounted for as investments available for sale and stated at fair value in their

respective combined financial statements. Upon completion of the Property Businesses Combination, Hui Xian REIT will become an associate of the CK Property Group and be accounted for under the equity method of accounting.

- (5) Before completion of the Property Businesses Combination, the Cheung Kong Property Group has entered joint development arrangements with third party land owners for property developments on land owned by those third parties. Under these joint development arrangements, typically the Cheung Kong Property Group is under a contractual obligation to carry out the development and to finance the construction costs and occasionally also the land costs, and is entitled to share the surplus proceeds or development profits of these properties after their completion. Joint development property projects of this category comprise those in which the CK Property Group will be interested, directly or economically, following the completion of the Property Businesses Combination.

For the purpose of preparing this unaudited pro forma financial information of the CK Property Group, it is assumed that all third party consents in relation to any transfer of any joint venture interest, including any interests pursuant to any joint development agreement, had been obtained.

- (6) The reclassifications are to align the differences in classification of cash flow items between the Cheung Kong Property Group and the Hutchison Property Group.
- (7) During the year ended 31 December 2014, the Cheung Kong Property Group and the Hutchison Property Group disposed of certain joint ventures that were co-invested in by them. Had completion of the Property Businesses Combination taken place on 1 January 2014, these joint ventures would have been subsidiaries of the CK Property Group. Accordingly, the proceeds on disposal of these joint ventures are reclassified as proceeds on disposal of subsidiaries.



**2. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON  
THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE CK PROPERTY GROUP**

*The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of CK Property, in respect of the CK Property Group's unaudited pro forma financial information for the purpose of incorporation in this scheme document.*

**Deloitte.**  
**德勤**

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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION TO  
THE DIRECTORS OF CK HUTCHISON HOLDINGS LIMITED/CK GLOBAL  
INVESTMENTS LIMITED/HUTCHISON WHAMPOA LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Cheung Kong Property Holdings Limited (“CK Property”) and the companies which carried out the property business of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited to be reorganised and held by CK Property (hereinafter collectively referred to as the “CK Property Group”) by the directors of CK Hutchison Holdings Limited (“CKH Holdings”), CK Global Investments Limited and HWL (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma combined statement of assets and liabilities as at 31 December 2014, the unaudited pro forma combined income statement for the year ended 31 December 2014, the unaudited pro forma combined statement of cash flows for the year ended 31 December 2014 and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages X-3 to X-10 of Appendix X to the scheme document with the title of (1) Merger proposal – (A) Proposed share exchange offer to the scheme shareholders for the cancellation of all the scheme shares by way of a scheme of arrangement of Hutchison Whampoa Limited under the Companies Ordinance; and (B) Husky share exchange as a special deal under Rule 25 of The Takeovers Code in relation to the Hutchison Proposal and (2) Proposal for re-election of retiring director dated 31 March 2015 (the “Scheme Document”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages X-1 and X-2 of Appendix X to the scheme document.

The Unaudited Pro Forma Financial information has been compiled by the Directors to illustrate the impact of the Property Businesses Combination as defined in the Scheme Document on the CK Property Group's assets and liabilities as at 31 December 2014 and the CK Property Group's financial performance and cash flows for the year ended 31 December 2014 as if the Property Businesses Combination had taken place at 31 December 2014 and 1 January 2014, respectively. As part of this process, information about the CK Property Group's assets and liabilities, financial performance and cash flows has been extracted by

the Directors from (i) the Cheung Kong Property Group's financial information for the year ended 31 December 2014; (ii) the Hutchison Property Group's financial information for the year ended 31 December 2014, on which accountants' reports set out in Appendices IXA and IXB, respectively, to the Scheme Document have been published.

### **Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### **Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro forma Financial Information.

The purpose of pro forma financial information included in the Scheme Document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the CK Property Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of CK Property Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the CK Property Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

31 March 2015

**CHENG Hoi Chuen, Vincent GBS, OBE, JP**

Mr. Cheng, aged 66, has been an independent non-executive Director of the Company since 10 July 2014. He is a member of both the Audit Committee and the Remuneration Committee of the Company. He is chairman of the University Council of The Chinese University of Hong Kong. In 2005, Honorary Doctorates of Social Science and of Business Administration were conferred on Mr. Cheng by The Chinese University of Hong Kong and The Open University of Hong Kong, respectively. Mr. Cheng holds a Bachelor of Social Science degree in Economics and a Master of Philosophy degree in Economics.

In addition, he is an independent non-executive director of MTR Corporation Limited (whose shares are listed on the Main Board), Great Eagle Holdings Limited (whose shares are listed on the Main Board), CLP Holdings Limited (whose shares are listed on the Main Board), Hui Xian Asset Management Limited as manager of Hui Xian Real Estate Investment Trust (whose units are listed on the Main Board), China Minsheng Banking Corp., Ltd. (whose shares are listed on the Main Board), Shanghai Industrial Holdings Limited (whose shares are listed on the Main Board) and Wing Tai Properties Limited (whose shares are listed on the Main Board). He was previously an independent non-executive director of Swire Properties Limited (whose shares are listed on the Main Board) (*resigned on 14 April 2012*).

Mr. Cheng joined The Hongkong and Shanghai Banking Corporation Limited in 1978 of which he became chief financial officer in 1994, general manager and executive director in 1995 and chairman from 2005 to 2010. He was also chairman of HSBC Bank (China) Limited from 2007 to 2011, executive director of HSBC Holdings plc from 2008 to 2011 and adviser to the group chief executive of HSBC Holdings plc from 2011 to 2012. In 2008, Mr. Cheng was appointed a member of the National Committee of the 11th Chinese People's Political Consultative Conference ("CPPCC") and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC. His previous government advisory roles include as a member of the Executive Council (the Hong Kong government's highest policy-making body) from 1995 to 1997, Hong Kong Affairs Adviser to the People's Republic of China from 1994 to 1997 as well as member of the Legislative Council of the Hong Kong Government from 1991 to 1995.

Mr. Cheng does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Cheng did not have any interest in the Shares within the meaning of Part XV of the SFO. There is a service agreement between the Company and Mr. Cheng for the appointment of Mr. Cheng as an independent non-executive Director for an initial term ended on 31 December 2014 which will be automatically renewed for successive 12-month periods, subject to re-election at the next general meeting of the Company and retirement by rotation in accordance with the provisions of the Articles of Association. The director's fee for Mr. Cheng specified in the service agreement is HK\$120,000 per annum. Mr. Cheng is also entitled to receive additional director's fees of HK\$130,000 and HK\$60,000 per annum for being a member of the Audit Committee and the Remuneration Committee of the Company, respectively. Such fees are subject to review by the Board from time to time and proration for an incomplete year of service.

Save as disclosed above, there are no other matters concerning Mr. Cheng that are required to be brought to the attention of the Shareholders, nor is there other information that is required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Copies of the following documents are available for inspection from the date of this document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earlier (1) at the office of the Company at 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and public holidays), (2) on the website of the Company at [www.hutchison-whampoa.com](http://www.hutchison-whampoa.com), (3) on the website of CKH Holdings at [www.ckh.com.hk](http://www.ckh.com.hk) and (4) on the website of the SFC at [www.sfc.hk](http://www.sfc.hk):

- (1) the Articles of Association of the Company;
- (2) the memorandum and articles of association of CKH Holdings;
- (3) the memorandum and articles of association of the Offeror;
- (4) the annual reports of the Company for the two financial years ended 31 December 2013;
- (5) the annual results announcement of the Company for the financial year ended 31 December 2014;
- (6) the annual reports of Cheung Kong for the two financial years ended 31 December 2013;
- (7) the annual results announcement of Cheung Kong for the financial year ended 31 December 2014;
- (8) the letter from the Board;
- (9) the letter from the Independent Board Committee;
- (10) the letter from the Independent Financial Adviser;
- (11) the report on the unaudited pro forma financial information of the Resulting CKH Holdings Group from PricewaterhouseCoopers, the text of which is set out in “*Appendix VI – Unaudited Pro Forma Financial Information of the Resulting CKH Holdings Group*”;
- (12) the Accountants’ Report on the Cheung Kong Property Group, the Accountants’ Report on the Hutchison Property Group and the report on the unaudited pro forma financial information of the CK Property Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in “*Appendix IXA – Accountants’ Report on the Cheung Kong Property Group*”, “*Appendix IXB – Accountants’ Report on the Hutchison Property Group*” and “*Appendix X – Unaudited Pro Forma Financial Information of the CK Property Group*”, respectively;
- (13) the audited combined financial statements for Cheung Kong (Holdings) Limited – Cheung Kong Group Property Business for the years ended 31 December 2012, 2013 and 2014 and the audited combined financial statements for HWPL Holdings Limited for the financial years ended 31 December 2012, 2013 and 2014;

