

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



CHEUNG KONG (HOLDINGS) LIMITED

長江實業(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0001)

THE CHAIRMAN'S STATEMENT FOR 2014

HIGHLIGHTS

	2014	2013	Change
	HK\$ Million	HK\$ Million	
Turnover ^{Note 1}	31,218	32,314	-3%
Profit before investment property revaluation	15,301	17,915	-15%
Investment property revaluation (net of tax)	5,017	1,801	+179%
Profit before share of results of Hutchison Whampoa Group	20,318	19,716	+3%
Share of profit of Hutchison Whampoa Group			
Net profit (excluding investment property revaluation and share of associate's exceptional gain)	12,985	15,544	-16%
Investment property revaluation	12,540	-	N/A
Share of associate's gain on separate listing of Hong Kong electricity business	8,026	-	N/A
Profit attributable to shareholders	53,869	35,260	+53%
Earnings per share	HK\$23.26	HK\$15.22	+53%
Second interim / final dividend per share ^{Note 2}	HK\$3.016	HK\$2.90	+4%
Full year dividend per share	HK\$3.654	HK\$3.48	+5%
Special dividend per share ^{Note 3}	HK\$7.00	-	N/A

Note 1: Turnover does not include the turnover of joint ventures (except for proceeds from property sales shared by the Group) or the turnover of associates, notably the Hutchison Whampoa Group. Total revenue of the Hutchison Whampoa Group for the year amounted to HK\$421,472 million (2013 – HK\$412,933 million).

Note 2: According to the Company's announcement dated 9th January, 2015, a second interim dividend will be paid in lieu of a final dividend for 2014 based on the full results for the financial year of 2014.

Note 3: The special dividend of HK\$7.00 per share was paid on 14th May, 2014.

PROFIT FOR THE YEAR

The Group's audited profit attributable to shareholders for the year ended 31st December, 2014 amounted to HK\$53,869 million (2013 – HK\$35,260 million). Earnings per share were HK\$23.26 (2013 – HK\$15.22).

DIVIDEND

The Directors have declared a second interim dividend of HK\$3.016 per share in lieu of a final dividend for 2014 to shareholders whose names appear on the Register of Members of the Company at 4:00 p.m. on Tuesday, 17th March, 2015. This together with the first interim dividend of HK\$0.638 per share paid on 12th September, 2014 gives a total of HK\$3.654 per share for the year (2013 – HK\$3.48 per share). The second interim dividend will be paid on Wednesday, 15th April, 2015. In addition, the Group has paid a special dividend of HK\$7.00 per share on 14th May, 2014.

PROSPECTS

Reorganisation for Future Growth

In January 2015, the Cheung Kong Group has embarked on a strategic reorganisation* to better reflect the underlying value of its core businesses and to realise maximum business synergies. The reorganisation will provide greater transparency and investment flexibility for shareholders and investors and together with the Cheung Kong Group's solid financial profile, favourably position the Cheung Kong Group for new business opportunities and future long-term business development.

The proposed merger and reorganisation of the Group and the Hutchison Whampoa Group's businesses into two new Hong Kong-listed entities, CK Hutchison Holdings Limited, holding all of the non-property businesses of the two groups and Cheung Kong Property Holdings Limited, combining the property businesses of the two groups, is expected to create significant value for our shareholders. Completion of this proposal is conditional on obtaining shareholders' and regulatory approvals, court sanction and fulfillment of all conditions precedent. Further details on the timetable and shareholders' approval process will be provided in due course.

2014 in Review

Business Performance

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.

For the year ended 31st December, 2014, the Group's profit before share of results of the Hutchison Whampoa Group was HK\$20,318 million, 3% higher than that reported last year.

In 2014, contribution from property sales in Hong Kong improved while the contribution from the Mainland fell markedly. A decrease in contribution from property rental was recorded, largely attributable to the disposal of the Kingswood Ginza property in Tin Shui Wai, while the performance of the Group's hotel and serviced suite operation remained stable. Meanwhile, contribution from the infrastructure businesses increased solidly following the acquisition of an energy-from-waste business in the Netherlands in 2013, a natural gas distribution business in Australia and an off-airport car park business in Canada during 2014. In addition, the newly invested aircraft leasing business has started to provide profit contribution to the Group. The decrease in operating profit in 2014 was partly offset by the Group's share of a one-off exceptional gain generated from the spin-off of the Hong Kong electricity business of Power Assets, and a significant increase in the fair value of investment properties in light of the Group's long held policy of conservative property valuation.

