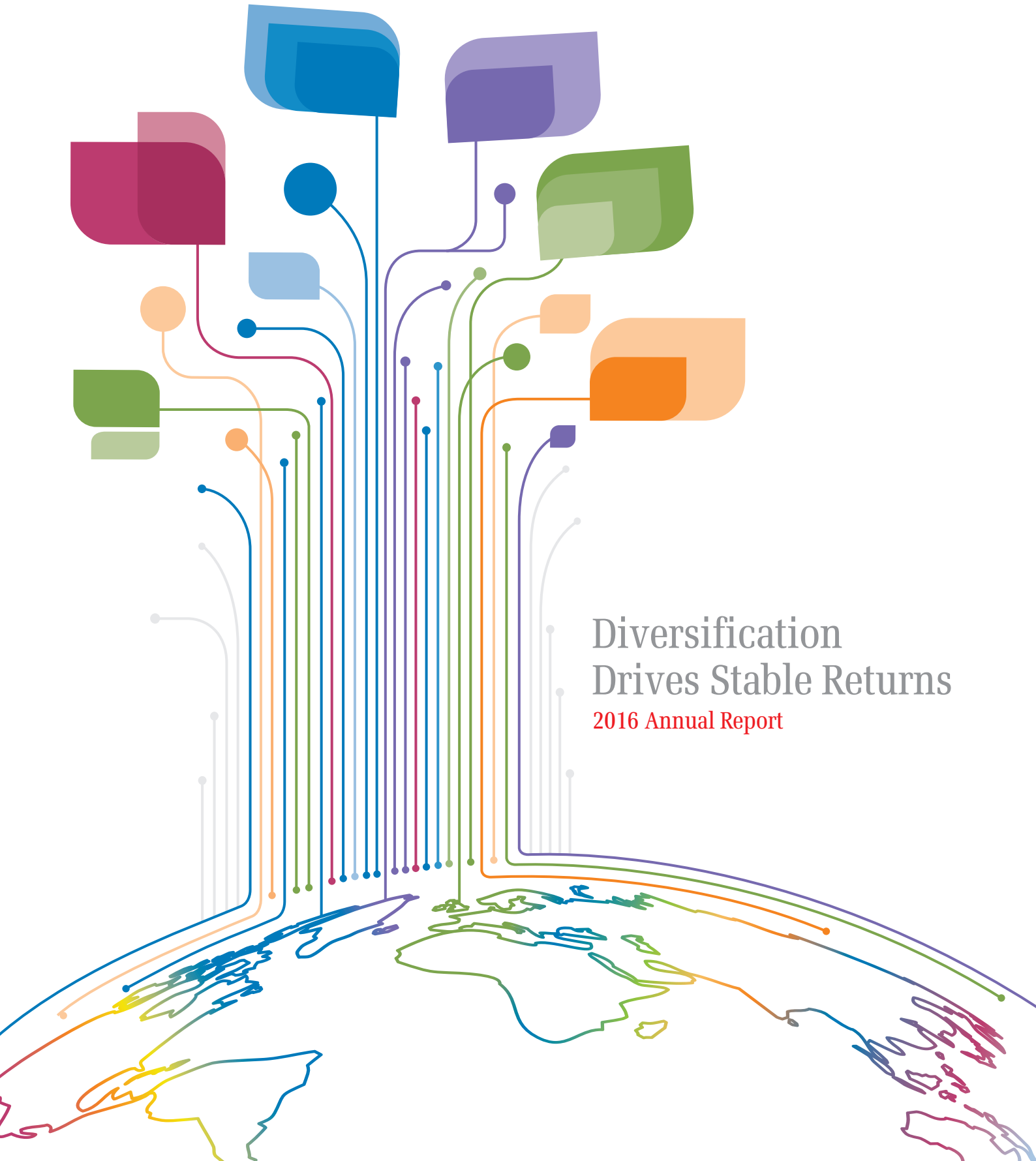




長江和記實業有限公司  
CK HUTCHISON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)  
Stock code: 1



Diversification  
Drives Stable Returns  
2016 Annual Report

# Corporate Information

## CK Hutchison Holdings Limited

### BOARD OF DIRECTORS

#### EXECUTIVE DIRECTORS

##### Chairman

LI Ka-shing, GBM, KBE, LLD (Hon), DSSC (Hon)  
Commandeur de la Légion d'Honneur  
Grand Officer of the Order Vasco Nunez de Balboa  
Commandeur de l'Ordre de Léopold

##### Group Co-Managing Director and Deputy Chairman

LI Tzar Kuoi, Victor, BSc, MSc, LLD (Hon)

##### Group Co-Managing Director

FOK Kin Ning, Canning, BA, DFM, FCA (ANZ)

Frank John SIXT, MA, LLL

*Group Finance Director and Deputy Managing Director*

IP Tak Chuen, Edmond, BA, MSc

*Deputy Managing Director*

KAM Hing Lam, BSc, MBA

*Deputy Managing Director*

LAI Kai Ming, Dominic, BSc, MBA

*Deputy Managing Director*

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS(PE) <sup>(Note)</sup>

#### AUDIT COMMITTEE

WONG Chung Hin (*Chairman*)

KWOK Tun-li, Stanley

CHENG Hoi Chuen, Vincent

William SHURNIAK

#### REMUNERATION COMMITTEE

WONG Yick-ming, Rosanna (*Chairman*)

LI Ka-shing

CHENG Hoi Chuen, Vincent

WONG Chung Hin

Note: Appointed on 1 January 2017

#### NON-EXECUTIVE DIRECTORS

CHOW Kun Chee, Roland, LL.M.

CHOW WOO Mo Fong, Susan, BSc <sup>(Note)</sup>

LEE Yeh Kwong, Charles, GBM, GBS, OBE, JP

LEUNG Siu Hon, BA (Law) (Hons), Hon LL.D.

George Colin MAGNUS, OBE, BBS, MA

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

KWOK Tun-li, Stanley, BSc (Arch), AA Dipl, LLD (Hon), ARIBA, MRAIC

CHENG Hoi Chuen, Vincent, GBS, OBE, JP

The Hon Sir Michael David KADOORIE, GBS, LLD (Hon), DSc (Hon)

Commandeur de la Légion d'Honneur

Commandeur de l'Ordre des Arts et des Lettres

Commandeur de l'Ordre de la Couronne

Commandeur de l'Ordre de Léopold II

(William Elkin MOCATTA, FCA as his alternate)

LEE Wai Mun, Rose, JP, BBA

William SHURNIAK, S.O.M., M.S.M., LLD (Hon)

WONG Chung Hin, CBE, JP

WONG Yick-ming, Rosanna, PhD, DBE, JP

#### COMPANY SECRETARY

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS(PE)

#### AUDITOR

PricewaterhouseCoopers

#### BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited

Bank of China (Hong Kong) Limited

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## Ports and Related Services

We are the world's leading port investor, developer and operator, holding interests in 48 ports comprising 275 operational berths in 25 countries, including container terminals operating in five of the 10 busiest container ports in the world. In 2016, our ports handled a total throughput of 81.4 million twenty-foot equivalent units ("TEU"). We also engage in mid-stream operations, river trade, cruise terminal operations and ports related logistic services.

## Retail

The Group's retail division is the largest international health and beauty retailer in Asia and Europe, with over 13,300 stores in 25 markets worldwide. Its diverse retail portfolio comprises health and beauty products, supermarkets, as well as consumer electronics and electrical appliances. It also manufactures and distributes bottled water and beverage products in Hong Kong and Mainland China.

**CK** Hutchison Group (the "Group") is a renowned multinational conglomerate committed to development, innovation and technology in many different sectors. We operate a variety of businesses in over 50 countries across the world with over 290,000 employees. We have a strong commitment to the highest standards of corporate governance, transparency and accountability, as recognised by numerous international awards and commendations. Our operations consist of five core businesses – ports and related services, retail, infrastructure, energy, and telecommunications.



## Infrastructure

The Group's infrastructure business includes its shareholding in Cheung Kong Infrastructure Holdings Limited ("CKI") and interests in six infrastructure assets that are co-owned with CKI. CKI is a global infrastructure company that aims to make the world a better place through a variety of infrastructure investments and developments in different parts of the world. The company has diversified investments in energy infrastructure, transportation infrastructure, water infrastructure, waste management, waste-to-energy and infrastructure related businesses. Its investments and operations span across Hong Kong, the Mainland, the United Kingdom, the Netherlands, Portugal, Australia, New Zealand and Canada.



## Energy

The Group's investments in energy are principally located in Western and Atlantic Canada, the United States and the Asia Pacific Region. Husky Energy Inc. ("Husky Energy") is an integrated energy company listed in Canada.



## Telecommunications

We are a leading global operator of mobile telecommunications and data services, and a pioneer of mobile broadband technology. We are also a major owner and operator of an extensive fibre-optic fixed-line network in Hong Kong. Our operations offer telecommunications services comprising 4G long-term evolution (LTE)/3G mobile data and mobile telecommunications services, fixed-line, Internet and broadband services, including international connectivity services over both fibre-optic and mobile networks.

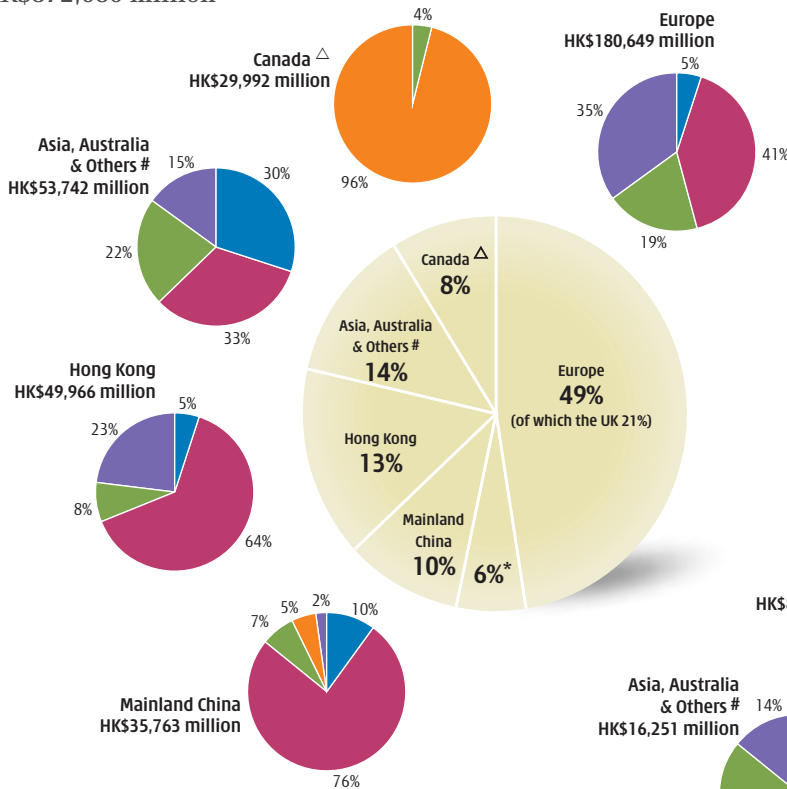
# Analyses of Core Business Segments by Geographical Location

(before profits on disposal of investments & others)

## 2016 Total Revenue

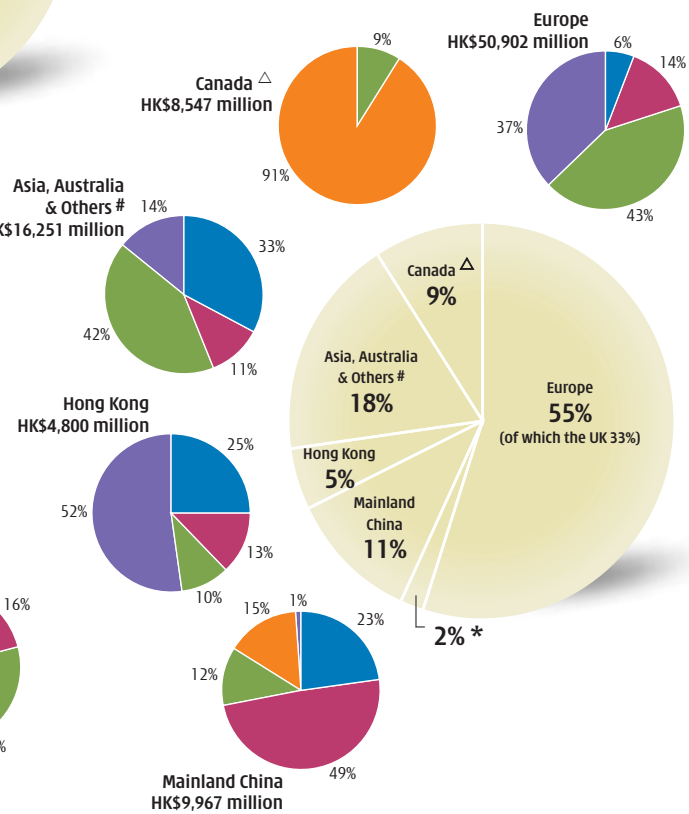
HK\$372,686 million

- Ports & Related Services
- Retail
- Infrastructure
- Energy
- Telecommunications



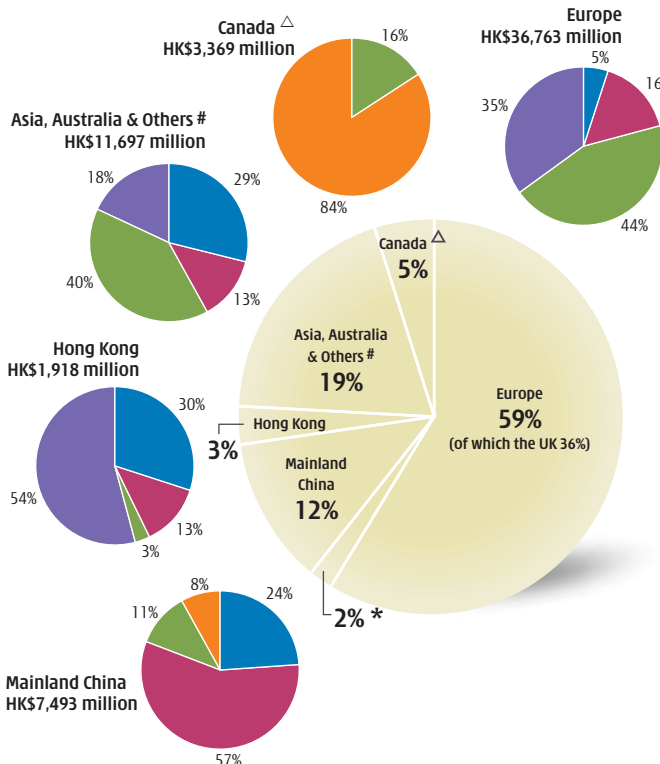
## 2016 Total EBITDA

HK\$91,980 million



## 2016 Total EBIT

HK\$62,414 million



\* Represents contributions from Finance & Investments and Others  
 # Includes Panama, Mexico and the Middle East  
 Δ Includes contribution from the USA for Husky Energy

## Analyses by Core Business Segments

	2016		Pro forma <sup>(1)</sup> 2015		Change %
	HK\$ millions	%	HK\$ millions	%	
<b>Revenue<sup>(2)</sup></b>					
Ports and Related Services <sup>(2)</sup>	32,184	9%	34,009	9%	-5%
Retail	151,502	41%	151,903	38%	-
Infrastructure	53,211	14%	55,762	14%	-5%
Husky Energy	30,467	8%	40,029	10%	-24%
3 Group Europe	62,415	17%	62,799	16%	-1%
Hutchison Telecommunications Hong Kong Holdings	12,133	3%	22,122	5%	-45%
Hutchison Asia Telecommunications	8,200	2%	6,900	2%	19%
Finance & Investments and Others	22,574	6%	22,563	6%	-
<b>Total Revenue</b>	<b>372,686</b>	<b>100%</b>	<b>396,087</b>	<b>100%</b>	<b>-6%</b>
<b>EBITDA<sup>(2)</sup></b>					
Ports and Related Services <sup>(2)</sup>	11,639	13%	11,964	13%	-3%
Retail	14,567	16%	14,838	16%	-2%
Infrastructure	31,128	34%	32,291	35%	-4%
Husky Energy	9,284	10%	9,375	10%	-1%
3 Group Europe	18,944	20%	17,396	19%	9%
Hutchison Telecommunications Hong Kong Holdings	2,607	3%	2,911	3%	-10%
Hutchison Asia Telecommunications	2,298	2%	1,176	2%	95%
Finance & Investments and Others	1,513	2%	2,142	2%	-29%
<b>Total EBITDA before profits on disposal of investments &amp; others</b>	<b>91,980</b>	<b>100%</b>	<b>92,093</b>	<b>100%</b>	<b>-</b>
<b>EBIT<sup>(2)</sup></b>					
Ports and Related Services <sup>(2)</sup>	7,567	12%	7,957	13%	-5%
Retail	12,059	19%	12,328	20%	-2%
Infrastructure	22,162	36%	23,477	38%	-6%
Husky Energy	3,429	5%	2,229	3%	54%
3 Group Europe	12,838	21%	11,664	19%	10%
Hutchison Telecommunications Hong Kong Holdings	1,055	2%	1,426	2%	-26%
Hutchison Asia Telecommunications	2,130	3%	1,176	2%	81%
Finance & Investments and Others	1,174	2%	1,822	3%	-36%
<b>Total EBIT before profits on disposal of investments &amp; others</b>	<b>62,414</b>	<b>100%</b>	<b>62,079</b>	<b>100%</b>	<b>1%</b>
Interest expenses and other finance costs <sup>(2)</sup>	(12,229)		(12,581)		3%
Profit Before Tax	50,185		49,498		1%
Tax <sup>(2)</sup>					
Current tax	(6,247)		(6,734)		7%
Deferred tax	(1,769)		(463)		-282%
	(8,016)		(7,197)		-11%
Profit after tax	42,169		42,301		-
Non-controlling interests and perpetual capital securities holders' interests	(8,856)		(10,173)		13%
<b>Profit attributable to ordinary shareholders before profits on disposal of investments &amp; others ("Recurring NPAT")</b>	<b>33,313</b>		<b>32,128</b>		<b>4%</b>
Profits on disposal of investments & others, after tax <sup>(3)</sup>	(305)		(960)		68%
<b>Profit attributable to ordinary shareholders ("NPAT")</b>	<b>33,008</b>		<b>31,168</b>		<b>6%</b>

Note 1: CKHH Pro forma results for the year ended 31 December 2015 assume that the Reorganisation was effective as at 1 January 2015. Pro forma 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") by operating segments for the year ended 31 December 2015 have been reclassified to include the respective additional contributions as a result of the Reorganisation as shown in the table below, to enable a like-for-like comparison with CKHH actual results for the year ended 31 December 2016. The CKHH statutory results for the year ended 31 December 2015 reflect the impact of Reorganisation that occurred on 3 June 2015 and the total revenue and profit attributable to ordinary shareholders for the year ended 31 December 2015 reported on that basis was HK\$316,318 million and HK\$118,570 million respectively. See the Consolidated Income Statement included in this Annual Report and CKHH 2015 Annual Report for Reconciliation from CKHH Statutory Results to CKHH Pro forma Results for the year ended 31 December 2015.

	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)
<b>Total Additional Contributions for the year ended 31 December 2015</b>	<b>21,340</b>	<b>10,097</b>	<b>6,051</b>	<b>2,764</b>

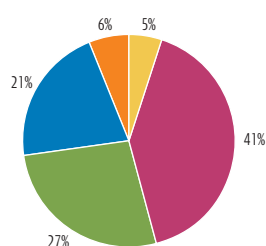
Note 2: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of associated companies and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note 3: Profits on disposal of investments and others, after tax in 2016 was a charge of HK\$305 million comprising an impairment charge on certain non-core investments held by the ports operation of HK\$577 million and the Group's 50% share of operating losses of Vodafone Hutchison Australia ("VHA") which amounted to HK\$326 million, partly offset by a non-cash mark-to-market gain upon acquisition of additional interest in an existing port operation of HK\$598 million. This is compared to the HK\$960 million charge arising from VHA's losses recorded in 2015.

## Key Financial Information

	2016 HK\$ millions	2015 HK\$ millions
<b>Reported profit attributable to ordinary shareholders of the Company</b>	<b>33,008</b>	118,570
<b>Reported earnings per share (HK\$) <sup>(4)</sup></b>	<b>8.55</b>	36.91
<b>Recurring profit attributable to ordinary shareholders of the Company <sup>(5)</sup></b>	<b>33,313</b>	32,128
<b>Recurring earnings per share (HK\$) <sup>(6)</sup></b>	<b>8.63</b>	8.32
<b>Full year dividend per share</b>	<b>2.680</b>	2.550
Total assets	1,013,465	1,032,944
Net assets	544,190	549,111
Net assets attributable to shareholders of the Company per ordinary share (HK\$)	102.2	101.9
Total principal amount of bank and other debts	292,047	287,603
Total cash, liquid funds and other listed investments ("liquid assets")	162,224	131,426
Total principal amount of bank and other debts including unamortised fair value adjustments from acquisitions	304,030	304,006
Net debt	141,806	172,580
Net debt to net total capital ratio <sup>(7)</sup>	20.5%	23.7%
Credit rating:		
Moody's	A3	A3
Standard & Poor's	A-	A-
Fitch	A-	A-

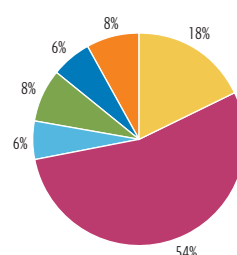
**Debt Profile by  
Currency Denomination  
at 31 December 2016**



Total principal amount of bank and other debts:  
HK\$292,047 million



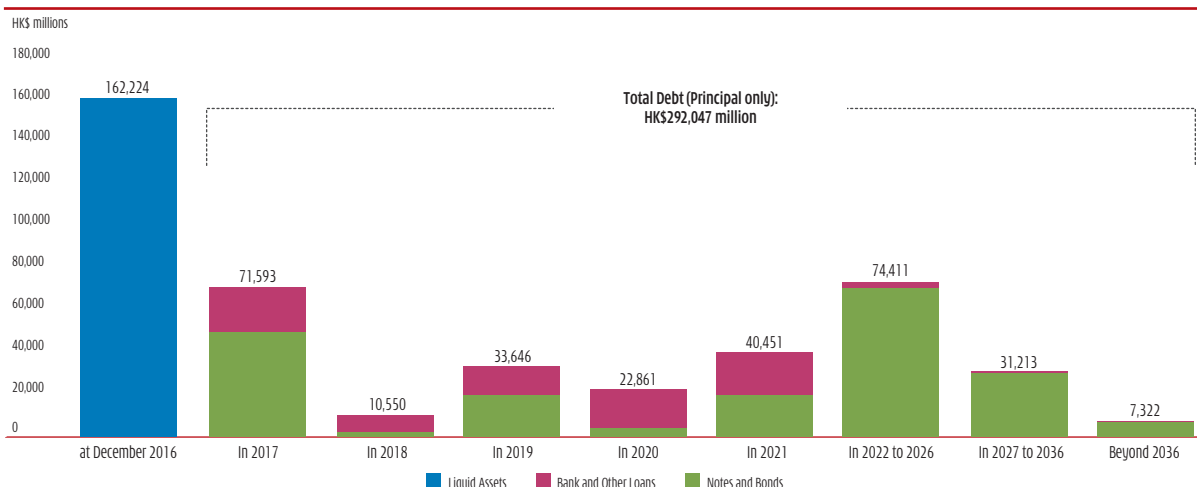
**Liquid Assets by  
Currency Denomination  
at 31 December 2016**



Total: HK\$162,224 million



### Debt Maturity Profile at 31 December 2016 - Principal only



Note 4: Reported earnings per share is calculated based on profit attributable to ordinary shareholders. For the year ended 31 December 2016, the earnings per share is calculated based on CKHH's weighted average number of shares outstanding during the year of 3,859,441,388 (2015 - 3,212,671,194 shares).

Note 5: Recurring profit attributable to ordinary shareholders of the Company for the year ended 31 December 2016 is calculated based on profit attributable to ordinary shareholders before profits on disposal of investments and others, after tax. Recurring profit attributable to ordinary shareholders of the Company for the year ended 31 December 2015 is prepared on a pro forma basis and is calculated based on pro forma profit attributable to ordinary shareholders before profits on disposal of investments and others, after tax arising from continuing operations.

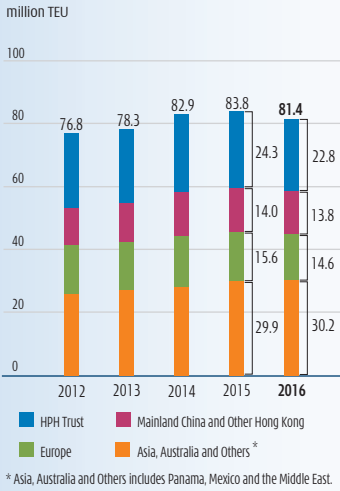
Note 6: Recurring earnings per share for the year ended 31 December 2016 is calculated based on recurring profit attributable to ordinary shareholders of the Company for the year ended 31 December 2016 of HK\$33,313 million and on CKHH's weighted average number of shares outstanding during the year ended 31 December 2016 of 3,859,441,388. Recurring earnings per share for the year ended 31 December 2015 is calculated based on recurring profit attributable to ordinary shareholders of the Company for the year ended 31 December 2015 prepared on a pro forma basis of HK\$32,128 million and on CKHH's issued shares outstanding as at 31 December 2015 of 3,859,678,500.

Note 7: Net debt is defined on the Consolidated Statement of Cash Flows. Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions. Net total capital is defined as total bank and other debts plus total equity and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments.



# Key Business Indicators

## Total Container Throughput by Subdivision

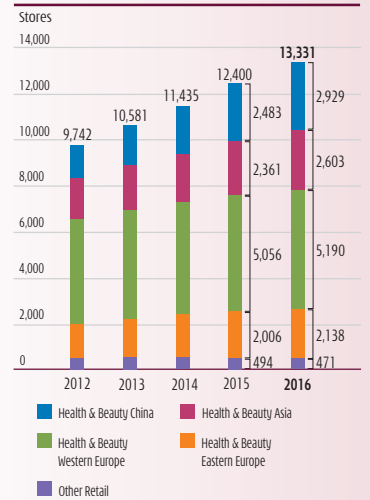


## Ports and Related Services

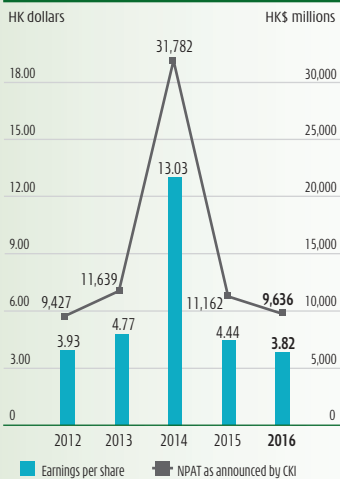
"Annual throughput totalled 81.4 million TEU."

## Retail Total Retail Store Numbers by Subdivision

"Over 13,300 retail stores worldwide in 25 markets."



## Earnings per Share and NPAT announced by CKI



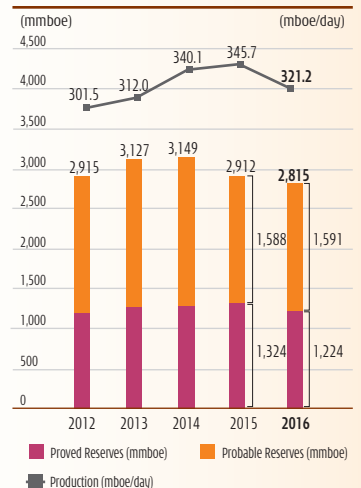
## Infrastructure

"Announced earnings for the year amounted to HK\$9,636 million."

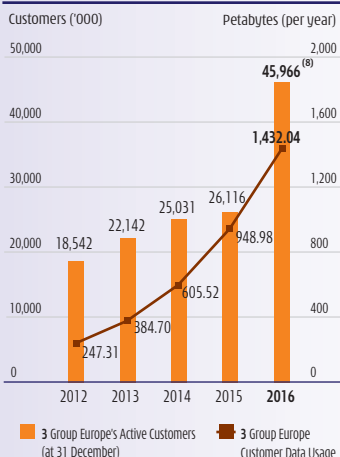
## Energy

"Average production decreased 7% to 321.2 mboe/day in 2016."

## Proved and Probable Reserves & Production



## 3 Group Europe's Active Customers and Data Usage



## Telecommunications

"Active customer base totals over 45.9 million, an increase of 76% owing to the successful formation of the Wind Tre joint venture, while data consumption was approximately 1,430 petabytes in 2016."

Note 8: Includes approximately 18.9 million of active mobile customers added upon the formation of the joint venture, Wind Tre in Italy.



## January to June

- A S Watson Group ("ASW") celebrates its 175<sup>th</sup> anniversary.
- UK Rails S.à r.l., the holding company of Eversholt Rail Group, enters into an agreement with Arriva Rail North Limited to procure and lease out 281 new vehicles worth £490 million.
- 3 Ireland announces €65 million IT digital transformation investment - entering into a five-year managed services contract with Amdocs to transform its IT infrastructure, and deliver customer experience innovation across all lines of business.
- Hutchison China MediTech Limited completes an IPO on the Nasdaq Global Select Market in the US, raising over US\$110 million.
- 3 Denmark is the first operator in the country to launch nationwide Wi-Fi calling.
- Cheung Kong Infrastructure Holdings Limited and Power Assets Holdings Limited enter into an agreement with Husky Energy Inc. ("Husky Energy") to acquire a 65% stake in a portfolio of Husky Energy's oil pipeline assets in Canada for approximately C\$1.7 billion.
- With three new thermal projects in Saskatchewan (Edam East, Vawn and Edam West), Husky Energy's total thermal production now reaches 100,000 barrels per day.



## July to December

- First oil is achieved from the Hibernia formation well at North Amethyst with peak production of approximately 5,000 barrels per day net to Husky Energy.
- 3 Denmark and 3 Sweden win licences for the frequencies 2x30 MHz and 2x5 MHz respectively in the 1800 MHz band in their governments' spectrum auctions.
- Vietnamobile receives four licences for Telecom network establishment, Telecom service provision and 2G & 3G spectrum usage from the Ministry of Information and Communications of Vietnam.
- 3 Italy is merged with WIND to form Italy's largest mobile operator, serving over 31 million mobile customers and 2.7 million fixed-line customers. It is now the number one operator in Italy in terms of customers.
- Hongkong International Terminals Limited, COSCO-HIT Terminals (Hong Kong) Limited and Asia Container Terminals Limited have entered into a formal collaboration for the co-management and operation of 16 berths across Terminals 4, 6, 7, 8 and 9 at Kwai Tsing, Hong Kong.
- ASW's global store portfolio exceeds 13,000, in which Watsons China's store network surpasses 2,900 stores in 430 cities across the Mainland.

Economic and political uncertainty continued to weigh on global growth through 2016. Volatility in major exchange rates and commodity prices in particular, contributed to a challenging business environment in many of the sectors and geographies in which the Group operates. On balance, however, the Group's geographical and business diversification delivered a steady performance for the year.

With the completion of the Wind Tre joint venture in Italy and continuing organic growth in the Group's telecommunications businesses outside of Hong Kong, the Telecommunication division made a significant contribution to the Group's growth in 2016. Together with the execution of strategic transactions on the Group's Energy and Infrastructure divisions, the Group was able to achieve 4% and 6% growth in recurring and reported earnings per share respectively. That growth would have been over 10% but for continuing declines in Euro exchange rates and the precipitous fall of Sterling after the Brexit vote.

EBITDA was flat compared to last year while EBIT showed a modest 1% increase. However, if major currency fluctuations are removed, EBITDA and EBIT grew 6% and 7% respectively against last year in local currencies, reflecting accretive contributions from the Wind Tre merger in Italy, acquisitions made by the Infrastructure division in late 2015, strong performances in the UK and Indonesian telecommunication operations and gains from the strategic disposal of Husky Energy's pipeline assets.

Recurring profit attributable to ordinary shareholders in 2016 before profits on disposal of investments and others was HK\$33,313 million, a 4% increase in reported currency and 11% increase in local currencies. Recurring earnings per share were HK\$8.63 for the full year 2016.

Profits on disposal of investments and others after tax in 2016 was a charge of HK\$305 million comprising a non-cash mark-to-market gain of HK\$598 million on the acquisition of an additional interest in an existing port operation offset by a non-cash impairment charge of HK\$577 million on certain non-core investments held by the ports division and the Group's 50% share of operating losses<sup>(1)</sup> of Vodafone Hutchison Australia ("VHA") of HK\$326 million. The Group's share of VHA's losses in 2016 represented a substantial improvement over the HK\$960 million loss recorded in 2015.

Profit attributable to ordinary shareholders for the year ended 31 December 2016 increased 6% to HK\$33,008 million from HK\$31,168 million for 2015.

## Dividend

The Board recommends the payment of a final dividend of HK\$1.945 per share (2015 final dividend - HK\$1.850 per share), payable on Wednesday, 31 May 2017 to those persons registered as shareholders of the Company on Wednesday, 17 May 2017, being the record date for determining shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of HK\$0.735 per share, the full year dividend amounts to HK\$2.680 per share (2015 full year dividend - HK\$2.550 per share).

## Ports and Related Services

The ports and related services division throughput was 81.4 million twenty-foot equivalent units ("TEU") in 2016, 3% lower compared to 2015 mainly due to weaker intra-Asia and transshipment cargoes in Hong Kong and mounting competition in Rotterdam. Total revenue of HK\$32,184 million was 5% lower than last year principally due to adverse foreign currency translation. In local currencies, revenue was flat against last year. EBITDA decreased 3% in reported currency to HK\$11,639 million, but increased 2% in local currencies, reflecting cost savings initiatives implemented during the year and a gain on disposal of the Huizhou ports operation. In reported currency, EBIT decreased 5% to HK\$7,567 million, while remaining flat against last year in local currencies mainly due to the higher amortisation charge on the renewed concession of the Jakarta operations.

Note 1: The Group's 50% share of 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.

The division had 275 operating berths at the end of the year. This division will continue to focus on enhancing service capabilities and efficiencies in order to maintain a stable contribution in 2017. A cautious approach will be maintained along with rigorous cost discipline in light of the uncertain global trade outlook and potential impact on the Group's businesses of structural changes in shipping line alliances.

## Retail

The retail division has over 13,300 stores across 25 markets as at 31 December 2016. Net additions for the year were 931 stores, an 8% increase compared to 2015. Total reported revenue of HK\$151,502 million was flat compared to last year. EBITDA and EBIT of HK\$14,567 million and HK\$12,059 million respectively, were both 2% lower than last year due to adverse foreign currency translation impacts. In local currencies, revenue, EBITDA and EBIT all increased by 3%, reflecting strong growth in most businesses of the division, partly offset by the poor performances of the retail operations in Hong Kong. The Hong Kong retail operations, whilst maintaining stable market share, were affected by cost inflation and lower tourist arrivals in Hong Kong. Fortress, the consumer electronics and electrical appliance retail operation in Hong Kong, was also adversely impacted by the significantly lower sales of mobile handsets. EBITDA and EBIT of the Hong Kong retail operations declined 48% and 68% respectively, whilst EBITDA and EBIT of the rest of the division in local currencies both increased by 8%. Given the Hong Kong operations now only represent approximately 4% and 2% of the retail division's EBITDA and EBIT, its impact on the division's performance will be less significant going forward.

The Health and Beauty segment, which represents 95% of the division's EBITDA, grew its EBITDA and EBIT both by 6% in local currencies. In Europe, EBITDA and EBIT increased 9% and 11% in local currencies respectively resulting from a 4% organic growth in store numbers and 3.8% comparable stores sales growth. Health and Beauty UK, in particular, has made significant progress in its performances and was a major growth contributor to the division.

In Asia, despite negative comparable store sales growth of 4.0% for the year, organic expansion of stores continued with a 14% increase in store numbers against last year, resulting in EBITDA and EBIT growth of 3% and 2% in local currencies respectively. The majority of the Health and Beauty operations in Asia have reported encouraging growth rates. Health and Beauty China subdivision, the largest profit contributor to this division, was negatively impacted by a 5% RMB depreciation in reported currency. In local currency, EBITDA grew 1%, while EBIT remained stable against last year with the expansion of its store portfolio offsetting comparable store sales declines in mature stores. The management team has implemented strategic programs focusing on revitalising these mature stores through renovation, store segmentation and cost control measures, with initial positive results seen. The management team is confident that the operation in the Mainland will continue to grow as the GDP growth in the Mainland, one of the world's largest economies, is projected to remain at a high level.

Strategically, the retail division plans net openings of over 1,000 stores in 2017, with 65% under the Health and Beauty format in the Mainland and Asia. Operationally, the division will continue to focus on promoting its own brand products, enhancing its customer relationship management activities and developing Big Data and e-commerce capabilities.

## Infrastructure

The Infrastructure division comprises a 75.67% <sup>(2)</sup> interest in Cheung Kong Infrastructure Holdings Limited ("CKI"), a company listed on the Stock Exchange of Hong Kong ("SEHK") and the Group's interests in six co-owned infrastructure investments with CKI. The aircraft leasing business, previously reported under this division, was disposed of in December 2016.

Total revenue, EBITDA and EBIT of this division of HK\$53,211 million, HK\$31,128 million and HK\$22,162 million respectively were 5%, 4% and 6% lower than last year in reported currency as a result of adverse foreign currency translation impacts. In local currencies, the division reported stable growth in total revenue, EBITDA and EBIT of 3%, 5% and 3% respectively, mainly reflecting this division's defensive investment strategy which provided a sustainable and predictable growth contribution to the Group.