- (14) the property valuation reports (including the valuation certificates) from the Property Valuers, the summaries of valuation of which are set out in “*Appendix VIII – Property Valuation*”;
- (15) the material contract referred to in “*Appendix II – Information on the CKH Holdings Group and the Offeror – Material Contract*”;
- (16) the written consents referred to in “*Appendix II – Information on the CKH Holdings Group and the Offeror – Consents*”;
- (17) the material contracts referred to in “*Appendix IV – Information on the Group – Material Contracts*”;
- (18) the written consents referred to in “*Appendix IV – Information on the Group – Consents*”;
- (19) the service agreement between the Company and Mr. Cheng Hoi Chuen, Vincent referred to in “*Appendix XI – Information on Retiring Director*”;
- (20) the full list of dealings for own account or discretionary investment clients during the period commencing on 9 July 2014 (being the date falling six months prior to the date of the Announcement) and ending on the date of the Announcement prior to the commencement of the Offer Period by the relevant members of each of the HSBC group and the Bank of America Merrill Lynch group (excluding dealings by entities which at the relevant time had exempt principal trader or exempt fund manager status) in shares, convertible securities, warrants, options and derivatives of Cheung Kong and the Company; and
- (21) this document.

*In this document, the following words and expressions shall have the following meanings, unless the context otherwise requires:*

<b>“acting in concert”</b>	has the meaning ascribed to it in the Takeovers Code
<b>“ADRs”</b>	unsponsored American depositary receipts evidencing American depositary shares representing the right to receive shares
<b>“Announcement”</b>	the announcement dated 9 January 2015 jointly issued by Cheung Kong and the Company in relation to the Proposals
<b>“Articles of Association”</b>	the articles of association of the Company
<b>“AUD”</b>	Australian dollars, the lawful currency of Australia
<b>“Authorisations”</b>	authorisations, registrations, filings, rulings, consents, permissions and approvals (including approval in-principle)
<b>“Bank of America Merrill Lynch”</b>	(i) (when referring to the bridge facility in connection with the Property Businesses Combination) Bank of America, N.A.; or  (ii) (when referring to the joint sponsor) Merrill Lynch Far East Limited, a corporation licensed to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance), and type 7 (providing automated trading services) regulated activities under the SFO, which is one of the joint sponsors appointed in respect of the Spin-off Proposal
<b>“Beneficial Owner”</b>	any beneficial owner of Shares whose Shares are registered in the name of a Registered Owner
<b>“Board”</b>	the board of Directors



<b>“Business Day”</b>	(i) (in relation to the Specified Loans Promissory Note) any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong and in New York are generally open for normal banking business; or  (ii) (other than in relation to (i) above) any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
<b>“CAD”</b>	Canadian dollars, the lawful currency of Canada
<b>“Cancellation Consideration”</b>	the consideration for the cancellation and extinguishment of the Scheme Shares under the Scheme, being 0.684 of a CKH Holdings Share for every one Scheme Share held as at the Record Time
<b>“CCASS”</b>	the Central Clearing and Settlement System established and operated by HKSCC
<b>“Cheung Kong”</b>	Cheung Kong (Holdings) Limited (長江實業(集團)有限公司), a company incorporated in Hong Kong with limited liability, the listing status of which on the Main Board was withdrawn, and which became a wholly-owned subsidiary of CKH Holdings, upon the Cheung Kong Scheme becoming effective on 18 March 2015
<b>“Cheung Kong Directors”</b>	the directors of Cheung Kong
<b>“Cheung Kong Group”</b>	Cheung Kong and its subsidiaries
<b>“Cheung Kong Property Group”</b>	the companies in the Cheung Kong Group which will become members of the CK Property Group following completion of the Property Businesses Combination
<b>“Cheung Kong Reorganisation”</b>	the reorganisation whereby the holding company of the Cheung Kong Group was changed from Cheung Kong to CKH Holdings by way of the Cheung Kong Scheme, which was completed on 18 March 2015

<b>“Cheung Kong Scheme”</b>	the scheme of arrangement under Division 2 of Part 13 of the Companies Ordinance for the implementation of the Cheung Kong Reorganisation, which became effective on 18 March 2015
<b>“Cheung Kong Share(s)”</b>	ordinary share(s) in the issued share capital of Cheung Kong
<b>“Cheung Kong Shareholder(s)”</b>	holder(s) of Cheung Kong Shares
<b>“CK Property”</b>	Cheung Kong Property Holdings Limited (長江實業地產有限公司), an exempted company incorporated in the Cayman Islands on 2 January 2015 with limited liability, which is currently a wholly-owned subsidiary of CKH Holdings and which, if the Spin-off Proposal becomes unconditional, will become the holding company of the Combined Property Businesses and will be listed on the Main Board by way of introduction
<b>“CK Property Directors”</b>	the directors of CK Property
<b>“CK Property Group”</b>	(a) before completion of the Property Businesses Combination, the Cheung Kong Property Group, the Hutchison Property Group and their interests in their respective joint ventures; and  (b) after completion of the Property Businesses Combination, CK Property and its subsidiaries, including the Cheung Kong Property Group, the Hutchison Property Group, their former joint ventures which will become subsidiaries of CK Property, and interests in their other joint ventures that will remain as joint ventures and will not be consolidated
<b>“CK Property Shares”</b>	ordinary shares in the share capital of CK Property

<b>“CKH Holdings”</b>	CK Hutchison Holdings Limited (長江和記實業有限公司), an exempted company incorporated in the Cayman Islands on 11 December 2014 with limited liability, which became the holding company of the Cheung Kong Group upon completion of the Cheung Kong Reorganisation on 18 March 2015 and the shares of which are listed on the Main Board (stock code: 0001), and which is the holding company of the CKH Holdings Group
<b>“CKH Holdings Directors”</b>	the directors of CKH Holdings
<b>“CKH Holdings EGM”</b>	the extraordinary general meeting of CKH Holdings to be convened for the purposes of considering and, if thought fit, approving, among other things, (i) the Hutchison Proposal (including the issue of new CKH Holdings Shares to the Scheme Shareholders thereunder) and (ii) the proposed issue of new CKH Holdings Shares to the Husky Sale Shares Vendor (or as it may direct) pursuant to the Husky Share Exchange
<b>“CKH Holdings Group”</b>	CKH Holdings and its subsidiaries from time to time (which include the Cheung Kong Group)
<b>“CKH Holdings Overseas Shareholders”</b>	CKH Holdings Shareholders whose addresses, as shown in the register of members of CKH Holdings at the DIS Record Time, are in any jurisdiction other than Hong Kong
<b>“CKH Holdings Share(s)”</b>	ordinary share(s) in the share capital of CKH Holdings
<b>“CKH Holdings Shareholder(s)”</b>	holder(s) of CKH Holdings Shares
<b>“Combined Non-Property Businesses”</b>	the businesses of the CKH Holdings Group and the Group other than the Combined Property Businesses, comprising: (i) ports and related services, (ii) retail, (iii) infrastructure, (iv) energy, (v) telecommunications, (vi) ownership and leasing of movable assets, and (vii) other investments in securities

<b>“Combined Property Businesses”</b>	the property businesses of the CKH Holdings Group and the Group, including their respective joint ventures, comprising (i) property development and investment, (ii) hotel and serviced suite operation, (iii) property and project management, and (iv) unitholding in each of Fortune REIT, Prosperity REIT and Hui Xian REIT (all of which are listed on the Main Board, and Fortune REIT is also listed on the Singapore Stock Exchange) as well as interests in ARA Asset Management Limited (which is listed on the Singapore Stock Exchange and is the holding company of the managers of Fortune REIT and Prosperity REIT) and Hui Xian Asset Management Limited (which is the manager of Hui Xian REIT), but excluding the Excluded Property Interests
<b>“Companies Ordinance”</b>	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
<b>“Companies Registrar”</b>	the Registrar of Companies in Hong Kong
<b>“Company” and “Hutchison”</b>	Hutchison Whampoa Limited 和記黃埔有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board (stock code: 0013)
<b>“core connected person”</b>	has the meaning ascribed to it in the Listing Rules
<b>“Court”</b>	the Court of First Instance of the High Court of Hong Kong
<b>“Court Hearing”</b>	the hearing of the petition by the Court for the sanction of the Scheme and the confirmation of the capital reduction of the Company
<b>“Court Meeting”</b>	the meeting of the Scheme Shareholders to be convened at the direction of the Court for the purpose of considering and, if thought fit, approving the Scheme
<b>“CPB Companies”</b>	companies holding interests in the Combined Property Businesses