In Hong Kong, the Group's property sales increased over last year with the market response to the launches of our property projects generally in line with expectations. The local property market firmed up in 2014 with buyers' sentiment and trading activities improving over 2013. Prospects remain positive as a whole. Local construction costs and labour wages are likely to continue their rising trends, and government policy measures will remain a major factor in determining the overall market direction. Our strategy will continue to be responsive to changing market conditions, and we intend to strengthen further our quality property portfolio by capitalising on suitable land acquisition opportunities as they arise. We expect further progress to be achieved in property sales in 2015 as compared to 2014.

On the Mainland, contribution from property sales in 2014 was to some extent affected by the current modest slowdown in the Group's business activities. However, we are confident in the Mainland's long-term market prospects. We will continue to strengthen our property business in a disciplined manner by making land acquisitions and engaging in property development projects as and when suitable opportunities arise.

The Group's performance in other property markets outside Hong Kong was in line with expectations. We are committed to strengthening our business fundamentals in existing markets. We will continue to actively explore the potential of new markets by taking full advantage of business opportunities that fulfill our stringent investment criteria.

Our international infrastructure businesses continued to expand and generated solid profit contribution to the Group in 2014. An off-market takeover bid was made by a consortium comprising the Group, Cheung Kong Infrastructure Holdings Limited ("CKI") and Power Assets Holdings Limited ("Power Assets") to acquire Envestra Limited ("Envestra"), now known as Australian Gas Networks Limited, one of the largest natural gas distribution companies in Australia that serves about 1.2 million customers. The acquisition was completed in the third quarter of 2014 for a total consideration of around HK\$14.1 billion (approximately A\$1.96 billion).

In January 2015, a 50/50 joint venture of the Group and CKI entered into an agreement to acquire Eversholt Rail Group ("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. The acquisition adds a new facet to the infrastructure portfolio and is expected to deliver recurring cash flows as well as stable returns. Completion is expected to take place around April 2015.

2014 marked a new milestone in the Group's pursuit of diversification and globalisation through its entry into the aircraft leasing business. Four agreements were reached in November last year, whereby the Group agreed to purchase from various sellers a total of 60 aircraft. The Group has a 50% interest in 15 of these aircraft and a 100% interest in the remaining 45 aircraft. The aircraft leasing business is able to generate long-term steady income, and the transactions completed to date will constitute a meaningful platform on which to develop further the aircraft ownership and leasing business.

Building on its solid fundamentals and strong financial capability, the Group will continue to pursue different quality investments worldwide in order to nurture growth and create value for shareholders.

Listed Affiliated Companies

In addition to its own global ventures, the Group also benefited from worldwide opportunities arising from its strategic investments in listed affiliated companies, particularly through the Hutchison Whampoa Group's diversified portfolio of global businesses. In 2014, businesses in markets beyond Hong Kong continued to expand steadily and deliver favourable results to the Group.

The Hutchison Whampoa Group

The Hutchison Whampoa Group achieved solid performances overall and demonstrated strong resilience to certain challenging economic and market conditions in 2014. The exceptionally sharp fall in global oil prices has had an impact on the profitability of Husky Energy ("Husky") in 2014. However, the fall in oil prices is an international occurrence affecting the whole sector. We have full confidence in Husky's oil business in the long run particularly in view of its healthy fundamentals and well-balanced strategy.

Adhering to its principle of "Advancing with Stability", investment decisions are made prudently based on the long-term interests of its shareholders. Barring unforeseen material adverse external developments and considering the current level of oil prices, we expect overall businesses will continue to meet these objectives and achieve a solid performance in 2015. We have strong confidence in the long-term prospects of the Hutchison Whampoa Group's businesses which are poised to enter a new chapter of growth following the proposed reorganisation together with the Group's businesses and the proposed spin-off*.

CKI

In 2014, all of CKI's existing businesses continued to consolidate their foundations and provide recurring cash flows. Organic growth is also on track. CKI will continue to grow and develop existing businesses organically, and will acquire new businesses that generate attractive and secure returns. We believe that there is significant growth potential for CKI due to its expanding capital base and extensive infrastructure investment experience. As demonstrated by its track record in balancing continued growth with a comfortable gearing position, CKI is committed to a business model which maintains a good balance between stability and growth.