Note 2: In January 2015, CKI completed a share placement and share subscription transaction, which resulted in the Group's interest in CKI reducing from 78.16% to 75.67%. In March 2016, CKI issued new shares in connection with an issue of perpetual capital securities. Subsequent to this transaction, the Group currently holds a 71.93% interest. As these new shares are currently disregarded for the purpose of determining the number of shares held by the public, the Group's profit sharing in CKI continues to be 75.67%.

### CKI

CKI announced profit attributable to shareholders of HK\$9,636 million, 14% lower than HK\$11,162 million reported last year. During the year, CKI faced many challenges, including volatile exchange rates, in particular British Pound, and the rising interest rates. Despite these influences, CKI's operations around the world performed well and total profit contribution in Hong Kong Dollars was at a similar level to 2015. The reduction in attributable profit was mainly due to a smaller UK deferred tax credit in 2016 than 2015, and the 2015 reversal of provisions and expenses made earlier relating to non-operational matters.

### Husky Energy

Husky Energy, our associated company listed in Canada, announced net profit of C\$922 million in 2016, a turnaround from a net loss of C\$3,850 million for 2015. The improvement in net earnings was mainly due to the inclusion in 2015 of an after-tax impairment charge of C\$3,824 million against an after-tax gain in 2016 of C\$1,316 million on disposal of 65% ownership interest of the midstream assets in the Lloydminster region of Alberta and Saskatchewan to CKI and Power Assets and the gains on sale of royalty interests and legacy crude oil and natural gas assets in Western Canada during the year. These gains were partly offset by the impact of continued low oil and natural gas prices.

As the Group rebased Husky Energy's assets to their fair values in the 2015 Reorganisation, the impairment charge and asset write downs recognised by Husky Energy in 2015 had no impact on the Group's reported results, whilst the Group's share of after-tax gains on disposals in 2016 were approximately HK\$3,646 million.

Average production in 2016 was 321,200 barrels of oil equivalent per day, a 7% decrease when compared to last year, mainly due to lower natural gas and natural gas liquids sales from the Liwan Gas Project and from the Western Canada dispositions, partly offset by strong performance from the heavy oil thermal projects and ramp up of the Sunrise Energy Project.

Looking ahead to 2017 Husky Energy will continue to maintain a solid balance sheet, managing capital and investment spending within available free cash flow and focusing on low investment and sustaining capital projects that will provide good returns in a weak commodity price environment.

### 3 Group Europe

Following the successful formation of the joint venture, Wind Tre, to jointly own and operate the telecommunication businesses of 3 Italy and WIND Acquisition Holdings Finance S.p.A., in November 2016, 3 Group Europe's active customers surpassed 45.9 million as at 31 December 2016, an increase of 76% compared to last year. Although the European currencies depreciation have led to a 1% lower revenue in reported currency against last year to HK\$62,415 million, in local currencies, revenue increased by 5%. EBITDA and EBIT in reported currency grew by 9% and 10% to HK\$18,944 million and HK\$12,838 million respectively. In local currencies, EBITDA and EBIT in 2016 increased by 15% and 17% respectively. The strong uplift in earnings for 3 Group Europe was primarily attributable to the accretive two months contribution from the Wind Tre joint venture, which is now the largest mobile operator in Italy. All other 3 Group Europe operations also delivered promising results and underlying operational growth.

### Hutchison Telecommunications Hong Kong

Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), our Hong Kong listed telecommunications subsidiary operating in Hong Kong and Macau, announced profit attributable to shareholders of HK\$701 million and earnings per share of 14.55 HK cents, a decrease of 23% compared to last year from lower hardware sales due to lower demand, as well as the reduction in mobile roaming revenue. As of 31 December 2016, HTHKH had approximately 3.2 million active mobile customers in Hong Kong and Macau.

## Hutchison Asia Telecommunications

As of 31 December 2016, Hutchison Asia Telecommunications ("HAT") had an active customer base of approximately 77.4 million, with Indonesia representing 88% of the base. HAT reported total revenue, EBITDA and EBIT of HK\$8,200 million, HK\$2,298 million and HK\$2,130 million respectively, representing growth of 19%, 95% and 81% over last year respectively, primarily driven by the strong data segment growth of the Indonesia operation, as well as good cost control management across all operations.

After the conversion of the Vietnam operation into a joint stock company in October 2016, the company will accelerate its network rollout and increase its penetration into the data market segment, while Indonesia and Sri Lanka will also continue to expand its network coverage through cost effective and efficient rollout strategies in order to meet accelerating data demands in their local markets.

## Finance & Investments and Others

The contribution from this segment mainly represents returns earned on the Group's holdings of cash and liquid investments, Hutchison Whampoa (China) Limited, listed associate Tom Group, Hutchison Water, the Marionnaud business and listed associate CK Life Sciences Group. The decrease in EBIT contribution in 2016 was mainly due to the impact of foreign exchange movements on monetary assets and disposals of non-core investments in both years.

As at 31 December 2016, the Group's consolidated cash and liquid investments totalled HK\$162,224 million and consolidated gross debt amounted to HK\$304,030 million, resulting in consolidated net debt of HK\$141,806 million and net debt to a net total capital ratio of 20.5%, a 3.2%-point improvement from 2015.

## Outlook

Market volatility, political and regulatory uncertainty and rapid accelerating technological changes affecting many of the Group's businesses will continue in 2017. The impact of Brexit negotiation, new US presidential policies and upcoming elections across Europe remain unknown and could affect the economic environment of countries in which the Group operates. As the Group's investments in the UK and Europe are businesses which focus on utilities and essential consumer goods and services, I believe these impacts will be manageable and the key fundamentals of the Group will remain solid. Strict financial discipline in managing its core businesses and prudent capital management on all investment activities will allow the Group to pursue a prudent growth strategy and maintain profitability, as well as a healthy liquidity and debt profile.

Barring any further unforeseen material adverse external developments, the Group will continue to adhere to these principles in 2017. I am cautiously optimistic about the Group's future prospects.

I would like to thank the Board of Directors and all our dedicated employees around the world for their continued loyalty, diligence, professionalism and contributions to the Group.

**Li Ka-shing**  
*Chairman*

Hong Kong, 22 March 2017

## Results Highlights for the year ended 31 December 2016

	2016 HK\$ millions	Pro forma results 2015 <sup>(1)</sup> HK\$ millions	Change	Local currency change
Total Revenue <sup>(2)</sup>	372,686	396,087	-6%	-2%
Total EBITDA <sup>(2)</sup>	91,980	92,093	–	+6%
Total EBIT <sup>(2)</sup>	62,414	62,079	+1%	+7%
Profit attributable to ordinary shareholders before profits on disposal of investments & others	33,313	32,128	+4%	+11%
Profits on disposal of investments & others	(305)	(960)	+68%	
Profit attributable to ordinary shareholders	33,008	31,168	+6%	
Recurring earnings per share <sup>(3)</sup>	HK\$8.63	HK\$8.32	+4%	
Earnings per share <sup>(4)</sup>	HK\$8.55	HK\$8.08	+6%	
Final dividend per share	HK\$1.945	HK\$1.850	+5%	
Full year dividend per share	HK\$2.680	HK\$2.550	+5%	

The Group reported total revenue, including the Group's share of associated companies' and joint ventures' revenue, of HK\$372,686 million, a decrease of 6% compared to 2015. EBITDA was flat compared to last year while EBIT showed a modest 1% increase. However, if major currency fluctuations are removed, EBITDA and EBIT grew 6% and 7% respectively against last year in local currencies, reflecting accretive contributions from the Wind Tre merger in Italy, acquisitions made by the Infrastructure division in late 2015, strong performances in the UK and Indonesian telecommunications operations and gains from the strategic disposal of Husky Energy's pipeline assets.

Recurring profit attributable to ordinary shareholders in 2016 before profits on disposal of investments and others was HK\$33,313 million, a 4% increase in reported currency and 11% increase in local currencies. Recurring earnings per share were HK\$8.63 for the full year 2016.

Profits on disposal of investments and others after tax in 2016 was a charge of HK\$305 million comprising a non-cash mark-to-market gain of HK\$598 million on the acquisition of an additional interest in an existing port operation offset by a non-cash impairment charge of HK\$577 million on certain non-core investments held by the ports division and the Group's 50% share of operating losses <sup>(5)</sup> of Vodafone Hutchison Australia ("VHA") of HK\$326 million. The Group's share of VHA's losses in 2016 represented a substantial improvement over the HK\$960 million loss recorded in 2015.

Profit attributable to ordinary shareholders for the year ended 31 December 2016 increased 6% to HK\$33,008 million from HK\$31,168 million for 2015.

Note 1: CKHH Pro forma results for the year ended 31 December 2015 assume that the Reorganisation was effective as at 1 January 2015. Pro forma 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") by operating segments for the year ended 31 December 2015 have been reclassified to include the respective additional contributions as a result of the Reorganisation to enable a like-for-like comparison with CKHH actual results for the year ended 31 December 2016. The CKHH statutory results for the year ended 31 December 2015 reflect the impact of Reorganisation that occurred on 3 June 2015 and the total revenue and profit attributable to ordinary shareholders for the year ended 31 December 2015 reported on that basis was HK\$316,318 million and HK\$118,570 million respectively. See the Consolidated Income Statement included in this Annual Report and CKHH 2015 Annual Report for Reconciliation from CKHH Statutory Results to CKHH Pro forma Results for the year ended 31 December 2015.

Note 2: Total revenue, EBITDA and EBIT include the Group's proportionate share of associated companies and joint ventures' respective items.

Note 3: Recurring earnings per share is calculated based on profit attributable to ordinary shareholders before profits on disposal of investments and others, after tax. For the year ended 31 December 2016, the recurring earnings per share is calculated based on CKHH's weighted average number of shares outstanding during the year of 3,859,441,388. For the year ended 31 December 2015, recurring earnings per share on a pro forma basis was calculated based on profit attributable to ordinary shareholders before exceptional items of HK\$32,128 million and on CKHH's issued shares outstanding as at 31 December 2015 of 3,859,678,500.

Note 4: Earnings per share is calculated based on profit attributable to ordinary shareholders. For the year ended 31 December 2016, the earnings per share is calculated based on CKHH's weighted average number of shares outstanding during the year of 3,859,441,388. For the year ended 31 December 2015, earnings per share on a pro forma basis was calculated based on profit attributable to ordinary shareholders of HK\$31,168 million and on CKHH's issued shares outstanding as at 31 December 2015 of 3,859,678,500 and the earnings per share on a statutory basis of HK\$36.91 as at 31 December 2015 was calculated based on the profit attributable to ordinary shareholders of HK\$118,570 million and on CKHH's weighted average number of shares outstanding during the year ended 31 December 2015 of 3,212,671,194.

Note 5: The Group's 50% share of 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

	2016		Pro forma <sup>(1)</sup> 2015		% Change %
	HK\$ millions	%	HK\$ millions	%	
<b>Revenue<sup>(2)</sup></b>					
Ports and Related Services <sup>(2)</sup>	32,184	9%	34,009	9%	-5%
Retail	151,502	41%	151,903	38%	-
Infrastructure	53,211	14%	55,762	14%	-5%
Husky Energy	30,467	8%	40,029	10%	-24%
3 Group Europe	62,415	17%	62,799	16%	-1%
Hutchison Telecommunications Hong Kong Holdings	12,133	3%	22,122	5%	-45%
Hutchison Asia Telecommunications	8,200	2%	6,900	2%	19%
Finance & Investments and Others	22,574	6%	22,563	6%	-
<b>Total Revenue</b>	<b>372,686</b>	<b>100%</b>	<b>396,087</b>	<b>100%</b>	<b>-6%</b>
<b>EBITDA<sup>(2)</sup></b>					
Ports and Related Services <sup>(2)</sup>	11,639	13%	11,964	13%	-3%
Retail	14,567	16%	14,838	16%	-2%
Infrastructure	31,128	34%	32,291	35%	-4%
Husky Energy	9,284	10%	9,375	10%	-1%
3 Group Europe	18,944	20%	17,396	19%	9%
Hutchison Telecommunications Hong Kong Holdings	2,607	3%	2,911	3%	-10%
Hutchison Asia Telecommunications	2,298	2%	1,176	2%	95%
Finance & Investments and Others	1,513	2%	2,142	2%	-29%
<b>Total EBITDA before profits on disposal of investments &amp; others</b>	<b>91,980</b>	<b>100%</b>	<b>92,093</b>	<b>100%</b>	<b>-</b>
<b>EBIT<sup>(2)</sup></b>					
Ports and Related Services <sup>(2)</sup>	7,567	12%	7,957	13%	-5%
Retail	12,059	19%	12,328	20%	-2%
Infrastructure	22,162	36%	23,477	38%	-6%
Husky Energy	3,429	5%	2,229	3%	54%
3 Group Europe	12,838	21%	11,664	19%	10%
Hutchison Telecommunications Hong Kong Holdings	1,055	2%	1,426	2%	-26%
Hutchison Asia Telecommunications	2,130	3%	1,176	2%	81%
Finance & Investments and Others	1,174	2%	1,822	3%	-36%
<b>Total EBIT before profits on disposal of investments &amp; others</b>	<b>62,414</b>	<b>100%</b>	<b>62,079</b>	<b>100%</b>	<b>1%</b>
Interest expenses and other finance costs <sup>(2)</sup>	(12,229)		(12,581)		3%
<b>Profit Before Tax</b>	<b>50,185</b>		<b>49,498</b>		<b>1%</b>
<b>Tax<sup>(2)</sup></b>					
Current tax	(6,247)		(6,734)		7%
Deferred tax	(1,769)		(463)		-282%
	(8,016)		(7,197)		-11%
<b>Profit after tax</b>	<b>42,169</b>		<b>42,301</b>		<b>-</b>
Non-controlling interests and perpetual capital securities holders' interests	(8,856)		(10,173)		13%
<b>Profit attributable to ordinary shareholders before profits on disposal of investments &amp; others ("Recurring NPAT")</b>	<b>33,313</b>		<b>32,128</b>		<b>4%</b>
Profits on disposal of investments & others, after tax <sup>(3)</sup>	(305)		(960)		68%
<b>Profit attributable to ordinary shareholders ("NPAT")</b>	<b>33,008</b>		<b>31,168</b>		<b>6%</b>

Note 1: CKHH Pro forma results for the year ended 31 December 2015 assume that the Reorganisation was effective as at 1 January 2015. Pro forma 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") by operating segments for the year ended 31 December 2015 have been reclassified to include the respective additional contributions as a result of the Reorganisation as shown in the table below, to enable a like-for-like comparison with CKHH actual results for the year ended 31 December 2016. The CKHH statutory results for the year ended 31 December 2015 reflect the impact of Reorganisation that occurred on 3 June 2015 and the total revenue and profit attributable to ordinary shareholders for the year ended 31 December 2015 reported on that basis was HK\$316,318 million and HK\$118,570 million respectively. See the Consolidated Income Statement included in this Annual Report and CKHH 2015 Annual Report for Reconciliation from CKHH Statutory Results to CKHH Pro forma Results for the year ended 31 December 2015.

	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)
<b>Total Additional Contributions for the year ended 31 December 2015</b>	<b>21,340</b>	<b>10,097</b>	<b>6,051</b>	<b>2,764</b>

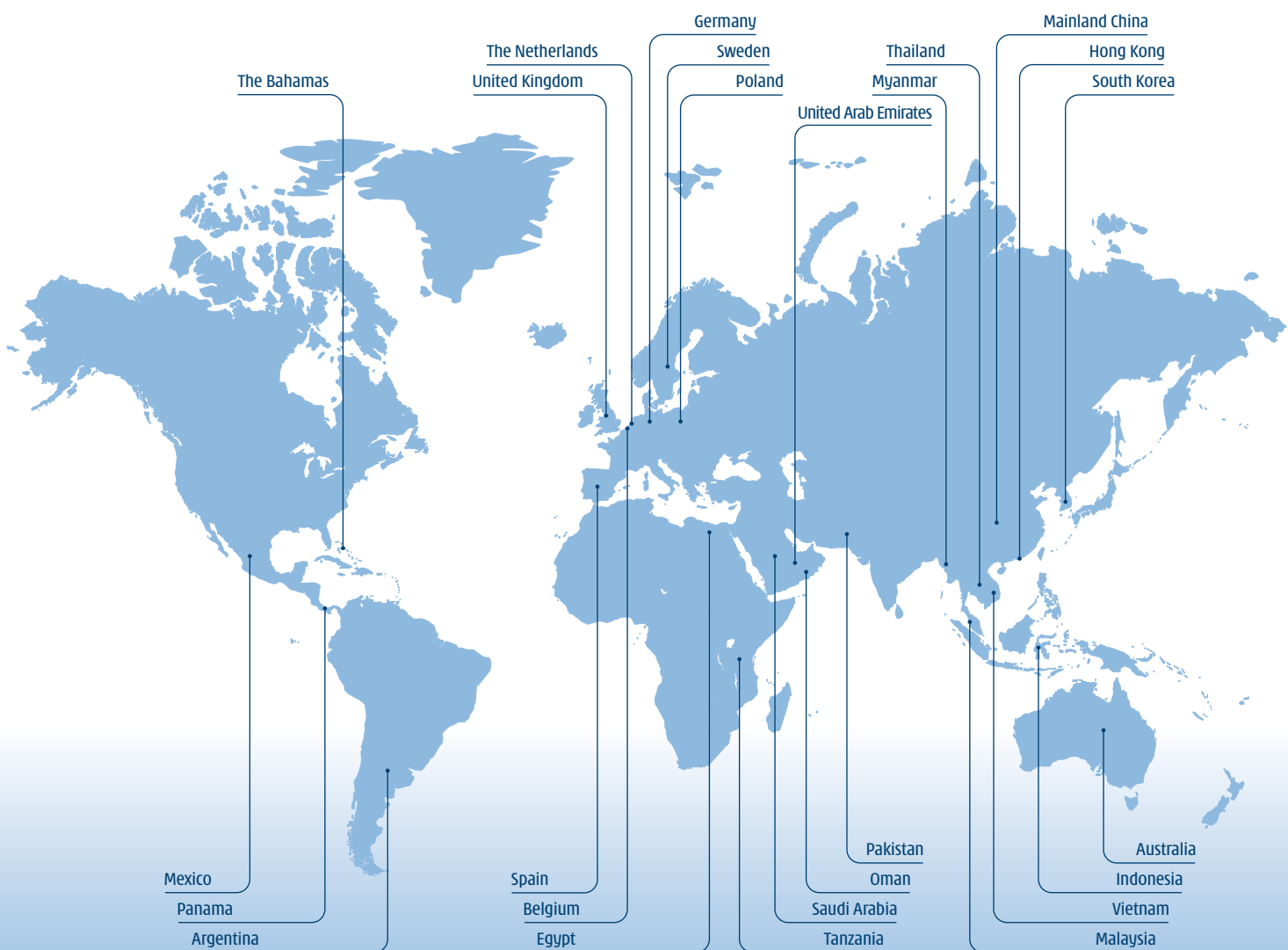
Note 2: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of associated companies and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note 3: Profits on disposal of investments and others, after tax in 2016 was a charge of HK\$305 million comprising an impairment charge on certain non-core investments held by the ports operation of HK\$577 million and the Group's 50% share of operating losses of Vodafone Hutchison Australia ("VHA") which amounted to HK\$326 million, partly offset by a non-cash mark-to-market gain upon acquisition of additional interest in an existing port operation of HK\$598 million. This is compared to the HK\$960 million charge arising from VHA's losses recorded in 2015.



Europe Container Terminals ("ECT"), in the Netherlands, marks its 50<sup>th</sup> anniversary.

# Ports and Related Services





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1. ECT Euromax is one of the most advanced and environmentally-friendly container terminals in the world.
2. Hutchison Ports Sohar is the first operator in Oman to use remote controlled container cranes.
3. BEST in Spain deploys a total of eight ship-to-shore gantry cranes simultaneously for a single operation and achieves a new record of peak Vessel Operating Rate of 221.3 moves per hour.



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- 4. Yantian Phase III Expansion South Berth, in the Mainland, becomes fully operational in May.
- 5. PPC (Balboa), in Panama, achieves a new milestone by involving over 900 vehicles in a Ro-Ro operation.
- 6. A 33<sup>rd</sup> daily rail freight service has been introduced at UK's Port of Felixstowe in July.

This division is one of the world's leading port investors, developers and operators, and has interests in 48 ports comprising 275 operational berths in 25 countries.

## Group Performance

The Group operates container terminals in five of the 10 busiest container ports in the world. The division comprises the Group's 80% interest in the Hutchison Ports group of companies and its 30.07% interest in the HPH Trust, which together handled a total of 81.4 million twenty-foot equivalent units ("TEU") in 2016.

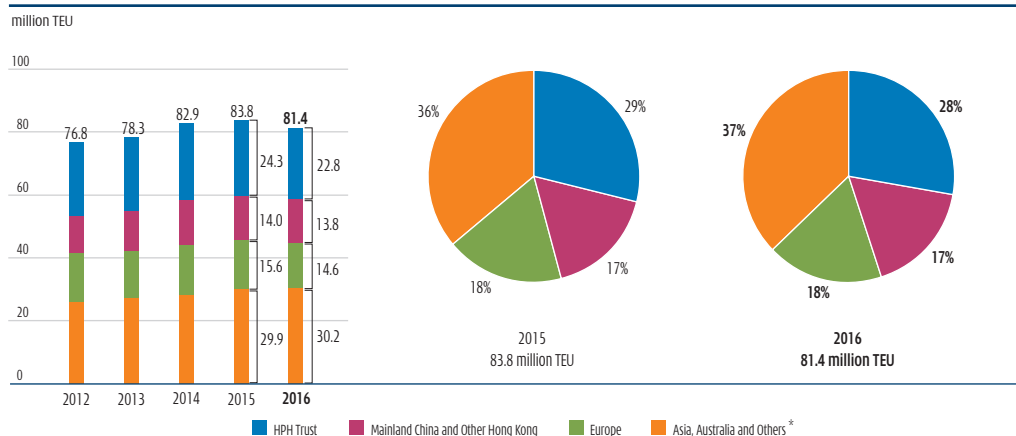
	2016 HK\$ millions	2015 <sup>(1)</sup> HK\$ millions	Change	Change in Local Currency
Total Revenue <sup>(2)</sup>	<b>32,184</b>	34,009	-5%	—
EBITDA <sup>(2)</sup>	<b>11,639</b>	11,964	-3%	+2%
EBIT <sup>(2)</sup>	<b>7,567</b>	7,957	-5%	—
Throughput (million TEU)	<b>81.4</b>	83.8	-3%	

Note 1: 2015 pro forma total revenue, EBITDA, and EBIT assumed that the Reorganisation was effective on 1 January 2015.

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

Overall throughput decreased 3% to 81.4 million TEU in 2016, primarily reflecting Hong Kong's weaker Intra-Asia and transshipment cargoes and competitions in Rotterdam.

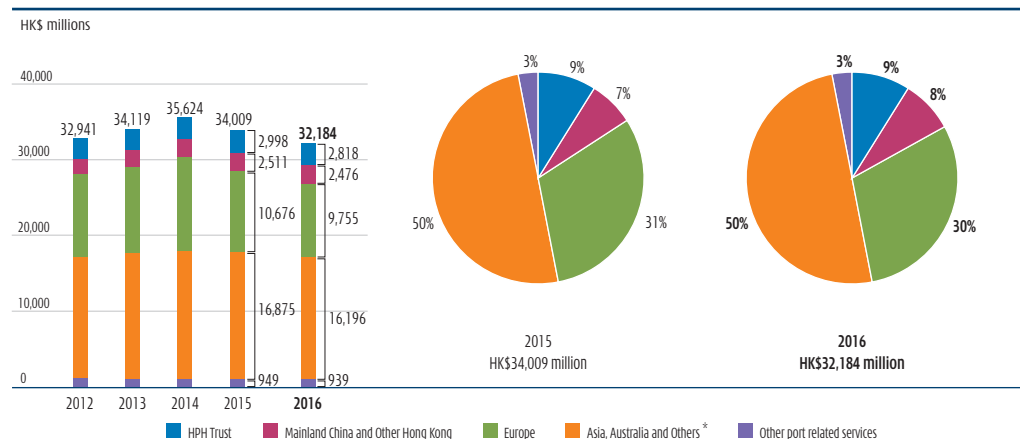
### Total Container Throughput (-3%) by Subdivision



\* Asia, Australia and Others includes Panama, Mexico and the Middle East.

Total revenue decreased 5% to HK\$32,184 million in 2016 principally due to the adverse foreign currency translation to Hong Kong dollars. In local currencies, total revenue is flat against last year primarily due to lower throughput from Europe Container Terminals (“ECT”) in Rotterdam and International Ports Services (“IPS”) in Dammam, Saudi Arabia from new competitions were offset by the better performances in Alexandria Port in Egypt and in the American region.

### Total Revenue<sup>(3)</sup> by Subdivision

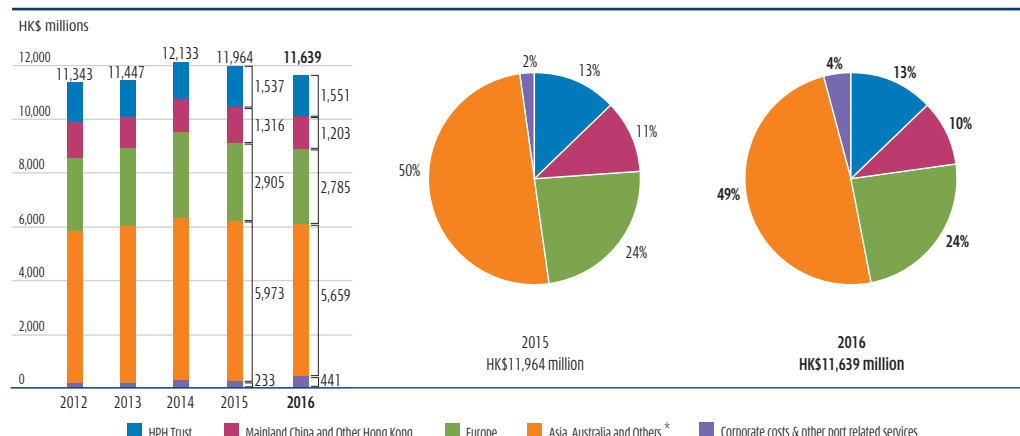


\* Asia, Australia and Others includes Panama, Mexico and the Middle East.

Note 3: Total revenue has been adjusted to exclude non-controlling interests' share of revenue of HPH Trust.

EBITDA and EBIT for the division decreased 3% and 5% to HK\$11,639 million and HK\$7,567 million respectively in 2016. In local currencies, EBITDA increased 2% and EBIT remained flat, primarily due to better performances in Alexandria Port in Egypt and the Mexican Ports, and a gain on disposal of the Huizhou's operation, together with lower power and fuel costs, and the continued focus on better cost management through improvements in productivity and efficiency. These improvements however, were partly offset by the deconsolidation impact of the Jakarta operations, which ceased to be a subsidiary and is accounted for as a joint venture following the dilution of interests in 2015, as well as the lower profitability in ECT and IPS due to the factors mentioned previously.

### Total EBITDA<sup>(4)</sup> by Subdivision



\* Asia, Australia and Others includes Panama, Mexico and the Middle East.

Note 4: Total EBITDA has been adjusted to exclude non-controlling interests' share of EBITDA of HPH Trust.

The division had 275 operating berths<sup>(5)</sup> as at 31 December 2016, representing an increase of 6 berths during the year due to the new berths commencing operations in Yantian, Malaysia and Pakistan.

Note 5: Based on 300 metres per berth and is computed by dividing the total berth length by 300 metres.

## Segment Performance

### HPH Trust

	2016 HK\$ millions	2015 HK\$ millions	Change
Total Revenue <sup>(6)</sup>	<b>2,818</b>	2,998	-6%
EBITDA <sup>(6)</sup>	<b>1,551</b>	1,537	+1%
EBIT <sup>(6)</sup>	<b>873</b>	878	-1%
Throughput (million TEU)	<b>22.8</b>	24.3	-6%

Note 6: Total revenue, EBITDA and EBIT have been adjusted to exclude non-controlling interests' share of results of HPH Trust. 2015 pro forma total revenue, EBITDA, and EBIT assumed that the Reorganisation was effective on 1 January 2015.

Overall, throughput and total revenue of the ports operated by HPH Trust both decreased 6% during 2016, mainly attributable to weaker transshipment and intra-Asia cargoes in Hong Kong. Despite the lower revenue, the Group's share of EBITDA and EBIT was broadly in line with the results reported for 2015 due to a rent and rates refund in Hong Kong during the year which offsets the drop in revenue.

### Mainland China and Other Hong Kong

	2016 HK\$ millions	2015 HK\$ millions	Change	Change in Local Currency
Total Revenue	<b>2,476</b>	2,511	-1%	+4%
EBITDA	<b>1,203</b>	1,316	-9%	-3%
EBIT	<b>902</b>	980	-8%	-3%
Throughput (million TEU)	<b>13.8</b>	14.0	-1%	

The Mainland China and other Hong Kong segment's revenue growth in local currency was contributed by the increase in revenue and throughput in Shanghai ports, partly offset by the impact on the disposal of the port operations in Gaolan and Jiuzhou during the second half of 2015. Lower EBITDA and EBIT contributions was also due to cessation of value added tax refund for Shanghai Ports during 2016.



## Europe

	2016 HK\$ millions	2015 HK\$ millions	Change	Change in Local Currency
Total Revenue	<b>9,755</b>	10,676	-9%	-4%
EBITDA	<b>2,785</b>	2,905	-4%	+2%
EBIT	<b>1,828</b>	1,846	-1%	+6%
Throughput (million TEU)	<b>14.6</b>	15.6	-6%	

The decline in performance in the Europe segment during the year is attributable to the adverse foreign currency translation impact to Hong Kong dollars and the impact of the intense competition in Rotterdam. In local currencies, the growth in EBITDA and EBIT is mainly due to the contributions from the ports in the UK and Barcelona, while ECT partly compensated the lower revenue through cost control measures.

## Asia, Australia and Others

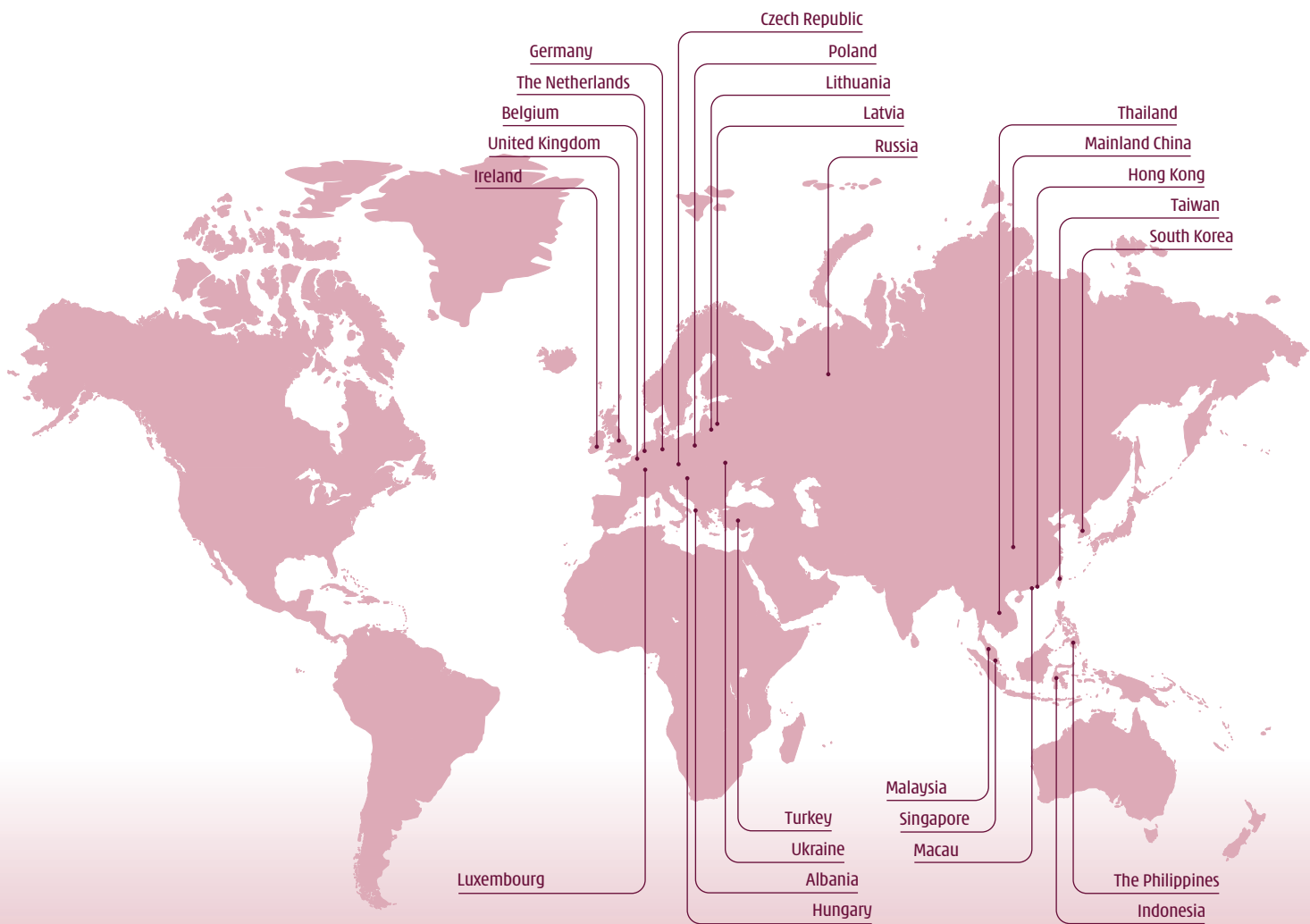
	2016 HK\$ millions	2015 HK\$ millions	Change	Change in Local Currency
Total Revenue	<b>16,196</b>	16,875	-4%	+2%
EBITDA	<b>5,659</b>	5,973	-5%	—
EBIT	<b>3,774</b>	4,262	-11%	-6%
Throughput (million TEU)	<b>30.2</b>	29.9	+1%	

The adverse impact of exchange rate movements resulted in a decline in the contribution from the Asia, Australia and others segment during 2016. In local currencies, total revenue increased by 2%, mainly due to throughput-driven growth of the port operations in most countries; except for Jakarta ports in Indonesia which was affected by the deconsolidation impact and slow economy, the fierce competition experienced by IPS and weaker transshipment cargoes in Panama, as well as the impact of the hurricane at the Bahamas operations.



Superdrug operates over 780 stores in the UK and Ireland.

# Retail





1. In Europe, ICI PARIS XL receives overwhelming response to the launch of a new line of high performance cosmetics brand.
2. Watsons China store number exceeds 2,900.

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- 3. Savers in the UK achieves 10<sup>th</sup> on *The Sunday Times* 30 Best Big Companies to Work For 2017, and it is also the top placed retailer in the UK on the ranking.
- 4. Kruidvat opens its first Green Store in Tilburg and has received an A+++ energy label, the highest rating achievable.
- 5. Watsons bébé, a new concept store in Hong Kong for babies and new parents, offers a wide selection of maternal and baby products.

The retail division consists of the A S Watson (“ASW”) group of companies, the largest health and beauty retailer in Asia and Europe in terms of store numbers.

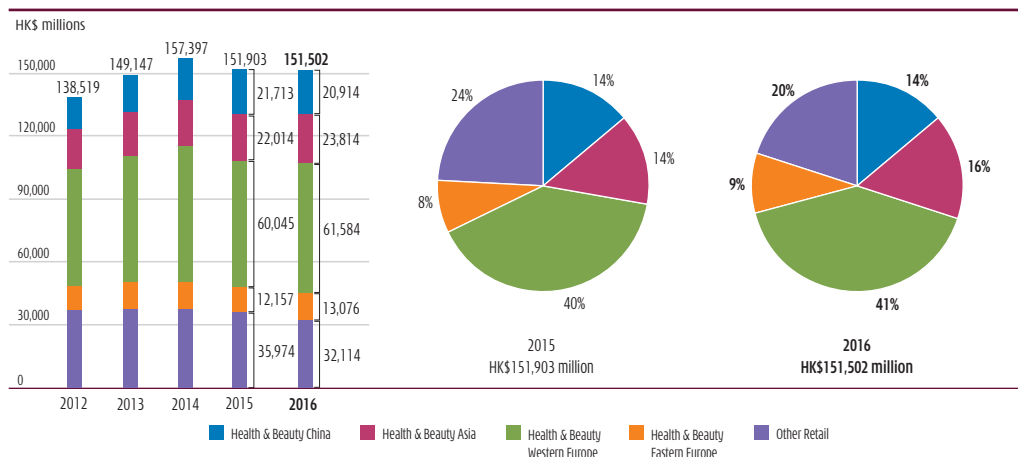
### Group Performance

ASW operated 13 retail brands with 13,331 stores in 25 markets worldwide in 2016, providing high quality personal care, health and beauty products; food and fine wines; as well as consumer electronics and electrical appliances. ASW also manufactures and distributes bottled water and other beverages in Hong Kong and the Mainland.

	2016 HK\$ millions	2015 HK\$ millions	Change	Change in Local Currency
Total Revenue	151,502	151,903	–	+3%
EBITDA	14,567	14,838	-2%	+3%
EBIT	12,059	12,328	-2%	+3%
Total Store Numbers	13,331	12,400	+8%	

Total reported revenue of HK\$151,502 million was flat compared to last year. In local currencies, revenue increased by 3%, driven by an 8% increase in store numbers, primarily in Health and Beauty China and Asia, partly offset by a negative 0.8% comparable stores sales growth which was impacted by comparable stores sales decline in China and Hong Kong offset by positive comparable stores sales growth in Health and Beauty Europe and Asia.