<b>“CPB Specified Companies”</b>	has the meaning given to it in <i>“Appendix VII – Information on the CK Property Group and the Spin-off Proposal – The Property Businesses Combination”</i>
<b>“Deed of Tax Indemnity”</b>	a deed proposed to be entered into between CKH Holdings, CK Property, Cheung Kong and Hutchison International Limited, under which Cheung Kong and Hutchison International Limited will severally covenant to indemnify and pay for certain tax liabilities of the CPB Companies owned by the Cheung Kong Group and the Group respectively before the Property Businesses Combination
<b>“Directors”</b>	the directors of the Company
<b>“DIS Record Time”</b>	the record time for determining the entitlement of the CKH Holdings Shareholders to the Distribution In Specie, which is expected to be 8:50 a.m. (Hong Kong time) on Wednesday, 3 June 2015
<b>“Disinterested Shareholders”</b>	Shareholders other than the Offeror and the Offeror Concert Parties. For the avoidance of doubt, the Disinterested Shareholders include any member of the HSBC group or the Bank of America Merrill Lynch group acting in its capacity as a Registered Owner of Scheme Shares held on behalf of a Beneficial Owner where the Beneficial Owner (i) controls the voting rights attaching to those Shares, (ii) if those Shares are voted, gives instructions as to how the Shares are to be voted, and (iii) is not the Offeror or a person acting in concert with the Offeror
<b>“Distribution In Specie”</b>	the proposed issue by CK Property of new CK Property Shares immediately following completion of the Property Businesses Combination to the CKH Holdings Shareholders (other than the Non-Qualifying CKH Holdings Shareholders) as at the DIS Record Time pursuant to the Spin-off Proposal
<b>“DT1”</b>	The Li Ka-Shing Unity Discretionary Trust, of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary, and the trustee of which is TDT1

<b>“DT2”</b>	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary, and the trustee of which is TDT2
<b>“DT3”</b>	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary, and the trustee of which is TDT3
<b>“DT4”</b>	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary, and the trustee of which is TDT4
<b>“EBITDA”</b>	earnings before interest expenses and other finance costs, tax, depreciation and amortisation. EBITDA is a non-IFRS financial measure
<b>“Effective Date”</b>	the date on which the Scheme, if approved and sanctioned by the Court, becomes effective in accordance with its terms, which is expected to be on Wednesday, 3 June 2015
<b>“Eversholt Rail”</b>	Eversholt Rail Group
<b>“Excluded Jurisdictions”</b>	those jurisdictions outside Hong Kong where the law of the relevant jurisdictions preclude an offer of the CKH Holdings Shares, or preclude it except after compliance by CKH Holdings with conditions with which CKH Holdings is unable to comply or which CKH Holdings regards as unduly onerous. As at the Latest Practicable Date, the Excluded Jurisdiction is the United Arab Emirates
<b>“Excluded Property Interests”</b>	<ul style="list-style-type: none"><li>(i) those property interests held by the CKH Holdings Group or the Group which are used for the purposes of carrying on, or ancillary to, the Combined Non-Property Businesses; and</li><li>(ii) the property interests held by the listed subsidiaries and listed associated companies of CKH Holdings or the Company for use in carrying on, or ancillary to, their respective operations, which will continue to be held by such listed subsidiaries and associated companies</li></ul>

<b>“Executive”</b>	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
<b>“Explanatory Statement”</b>	the explanatory statement relating to the Merger Proposal, the text of which is set out on pages 84 to 128 of this document
<b>“GBP”, “£” or “pounds sterling”</b>	pounds sterling, the lawful currency of the United Kingdom
<b>“General Meeting”</b>	the general meeting of the Company to be held following the Court Meeting, for the purpose of considering and, if thought fit, passing (i) a special resolution to approve the Scheme and the implementation of the Scheme, including the reduction and restoration of the issued share capital of the Company under the Scheme, (ii) an ordinary resolution to approve the Husky Share Exchange (as a special deal under Rule 25 of the Takeovers Code in relation to the Hutchison Proposal) and (iii) an ordinary resolution to approve the re-election of the Retiring Director
<b>“GFA”</b>	gross floor area
<b>“Goldman Sachs”</b>	Goldman Sachs (Asia) L.L.C., a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, acting as the financial adviser to the Company in relation to the Hutchison Proposal
<b>“Group” or “Hutchison Group”</b>	the Company and its subsidiaries from time to time
<b>“HIBOR”</b>	Hong Kong Interbank Offered Rate
<b>“HKAS 19”</b>	Hong Kong Accounting Standard 19 “Employee Benefits (Revised 2011)”
<b>“HKFRS”</b>	Hong Kong Financial Reporting Standards
<b>“HKFRS 11”</b>	HKFRS 11 “Joint Arrangements”

“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HK\$”, “HKD” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, a registered institution under the SFO, registered to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), acting as the financial adviser to CKH Holdings and the Offeror in connection with the Merger Proposal
“HSBC Corporate Finance”	HSBC Corporate Finance (Hong Kong) Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO, which is one of the joint sponsors appointed in respect of the Spin-off Proposal
“Husky”	Husky Energy Inc. (赫斯基能源公司), a company incorporated in Alberta, Canada on 21 June 2000, the common shares of which are publicly traded and listed on the Toronto Stock Exchange (stock code: HSE)
“Husky Sale Shares”	61,357,010 Husky Shares, representing approximately 6.24% of the common shares of Husky in issue as at the Latest Practicable Date



<b>“Husky Sale Shares Purchaser”</b>	Hutchison Whampoa Europe Investments S.à r.l., a company incorporated in Luxembourg with limited liability and an indirect wholly-owned subsidiary of the Company, and which holds the Group’s existing interest in approximately 33.96% of the common shares of Husky in issue as at the Latest Practicable Date
<b>“Husky Sale Shares Vendor”</b>	L.F. Investments S.à r.l., a company incorporated in Luxembourg with limited liability and which is indirectly wholly-owned by the Trust
<b>“Husky Share Exchange”</b>	the proposed acquisition by the Husky Sale Shares Purchaser of the Husky Sale Shares pursuant to the Husky Share Exchange Agreement
<b>“Husky Share Exchange Agreement”</b>	the conditional agreement dated 9 January 2015 entered into between the Husky Sale Shares Vendor and the Husky Sale Shares Purchaser in relation to the Husky Share Exchange
<b>“Husky Share Exchange Completion”</b>	completion of the Husky Share Exchange pursuant to the Husky Share Exchange Agreement
<b>“Husky Shares”</b>	the common shares of Husky which are publicly traded and listed on the Toronto Stock Exchange
<b>“Hutchison Property Group”</b>	the companies in the Group which will become members of the CK Property Group following completion of the Property Businesses Combination
<b>“Hutchison Proposal”</b>	the conditional share exchange offer made by the Offeror to the Scheme Shareholders for the cancellation of all the Scheme Shares by way of the Scheme
<b>“IFRS”</b>	International Financial Reporting Standards
<b>“Independent Board Committee”</b>	the independent committee of the Board established for the purpose of, among other things, making recommendations to the Disinterested Shareholders in relation to the Merger Proposal, comprising Mr. Cheng Hoi Chuen, Vincent, The Hon Sir Michael David Kadoorie, Mr. William Shurniak and Mr. Wong Chung Hin, all of whom are independent non-executive Directors

<b>“Independent CKH Holdings Shareholders”</b>	the CKH Holdings Shareholders who do not have a material interest (which is different from that of all other CKH Holdings Shareholders) in (i) the Hutchison Proposal (including the issue of new CKH Holdings Shares to the Scheme Shareholders thereunder) and (ii) the proposed issue of new CKH Holdings Shares to the Husky Sale Shares Vendor (or as it may direct) under the Husky Share Exchange
<b>“Independent Financial Adviser” or “Somerville”</b>	Somerley Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, acting as the independent financial adviser to the Independent Board Committee in relation to the Merger Proposal
<b>“Investor Participants”</b>	persons admitted to participate in CCASS as an investor participant
<b>“Last Trading Day”</b>	9 January 2015, being the last trading day immediately preceding the publication of the Announcement
<b>“Latest Practicable Date”</b>	the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained herein, being (i) 26 March 2015 (Toronto time) for information in relation to Husky and (ii) 27 March 2015 for other information
<b>“LFA”</b>	leaseable floor area
<b>“Listing Committee”</b>	the Listing Committee of the Stock Exchange
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
<b>“Main Board”</b>	the Main Board of the Stock Exchange
<b>“Merger Proposal”</b>	collectively, the Hutchison Proposal and the Husky Share Exchange

