

Operations Review

Results Highlights for the year ended 31 December 2015

CKHH full year statutory results ⁽¹⁾	2015 HK\$ millions
Total Revenue	316,318
Profit attributable to ordinary shareholders from continuing business	38,189
Profit attributable to ordinary shareholders from discontinued business	80,381
Profit attributable to ordinary shareholders ⁽²⁾	118,570
Earnings per share - statutory ⁽³⁾	HK\$36.91
	2015
Final dividend per share	HK\$1.85
Full year dividend per share	HK\$2.55

Note 1: Statutory results of CK Hutchison Holdings Limited ("CKHH" or the "Group") for the year ended 31 December 2015 include the one-time effects of the Reorganisation that occurred on 3 June 2015. Total revenue and results include share of associated companies and joint ventures' respective items. See page 170 for details of financial statements for the year ended 31 December 2015 with comparative information and notes 11 and 13 for details of the discontinued operations.

Note 2: CKHH profit attributable to ordinary shareholders for the year ended 31 December 2015 under statutory basis included one-time re-measurement gains arising from the Reorganisation of HK\$87,119 million, of which HK\$14,260 million arising from continuing business and HK\$72,859 million from discontinued business. Excluding these re-measurement gains, profit attributable to ordinary shareholders from operating businesses was HK\$31,451 million.

Note 3: Earnings per share for the statutory results is calculated based on the profit attributable to ordinary shareholders of HK\$118,570 million and on the CKHH weighted average number of shares outstanding during the year ended 31 December 2015 of 3,212,671,194.

CKHH full year pro forma results ⁽⁴⁾ (compared to HWL results for businesses continued by CKHH)	CKHH Results 2015 HK\$ millions	HWL Results 2014 HK\$ millions	Change
Total Revenue ⁽⁵⁾	396,087	404,873	-2%
Total EBITDA ⁽⁵⁾	92,093	88,136	+5%
Total EBIT ⁽⁵⁾	62,079	55,313	+12%
Profit attributable to ordinary shareholders before profits on disposal of investments & others ⁽⁶⁾	32,128	23,655	+36%
Profits on disposal of investments & others	(960)	10,048	-110%
Total profit attributable to ordinary shareholders ⁽⁷⁾	31,168	33,703	-8%
Recurring earnings per share - pro forma ⁽⁸⁾	HK\$8.32		

Note 4: CKHH pro forma results for the year ended 31 December 2015 as presented assume that the Reorganisation was effective as at 1 January 2015. This presentation is consistent with the way the Group manages its businesses and enables the Group's underlying performance to be evaluated on a comparable basis, and has been prepared in accordance with the accounting policies of the Group as set out in note 3 of the financial statements. See Reconciliation from CKHH Statutory Results to CKHH Pro Forma Results for the year ended 31 December 2015 for details. 2014 comparatives represent Hutchison Whampoa Limited ("HWL") results for the year ended 31 December 2014 as reported in the Financial Performance Summary presented in HWL's 2014 Annual Report, excluding discontinued property and hotels businesses.

Note 5: Total revenue, earnings before interest expenses and other finance costs, tax, depreciation and amortisation ("EBITDA") and earnings before interest expenses and other finance costs and tax ("EBIT") include the Group's proportionate share of associated companies and joint ventures' respective items.

Note 6: Contribution in 2014 from property and hotels businesses carried on by HWL and that have been discontinued following the Reorganisation, including property revaluation gains, was HK\$33,453 million. Contribution in 2015 from new or additional interests in businesses acquired as a result of the Reorganisation was HK\$2,764 million.

Note 7: Total profit attributable to ordinary shareholders for the year ended 31 December 2014 reconciles to HWL's 2014 Annual Report as follows:

	HK\$ millions
- businesses continued by CKHH*	33,703
- discontinued property and hotels businesses	33,453
- as reported in HWL 2014 Annual Report	67,156

* Including profits on disposal of investments & others of HK\$10,048 million.

Note 8: On a full year pro forma basis, recurring earnings per share is calculated based on profit attributable to ordinary shareholders before exceptional items, excluding discontinued property and hotels businesses and on CKHH's issued shares outstanding as at 31 December 2015 of 3,859,678,500.