#### Total Revenue by Subdivision



<b>Total Revenue</b>	<b>2016 HK\$ millions</b>	<b>2015 HK\$ millions</b>	<b>Change</b>	<b>Change in Local Currency</b>
Health & Beauty China	<b>20,914</b>	21,713	-4%	+2%
Health & Beauty Asia <sup>(1)</sup>	<b>23,814</b>	22,014	+8%	+11%
<b>Health &amp; Beauty China &amp; Asia Subtotal</b>	<b>44,728</b>	43,727	+2%	+6%
Health & Beauty Western Europe	<b>61,584</b>	60,045	+3%	+7%
Health & Beauty Eastern Europe <sup>(1)</sup>	<b>13,076</b>	12,157	+8%	+13%
<b>Health &amp; Beauty Europe Subtotal</b>	<b>74,660</b>	72,202	+3%	+8%
<b>Health &amp; Beauty Subtotal</b>	<b>119,388</b>	115,929	+3%	+8%
Other Retail <sup>(2)</sup>	<b>32,114</b>	35,974	-11%	-10%
<b>Total Retail</b>	<b>151,502</b>	151,903	—	+3%

<b>Comparable Stores Sales Growth (%) <sup>(3)</sup></b>	<b>2016</b>	<b>2015</b>
Health & Beauty China	<b>-10.1%</b>	-5.1%
Health & Beauty Asia <sup>(1)</sup>	<b>+1.9%</b>	+1.5%
<b>Health &amp; Beauty China &amp; Asia Subtotal</b>	<b>-4.0%</b>	-1.7%
Health & Beauty Western Europe	<b>+3.7%</b>	+4.0%
Health & Beauty Eastern Europe <sup>(1)</sup>	<b>+4.6%</b>	+5.3%
<b>Health &amp; Beauty Europe Subtotal</b>	<b>+3.8%</b>	+4.2%
<b>Health &amp; Beauty Subtotal</b>	<b>+1.0%</b>	+2.2%
Other Retail <sup>(2)</sup>	<b>-8.2%</b>	+0.4%
<b>Total Retail</b>	<b>-0.8%</b>	+1.9%

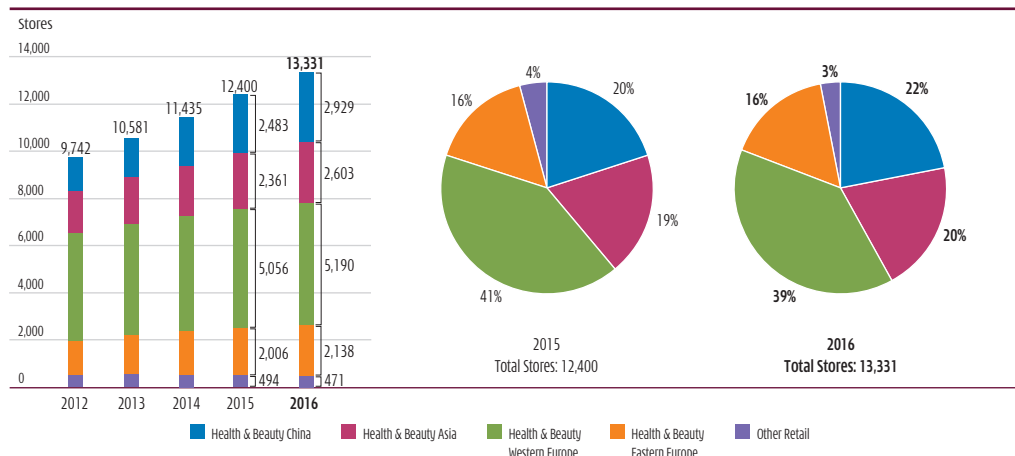
Note 1: Watsons Turkey had been reclassified to Health & Beauty Asia from Health & Beauty Eastern Europe.

Note 2: Other Retail includes PARKnSHOP, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

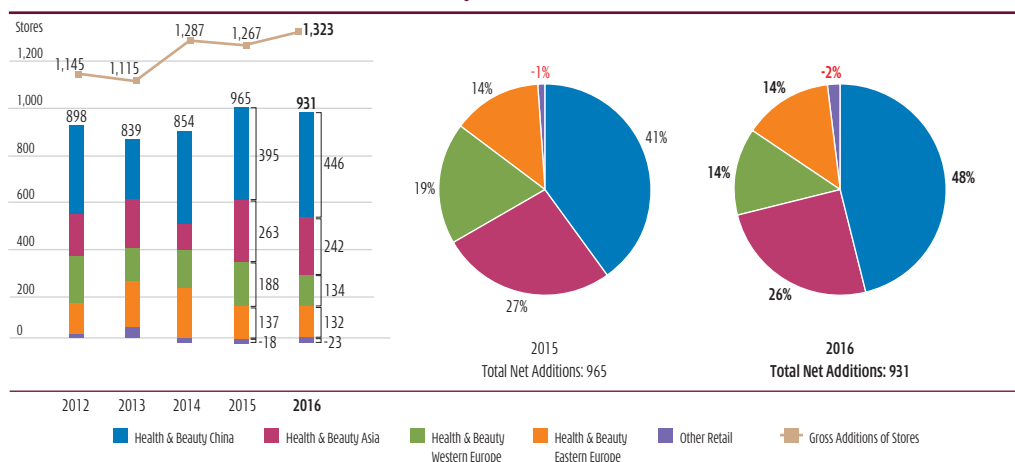
Note 3: Comparable stores sales growth represents the percentage change in revenue contributed by stores which, as at the first day of the relevant financial year (a) have been operating for over 12 months and (b) have not undergone major resizing within the previous 12 months.

Group Performance (continued)

**Total Retail Store Numbers  
by Subdivision**



**Total Net Additions of Retail Stores  
by Subdivision**



Store Numbers	2016	2015	Change
Health & Beauty China	2,929	2,483	+18%
Health & Beauty Asia <sup>(4)</sup>	2,603	2,361	+10%
<b>Health &amp; Beauty China &amp; Asia Subtotal</b>	<b>5,532</b>	<b>4,844</b>	<b>+14%</b>
Health & Beauty Western Europe	5,190	5,056	+3%
Health & Beauty Eastern Europe <sup>(4)</sup>	2,138	2,006	+7%
<b>Health &amp; Beauty Europe Subtotal</b>	<b>7,328</b>	<b>7,062</b>	<b>+4%</b>
<b>Health &amp; Beauty Subtotal</b>	<b>12,860</b>	<b>11,906</b>	<b>+8%</b>
Other Retail <sup>(5)</sup>	471	494	-5%
<b>Total Retail</b>	<b>13,331</b>	<b>12,400</b>	<b>+8%</b>

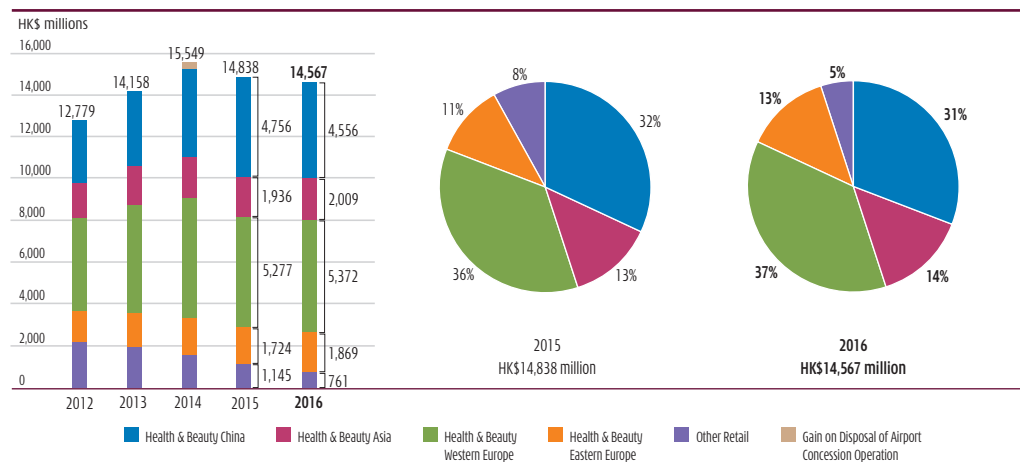
Note 4: Watsons Turkey had been reclassified to Health & Beauty Asia from Health & Beauty Eastern Europe.

Note 5: Other Retail includes PARKNSHOP, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.



EBITDA and EBIT were HK\$14,567 million and HK\$12,059 million respectively, both 2% lower than last year due to adverse foreign currency translation impact. In local currencies, revenue, EBITDA and EBIT all increased by 3%, reflecting strong growth in the Health and Beauty segment, partly offset by a decline in Other Retail.

### EBITDA by Subdivision



EBITDA	2016 HK\$ millions	2015 HK\$ millions	Change	Change in Local Currency
Health & Beauty China	4,556	4,756	-4%	+1%
Health & Beauty Asia <sup>(6)</sup>	2,009	1,936	+4%	+8%
<b>Health &amp; Beauty China &amp; Asia Subtotal</b>	<b>6,565</b>	<b>6,692</b>	<b>-2%</b>	<b>+3%</b>
Health & Beauty Western Europe	5,372	5,277	+2%	+8%
Health & Beauty Eastern Europe <sup>(6)</sup>	1,869	1,724	+8%	+14%
<b>Health &amp; Beauty Europe Subtotal</b>	<b>7,241</b>	<b>7,001</b>	<b>+3%</b>	<b>+9%</b>
<b>Health &amp; Beauty Subtotal</b>	<b>13,806</b>	<b>13,693</b>	<b>+1%</b>	<b>+6%</b>
Other Retail <sup>(7)</sup>	761	1,145	-34%	-34%
<b>Total Retail</b>	<b>14,567</b>	<b>14,838</b>	<b>-2%</b>	<b>+3%</b>

Note 6: Watsons Turkey had been reclassified to Health & Beauty Asia from Health & Beauty Eastern Europe.

Note 7: Other Retail includes PARKnSHOP, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

The overall health and beauty subdivision, which represented 95% of the division's EBITDA, continued to deliver strong performances in 2016 under the current challenging market conditions. EBITDA growth of this subdivision was 6% in local currencies with the European operations supporting the growth, in particular, UK, Benelux and Rossmann. The health and beauty subdivision continued to expand its portfolio with 954 net addition of stores. This strong performance was also supported by high quality new store openings with an average new store cash payback period of 10 months. The average capex per new store for the overall health and beauty subdivision was HK\$0.9 million.

## Segment Performance

### Health and Beauty China

	2016 HK\$ millions	2015 HK\$ millions	Change	Change in Local Currency
<b>Total Revenue</b>	<b>20,914</b>	21,713	-4%	+2%
<b>EBITDA</b>	<b>4,556</b>	4,756	-4%	+1%
<i>EBITDA Margin %</i>	<i>22%</i>	<i>22%</i>		
<b>EBIT</b>	<b>4,055</b>	4,279	-5%	–
<i>EBIT Margin %</i>	<i>19%</i>	<i>20%</i>		
Total Store Numbers	<b>2,929</b>	2,483	+18%	
Comparable Stores Sales Growth (%)	<b>-10.1%</b>	-5.1%		

The Watsons business continued to be the leading health and beauty retail chain in the Mainland. In reported currency, Watsons was negatively impacted by a 5% RMB depreciation. Despite a negative 10.1% comparable stores sales growth, the 18% increase in store numbers and good cost control resulted in EBITDA growth of 1%, while EBIT remained stable in local currency. It reported the same EBITDA margin of 22% in 2016 compared to last year. Health and Beauty China increased its total number of stores by 446 during the year with an average new store cash payback period of 9 months and had more than 2,900 stores operating in 430 cities in the Mainland as at year end. Stores in Tiers 2 and 3 cities such as Chengdu, Wuhan, Hangzhou and Zhengzhou achieved an even shorter payback period.

In 2017, Watsons China will continue to focus on developing cities in Tiers 2 and 3, as well as implement strategic programs which focus on revitalising the mature stores through renovation, store segmentation and cost control measures.

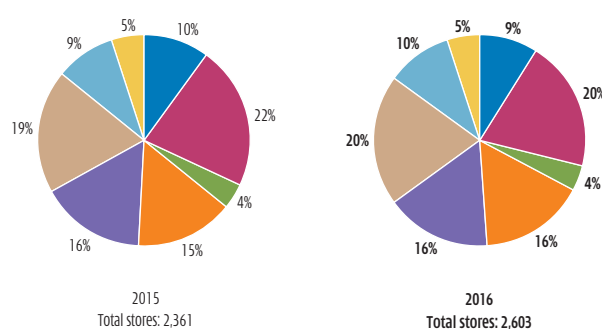
### Health and Beauty Asia

	2016 HK\$ millions	2015 HK\$ millions	Change	Change in Local Currency
<b>Total Revenue</b>	<b>23,814</b>	22,014	+8%	+11%
<b>EBITDA</b>	<b>2,009</b>	1,936	+4%	+8%
<i>EBITDA Margin %</i>	<i>8%</i>	<i>9%</i>		
<b>EBIT</b>	<b>1,643</b>	1,601	+3%	+7%
<i>EBIT Margin %</i>	<i>7%</i>	<i>7%</i>		
Total Store Numbers	<b>2,603</b>	2,361	+10%	
Comparable Stores Sales Growth (%)	<b>+1.9%</b>	+1.5%		

The Watsons business is the leading health and beauty retail chain in Asia with strong brand name recognition and extensive geographical coverage. The majority of the businesses performed well in the region, except for Watsons Hong Kong, which was affected by cost inflation and the lower tourist arrivals in Hong Kong.

Health and Beauty Asia increased its total number of stores by 242 during the year achieving an average new store cash payback period of 13 months. The subdivision had more than 2,600 stores operating in 10 markets in 2016.

**Health and Beauty Asia (+10%)**  
Number of Retail Stores by Market



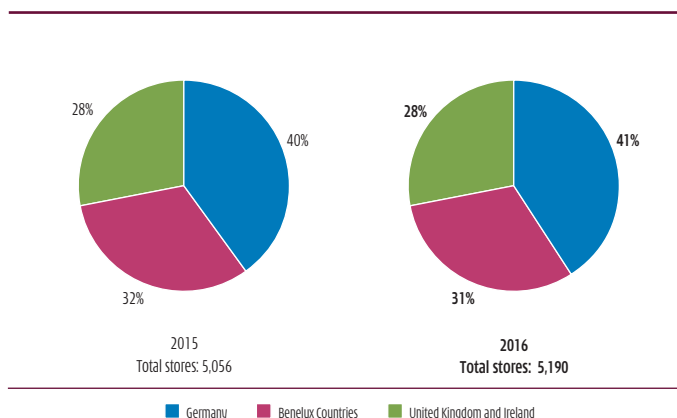
## Health and Beauty Western Europe

	2016 HK\$ millions	2015 HK\$ millions	Change	Change in Local Currency
<b>Total Revenue</b>	<b>61,584</b>	60,045	+3%	+7%
<b>EBITDA</b> <i>EBITDA Margin %</i>	<b>5,372</b> 9%	5,277 9%	+2%	+8%
<b>EBIT</b> <i>EBIT Margin %</i>	<b>4,428</b> 7%	4,300 7%	+3%	+10%
Total Store Numbers	<b>5,190</b>	5,056	+3%	
Comparable Stores Sales Growth (%)	<b>+3.7%</b>	+4.0%		

Despite the depreciation in most of European currencies, the health and beauty businesses in Western Europe continued to report growth in both reported and local currencies during the year. Health and Beauty UK, in particular, made significant progress in its performance with an impressive comparable stores sales growth of 6.9% in 2016 and was a major growth contributor to the division.

Health and Beauty Western Europe added 134 stores and operated more than 5,100 stores in 2016. The average new store cash payback period of this subdivision was 10 months.

**Health and Beauty Western Europe (+3%)**  
Number of Retail Stores by Market



## Segment Performance *(continued)*

### Health and Beauty Eastern Europe

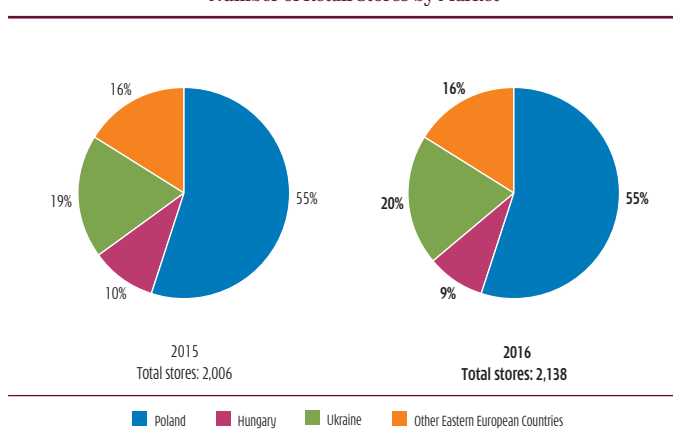
	2016 HK\$ millions	2015 HK\$ millions	Change	Change in Local Currency
<b>Total Revenue</b>	<b>13,076</b>	12,157	+8%	+13%
<b>EBITDA</b>	<b>1,869</b>	1,724	+8%	+14%
<i>EBITDA Margin %</i>	<i>14%</i>	<i>14%</i>		
<b>EBIT</b>	<b>1,623</b>	1,482	+10%	+15%
<i>EBIT Margin %</i>	<i>12%</i>	<i>12%</i>		
Total Store Numbers	<b>2,138</b>	2,006	+7%	
Comparable Stores Sales Growth (%)	<b>+4.6%</b>	+5.3%		

Despite the currency depreciation, in particular Polish Zloty and Ukrainian Hryvnia, the health and beauty businesses in Eastern Europe continued to report growth in both reported and local currencies during the year. In local currencies, the 14% and 15% growth in EBITDA and EBIT respectively was mainly from the strong sales and margin performances of the Rossmann joint venture in Poland.

Health and Beauty Eastern Europe added 132 stores and operated more than 2,100 stores in 7 markets in 2016.

#### Health and Beauty Eastern Europe (+7%)

##### Number of Retail Stores by Market

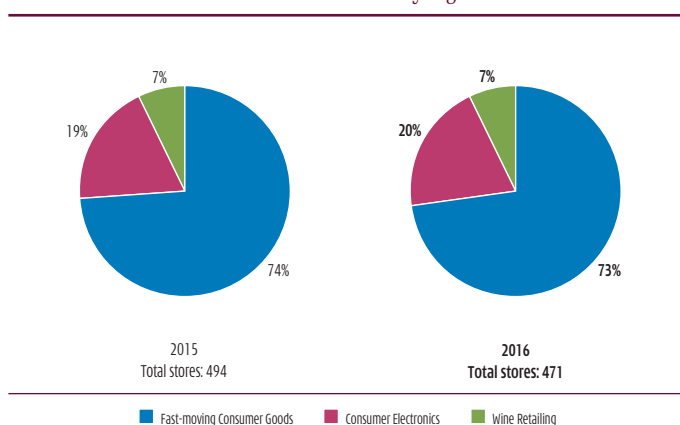


## Other Retail

	2016 HK\$ millions	2015 HK\$ millions	Change	Change in Local Currency
<b>Total Revenue</b>	<b>32,114</b>	35,974	-11%	-10%
<b>EBITDA</b>	<b>761</b>	1,145	-34%	-34%
<i>EBITDA Margin %</i>	<i>2%</i>	<i>3%</i>		
<b>EBIT</b>	<b>311</b>	665	-53%	-54%
<i>EBIT Margin %</i>	<i>1%</i>	<i>2%</i>		
Total Store Numbers	<b>471</b>	494	-5%	
Comparable Stores Sales Growth (%)	<b>-8.2%</b>	+0.4%		

Other Retail subdivision, which only represented 5% of the division's EBITDA, reported lower total revenue, EBITDA and EBIT which declined by 11%, 34% and 53% respectively, mainly due to the lower contributions from the Hong Kong operations, which were affected by cost inflation and declining tourist footfall and Fortress, also adversely impacted by significantly lower sales of mobile handsets. Other Retail currently operates over 470 retail stores in 3 markets, as well as manufactures and distributes bottled water and other beverages in Hong Kong and the Mainland.

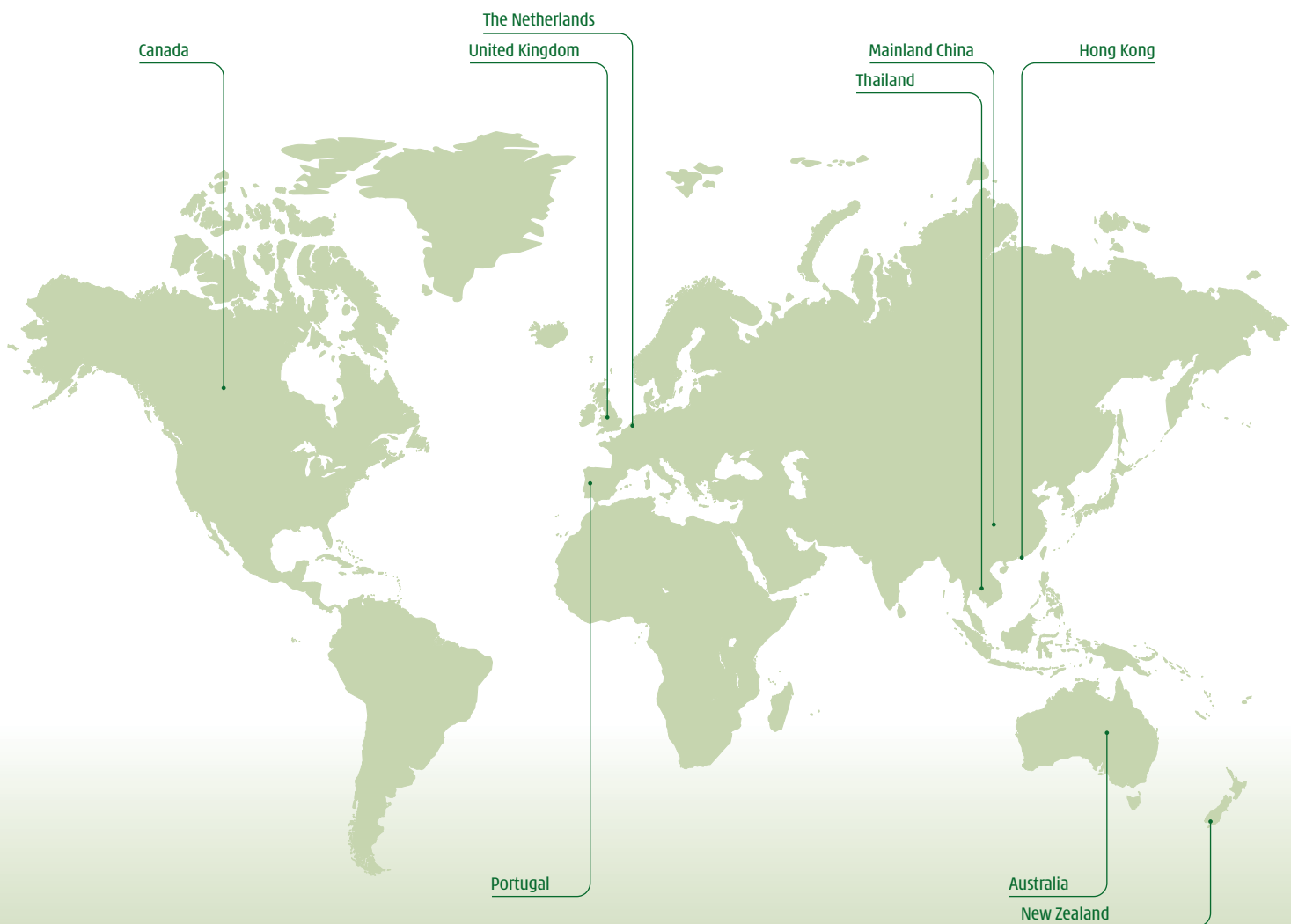
**Other Retail (-5%)**  
Number of Retail Stores by Segment

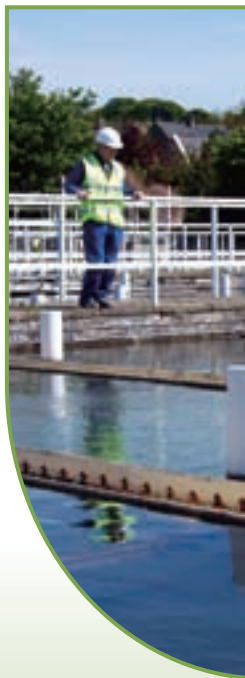




In 2016, Victoria Power Networks, in Australia, achieves network availability of 99.99% for CitiPower and 99.97% for Powercor.

# Infrastructure





1. HK Electric receives the go-ahead for its L11 new gas-fired generating unit, scheduled for commission in 2022.
2. Northern Gas Networks runs one of the eight major gas distribution networks in the UK.





3. Dutch Enviro Energy owns AVR, the largest energy-from-waste company in the Netherlands. It operates five waste treatment plants and is one of the largest sustainable district heating producers in the country.
4. Northumbrian Water is the first and only wastewater company in England and Wales to use 100% of sewage sludge to produce renewable energy.
5. UK Rails S.à r.l. enters into an agreement with Arriva Rail North Limited to procure and lease out 281 new vehicles worth £490 million.

The infrastructure division comprises the Group's 75.67%<sup>(1)</sup> interest in Cheung Kong Infrastructure Holdings Limited ("CKI") and the Group's additional interests in six co-owned infrastructure joint ventures ("JVs").

	2016 <sup>(2)</sup> HK\$ millions	2015 <sup>(3)</sup> HK\$ millions	Change	Change in Local Currency
Total Revenue	<b>53,211</b>	55,762	-5%	+3%
EBITDA	<b>31,128</b>	32,291	-4%	+5%
EBIT	<b>22,162</b>	23,477	-6%	+3%

Note 1: In January 2015, CKI completed a share placement and share subscription transaction that resulted in the Group's interest in CKI reducing from 78.16% to 75.67%. On 1 March 2016, CKI issued new shares in connection with an issue of perpetual capital securities. Subsequent to this transaction, the Group currently holds a 71.93% interest. As these new shares are currently disregarded for the purpose of determining the number of shares held by the public, the Group's profit sharing in CKI continues to be 75.67%.

Note 2: The aircraft leasing business was disposed of to Cheung Kong Property in December 2016. During the year of 2016, the operation contributed revenue, EBITDA and EBIT of HK\$1,820 million, HK\$1,705 million and HK\$879 million respectively.

Note 3: 2015 pro forma results assumed that the Reorganisation was effective on 1 January 2015 which include the full year pro forma contributions from the co-owned JVs and the aircraft leasing operations.

## CKI

CKI is the largest publicly listed infrastructure company on the SEHK, with diversified investments in energy infrastructure, transportation infrastructure, water infrastructure, waste management, waste-to-energy and infrastructure-related businesses, operating in Hong Kong, the Mainland, the UK, the Netherlands, Portugal, Australia, New Zealand and Canada.

CKI announced profit attributable to shareholders of HK\$9,636 million, 14% lower than HK\$11,162 million reported last year. During the year, CKI faced many challenges, including volatile exchange rates, in particular British Pound, and the rising interest rates. Despite these influences, CKI's operations around the world performed well and total profit contribution in Hong Kong Dollars was at a similar level to 2015. The reduction in attributable profit was mainly due to a smaller UK deferred tax credit in 2016 than 2015, and the 2015 reversal of provisions and expenses made earlier relating to non-operational matters.

Power Assets, a company listed on the SEHK and in which CKI holds a 38.87% interest, announced profit attributable to shareholders of HK\$6,417 million, a decrease of 17% compared to last year's profit of HK\$7,732 million.

In March 2016, CKI issued perpetual capital securities with a nominal amount of US\$1,200 million for general corporate funding purposes including the redemption of the existing US\$1,000 million perpetual capital securities.

In July 2016, CKI and Power Assets completed the acquisition of Husky Midstream Limited Partnership, oil pipelines and terminals connecting Lloydminster and Hardisty. CKI and Power Assets own 16.25% and 48.75% interest in Husky Midstream Limited Partnership respectively, with the remaining 35% owned by Husky.

In January 2017, Power Assets declared a special interim dividend for the financial year ended 31 December 2016 of HK\$5 per share.

On 14 March 2017, independent shareholders' approvals were obtained for the consortium comprising CKI, Power Assets and Cheung Kong Property Holdings Limited to acquire 100% interest in DUET Group, owner and operator of energy utility assets in Australia, the United States, the United Kingdom and Europe, which is listed on the Australian Securities Exchange, for an estimated total consideration of approximately AUD7.4 billion. Completion of the acquisition is subject to, among other conditions, approvals from the Foreign Investment Review Board of Australia and shareholders of DUET Group.

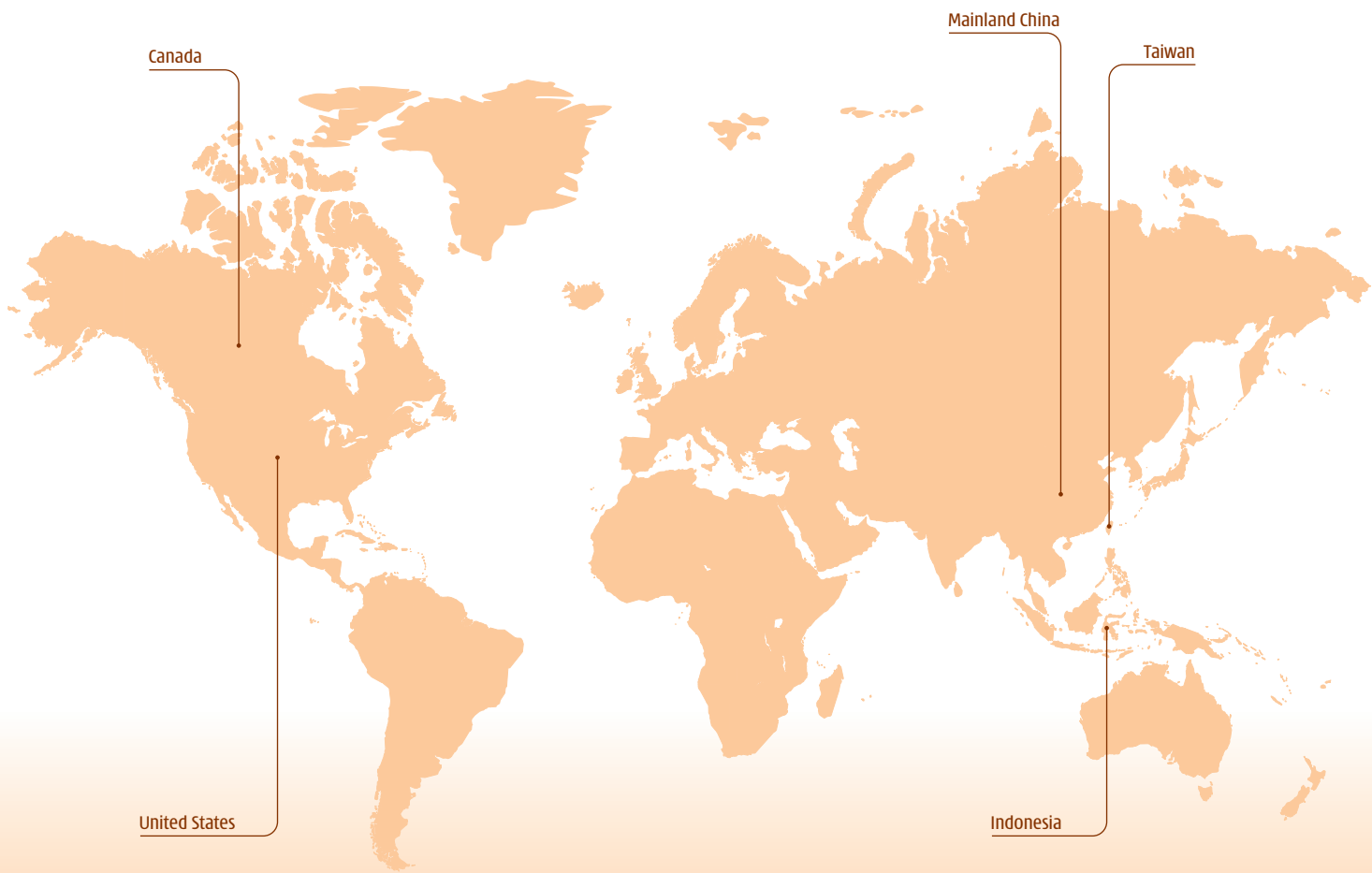
### Co-owned joint ventures with CKI

The Group's six co-owned JVs with CKI include Northumbrian Water, Park'N Fly, Australian Gas Networks, Dutch Enviro Energy, Wales & West Utilities and UK Rails. The co-owned operations contributed additional revenue, EBITDA and EBIT of HK\$10,038 million, HK\$7,070 million and HK\$4,942 million respectively in the year.



The Gaolan Gas Terminal, in the Mainland, processes the gas and gas-liquids from Liwan 3-1 and Liuhua 34-2 fields.

# Energy





1. Power Assets and Cheung Kong Infrastructure enter into an agreement with Husky Energy to acquire a 65% stake in a portfolio of Husky Energy's oil pipeline assets in Canada for approximately C\$1.7 billion.
2. The liquids-rich BD field offshore Indonesia will be ramped up to full gas sales rates by the second half of 2017.
3. Husky Energy adds new production in the Atlantic Region with first oil from a Hibernia formation well at North Amethyst and additional infill wells at South White Rose.



4. Lima Refinery, in the US, is in the initial stages of modifying the refinery equipment which will enable the processing of up to an additional 40,000 barrels per day in 2018.
5. With three new thermal projects in Saskatchewan (Edam East, Vawn and Edam West), Husky Energy's total thermal production now reaches 100,000 barrels per day.

The energy division comprises of the Group's 40.18% interest in Husky Energy, an integrated energy company listed on the Toronto Stock Exchange.

	2016 HK\$ millions	2015 <sup>(1)</sup> HK\$ millions	Change	Change in Local Currency
Total Revenue	<b>30,467</b>	40,029	-24%	-22%
EBITDA	<b>9,284</b>	9,375	-1%	+1%
EBIT	<b>3,429</b>	2,229	+54%	+53%
Production (mboe/day)	<b>321.2</b>	345.7	-7%	

Note 1: 2015 pro forma total revenue, EBITDA, and EBIT assumed that the Reorganisation was effective on 1 January 2015.

Husky Energy, our associated company, announced net earnings of C\$922 million in 2016, a turnaround from a net loss of C\$3,850 million in 2015. The improvement in net earnings was mainly due to the inclusion in 2015 of an after-tax impairment charge on selected crude oil and natural gas assets located in Western Canada of C\$3,824 million, against an after-tax gain in 2016 of C\$1,316 million on disposal of 65% ownership interest of the midstream assets in the Lloydminster region of Alberta and Saskatchewan to CKI and Power Assets and the gains on sale of royalty interests and legacy crude oil and natural gas properties in Western Canada during the year. These gains were partly offset by the impact of continued low oil and natural gas prices and lower contribution from the US refineries.

As the Group rebased Husky Energy's assets to their fair values in the 2015 Reorganisation, the impairment charge and asset write downs recognised by Husky Energy in 2015 had no impact on the Group's reported results, while the Group's share of after-tax gains on disposals in 2016 were approximately HK\$3,646 million.

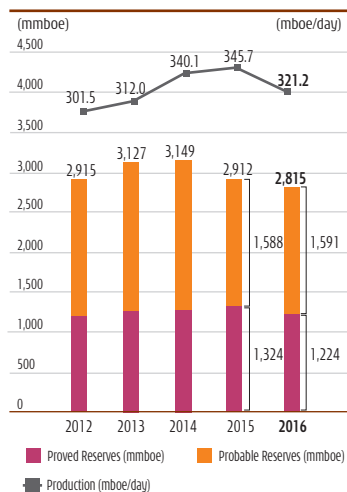
After translation into HK dollars and including consolidation adjustments, the Group's share of EBITDA decreased 1% to HK\$9,284 million, but EBIT increased 54% to HK\$3,429 million when compared to 2015, which reflect the aforementioned disposals gains being recognised by the Group in 2016 offset by the adverse impact of low commodity prices. Furthermore, lower depletion, depreciation and amortisation expenses resulted from the various divestments during the year have led to an improvement in the Group's share of EBIT.

Average production decreased 7% to 321.2 thousand barrels of oil equivalent per day (mboe/day) in 2016, mainly due to lower natural gas and natural gas liquids production from the Liwan Gas Project in the Asia Pacific Region and from the disposition of selected legacy Western Canadian crude oil and natural gas assets, partly offset by strong performances from the heavy oil thermal projects driven by Rush Lake, Tucker, and new production from Edam East, Vawn and Edam West, as well as production ramp up at the Sunrise Energy Project. First oil was achieved at the new heavy oil thermal developments at Edam East (10,000 barrels per day ("bbls/day")), Vawn (10,000 bbls/day) and Edam West (4,500 bbls/day), as well as the Colony formation at the Tucker Thermal Project in the Cold Lake region of Alberta during the second and third quarter of 2016. In the Atlantic Region, first oil was achieved from the North Amethyst Hibernia formation well in the third quarter of 2016.



Husky Energy made significant progress in the transition towards a low investment and sustaining capital business during 2016. Looking ahead to 2017, Husky Energy will continue to maintain a healthy balance sheet to provide financial flexibility, and focus on its strategy to transition a greater percentage of production to long-life heavy oil thermal production with higher return. Production at the Sunrise Energy Project will continue to ramp up with average annual production in 2017 expected to be in the range of 40,000 to 44,000 bbls/day (20,000 to 22,000 bbls/day net Husky Energy share). The liquids-rich BD field in the Madura Strait in Indonesia is also expected to commence production in 2017 and is scheduled to ramp up to its full gas sales rate by the second half of 2017.