“Mr. Li Ka-shing”	Mr. Li Ka-shing, who is the chairman and an executive director of each of CKH Holdings and the Company (and, in any context where shareholding is stated, a reference to the shareholding of Mr. Li Ka-shing shall also include the shareholding of companies controlled by him)
“Mr. Li Ka-shing Owned Companies”	collectively, (i) Emino Limited, (ii) Vision City International Limited, (iii) Master Grade Investments Limited, (iv) Rapid Gain Investments Limited and (v) Humphrey Investments Limited, each of which is indirectly beneficially owned by Mr. Li Ka-shing
“Mr. Li Tzar Kuoi, Victor”	Mr. Li Tzar Kuoi, Victor, who is the managing director, the deputy chairman and an executive director of CKH Holdings and the deputy chairman and an executive director of the Company (and, in any context where shareholding is stated, a reference to the shareholding of Mr. Li Tzar Kuoi, Victor shall also include the shareholding of his spouse, his children and companies controlled by him)
“Non-Qualifying CKH Holdings Shareholders”	those CKH Holdings Overseas Shareholders and other persons who will not receive CK Property Shares pursuant to the Distribution In Specie where the CKH Holdings Directors and the CK Property Directors consider it necessary or expedient to exclude them from receiving CK Property Shares on account either of the legal restrictions under the laws of the relevant jurisdictions where they are resident or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions, but will receive the net proceeds of the sale of the CK Property Shares which they would otherwise receive pursuant to the Distribution In Specie if they were qualifying CKH Holdings Shareholders under the Distribution In Specie in full satisfaction of their rights to the relevant CK Property Shares

<b>“Non-Qualifying Overseas Shareholders”</b>	those Overseas Shareholders who will not receive CKH Holdings Shares pursuant to the Scheme, but will receive cash in full satisfaction of their rights to the CKH Holdings Shares, where the law of any relevant jurisdiction precludes an offer of the CKH Holdings Shares or precludes it except after compliance by CKH Holdings with conditions with which CKH Holdings is unable to comply or that CKH Holdings regards as unduly onerous. As at the Latest Practicable Date, the Non-Qualifying Overseas Shareholders are the Overseas Shareholders in the United Arab Emirates
<b>“O<sub>2</sub> UK”</b>	Telefónica Europe plc, a company incorporated in England and Wales having its registered office at 260 Bath Road, Slough, Berkshire, SL1 4DX, United Kingdom and owner of the O <sub>2</sub> UK business
<b>“Offer Period”</b>	the period commencing from the publication of the Announcement on 9 January 2015 and ending on the earliest of (i) the Effective Date, (ii) the date on which the Scheme lapses and (iii) the date on which an announcement is made on the withdrawal of the Scheme
<b>“Offeror”</b>	CK Global Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 30 December 2014 and a wholly-owned subsidiary of CKH Holdings
<b>“Offeror Concert Parties”</b>	the parties acting in concert with the Offeror in relation to the Company, including the Specified Offeror Concert Parties
<b>“Offeror Directors”</b>	the directors of the Offeror
<b>“Offeror Share(s)”</b>	ordinary share(s) in the share capital of the Offeror
<b>“Other CCASS Participants”</b>	persons admitted to participate in CCASS other than Investor Participants
<b>“Overseas Shareholders”</b>	Scheme Shareholders whose addresses, as shown in the register of members of the Company as at the Record Time, are in any jurisdiction other than Hong Kong

<b>“PRC”</b>	the People’s Republic of China, which for the purpose of this document and, except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
<b>“Property Businesses Combination”</b>	the proposed reorganisation of the Combined Property Businesses to form part of the CK Property Group, following completion of the Merger Proposal
<b>“Property Valuers”</b>	DTZ Debenham Tie Leung Limited, Gerald Eve LLP, Smiths Gore and CBRE, Inc., the independent property valuers which carried out a valuation of certain of the CK Property Group’s property interests as at 28 February 2015, further details of which are set out in “ <i>Appendix VIII – Property Valuation</i> ”
<b>“Proposals”</b>	collectively, the Cheung Kong Reorganisation, the Merger Proposal and the Spin-off Proposal
<b>“Purchaser Guarantee”</b>	the guarantee agreement dated 9 January 2015 entered into between the Company and the Husky Sale Shares Vendor in connection with the Husky Share Exchange
<b>“QIB”</b>	qualified institutional buyer (within the meaning of Rule 144A under the Securities Act)
<b>“Record Time”</b>	the record time for determining the entitlements of the Scheme Shareholders to the Scheme, being 4:00 p.m. (Hong Kong time) on the Business Day immediately preceding the Effective Date, which is expected to be Tuesday, 2 June 2015
<b>“Registered Owner”</b>	in respect of a Beneficial Owner, any nominee, trustee, depositary or any other authorised custodian or third party whose name is entered in the register of members of the Company as the holder of the Shares in which the Beneficial Owner is beneficially interested
<b>“REIT”</b>	real estate investment trust

<b>“Relevant CKH Holdings Subsidiaries”</b>	collectively, (i) Continental Realty Limited, (ii) Fumanda Limited, (iii) Good Energy Limited, (iv) Guidefield Limited, (v) Haldaner Limited, (vi) Harrowgate Investments Limited, (vii) Harvestime Holdings Limited, (viii) Hey Darley Limited, (ix) Hislop Resources Limited, (x) Kam Chin Investment S.A., (xi) Mirabole Limited, (xii) Oriental Time Investment Limited, (xiii) Polycourt Limited, (xiv) Richland Realty Limited, (xv) Shining Heights Profits Limited, (xvi) Top Win Investment Limited, (xvii) Wealth Pleasure Limited, (xviii) Well Karin Limited, (xix) White Rain Enterprises Ltd., and (xx) Winbo Power Limited, each of which is an indirect wholly-owned subsidiary of CKH Holdings and which in aggregate hold approximately 49.97% of the issued Shares
<b>“Relevant Period”</b>	the period commencing on 9 July 2014, being the date falling six months prior to the date of the Announcement, and ending on the Latest Practicable Date
<b>“Reorganisation Agreement”</b>	the conditional reorganisation agreement proposed to be entered into among CKH Holdings, CK Property, Cheung Kong, certain subsidiaries of CK Property, and certain members of the Group and the Cheung Kong Group in relation to the reorganisation of shares and other interests in the CPB Companies and the assignment of certain loans (other than the loans to be assigned under the Specified Loans Purchase Agreement), as part of the Property Businesses Combination
<b>“Reorganisation Agreement Transactions”</b>	has the meaning given to it in <i>“Appendix VII – Information on the CK Property Group and the Spin-off Proposal – The Property Businesses Combination”</i>
<b>“Reorganisation Promissory Note”</b>	the meaning given to it in <i>“Appendix VII – Information on the CK Property Group and the Spin-off Proposal – The Property Businesses Combination”</i>
<b>“Resulting CKH Holdings Group”</b>	the CKH Holdings Group on completion of the Merger Proposal and the Spin-off Proposal

<b>“Retiring Director”</b>	Mr. Cheng Hoi Chuen, Vincent, who will retire at the General Meeting and, being eligible, has offered himself for re-election at the General Meeting in accordance with the Articles of Association
<b>“RevPAR”</b>	revenue per available room, which is calculated by dividing the total hotel room revenue by the total number of available room nights in a given period
<b>“Scheme”</b>	the proposed scheme of arrangement pursuant to Division 2 of Part 13 of the Companies Ordinance for the implementation of the Hutchison Proposal as set out on pages S-1 to S-10 of this document
<b>“Scheme Offeror Concert Parties”</b>	all the Specified Offeror Concert Parties other than the Relevant CKH Holdings Subsidiaries
<b>“Scheme Shareholders”</b>	holders of Scheme Shares as at the Record Time
<b>“Scheme Shares”</b>	all the Shares in issue as at the Record Time, other than any held by the Offeror and the Relevant CKH Holdings Subsidiaries
<b>“SEC”</b>	the US Securities and Exchange Commission
<b>“Securities Act”</b>	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
<b>“Selected Person”</b>	the nominee selected by the CKH Holdings Board to sell on the market (i) fractional entitlements of the Scheme Shareholders to CKH Holdings Shares under the Scheme and (ii) the CKH Holdings Shares which would otherwise have been allotted to the Non-Qualifying Overseas Shareholders pursuant to the Scheme (including, in each case, the CK Property Shares received pursuant to the Distribution In Specie and which are attributable to such CKH Holdings Shares), further details of which are set out in “ <i>The Hutchison Proposal – Fractions and Rights Attaching to the CKH Holdings Shares</i> ” and “ <i>Non-Qualifying Overseas Shareholders</i> ” in the Explanatory Statement
<b>“SFC”</b>	the Securities and Futures Commission of Hong Kong