Power Assets

In 2014, Power Assets achieved a satisfactory overall performance, continuing the trend of consistent growth over the past few years. Following the spin-off of the Hong Kong electricity business in January 2014, Power Assets enters 2015 in an advantageous cash position, enabling it to seek suitable investment opportunities worldwide while continuing to focus on achieving its long-term objective of delivering growth in shareholder value through high-quality investments in stable, well-regulated power and gas markets globally.

CK Life Sciences

CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") has continued to make progress in 2014. Its financial capacity is sound and business operations are good. The continued organic growth of its existing businesses is poised to strengthen its revenue. CK Life Sciences is making steady progress towards new milestones in R&D. While the recent acquisitions of high quality assets in the agricultural-related business have expanded the scope of its investment portfolio, CK Life Sciences will continue to prudently seek new investments that will strengthen its investment portfolio and propel its growth momentum.

Looking Ahead

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.

2015 will be a landmark year in the Cheung Kong Group's development. Upon completion of the proposed reorganisation and related proposals*, it is expected that the elimination of the holding company discount previously associated with our business structure will truly and more accurately reflect the strength and value of the Cheung Kong Group, further define our market position, and present greater opportunities for expansion and development. This strategic move is beneficial to the Cheung Kong Group and its shareholders as a whole. In this age of innovation and technological revolution, and amidst continued economic volatility, the Cheung Kong Group will adhere to its principle of "Advancing with Stability" and make prudent investment and financial decisions based on the long-term interests of our shareholders. Faced with intense competition from all corners of the globe, we must steer our course with wisdom in order to meet the challenges that lie ahead. We are well poised to achieve great success in the coming years, and we have strong confidence in the Cheung Kong Group's long-term prospects.

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

Li Ka-shing
Chairman

Hong Kong, 26th February, 2015

** Completion of the proposed reorganisation and related proposals is conditional on obtaining shareholders' and regulatory approvals, court sanction and fulfillment of all conditions precedent.*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major Business Activities

1. Developments Completed during 2014:

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
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
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	Nangan 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%

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
Noble Hills Phase 2C	Douxu, 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 Phases 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%
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%

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
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%
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:

Hong Kong

- (1) December 2014: A wholly owned subsidiary of the 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 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 Mainland and Overseas

- (3) May 2014: An indirect joint venture company, held as to one-third by each of the Company, 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 the Company 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 the Company 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 the Company 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 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, the Company, such wholly owned subsidiary, MCAP, the JV Company, Li Ka Shing (Overseas) Foundation (“LKSOFF”) and Vermilion Global Limited (“VGL”, a wholly owned subsidiary of LKSOFF) 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 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 Whampoa 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 Group and the Hutchison Whampoa Group jointly and equally owned the development of the Land Parcel.
- (7) January 2015: An indirect 50/50 joint venture company of the 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 Group continued to focus on project development and the marketing of properties on the Mainland and overseas in a timely manner.

Property Sales

The 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 last year, 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 Mainland – 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 last year as contribution from property sales on the Mainland 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 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 Mainland progressed slowly. The residential units of Thomson Grand in Singapore have been sold out in 2012.

Property Rental

The 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 last year, 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 last year.

The 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 last year, and included mainly rental income derived from commercial properties on the Mainland.

At the year end date, the Group's investment properties comprised mainly commercial 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 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 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 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 last year 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 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 last year.

During the year, demand for hotels and serviced suites in Hong Kong remained steady with continual flow of inbound travelers from the Mainland whereas conditions for hotel operation on the Mainland 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 Mainland will become more challenging, and the Group will endeavour to maintain satisfactory results for its hotel and serviced suite operation.

The 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 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 last year, and income from project management related services was HK\$343 million (2013 – HK\$217 million), an increase of HK\$126 million when compared with last year.

Contribution from the Group's property management was HK\$119 million (2013 – HK\$114 million), an increase of HK\$5 million when compared with last year, and the Group's project management related services made a contribution of HK\$34 million (2013 – HK\$22 million) to group profit. The 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 Mainland 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 last year.

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

Infrastructure Business

The 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 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 last year, 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 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 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 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 Group and strengthens up the 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 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 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 Group has a 50% interest.

Major Associates

The Hutchison Whampoa Group, a listed associate, reported profit attributable to shareholders for the year ended 31st 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 31st December, 2014 of HK\$263.6 million (2013 – HK\$229 million).