Summary of CKHH 2015 Statutory Results⁽⁹⁾

- The statutory results reported for the year ended 31 December 2015 cannot be compared to any prior period as they reflect the one-time accounting effects of several transactions that implemented the reorganisation of Cheung Kong (Holdings) Limited and HWL that merged their assets and businesses into CKHH and simultaneously reallocated them between the Group and Cheung Kong Property Holdings Limited on 3 June 2015 (the "Reorganisation").
- Profit attributable to ordinary shareholders from continuing businesses of HK\$38,189 million under statutory basis represents the following:
 - Full year (from January to December 2015) contribution from the Group's continuing businesses, including results of the six co-owned infrastructure businesses based on the shareholding interest prior to the Reorganisation, aircraft leasing business and the Group's other non-property assets and liabilities;
 - 49.97% share of consolidated results of HWL's businesses continued by the Group for the five months prior to the Reorganisation and seven months of full consolidated results of HWL's businesses continued by the Group; and
 - Net re-measurement gain of HK\$14,260 million from re-measuring the Group's previously held equity interests in HWL and certain interests in co-owned assets which continue to be retained within the Group.
- Profit attributable to ordinary shareholders from discontinued businesses of HK\$80,381 million under statutory basis represents the following:
 - Five months results of the Group's discontinued property and hotels businesses conducted prior to the Reorganisation;
 - 49.97% share of HWL's discontinued property and hotels businesses results for the five months prior to the Reorganisation; and
 - Profits on disposal of investments and others totalling HK\$72,859 million which comprises the gain on distribution in specie arising from the spin-off of Cheung Kong Property Holdings Limited and the net gain arising from re-measurement of the Group's previously held interest in property joint ventures with HWL upon Reorganisation.

Summary of CKHH 2015 Pro Forma Results

- In order to allow a comparison of the operating performance of the Group for the year ended 31 December 2015, pro forma financial results have been prepared as if the Reorganisation was effective on 1 January 2015 (the "Pro Forma Results").
- Full year 2015 Pro Forma Results include contributions from comparable interests in businesses carried on by HWL in 2014 ("Comparable Contributions") and contributions from additional interests in such businesses and interests in new businesses acquired as a result of the Reorganisation ("Additional Contributions").
- Comparable Contributions for the year ended 31 December 2014 are as reported in the Financial Performance Summary presented in HWL's 2014 Annual Report.
- The Pro Forma Results are analysed as follows:

	2015 HK\$ millions	2014 HK\$ millions	Change
Total Revenue			
Comparable Revenue	374,747	404,873	-7%
Additional Contributions	21,340	–	NA
	<u>396,087</u>	<u>404,873</u>	-2%
EBITDA			
Comparable EBITDA	81,996	88,136	-7%
Additional Contributions	10,097	–	NA
	<u>92,093</u>	<u>88,136</u>	+5%
EBIT			
Comparable EBIT	56,028	55,313	+1%
Additional Contributions	6,051	–	NA
	<u>62,079</u>	<u>55,313</u>	+12%
Profit attributable to ordinary shareholders before profits on disposal of investments & others			
Comparable profits	29,364	23,655	+24%
Additional Contributions	2,764	–	NA
	<u>32,128</u>	<u>23,655</u>	+36%

- Declines in Comparable EBITDA contributions mainly reflect the lower contribution from Husky Energy and the adverse foreign currency translation effects, mainly in European currencies, which have been more than offset by the Additional Contributions, lower depreciation and amortisation, lower effective interest rates and lower tax charges, resulting in an improvement in EBIT and recurring earnings compared to the comparable HWL results in 2014.

Note 9: Statutory results for the year ended 31 December 2015 include the one-time effects of the Reorganisation that occurred on 3 June 2015. Total revenue and results include share of associated companies and joint ventures' respective items. See page 170 for details of the financial statements for the year ended 31 December 2015 with comparative information and notes 11 and 13 for details of the discontinued operations.

Operations Review

CKHH 2015 Pro Forma Results

Under the Reorganisation, Cheung Kong (Holdings) Limited and HWL merged their assets and businesses into CKHH and reallocated them between the Group and Cheung Kong Property Holdings Limited on 3 June 2015. The Group acquired the remaining 50.03% interest in HWL and distributed the property and hotels businesses as distribution in specie, retaining the Group's continuing non-property businesses assets and liabilities, including the six co-owned infrastructure businesses based on the shareholding interest prior to the Reorganisation, aircraft leasing business and the Group's other non-property assets and liabilities. Management, in accordance with the applicable accounting standards, have rebased the identifiable assets and liabilities of HWL to their fair values on the date of acquisition. As a result of the Reorganisation and in order to make meaningful comparisons of operating performance against HWL's 2014 continuing businesses, management have prepared the full year 2015 pro forma results as if the Reorganisation was effective on 1 January 2015 which reflects the full year contributions from the Group's continuing non-property businesses assets and liabilities, the full year contributions from the comparable interests in businesses carried on by HWL in 2014 and the effect of rebasing of HWL's assets and liabilities to fair value on acquisition.