<b>“SFO”</b>	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
<b>“SGD” or “S\$”</b>	Singapore dollars, the lawful currency of Singapore
<b>“Share(s)”</b>	ordinary share(s) in the share capital of the Company
<b>“Shareholder(s)”</b>	holder(s) of Shares
<b>“Singapore Stock Exchange”</b>	the Singapore Exchange Securities Trading Limited
<b>“Specified Currency Exchange Rate”</b>	the exchange rate of CAD 1 to HK\$6.5782, which is equivalent to the exchange rate quoted by OANDA on 6 January 2015
<b>“Specified Loans”</b>	has the meaning given to it in “ <i>Appendix VII – Information on the CK Property Group and the Spin-off Proposal – The Property Businesses Combination</i> ”
<b>“Specified Loans Promissory Note”</b>	has the meaning given to it in “ <i>Appendix VII – Information on the CK Property Group and the Spin-off Proposal – The Property Businesses Combination</i> ”
<b>“Specified Loans Purchase Agreement”</b>	the conditional agreement proposed to be entered into among CKH Holdings, CK Property, a wholly-owned subsidiary of Cheung Kong and a wholly-owned subsidiary of the Company in relation to the sale and purchase of certain loans as part of the Property Businesses Combination



<b>“Specified Offeror Concert Parties”</b>	the persons referred to in the first column of the table under “ <i>Specified Offeror Concert Parties</i> ” in “ <i>Effects of the Merger Proposal on the Shareholding Structure of the Company and CKH Holdings – Shareholding Structure of the Company</i> ” in the Explanatory Statement (including the other persons referred to in notes (1), (3) to (7), (10) to (12), (16) and (17) to the table) (except for members of the HSBC group and the Bank of America Merrill Lynch group which are exempt fund managers or exempt principal traders, in each case recognised by the Executive as such for the purposes of the Takeovers Code), each of which is presumed under the Takeovers Code to be acting in concert with the Offeror in relation to the Company
<b>“Spin-off Proposal”</b>	the proposed spin-off of the Combined Property Businesses to the qualifying CKH Holdings Shareholders by way of the Distribution In Specie, and separate listing of the CK Property Shares on the Main Board by way of introduction
<b>“sq.m.”</b>	square metre
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Takeovers Code”</b>	the Code on Takeovers and Mergers issued by the SFC (as amended, supplemented or otherwise modified from time to time)
<b>“TDT1”</b>	Li Ka-Shing Unity Trustee Corporation Limited, a company incorporated in the Cayman Islands, which is the trustee of DT1
<b>“TDT2”</b>	Li Ka-Shing Unity Trustcorp Limited, a company incorporated in the Cayman Islands, which is the trustee of DT2
<b>“TDT3”</b>	Li Ka-Shing Castle Trustee Corporation Limited, a company incorporated in the Cayman Islands, which is the trustee of DT3
<b>“TDT4”</b>	Li Ka-Shing Castle Trustcorp Limited, a company incorporated in the Cayman Islands, which is the trustee of DT4

<b>“Trust”</b>	DT1, DT2, DT3, DT4, UT1 and UT3, and where the context requires, any of them
<b>“TUT1”</b>	Li Ka-Shing Unity Trustee Company Limited, a company incorporated in the Cayman Islands, which is the trustee of UT1
<b>“TUT3”</b>	Li Ka-Shing Castle Trustee Company Limited, a company incorporated in the Cayman Islands, which is the trustee of UT3
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“Unity Holdco”</b>	Li Ka-Shing Unity Holdings Limited, a company incorporated in the Cayman Islands, in which Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital
<b>“U.S. Dollars”, “USD” or “US\$”</b>	United States dollars, the lawful currency of the US
<b>“US”, “United States” or “United States of America”</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
<b>“US GAAP”</b>	generally accepted accounting principles in the United States
<b>“UT1”</b>	The Li Ka-Shing Unity Trust
<b>“UT3”</b>	The Li Ka-Shing Castle Trust
<b>“Vendor Guarantee”</b>	the guarantee agreement dated 9 January 2015 entered into between TUT1 (as trustee of UT1), TDT3 (as trustee of DT3) and the Husky Sale Shares Purchaser in connection with the Husky Share Exchange
<b>“%”</b>	per cent.

All references in this document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

All percentages stated in this document are approximations and certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

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# SCHEME OF ARRANGEMENT

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HCMP 404/2015

IN THE HIGH COURT OF THE  
HONG KONG SPECIAL ADMINISTRATIVE REGION  
COURT OF FIRST INSTANCE  
MISCELLANEOUS PROCEEDINGS

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IN THE MATTER OF  
the Companies Ordinance (Cap. 622)

and

IN THE MATTER OF  
**Hutchison Whampoa Limited**  
和記黃埔有限公司

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**SCHEME OF ARRANGEMENT**  
(under Division 2 of Part 13 of the Companies Ordinance,  
Chapter 622 of the Laws of Hong Kong)

between

**HUTCHISON WHAMPOA LIMITED**  
和記黃埔有限公司

and

**HOLDERS OF SCHEME SHARES**  
(as hereinafter defined)

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PRELIMINARY

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(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

**“Business Day”** a day on which The Stock Exchange of Hong Kong Limited is open for the business of dealing in securities;

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## SCHEME OF ARRANGEMENT

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<b>“CKH Holdings”</b>	CK Hutchison Holdings Limited 長江和記實業有限公司, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited;
<b>“CKH Holdings Shares”</b>	ordinary shares of HK\$1.00 par value each in the capital of CKH Holdings;
<b>“CK Property”</b>	Cheung Kong Property Holdings Limited (長江實業地產有限公司), an exempted company incorporated in the Cayman Islands on 2 January 2015 with limited liability, which is currently a wholly-owned subsidiary of CKH Holdings and which, if the Spin-off Proposal (as defined in the Scheme Document) becomes unconditional, will become the holding company of the Combined Property Businesses (as defined in the Scheme Document) and will be listed on the Main Board of The Stock Exchange of Hong Kong Limited by way of introduction
<b>“CK Property Shares”</b>	ordinary shares of HK\$1.00 par value each in the share capital of CK Property
<b>“Company”</b>	Hutchison Whampoa Limited 和記黃埔有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited;
<b>“Court”</b>	the Court of First Instance of the High Court of Hong Kong;
<b>“Court Meeting”</b>	the meeting convened at the direction of the Court for the purpose of approving this Scheme;
<b>“Distribution In Specie”</b>	the proposed issue by CK Property of new CK Property Shares immediately following completion of the Property Businesses Combination (as defined in the Scheme Document) to the CKH Holdings Shareholders (other than the non-qualifying CKH Holdings Shareholders) as at the record time for the Distribution In Specie pursuant to the Spin-off Proposal (as defined in the Scheme Document)

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## SCHEME OF ARRANGEMENT

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<b>“Effective Date”</b>	the date on which this Scheme becomes effective in accordance with paragraph 7 of this Scheme;
<b>“HK\$”</b>	Hong Kong dollar, the lawful currency of Hong Kong;
<b>“holder”</b>	a registered holder and includes a person entitled by transmission to be registered as such and joint holders;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China;
<b>“Latest Practicable Date”</b>	27 March 2015, being the latest practicable date for the purpose of ascertaining certain information contained in the Scheme Document;
<b>“New CKH Holdings Shares”</b>	the new CKH Holdings Shares to be allotted and issued pursuant to paragraph 1 of this Scheme;
<b>“Non-Qualifying Overseas Shareholders”</b>	those Overseas Shareholders who will not receive CKH Holdings Shares pursuant to this Scheme but will receive cash in full satisfaction of their rights to the CKH Holdings Shares where the law of any relevant jurisdiction precludes an offer of the CKH Holdings Shares, or precludes it except after compliance by CKH Holdings with conditions with which CKH Holdings is unable to comply or which CKH Holdings regards as unduly onerous;
<b>“Offeror”</b>	CK Global Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CKH Holdings;
<b>“Overseas Shareholder(s)”</b>	Shareholders whose addresses, as shown on the register of members of the Company as at the Record Time, are in any jurisdiction other than Hong Kong;