FINANCIAL REVIEW

Liquidity and Financing

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

At the year end date, the 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 last year end date. 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 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 Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Treasury Policies

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

The Group's borrowings are principally on a floating rate basis and 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 Group's borrowings were in HK\$ and US\$, with the balance in EUR, GBP and SGD mainly for the purpose of financing investments and joint venture projects in Europe, the United Kingdom and Singapore. The Group derives its revenue from property development mainly in HK\$ and RMB and maintains cash balances substantially in HK\$ and RMB. Income in foreign currencies, including EUR, GBP and SGD, is also generated from the Group's investments and joint venture projects outside Hong Kong and cash in these foreign currencies is maintained for business requirements.

Charges on Assets

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

Contingent Liabilities

At the year end date, the 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 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 Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group does not have any share option scheme for employees.

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

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2014.

CORPORATE GOVERNANCE CODE

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

Save as disclosed below, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31st December, 2014. In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company does not have a nomination committee. At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman of the Board and the Managing Director. In respect of code provision A.6.7 of the CG Code, an Independent Non-executive Director was not in a position to attend the annual general meeting of the Company held on 16th May, 2014 due to health reason.

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

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee ("Audit Committee") in December 1998 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code.

The Audit Committee of the Company comprises three Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Audit Committee), Mr. Kwok Tun-li, Stanley and Ms. Hung Siu-lin, Katherine. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

The Group's annual results for the year ended 31st December, 2014 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, PricewaterhouseCoopers.

REMUNERATION COMMITTEE

In compliance with the CG Code, the Company established its remuneration committee (“Remuneration Committee”) on 1st January, 2005 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman of the Board, Mr. Li Ka-shing and two Independent Non-executive Directors, namely, Dr. Wong Yick-ming, Rosanna (Chairman of the Remuneration Committee) and Mr. Kwok Tun-li, Stanley.

PAYMENT OF A SECOND INTERIM DIVIDEND, 2014

A second interim dividend in lieu of a final dividend for 2014 is payable to shareholders whose names appear on the Register of Members of the Company at 4:00 p.m. on Tuesday, 17th March, 2015, being the record time for determination of entitlement to the second interim dividend. The second interim dividend will be paid on Wednesday, 15th April, 2015.

In order to qualify for the second interim dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 12th March, 2015.

The Directors (*Note*) 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.

Note: Other than Chairman, Managing Director and Deputy Managing Directors, order by date of appointment, and in the case of Non-executive Directors (“NED”) / Independent Non-executive Directors (“INED”), order by date of appointment as NED / INED.

CHEUNG KONG (HOLDINGS) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2014

Consolidated Income Statement
For the year ended 31st December, 2014

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

**Consolidated Statement of Comprehensive Income
For the year ended 31st December, 2014**

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

**Consolidated Statement of Financial Position
As at 31st December, 2014**

	Note	2014 \$ Million	2013 \$ Million
Non-current assets			
Fixed assets	(8)	17,454	9,977
Investment properties	(9)	33,285	28,777
Associates	(11)	216,841	196,812
Joint ventures	(12)	68,754	65,659
Investments available for sale	(13)	10,705	9,334
Long term loan receivables		301	1,073
Derivative financial instruments		476	-
		<u>347,816</u>	<u>311,632</u>
Current assets			
Stock of properties	(14)	73,199	79,784
Debtors, deposits and prepayments	(15)	2,510	2,313
Investments held for trading	(16)	918	1,360
Derivative financial instruments		319	551
Bank balances and deposits		33,179	33,197
		<u>110,125</u>	<u>117,205</u>
Current liabilities			
Bank and other loans	(17)	18,352	2,438
Creditors and accruals	(18)	11,451	11,699
Derivative financial instruments		191	167
Provision for taxation		1,356	1,162
		<u>31,350</u>	<u>15,466</u>
Net current assets		<u>78,775</u>	<u>101,739</u>
Total assets less current liabilities		<u>426,591</u>	<u>413,371</u>
Non-current liabilities			
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>
Net assets		<u>406,047</u>	<u>372,821</u>
Representing:			
Share capital	(20)	10,489	1,158
Share premium	(20)	-	9,331
Reserves		383,656	350,192
Shareholders' funds		<u>394,145</u>	<u>360,681</u>
Perpetual securities	(22)	9,045	9,048
Non-controlling interests		2,857	3,092
Total equity		<u>406,047</u>	<u>372,821</u>