The Group reported total revenue, including the Group's share of associated companies' and joint ventures' revenue, of HK\$396,087 million, a decrease of 2% compared to 2014. EBITDA and EBIT, excluding property and hotels businesses carried on by HWL in 2014 and before profits on disposal of investments and others, were HK\$92,093 million and HK\$62,079 million, increases of 5% and 12% respectively compared to 2014.

Recurring profit attributable to ordinary shareholders for 2015, excluding property and hotels businesses carried on by HWL in 2014 and before profits on disposal of investments and others, was HK\$32,128 million, a 36% increase compared to HK\$23,655 million for 2014 results of the HWL's businesses. This increase comprised a 24% increase in Comparable Contributions from HK\$23,655 million in 2014 to HK\$29,364 million in 2015 plus Additional Contributions of HK\$2,764 million in 2015. It also reflects lower depreciation and amortisation as a result of the lower telecommunications and energy depreciable asset base, lower effective interest rates and the reduction in taxation.

Full year pro forma recurring earnings per share was HK\$8.32 in 2015.

Profits on disposal of investments and others, after tax in 2015 was a charge of HK\$960 million representing the Group's subsidiary Hutchison Telecommunications (Australia) ("HTAL")'s 50% share of Vodafone Hutchison Australia ("VHA")'s operating losses⁽¹⁰⁾. This is compared to the HK\$10,048 million gain reported by HWL in 2014, which comprised HWL's share of the gain arising from separate listing of the Hong Kong electricity business of HK\$16,066 million, as well as a marked-to-market gain of HK\$1,748 million on Cheung Kong Infrastructure Holdings Limited ("CKI")'s investment in Australian Gas Networks Limited ("AGN"), partly offset by HTAL's losses of HK\$1,732 million and certain provisions made for other businesses.

The reduction in 2015 total profit attributable to ordinary shareholders to HK\$31,168 million from HK\$33,703 million for 2014 is principally due to the gain of HK\$16,066 million realised by HWL in 2014 on the separate listing of the Hong Kong electricity business.

Note 10: VHA's operating losses continued to be included as a P&L charge under "Others" of the Group's profits on disposal of investments and others line as VHA continues to operate under the leadership of Vodafone under the applicable terms of our shareholders' agreement since the second half of 2012.

Financial Performance Summary

	CKHH Pro forma Results ⁽¹⁾ for the year ended 31 December 2015 HK\$ millions	HWL Results ⁽²⁾ for the year ended 31 December 2014 HK\$ millions	Change %
Total Revenue ⁽³⁾			
Ports and related services ⁽³⁾	33,767	35,624	-5%
Retail	151,903	157,397	-3%
Infrastructure	43,844	45,419	-3%
Husky Energy	33,824	57,368	-41%
3 Group Europe	62,799	65,623	-4%
Hutchison Telecommunications Hong Kong Holdings	22,042	16,296	35%
Hutchison Asia Telecommunications	6,900	5,757	20%
Finance & Investments and Others	19,668	21,389	-8%
Total Comparable Revenue	374,747	404,873	-7%
Additional Contributions ⁽⁴⁾	21,340	–	NA
Total Revenue	396,087	404,873	-2%
EBITDA ⁽³⁾			
Ports and related services ⁽³⁾	11,840	12,133	-2%
Retail	14,838	15,549	-5%
Infrastructure	24,147	24,483	-1%
Husky Energy	7,922	14,410	-45%
3 Group Europe	17,396	15,598	12%
Hutchison Telecommunications Hong Kong Holdings	2,891	2,780	4%
Hutchison Asia Telecommunications	1,176	(278)	523%
Finance & Investments and Others	1,786	3,461	-48%
Total Comparable EBITDA	81,996	88,136	-7%
Additional Contributions ⁽⁴⁾	10,097	–	NA
Total EBITDA before profits on disposal of investments & others	92,093	88,136	5%
EBIT ⁽³⁾			
Ports and related services ⁽³⁾	7,887	7,944	-1%
Retail	12,328	13,023	-5%
Infrastructure	18,101	18,215	-1%
Husky Energy	1,884	6,324	-70%
3 Group Europe	11,664	6,892	69%
Hutchison Telecommunications Hong Kong Holdings	1,448	1,380	5%
Hutchison Asia Telecommunications	1,176	(1,465)	180%
Finance & Investments and Others	1,540	3,000	-49%
Total Comparable EBIT before profits on disposal of investments & others	56,028	55,313	1%
Additional Contributions ⁽⁴⁾	6,051	–	NA
Total EBIT before profits on disposal of investments & others	62,079	55,313	12%
Interest expenses and other finance costs ⁽⁵⁾	(12,581)	(13,909)	10%
Profit Before Tax	49,498	41,404	20%
Tax ⁽⁵⁾			
Current tax	(6,734)	(7,907)	15%
Deferred tax	(463)	(283)	-64%
	(7,197)	(8,190)	12%
Profit after tax	42,301	33,214	27%
Non-controlling interests and perpetual capital securities holders' interests	(10,173)	(9,559)	-6%
Profit attributable to ordinary shareholders before profits on disposal of investments & others ("Recurring NPAT")	32,128	23,655	36%
- Comparable results	29,364	23,655	24%
- Additional Contributions ⁽⁴⁾	2,764	–	NA
Profits on disposal of investments & others, after tax ⁽⁴⁾	(960)	10,048	-110%
Profit attributable to ordinary shareholders ("NPAT")	31,168	33,703	-8%
- Comparable results	28,404	33,703	-16%
- Additional Contributions	2,764	–	NA
Reconciliation to reported HWL results for the year ended 31 December 2014			
Revenue			
Total comparable results		404,873	
Discontinued businesses results ⁽⁵⁾		16,599	
Total HWL results for the year ended 31 December 2014 as reported		421,472	
EBITDA			
Total comparable results		88,136	
Discontinued businesses results ⁽⁵⁾		10,737	
Total HWL results for the year ended 31 December 2014 as reported		98,873	
EBIT			
Total comparable results		55,313	
Discontinued businesses results ⁽⁵⁾		10,400	
Total HWL results for the year ended 31 December 2014 as reported		65,713	
Recurring NPAT			
Total comparable results		23,655	
Discontinued businesses results ⁽⁵⁾		8,353	
Total HWL results for the year ended 31 December 2014 as reported		32,008	
NPAT			
Total comparable results		33,703	
Discontinued businesses results ⁽⁵⁾		33,453	
Total HWL results for the year ended 31 December 2014 as reported		67,156	