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## SCHEME OF ARRANGEMENT

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<b>“Relevant CKH Holdings Subsidiaries”</b>	collectively, (i) Continental Realty Limited, (ii) Fumanda Limited, (iii) Good Energy Limited, (iv) Guidefield Limited, (v) Haldaner Limited, (vi) Harrowgate Investments Limited, (vii) Harvestime Holdings Limited, (viii) Hey Darley Limited, (ix) Hislop Resources Limited, (x) Kam Chin Investment S.A., (xi) Mirabole Limited, (xii) Oriental Time Investment Limited, (xiii) Polycourt Limited, (xiv) Richland Realty Limited, (xv) Shining Heights Profits Limited, (xvi) Top Win Investment Limited, (xvii) Wealth Pleasure Limited, (xviii) Well Karin Limited, (xix) White Rain Enterprises Ltd., and (xx) Winbo Power Limited, which in aggregate hold approximately 49.97% of the issued shares of the Company;
<b>“Record Time”</b>	4:00 p.m. (Hong Kong time) on the Business Day immediately preceding the Effective Date;
<b>this “Scheme”</b>	this scheme of arrangement in its present form or with or subject to any modification of or addition to it, or any condition, which the Court may think fit to approve or impose;
<b>“Scheme Document”</b>	the document dated 31 March 2015 containing details of this Scheme;
<b>“Scheme Offeror Concert Parties”</b>	all the Specified Offeror Concert Parties other than the Relevant CKH Holdings Subsidiaries;
<b>“Scheme Shareholders”</b>	holders of Scheme Shares;
<b>“Scheme Shares”</b>	all the Shares in issue as at the Record Time, other than those held by the Offeror and the Relevant CKH Holdings Subsidiaries;
<b>“Shareholders”</b>	holders of the Shares;
<b>“Shares”</b>	ordinary shares in the capital of the Company;

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## SCHEME OF ARRANGEMENT

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**“Specified Offeror Concert Parties”**

the persons referred to in the first column of the table under “*Specified Offeror Concert Parties*” in “*Effects of the Merger Proposal on the Shareholding Structure of the Company and CKH Holdings – Shareholding Structure of the Company*” (including the other persons referred to in notes (1), (3) to (7), (10) to (12), (16) and (17) to the table) set out on pages 100 to 103 of the Scheme Document (except for members of the HSBC group and the Bank of America Merrill Lynch group (each as defined in the Scheme Document) which are exempt fund managers or exempt principal traders, in each case recognised by the Executive as such for the purposes of the Takeovers Code), each of which is presumed under the Takeovers Code to be acting in concert (as defined in the Takeovers Code) with the Offeror in relation to the Company; and

**“Takeovers Code”**

the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong (as amended, supplemented or otherwise modified from time to time).

- (B) As at the close of business on the Latest Practicable Date, both the issued and paid up capital of the Company were HK\$29,424,795,590 and a total of 4,263,370,780 Shares were in issue.
- (C) CKH Holdings was incorporated in the Cayman Islands on 11 December 2014 as an exempted Company under the Cayman Companies Law Cap. 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands. At the date of this Scheme, CKH Holdings has an authorised share capital of HK\$8,000,000,000 divided into 8,000,000,000 shares of HK\$1.00 par value each and 2,316,164,338 shares of HK\$1.00 par value each are in issue which are fully paid or credited as fully paid.
- (D) The Offeror was incorporated in the British Virgin Islands on 30 December 2014 with limited liability under the BVI Business Companies Act, 2004 (as amended) of the British Virgin Islands and is a wholly-owned subsidiary of CKH Holdings. The Offeror is authorised to issue a maximum of 50,000 (with or without par value) shares of a single class. As at the Latest Practicable Date, there was one share in the Offeror in issue.
- (E) As at the Latest Practicable Date, the Relevant CKH Holdings Subsidiaries, all of which are indirect wholly-owned subsidiaries of CKH Holdings, beneficially owned an aggregate of 2,130,202,773 Shares, representing approximately 49.97% of the issued Shares. The Relevant CKH Holdings Shareholders are not Scheme Shareholders and the Shares held by the Relevant CKH Holdings Shareholders will not form part of the Scheme Shares.



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## SCHEME OF ARRANGEMENT

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- (F) As at the Latest Practicable Date, the Scheme Offeror Concert Parties (being all the Specified Offeror Concert Parties other than the Relevant CKH Holdings Subsidiaries) beneficially owned an aggregate of 120,208,248 Shares, representing approximately 2.82% of the issued Shares. In accordance with the Takeovers Code, since the Scheme Offeror Concert Parties are not holders of disinterested Shares (as defined in Note 6 to Rule 2 of the Takeovers Code), they are precluded from voting at the Court Meeting notwithstanding that the Shares, directly or indirectly, held by the Scheme Offeror Concert Parties will form part of the Scheme Shares. Each of the Scheme Offeror Concert Parties shall procure that the Scheme Shares in which he, she or it is beneficially interested will not be voted at the Court Meeting.
- (G) The primary purpose of this Scheme is that the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) should receive CKH Holdings Shares in consideration for the cancellation and extinguishment of the Scheme Shares on the basis of 0.684 of a CKH Holdings Share for each Scheme Share held by them as at the Record Time, and that the Company should become a wholly-owned subsidiary of CKH Holdings.
- (H) Each of the Offeror and CKH Holdings has agreed to appear by Counsel at the hearing of the petition to sanction this Scheme and to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.

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# SCHEME OF ARRANGEMENT

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## THE SCHEME

### PART I

#### SCHEME PARTICULARS

1. On the Effective Date:
  - (a) simultaneously with each other:
    - (i) the share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
    - (ii) subject to and immediately upon such reduction of capital taking effect, the share capital of the Company shall be increased to its former amount of HK\$29,424,795,590 by the creation of such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
    - (iii) the Company shall apply all the credit arising in its books of account as a result of the reduction of its share capital in paying up the Shares to be created as set out in paragraph 1(a)(ii), which Shares shall be allotted and issued, credited as fully paid, to the Offeror; and
  - (b) in consideration for the cancellation and extinguishment of the Scheme Shares and in exchange for the allotment and issue by the Company to the Offeror of new Shares as set out in paragraph 1(a)(iii) above, CKH Holdings shall allot and issue the New CKH Holdings Shares, credited as fully paid, to the Scheme Shareholders whose names appear in the register of members of the Company as at the Record Time, subject to paragraph 3 of this Scheme, on the basis of 0.684 of a CKH Holdings Share for every one Scheme Share cancelled as set out above.

### PART II

#### GENERAL APPLICATION

2. The New CKH Holdings Shares shall be fully paid or credited as fully paid and rank *pari passu* in all respects with each other and with all other CKH Holdings Shares then in issue, including as to dividends, voting rights and return of capital or other distributions that may be declared, paid or made.
3. (a) If the law of any relevant jurisdiction precludes an offer of the CKH Holdings Shares, or precludes it except after compliance by CKH Holdings with conditions with which CKH Holdings is unable to comply or which CKH Holdings regards as unduly onerous, no New CKH Holdings Shares will be issued to the relevant Scheme Shareholders (such Scheme Shareholders being the Non-Qualifying Overseas Shareholders).