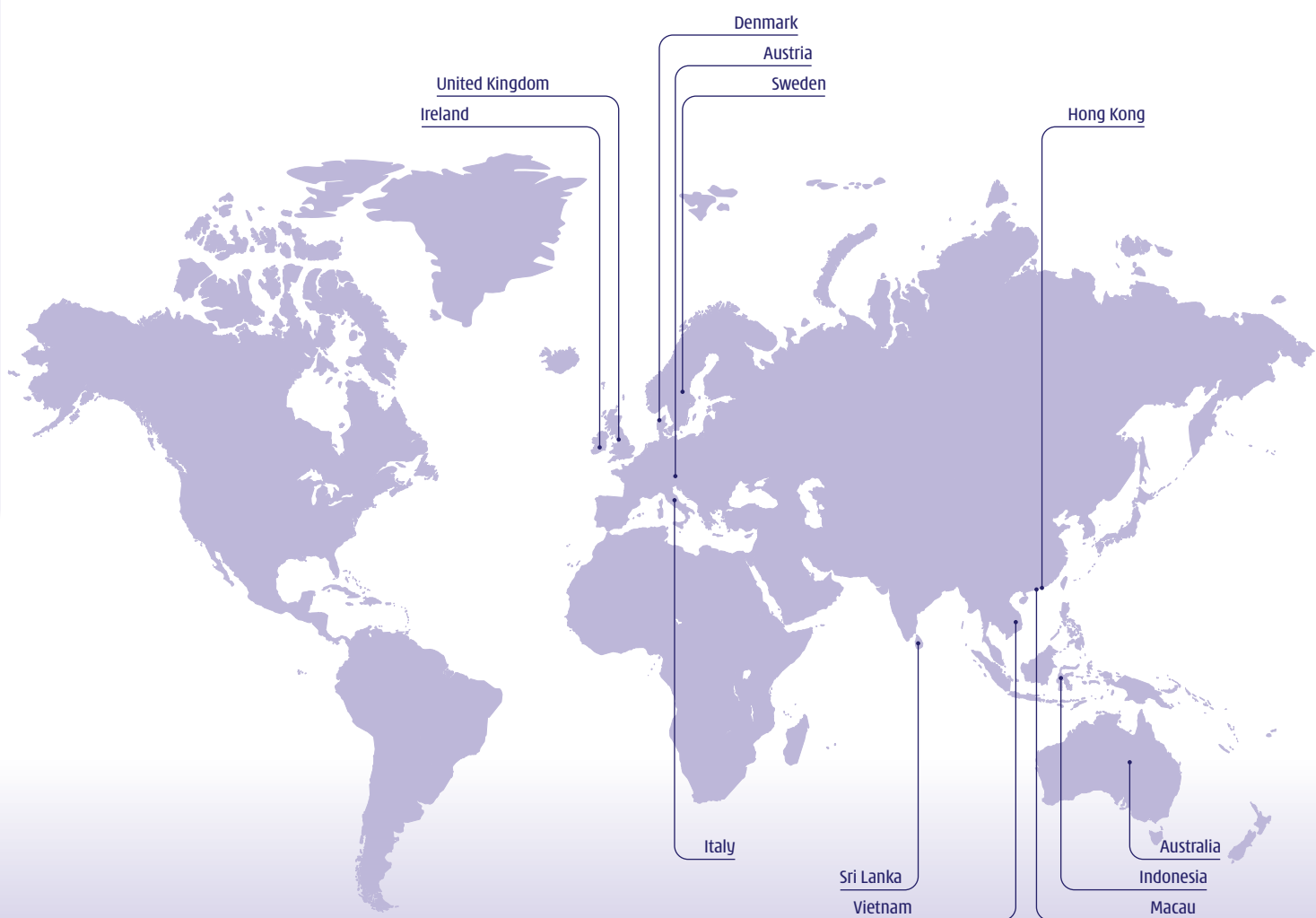
### Proved and Probable Reserves & Production





Wind Tre, a joint venture, is formed to own and operate the telecommunication businesses of 3 Italy and WIND in November 2016. It is now Italy's largest mobile operator.

# Telecommunications





1. Three Hong Kong launches 4.5G service to provide smoother data service.
2. Three Indonesia commences its 4G LTE network rollout on the six main islands in Indonesia and will expand to 12 cities in early 2017.
3. Three Ireland invests €65 million to transform its IT digital infrastructure, and delivers customer experience innovation across all lines of business.

4



5



- 4. 3 UK carries 35% of the United Kingdom's mobile internet traffic.
- 5. 3 Denmark is the first operator in the country to launch nationwide Wi-Fi calling.

The Group's telecommunications division consists of the 3 Group businesses in Europe ("3 Group Europe"), a 66.09% interest in Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), which is listed on the SEHK, Hutchison Asia Telecommunications ("HAT"), and an 87.87% interest in the Australian Securities Exchange listed HTAL. 3 Group Europe is a pioneer of high-speed mobile telecommunications and mobile broadband technologies with businesses in six countries across Europe. HTHKH holds the Group's interests in mobile operations in Hong Kong and Macau, as well as fixed-line operations in Hong Kong. HAT holds the Group's interests in the mobile operations in Indonesia, Vietnam and Sri Lanka. HTAL owns a 50% share in VHA.

## Group Performance

### 3 Group Europe

	2016 HK\$ millions	2015 <sup>(1)</sup> HK\$ millions	Change	Change in Local Currency
<b>Total Revenue</b>	<b>62,415</b>	62,799	-1%	+5%
- Net customer service revenue	47,877	47,713	-	+5%
- Handset revenue	11,446	12,696	-10%	
- Other revenue	3,092	2,390	+29%	
<b>Net Customer Service Margin <sup>(2)</sup></b>	<b>40,121</b>	39,825	+1%	+6%
<i>Net customer service margin %</i>	<i>84%</i>	<i>83%</i>		
<b>Other Margin</b>	<b>1,632</b>	1,187	+37%	
Total CACs	(17,354)	(19,169)	+9%	
Less: Handset revenue	11,446	12,696	-10%	
<b>Total CACs (net of handset revenue)</b>	<b>(5,908)</b>	(6,473)	+9%	
<b>Operating Expenses</b>	<b>(16,901)</b>	(17,143)	+1%	
<i>Opex as a % of net customer service margin</i>	<i>42%</i>	<i>43%</i>		
<b>EBITDA</b>	<b>18,944</b>	17,396	+9%	+15%
<i>EBITDA Margin % <sup>(3)</sup></i>	<i>37%</i>	<i>35%</i>		
<b>Depreciation &amp; Amortisation</b>	<b>(6,106)</b>	(5,732)	-7%	
<b>EBIT</b>	<b>12,838</b>	11,664	+10%	+17%

Note 1: 2015 pro forma results assumed that the Reorganisation was effective on 1 January 2015.

Note 2: Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

Note 3: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

3 Group Europe continue to contribute growth to the Group in 2016. Succeeding from the completion of the 3 Italia and WIND Acquisition Holdings Finance S.p.A. ("WIND") newly formed joint venture, Wind Tre, the division's customer base grew 76% during the year, surpassing 45.9 million active customers at 31 December 2016, while the registered customer base also grew 73% to total over 52.8 million. Following the successful formation of the Italian joint venture, Wind Tre, the proportion of non-contract customers for the division has increased, with the proportion of contract customers as a percentage of the registered customer base decreased from 58% in 2015 to 37% at 31 December 2016, and the revenue generated by contract customers accounted for approximately 76% of overall net customer service revenue, a decrease from 83% in 2015. Management continues to focus on managing churn and the average monthly customer churn rate of the contract customer base decreased to 1.6% from 1.8% last year.

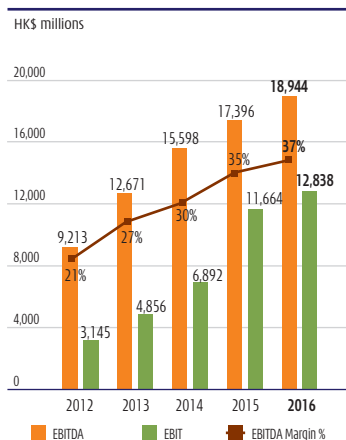
With the accretive revenue from Wind Tre in Italy and the increase in customer base across all of 3 Group Europe operations, net customer service revenue in local currencies increased by 5% compared to last year. However, 3 Group Europe's net ARPU and net AMPU decreased by 10% and 9% to €16.34 and €13.74 respectively compared to 2015, primarily due to the European Union roaming rates reduction, as well as keen competition in all markets.

Total data usage increased 51% compared to last year to approximately 1,432 petabytes in 2016. Data usage per active customer was approximately 51.0 gigabytes per user in 2016 compared to 38.1 gigabytes per user in 2015.

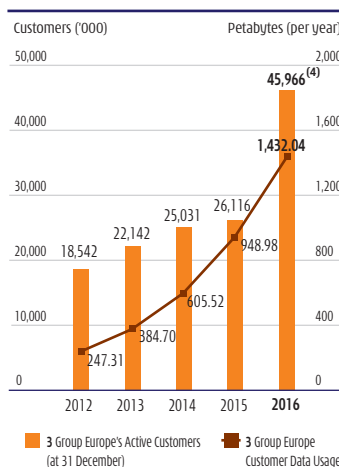
Total CACs, net of handset revenue in contract bundled plans, totalled HK\$5,908 million in 2016, 9% lower than in 2015 and operating expenses also decreased 1% to HK\$16,901 million, despite an increase in customer base, which reflecting the usual cost control disciplines across all operations.

EBITDA and EBIT growth reflected the accretive contribution from the Wind Tre in Italy, the enlarged customer base, improved net customer service margin, lower customer acquisition costs, and continued realisation of post-merger cost synergies in 3 Ireland and 3 Austria.

### 3 Group Europe - EBITDA & EBIT in reported currency



### 3 Group Europe's Active Customers and Data Usage



Note 4: Includes approximately 18.9 million of active mobile customers added upon the formation of the joint venture, Wind Tre in Italy.

## Key Business Indicators

	Registered Customer Base					
	Registered Customers at 31 December 2016 ('000)			Registered Customer Growth (%) from 31 December 2015 to 31 December 2016		
	Non-contract	Contract	Total	Non-contract	Contract	Total
United Kingdom	4,973	6,436	<b>11,409</b>	+8%	+4%	<b>+6%</b>
Italy <sup>(5)</sup>	24,258	7,085	<b>31,343</b>	+430%	+29%	<b>+211%</b>
Sweden	293	1,775	<b>2,068</b>	+15%	+1%	<b>+3%</b>
Denmark	449	787	<b>1,236</b>	+8%	+4%	<b>+5%</b>
Austria	1,277	2,517	<b>3,794</b>	-2%	+1%	–
Ireland	1,791	1,208	<b>2,999</b>	+14%	+3%	<b>+9%</b>
<b>3 Group Europe Total</b>	<b>33,041</b>	<b>19,808</b>	<b>52,849</b>	<b>+160%</b>	<b>+11%</b>	<b>+73%</b>

	Active <sup>(6)</sup> Customer Base					
	Active Customers at 31 December 2016 ('000)			Active Customer Growth (%) from 31 December 2015 to 31 December 2016		
	Non-contract	Contract	Total	Non-contract	Contract	Total
United Kingdom	2,859	6,320	<b>9,179</b>	-1%	+4%	<b>+2%</b>
Italy <sup>(5)</sup>	21,833	6,752	<b>28,585</b>	+486%	+25%	<b>+213%</b>
Sweden	213	1,775	<b>1,988</b>	+31%	+1%	<b>+3%</b>
Denmark	414	787	<b>1,201</b>	+5%	+4%	<b>+4%</b>
Austria	434	2,510	<b>2,944</b>	-3%	+2%	<b>+1%</b>
Ireland	888	1,181	<b>2,069</b>	-1%	+3%	<b>+2%</b>
<b>3 Group Europe Total</b>	<b>26,641</b>	<b>19,325</b>	<b>45,966</b>	<b>+213%</b>	<b>+10%</b>	<b>+76%</b>

	2016	2015
Contract customers as a % of the total registered customer base	<b>37%</b>	58%
Contract customers' contribution to the net customer service revenue base (%)	<b>76%</b>	83%
Average monthly churn rate of the total contract registered customer base (%)	<b>1.6%</b>	1.8%
Active contract customers as a % of the total contract registered customer base	<b>98%</b>	98%
Active customers as a % of the total registered customer base	<b>87%</b>	85%

Note 5: Includes approximately 20.5 million of registered mobile customers and approximately 18.9 million of active mobile customers added upon the formation of the joint venture, Wind Tre, but excludes approximately 2.7 million of fixed-line customers.

Note 6: An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.



**12-month Trailing Average Revenue per Active User<sup>(7)</sup> ("ARPU")  
to 31 December 2016**

	Non-Contract	Contract	Blended Total	% Variance compared to 31 December 2015
United Kingdom	£5.62	£25.94	<b>£19.24</b>	-4%
Italy <sup>(10)</sup>	€10.08	€16.92	<b>€13.24</b>	-5%
Sweden	SEK128.35	SEK307.46	<b>SEK290.22</b>	—
Denmark	DKK98.03	DKK169.32	<b>DKK145.04</b>	-1%
Austria	€9.90	€22.66	<b>€20.72</b>	+1%
Ireland	€15.92	€29.21	<b>€23.44</b>	-5%
<b>3 Group Europe Average</b>	<b>€9.85</b>	<b>€25.26</b>	<b>€19.21</b>	<b>-12%</b>

**12-month Trailing Net Average Revenue per Active User<sup>(8)</sup> ("Net ARPU")  
to 31 December 2016**

	Non-Contract	Contract	Blended Total	% Variance compared to 31 December 2015
United Kingdom	£5.62	£19.00	<b>£14.59</b>	-2%
Italy <sup>(10)</sup>	€10.08	€16.92	<b>€13.24</b>	-5%
Sweden	SEK128.35	SEK211.85	<b>SEK203.81</b>	-3%
Denmark	DKK98.03	DKK154.62	<b>DKK135.35</b>	—
Austria	€9.90	€19.34	<b>€17.90</b>	+1%
Ireland	€15.92	€24.19	<b>€20.60</b>	-9%
<b>3 Group Europe Average</b>	<b>€9.85</b>	<b>€20.54</b>	<b>€16.34</b>	<b>-10%</b>

**12-month Trailing Net Average Margin per Active User<sup>(9)</sup> ("Net AMPU")  
to 31 December 2016**

	Non-Contract	Contract	Blended Total	% Variance compared to 31 December 2015
United Kingdom	£5.00	£16.58	<b>£12.76</b>	-1%
Italy <sup>(10)</sup>	€8.23	€13.47	<b>€10.65</b>	-2%
Sweden	SEK107.71	SEK181.20	<b>SEK174.13</b>	-3%
Denmark	DKK81.11	DKK128.25	<b>DKK112.20</b>	-5%
Austria	€8.83	€16.33	<b>€15.19</b>	+3%
Ireland	€13.15	€20.21	<b>€17.15</b>	-7%
<b>3 Group Europe Average</b>	<b>€8.22</b>	<b>€17.30</b>	<b>€13.74</b>	<b>-9%</b>

Note 7: ARPU equals total monthly revenue, including incoming mobile termination revenue and contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the year.

Note 8: Net ARPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the year.

Note 9: Net AMPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, less direct variable costs (including interconnection charges and roaming costs) (i.e. net customer service margin), divided by the average number of active customers during the year.

Note 10: Italy's ARPU, Net ARPU and Net AMPU were calculated based on approximately ten months (January to October 2016) of 3 Italia's standalone figures and approximately two months (November to December 2016) of Wind Tre's figures.

## United Kingdom

	2016 GBP millions	2015 <sup>(11)</sup> GBP millions	Change
<b>Total Revenue</b>	<b>2,276</b>	2,195	+4%
- Net customer service revenue	1,599	1,573	+2%
- Handset revenue	531	549	-3%
- Other revenue	146	73	+100%
<b>Net Customer Service Margin</b>	<b>1,399</b>	1,363	+3%
<i>Net customer service margin %</i>	<i>87%</i>	<i>87%</i>	
<b>Other Margin</b>	<b>35</b>	18	+94%
Total CACs	(751)	(764)	+2%
Less: Handset revenue	531	549	-3%
Total CACs (net of handset revenue)	(220)	(215)	-2%
Operating Expenses	(495)	(480)	-3%
<i>Opex as a % of net customer service margin</i>	<i>35%</i>	<i>35%</i>	
<b>EBITDA</b>	<b>719</b>	686	+5%
<i>EBITDA Margin %</i>	<i>41%</i>	<i>42%</i>	
Depreciation & Amortisation	(223)	(225)	+1%
<b>EBIT</b>	<b>496</b>	461	+8%
Capex (excluding licence)	(352)	(358)	+2%
EBITDA less Capex	367	328	+12%
Licence	–	(212)	+100%

Note 11: 2015 pro forma results assumed that the Reorganisation was effective on 1 January 2015.

	2016	2015
Total registered customer base (millions)	11.4	10.8
Total active customer base (millions)	9.2	9.0
Contract customers as a % of the total registered customer base	56%	57%
Contract customers' contribution to the net customer service revenue base (%)	87%	89%
Average monthly churn rate of the total contract registered customer base (%)	1.4%	1.5%
Active contract customers as a % of the total contract registered customer base	98%	98%
Active customers as a % of the total registered customer base	80%	83%

The 5% EBITDA growth and 8% EBIT growth over 2015 reflected the higher net customer service margin primarily driven by an enlarged customer base, partly offset by 1% decrease in net AMPU compared to 2015. This margin improvement as well as the improvement in MVNO wholesale business, were partly offset by 3% higher operating expenses mainly due to higher network costs for commissioning of additional new sites.

On 6 February 2017, 3 UK entered into an agreement to acquire UK Broadband for a total consideration of £300 million. Completion of the transaction is subject to the fulfillment, or waiver by 3 UK, of a number of conditions precedent specified in the share purchase agreement by 31 July 2017. This acquisition provides 3 UK with additional mobile spectrum, which may be used for a future launch of 5G services, and also allows 3 UK to pursue a new segment opportunity in home broadband.

## Italy

	January to October 2016 <sup>(12)</sup> EUR millions	November to December 2016 <sup>(12)</sup> EUR millions	2016 EUR millions	2015 <sup>(13)</sup> EUR millions	Change
<b>Total Revenue</b>	1,553	489	<b>2,042</b>	1,825	+12%
- Net customer service revenue	1,291	451	<b>1,742</b>	1,478	+18%
- Handset revenue	231	30	<b>261</b>	297	-12%
- Other revenue	31	8	<b>39</b>	50	-22%
<b>Net Customer Service Margin</b>	1,018	361	<b>1,379</b>	1,153	+20%
<i>Net customer service margin %</i>	79%	80%	<b>79%</b>	78%	
<b>Other Margin</b>	26	7	<b>33</b>	48	-31%
Total CACs	(442)	(47)	<b>(489)</b>	(560)	+13%
Less: Handset revenue	231	30	<b>261</b>	297	-12%
<b>Total CACs (net of handset revenue)</b>	(211)	(17)	<b>(228)</b>	(263)	+13%
<b>Operating Expenses</b>	(554)	(142)	<b>(696)</b>	(662)	-5%
<i>Opex as a % of net customer service margin</i>	54%	39%	<b>51%</b>	57%	
<b>EBITDA</b>	279	209	<b>488</b>	276	+77%
<i>EBITDA Margin %</i>	21%	46%	<b>27%</b>	18%	
Depreciation & Amortisation	(125)	(40)	<b>(165)</b>	(119)	-39%
<b>EBIT</b>	154	169	<b>323</b>	157	+106%
Capex (excluding licence)	(189)			(446)	
EBITDA less Capex	90			(170)	

Note 12: January to October 2016 results represented approximately ten months results of 3 Italia and its subsidiaries prior to the formation of the joint venture, Wind Tre that was completed on 5 November 2016. Whilst November to December 2016 results represented the Group's 50% equity share of approximately two months results of Wind Tre post completion, of which revenue and EBITDA of fixed-line business amounted to €93.8 million and €38.0 million respectively.

Note 13: 2015 pro forma results assumed that the Reorganisation was effective on 1 January 2015.

	2016	2015
Total registered customer base (millions)	<b>31.3</b>	10.1
Total active customer base (millions)	<b>28.6</b>	9.1
Contract customers as a % of the total registered customer base	<b>23%</b>	55%
Contract customers' contribution to the net customer service revenue base (%) <sup>(14)</sup>	<b>59%</b>	74%
Average monthly churn rate of the total contract registered customer base (%) <sup>(14)</sup>	<b>2.4%</b>	2.7%
Active contract customers as a % of the total contract registered customer base	<b>95%</b>	98%
Active customers as a % of the total registered customer base	<b>91%</b>	90%

Note 14: 2016 key business indicators were calculated based on approximately ten months (January to October 2016) of 3 Italia's standalone figures and approximately two months (November to December 2016) of Wind Tre's figures.

Following the completion of the formation of a 50/50 joint venture, Wind Tre, to jointly own and operate the telecommunications businesses in Italy of 3 Italia and WIND on 5 November 2016, the combined business has become the largest mobile operator in Italy with approximately 31.3 million registered mobile customers and approximately 2.7 million fixed-line customers as at 31 December 2016.

Wind Tre has presented a set of combined results for the full year 2016 assuming the formation of the joint venture was effective as at 1 January 2016. Total revenue of €6,491 million in 2016 reflected the full year revenue of the telecommunications businesses in Italy of each of 3 Italia and WIND, while EBITDA and EBIT before one-off impairment and write-off, amounts to €2,124 million and €560 million respectively in 2016.

The results of the telecommunications businesses in Italy included in the Group's consolidated income statement for the year ended 31 December 2016 represented approximately ten months results of 3 Italia and its subsidiaries prior to the formation of the joint venture that was completed on 5 November 2016 and the Group's 50% share of

## Italy (continued)

approximately two months results of Wind Tre post completion. In addition, upon formation of the joint venture, the accounting standards require the Group to account for the joint venture's assets and liabilities at fair value. Accordingly, adjustments to the results of the telecommunications businesses in Italy have been made when the Group's 50% interest in the joint venture is incorporated into the Group's consolidated results.

The Group's share of EBITDA and EBIT of the telecommunication businesses in Italy amounted to €488 million and €323 million respectively in 2016.

## Sweden

	2016 SEK millions	2015 <sup>(15)</sup> SEK millions	Change
<b>Total Revenue</b>	<b>7,221</b>	7,019	+3%
- Net customer service revenue	4,854	4,657	+4%
- Handset revenue	2,047	2,073	-1%
- Other revenue	320	289	+11%
<b>Net Customer Service Margin</b>	<b>4,149</b>	3,995	+4%
<i>Net customer service margin %</i>	<i>85%</i>	<i>86%</i>	
<b>Other Margin</b>	<b>139</b>	101	+38%
Total CACs	(2,790)	(2,806)	+1%
Less: Handset revenue	2,047	2,073	-1%
Total CACs (net of handset revenue)	(743)	(733)	-1%
Operating Expenses	(1,429)	(1,338)	-7%
<i>Opex as a % of net customer service margin</i>	<i>34%</i>	<i>33%</i>	
<b>EBITDA</b>	<b>2,116</b>	2,025	+5%
<i>EBITDA Margin %</i>	<i>41%</i>	<i>41%</i>	
Depreciation & Amortisation	(607)	(653)	+7%
<b>EBIT</b>	<b>1,509</b>	1,372	+10%
Capex (excluding licence)	(796)	(809)	+2%
EBITDA less Capex	1,320	1,216	+9%
Licence <sup>(16)</sup>	(100)	–	N/A

Note 15: 2015 pro forma results assumed that the Reorganisation was effective on 1 January 2015.

Note 16: Represented the licence investment for 2x5 MHz in 1800 MHz band.

	2016	2015
Total registered customer base (millions)	2.1	2.0
Total active customer base (millions)	2.0	1.9
Contract customers as a % of the total registered customer base	86%	87%
Contract customers' contribution to the net customer service revenue base (%)	94%	95%
Average monthly churn rate of the total contract registered customer base (%)	1.7%	1.5%
Active contract customers as a % of the total contract registered customer base	100%	100%
Active customers as a % of the total registered customer base	96%	96%

In Sweden, where the Group has a 60% interest, reported a 4% increase in net customer service margin, primarily driven by 3% growth in active customer base partly offset by 3% decrease in both net ARPU and net AMPU due to mounting market pressure and increase in the mix of non-contract customer base. The 5% EBITDA growth and 10% EBIT growth over 2015 reflected the higher net customer service margin, partly offset by 7% increase in operating expenses.

## Denmark

	2016 DKK millions	2015 <sup>(17)</sup> DKK millions	Change
<b>Total Revenue</b>	<b>2,127</b>	2,078	+2%
- Net customer service revenue	<b>1,913</b>	1,802	+6%
- Handset revenue	<b>86</b>	178	-52%
- Other revenue	<b>128</b>	98	+31%
<b>Net Customer Service Margin</b>	<b>1,591</b>	1,571	+1%
<i>Net customer service margin %</i>	<b>83%</b>	87%	
<b>Other Margin</b>	<b>82</b>	52	+58%
Total CACs	<b>(311)</b>	(433)	+28%
Less: Handset revenue	<b>86</b>	178	-52%
<b>Total CACs (net of handset revenue)</b>	<b>(225)</b>	(255)	+12%
<b>Operating Expenses</b>	<b>(705)</b>	(664)	-6%
<i>Opex as a % of net customer service margin</i>	<b>44%</b>	42%	
<b>EBITDA</b>	<b>743</b>	704	+6%
<i>EBITDA Margin %</i>	<b>36%</b>	37%	
Depreciation & Amortisation	<b>(283)</b>	(274)	-3%
<b>EBIT</b>	<b>460</b>	430	+7%
Capex (excluding licence)	<b>(209)</b>	(161)	-30%
EBITDA less Capex	<b>534</b>	543	-2%
Licence <sup>(18)</sup>	<b>(292)</b>	—	N/A

Note 17: 2015 pro forma results assumed that the Reorganisation was effective on 1 January 2015.

Note 18: Represented the licence investment for 2x30 MHz in 1800 MHz band.

	2016	2015
Total registered customer base (millions)	<b>1.2</b>	1.2
Total active customer base (millions)	<b>1.2</b>	1.2
Contract customers as a % of the total registered customer base	<b>64%</b>	65%
Contract customers' contribution to the net customer service revenue base (%)	<b>75%</b>	76%
Average monthly churn rate of the total contract registered customer base (%)	<b>2.2%</b>	2.8%
Active contract customers as a % of the total contract registered customer base	<b>100%</b>	100%
Active customers as a % of the total registered customer base	<b>97%</b>	98%

The operation in Denmark, where the Group has a 60% interest, reported a 1% increase in net customer service margin, primarily driven by 4% growth in active customer base partly offset by 5% decrease in net AMPU from higher national roaming costs. The 6% and 7% growth in EBITDA and EBIT respectively reflected the higher net customer service margin, as well as lower total CACs, partly offset by higher operating expenses.

## Austria

	2016 EUR millions	2015 <sup>(19)</sup> EUR millions	Change
<b>Total Revenue</b>	<b>772</b>	736	+5%
- Net customer service revenue	624	613	+2%
- Handset revenue	125	99	+26%
- Other revenue	23	24	-4%
<b>Net Customer Service Margin</b>	<b>529</b>	514	+3%
<i>Net customer service margin %</i>	<i>85%</i>	<i>84%</i>	
<b>Other Margin</b>	<b>20</b>	16	+25%
Total CACs	(166)	(132)	-26%
Less: Handset revenue	125	99	+26%
<b>Total CACs (net of handset revenue)</b>	<b>(41)</b>	(33)	-24%
<b>Operating Expenses</b>	<b>(166)</b>	(181)	+8%
<i>Opex as a % of net customer service margin</i>	<i>31%</i>	<i>35%</i>	
<b>EBITDA</b>	<b>342</b>	316	+8%
<i>EBITDA Margin %</i>	<i>53%</i>	<i>50%</i>	
<b>Depreciation &amp; Amortisation</b>	<b>(97)</b>	(64)	-52%
<b>EBIT</b>	<b>245</b>	252	-3%
<b>Capex (excluding licence)</b>	<b>(90)</b>	(116)	+22%
<b>EBITDA less Capex</b>	<b>252</b>	200	+26%

Note 19: 2015 pro forma results assumed that the Reorganisation was effective on 1 January 2015.

	2016	2015
Total registered customer base (millions)	3.8	3.8
Total active customer base (millions)	2.9	2.9
Contract customers as a % of the total registered customer base	66%	66%
Contract customers' contribution to the net customer service revenue base (%)	92%	92%
Average monthly churn rate of the total contract registered customer base (%)	0.2%	0.4%
Active contract customers as a % of the total contract registered customer base	100%	99%
Active customers as a % of the total registered customer base	78%	77%

EBITDA increased 8% from 2015 to €342 million mainly due to higher net customer service margin driven by the improved net AMPU from new tariff propositions, together with lower operating expenses attributable to the realisation of additional cost synergies from the Orange Austria acquisition in 2013. Despite an improved EBITDA, EBIT decreased 3% to €245 million in 2016 due to higher depreciation and amortisation as a result of expanded network.

## Ireland

	2016 EUR millions	2015 <sup>(20)</sup> EUR millions	Change
<b>Total Revenue</b>	<b>655</b>	689	-5%
- Net customer service revenue	<b>504</b>	549	-8%
- Handset revenue	<b>81</b>	79	+3%
- Other revenue	<b>70</b>	61	+15%
Net Customer Service Margin	<b>420</b>	448	-6%
<i>Net customer service margin %</i>	<b>83%</b>	82%	
Other Margin	<b>44</b>	30	+47%
Total CACs	<b>(122)</b>	(127)	+4%
Less: Handset revenue	<b>81</b>	79	+3%
Total CACs (net of handset revenue)	<b>(41)</b>	(48)	+15%
Operating Expenses	<b>(235)</b>	(256)	+8%
<i>Opex as a % of net customer service margin</i>	<b>56%</b>	57%	
<b>EBITDA</b>	<b>188</b>	174	+8%
<i>EBITDA Margin %</i>	<b>33%</b>	29%	
Depreciation & Amortisation	<b>(76)</b>	(65)	-17%
<b>EBIT</b>	<b>112</b>	109	+3%
Capex (excluding licence)	<b>(103)</b>	(132)	+22%
EBITDA less Capex	<b>85</b>	42	+102%

Note 20: 2015 pro forma results assumed that the Reorganisation was effective on 1 January 2015.

	2016	2015
Total registered customer base (millions)	<b>3.0</b>	2.7
Total active customer base (millions)	<b>2.1</b>	2.0
Contract customers as a % of the total registered customer base	<b>40%</b>	43%
Contract customers' contribution to the net customer service revenue base (%)	<b>66%</b>	68%
Average monthly churn rate of the total contract registered customer base (%)	<b>1.5%</b>	1.6%
Active contract customers as a % of the total contract registered customer base	<b>98%</b>	98%
Active customers as a % of the total registered customer base	<b>69%</b>	74%

EBITDA of €188 million and EBIT of €112 million were higher than 2015 as a result of the continued realisation of cost synergies from network consolidation and system enhancement activities, partly offset by lower net AMPU primarily due to the full year impact of handset revenue amortisation of the newly retained customers from the O<sub>2</sub> Ireland base in 2016.

## Hutchison Telecommunications Hong Kong Holdings

	2016 HK\$ millions	2015 <sup>(21)</sup> HK\$ millions	Change
Total Revenue	12,133	22,122	-45%
EBITDA	2,607	2,911	-10%
EBIT	1,055	1,426	-26%
Total active customer base ('000)	3,222	3,031	+6%

Note 21: 2015 pro forma results assumed that the Reorganisation was effective on 1 January 2015.

HTHKH announced its 2016 profit attributable to shareholders of HK\$701 million, a decrease of 23% from last year. EBITDA of HK\$2,607 million and EBIT of HK\$1,055 million were 10% and 26% lower than last year respectively. The lower performance in 2016 is primarily driven by lower hardware sales from lower demand, as well as the reduction in mobile roaming revenue. The mobile business has stabilised its contract customer declines from the second quarter of 2016 due to a gradual pick up in higher margin contract customers and has reduced its full year churn from 1.8% in 2015 to 1.3% in 2016. The fixed-line telecommunications business in Hong Kong continues to provide stable contribution in 2016 driven by the carrier and corporate business segments.

## Hutchison Asia Telecommunications

	2016 HK\$ millions	2015 <sup>(22)</sup> HK\$ millions	Change	Change in Local Currency
Total Revenue	8,200	6,900	+19%	+19%
EBITDA	2,298	1,176	+95%	+96%
EBIT	2,130	1,176	+81%	+82%
Total active customer base ('000)	77,369	72,820	+6%	

Note 22: 2015 pro forma results assumed that the Reorganisation was effective on 1 January 2015.

HAT had an active customer base of approximately 77.4 million at the end of 2016, with Indonesia representing 88% of the base. EBITDA of HK\$2,298 million and EBIT of HK\$2,130 million in 2016 represent a growth of 95% and 81% over last year respectively, primarily driven by the strong data segment growth of the Indonesia operation, partly offset by higher costs associated with the gradual acceptance of the turnkey network contract in various regions in Indonesia.

After the conversion of the Vietnam operation into a joint stock company in October 2016, the Company will accelerate its network rollout and increase its penetration into the data market segment, while Indonesia and Sri Lanka will also continue to expand its network coverage through effective and efficient rollout strategies in order to meet accelerating data demands in their local markets.



## HTAL, share of VHA

HTAL announced total revenue from its share of 50% owned associated company, VHA <sup>(23)</sup>, of A\$1,673 million, an 8% decrease over last year driven entirely by the reduction in regulated mobile termination rates for all carriers in Australia from 1 January 2016. This reduction in the regulated mobile termination rates had minimal impact to the net customer services margin for VHA, which improved by 2% against last year.

EBITDA increased by 12% over last year to A\$456 million mainly driven by growth in customer base and good cost controls, correspondingly with lower depreciation and amortisation, the reported attributable share of loss improved by 64% compared to 2015 of A\$68 million. These improvements have also resulted in VHA achieving positive free cash flow for the year.

VHA's active customer base increased 2% to approximately 5.6 million (including MVNOS) at 31 December 2016, with over 3% growth in the higher margin contract segment. Complaints to the Telecommunications Industry Ombudsman during the December 2016 quarter was 22% lower than the industry average. Recently, VHA was ranked as the network with the best combined voice and data performance in major cities <sup>(24)</sup> in Australia.

Following a promising performance in 2016, VHA will continue to focus on its product offerings, network and customer service in order to continue to grow the customer base and a strong brand.

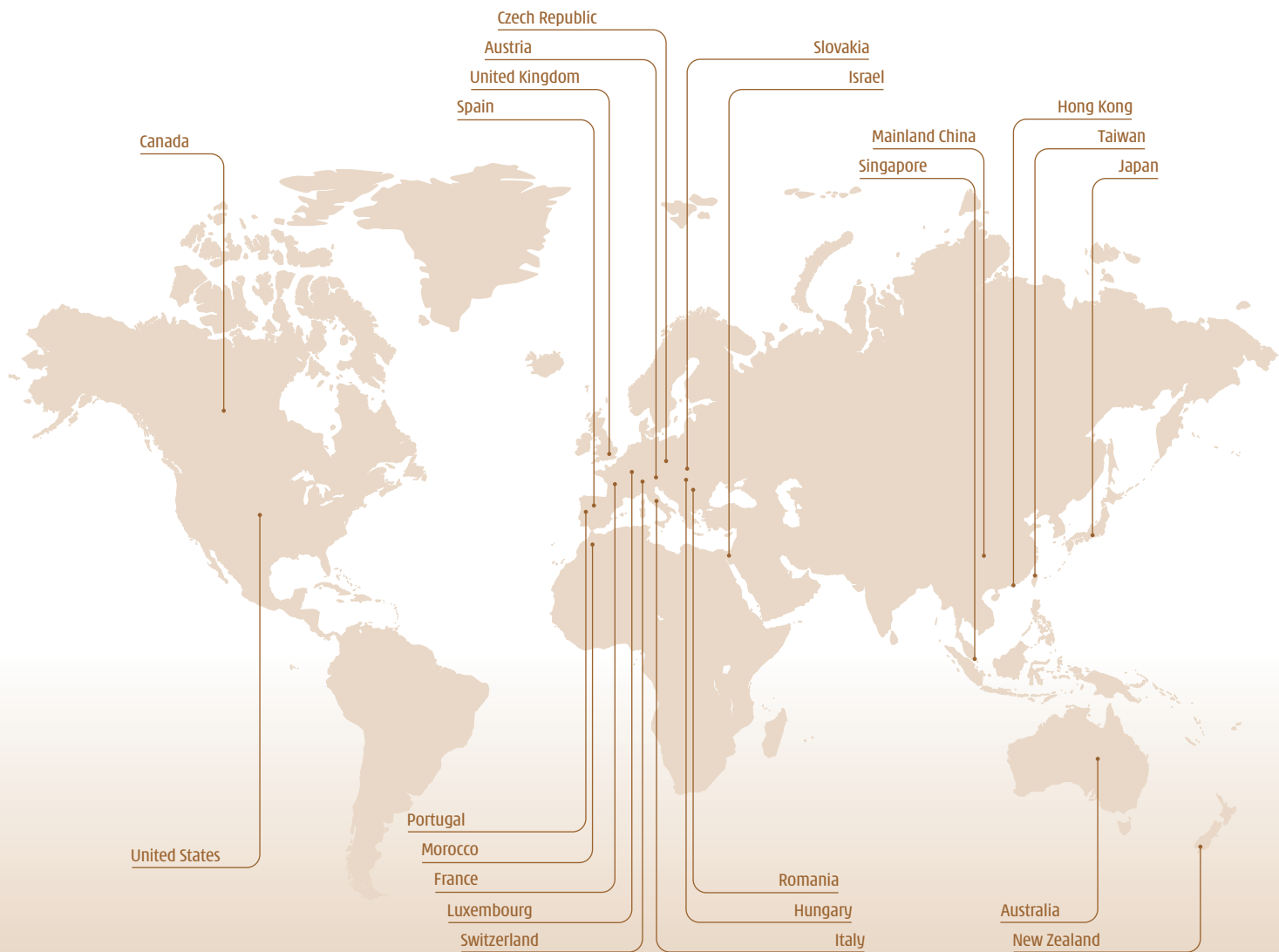
Note 23: The Group's share of VHA's operating losses continue to be included as a P&L charge under "Others" of the Group's profits on disposal of investments and others line as VHA continues to operate under the leadership of Vodafone under the applicable terms of our shareholders' agreement since the second half of 2012.