Li Ka-shing

Director

Ip Tak Chuen, Edmond

Director

Statement of Financial Position
As at 31st December, 2014

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

Li Ka-shing
Director

Ip Tak Chuen, Edmond
Director

Consolidated Statement of Changes in Equity
For the year ended 31st December, 2014

	Shareholders' Funds				Holders of perpetual securities \$ Million	Non- controlling interests \$ Million	Total Equity \$ Million
	Share capital	Share premium and reserves ⁽¹⁾	Retained profits	Total			
	\$ Million	\$ Million	\$ Million	\$ Million			
Balance at 1st January, 2014	1,158	16,807	342,716	360,681	9,048	3,092	372,821
Profit for the year	-	-	53,869	53,869	457	282	54,608
Other comprehensive income (loss)							
Translation of financial statements of operations outside Hong Kong - exchange loss	-	(737)	-	(737)	-	(1)	(738)
Investments available for sale							
Gain in fair value	-	462	-	462	-	-	462
Gain in fair value reclassified to profit or loss upon disposal	-	(313)	-	(313)	-	-	(313)
Impairment charged to income statement	-	44	-	44	-	-	44
Hedging instruments designated and qualify as net investment hedges - gain in fair value	-	1,475	-	1,475	-	-	1,475
Share of other comprehensive loss of associates	-	(13,078)	(91)	(13,169)	-	-	(13,169)
Share of other comprehensive loss of joint ventures	-	(3,035)	(221)	(3,256)	-	-	(3,256)
Total comprehensive income for the year	-	(15,182)	53,557	38,375	457	281	39,113
Transfer from share premium to share capital upon abolition of par value	9,331	(9,331)	-	-	-	-	-
Share of dilution surplus of associate ⁽²⁾	-	19,497	-	19,497	-	-	19,497
Change in non-controlling interests	-	-	-	-	-	(207)	(207)
Distribution paid on perpetual securities	-	-	-	-	(460)	-	(460)
Dividend paid to non-controlling interests	-	-	-	-	-	(309)	(309)
Dividend paid to shareholders of the Company							
Special dividend \$7 per share	-	-	(16,213)	(16,213)	-	-	(16,213)
2013 final dividend \$2.90 per share	-	-	(6,717)	(6,717)	-	-	(6,717)
2014 first interim dividend \$0.638 per share	-	-	(1,478)	(1,478)	-	-	(1,478)
Balance at 31st December, 2014	10,489	11,791	371,865	394,145	9,045	2,857	406,047
Balance at 1st January, 2013	1,158	18,364	314,321	333,843	5,652	3,157	342,652
Profit for the year	-	-	35,260	35,260	447	265	35,972
Other comprehensive income (loss)							
Translation of financial statements of operations outside Hong Kong - exchange gain	-	148	-	148	-	6	154
Investments available for sale							
Gain in fair value	-	428	-	428	-	-	428
Gain in fair value reclassified to profit or loss upon disposal	-	(1,127)	-	(1,127)	-	-	(1,127)
Impairment charged to income statement	-	614	-	614	-	-	614
Hedging instruments designated and qualify as net investment hedges - loss in fair value	-	(338)	-	(338)	-	-	(338)
Share of other comprehensive income (loss) of associates	-	(2,470)	521	(1,949)	-	-	(1,949)
Share of other comprehensive income of joint ventures	-	1,188	47	1,235	-	-	1,235
Total comprehensive income for the year	-	(1,557)	35,828	34,271	447	271	34,989
Change in non-controlling interests	-	-	-	-	-	(246)	(246)
Issue of perpetual securities	-	-	-	-	3,875	-	3,875
Transaction costs for issue of perpetual securities	-	-	(41)	(41)	-	-	(41)
Purchase and cancellation of perpetual securities	-	-	42	42	(579)	-	(537)
Distribution paid on perpetual securities	-	-	-	-	(347)	-	(347)
Dividend paid to non-controlling interests	-	-	-	-	-	(90)	(90)
Dividend paid to shareholders of the Company							
2012 final dividend \$2.63 per share	-	-	(6,091)	(6,091)	-	-	(6,091)
2013 interim dividend \$0.58 per share	-	-	(1,343)	(1,343)	-	-	(1,343)
Balance at 31st December, 2013	1,158	16,807	342,716	360,681	9,048	3,092	372,821