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## SCHEME OF ARRANGEMENT

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- (b) In such case, CKH Holdings shall allot the New CKH Holdings Shares which would otherwise have been allotted to the Non-Qualifying Overseas Shareholders to a person selected by the board of directors of CKH Holdings, who shall sell such CKH Holdings Shares (including the CK Property Shares received pursuant to the Distribution In Specie and which are attributable to such CKH Holdings Shares) on the market as soon as reasonably practicable after this Scheme becomes effective, and CKH Holdings shall cause the aggregate proceeds of such sale (net of expenses and taxes) to be paid to the relevant Non-Qualifying Overseas Shareholders (*pro rata* to their shareholdings in the Company as at the Record Time) in Hong Kong dollars in full satisfaction of their rights to the New CKH Holdings Shares to which, but for paragraph 3(a) above, such Non-Qualifying Overseas Shareholders would have become entitled under the Scheme, provided that if the amount that a Non-Qualifying Overseas Shareholder would be entitled to receive is less than HK\$50, such sum shall be retained for the benefit of CKH Holdings.
- (c) No Scheme Shareholders shall be entitled to have allotted to them fractions of a New CKH Holdings Share. The fractional entitlements to New CKH Holdings Shares which, but for this paragraph 3(c), the Scheme Shareholders would have become entitled under this Scheme, shall be aggregated (and, if necessary, rounded down to the nearest whole number of a CKH Holdings Share) and allotted by CKH Holdings to a person selected by the board of directors of CKH Holdings, who shall sell the resulting CKH Holdings Shares (including the resulting CK Property Shares received pursuant to the Distribution In Specie and which are attributable to such CKH Holdings Shares) on the market as soon as reasonably practicable after this Scheme becomes effective, and CKH Holdings shall cause the aggregate proceeds of such sale (net of expenses and taxes) to be paid to the relevant Scheme Shareholders according to their respective attributable entitlements thereto.
4. (a) On or before the Effective Date, CKH Holdings shall (i) allot and issue the New CKH Holdings Shares to take effect as at the Effective Date pursuant to paragraph 1 above and (ii) send or cause to be sent to the holders of New CKH Holdings Shares certificates representing the appropriate number of New CKH Holdings Shares, in registered form, allotted and issued to such holders pursuant to paragraph 1(b) above.
- (b) All net proceeds of sale payable by CKH Holdings to a Non-Qualifying Overseas Shareholder or a Scheme Shareholder (as the case may be) in accordance with paragraph 3 above shall be paid by cheque drawn on a licensed bank in Hong Kong. Not later than 28 days after the Effective Date, CKH Holdings shall deliver or procure to be delivered (except to the extent to which it may be prohibited by law in any part of the world from so doing) such cheques to the persons entitled thereto in the manner mentioned in paragraph 4(c) below.
- (c) Unless indicated otherwise in writing to the Hong Kong share registrar and transfer office of CKH Holdings, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road

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## SCHEME OF ARRANGEMENT

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East, Wanchai, Hong Kong, all share certificates referred to in paragraph 4(a) above and cheques referred to in paragraph 4(b) above shall be sent by prepaid post (or by prepaid air-mail if the persons entitled thereto are situated outside Hong Kong) addressed to the persons entitled thereto at their respective addresses as appearing in the register of members of the Company as at the Record Time or, in the case of joint holders, at the address appearing in there at such time of that one of the joint holders whose name stands first in there in respect of the relevant joint holding or to the other persons entitled to them.

- (d) Share certificates and cheques shall be delivered at the risk of addressees and none of CKH Holdings, the Offeror, the Company or any persons nominated by them to carry out such delivery shall be responsible for any loss or delay in transmission.
  - (e) On or after the day being six calendar months after the posting of the share certificates pursuant to paragraph 4(a) above and the posting of the cheques pursuant to paragraph 4(b) above, CKH Holdings shall have the right to (i) sell those CKH Holdings Shares, the certificates of which have been returned or (ii) cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and, in each case, shall place all monies represented thereby in a deposit account in CKH Holdings' name with a licensed bank in Hong Kong selected by CKH Holdings. CKH Holdings shall hold such monies until the expiration of six years from the Effective Date and shall prior to such date make payments to persons who satisfy CKH Holdings that they are respectively entitled to them. Any payments made by CKH Holdings hereunder shall include any interest accrued on the sums to which the respective persons are entitled pursuant to paragraph 1(b) calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of interest, tax or any withholding tax or any other deduction required by law. CKH Holdings shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled or not so entitled, as the case may be, which determination shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
  - (f) On the expiration of six years from the Effective Date, CKH Holdings shall be released from any further obligation to make any payments under this Scheme and CKH Holdings shall keep the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 4(e) above including accrued interest subject, if applicable, to the deduction of interest, tax or any withholding tax or any other deduction required by law and subject to the deduction of any expenses.
  - (g) Paragraph 4(f) above shall take effect subject to any prohibition or condition imposed by law.
5. Subject to the despatch of the share certificates by CKH Holdings for the New CKH Holdings Shares, each instrument of transfer and certificate validly subsisting as at the Record Time in respect of a transfer or holding, respectively, of any number of the

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## SCHEME OF ARRANGEMENT

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Scheme Shares shall, on the Effective Date, cease to be valid for any purpose as an instrument of transfer or a certificate for the Scheme Shares and every holder of such certificates shall be bound on the request of CKH Holdings to deliver up to the Company the certificates for its, his or her existing shareholdings in the Company.

6. All mandates or other instructions to the Company in force as at the Record Time relating to the Scheme Shares shall on the Effective Date cease to be valid and effective mandates or instructions to the Company but shall, with effect from the Effective Date and unless and until revoked, be deemed to be valid and subsisting mandates or instructions to CKH Holdings relating to the relevant CKH Holdings Shares allotted and issued pursuant to paragraph 1(b) above.
7. This Scheme shall become effective as soon as an office copy of the order of the Court sanctioning this Scheme and minute and return that comply with subsections (2) and (3) respectively of section 230 of the Companies Ordinance shall have been registered by the Registrar of Companies in Hong Kong.
8. Unless this Scheme shall have become effective as set out above on or before Tuesday, 30 June 2015 or such later date, if any, as the Court may allow, this Scheme shall lapse.
9. The Company, CKH Holdings and the Offeror may jointly consent for and on behalf of all concerned to any modification of or addition to this Scheme or to any condition that the Court may see fit to approve or impose.
10. If this Scheme does not proceed or is withdrawn or lapses, all costs and expenses incurred in connection with the Scheme will be borne by CKH Holdings, and if the Scheme becomes effective, all costs and expenses incurred in connection with the Scheme will be borne by CKH Holdings and the Company in equal shares.

Dated 31 March 2015

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## NOTICE OF COURT MEETING

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HCMP 404/2015

IN THE HIGH COURT OF THE  
HONG KONG SPECIAL ADMINISTRATIVE REGION  
COURT OF FIRST INSTANCE  
MISCELLANEOUS PROCEEDINGS NO. 404 OF 2015

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IN THE MATTER OF

the Companies Ordinance (Cap. 622)

and

IN THE MATTER OF

Hutchison Whampoa Limited  
和記黃埔有限公司

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### NOTICE OF COURT MEETING

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**NOTICE IS HEREBY GIVEN** that, by an Order dated 27 March 2015 made in the above matters, the Court has directed a Meeting to be convened of the Scheme Shareholders (as defined in the Scheme of Arrangement referred to below) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “Scheme of Arrangement”) proposed to be made between Hutchison Whampoa Limited 和記黃埔有限公司 (the “Company”) and the Scheme Shareholders and that such Meeting will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Monday, 20 April 2015 at 2:00 p.m., at which place and time all the Scheme Shareholders are entitled to attend.

A copy of the Scheme of Arrangement and a copy of the Explanatory Statement required to be furnished pursuant to section 671 of the Companies Ordinance are incorporated in the document, of which this Notice forms part.

Scheme Shareholders (other than those who are precluded from voting as detailed in the Scheme of Arrangement) may vote in person at the Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A pink form of proxy for use at the Meeting is enclosed herewith.

It is requested that forms appointing proxies be lodged at the Company’s registered office at 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for the Meeting, but if forms are not so lodged, they may be handed to the Chairman of the Meeting at the Meeting.

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## NOTICE OF COURT MEETING

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Where there are joint holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled to it; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect of it.

By the same Order, the Court has appointed Mr. Fok Kin Ning, Canning or, failing him, Mr. Li Tzar Kuoi, Victor or, failing him, Mr. Li Ka-shing, all being directors of the Company, to act as Chairman of the Meeting and has directed the Chairman to report the result of it to the Court.

The Scheme of Arrangement will be subject to the subsequent approval of the Court.

Dated this 31st day of March 2015.

**FRESHFIELDS BRUCKHAUS DERINGER**

Solicitors

11th Floor, Two Exchange Square

Hong Kong

Solicitors to

**HUTCHISON WHAMPOA LIMITED**

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## NOTICE OF GENERAL MEETING

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# Hutchison Whampoa Limited 和記黃埔有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 0013)**

**NOTICE IS HEREBY GIVEN** that a general meeting of the Shareholders of Hutchison Whampoa Limited 和記黃埔有限公司 (the “**Company**”) will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on **Monday, 20 April 2015** (*see Note (7)*) at 2:30 p.m. (or as soon thereafter as the meeting of the Scheme Shareholders convened by the direction of the High Court of the Hong Kong Special Administrative Region for the same place and day shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

### SPECIAL RESOLUTION

1. “**THAT:**

- (A) the scheme of arrangement dated 31 March 2015 under Division 2 of Part 13 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Scheme**”) between the Company and the holders of Scheme Shares in the form of the print contained in the scheme document of the Company dated 31 March 2015 (the “**Scheme Document**”), which was produced to this Meeting and for the purposes of identification signed by the Chairman of this Meeting and marked “A”, with any modification of or addition to it, or any condition, as may be approved or imposed by the Court, be and the same is hereby approved; and
- (B) for the purposes of giving effect to the Scheme, on the Effective Date:
  - (i) the share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares;
  - (ii) subject to and immediately upon such reduction of capital taking effect, the share capital of the Company be increased to its former amount of HK\$29,424,795,590 by the creation of such number of new shares in the capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished;
  - (iii) all the credit arising in the books of account of the Company as a result of the reduction of its share capital be applied by the Company in paying up the new shares to be created as referred to in (B)(ii) above, which shares shall be allotted and issued, credited as fully paid, to CK Global Investments Limited; and



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## NOTICE OF GENERAL MEETING

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- (C) the directors of the Company be and they are hereby unconditionally authorised to allot and issue the shares referred to in (B)(iii) above, and to do such acts and/or sign such documents as they may deem necessary for the implementation of the Scheme.”