Note 24: Cities with population over 100,000.



Hutchison China MediTech completes an IPO on the Nasdaq Global Select Market in the US, raising over US\$110 million.

# Finance & Investments and Others



The finance & investments and others segment includes returns earned on the Group's holdings of cash and liquid investments, Hutchison Whampoa (China) Limited ("HWCL"), listed associate TOM Group ("TOM"), Hutchison Water, the Marionnaud business and listed associate CK Life Sciences Group ("CKLS").

	2016 HK\$ millions	2015 <sup>(1)</sup> HK\$ millions	Change
Total Revenue	22,574	22,563	–
EBITDA	1,513	2,142	-29%
EBIT	1,174	1,822	-36%

Note 1: 2015 pro forma total revenue, EBITDA, and EBIT assumed that the Reorganisation was effective on 1 January 2015.

## Finance and Investments

Finance and investments mainly represents returns earned on the Group's holdings of cash and liquid investments, which totalled HK\$162,224 million at 31 December 2016. Further information on the Group's treasury function can be found in the "Group Capital Resources and Liquidity" section of the 2016 Annual Report. The reduced EBITDA and EBIT contribution of this segment was mainly due to the impact of foreign exchange movements on monetary assets and the disposals of non-core investments in both years.

## Other Operations

### Hutchison Whampoa (China) Limited

HWCL operates various manufacturing, service and distribution joint ventures in the Mainland and Hong Kong, and also has an investment in Hutchison China MediTech Limited ("Chi-Med"), currently a 60.4% owned subsidiary that is dual-listed on AIM market of the London Stock Exchange in the UK and Nasdaq Global Select Market ("Nasdaq") in the US. The listing of Chi-Med's shares on Nasdaq was completed in the first half of 2016 and raised gross proceeds of over US\$110 million. Chi-Med is an innovative biopharmaceutical company which researches, develops, manufactures and sells pharmaceuticals and healthcare products.

### TOM Group

TOM, a 36.73% associate, is a media and technology company listed on SEHK. In addition to its media businesses in publishing and advertising, TOM also has a technology platform with operations in e-commerce, social network, mobile internet; and investments in fintech and big data analytics sectors.

### Hutchison Water Limited

The Group has a 49% interest in a water desalination project in Israel which was granted a 26.5-year concession by the Israeli government to build and operate a water desalination plant in Sorek, Israel. The plant is one of the largest desalination plants in the world in terms of capacity.

### Marionnaud

Marionnaud currently operates approximately 1,000 stores in 11 European markets, providing luxury perfumery and cosmetic products.

### CK Life Sciences Group

The Group has an approximate 45.32% interest in CKLS, a company listed on SEHK. CKLS is engaged in the business of research and development, manufacturing, commercialisation, marketing, sale of, and investment in, products and assets which are nutraceuticals, pharmaceuticals and agriculture-related.

## Interest Expense, Finance Costs and Tax

The Group's consolidated interest expenses and other finance costs for the year, including its share of associated companies' and joint ventures' interest expenses, amortisation of finance costs and after deducting interest capitalised on assets under development, amounted to HK\$12,229 million, a decrease of 3% when compared last year mainly due to full year impact on the interest costs savings from loan refinancing at lower interest rates in the ports and infrastructure divisions during 2015. The Group's weighted average cost of debt for 2016 was 2.18%.

The Group recorded current and deferred tax charges totalling HK\$8,016 million for the year, an increase of 11% mainly due to lower benefits being recognised in 2016 for the Infrastructure businesses in the UK following the further enactment of UK corporate tax rate reduction against the benefit recognised in 2015.

## Summary

Economic and market conditions remained volatile in 2016 which affect the Group's businesses worldwide. Despite facing various challenges, the Group continued to demonstrate its resilience and sustained growth in earnings in 2016, while maintaining a healthy and conservative level of liquidity and a strong balance sheet.

The Group remains committed to its dual objectives of maintaining a healthy rate of growth in recurring earnings and a stable financial profile. Cautious and selective expansion and stringent capital expenditure and cost controls will continue across all businesses. In Italy, the successful integration of the legacy businesses and delivery of the expected merger synergies by Wind Tre will be a key focus for 2017. By also maintaining a prudent financial profile and strong liquidity, the Group is expected to deliver promising growth in 2017. Barring adverse external developments in the sectors and geographies in which we operate, I have full confidence that these objectives will be achieved in 2017.

**Fok Kin Ning, Canning**

*Group Co-Managing Director*

Hong Kong, 22 March 2017

## Additional Information

### Ports and Related Services

The following tables summarise the major port operations for the four segments of the division.

#### HPH Trust

Name	Location	The Group's Effective Interest	2016 Throughput (100% basis) (million TEU)
Hongkong International Terminals/ COSCO-HIT Terminals/ Asia Container Terminals	Hong Kong	30.07% / 15.03% / 12.03%	11.1
Yantian International Container Terminals - Phase I and II/ Phase III/ West Port	Mainland China	16.96% / 15.53% / 15.53%	11.7
Huizhou International Container Terminals	Mainland China	12.42%	0.1
Ancillary Services - Asia Port Services/ Hutchison Logistics (HK)/ Shenzhen Hutchison Inland Container Depots	Hong Kong and Mainland China	30.07% / 30.07% / 23.35%	N/A

#### Mainland China and Other Hong Kong

Name	Location	Hutchison Ports' Effective Interest <sup>(1)</sup>	2016 Throughput (100% basis) (million TEU)
Shanghai Mingdong Container Terminals/ Shanghai Pudong International Container Terminals	Mainland China	50% / 30%	8.6
Ningbo Beilun International Container Terminals	Mainland China	49%	2.0
River Trade Terminal	Hong Kong	50%	0.9
Ports in Southern China - Nanhai International Container Terminals <sup>(2)</sup> / Jiangmen International Container Terminals <sup>(2)</sup> / Shantou International Container Terminals/ Huizhou Port Industrial Corporation/ Xiamen International Container Terminals/ Xiamen Haicang International Container Terminals	Mainland China	50% / 50% / 70% / 33.59% / 49% / 49%	2.2

Note 1: The Group holds an 80% interest in Hutchison Ports Holdings Group ("Hutchison Ports").

Note 2: Although HPH Trust holds the economic interest in the two River Ports in Nanhai and Jiangmen in Southern China, the legal interests in these operations are retained by this division.

**Ports and Related Services** (continued)

**Europe**

Name	Location	Hutchison Ports' Effective Interest <sup>(1)</sup>	2016 Throughput (100% basis) (million TEU)
Europe Container Terminals (ECT)/ Delta Terminal, ECT / Euromax Terminal, ECT Amsterdam Container Terminals	Belgium, Germany and The Netherlands	93.5% / 89.37% / 60.78% 70.08%	8.9
Hutchison Ports (UK) - Port of Felixstowe/ Harwich International Port/ London Thamesport	United Kingdom	100% / 100% / 80%	4.2
Barcelona Europe South Terminal	Spain	100%	1.2
Gdynia Container Terminal	Poland	99.15%	0.3
Container Terminal Frihamnen <sup>(3)</sup>	Sweden	100%	0.1

Note 3: The Group holds the right to operate Container Terminal Frihamnen in Sweden.

**Asia, Australia and Others**

Name	Location	Hutchison Ports' Effective Interest <sup>(1)</sup>	2016 Throughput (100% basis) (million TEU)
Westports Malaysia	Malaysia	23.55%	9.9
Panama Ports Company	Panama	90%	3.6
Jakarta International Container Terminal / Koja Terminal	Indonesia	49% / 45.09%	3.0
Hutchison Korea Terminals / Korea International Terminals	South Korea	100% / 88.9%	2.7
Hutchison Laemchabang Terminal / Thai Laemchabang Terminal	Thailand	80% / 87.5%	2.4
Internacional de Contenedores Asociados de Veracruz/ Lazaro Cardenas Terminal Portuaria de Contenedores/ Lazaro Cardenas Multipurpose Terminal/ Ensenada International Terminal/ Terminal Internacional de Manzanillo	Mexico	100%	2.2
International Ports Services	Saudi Arabia	51%	1.4
Freeport Container Port	The Bahamas	51%	1.2
Karachi International Container Terminal / South Asia Pakistan Terminals	Pakistan	100% / 90%	1.1
Alexandria International Container Terminals	Egypt	80.33%	0.7
Oman International Container Terminal	Oman	65%	0.6
Tanzania International Container Terminal Services	Tanzania	66.5%	0.5
Sydney International Container Terminals	Australia	100%	0.2
Buenos Aires Container Terminal Services	Argentina	100%	0.2
Hutchison Ajman International Terminals	United Arab Emirates	100%	0.2
Brisbane Container Terminals	Australia	100%	0.1
Myanmar International Terminals Thilawa	Myanmar	100%	0.1
Saigon International Terminals Vietnam	Vietnam	70%	—



## Retail

### Brand list by Market

Market	Brand
Albania	Rossmann
Belgium	ICI PARIS XL, Kruidvat
Czech Republic	Rossmann
Germany	ICI PARIS XL, Rossmann
Hong Kong	Watsons, PARKnSHOP, Fortress, Watson's Wine, Watsons Water, Mr Juicy
Hungary	Rossmann
Indonesia	Watsons
Ireland	The Perfume Shop, Superdrug
Latvia	Drogas
Lithuania	Drogas
Luxembourg	ICI PARIS XL
Macau	Watsons, PARKnSHOP, Fortress, Watson's Wine
Mainland China	Watsons, PARKnSHOP, Watson's Wine, Watsons Water, Mr Juicy
Malaysia	Watsons
The Netherlands	ICI PARIS XL, Kruidvat, Trekleister
The Philippines	Watsons
Poland	Rossmann
Russia	Spektr
Singapore	Watsons
South Korea <sup>(1)</sup>	Watsons
Taiwan	Watsons
Thailand	Watsons
Turkey	Watsons
United Kingdom	The Perfume Shop, Superdrug, Savers
Ukraine	Watsons

Note 1: The 50% interest of the Group has been disposed of in February 2017.

## Infrastructure

### CKI Project Profile by Geographical Location

Geographical Location	Company/Project	Type of Business	Shareholding Interest within CKHH Group
<b>Australia</b>	SA Power Networks	Electricity Distribution	CKI: 23.07%; Power Assets: 27.93%
	Powercor Australia Limited	Electricity Distribution	CKI: 23.07%; Power Assets: 27.93%
	CitiPower I Pty Ltd.	Electricity Distribution	CKI: 23.07%; Power Assets: 27.93%
	Australian Gas Networks Limited	Gas Distribution	CKHH: 27.51%; CKI: 44.97%; Power Assets: 27.5%
	Transmission Operations (Australia) Pty Ltd	Electricity Transmission	CKI: 50%; Power Assets: 50%
<b>Canada</b>	Canadian Power Holdings Inc.	Electricity Generation	CKI: 50%; Power Assets: 50%
	Park'N Fly	Off-airport Parking	CKHH: 50%; CKI: 50%
	Husky Midstream Limited Partnership	Oil pipelines and storage	CKI: 16.25%; Power Assets: 48.75%
<b>Hong Kong</b>	Power Assets Holdings Limited ("Power Assets")	Holding company of a 33.37% interest in HKEI, a listed electricity generation and transmission business in HK, and power and utility-related businesses overseas	CKI: 38.87%
	Alliance Construction Materials Limited	Infrastructure Materials	CKI: 50%
	Green Island Cement Company, Limited	Infrastructure Materials	CKI: 100%
	Anderson Asphalt Limited	Infrastructure Materials	CKI: 100%
<b>Mainland China</b>	Green Island Cement (Yunfu) Company Limited	Infrastructure Materials	CKI: 100%
	Guangdong Gitic Green Island Cement Co. Ltd.	Infrastructure Materials	CKI: 66.5%
	Shen-Shan Highway (Eastern Section)	Toll Road	CKI: 33.5%
	Shantou Bay Bridge	Toll Bridge	CKI: 30%
	Tangshan Tangle Road	Toll Road	CKI: 51%
	Jiangmen Chaolian Bridge	Toll Bridge	CKI: 50%
	Panyu Beidou Bridge	Toll Bridge	CKI: 40%
<b>The Netherlands</b>	Dutch Enviro Energy Holdings B.V.	Energy-from-Waste	CKHH: 35%; CKI: 35%; Power Assets: 20%
<b>New Zealand</b>	Wellington Electricity Lines Limited	Electricity Distribution	CKI: 50%; Power Assets: 50%
	Enviro (NZ) Limited	Waste Management	CKI: 100%
<b>The Philippines</b>	Siquijor Limestone Quarry	Infrastructure Materials	CKI: 40%
<b>Portugal</b>	Portugal Renewable Energy	Generation and Sale of Wind Energy	CKI: 50%; Power Assets: 50%
<b>United Kingdom</b>	UK Power Networks Holdings Limited	Electricity Distribution	CKI: 40%; Power Assets: 40%
	Northumbrian Water Group Limited	Water Supply, Sewerage and Waste Water businesses	CKHH: 40%; CKI: 40%
	Northern Gas Networks Limited	Gas Distribution	CKI: 47.06%; Power Assets: 41.29%
	Wales & West Utilities Limited	Gas Distribution	CKHH: 30%; CKI: 30%; Power Assets: 30%
	Seabank Power Limited	Electricity Generation	CKI: 25%; Power Assets: 25%
Southern Water Services Limited	Water and Wastewater Services	CKI: 4.75%	
UK Rails S.à r.l.	Leasing of Rolling Stock	CKHH: 50%; CKI: 50%	

## Energy

Husky Energy is one of Canada's largest integrated energy companies with a diverse oil and gas portfolio in Canada and Asia Pacific. Western Canada production is connected to upgrading and transportation infrastructure in Western Canada, plus refining operations in the United States. The table below summarises the major projects and activities of the division.

Operations	Project	Status/Production Timeline	Husky Energy's Working Interest
<b>UPSTREAM</b>			
<b>Western Canada</b>			
- Oil Resource Plays	Viking, Alberta and S.W. Saskatchewan	In production	Varies
	N. Cardium, Wapiti, Alberta	In production	Varies
	Muskwa, Rainbow, Northern Alberta	In production	Varies
	Slater River Canol Shale, Northwest Territories	Under evaluation	100%
- Liquids-Rich Gas Resource Plays	Ansell Multi-zone, Alberta	In production	Varies
	Duvernay, Kaybob, Alberta	In production	Varies
- Heavy Oil Thermal Projects	Pikes Peak	In production	100%
	Bolney/Celtic	In production	100%
	Paradise Hill	In production	100%
	Pikes Peak South	In production	100%
	Sandall	In production	100%
	Rush Lake	In production	100%
	Vawn	First Oil in June 2016	100%
	Edam West	First Oil in August 2016	100%
	Edam East	First Oil in April 2016	100%
	Rush Lake II	2019	100%
	Rainbow Lake Gas Processing Plant	In operation	100%
<b>Atlantic Region</b>			
	Terra Nova	In production	13%
	South Avalon	In production	72.5%
	North Amethyst	In production	68.875%
	South White Rose Extension	In production	68.875%
	West White Rose	Under evaluation	68.875%
	Flemish Pass Basin	Under evaluation	35%
<b>Oil Sands</b>			
	Tucker, Alberta	In production	100%
	Sunrise (Phase 1), Alberta	In production	50%
	Saleski, Alberta	Under evaluation	100%
<b>Asia Pacific</b>			
	Wenchang, South China Sea	In production	40%
	Liwan 3-1, Block 29/26, South China Sea	In production	49%
	Liuhoa 34-2, Block 29/26, South China Sea	In production	49%
	Liuhoa 29-1, Block 29/26, South China Sea	2019	49%
	Block 15/33, South China Sea	Production Sharing Contract signed in 2015	100%
	Madura Strait, BD, MDA, MBH & MDK, Indonesia	2017	40%
	Madura Strait, MAC, MAX & MBJ, Indonesia	Under evaluation	40%
	Madura Strait, MBF, Indonesia	Under evaluation	50%
	Anugerah, Indonesia	Production Sharing Contract signed in 2014	100%
	Offshore Taiwan	Joint Venture Contract signed in 2012	75%
<b>DOWNSTREAM</b>			
	Lima Refinery, Ohio, USA	In production	100%
	Toledo Refinery, Ohio, USA	In production	50%
	Lloydminster Upgrader, Saskatchewan	In production	100%
	Lloydminster Asphalt Refinery, Alberta	In production	100%
	Prince George Refinery, British Columbia	In production	100%
	Lloydminster Ethanol Plant, Saskatchewan	In production	100%
	Minnedosa Ethanol Plant, Manitoba	In production	100%
	Cold Lake Pipeline System, Alberta	In operation	35%
	Saskatchewan Gathering System	In operation	35%
	Mainline Pipeline System, Alberta	In operation	35%
	Hardisty Terminal	In operation	35%

## Telecommunications

### Summary of licence investments

Operation	Licence	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum
<b>United Kingdom</b> <sup>(1)</sup>	800 MHz	5 MHz	1	Paired	10 MHz
	1400 MHz	5 MHz	4	Unpaired	20 MHz
	1800 MHz	5 MHz	3	Paired	30 MHz
	2100 MHz	5 MHz	3	Paired	30 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
<b>Italy</b>	800 MHz	5 MHz	2	Paired	20 MHz
	900 MHz	5 MHz	2	Paired	20 MHz
	900 MHz <sup>(2)</sup>	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	4	Paired	40 MHz
	1800 MHz <sup>(2)</sup>	5 MHz	2	Paired	20 MHz
	2100 MHz	5 MHz	4	Paired	40 MHz
	2100 MHz <sup>(2)</sup>	5 MHz	2	Paired	20 MHz
	2100 MHz	5 MHz	2	Unpaired	10 MHz
	2600 MHz	5 MHz	4	Paired	40 MHz
	2600 MHz <sup>(2)</sup>	5 MHz	2	Paired	20 MHz
	2600 MHz	15 MHz	2	Unpaired	30 MHz
<b>Austria</b>	900 MHz (from 2016)	5 MHz	1	Paired	10 MHz
	1800 MHz (to 2017)	200 kHz	145	Paired	58 MHz
	1800 MHz (from 2013 to 2017)	3.5 MHz	1	Paired	7 MHz
	1800 MHz (from 2016 to 2017)	3 MHz	1	Paired	6 MHz
	1800 MHz (from 2018)	5 MHz	4	Paired	40 MHz
	2100 MHz	5 MHz	5	Paired	50 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	2600 MHz	5 MHz	5	Paired	50 MHz
2600 MHz	25 MHz	1	Unpaired	25 MHz	
<b>Sweden</b>	800 MHz	10 MHz	1	Paired	20 MHz
	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	1	Paired	10 MHz
	2100 MHz	20 MHz	1	Paired	40 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	2600 MHz	10 MHz	1	Paired	20 MHz
	2600 MHz	50 MHz	1	Unpaired	50 MHz
<b>Denmark</b>	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	2	Paired	20 MHz
	1800 MHz	10 MHz	2	Paired	40 MHz
	2100 MHz	15 MHz	1	Paired	30 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	2600 MHz	10 MHz	1	Paired	20 MHz
2600 MHz	5 MHz	5	Unpaired	25 MHz	
<b>Ireland</b>	800 MHz	5 MHz	2	Paired	20 MHz
	900 MHz	5 MHz	3	Paired	30 MHz
	1800 MHz	5 MHz	7	Paired	70 MHz
	2100 MHz	5 MHz	6	Paired	60 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz

Operation	Licence	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum
<b>HCHKH - Hong Kong</b>	900 MHz	5 MHz	1	Paired	10 MHz
	900 MHz	8.3 MHz	1	Paired	16.6 MHz
	1800 MHz	11.6 MHz	1	Paired	23.2 MHz
	2100 MHz	14.8 MHz	1	Paired	29.6 MHz
	2300 MHz	30 MHz	1	Unpaired	30 MHz
	2600 MHz <sup>(3)</sup>	5 MHz	1	Paired	10 MHz
	2600 MHz <sup>(3)</sup>	15 MHz	1	Paired	30 MHz
<b>HCHKH - Macau</b>	900 MHz	7.8 MHz	1	Paired	15.6 MHz
	1800 MHz	4.4 MHz	1	Paired	8.8 MHz
	1800 MHz	15 MHz	1	Paired	30 MHz
	2100 MHz	10 MHz	1	Paired	20 MHz
<b>HAT - Indonesia</b>	1800 MHz	10 MHz	1	Paired	20 MHz
	2100 MHz	5 MHz	2	Paired	20 MHz
<b>HAT - Sri Lanka</b>	900 MHz	7.5 MHz	1	Paired	15 MHz
	1800 MHz	7.5 MHz	1	Paired	15 MHz
	2100 MHz	5 MHz	2	Paired	20 MHz
<b>HAT - Vietnam</b>	900 MHz	10 MHz	1	Paired	20 MHz
	2100 MHz <sup>(4)</sup>	15 MHz	1	Paired	30 MHz
<b>Australia <sup>(5)</sup></b>	850 MHz	5 MHz	2	Paired	20 MHz
	900 MHz	8.2 MHz	1	Paired	16.4 MHz
	1800 MHz	5 MHz	6	Paired	60 MHz
	2100 MHz	5 MHz	5	Paired	50 MHz

Note 1: Spectrum holding by 3 UK only and excludes spectrum held by UK Broadband as the acquisition of UK Broadband has not completed.

Note 2: For divestment to Iliad under the remedy taker contract.

Note 3: Spectrum held by 50/50 joint venture with PCCW.

Note 4: Spectrum shared with Viettel Mobile.

Note 5: VHA's spectrum holdings vary across different locations, hence the above reflects spectrum allocated in Sydney and Melbourne only.

## Group Capital Resources and Liquidity

### Treasury Management

The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. It is the Group's policy not to have credit rating triggers that would accelerate the maturity dates of the Group's borrowings. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's exposure to interest rate and foreign exchange rate fluctuations. In limited circumstances, the Group also enters into swaps and forward contracts relating to oil and gas prices to hedge earnings and cash flow in Husky Energy. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

### Cash Management and Funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associated companies to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, for which the proportions will change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

### Interest Rate Exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Group's main interest rate exposure relates to US dollar, British Pound, Euro and HK dollar borrowings.

At 31 December 2016, approximately 31% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 69% were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$25,200 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$8,678 million principal amount of floating interest rate borrowings that were used to finance long term infrastructure investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 37% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 63% were at fixed rates at 31 December 2016. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

### Foreign Currency Exposure

For overseas subsidiaries, associated companies and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to its underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associated companies, except in relation to certain infrastructure investments.

The Group has operations in over 50 countries and conducts businesses in over 45 currencies. The Group's functional currency for reporting purposes is Hong Kong Dollars and the Group's reported results in Hong Kong Dollars are exposed to exchange translation gains or losses on its foreign currency earnings. The Group generally does not enter into foreign currency hedges in respect of its foreign currency earnings. At times of significant exchange rate volatility and where appropriate opportunities arise, the Group may prudently enter into forward foreign currency contracts and currency swaps for selective foreign currencies for a portion of its budgeted foreign currency earnings to limit potential downside foreign currency exposure on its earnings.

The Group's total principal amount of bank and other debts are denominated as follows: 27% in Euro, 41% in US dollars, 5% in HK dollars, 21% in British Pounds and 6% in other currencies.

## Credit Exposure

The Group's holdings of cash, managed funds and other liquid investments, interest rate and foreign currency swaps and forward currency contracts with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparties credit risk from its operating activities, particularly in its ports businesses. Such risks are continuously monitored by the local operational management.

## Credit Profile

The Group aims to maintain a capital structure that is appropriate for long-term investment grade ratings of A3 on the Moody's Investor Service scale, A- on the Standard & Poor's Rating Services scale and A- on the Fitch Ratings scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. At 31 December 2016, our long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A- from Fitch, with all three agencies maintaining stable outlooks on the Group's ratings.

## Market Price Risk

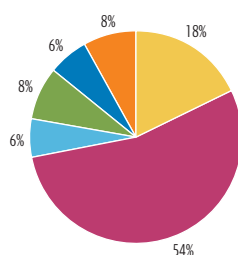
The Group's main market price risk exposures relate to listed/traded debt and equity securities described in "Liquid Assets" below and the interest rate swaps described in "Interest Rate Exposure" above. The Group's holding of listed/traded debt and equity securities represented approximately 4% of the cash, liquid funds and other listed investments ("liquid assets"). The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

## Liquid Assets

The Group continues to maintain a robust financial position. Liquid assets amounted to HK\$162,224 million at 31 December 2016, an increase of 23% from the balance of HK\$131,426 million at 31 December 2015, mainly reflecting the cash arising from positive funds from operations from the Group's businesses and cash from new borrowings, including the issuance of US\$750 million (approximately HK\$5,850 million), US\$500 million (approximately HK\$3,900 million) and EUR1,000 million (approximately HK\$8,470 million) fixed rate notes in September 2016, EUR1,350 million (approximately HK\$11,894 million) and EUR650 million (approximately HK\$5,726 million) fixed rate notes in April 2016, the issuance of US\$1,200 million (approximately HK\$9,360 million) of perpetual capital securities in March 2016 by listed subsidiary CKI, partly offset by the redemption of US\$1,000 million (approximately HK\$7,800 million) of perpetual capital securities by CKI, dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, the repayment and early repayment of certain borrowings and capex and investment spendings. Liquid assets were denominated as to 18% in HK dollars, 54% in US dollars, 6% in Renminbi, 8% in Euro, 6% in British Pounds and 8% in other currencies.

Cash and cash equivalents represented 96% of the liquid assets, US Treasury notes and listed/traded debt securities 3% and listed equity securities 1%. The US Treasury notes and listed/traded debt securities, including those held under managed funds, consisted of US Treasury notes of 58%, government and government guaranteed notes of 4%, notes issued by the Group's associated company, Husky Energy of 6%, notes issued by financial institutions of 3%, and others of 29%. Of these US Treasury notes and listed/traded debt securities, 70% are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 2.0 years on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

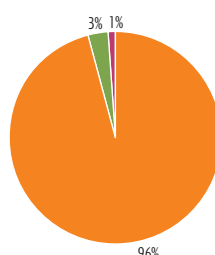
**Liquid Assets by Currency Denomination at 31 December 2016**



Total: HK\$162,224 million



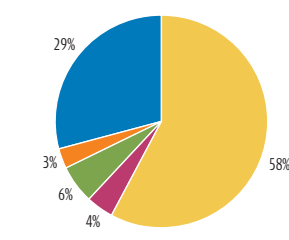
**Liquid Assets by Type at 31 December 2016**



Total: HK\$162,224 million



**US Treasury Notes and Listed/Traded Debt Securities by Type at 31 December 2016**



Total: HK\$3,949 million



### Cash Flow

Reported EBITDA<sup>(1)</sup> amounted to HK\$91,980 million for 2016. Consolidated funds from operations ("FFO") before cash profits from disposals, capital expenditures, investments and changes in working capital amounts to HK\$49,188 million for the year.

The Group's capital expenditures and investments in subsidiaries for 2016 amounted to HK\$24,546 million and HK\$333 million respectively. Capital expenditures on fixed assets for the ports and related services division amounted to HK\$2,858 million; for the retail division HK\$2,403 million; for the infrastructure division HK\$5,532 million; for 3 Group Europe HK\$7,449 million; for HTHKH HK\$1,131 million; for HAT HK\$439 million; and for the finance and investments and others segment HK\$234 million. Capital expenditures for licences, brand names and other rights were HK\$26 million for the ports and related services division, HK\$18 million for the infrastructure division; for 3 Group Europe HK\$803 million; for HTHKH HK\$1,819 million; for HAT HK\$1,807 million; and for the finance and investments and others segment HK\$27 million.

Purchases of and advances to associated companies and joint ventures, net of repayments from associated companies and joint ventures, resulted in a net cash outflow of HK\$42 million.

The capital expenditures and investments of the Group are primarily funded by cash generated from operations, cash on hand and to the extent appropriate, by external borrowings.

For further information of the Group's capital expenditures by division and cash flow, please see Note 5(e) and the "Consolidated Statement of Cash flows" section of this Annual Report.

Note 1: Reported EBITDA excludes the non-controlling interests' share of HPH Trust's EBITDA and profits on disposals of investments and others.

### Debt Maturity and Currency Profile

The Group's total bank and other debts, including unamortised fair value adjustments from acquisitions, at 31 December 2016 amounted to HK\$304,030 million (31 December 2015 - HK\$304,006 million) which comprises principal amount of bank and other debts of HK\$292,047 million (31 December 2015 - HK\$287,603 million), and unamortised fair value adjustments arising from acquisitions of HK\$11,983 million (31 December 2015 - HK\$16,403 million). The Group's total principal amount of bank and other debts at 31 December 2016 consist of 70% notes and bonds (31 December 2015 - 69%) and 30% bank and other loans (31 December 2015 - 31%). The Group's weighted average cost of debt for the year ended 31 December 2016 is 2.18%. Interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, totalled HK\$4,283 million as at 31 December 2016 (31 December 2015 - HK\$4,827 million).

The maturity profile of the Group's total principal amount of bank and other debts at 31 December 2016 is set out below:

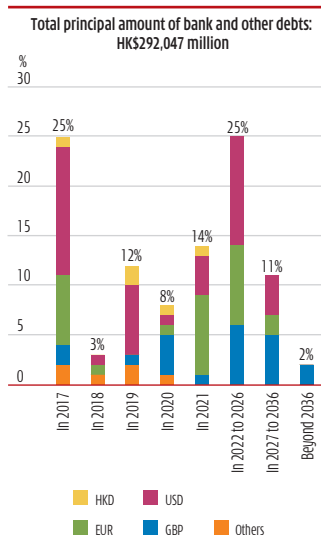
	HK\$	US\$	Euro	GBP	Others	Total
In 2017	1%	13%	7%	2%	2%	25%
In 2018	—	1%	1%	—	1%	3%
In 2019	2%	7%	—	1%	2%	12%
In 2020	1%	1%	1%	4%	1%	8%
In 2021	1%	4%	8%	1%	—	14%
In 2022 - 2026	—	11%	8%	6%	—	25%
In 2027 - 2036	—	4%	2%	5%	—	11%
Beyond 2036	—	—	—	2%	—	2%
<b>Total</b>	<b>5%</b>	<b>41%</b>	<b>27%</b>	<b>21%</b>	<b>6%</b>	<b>100%</b>

The non-HK dollar and non-US dollar denominated loans are either directly related to the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies. None of the Group's consolidated borrowings have credit rating triggers that would accelerate the maturity dates of any outstanding consolidated Group's debt.

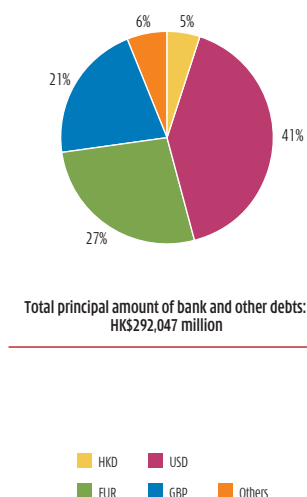


## Debt Maturity and Currency Profile (continued)

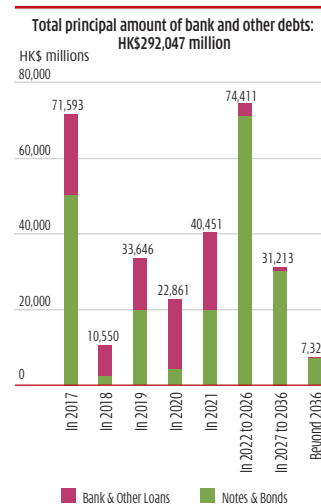
**Debt Maturity Profile by Year and Currency Denomination at 31 December 2016**



**Debt Profile by Currency Denomination at 31 December 2016**



**Debt Maturity Profile by Notes & Bonds and Bank & Other Loans at 31 December 2016**



## Changes in Debt Financing and Perpetual Capital Securities

The significant financing activities for the Group in 2016 were as follows:

- In January, repaid a floating rate loan facility of HK\$1,000 million on maturity;
- In February, obtained a seven-year floating rate loan facility of US\$1,200 million (approximately HK\$9,360 million);
- In March, listed subsidiary CKI issued US\$1,200 million (approximately HK\$9,360 million) perpetual capital securities;
- In March, listed subsidiary CKI redeemed US\$1,000 million (approximately HK\$7,800 million) perpetual capital securities that were originally issued in 2010;
- In March, May and June, prepaid a floating rate loan facility of US\$223 million (approximately HK\$1,739 million) maturing in June 2016;
- In March, obtained a five-year floating rate loan facility of US\$196 million (approximately HK\$1,529 million);
- In March, obtained two five-year floating rate term loan facilities of HK\$1,000 million each;
- In April, issued seven-year, EUR1,350 million (approximately HK\$11,894 million) fixed rate notes;
- In April, issued twelve-year, EUR650 million (approximately HK\$5,726 million) fixed rate notes;
- In April, repaid HK\$150 million principal amount of fixed rate notes on maturity;
- In May, obtained a five-year floating rate loan facility of EUR1,000 million (approximately HK\$8,740 million);
- In May, prepaid a floating rate loan facility of HK\$250 million maturing in June 2016;
- In May, prepaid a floating rate loan facility of HK\$750 million maturing in June 2016;
- In May, prepaid a floating rate loan facility of HK\$500 million maturing in August 2016;
- In May, prepaid two floating rate loan facilities of EUR98 million each (approximately HK\$850 million each) maturing in August 2018;
- In July, repaid S\$180 million (approximately HK\$1,037 million) principal amount of fixed rate notes on maturity;
- In July, repaid two floating rate loan facilities of HK\$300 million each on maturity;

### Changes in Debt Financing and Perpetual Capital Securities *(continued)*

- In August, obtained a five-year floating rate loan facility of EUR280 million (approximately HK\$2,262 million) and repaid on maturity a floating rate loan facility of the same amount;
- In August, repaid a floating rate loan facility of HK\$700 million on maturity;
- In September, redeemed S\$730 million (approximately HK\$4,210 million) perpetual capital securities that were originally issued in 2011;
- In September, obtained a five-year floating rate loan facility of US\$250 million (approximately HK\$1,950 million);
- In September, obtained a five-year floating rate loan facility of US\$300 million (approximately HK\$2,340 million);
- In September, repaid remaining outstanding balance of EUR669 million (approximately HK\$5,806 million) of EUR1,000 million (approximately HK\$8,677 million) principal amount of fixed rate notes on maturity;
- In September, repaid HK\$330 million principal amount of fixed rate notes on maturity;
- In September, issued five-year, US\$750 million (approximately HK\$5,850 million) fixed rate notes;
- In September, issued ten-year, US\$500 million (approximately HK\$3,900 million) fixed rate notes;
- In September, issued eight-year, EUR1,000 million (approximately HK\$8,470 million) fixed rate notes;
- In September, obtained a three-year floating rate term loan facility of HK\$1,010 million;
- In September, October and December, prepaid a floating rate loan facility of HK\$1,100 million maturing in June 2018;
- In October, repaid a floating rate loan facility of HK\$500 million on maturity;
- In October, repaid HK\$377 million principal amount of fixed rate notes on maturity;
- In October, obtained a three-year floating rate term loan and revolving loan facility of HK\$1,000 million;
- In October, issued ten-year, GBP300 million (approximately HK\$3,153 million) fixed rate bond;
- In November, repaid EUR1,750 million (approximately HK\$14,403 million) principal amount of fixed rate notes on maturity;
- In November, prepaid a floating rate loan facility of HK\$2,000 million maturing in May 2018;
- In November, prepaid a floating rate loan facility of HK\$1,000 million maturing in June 2018;
- In November, obtained a three-year floating rate term loan and revolving loan facility of US\$50 million (approximately HK\$390 million);
- In December, obtained a five-year floating rate loan facility of AUD250 million (approximately HK\$1,408 million);
- In December, prepaid AUD217 million (approximately HK\$1,210 million) of a floating rate loan facility of AUD250 million maturing in August 2017;
- In December, obtained a five-year floating rate loan facility of AUD550 million (approximately HK\$3,097 million); and
- In December, obtained a 42-month floating rate loan facility of VND4,014 billion (approximately HK\$1,365 million).

Furthermore, the significant debt financing activities undertaken by the Group following the year ended 31 December 2016 were as follows:

- In January, repaid US\$1,000 million (approximately HK\$7,800 million) principal amount of fixed rate notes on maturity;
- In January, obtained a five-year floating rate loan facility of US\$86 million (approximately HK\$671 million); and
- In March, obtained a three-year floating rate loan facility of HK\$9,500 million with an option to drawdown in HK dollars or US dollars.