Consolidated Statement of Changes in Equity (Continued)
For the year ended 31st December, 2014

(1) Share premium and reserves

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

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

Consolidated Statement of Cash Flows
For the year ended 31st December, 2014

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

Consolidated Statement of Cash Flows (Continued)
For the year ended 31st December, 2014

Notes:

(a) Cash generated from operations

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

(b) Cash and cash equivalents

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

Notes to Financial Statements

1. General Information

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

2. Principal Accounting Policies

(a) Basis of preparation

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

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

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

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

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

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

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

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

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

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

Notes to Financial Statements (*continued*)

2. Principal Accounting Policies (*continued*)

(b) Consolidation

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

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

(c) Subsidiaries

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

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

(d) Joint ventures

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

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

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

(e) Associates

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

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

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

Notes to Financial Statements (*continued*)

2. Principal Accounting Policies (*continued*)

(f) Investments in securities

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

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

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

(g) Fixed assets

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

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

(h) Investment properties

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

(i) Loan receivables

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

Notes to Financial Statements (*continued*)

2. Principal Accounting Policies (*continued*)

(j) **Stock of properties**

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

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

(k) **Debtors**

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

(l) **Derivative financial instruments and hedge accounting**

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

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

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

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

(m) **Bank and other loans**

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

(n) **Creditors**

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

Notes to Financial Statements (*continued*)

2. Principal Accounting Policies (*continued*)

(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 the Company, assets and liabilities are translated at the exchange rates prevailing at the year end date and results are translated at the average rates of exchange for the year. Exchange differences are recognised in other comprehensive income.

(q) Taxation

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

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

(r) Borrowing costs

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

Notes to Financial Statements (*continued*)

3. Turnover and Contribution

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

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

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

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

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

	2014	2013
	\$ Million	\$ Million
The Mainland	6,039	16,454
Singapore	1,210	980
Others	127	-
	<hr/>	<hr/>
	7,376	17,434
	<hr/> <hr/>	<hr/> <hr/>

Notes to Financial Statements (continued)

3. Turnover and Contribution (continued)

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

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

Notes to Financial Statements (*continued*)

4. Profit before Taxation

	2014 \$ Million	2013 \$ Million
Profit before taxation is arrived at after charging:		
Interest and other finance costs		
Bank loans and other loans repayable within 5 years	703	847
Other loans not repayable within 5 years	79	79
Gain on loan hedging	(86)	(98)
	<u>696</u>	<u>828</u>
Less: Amount capitalised (note (a))	(368)	(472)
	<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	104	98
	<u>245</u>	<u>231</u>
Less: Emoluments from listed associates paid back	(13)	(12)
	<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	218	242
	=====	=====
and after crediting:		
Net property rental income	1,888	1,909
Interest income from banks	353	91
Interest income from loan receivables	21	12
Interest income from joint ventures	767	714
Interest income from associates	16	14
Income from listed investments in securities		
Dividend income from equity securities	467	467
Interest income from debt securities	42	12
Income from unlisted investments in securities		
Dividend income from equity securities	4	24
Interest income from debt securities	13	15
Exchange difference	92	259
Gain on investments held for trading	28	855
Gain on disposal of investments available for sale	313	1,127
	=====	=====

Notes to Financial Statements (*continued*)

4. Profit before Taxation (*continued*)

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

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

Notes to Financial Statements (*continued*)

4. Profit before Taxation (*continued*)

Note (b): (*continued*)

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

Notes to Financial Statements (*continued*)

5. Taxation

	2014	2013
	\$ Million	\$ Million
Current tax		
Hong Kong profits tax	1,398	1,026
Tax outside Hong Kong	(115)	330
Deferred tax	36	166
	<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:

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

6. Profit Attributable to Shareholders of the Company

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

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

Notes to Financial Statements (*continued*)

7. Earnings Per Share

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

8. Fixed Assets

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

Notes to Financial Statements (*continued*)

8. Fixed Assets (*continued*)

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.