### ORDINARY RESOLUTIONS

2. “**THAT** the conditional share exchange agreement dated 9 January 2015 entered into between L.F. Investments S.à r.l., as the vendor, and Hutchison Whampoa Europe Investments S.à r.l., as the purchaser, in relation to the acquisition of common shares of Husky Energy Inc. (赫斯基能源公司) (the “**Husky Share Exchange**”), a copy of which was produced to this Meeting and for the purposes of identification signed by the Chairman of this Meeting and marked “B”, and the transactions contemplated under the Husky Share Exchange (including the Husky Share Exchange as a special deal under Rule 25 of the Takeovers Code in relation to the Scheme), be and are hereby approved and confirmed.”
3. “**THAT** Mr. Cheng Hoi Chuen, Vincent be and is hereby re-elected as a Director of the Company.”

By Order of the Board  
**Edith Shih**  
*Company Secretary*

Hong Kong, 31 March 2015

*Notes:*

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.
2. At the Meeting, the Chairman of the Meeting will put the above resolutions to be voted on by way of poll.
3. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
4. To be valid, the blue form of proxy, together with the power of attorney or other authority, if any, under which it is signed or notarially certified copy of such power of attorney or other authority, must be lodged at the Company’s registered office at 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment of it (as the case may be).
5. Completion and return of the blue form of proxy will not preclude a member from attending and voting in person at the Meeting or at any adjourned Meeting if the member so wishes.
6. The register of members of the Company will be closed from Wednesday, 15 April 2015 to Monday, 20 April 2015, both days inclusive, during which period no transfer of Shares will be effected. In order to determine the entitlement to attend and vote at the general meeting, all share certificates with completed transfer forms, either overleaf or separate, must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 14 April 2015.

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## NOTICE OF GENERAL MEETING

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7. If a tropical cyclone warning signal no. 8 or above remains hoisted or a black rainstorm warning signal is in force at 11:00 a.m. on the date of the Meeting, the Meeting will be postponed and by virtue of this notice, the Meeting will be held instead on Tuesday, 21 April 2015 at 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) or at a time on an alternative day to be announced that falls within seven Business Days of the original date scheduled for the Meeting in the event that a tropical cyclone warning signal no. 8 or above remains hoisted or a black rainstorm warning signal is in force at 11:00 a.m. on Tuesday, 21 April 2015. Shareholders may call the hotline at +852 3169 3868 or visit the website of the Company at [www.hutchison-whampoa.com](http://www.hutchison-whampoa.com) for details of alternative meeting arrangements. The Meeting will be held as scheduled when an amber or red rainstorm warning signal is in force.

Shareholders should make their own decision as to whether to attend the Meeting under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.

8. In case of any inconsistency, the English version of this notice shall prevail.

*Hutchison Scheme Document  
For Reference Only*

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## NOTICE OF EGM

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**CK HUTCHISON HOLDINGS LIMITED**  
**長江和記實業有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 0001)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of CK Hutchison Holdings Limited (the “**Company**”) will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on **Monday, 20 April 2015** at 11:00 a.m. (or in the event that a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 9:00 a.m. on that day, at the same time and place on Tuesday, 21 April 2015) for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

### **Ordinary Resolution**

**“THAT:**

- (A) (i) the Hutchison Proposal made by the Hutchison Proposal Offeror which involves the cancellation of all the ordinary shares in the issued share capital of Hutchison (other than those held by the Relevant CKH Holdings Subsidiaries) in exchange for the issue of 0.684 of a Share for every Hutchison Scheme Share to be effected by way of a scheme of arrangement of Hutchison under the Companies Ordinance, subject to and conditional upon the conditions set out, and as described, in the circular of the Company dated 31 March 2015 (the “**Circular**”, a copy of which has been produced to the meeting marked “A” and initialled by the chairman of the meeting for identification purposes and terms defined in which shall have the same meanings when used in this resolution) be and is hereby approved, confirmed and ratified; and (ii) the issue of Shares to the Hutchison Scheme Shareholders pursuant to the Hutchison Scheme, subject to and conditional upon the conditions set out, and as described, in the Circular, be and is hereby approved and confirmed;
- (B) the issue of Shares to the Husky Sale Shares Vendor (or as it may direct) contemplated under the Husky Share Exchange and the letter of undertaking dated 9 January 2015 by the Company to the Husky Sale Shares Purchaser, subject to and conditional upon the conditions set out, and as described, in the Circular, be and is hereby approved and confirmed; and

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## NOTICE OF EGM

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(C) the Directors, acting collectively and individually, be and are hereby authorised, for and on behalf of the Company, to do all such acts and things and to sign, execute, seal (where required) and deliver all such documents and to take all such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to implement or in connection with or incidental to the Matters For Approval and any and all of the transactions contemplated thereunder.”

By Order of the Board  
**CK Hutchison Holdings Limited**  
**Eirene YEUNG**  
*Company Secretary*

Hong Kong, 31 March 2015

*Notes:*

1. Unless otherwise defined in this notice or the context requires otherwise, terms defined in the Circular shall have the same meanings when used in this notice.
2. Voting on the above resolution will be taken by poll.
3. Any member entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and on a poll, vote in his stead. A proxy need not be a member of the Company.
4. To be valid, the proxy form together with any power of attorney or other authority (if any) under which it is signed or a notorially certified copy of such power or authority must be lodged with the Company's principal place of business in Hong Kong at 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).
5. Completion and return of the proxy form will not preclude a member from attending and voting at the meeting or any adjournment thereof (as the case may be) should the member so desires.
6. The register of members of the Company will be closed from Wednesday, 15 April 2015 to Monday, 20 April 2015, both days inclusive, during which period no transfer of Shares will be effected. In order to determine the entitlement to attend and vote at the meeting, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 14 April 2015.
7. If a black rainstorm warning signal or tropical cyclone warning signal no. 8 or above is in force at 9:00 a.m. on Monday, 20 April 2015, the meeting will not be held on that day but will be automatically postponed and, by virtue of this notice, be held at the same time and place on Tuesday, 21 April 2015 instead.

The meeting will be held as scheduled when an amber or red rainstorm warning signal is in force.

Members who have any queries concerning the alternative meeting arrangements, please call the Company at (852) 2128 8888 during business hours from 9:00 a.m. to 5:00 p.m. on Mondays to Fridays, excluding public holidays.

Members should make their own decision as to whether they would attend the meeting under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.

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## NOTICE OF EGM

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8. In the case of joint holders of a share, any one of such joint holders may vote at the above meeting, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
9. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

The Directors of the Company as at the date of this document are Mr. LI Ka-shing (*Chairman*), Mr. LI Tzar Kuoi, Victor (*Managing Director and Deputy Chairman*), Mr. KAM Hing Lam (*Deputy Managing Director*), Mr. IP Tak Chuen, Edmond (*Deputy Managing Director*), Mr. CHUNG Sun Keung, Davy, Ms. PAU Yee Wan, Ezra, Ms. WOO Chia Ching, Grace and Mr. CHIU Kwok Hung, Justin as Executive Directors; Mr. LEUNG Siu Hon, Mr. FOK Kin Ning, Canning, Mr. Frank John SIXT, Mr. CHOW Kun Chee, Roland, Mr. George Colin MAGNUS and Mr. LEE Yeh Kwong, Charles as Non-executive Directors; and Mr. KWOK Tun-li, Stanley, Mr. YEH Yuan Chang, Anthony, Mr. Simon MURRAY, Mr. CHOW Nin Mow, Albert, Ms. HUNG Siu-lin, Katherine, Dr. WONG Yick-ming, Rosanna (*also Alternate Director to Mr. Simon MURRAY*) and Mr. CHEONG Ying Chew, Henry as Independent Non-executive Directors.