## Capital, Net Debt and Interest Coverage Ratios

The Group's total ordinary shareholders' funds and perpetual capital securities decreased to HK\$424,679 million as at 31 December 2016, compared to HK\$428,588 million as at 31 December 2015, reflecting the net exchange losses on translation of the Group's overseas operations' net asset to the Group's Hong Kong dollar reporting currency including the Group's share of the translation gains and losses of associated companies and joint ventures, 2015 final and 2016 interim dividend and distributions paid and other items recognised directly in reserves, partly offset by the profits for 2016.

As at 31 December 2016, the consolidated net debt of the Group, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, was HK\$141,806 million (31 December 2015 - HK\$172,580 million, a 18% reduction compared to the net debt at the beginning of the year, resulting in the Group's net debt to net total capital ratio being reduced to 20.5% as at 31 December 2016 (31 December 2015 - 23.7%). The Group's consolidated cash and liquid investments as at 31 December 2016 were sufficient to repay all outstanding consolidated Group's principal amount of debt maturing before 2021.

The Group's consolidated gross interest expenses and other finance costs of subsidiaries, before capitalisation in 2016 was HK\$7,444 million.

Reported EBITDA of HK\$91,980 million and FFO of HK\$49,188 million for the year covered consolidated net interest expenses and other finance costs 19.9 times and 12.5 times respectively.

## Secured Financing

At 31 December 2016, assets of the Group totalling HK\$24,994 million (31 December 2015 - HK\$28,828 million) were pledged as security for bank and other debts.

## Borrowing Facilities Available

Committed borrowing facilities available to Group companies but not drawn at 31 December 2016 amounted to the equivalent of HK\$15,335 million (31 December 2015 - HK\$12,183 million).

## Contingent Liabilities

At 31 December 2016, the Group provided guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures totalling HK\$3,797 million (31 December 2015 - HK\$3,797 million), of which HK\$3,063 million (31 December 2015 - HK\$2,888 million) has been drawn down as at 31 December 2016, and also provided performance and other guarantees of HK\$3,950 million (31 December 2015 - HK\$3,557 million).

## Risk Factors

The Group's business, financial condition and results of operations are subject to various business risks and uncertainties. The factors set out below are those that the Group believes could result in the Group's financial condition or results of operations differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

### Global Economy

As a global business, the Group is exposed to the development of the global economy as well as the industries and geographical markets in which it operates. As a result, the Group's financial condition and results of operations may be influenced by the general state of the global economy or the general state of a specific market or economy. Any significant decrease in the level of economic growth in the global or regional or a specific economy could adversely affect the Group's financial condition or results of operations.

### Industry Trends, Interest Rates and Currency Markets

The Group's results are affected by trends in the industries in which it operates, including the ports and related services, retail, infrastructure, energy and telecommunications industries. While the Group believes that its diverse operations, geographical spread and extensive customer base reduce its exposure to particular industry cycles, its results have in the past been adversely affected by industry trends. For example, the Group's results have been negatively impacted by depressed oil and gas prices, cyclical downturn in the business of shipping lines, declines in retail consumer spending, decline in the value of securities investments, and volatility in currencies and interest rates. There can be no assurance that the combination of industry trends, and currency and interest rates experienced by the Group in the future will not adversely affect its financial condition and results of operations.

In particular, income from the Group's finance and treasury operations is dependent upon interest rates, the currency environment and market conditions, and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's financial condition and results of operations.

### Cashflow and Liquidity

From time to time, the Group accesses short-term and long-term capital markets to obtain financing. The availability of financing with acceptable terms and conditions may be impacted by many factors which include, among others, liquidity in the capital markets and the Group's credit ratings. Although the Group aims to maintain a capital structure that is appropriate for long-term investment grade ratings, actual credit ratings may deviate from these levels due to economic circumstances. If liquidity in the capital markets declines and/or credit ratings of the Group decline, the availability and cost of borrowings could be affected and thereby impact the Group's financial condition and results of operations, liquidity and cash flows.

### Currency Fluctuations

The Group reports its results in Hong Kong dollars but its subsidiaries, associated companies and joint ventures around the world receive revenue and incur expenses in approximately 45 different local currencies. The Group's subsidiaries, associated companies and joint ventures may also incur debt in these local currencies. Consequently, the Group is exposed to potential adverse impact of currency fluctuations on translation of the accounts and debts of these subsidiaries, associated companies and joint ventures and also on repatriation of earnings, equity investments and loans. Although the Group actively manages its currency exposures, depreciation or fluctuation of the currencies in which the Group conducts its operations relative to the Hong Kong dollar could have a material adverse effect on the Group's financial condition and results of operations.

### Crude Oil and Natural Gas Markets

Husky Energy's results of operations and financial condition are dependent on the prices received for its refined products, crude oil, natural gas liquids ("NGL") and natural gas production. Lower prices over a prolonged period of time for crude oil, NGL and natural gas could adversely affect the value and quantity of Husky Energy's oil and gas reserves. Prices for refined products, crude oil, NGL and natural gas are based on local and global supply and demand as well as availability and costs of transportation. Supply and demand can be affected by a number of factors including, but not limited to, actions taken by the Organisation of the Petroleum Exporting Countries (OPEC), non-OPEC crude oil supply, social conditions in oil producing countries, the occurrence of natural disasters, general and specific economic conditions, technological developments, prevailing weather patterns, the availability of alternate sources of energy. Husky Energy's natural gas production is currently located in Western Canada and the Asia Pacific. Western Canada is subject to North American market forces. In the Asia Pacific Region, natural gas is sold to specific buyers with long-term contracts. The price is fixed for the initial five years for the Liwan 3-1 gas field and then linked to city-gate gas prices for the following years subject to a fixed floor and ceiling. For Liuhua 34-2, the price is fixed with a single escalation step during the contract delivery period. Volatility in refined products, crude oil and natural gas prices could adversely affect the Group's financial condition and results of operations.

## Highly Competitive Markets

The Group's principal business operations face significant competition across the diverse markets in which they operate. New market entrants, the intensification of price competition by existing competitors, product innovation or technological advancement could adversely affect the Group's financial condition and results of operations. Competitive risks faced by the Group include:

- The vertical integration of international shipping lines, who are major clients of the Group's port operations. Shipping lines are increasingly investing in seaports and in their own dedicated terminal facilities and, going forward, may not require the use of the Group's terminal facilities;
- The expected continuous significant competition and pricing pressure from online and brick and mortar retail competitors, which may adversely affect the financial performance of the Group's retail operations;
- The new market entrants and intensified price competition among existing market players of the Group's waste management and off-airport car park businesses, which could adversely affect the financial performance of the Group's waste management and off-airport car park operations;
- The risk of competition with respect to gaining access to the resources required to increase oil and gas reserves and production and gain access to markets. The Group's ability to successfully complete development projects could be adversely affected if it is unable to acquire economic supplies and services due to competition;
- The aggressive tariff plans and customer acquisition strategies by telecommunications competitors may impact the Group's pricing plans, customer acquisition and retention costs, rate of customer growth and retention prospects and hence the revenue it receives as a major provider of telecommunications services; and
- The risk of competition from disruptive alternate telecommunications or energy technologies and potential competition in the future from substitute telecommunications or energy technologies being developed or to be developed or if the Group fails to develop, or obtain timely access to new technologies and equipment.

## Retail Product Liability

The Group's retail operations may be subject to product liability claims if consumers are injured or otherwise harmed by the products purchased from them. Customers count on the Group's retail operations to provide them with safe products. Concerns regarding the safety of food and non-food products that are sourced from a wide variety of suppliers could cause shoppers to avoid purchasing certain products from the Group's retail operations, even if the basis for the concern is outside of the Group's control. Claims, recalls or actions could be based on allegations that, among other things, the products sold by the retail operations are misbranded, contain contaminants or impermissible ingredients, provide inadequate instructions regarding their use or misuse, include inadequate warnings concerning flammability or interactions with other substances or in the case of any handset and other electrical devices that the retail operations sell, are not fit for purpose or pose a safety hazard. While the Group maintains product liability insurance coverage in amounts and with deductibles that the Group believes is prudent, there can be no assurance that the coverage will be applicable and adequate to cover all possible adverse outcomes of claims and legal proceedings against the Group. Any material shortfall in coverage may have an adverse impact on the results of the Group's retail operations. In addition, any lost confidence on the part of the Group's customers would be difficult and costly to re-establish. As such, any material issue regarding the safety of any food and non-food items that the Group sells, regardless of the cause, could materially and adversely affect the business, and results of the Group's retail operations.

## Strategic Partners

The Group conducts some of its businesses through non-wholly-owned subsidiaries, associated companies and joint ventures in which it shares control (in whole or in part) and has formed strategic alliances with certain leading international companies, government authorities and other strategic partners. There can be no assurance that any of these strategic or business partners will wish to continue their relationships with the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non-wholly-owned subsidiaries, associated companies and joint ventures and the markets in which they operate. Furthermore, other investors in the Group's non-wholly-owned subsidiaries, associated companies and joint ventures may undergo a change of control or financial difficulties which may negatively impact the Group's financial condition and results of operations.

## Future Growth

The Group continues to cautiously expand the scale and geographical spread of its businesses through investment in organic growth, as well as undertaking selective mergers, acquisitions and disposal activities if appropriate opportunities in the market arise. Success of the Group's mergers and acquisitions will depend, among other things, on the ability of the Group to realise the expected synergies, cost savings and growth opportunities upon integration of the merged or acquired businesses. These businesses may require significant investment and the commitment of executive management time and other resources. There can be no assurance that a failure to operate the merged or acquired businesses successfully or a longer than projected period to realise the expected synergies, will not have a material adverse effect on the Group's financial condition, results of operations and prospects.

The Group has made substantial investments in acquiring telecommunications licences and developing its mobile networks and growing its customer bases in Europe, Hong Kong and Macau, Asia, and Australia. The Group may need to incur more capital expenditure to expand, improve or upgrade its mobile networks, acquire additional spectrum licences, and incur more customer acquisition and retention costs to retain and build its customer bases. There can be no assurance that any additional investments will further increase customer levels and operating margins, and consequently, additional investments may materially and adversely impact the Group's financial condition and results of operations.

As at 31 December 2016, the Group had a total deferred tax asset balance of HK\$15,856 million, of which HK\$14,270 million were attributable to the Group's mobile telecommunications operations in the UK, Ireland, Austria, Sweden and Denmark. The ultimate realisation of these deferred tax assets depends principally on these businesses maintaining profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. In the UK, Ireland, Austria, Sweden and Denmark, taxation losses can be carried forward indefinitely. In addition, in the UK, the Group enjoys the availability of group relief in relation to taxation losses generated by its mobile telecommunications operations to offset taxable profits from its other businesses in the same period. If there is a significant adverse change in the projected performance and resulting cashflow projections of these businesses, some or all of these deferred tax assets may need to be reduced and charged to the income statement, which could have an adverse effect on the Group's financial condition and results of operations.

## Impact of National, European Union and International Law and Regulatory Requirements

As a global business, the Group is exposed to local business risks in several different countries, which could have a material adverse effect on its financial condition and results of operations. The Group operates in many countries around the world and may increasingly become exposed to different and changing government policies, political, social, legal and regulatory requirements at the national or international level, including but not limited to those required by the European Union ("EU") or the World Trade Organisation ("WTO"). These include:

- changes in tariffs and trade barriers;
- changes in taxation regulations and interpretations;
- competition (anti-trust) law applicable to all of the Group's activities, including the regulation of monopolies and the conduct of dominant firms, the prohibition of anti-competitive agreements and practices, and laws requiring the approval of certain mergers, acquisitions and joint ventures which could restrict the Group's ability to own or operate subsidiaries or acquire new businesses in certain jurisdictions;
- delays in the process of obtaining or maintaining licences, permits and governmental approvals necessary to operate certain businesses;
- telecommunications (including but not limited to spectrum auction) and broadcasting regulations; and
- environmental and safety laws, rules and regulations.

There can be no assurance that the European institutions and/or the regulatory authorities of the EU member states in which the Group operates will not make decisions or interpret and implement the EU or national regulations in a manner that does not materially and adversely affect the Group's financial condition and results of operations in the future.

Ports are often viewed by governments as critical national assets and in many countries are subject to government control and regulations. Regime changes or sentiment changes in less politically stable countries may affect port concessions granted to foreign international port operations including the Group's port operations.

## Impact of National, European Union and International Law and Regulatory Requirements *(continued)*

Certain infrastructure investments of the Group (for example, water, gas and electricity distribution) are subject to regulatory pricing and strict adherence must be made to the licence requirements, codes and guidelines established by the relevant regulatory authorities from time to time. Failure to comply with these licence requirements, codes of guidelines may lead to penalties, or, in extreme circumstances, amendment, suspension or cancellation of the relevant licences by the authorities. Furthermore, certain regulated operations of the Group's investments are subject to price control by government regulatory authorities. The relevant government regulatory authorities will periodically review and reset the price control terms for certain projects in accordance with a predetermined timetable. There can be no assurance that such events or price resets will not have a material adverse effect on the Group's financial conditions and results of operations.

Husky Energy's businesses are subject to inherent operational risks in respect of safety and the environment that require continuous vigilance. Husky Energy seeks to minimize these operational risks by carefully designing and building its facilities and conducting its operations in a safe and reliable manner. However, failure to manage these operational risks effectively could result in potential fatalities, serious injury, interruptions to activities or use of assets, damage to assets, environmental impact, or loss of license to operate. Enterprise risk management, emergency preparedness, business continuity and security policies and programs are in place for all operating areas and are adhered to on an ongoing basis. Husky Energy, in accordance with industry practice, maintains insurance coverage against losses from certain of these risks. Nonetheless, insurance proceeds may not be sufficient to cover all losses and insurance coverage may not be available for all types of operational risks.

New policies or measures by governments, whether fiscal, regulatory or other competitive changes, may pose a risk to the overall investment return of the Group's infrastructure and energy businesses and may delay or prevent the commercial operation of a business with a resulting loss of revenue and profit.

The Group is only permitted to provide telecommunications services and operate networks under licences granted by regulatory authorities in each countries. All of these licences have historically been issued for fixed terms and subsequently renewed. However, further renewals may not be guaranteed, or the terms and conditions of these licences may be changed upon renewal. Due to changes in legislation, the Group's mobile telecommunications licences in the UK and Italy effectively provide for perpetual renewal rights. However, all of these licences contain regulatory requirements and carrier obligations regarding the way the Group must conduct its businesses, as well as regarding network quality and coverage. Failure to meet these requirements could result in damage awards, fines, penalties, suspensions or other sanctions including, ultimately, revocation of the licences. Decisions by regulators regarding the granting, amendment or renewal of licences to the Group or other parties (including spectrum allocation to other parties or relaxation of constraints with respect to the technology or specific service that may be deployed in the given spectrum band), could result in the Group facing unforeseen competition and/or could materially and adversely affect the Group's financial condition and results of operations.

The Group's overall success as a global business depends, in part, upon its ability to succeed in different economic, social and political conditions. There can be no assurance that the Group will continue to succeed in developing and implementing policies and strategies that are effective in each location where it conducts business.

## Accounting

The Hong Kong Institute of Certified Public Accountants ("HKICPA") is continuing its policy of issuing Hong Kong Financial Reporting Standards ("HKFRS") and interpretations that fully converge with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). HKICPA has issued and may in the future issue more new and revised standards and interpretations, including those required to conform to standards, amendments and interpretations issued from time to time by the IASB. Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new HKFRS will not have a significant impact on the Group's financial condition and results of operations.

## Impact of Regulatory Reviews

The Group and some of its subsidiaries and associated companies are listed on various stock exchanges around the world and all are subject to regulatory reviews of their various filings by the respective stock exchange's regulatory bodies and/or other regulatory authorities. While all the Group's publicly listed companies endeavour to comply with all regulatory requirements of the various stock exchanges and other authorities in the countries in which they operate, and obtain independent professional advice as appropriate, there can be no assurance that the regulatory bodies' review will not result in a disagreement with the Group's interpretations and judgements and that any required actions mandated by the authorities will not have an adverse impact on the Group's reported financial position and results of operations.

## Outbreak of Highly Contagious Disease

In 2003, there was an outbreak of Severe Acute Respiratory Syndrome (“SARS”) in the Mainland, Singapore, Hong Kong, other Asian countries and Canada. The SARS outbreak had a significant adverse impact on the economies of the affected countries. Since then, there have been media reports regarding the spread of the H5N1 virus or “Avian Influenza A” among birds, poultry and in some cases, transmission of Avian Influenza A virus from animals to human beings, and also the spread of H1N1 virus or “Swine Flu” among humans in 2009 and the outbreak of H7N9 virus in the Mainland. More recently, since December 2013, an epidemic of the Ebola virus disease has impacted parts of the West Africa and since 2015, the Zika virus has been linked to abnormal brain development in foetuses and miscarriages. These diseases have led to travel warnings by health organisations for people to certain locations. There can be no assurance that there will not be another significant global outbreak of a severe communicable disease, and if the Ebola virus, Zika virus or other highly contagious diseases spread to the countries in which the Group operates, or are not satisfactorily contained, the Group’s operations could be interrupted, which could have a material adverse effect on the Group’s financial condition and results of operations.

## Natural Disasters

Some of the Group’s assets and projects, and many of the Group’s customers and suppliers are located in areas at risk of damage from earthquakes, floods, typhoons and other major natural disasters and the occurrence of any of these events could disrupt the Group’s business materially and adversely affect the Group’s financial condition and results of operations.

Although the Group has not experienced any major structural damage to infrastructure projects or ports or other facilities from earthquakes to date, there can be no assurance that future earthquakes or other natural disasters will not occur and result in major damage to the Group’s infrastructure projects, ports or other facilities, or on the general supporting infrastructure facilities in the vicinity, which could materially and adversely affect the Group’s financial condition and results of operations.

## Political Unrest and Terrorist Attacks

The Group has presence in over 50 countries around the world. There can be no assurance that all of these countries will remain stable politically or immune to terrorist attacks. Between 2010 and 2012, a number of Middle Eastern and North African countries were swept by a wave of demonstrations and protests known as Arab Spring and many of the ruling parties were forced from power. The violent demonstrations resulted in political and economic upheaval in the countries that were affected. In 2015, a series of terrorist attacks occurred in Paris, France that resulted in the deaths of 130 people led to the country declaring a state of emergency, and a 2016 attack in Nice, France that resulted in the deaths of 84 people further extended the state of emergency. In early 2016, bombing attacks in Brussels, Belgium caused multiple deaths and casualties, and, most recently, bombing attacks in the New York City area resulted in numerous injuries. There is no assurance that there will not be any political unrest or immunity from terrorist attacks in the countries in which the Group operates, and if these events occur, it may have an adverse impact on the Group’s financial condition and results of operations.

## UK’s Exit from the EU

In June 2016, a majority of voters in the UK elected to withdraw from the EU in a national referendum. The referendum was advisory and the decision to withdraw from the UK is in the process of seeking parliamentary approval. The terms of any withdrawal are subject to a negotiation period of potentially two or more years depending on the precise timetable agreed during the negotiations. Nevertheless, the referendum has created significant uncertainty about the future relationship between the UK and the EU, including with respect to the laws and regulations that will apply as the UK determines which EU-derived laws to replace or replicate in the event of a withdrawal. The referendum has also resulted in increased debate among the populations of other EU member states to consider withdrawal. These developments, or the perception that any of them could occur, has had a material adverse effect on global economic conditions and the stability of global financial markets. The long-term impact of the national referendum is not known and there is considerable uncertainty as to the impact of the vote on the general economic conditions in the UK or its wider impact in the EU. As such, no assurance can be given as to the impact of the referendum and, in particular no assurance can be given that such matters would not adversely affect the Group’s financial condition and results of operations.

## Past Performance and Forward Looking Statements

The performance and the results of operations of the Group contained within this Annual Report are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained within this Annual Report are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this Annual Report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.



# Environmental, Social and Governance Report



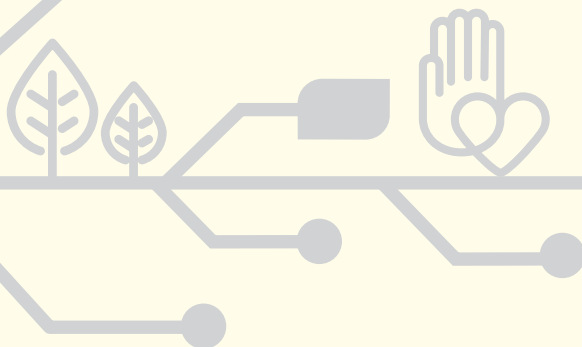




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1. CK Hutchison Volunteers visit Sai Kung, a former fishing village in Hong Kong, with the elderly and enjoy a fun day to promote active lifestyle.
2. Hutchison Ports Dock School Programme supports basic facilities and equipment for neighbouring schools.
3. Hutchison Telecommunications Hong Kong Holdings collects reusable electronic equipment for the Computer Recycling Programme run by the Environmental Protection Department.
4. Husky Energy works with the Ministry of Environment to monitor biodiversity in the North Saskatchewan River Valley.
5. HK Electric has built one of Hong Kong's largest commercial solar power systems.
6. Environmental Performance Reporting System at Husky Energy's Sunrise project facilitates and makes available accurate environmental data.
7. A S Watson Group ("ASW") awards 943 student athletes on its 11<sup>th</sup> Hong Kong Student Sports Awards.
8. Wales & West Utilities' apprenticeship programme offers three-year training to nurture bright talents.
9. PARKnSHOP collects nearly 40,000 food items and makes a contribution of over HK\$1 million to Food Angel in the 2016 "City Food Drive" campaign.
10. CK Hutchison values and maintains ongoing dialogues with its key stakeholders. Over a thousand shareholders meet the Company's Board and Management at the Annual General Meeting.
11. Hongkong International Terminals and Hong Kong NGO jointly hold Graffiti Workshop programme for students.
12. 3 Indonesia celebrates its ninth year of operation by engaging in charitable activities across the country.
13. The 1,600 solar panels on the roof of the new ASW logistic centre in the Netherlands is expected to generate 420,000 kWh of power a year.
14. Northumbrian Water's Kielder Water & Forest Park is home to the largest man-made reservoir in north-west Europe.

## About This Report

This Environmental, Social and Governance (“ESG”) Report provides an annual update on sustainability performance of CK Hutchison Holdings Limited (“CK Hutchison”), and together with its subsidiaries, the “Group”) for the year ended 31 December 2016.

This report aims to provide a balanced presentation on the Group’s ESG key issues and initiatives covering its five core businesses, namely Ports and Related Services, Retail, Infrastructure, Energy and Telecommunications.

It has been substantially updated from previous years to reflect the interest of various stakeholders. Additional material quantitative data, detailed ESG requirement as well as policies and programmes across the Group have been included to illustrate some of the many initiatives that are being implemented by Group companies making positive impact to the community and environment.

This report is prepared in accordance with Appendix 27 of the Main Board Listing Rules, ESG Reporting Guide, issued by the Stock Exchange of Hong Kong Limited in 2015.

## Approach to ESG Strategy and Reporting

The ESG philosophy of CK Hutchison aligns to strategic development which creates long-term value for the Group’s stakeholders.

As a conglomerate with businesses in over 50 countries and a workforce of over 290,000 employees, the Group is committed to integrating ESG considerations in its daily operations, both at the Group and business unit levels. The ESG Committee, chaired by the executive director and company secretary, sets an overtone from a corporate perspective and upholds the Group’s ESG philosophy when key business decisions are made. The businesses take ownership to drive ESG initiatives, create value for stakeholders and regularly review their practices to identify opportunities for performance improvement.

## Stakeholder Engagement and Materiality Assessment

CK Hutchison maintains ongoing dialogues with its key stakeholders, including employees, shareholders, customers, suppliers, local communities, professional institutions, non-government organisations and the Government. It regularly collects views from stakeholders through a variety of channels, such as meetings, liaison groups, panel discussions, workshops, surveys and feedback programmes.

ESG compliance and how CK Hutchison leverages what it does in business to benefit the community are among the key interests of the stakeholders of the Group. Given the diversity of business operations, the ESG aspects that are considered important and relevant by the stakeholders of the Group vary. Key ESG issues range from environmental emissions and resources deployment to employment and operating practices, as well as community involvement. The material aspects identified are reviewed annually by the Group’s ESG Committee and Board and updated as where appropriate.

The six sections set out in this report summarise the Group’s commitments to People, Customers, Supply Chain, Anti-corruption, the Environment and Community. In each section, key initiatives and activities performed by representative businesses have been included to demonstrate and highlight the Group’s efforts in creating long-term value for its stakeholders.

## Commitment to Our People

With over 290,000 employees in over 50 countries, the Group has continued to grow during 2016. The Group’s people are key to the successful delivery of quality and reliable products and services to customers. Good talent management is integral to the CK Hutchison’s philosophy to sustain the long-term viability of the Group. The Group aspires to be an employer of choice through effective talent acquisition, systematic training and provision of an inclusive working environment.

## Recruiting, Engaging and Retaining Talent

The Group’s success depends heavily on its ability to attract, retain and motivate suitable talent in the competitive labour markets. It works closely with educational institutions to recruit young talent that can support its growth.

Where possible, different businesses across the Group conduct workshops, site visits, and internships to introduce their industries or professions to the younger generation.

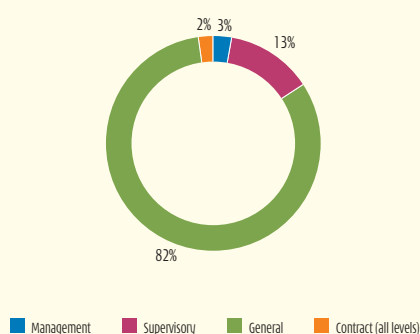
Cheung Kong Infrastructure's Victoria Power Networks, CitiPower and Powercor in Australia have trained more than 450 apprentices and trainees since 2001 and they are assigned to work from 11 locations around Victoria to develop into specialists in their respective areas.

Gas emergency and pipeline service Wales & West Utilities recruited 25 new apprentices to work across Wales and the southwest of England. The 2016 intake for the three-year apprenticeship programme is based across the company's operating areas and focuses on the companies' Build & Repair teams that maintain existing gas equipment and lay new gas supply pipes, as well as mechanical engineers and electrical and instrumentation engineers for network services teams who maintain the control systems of the gas network. The programme will help apprentices develop the skills to deliver a fast and efficient service that will keep customers safe and warm with a gas supply they can rely on for years to come.

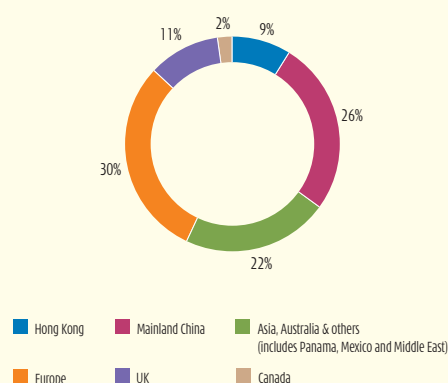
3 Indonesia of the Telecommunications division has collaborated with selected universities in Indonesia to set up an internship programme "TriInterns", which aims at providing internship opportunities to tertiary students and engaging them in projects that can contribute to 3 Indonesia's strategic development. The programme is underpinned by collaboration with the Business School of Binus University in Jakarta through a 2.5-month research project that focuses on international roaming, digital services, and customer experience. The programme has identified 24 highly qualified students since its launch in March 2016.

CK Hutchison embraces an equal and inclusive culture and incentivises talent through a performance-based remuneration system. The Group reviews the remuneration package annually to ensure that it stays competitive with the market and that its employees are rewarded fairly and equitably. CK Hutchison values diversity and strictly adheres to its anti-discrimination employment policy. Talent is hired solely based on their merits regardless of race, colour, gender or religious belief. The Group has adopted policies that provide equal employment opportunities to recruit, promote and assign employees based on their skills, abilities and how these fit with the job requirements.

**Headcount by Grade as of 31 December 2016**



**Headcount by Geographic Region as of 31 December 2016**



Note : Temp / part-time staff excluded.

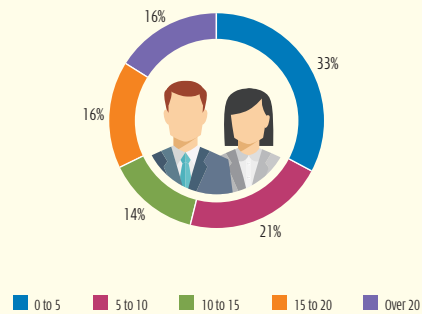
The Group respects the rights of employees in expressing their views and has established various effective channels to facilitate communications with them. The businesses conduct regular seminars and forums to share views and collect ideas from employees. Periodically, the Group solicits feedback from employees through surveys and follow up on improvement actions to enhance its talent management practices.

Recognising the benefits of healthy industrial relations, the Ports division has taken steps to promote the sharing of good practices across the division. Staff and management from a wide range of business functions channel key learning to business unit management to proactively address issues, concerns and process improvement recommendation.

Many of the Group's businesses are lauded for their employee programmes. For example, the Retail division's A S Watson Group ("ASW") was recognised as a "Distinguished Family-friendly Employer" for the sixth consecutive year since 2011, Hutchison Telecommunications Hong Kong won the "7<sup>th</sup> Asia Best Employer Brand Awards-Asia's Best Employer Brand", and Infrastructure division's UK Rails was awarded "Britain's Healthiest Employer" for its employee-friendly culture and programme of well-being-related initiatives. These initiatives have demonstrated CK Hutchison's commitment to talent retention and motivated its employees to build their careers with the Group.

The Group upholds labour standards throughout its businesses. Its policies strictly prohibit the use of child labour and forced labour and rigorous measures are taken to prevent such practices in its operations.

**Years of Service of Head Office Employees**



**Investing in Training and Development**

It is the priority of CK Hutchison to ensure that its employees at all levels are developed and motivated to deliver the Group's commitments to its stakeholders. Each division develops its training programmes to meet specific business needs. Trainings include orientation, sharing sessions, workshops and internal-external courses. Employees are also entitled to various subsidies and sponsorships for job-related training courses to encourage lifelong learning.

In order to equip employees in meeting increasing business demand, Group companies work with external parties to deliver pertinent and timely training. For example, Hongkong International Terminals ("HIT") of the Ports division operates a Craft Apprenticeship Programme in collaboration with the Vocational Training Council of Hong Kong. Participants learn a wide range of practical skills by rotating in different sections of the Engineering Department before choosing an area of specialisation. Since 2012, the programme has provided well-rounded technical skill training to HIT's next generation of qualified professional port technicians.

ASW attaches great importance to nurturing talents and takes a pioneering role in staff development. Opportunities are offered to its employees to learn and develop throughout their careers and they in turn bring better service to customers.

In January 2013, ASW became the first retail corporate in Hong Kong to offer its staff professional and comprehensive courses recognised by the Qualifications Framework ("QF"). Since then, ASW has launched 14 QF accredited programmes (Level 2 to Level 4) and trained 2,246 staff across Watsons, PARKnSHOP, Fortress and Watson's Wine. ASW also helped its 306 store specialists and management staff apply for "Recognition of Prior Learning" of QF to recognise the valuable experience that they have already acquired and to facilitate their pursuit of a lifelong career in the retail industry. In June 2016, ASW launched the "Professional Diploma in Retail Management", a Level 5 programme under QF and the first of its kind designed based on "QF Specification of Competency Standards of Retail". Under QF, qualifications recognised in a Level 5 programme are equivalent to that of a bachelor's degree. The 18-month "Professional Diploma in Retail Management" is jointly developed by the Learning and Development Team (Retail HK) of ASW and Institute for Entrepreneurship of The Hong Kong Polytechnic University. ASW fully subsidises potential employees to take the "Professional Diploma in Retail Management" course and offers them paid leave to study during work hours. The course covers sales and marketing, customer management, information technology, human resources, merchandising and supply chain, store operations, strategic management and business English and its application.

**Promoting Well-being, Health and Safety**

The Group cares about the well-being of its employees. It promotes work-life balance and provides a generous range of paid leave entitlements to its employees. For instance, the Rotterdam port implements the flexible duty roster which gives operation staff greater flexibility in managing their work and free time. A dedicated taskforce has been formed to explore other manning and roster options to further improve the workforce flexibility.

The Group strives to create a safe workplace for all employees. Many of the businesses have implemented safety management systems in accordance with national or international standards, such as OHSAS 18001, to protect employees from occupational hazards. Safety training programmes are provided to employees based on type of work as safety standards are also applied consistently in the workplace.

A safe workplace relies on the establishment of safety culture, policies and procedures and employee behaviour. The Infrastructure division's Northern Gas Networks in the UK has been working proactively with a behavioural psychologist to study how cognition affects behavior and how workplace safety could be more scientifically improved. Staff safety committees meet regularly at local level and twice a year at national level to discuss safety issues within the company. These committees are attended by trained employee safety representatives as well as senior

management. Safety awareness is also generated through management safety tours of buildings, sites and workplaces, as well as meetings and open forums on safety condition between line management and employees.

Since 2011, HK Electric has been operating its Work Safe Behaviour programme to eliminate risky behaviour, reduce the scope for human error and encourage safe working practices. In 2016, HK Electric won the Gold Award in the "Safety Promotion Award", Gold Award in the "Safety Culture Award" and the "Safety Performance Award" in the 15<sup>th</sup> Hong Kong Occupational Safety and Health Award Programme organised by Occupational Safety & Health Council, Labour Department, Development Bureau and other 13 organisations. Power Asset's Ratchaburi plant in Thailand has adopted a "Stop Work" programme in which frontline staff are given full autonomy to halt a work process if an unsafe situation is observed.

All CK Hutchison's businesses strive to minimise accidents and continually work to improve workplace safety and educate employees on proper procedures. In 2016, Hutchison Ports instituted a policy in which workplace safety incidents were to be reviewed and investigated by trained personnel from outside the affected business unit. The aim is to go as far as practicable in order to take effective steps to strengthen workplace safety and share the lessons learned across the business units of the Ports division.

### Regulatory Compliance

During the reporting period, the Group is not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to employment, occupational health and safety, or labour standards.

### Commitment to Our Customer

CK Hutchison's diverse products and services support the day-to-day lives of millions of people globally. The Group focuses on providing quality products and services to create excellent customer experience.

### Building Trust through Reliability and Quality

By placing reliability, safety and quality at the heart of the businesses, the Group aims to create value for customers that better their lives and provide sustainable solutions.

### Delivering Reliable and Quality Services

Service reliability and public safety are critical to CK Hutchison's businesses. Individual and corporate customers depend upon the Group's services in telecommunications, ports services, power, energy, water and waste management operations. The Group's businesses have dedicated significant efforts and resources in improving its practices, infrastructure and technologies to prevent interruptions from occurring in the first place. The Group closely monitors operational conditions and practices around the clock and conducts asset maintenance and replacement to uphold its safety and reliability commitments. In addition, professional teams are committed to identifying, testing and introducing new products and procedures that implement good practices to maintain and improve service reliability. Should incidents occur, the best measures are taken to minimise interruption, investigate the cause and quickly resume service. HK Electric of the Infrastructure division achieved the 99.999% supply reliability rating for 19 consecutive years since 1997.

The Telecommunications division embraces a service-oriented culture and is committed to delivering the highest possible levels of service quality and customer satisfaction. For example, to encourage continuous improvement, 3 Hong Kong has its key performance indicators of its service benchmarked to its performance targets and publishes this data regularly.

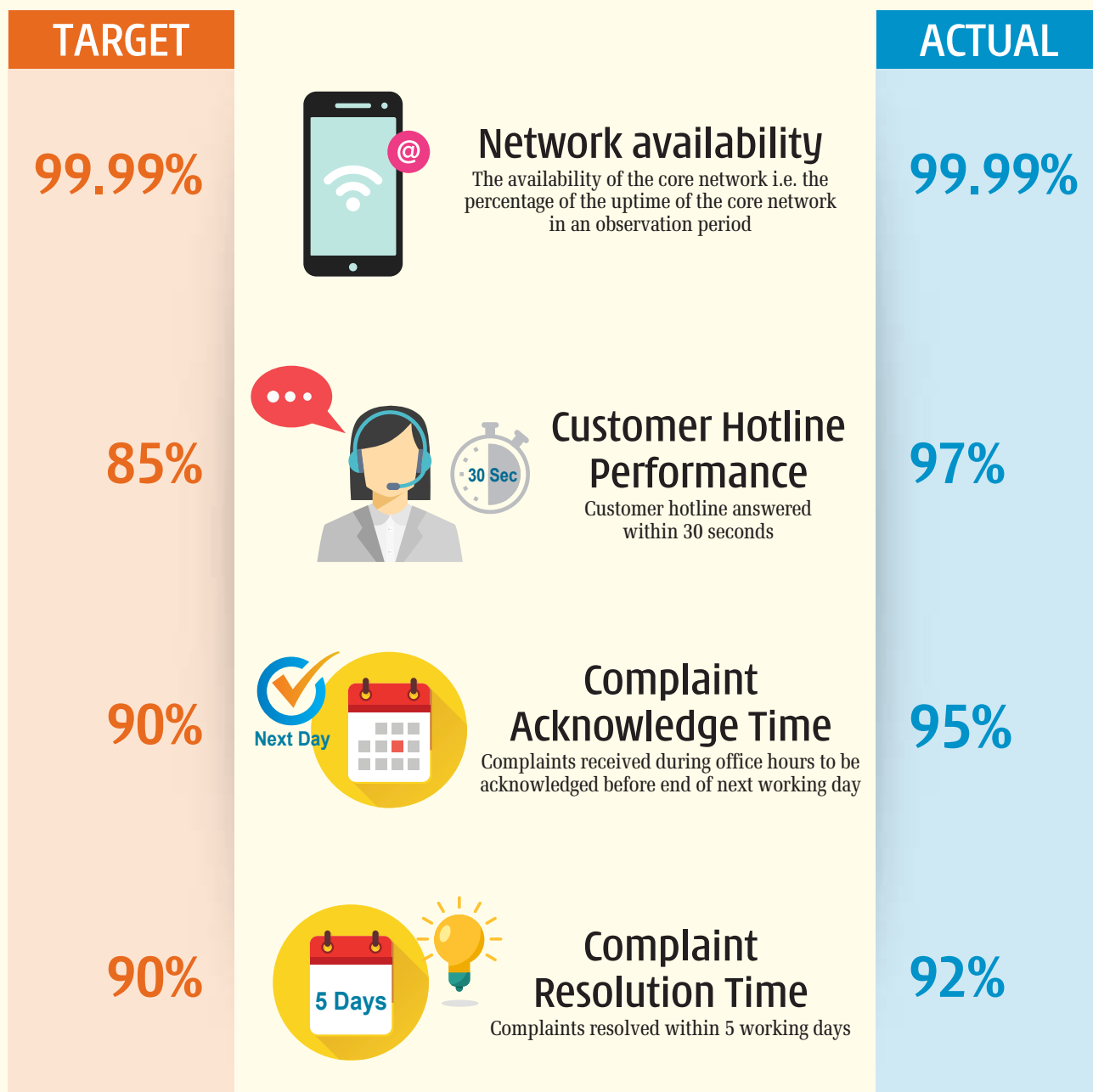
In the Infrastructure divisions, for example, UK Power Networks has been exploring innovative solutions to respond to the increasing electricity demand. The Smarter Network Storage programme provides flexibility to accommodate peak demand while maintaining electricity service reliability. Drones have also been used to help with monitoring and maintenance in difficult-to-reach places. Similarly, Northern Gas Networks leverages technology to ensure service reliability. Adopting the "SMART" technology, data on the quality of the pipe joints are captured and analysed before installation to avoid joint failures.