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

Notes to Financial Statements (continued)

9. Investment Properties

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

At the year end date:

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

10. Subsidiaries

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

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

Notes to Financial Statements (*continued*)

11. Associates

	Group		Company	
	2014	2013	2014	2013
	\$ Million	\$ Million	\$ Million	\$ Million
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>	<u>-</u>	<u>-</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 Group’s carrying amounts are as follows:

	Hutchison Whampoa		CK Life Sciences	
	2014	2013	2014	2013
	\$ Million	\$ Million	\$ Million	\$ Million
Published financial information of listed associates				
Share capital	29,425	1,066	961	961
Share premium and reserves	397,155	385,299	3,702	4,016
Capital and reserves	<u>426,580</u>	<u>386,365</u>	<u>4,663</u>	<u>4,977</u>
Shared by the 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 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.

Notes to Financial Statements (continued)

11. Associates (continued)

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

	2014	2013
	\$ Million	\$ Million
Net profit	-	1
Other comprehensive income	-	12
	<u>-</u>	<u>13</u>
Total comprehensive income	<u>-</u>	<u>13</u>
	=====	=====

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

	2014	2013
	\$ Million	\$ Million
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

	Group		Company	
	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	-	-
	<u>50,925</u>	<u>49,911</u>	<u>191</u>	<u>191</u>
Amounts due from joint ventures (note (b))	17,829	15,748	576	576
	<u>68,754</u>	<u>65,659</u>	<u>767</u>	<u>767</u>
	=====	=====	=====	=====

Notes:

(a) The 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
	<u>1,410</u>	<u>7,006</u>
	=====	=====

(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
	<u>17,829</u>	<u>15,748</u>
	=====	=====

Notes to Financial Statements (continued)

13. Investments Available for Sale

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

14. Stock of Properties

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

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

Notes to Financial Statements (*continued*)

15. Debtors, Deposits and Prepayments

	Group		Company	
	2014	2013	2014	2013
	\$ Million	\$ Million	\$ Million	\$ Million
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 Group's trade debtors mainly comprise receivables for sales of properties and leasing of properties and aircraft. Sales terms vary for each property project and are determined with reference to the prevailing market conditions. Sales of properties are normally completed when sales prices are fully paid and deferred payment terms are sometimes offered to purchasers at a premium. Rentals and deposits are payable in advance by lessees.

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

	2014	2013
	\$ Million	\$ Million
Current to one month	1,718	1,513
Two to three months	44	66
Over three months	19	21
	<u>1,781</u>	<u>1,600</u>
	=====	=====

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

	2014	2013
	\$ Million	\$ Million
Overdue within one month	56	142
Overdue for two to three months	40	37
Overdue over three months	18	19
	<u>114</u>	<u>198</u>
	=====	=====

Notes to Financial Statements (*continued*)

16. Investments Held for Trading

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

17. Bank and Other Loans

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

Notes to Financial Statements (*continued*)

17. Bank and Other Loans (*continued*)

At the year end date:

- (a) bank loans denominated in GBP and EUR amounted to \$2,959 million (2013 – \$3,146 million) and \$1,840 million (2013 – \$2,091 million) respectively were designated as net investment hedges for investments in GBP and EUR;
- (b) other loans included fixed rate notes issued by wholly owned subsidiaries and guaranteed by the Company as follows:
- (i) issued by Cheung Kong Bond Finance Limited in Hong Kong:
- | | | |
|------------------|-------|----------------------------------|
| HK\$ 500,000,000 | 4.4% | due April 2015 (issued in 2005) |
| HK\$ 150,000,000 | 5.1% | due April 2016 (issued in 2006) |
| HK\$ 500,000,000 | 4.88% | due August 2018 (issued in 2008) |
- (ii) issued by Joynote Ltd and listed in Singapore:
- | | | |
|-----------------|--------|------------------------------------|
| 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) |
| 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.

Notes to Financial Statements (continued)

18. Creditors and Accruals

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

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

	2014 \$ Million	2013 \$ Million
Current to one month	1,605	1,171
Two to three months	25	32
Over three months	33	29
	<u>1,663</u>	<u>1,232</u>
	=====	=====

19. Deferred Tax Liabilities

At the year end date:

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

20. Share Capital / Share Premium

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

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

Notes to Financial Statements (continued)

21. Reserves

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

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

22. Perpetual Securities

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

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

Notes:

- (a) Listed in Singapore, the perpetual securities carry an annual distribution rate of 5.125% and are redeemable at the Group's option on or after 9th September, 2016.
- (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 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 Group's option on or after 24th January, 2018.