Note 1: Unaudited CKHH pro forma results for the year ended 31 December 2015 presented above assume that the Reorganisation was effective as at 1 January 2015. This presentation is consistent with the way the Group manages its businesses and enables the Group's underlying performance to be evaluated on a comparable basis, and has been prepared in accordance with the accounting policies of the Group as set out in note 3 of the financial statements. See Reconciliation from CKHH Statutory Results to CKHH Pro Forma Results for the year ended 31 December 2015 for details.

Note 2: Unaudited HWL results for the year ended 31 December 2014 as reported in the Financial Performance Summary presented in HWL's 2014 Annual Report, excluding discontinued property and hotels businesses.

Note 3: Total revenue, earning before interest expenses and other finance costs, tax, depreciation and amortisation ("EBITDA") and earning before interest expenses and other finance costs and tax ("EBIT"), interest expenses and other finance costs and tax include the Group's proportionate share of associated companies and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note 4: To enable a better comparison of underlying performance, comparable revenue, EBITDA, EBIT and recurring NPAT exclude discontinued businesses and Additional Contributions. Full year Additional Contributions are as shown in table below, assuming the Reorganisation was effective as at 1 January 2015 (see (1) above). See note 1 to the financial statements for the details of the Reorganisation.

	Revenue	EBITDA	EBIT	Recurring NPAT
Ports and related services	242	124	70	43
Infrastructure	11,918	8,144	5,376	3,320
Energy	6,205	1,453	345	211
Telecommunications	80	20	(22)	(21)
Finance & Investments and Others	2,895	356	282	(789)
Total Additional Contributions	21,340	10,097	6,051	2,764

Note 5: Discontinued businesses are businesses carried on by HWL in 2014 that are not carried on by CKHH following the Reorganisation, including property and related businesses of HWL.

Note 6: Profits on disposal of investments & others, after tax for the year ended 31 December 2015 is a charge of HK\$960 million representing the Group's subsidiary Hutchison Telecommunications (Australia) ("HTAL")'s 50% share of Vodafone Hutchison Australia's operating losses. The comparative HWL 2014 of HK\$10,048 million gain comprises HWL's share of the gain arising from separate listing of the Hong Kong electricity business of HK\$16,066 million, as well as a marked-to-market gain of HK\$1,748 million on Cheung Kong Infrastructure Holdings Limited's investment in Australian Gas Networks Limited partly offset by HTAL's losses of HK\$1,732 million and certain provisions made for other businesses.