### Enabling Sustainable Options

To deliver sustainable value to its stakeholders, CK Hutchison continues to invest strategically in research and development of technology. This allows the Group to provide innovative solutions and enable its customers to make environmentally responsible choices in how they live and work.

IT infrastructure is one of the main sources of energy consumption, greenhouse gas ("GHG") emissions and hazardous wastes. The cloud services, provided by Hutchison Global Communications Hong Kong of the Telecommunications division, optimise IT equipment usage and hence energy consumption. As compared to on-premise IT infrastructures, cloud services help reduce electronic wastes and enable the Group's individual and corporate customers to minimise their environmental footprint.

### 3 Hong Kong Performance Pledge



#### Improving Customer Experience

To continuously improve customer experience, the Group's companies have implemented policies and procedures to regularly solicit customer feedback and make the effort to follow up and act on their advice.

At the Retail division, guidelines in handling customer enquiries and complaints at the ASW's stores and operations have been established and staff are trained to professionally address customer concerns. Complaints received are acknowledged, investigated and duly followed up. Periodic reviews and analyses of complaints received are conducted as well. Lessons learned are shared with the quality assurance teams for continual improvement.

The Telecommunications division fosters a culture of continuous improvement by benchmarking and publishing its service performance statistics regularly. They have also received numerous awards and third party assessment that attest to their exemplary network performance and service excellence.



## Protecting Our Customers

CK Hutchison believes accurate and factual product information provide transparency and help customers make informed purchasing decisions. The Group's products are labelled and advertised in compliance with the requirements of the destination countries.

The Group's commitment to protecting the personal information of its customers is well supported by its corporate strategies and policies. A robust system has been developed to control the collection, access, update, security and retention of data received. Sensitive customer information such as credit card payment details would not be stored in the Group's databases where feasible. In addition, the Group provides regular internal communications and organise workshops for its customer-facing employees to reinforce the importance of customer data protection.

## Regulatory Compliance

In 2016, the Group is not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning product responsibility.

## Supply Chain Management

CK Hutchison's diversified businesses are supported by a wide range of suppliers and contractors. The Group understands the importance of collaboration with its business partners in delivering sustainable value to its stakeholders.

## Sourcing Responsibly and Engaging Suppliers

The Group addresses supply chain challenges through risk management, responsible sourcing, supplier engagement and oversight.

## Approach to supply chain management

The Group's procurement activities follow a set of fair and transparent tendering process. It requires the tenderers to declare any conflict of interest and take a firm stance against fraud and misconduct. Supplier relationships will be suspended or terminated if contravention is found.



CK Hutchison aspires to bring positive influence in the business community by setting expectations in ESG related matters with its key suppliers.

Taking the Retail division as an example, ASW has been upholding the Business Social Compliance Initiative ("BSCI") Code of Conduct since 2008. With a goal to drive compliance, fair business practices and environmental performance, suppliers have been invited to acknowledge and endorse the BSCI Code of Conduct. Over 800 factories across the world have participated in the regular compliance audit programme also since its launch in 2008.

**Delivering Safe and Quality Products and Services**

ASW builds trust with its customers from the get-go, starting with managing the reputation of own-brand products. Its five-step process guides the own-brand development cycle at the business unit level.

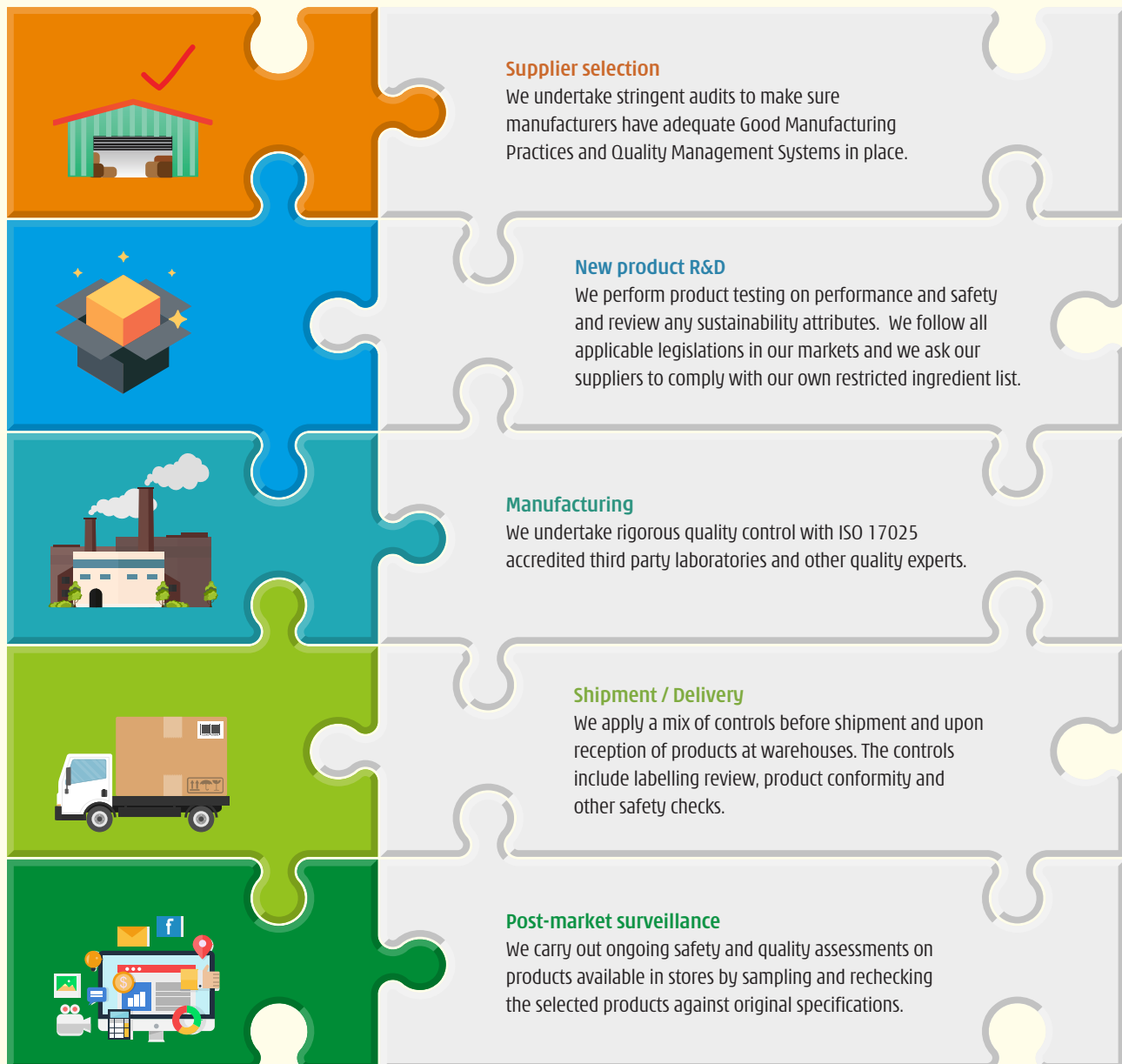
ASW provides guidance to suppliers of non-own-brand retail products to help them meet its expectations on product safety and quality requirements. Additionally, ASW works with its suppliers towards more sustainable and responsible products; for details please refer to the Section "Commitment to Our Environment".

**ASW compliance audit programme**

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- \_\_\_\_\_
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**800+**  
factories have participated since 2008

**ASW Own-Brand Development Cycle**



## Anti-corruption

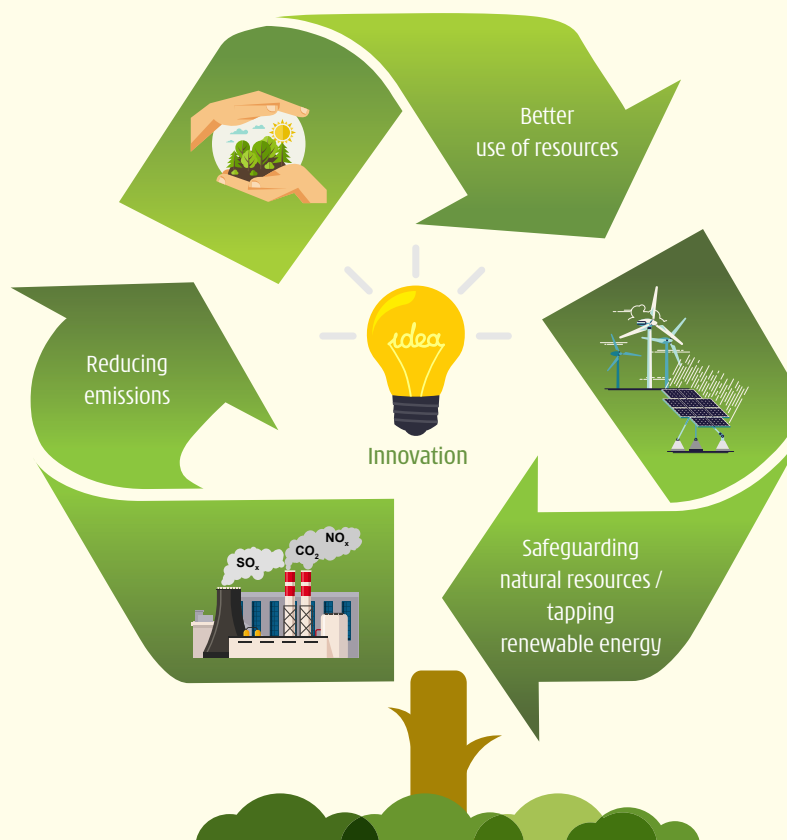
CK Hutchison values and upholds integrity, fairness, transparency and accountability. The Group has zero-tolerance of corruption and fraud. Anti-bribery and anti-corruption standards are important parts of the Group's policies and operating practices which are reinforced by the employees and communicated to relevant stakeholders with dealings with the Group. The Group's whistle-blowing policies apply to all stakeholders including employees, shareholders, customers and suppliers. The whistle-blowing mechanisms allow stakeholders to report suspected misconduct, malpractices or fraudulent activities with confidence. Cases reported are followed up independently; all cases are reported by the Group's internal audit function to the Audit Committee and executive management.

## Regulatory Compliance

During the year, the Group is not aware of any breach of laws and regulations that have a significant impact on the Group relating to anti-corruption.

## Commitment to Our Environment

CK Hutchison is committed to minimising its environmental footprint in its day-to-day operations. The Group encourages its businesses to adopt the best industry practices and explore ways to reduce emissions, improve resource efficiency and become a greener global citizen.



## Managing Emissions

CK Hutchison summarises its efforts in managing emissions of air and GHG as well as waste below.

### Air and GHG Emissions

The Group has taken steps to manage its air and GHG emissions, among other environmental priorities.

At its Infrastructure division, innovative technologies are applied to reduce pollutants such as nitrogen oxides ("NOx") from power generation to meet or exceed industry emission standards. For example, this year HK Electric installed a gas-fired generating unit which is equipped with

an improved selective catalytic reduction ("SCR") system. The new SCR system enables a 90% reduction in NOx removal, as compared to a conventional one. HK Electric also built one of the city's largest commercial-scale solar and wind power systems. The solar power system has a generating capacity of one MW and is expected to generate 1,100,000 units of electricity annually. The use of solar energy in lieu of coal-fired generation will help reduce 915 tonnes of carbon dioxide ("CO<sub>2</sub>") emission every year. The Lamma wind power station generates electricity when wind speed is in the range of three to 25m/s. It has been producing about one million units of green electricity and offsetting 800 tonnes of CO<sub>2</sub> emission every year on average.

Outram's Jinwan Power Plant is among the first few coal-fired generation units in Mainland China to achieve 'Close to Zero' emission levels for air pollutants including sulphur dioxide ("SO<sub>2</sub>"), NOx and particulates. An extra tariff subsidy from the government has subsequently been granted to this plant in recognition to its outstanding performance in air emission management.

The day to day operations of the Energy division may involve unintentional releases of hydrocarbon emissions from facility equipment and components. To curb these fugitive emissions, Husky Energy utilises specialised infrared cameras, ultrasonic devices and vapour analysers to detect, identify and quantify leaks so that effective repairs and corrective actions can be taken on a timely basis.

The GHG emission reduction measures include minimising fugitive emissions, managing flaring and venting activities and capturing carbon for enhanced oil recovery. For example, Husky Energy captures CO<sub>2</sub> at its Lloydminster Ethanol Plant and Pikes Peak South Thermal Plant with more than 300,000 tonnes injected for enhanced oil recovery in heavy oil fields since 2012. Additional technologies for carbon capture and injection are being evaluated.

### Waste and Pollutants

The Group endeavours to reduce waste by encouraging reuse and recycling. For example, Superdrug, under ASW, has adopted a "zero waste to landfill" programme, where all waste generated in store is transported back to the distribution centres for recycling. ASW's commitment to waste management is demonstrated by including waste and recycling compliance in its store audit programmes. CK Hutchison is proud to report that Superdrug has achieved zero waste to landfill since 2010.

The Retail division and its suppliers play an active and critical role in making its products sustainable. Microplastics, commonly found in rinse-off scrub products, pose a threat to the marine ecosystem and the food chain. In addition to implementing a ban on the use of microplastic in its own-brand rinse-off scrub products in 2014, ASW has completely removed all of its microplastic-containing own-brand rinse-off scrub products from the shelves worldwide in early 2017.

Technology plays a key role in driving sustainability development in the Group's businesses, in particular in the Infrastructure division. Northumbrian Water in the UK, for example, generates energy from the sewage sludge created from its water treatment processes. It is the first and only wastewater company in the UK that has achieved 100% sewage recycling.

Another example is the landfill-gas-to-power initiative pioneered by EnviroNZ. By applying advanced technology, EnviroNZ is the first operator in New Zealand to generate electricity from methane produced by waste decomposition in landfills. The amount of electricity generated is sufficient to power 5,000 households.

AVR of the Netherlands generates steam via the incineration of residual waste and this enormous quantity of heat, enough to warm 160,000 households, find its way to many houses, offices, hospitals and swimming pools. By using this heat, AVR each year prevents the emission of more than 324,000 tonnes of CO<sub>2</sub> due to gas consumption in households. If one solar panel saves around 100 kg of CO<sub>2</sub> per year, the amount AVR is saving by supplying heat is equivalent to three million solar panels.

### Optimising Resource Use

The Group recognises the importance of using resources responsibly. From energy, water to packaging materials, it adopts resource-efficient technologies and measures in its key operations.

### Energy

HIT of the Ports division is the first Hong Kong terminal operator that has reconfigured its diesel-powered Rubber-Tyred Gantry Cranes (RTGCs) to run on electric or hybrid power. Not only did it result in a 50% saving in fuel consumption, the new RTGCs emit significantly less noise and exhaust fumes than their diesel-powered counterparts.

## Water

Husky Energy's Sunrise Energy Project recycles produced water at the facility for reuse in steam generation. Additionally, Husky brings in process-affected water, which is industrial wastewater, from a neighbouring operator for use as a make-up water source, reducing the amount drawn from groundwater sources.

Hutchison Water invests and incubates water technologies. Its Sorek desalination plant in Israel minimises marine, shoreline and land impacts as a result of pipe jacking of long and large diameter pipelines, smart structural design, and the removal of suspended solids from the brine before it is returned to the sea. Its sludge treatment also reduces energy and chemical consumption.

At HK Electric, rainwater and run-off water from the coal pile is collected and used in the computerised water spraying system for the coal yard, significantly reducing both the consumption of fresh water and the quantity of effluent. The rainwater and waste water collected for reuse was about 102,000 cubic metres.

EnviroNZ in New Zealand recovers water and remove impurities and contaminates using the reverse osmosis leachate treatment, a type of purification technology which makes treated water fit for reuse or direct discharge to the environment.

Green Island Cement in Hong Kong collects, stores and recycles rainwater for evaporation cooling at conditioning tower to improve the performance of electrostatic precipitators. To date, its water consumption has been reduced from 1,800 to 800 tonnes per day.

## Packaging Materials

To meet UN Sustainable Development Goal No 12, which advocates sustainable consumption and production patterns, CK Hutchison has established a set of sustainable guidelines for its employees and suppliers of its Retail division. The guidelines are set out to minimise material use, from greener packaging design in terms of size, thickness, and use of space to the application of recycled materials.

## Safeguarding Environmental and Natural Resources

As a global citizen, the Group strives to play a positive role in safeguarding the environment and the ecosystems. Group policies help and ensure colleagues apply caution and discipline in actions that will impact natural resources across the Group's businesses.

Northumbrian Water, for example, has been managing its land holdings for water storage responsibly. Its Abberton Reservoir is designated as a wetland site of international importance, both as a Site of Special Scientific Interest <sup>(1)</sup> and a Ramsar site <sup>(2)</sup>.

Timely management of the environmental impacts from the Group's operations is key to protecting the values it creates for its stakeholders. Northern Gas Networks takes ownership of the quality of land on which it operates. Under its land contamination management programme, the company assesses and controls quality of the land and evaluates risks from land conditions both caused by its own operations and from historical, pre-existing conditions. Land quality is measured and reported annually to the UK regulator.

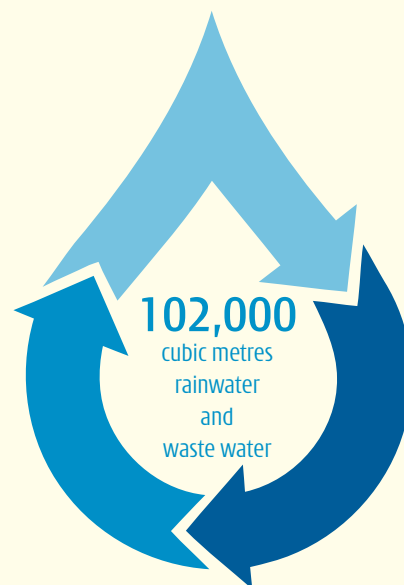
## Taking Timely Actions to Manage Environmental Impacts

In July 2016, Husky Energy responded to a pipeline release in Saskatchewan in western Canada. It took full responsibility and worked closely with the communities, First Nations and regulatory authorities to complete the cleanup. A full and thorough investigation was undertaken and Husky Energy will apply lessons learned from this to further improve its operations and response.

## Regulatory Compliance

The Group is not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the reporting period.

## HK Electric collects and reuses



Note 1 : A Site of Special Scientific Interest in Great Britain is a conservation designation denoting a protected area in the UK.

Note 2 : A Ramsar site is a wetland site designated of international importance under the Ramsar Convention. The Convention on Wetlands (i.e. the Ramsar Convention) is an intergovernmental environmental treaty established in 1971 by UNESCO, which came into force in 1975.

## Commitment to Our Community

CK Hutchison is committed to making the community a better place for everyone and it strives to provide long-lasting benefits to its stakeholders. In 2016, its approach in community activities focuses on youth empowerment, relief for the needy and environmental conservation. The Group is proud to report that the community activities arranged by the CK Hutchison Group volunteers in Hong Kong have contributed 12,994 service hours and positively impacted 109,061 service recipients.



### Empowering the Youth

The Port's division supports education through its Hutchison Ports Dock School Programme and other related activities. These efforts aim to provide opportunities for younger generations by supporting the improvement of education facilities. In 2016, Hutchison Ports contributed HK\$1.5 million in donations and over 20,000 volunteer hours to schools worldwide.

The Retail division contributes to the growth and development of young athletes in Hong Kong. ASW organises an annual challenge for junior athletes, between the ages of eight and 19, at the Watsons Athletic Club. The Club initiated the Watsons Junior Elite Training Programme in 2001 and has nurtured over 400 outstanding junior athletes.

### Supporting those in Need

About one in three senior citizens in Hong Kong is living in poverty and one in four deprived children does not have three meals a day. To help alleviate hunger among the needy, and as part of the Group's efforts in achieving UN Sustainable Development Goal No 12, PARKnSHOP of the Retail division, has been donating edible surplus food to the local social enterprise Food Angel. In addition, in order to raise funds and encourage customers to participate in the programme, PARKnSHOP also launched citywide food drive campaigns to collect basic groceries for Food Angel to prepare hot meals to aid the underprivileged meet their basic nutritional needs. Since its partnership with Food Angel in 2012, it has contributed over 900 tonnes of edible surplus food to the preparation of over seven million meal boxes and 290,000 food packs to those in need; over HK\$3.35 million of cash and in-kind donations have been made in total.

### PARKnSHOP's food donation programme



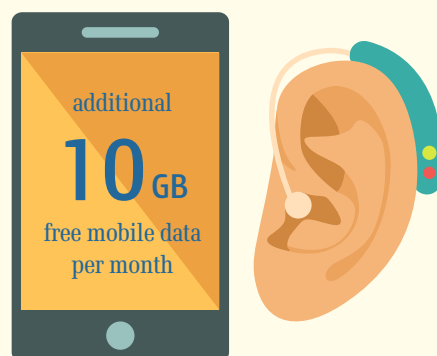
In response to the earthquake in central Italy in August 2016, 3 Italy of the Telecommunications division contributed a total of €1.1 million (over HK\$9 million) in employee hours and other means of contributions. Various charity campaigns and donations were organised to support disaster victims.

### Bridging the Digital Divide

The Telecommunications division helps bridge the digital divide by providing everyone with equal opportunity to access information. For example, the “#datadonate” programme ran by 3 Sweden since February 2016 allows the conversion of unused mobile data into monetary donations towards a United Nations High Commissioner for Refugees initiative that provides aid to Syrian refugees. 3 Sweden also made programme-related information public to encourage others to adopt similar schemes to spread the positive message.

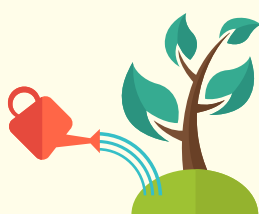
Furthermore, 3 Austria set up a new tariff offer in 2016 to provide an additional 10 GB free mobile data per month to hearing-impaired customers who rely on text messages and mobile data for communication.

### 3 Austria supports hearing-impaired customers



### Conserving the Environment

Hutchison Ports joined forces with four other major international ports operators through the “Go Green” initiative. Under this initiative, the participating ports carry out a series of environmental conservation activities advocating greener environment and better waste handling. In 2016, a total of 5,000 trees was planted and 250,000 kilogrammes of trash were collected, credited to 14,000 volunteer hours from 7,000 employees.



**5,000**  
trees planted



**14,000**  
volunteer hours



**7,000**  
employees participated



**250,000** kg  
trash collected

### CK Hutchison Family

CK Hutchison takes pride in serving the community through its businesses and other initiatives. Providing the local communities with products and services they trust and can rely on is part of building sustainable businesses. In addition to ESG teams within individual companies and business units, the Group has different avenues to share these developments amongst the businesses. The Group’s in-house magazine, *Sphere*, periodically shares stories, trends and ESG activities by businesses with other group companies and staff. The latest issue of the magazine can be viewed on the CK Hutchison website at <http://www.ckh.com.hk/en/about/journal.php>.

## Li Ka Shing Foundation – Changing Times, Unchanging Promise

Mr. Li Ka-shing, the Chairman of the Group, recognises the importance of education and healthcare to societal development. He established the Li Ka Shing Foundation (LKSF) in 1980 with his personal funding to: 1) foster change, 2) empower people, 3) develop a better society, and 4) inspire societal improvement. To date, over HK\$20 billion has been put to work to support all its initiatives across 27 countries and regions. Over 80% of LKSF's donations benefit projects in the Greater China Region.

Major or special projects of the Foundation in 2016 are as follows:

### Love Ideas, Love HK

Funded with contributions of over HK\$300 million, *Love HK Your Way!* continues to support new and ongoing programmes, including:

#### Philosophy of Care

The *Heart of Gold Hong Kong Hospice Service Programme* was established in collaboration with matching funds from the Hospital Authority. Since its launch in 2007, the Programme has provided 430,000 sessions and benefited over 38,000 patients. The website [www.Hospicehome.hk](http://www.Hospicehome.hk) has received 720,000 views. Total contributions amount to HK\$126 million. Hospice centres in ten public hospitals offer one-stop services for terminally ill cancer patients and their family members. The HA has received Government support to integrate the hospice centres into their standard development under recurrent expenses, enabling more underprivileged patients to benefit.



The community offers support and encouragement for cancer patients and healthcare professionals through the HospiceHome website.

#### Sounds Great

In July 2016, LKSF contributed HK\$2.5 million to distribute 10,000 high quality audio books to nearly 100 organizations allowing the elderly, visually impaired, and people with disabilities to enjoy celebrity autobiographies, Chinese literary classics, and stories of old Hong Kong.

### Community Care

#### Decide Well, Spend Wisely

Following the successful launch of *Love Ideas Love HK!* in 2010, LKSF teamed up with social welfare organizations to establish the "*Decide Well, Spend Wisely*" project in July 2016. In phase 1, over 5,700 HKDSE students in 51 secondary schools in Yuen Long, Tin Shui Wai and Outlying Islands received HK\$5,000 bank gift cheques to help alleviate stress and encourage them to spend wisely.



"Decide Well, Spend Wisely" supports good decision-making and helps relieve stress for 2016 DSE students.



## Listening Angels

Through 2016, the Caritas Family Crisis Hotline and Education Centre has received contributions of HK\$39 million from LKSF to handle over 49,700 cases. In July 2016, with additional support from LKSF, Caritas moved to new premises with enhanced facilities, and continued to provide a 24-hour hotline for individuals and families in crisis.

## Paradigm Shift in Human Capital Development and Leadership

### Shantou University

Founded in 1981, Shantou University (STU) is a key comprehensive university in Guangdong Province and the only privately funded public university on the Mainland. Based on the guiding philosophy of "governance for academic freedom", STU has been engineering reforms in the country's higher education sector. LKSF considers STU to be a long-term keystone project, and has earmarked over HK\$8 billion through 2018 to support the University, which has cultivated over 100,000 graduates to date.

In 2016, STU continued to build on its record of outstanding performance in teaching and research. STU played a leading role in China's CDIO engineering educational reform, and founded the CDIO Engineering Education Alliance; 100% of undergraduates selected STU as their first preference; first-time employment rate reached 98.34%, first in Guangdong Province; salary of graduates after five years in the workforce exceeds



Mr. Li welcomes the members of the Shantou University Ocean Rowing Expedition teams "Hannah" and "Jasmine".

88% of graduates from other universities, according to data compiled by iPIN.com; listed as a Guangdong Province high-level university; the only Mainland university founded after 1980 to be ranked in the top 800 in the Times Higher Education World Universities Ranking. A new medical college building, a multi-purpose Sports Park, and three new residential colleges have been completed. The total floor space completed on campus is 568,000 sq. m..

In February 2017, the Foundation sponsored STU in the world's first university ocean rowing expedition to foster team spirit and perseverance. 10 male and 10 female students embarked on their eight-day, 640 km maritime journey from Shantou to Hong Kong to raise funds for conservation causes.

### Shantou University Medical College

With the new Medical College Building and its cutting-edge facilities now in use, Shantou University Medical College (SUMC) is dedicated to promoting a culture of "active learning" and to becoming a model of medical education reform in Mainland China. For the 19th consecutive year, undergraduates chose SUMC as their first preference. The passing rate of SUMC graduates in the National Medical Licensing Examination ranks among the best in the nation. The passing rate of SUMC students from the English-based medical programme in United States Medical Licensing Examination Step-1 exceeded 93% for five years in a row. First-time employment rate for SUMC graduates reached 97.46%, the highest in the Province for the 16th year. The International Institute of Infection and Immunity and the Second Affiliated Hospital made a breakthrough discovery on the possible human-to-human transmission of the H7N9 influenza virus, and their paper titled "Probable Hospital Cluster of H7N9 Influenza Infection" was published in the New England Journal of Medicine. The International Joint Laboratory on Virology and Emerging Infectious Diseases became the first joint international laboratory to be commissioned by the Ministry of Education.



The newly completed Clinical Simulation and Learning Centre at the Shantou University Medical College features state-of-the-art facilities for aspiring doctors.

### Cheung Kong Graduate School of Business

Since its founding in 2002, Cheung Kong Graduate School of Business has established itself as Mainland China's globalized business school, cultivating over 10,000 business leaders in a wide range of industries.

### Guangdong Technion-Israel Institute of Technology

LKSF made a US\$130 million contribution to establish the Guangdong Technion-Israel Institute of Technology, a joint venture between STU and Technion, to promote development of tertiary education in Guangdong, and build capacity in STU's healthcare research. GTIIT received formal approval for establishment from the Ministry of Education in December 2016. The first phase will be inaugurated in 2017 with an initial batch of 300 students.

### Project Define

Project Define, launched jointly with the Ministry of Civil Affairs through a RMB20 million LKSF contribution, has enabled 4,600 Chinese women cadets and civil affairs officers to realize their power to serve the community through the use of technology in boosting their knowledge base. The Project has garnered further support from the Government and other community resources. The Project continues to support programmes in the Chaoshan region, exploring new models in women's employment and service, and promoting vocational education for girls in rural areas.

## Healthcare Services — Hope and Dignity

### Mainland Projects

LKSF has supported a number of major healthcare initiatives in Mainland China, including the Heart of Gold Nationwide Hospice Service Programme, phases 1-3 of the Cheung Kong New Milestone Programme in collaboration with the China Disabled Persons' Federation to install prosthetics and provide rehabilitation support and training, and Nationwide Medical Aid for the Poor. Aggregate donations of over RMB1 billion have benefited over 17 million patients. Another RMB16 million have been donated to support the Kumbum Tibetan Medical Hospital Aid Programme to provide free medical services for ethnic minorities, serving over 160,000 to date.

LKSF has also contributed RMB8 million to the China Organ Transplantation Development Foundation (COTDF) to instigate reforms and support voluntary civilian organ donation as the only legitimate source for organ transplants. As of 2016, there have been over four thousand cases of civilian organ donations, with over 11,000 major organs (heart, lung, liver, kidney), and more than 13,200 transplantation operations performed.

### International Medical Education and Research

LKSF's contributions to overseas projects in 2016 exceeded HKD110 million. Among the key projects is the Li Ka Shing Centre for Health Information and Discovery at Oxford University, which was granted a total of GBP20 million. Phase two of the project, the 5,000-sq. m. Big Data Institute which can accommodate 350 researchers will be inaugurated in May 2017. A donation of NZD5 million was made to the University of Auckland to promote innovation and philanthropy. The University of British Columbia received a contribution of CAD1 million for its MBA Global Immersion Programme, and a donation was made to Hospitality and Hope to provide temporary shelter and food for the homeless in Northumbria, UK.

## Innovation and Technology

### China Charity Museum

In September 2016, LKSF was invited to install an exhibition at the new China Charity Museum in Nantong. The exhibition was created using advanced multi-media technology to articulate the Foundation's mission and its philanthropic work worldwide. The China Charity Museum is the first themed museum developed jointly by the Ministry of Civil Affairs and the Jiangsu Provincial Government, and is the first national museum on charity.

### Exponential Technologies

Singularity University, founded by innovation experts from Google, NASA, and tech entrepreneurs, held a two-day Exponential Learning Program in April 2016. 300 students from Hong Kong institutions got a first-hand look at the latest technologies and trends including AI, Robotics, 3D Printing.

### Technology-assisted Agricultural Development

LKSF made a contribution of RMB12 million to support the Xinjiang Castor Seed Project to promote industrialization of castor oil production and technology-assisted agricultural development. Oil extracted from the seed of the castor oil plant is a promising source of renewable energy. LKSF hopes the introduction of castor seeds by Kaiima Israel and world-leading planting management technology will help develop a highly efficient agricultural optimization structure. Results from the first trial planting were positive and the target is to build up to 90,000 mu plantation of castor plants within five years.



Singularity University hosts an exclusive two-day programme for 300 local students on AI, robotics, 3D printing and other leading-edge technologies.

### Guan Yin: Bodhisattava of Compassion and Wisdom

From its opening in 2015 to the end of 2016, Tsz Shan Monastery received nearly 350,000 visitors, and continues to organize religious, educational, cultural and spiritual experiential activities to provide a serene place for spiritual contemplation. Tsz Shan is also collaborating with tertiary institutions to develop programmes and utilize multi-media technology to explore new ways to connect people in the age of globalization. Since its inception, the Tsz Shan Monastery Buddhist Spiritual Counselling Centre has offered support to over 1,100 Hong Kong residents in need of spiritual guidance. The Centre has also organized 69 spiritual health activities with over 2,400 total participants.

LKSF will continue to cultivate a culture of giving as its unchanging promise.

### Biographical Details of Directors

#### LI Ka-shing

GBM, KBE, Commandeur de la Légion d'Honneur, Grand Officer of the Order Vasco Nunez de Balboa, Commandeur de l'Ordre de Léopold, aged 88, is the founder of the Cheung Kong Group. He has been the Chairman and Executive Director of the Company since January 2015 and a member of the Remuneration Committee of the Company since March 2015. Mr Li is also the Chairman and Executive Director of Cheung Kong Property Holdings Limited ("Cheung Kong Property") and a member of its Remuneration Committee. He was the Chairman of Cheung Kong (Holdings) Limited ("Cheung Kong (Holdings)") from 1971 to 2015 and Managing Director from 1971 to 1998. The listing status of Cheung Kong (Holdings) on The Stock Exchange of Hong Kong Limited (the "SEHK") was replaced by the Company in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. Mr Li has also been the Chairman of Hutchison Whampoa Limited ("HWL") since 1981 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement. He is also the Chairman of Li Ka Shing Foundation Limited ("LKSF"), Li Ka Shing (Overseas) Foundation ("LKSO") and Li Ka Shing (Canada) Foundation. Mr Li has been engaged in many major commercial developments in Hong Kong for more than 60 years. He served as a member of the Hong Kong Special Administrative Region's Basic Law Drafting Committee, Hong Kong Affairs Adviser and the Preparatory Committee for the Hong Kong Special Administrative Region. He is also an Honorary Citizen of a number of cities on the Mainland and overseas. Mr Li is a keen supporter of community service organisations, and has served as honorary chairman of many such groups over the years. Mr Li has received Honorary Doctorates from Peking University, the University of Hong Kong, The Hong Kong University of Science and Technology, The Chinese University of Hong Kong, City University of Hong Kong, The Open University of Hong Kong, University of Calgary in Canada and Cambridge University in the United Kingdom. Mr Li has been awarded Entrepreneur of the Millennium, the Carnegie Medal of Philanthropy and The Berkeley Medal. He is the recipient of many other major honors and awards from renowned institutions on the Mainland and abroad. Mr Li Ka-shing is the father of Mr Li Tzar Kuoi, Victor, the Group Co-Managing Director and Deputy Chairman of the Company, and the brother-in-law of Mr Kam Hing Lam, Deputy Managing Director of the Company. Mr Li also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

#### LI Tzar Kuoi, Victor

aged 52, has been a Director of the Company since December 2014. Mr Victor Li was designated as Executive Director, Managing Director and Deputy Chairman of the Company in January 2015 and re-designated as Executive Director, Group Co-Managing Director and Deputy Chairman of the Company in June 2015. He joined Cheung Kong (Holdings) in 1985 and acted as Deputy Managing Director from 1993 to 1998. He has been Deputy Chairman of Cheung Kong (Holdings) since 1994, Managing Director since 1999 and Chairman of the Executive Committee since 2013. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) and ceased to act as Chairman of the Executive Committee of Cheung Kong (Holdings) in June 2015. He is Managing Director, Deputy Chairman and Executive Director of Cheung Kong Property as well as Chairman of its Executive Committee. He has been an Executive Director of HWL since 1995 and Deputy Chairman since 1999 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement. Mr Victor Li is the Chairman of Cheung Kong Infrastructure Holdings Limited ("CKI") and CK Life Sciences Int'l., (Holdings) Inc. ("CKLS"), a Non-executive Director of Power Assets Holdings Limited ("Power Assets") and HK Electric Investments Manager Limited ("HKEIML") as the trustee-manager of HK Electric Investments ("HKEI"), a Non-executive Director and the Deputy Chairman of HK Electric Investments Limited ("HKEIL") and Co-Chairman of Husky Energy Inc. ("Husky Energy"). Save and except Cheung Kong Property, the aforementioned companies are either subsidiaries or associated companies of the Group in which Mr Victor Li acts as Chairman, Co-Chairman, Deputy Chairman or Director for the purpose of overseeing the management of such businesses. Mr Victor Li is also the Deputy Chairman of LKSF, LKSOF and Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. Mr Victor Li serves as a member of the Standing Committee of the 12th National Committee of the Chinese People's Political Consultative Conference ("CPPCC") of the People's Republic of China. He is also a member of the Commission on Strategic Development of Hong Kong Special Administrative Region and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr Victor Li is the Honorary Consul of Barbados in Hong Kong. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D.). Mr Victor Li is a son of Mr Li Ka-shing, the Chairman of the Company and a substantial shareholder of the Company within the meaning of Part XV of the SFO, and a nephew of Mr Kam Hing Lam, Deputy Managing Director of the Company. Mr Victor Li is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

### **FOK Kin Ning, Canning**

aged 65, has been a Non-executive Director of the Company since January 2015 and was re-designated as an Executive Director and Group Co-Managing Director of the Company in June 2015. Mr Fok has been a Director of Cheung Kong (Holdings) since 1985 and became a Non-executive Director in 1993. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. Mr Fok has been an Executive Director of HWL since 1984, Group Managing Director since 1993 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement. He is also the Chairman of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), Hutchison Telecommunications (Australia) Limited ("HTAL"), Hutchison Port Holdings Management Pte. Limited ("HPHM") as the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust"), Power Assets, HKEIML as the trustee-manager of HKEI, and HKEIL, Co-Chairman of Husky Energy and Deputy Chairman of CKI. The aforementioned companies are either subsidiaries or associated companies of the Group in which Mr Fok acts as Chairman, Co-Chairman, Deputy Chairman or Director for the purpose of overseeing the management of such businesses. Mr Fok was previously an Alternate Director to a Director of HTHKH. He is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr Fok holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of Chartered Accountants Australia and New Zealand.