Notes to Financial Statements (continued)

23. Operating Lease

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

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

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

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

24. Segment Information

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

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

Notes to Financial Statements (*continued*)

25. Commitments and Contingent Liabilities

At the year end date:

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

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

26. Employees Pension Schemes

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

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

Notes to Financial Statements (*continued*)

27. Related Party Transactions

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

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

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

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

28. Financial Risks and Management

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

(a) Treasury policies

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

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

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

28. Financial Risks and Management (*continued*)

(b) Risk management

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

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

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

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

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

Notes to Financial Statements (*continued*)

28. Financial Risks and Management (*continued*)

(c) Liquidity management

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowings as appropriate. With cash and marketable securities in hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

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

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

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.

Notes to Financial Statements (continued)

29. Fair Value Measurement

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

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

Level 1: quoted prices in active markets

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

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

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

Notes to Financial Statements (continued)

29. Fair Value Measurement (continued)

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

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

30. Capital Management

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

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

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

Notes to Financial Statements (*continued*)

31. Event after the year end date

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

(a) The Reorganisation Proposal

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

(b) The Merger Proposal

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

(i) The Husky Share Exchange

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

(ii) The Hutchison Proposal

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

(c) The Spin-off Proposal

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

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

32. Approval of Financial Statements

The financial statements reported in Hong Kong dollars were approved by the board of directors on 26th February, 2015.

Principal Subsidiaries

Appendix I

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

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

Principal Subsidiaries (continued)

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

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

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

Principal Associates

Appendix II

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

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

Principal Joint Ventures

Appendix III

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

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

Principal Joint Ventures (*continued*)

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

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

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

Extracts of Financial Statements of Hutchison Whampoa Limited

Appendix IV

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

Consolidated Income Statement

For the year ended 31st December, 2014

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

Extracts of Financial Statements of Hutchison Whampoa Limited (*continued*)

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2014

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

Extracts of Financial Statements of Hutchison Whampoa Limited (*continued*)

Consolidated Statement of Financial Position

At 31st December, 2014

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

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

Appendix V

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

Consolidated Income Statement

For the year ended 31st December, 2014

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

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

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2014

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

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

Consolidated Statement of Financial Position

As at 31st December, 2014

	2014 \$'000	2013 \$'000
Non-current assets		
Investment properties	1,141,481	926,897
Vines	549,113	539,502
Property, plant and equipment	1,136,213	1,177,459
Intangible assets	3,785,560	4,002,647
Interests in associates and joint ventures	336,159	365,531
Available-for-sale investments	314,815	289,515
Deferred taxation	33,767	31,447
	7,297,108	7,332,998
Current assets		
Investments at fair value through profit or loss	54,540	43,924
Derivative financial instruments	5,207	6,182
Tax recoverable	4,916	15,705
Inventories	971,149	952,912
Receivables and prepayments	985,230	1,036,987
Bank balances and deposits	979,200	767,661
	3,000,242	2,823,371
Assets classified as held for sale	-	63,409
	3,000,242	2,886,780
Current liabilities		
Payables and accruals	(946,291)	(1,089,290)
Derivative financial instruments	(4,479)	(5,062)
Bank borrowings	(128,629)	(950,758)
Finance lease obligations	(346)	(758)
Other borrowings	-	(75,000)
Taxation	(62,737)	(58,846)
	(1,142,482)	(2,179,714)
Liabilities associated with assets classified as held for sale	-	(36,027)
	(1,142,482)	(2,215,741)
Net current assets	1,857,760	671,039
Total assets less current liabilities	9,154,868	8,004,037
Non-current liabilities		
Bank borrowings	(2,871,858)	(1,479,931)
Finance lease obligations	(847)	(243)
Other borrowings	(1,356,000)	(1,281,000)
Deferred taxation	(51,194)	(42,568)
	(4,279,899)	(2,803,742)
Total net assets	4,874,969	5,200,295
Capital and reserves		
Share capital	961,107	961,107
Share premium and reserves	3,701,541	4,015,830
Equity attributable to shareholders of the Company	4,662,648	4,976,937
Non-controlling interests of subsidiaries	212,321	223,358
Total equity	4,874,969	5,200,295

Independent Auditor Report



TO THE SHAREHOLDERS OF CHEUNG KONG (HOLDINGS) LIMITED *(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Cheung Kong (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 1 to 49, which comprise the consolidated and Company statements of financial position as at 31 December, 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors’ responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December, 2014, and of the Group’s profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PRICEWATERHOUSECOOPERS
Certified Public Accountants

Hong Kong, 26 February, 2015