### **Frank John SIXT**

aged 65, has been a Non-executive Director of the Company since January 2015 and was re-designated as an Executive Director, Group Finance Director and Deputy Managing Director of the Company in June 2015. Mr Sixt has been an Executive Director of Cheung Kong (Holdings) since 1991 and became a Non-executive Director in 1998. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. He has been an Executive Director of HWL since 1991, Group Finance Director since 1998 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement. He is also the Non-executive Chairman of TOM Group Limited ("TOM"), an Executive Director of CKI, a Director of HTAL and Husky Energy, and an Alternate Director to Directors of HTAL, HKEIML as the trustee-manager of HKEI, and HKEIL. The aforementioned companies are either subsidiaries or associated companies of the Group in which Mr Sixt acts as Chairman or Director for the purpose of overseeing the management of such businesses. He was previously a Non-executive Director of HTHKH, HPHM as the trustee-manager of HPH Trust and Power Assets. Mr Sixt is a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company. Mr Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Québec and Ontario, Canada.

### **IP Tak Chuen, Edmond**

aged 64, has been a Director of the Company since December 2014 and was designated as an Executive Director and Deputy Managing Director of the Company in January 2015. He is an Executive Director and a Deputy Managing Director of Cheung Kong Property and a member of its Executive Committee. He has been an Executive Director of Cheung Kong (Holdings) since 1993 and Deputy Managing Director since 2005. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. Mr Ip is also an Executive Director and Deputy Chairman of CKI, the Senior Vice President and Chief Investment Officer of CKLS, and a Non-executive Director of ARA Asset Management Limited and Hui Xian Asset Management Limited as the manager of Hui Xian Real Estate Investment Trust ("Hui Xian REIT"). Save and except Cheung Kong Property and its associated companies, the aforementioned companies are either subsidiaries or associated companies of the Group in which Mr Ip acts as Director and senior executive for the purpose of overseeing the management of such businesses. He was previously a Non-executive Director of Real Nutraceutical Group Limited, Shougang Concord International Enterprises Company Limited and TOM. Mr Ip is a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

### **KAM Hing Lam**

aged 70, has been an Executive Director and Deputy Managing Director of the Company since January 2015. He is also an Executive Director and a Deputy Managing Director of Cheung Kong Property and a member of its Executive Committee. Mr Kam has been Deputy Managing Director of Cheung Kong (Holdings) since 1993. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. He is also the Group Managing Director of CKI and the President and Chief Executive Officer of CKLS. Mr Kam has been an Executive Director of HWL since 1993 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement. He is also Chairman of Hui Xian Asset Management Limited as the manager of Hui Xian REIT. Save and except Cheung Kong Property and its associated companies, the aforementioned companies are either subsidiaries or associated companies of the Group in which Mr Kam acts as Director and senior executive for the purpose of overseeing the management of such businesses. Mr Kam is an Advisor of the 12th Beijing Municipal Committee of the CPPCC of the People's Republic of China. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr Kam is the brother-in-law of Mr Li Ka-shing, Chairman of the Company and a substantial shareholder of the Company within the meaning of Part XV of the SFO, and an uncle of Mr Li Tzar Kuoi, Victor, the Group Co-Managing Director and Deputy Chairman of the Company.

### **LAI Kai Ming, Dominic**

aged 63, has been an Executive Director and Deputy Managing Director of the Company since June 2015. Mr Lai has been an Executive Director of HWL since 2000 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement. He is a Non-executive Director of HTHKH and a Director of HTAL. He is also an Alternate Director to Directors of HTHKH, HTAL and TOM. The aforementioned companies are either subsidiaries or associated companies of the Group in which Mr Lai acts as Director for the purpose of overseeing the management of such businesses. Mr Lai has over 30 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

### **Edith SHIH**

aged 65, has been an Executive Director of the Company since 1 January 2017. She is also the Head Group General Counsel and Company Secretary of the Company. She is a Non-executive Director of HTHKH, Hutchison China MediTech Limited and HPHM as the trustee-manager of HPH Trust. The aforementioned companies are either subsidiaries or associated companies of the Group in which Ms Shih acts as Director for the purpose of overseeing the management of such businesses. She has over 34 years of experience in the legal, regulatory, corporate finance, compliance and corporate governance fields. Ms Shih is at present the Senior Vice President and Executive Committee member of the Institute of Chartered Secretaries and Administrators in the United Kingdom and a past President and current council member and chairperson of various committees and panels of the Hong Kong Institute of Chartered Secretaries. She is also the Chairman of the Remuneration Committee and Vice-Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants. She was a member of the Listing Committee and Corporate Governance Sub-Committee of the SEHK, the Standing Committee on Companies Law Reform as well as the Hong Kong Institute of Certified Public Accountants Council. Ms Shih is a solicitor qualified in England and Wales, Hong Kong and Victoria, Australia and a Fellow of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. She holds a Bachelor of Science degree in Education and a Master of Arts degree from the University of the Philippines and a Master of Arts degree and a Master of Education degree from Columbia University, New York.

### **CHOW Kun Chee, Roland**

aged 79, has been a Non-executive Director of the Company since January 2015. He has been a Director of Cheung Kong (Holdings) since 1993 until his resignation in June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015. He was an Independent Non-executive Director of Cheung Kong (Holdings) prior to his re-designation as a Non-executive Director of Cheung Kong (Holdings) in September 2004. Mr Chow is a solicitor of the High Court of the Hong Kong Special Administrative Region and is a consultant of Messrs. Herbert Tsoi and Partners, Solicitors. He holds a Master of Laws degree from the University of London. Mr Chow is a cousin of Mr Leung Siu Hon, a Non-executive Director of the Company. Mr Chow is a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

### **CHOW WOO Mo Fong, Susan**

aged 63, has been a Non-executive Director of the Company since 1 January 2017. She was an Executive Director and Group Deputy Managing Director of the Company from June 2015 to July 2016, Senior Advisor of the Company from August 2016 to December 2016, Executive Director of HWL from October 1993 to June 2015, Deputy Group Managing Director of HWL from January 1998 to June 2015 and Director of HWL from June 2015 to July 2016. Prior to joining HWL, Mrs Chow was a partner of Woo, Kwan, Lee & Lo, a major law firm in Hong Kong. Mrs Chow is an Alternate Director to Directors of CKI, HKEIML as the trustee-manager of HKEI, and HKEIL. She was previously an Executive Director of CKI, a Non-executive Director of HTHKH, a Director of HTAL and an Alternate Director to Directors of CKI, HTAL and TOM. Mrs Chow is at present a member of the Court of the Hong Kong University of Science and Technology and a member of the Appeal Boards Panel (Education). She previously served as a member of the Listing Committee of the SEHK, the Joint Liaison Committee on Taxation of the Law Society of Hong Kong, the Committee on Real Estate Investment Trusts of the Securities and Futures Commission and the Trade and Industry Advisory Board. Mrs Chow is a qualified solicitor and holds a Bachelor's degree in Business Administration.

### **LEE Yeh Kwong, Charles**

GBM, GBS, OBE, JP, aged 80, has been a Non-executive Director of the Company since January 2015. Mr Charles Lee has been a Non-executive Director of Cheung Kong (Holdings) since 2013 until his resignation in June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015. He was a Director of Cheung Kong (Holdings) during the period from August 1972 to March 1997. Mr Charles Lee has also been a Non-executive Director of HWL since 2013 until his resignation in June 2015 upon the privatisation of HWL by way of a scheme of arrangement. He is the Campaign Committee Co-Chairman, a member of the Former Directors Committee and a Vice Patron of The Community Chest of Hong Kong as well as a member of the Board of Governors of Our Hong Kong Foundation. Mr Charles Lee is one of the founders of the solicitor's firm Woo, Kwan, Lee & Lo, a major law firm in Hong Kong. He holds a Master's degree in law and is a qualified solicitor in both Hong Kong and the United Kingdom. He was awarded the degree of Doctor of Laws honoris causa by The Hong Kong University of Science and Technology, the degree of Doctor of Business Administration by The Hong Kong Polytechnic University and the degree of Doctor of Social Sciences, honoris causa by the University of Hong Kong and The Open University of Hong Kong respectively. Mr Charles Lee is also a qualified accountant and a chartered secretary.

### **LEUNG Siu Hon**

aged 85, has been a Non-executive Director of the Company since January 2015. He has been a Director of Cheung Kong (Holdings) since 1984 until his resignation in June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015. He was an Independent Non-executive Director of Cheung Kong (Holdings) prior to his re-designation as a Non-executive Director of Cheung Kong (Holdings) in September 2004. Mr Leung holds a B.A. Law (Honours) (Southampton) degree, and has been awarded the Honorary degree of Doctor of Laws by the University of Southampton in July 2001 and appointed by the Northwest University of Politics & Law, China to the post of Adjunct Professor in May 2014. Mr Leung is a solicitor of the High Court of the Hong Kong Special Administrative Region and an attesting officer appointed by the People's Republic of China. He is presently a consultant of Messrs. S.H. Leung and Co., Solicitors. Mr Leung is a cousin of Mr Chow Kun Chee, Roland, a Non-executive Director of the Company.

### **George Colin MAGNUS**

OBE, BBS, aged 81, has been a Non-executive Director of the Company since January 2015. He acted as an Executive Director of Cheung Kong (Holdings) since 1980 and Deputy Chairman since 1985 until he retired from these offices in October 2005. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015. He has been a Non-executive Director of Cheung Kong (Holdings) since November 2005 until his resignation in June 2015. Mr Magnus has been an Executive Director of HWL since 1980 and was re-designated as a Non-executive Director since November 2005 until his resignation in June 2015 upon the privatisation of HWL by way of a scheme of arrangement. He served as Deputy Chairman of HWL from 1984 to 1993. He is also a Non-executive Director of CKI, an Independent Non-executive Director of HKEIML as the trustee-manager of HKEI, and HKEIL, and a Director (independent) of Husky Energy. Mr Magnus holds a Master's degree in Economics.



## Information on Directors

### **KWOK Tun-li, Stanley**

aged 90, has been an Independent Non-executive Director of the Company since January 2015 and a member of the Audit Committee of the Company since March 2015. He was a member of the Remuneration Committee of the Company from March 2015 to June 2015. He has been a Director of Cheung Kong (Holdings) since 1989 until his resignation in June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015. Mr Kwok holds a Bachelor's degree in Science (Architecture) from St. John's University, Shanghai, China, and an A.A. Diploma from the Architectural Association School of Architecture, London, England. Mr Kwok is a Director (independent) of Husky Energy. He is also presently a Director of Amara Holdings Inc., CTBC Bank Corp. (Canada) (formerly known as CTC Bank of Canada), Element Lifestyle Retirement Inc. and Stanley Kwok Consultants Inc.

### **CHENG Hoi Chuen, Vincent**

GBS, OBE, JP, aged 68, has been an Independent Non-executive Director and a member of both the Audit Committee and the Remuneration Committee of the Company since June 2015. He has been an Independent Non-executive Director of HWL since 2014 until his resignation in June 2015 upon the privatisation of HWL by way of a scheme of arrangement. He is an Independent Non-executive Director of MTR Corporation Limited, Great Eagle Holdings Limited, CLP Holdings Limited, Hui Xian Asset Management Limited as manager of Hui Xian REIT, China Minsheng Banking Corp., Ltd., Shanghai Industrial Holdings Limited and Wing Tai Properties Limited. Mr Cheng joined The Hongkong and Shanghai Banking Corporation Limited in 1978 of which he became Chief Financial Officer in 1994, General Manager and an Executive Director in 1995 and Chairman from 2005 to 2010. He was also the Chairman of HSBC Bank (China) Limited from 2007 to 2011, an Executive Director of HSBC Holdings plc from 2008 to 2011 and an adviser to the Group Chief Executive of HSBC Holdings plc from 2011 to 2012. In 2008, Mr Cheng was appointed as a member of the 11th National Committee of the CPPCC of the People's Republic of China and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC of the People's Republic of China. Mr Cheng's previous government advisory roles include being a member of the Executive Council (the Hong Kong government's highest policy-making body) from 1995 to 1997, Hong Kong Affairs Adviser to the People's Republic of China from 1994 to 1997 as well as a member of the Legislative Council of the Hong Kong Government from 1991 to 1995. In 2005, Honorary Doctorates of Social Science and of Business Administration were conferred on Mr Cheng by The Chinese University of Hong Kong and The Open University of Hong Kong respectively. Mr Cheng holds a Bachelor of Social Science degree in Economics and a Master of Philosophy degree in Economics.

### **The Hon Sir Michael David KADOORIE**

GBS, Commandeur de la Légion d'Honneur, Commandeur de l'Ordre des Arts et des Lettres, Commandeur de l'Ordre de la Couronne, Commandeur de l'Ordre de Leopold II, aged 75, has been an Independent Non-executive Director of the Company since June 2015. He has been a Director of HWL since 1995 until his resignation in July 2015 upon the privatisation of HWL by way of a scheme of arrangement. He is the Chairman of CLP Holdings Limited and The Hongkong and Shanghai Hotels, Limited, as well as Heliservices (Hong Kong) Limited. He was previously an Alternate Director to a Director of Hong Kong Aircraft Engineering Company Limited.

### **LEE Wai Mun, Rose**

JP, aged 64, has been an Independent Non-executive Director of the Company since June 2015. She has been an Independent Non-executive Director of HWL since 2012 until her resignation in June 2015 upon the privatisation of HWL by way of a scheme of arrangement. She is also an Executive Director, Vice-chairman and Chief Executive of Hang Seng Bank Limited, and Chairman and a member of its Executive Committee and Nomination Committee respectively. Ms Lee is also the Chairman of Hang Seng Bank (China) Limited. Ms Lee is Group General Manager of HSBC Holdings plc, a Director of The Hongkong and Shanghai Banking Corporation Limited, an Independent Non-executive Director and a member of Remuneration Committee of Swire Pacific Limited, Chairman of the Board of Governors and of Nomination Committee for appointment of Council Members of Hang Seng Management College, Chairman of the Board of Directors of Hang Seng School of Commerce, Board Member of The Community Chest of Hong Kong as well as Deputy Chairman and a member of its Executive Committee and Nominating Committee respectively, Executive Vice-chairman of the Finance Professional Committee of Guangdong's Association for Promotion of Cooperation between Guangdong, Hongkong & Macao, Vice President of The Hong Kong Institute of Bankers, Vice-chairman of the Inaugural Financial Consulting Committee for Authority of Qianhai Shenzhen - Hong Kong Modern Service Industry Cooperation Zone of Shenzhen, a member of the Consulting Committee of Qianhai & Shekou Area of Shenzhen, China (Guangdong) Pilot Free Trade Zone, and Qianhai Shenzhen - Hong Kong Modern Service Industry Cooperation Zone of Shenzhen, a member of the Advisory Committee of the New College of Jockey Club Student Village III of the University of Hong Kong, a member of the Court of The Hong Kong University of Science and Technology, a member of the Board of Trustees of Ho Leung Ho Lee Foundation and a member of the Financial Services Advisory Committee of Hong Kong Trade Development Council. Ms Lee is a Fellow of The Hong Kong Institute of Bankers. She holds a Bachelor's degree in Business Administration.



### **William Elkin MOCATTA**

aged 64, has been an Alternate Director to The Hon Sir Michael David Kadoorie, an Independent Non-executive Director of the Company, since June 2015. He has been an Alternate Director to The Hon Sir Michael David Kadoorie, former Independent Non-executive Director of HWL, since 1997 until he ceased to be an Alternate Director in July 2015 upon the privatisation of HWL by way of a scheme of arrangement. He is the Chairman of CLP Power Hong Kong Limited, CLP Properties Limited and Castle Peak Power Company Limited. He is also the Vice Chairman of CLP Holdings Limited and a Director of The Hongkong and Shanghai Hotels, Limited. He is a Fellow of The Institute of Chartered Accountants in England and Wales.

### **William SHURNIAK**

S.O.M., M.S.M., LLD (Hon), aged 85, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since June 2015. He has been a Director of HWL since 1984 until his resignation in June 2015 upon the privatisation of HWL by way of a scheme of arrangement. In addition, Mr Shurniak is a Director (independent) and Deputy Chairman of Husky Energy. He has broad banking experience and he holds Honorary Doctor of Laws degrees from the University of Saskatchewan, The University of Western Ontario and the University of Regina in Canada. He was awarded the Saskatchewan Order of Merit by the Government of Saskatchewan in 2009, the Queen Elizabeth II Diamond Jubilee Medal by the Lieutenant Governor of Saskatchewan in 2012 and the Meritorious Service Medal by Governor General of Canada in 2016.

### **WONG Chung Hin**

CBE, JP, aged 83, has been an Independent Non-executive Director, Chairman of the Audit Committee and a member of the Remuneration Committee of the Company since June 2015. He has been a Director of HWL since 1984 until his resignation in June 2015 upon the privatisation of HWL by way of a scheme of arrangement. Mr Wong is an Independent Non-executive Director of Power Assets. He was previously an Independent Non-executive Director of The Bank of East Asia, Limited. He is a solicitor.

### **WONG Yick-ming, Rosanna**

DBE, JP, aged 64, has been an Independent Non-executive Director of the Company since January 2015 and the Chairman of the Remuneration Committee of the Company since March 2015. She has been an Independent Non-executive Director of Cheung Kong (Holdings) since 2001 until her resignation in June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015. She was previously an Alternate Director of the Company and Cheung Kong (Holdings). She is currently a member of the 12th National Committee of the CPPCC of the People's Republic of China. She is also a member of The Hong Kong University of Science and Technology Business School Advisory Council and the Advisory Committee of The Jockey Club CPS Limited, and serves as a Global Advisor to Mars, Incorporated. She is an Executive Director of The Hong Kong Federation of Youth Groups, the Non-executive Chairman of The Hongkong Bank Foundation's Advisory Committee and an Independent Non-executive Director of HTHKH, The Hongkong and Shanghai Banking Corporation Limited and The Hongkong and Shanghai Hotels, Limited. She holds a Doctor of Philosophy degree in Sociology from the University of California (Davis), U.S.A. and has been awarded Honorary Doctorates by The Chinese University of Hong Kong, The Hong Kong Polytechnic University, the University of Hong Kong, The Hong Kong Institute of Education and University of Toronto in Canada.

### Changes in Information of Directors

Pursuant to Rule 13.51(B)(1) of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"), the changes in information of Directors of the Company subsequent to the date of the 2016 Interim Report of the Company or the date of announcement on appointment of Director of the Company are set out below:

Directors	Details of Changes
Li Tzar Kuoi, Victor	Total emoluments received from the Company and its subsidiaries (the "Group") decreased by HK\$17,490,362.27 to HK\$89,498,348.00 compared to 2015
Fok Kin Ning, Canning	Total emoluments received from the Group decreased by HK\$9,709,541.35 to HK\$200,758,248.00 compared to 2015
Frank John Sixt	Resigned as Non-executive Director of HTHKH <sup>(1)</sup> , HPHM as the trustee-manager of HPH Trust <sup>(2)</sup> and Power Assets <sup>(1)</sup> on 1 January 2017  Total emoluments received from the Group increased by HK\$2,997,695.38 to HK\$52,092,601.00 compared to 2015
Ip Tak Chuen, Edmond	Resigned as Non-executive Director of TOM <sup>(1)</sup> and Shougang Concord International Enterprises Company Limited <sup>(1)</sup> on 1 January 2017  Total emoluments received from the Group decreased by HK\$5,638,150.30 to HK\$24,335,430.00 compared to 2015
Kam Hing Lam	Total emoluments received from the Group decreased by HK\$6,732,209.70 to HK\$27,535,470.00 compared to 2015
Lai Kai Ming, Dominic	Appointed as <ul style="list-style-type: none"> <li>- Alternate Director to Mr Fok King Ning, Canning, Chairman of HTAL<sup>(3)</sup>, on 5 December 2016</li> <li>- Alternate Director to Mr Fok Kin Ning, Canning, Chairman of HTHKH<sup>(1)</sup>, and Ms Edith Shih, Non-executive Director of HTHKH<sup>(1)</sup>, on 1 January 2017</li> </ul> Ceased to act as Alternate Director to Mr Frank John Sixt, former Non-executive Director of HTHKH <sup>(1)</sup> , on 1 January 2017  Total emoluments received from the Group increased by HK\$2,091,251.45 to HK\$49,139,887.00 compared to 2015

Directors	Details of Changes
Edith Shih	Appointed as <ul style="list-style-type: none"> <li>- Non-executive Director of HTHKH<sup>(1)</sup> on 1 January 2017</li> <li>- Non-executive Director of HPHM as the trustee-manager of HPH Trust<sup>(2)</sup> on 1 January 2017</li> </ul>
Chow Woo Mo Fong, Susan	Ceased to act as Senior Advisor of the Company on 1 January 2017
Lee Wai Mun, Rose	Appointed as Chairman of Nomination Committee for appointment of Council Members of Hang Seng Management College on 8 September 2016  Became a Fellow of The Hong Kong Institute of Bankers since 26 March 2013
William Shurniak	Awarded the Meritorious Service Medal by Governor General of Canada in 2016

Notes:

- (1) A company whose shares are listed on the Main Board of the SEHK.
- (2) A business trust whose units are listed on the Main Board of Singapore Exchange Securities Trading Limited.
- (3) A company whose shares are listed on the Australian Securities Exchange.

## Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the "CKHH Securities Code") were as follows:

### (I) Interests and short positions in the shares, underlying shares and debentures of the Company

#### Long positions in the shares of the Company

Directors	Capacity	Nature of Interests	Number of Shares Held	Approximate % of	
				Total	Shareholding
Li Ka-shing	Founder of discretionary trusts	Other interest	1,094,244,254 <sup>(1)</sup> )	1,160,903,510	30.0933%
	Interest of controlled corporations	Corporate interest	66,659,256 <sup>(2)(3)</sup> )		
Li Tzar Kuoi, Victor	Beneficiary of trusts	Other interest	1,094,244,254 <sup>(1)</sup> )	1,097,441,804	28.4482%
	Beneficial owner	Personal interest	220,000 )		
	Interest of controlled corporations	Corporate interest	2,572,350 <sup>(2)(4)</sup> )		
	Interest of spouse	Family interest	200,000 )		
	Interest of child	Family interest	205,200 <sup>(5)</sup> )		
Fok Kin Ning, Canning	Interest of a controlled corporation	Corporate interest	5,111,438 <sup>(6)</sup> )	5,111,438	0.1325%
Frank John Sixt	Beneficial owner	Personal interest	136,800	136,800	0.0035%
Kam Hing Lam	Beneficial owner	Personal interest	51,040 )	108,400	0.0028%
	Interest of child	Family interest	57,360 )		
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	34,200	34,200	0.0008%
Chow Kun Chee, Roland	Beneficial owner	Personal interest	99,752	99,752	0.0025%
Lee Yeh Kwong, Charles	Beneficial owner	Personal interest	762,124 )	806,584	0.0209%
	Interest of spouse	Family interest	37,620 )		
	Interest of a controlled corporation	Corporate interest	6,840 <sup>(7)</sup> )		
Leung Siu Hon	Beneficial owner	Personal interest	663,968 )	748,030	0.0193%
	Interest of spouse	Family interest	84,062 )		

Directors	Capacity	Nature of Interests	Number of Shares Held	Approximate % of	
				Total	Shareholding
George Colin Magnus	Founder and/or beneficiary of a discretionary trust	Other interest	833,868 <sup>(8)</sup> )		
	Beneficial owner	Personal interest	85,361 )		
	Interest of spouse	Family interest	16,771 )	936,000	0.0242%
Cheng Hoi Chuen, Vincent	Beneficial owner	Personal interest	10,000	10,000	0.0002%
Michael David Kadoorie	Founder, a beneficiary and/or a discretionary object of discretionary trust(s)	Other interest	11,752,120 <sup>(9)</sup>	11,752,120	0.3046%
William Shurniak	Beneficial owner	Personal interest	265,000	265,000	0.0068%

Notes:

(1) The 1,094,244,254 shares of the Company comprise:

- (a) 1,001,953,744 shares held by Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1") and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("TUT1 related companies"). Mr Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard.

The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Unity Holdco or any of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as aforesaid.

As Mr Li Ka-shing may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT1 and DT2, and by virtue of the above, both Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the shares of the Company held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO as Directors of the Company.

- (b) 7,863,264 shares held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3"). Mr Li Ka-shing is the settlor of each of two discretionary trusts ("DT3" and "DT4"). Each of Li Ka-Shing Castle Trustee Corporation Limited ("TDT3", which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited ("TDT4", which is the trustee of DT4) holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard.

The entire issued share capital of TUT3, TDT3 and TDT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Castle Holdco or any of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor as a holder of the shares of Castle Holdco as aforesaid.

As Mr Li Ka-shing may be regarded as a founder of each of DT3 and DT4 for the purpose of the SFO and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT3 and DT4, and by virtue of the above, both Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the said shares of the Company held by TUT3 as trustee of UT3 under the SFO as Directors of the Company.

- (c) 84,427,246 shares held by a company controlled by TDT3 as trustee of DT3.

- (2) Among those shares, 300,000 shares are held by LKSF. By virtue of the terms of the constituent documents of LKSF, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.
- (3) Among those shares, 66,359,256 shares are held by certain companies of which Mr Li Ka-shing is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
- (4) Among those shares, 2,272,350 shares are held by certain companies of which Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
- (5) Such shares are held by a company in which a child of Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of voting power at its general meetings.
- (6) Such shares are held by a company which is equally controlled by Mr Fok Kin Ning, Canning and his spouse.
- (7) Such shares are held by a company of which Mr Lee Yeh Kwong, Charles is interested in the entire issued share capital.
- (8) 184,000 shares are held by a company controlled by a trust of which Mr George Colin Magnus is a discretionary beneficiary and 649,868 shares are indirectly held by a discretionary trust of which Mr George Colin Magnus is the settlor and/or a discretionary beneficiary.
- (9) Such shares are ultimately held by discretionary trust(s) of which The Hon Sir Michael David Kadoorie is either the founder, a beneficiary and/or a discretionary object.

## (II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company

### Long positions in the shares, underlying shares and debentures of the associated corporations of the Company

As at 31 December 2016, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor, as Directors of the Company, were deemed to be interested in the following by virtue of, inter alia, their interests as described in Note (1) above:

- (i) 5,428,000 ordinary shares, representing approximately 0.20% of the issued voting shares, in CKI held by TUT1 as trustee of UT1;
- (ii) 153,280 ordinary shares, representing approximately 0.003% of the issued voting shares, in HTHKH held by TUT3 as trustee of UT3;
- (iii) 294,703,249 common shares, representing approximately 29.31% of the issued voting shares, in Husky Energy held by a company controlled by TDT3 as trustee of DT3; and
- (iv) 15,000,000 ordinary shares, representing approximately 15% of the issued voting shares, in Beautiland Company Limited held by a wholly owned subsidiary of TUT1 as trustee of UT1.

As at 31 December 2016, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor were also deemed to be interested in (i) 7,870,000 share stapled units, representing approximately 0.08% of the issued voting share stapled units, in HKEI and HKEIL of which 5,170,000 share stapled units are held by LKSF and 2,700,000 share stapled units are held by a wholly owned subsidiary of LKSOF; and (ii) 2,835,759,715 ordinary shares, representing approximately 29.50% of the issued voting shares, in CKLS held by wholly owned subsidiaries of LKSF. By virtue of the terms of the constituent documents of LKSF and LKSOF, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF and LKSOF.

In addition, Mr Li Ka-shing had, as at 31 December 2016, corporate interests in (i) a nominal amount of US\$9,100,000 in the 5.875% Guaranteed Perpetual Capital Securities issued by OVPH Limited and guaranteed by CKI; and (ii) 403,979,499 ordinary shares, representing approximately 8.38% of the issued voting shares, in HTHKH, which are held by companies of which Mr Li Ka-shing is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.

Mr Li Tzar Kuoi, Victor had, as at 31 December 2016, the following interests:

- (i) personal interests in 2,250,000 ordinary shares, representing approximately 0.02% of the issued voting shares, in CKLS held in his capacity as a beneficial owner;
- (ii) family interests in (a) 192,000 ordinary shares, representing approximately 0.003% of the issued voting shares, in HTHKH held by a company in which his child is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings; and (b) 227,000 ordinary shares, representing approximately 0.008% of the issued voting shares, in CKI held by his spouse; and
- (iii) corporate interests in (a) a nominal amount of US\$45,792,000 in the 7.625% Notes due 2019 issued by Hutchison Whampoa International (09) Limited; (b) 2,519,250 ordinary shares, representing approximately 0.05% of the issued voting shares, in HTHKH; and (c) a nominal amount of US\$16,800,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa International (12) Limited, which are held by companies of which Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.

Mr Fok Kin Ning, Canning had, as at 31 December 2016, the following interests:

- (i) 5,100,000 ordinary shares, representing approximately 0.03% of the issued voting shares, in HTAL comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively;
- (ii) corporate interests in 1,202,380 ordinary shares, representing approximately 0.02% of the issued voting shares, in HTHKH;
- (iii) corporate interests in 255,365 common shares, representing approximately 0.02% of the issued voting shares, in Husky Energy;
- (iv) corporate interests in 2,000,000 share stapled units, representing approximately 0.02% of the issued voting share stapled units, in HKEI and HKEIL; and
- (v) corporate interests in 1,500,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in CKLS.

Mr Fok Kin Ning, Canning holds the above personal interests in his capacity as a beneficial owner and holds the above corporate interests through a company which is equally controlled by Mr Fok and his spouse.

Mr Frank John Sixt in his capacity as a beneficial owner had, as at 31 December 2016, personal interests in (i) 1,000,000 ordinary shares, representing approximately 0.007% of the issued voting shares, in HTAL; (ii) 17,000 American depositary shares (each representing 15 ordinary shares), representing approximately 0.005% of the issued voting shares, in HTHKH; (iii) 70,190 common shares, representing approximately 0.006% of the issued voting shares, in Husky Energy; (iv) 900,000 ordinary shares, representing approximately 0.009% of the issued voting shares, in CKLS; and (v) 492,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in TOM.

Mr Ip Tak Chuen, Edmond in his capacity as a beneficial owner had, as at 31 December 2016, personal interests in (i) 262,840 common shares, representing approximately 0.02% of the issued voting shares, in Husky Energy; and (ii) 2,250,000 ordinary shares, representing approximately 0.02% of the issued voting shares, in CKLS.

Mr Kam Hing Lam had, as at 31 December 2016, the following interests:

- (i) personal interests in 100,000 ordinary shares, representing approximately 0.003% of the issued voting shares, in CKI held in his capacity as a beneficial owner; and
- (ii) family interests in (a) 100,000 ordinary shares, representing approximately 0.004% of the issued voting shares, in Power Assets; (b) 1,025,000 share stapled units, representing approximately 0.01% of the issued voting share stapled units, in HKEI and HKEIL; and (c) 6,225,000 ordinary shares, representing approximately 0.06% of the issued voting shares, in CKLS, which are held by his child.

Mr Chow Kun Chee, Roland in his capacity as a beneficial owner had, as at 31 December 2016, personal interests in (i) 10,000 ordinary shares, representing approximately 0.0003% of the issued voting shares, in CKI; (ii) 903,936 ordinary shares, representing approximately 0.009% of the issued voting shares, in CKLS; (iii) 134,918 ordinary shares, representing approximately 0.006% of the issued voting shares, in Power Assets; (iv) 582,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in TOM; and (v) 33,730 share stapled units, representing approximately 0.0003% of the issued voting share stapled units, in HKEI and HKEIL.

Mr Lee Yeh Kwong, Charles had, as at 31 December 2016, the following interests:

- (i) 247,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in Power Assets comprising corporate interests in 100,000 ordinary shares held through a company of which Mr Lee is interested in the entire issued share capital and family interests in 147,000 ordinary shares held by his spouse;
- (ii) family interests in 1,532 common shares, representing approximately 0.0001% of the issued voting shares, in Husky Energy held by his spouse; and
- (iii) corporate interests in 25,000 share stapled units, representing approximately 0.0002% of the issued voting share stapled units, in HKEI and HKEIL held through a company of which Mr Lee is interested in the entire issued share capital.

Mr Leung Siu Hon had, as at 31 December 2016, the following interests:

- (i) 2,106,000 share stapled units, representing approximately 0.02% of the issued voting share stapled units, in HKEI and HKEIL comprising personal interests in 1,200,000 share stapled units held in his capacity as a beneficial owner and family interests in 906,000 share stapled units held by his spouse;
- (ii) personal interests in 100,000 ordinary shares, representing approximately 0.002% of the issued voting shares, in TOM held in his capacity as a beneficial owner; and
- (iii) 1,693,100 ordinary shares, representing approximately 0.01% of the issued voting shares, in CKLS comprising (a) personal interests in 1,688,130 ordinary shares held in his capacity as a beneficial owner; (b) family interests in 2,000 ordinary shares held by his spouse; and (c) corporate interests in 2,970 ordinary shares held by a company which is wholly owned by Mr Leung and his spouse.



Mr George Colin Magnus had, as at 31 December 2016, the following interests:

- (i) 13,333 ordinary shares, representing approximately 0.0002% of the issued voting shares, in HTHKH comprising personal interests in 13,201 ordinary shares held in his capacity as a beneficial owner and family interests in 132 ordinary shares held by his spouse;
- (ii) personal interests in 34,974 common shares and 38,753 unlisted and physically settled Deferred Share Units (each representing one common share), in aggregate representing approximately 0.007% of the issued voting shares, in Husky Energy held in his capacity as a beneficial owner; and
- (iii) 765,000 ordinary shares, representing approximately 0.007% of the issued voting shares, in CKLS comprising (a) personal interests in 753,360 ordinary shares held in his capacity as a beneficial owner; (b) family interests in 600 ordinary shares held by his spouse; and (c) other interests in 11,040 ordinary shares held by a company controlled by a trust of which Mr Magnus is a discretionary beneficiary.

Mr Kwok Tun-li, Stanley had, as at 31 December 2016, the following interests:

- (i) 86,046 common shares, representing approximately 0.008% of the issued voting shares, in Husky Energy comprising (a) personal interests in 20,606 common shares held in his capacity as a beneficial owner; (b) family interests in 10,215 common shares held by his spouse; and (c) family interests in 55,225 unlisted and physically settled Deferred Share Units (each representing one common share) held by his spouse; and
- (ii) family interests in 200,000 ordinary shares, representing approximately 0.002% of the issued voting shares, in CKLS held by his spouse.

Ms Lee Wai Mun, Rose had, as at 31 December 2016, the following interests:

- (i) personal interests in 2,200 ordinary shares, representing approximately 0.0001% of the issued voting shares, in Power Assets held in her capacity as a beneficial owner; and
- (ii) 43,122 common shares, representing approximately 0.004% of the issued voting shares, in Husky Energy comprising corporate interests in 10,488 common shares held through a company of which Ms Lee is interested in the entire issued share capital and other interests in 32,634 common shares held jointly with another person.

Mr William Shurniak in his capacity as a beneficial owner had, as at 31 December 2016, personal interests in (i) 35,638 common shares, representing approximately 0.003% of the issued voting shares, in Husky Energy; and (ii) 225,000 ordinary shares, representing approximately 0.002% of the issued voting shares, in CKLS.

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the CKHH Securities Code.

Certain Directors held qualifying shares in certain subsidiaries of the Company on trust for other subsidiaries.

## Directors' Interests in Competing Business

During the year ended 31 December 2016, the following Directors of the Company had interests in the following businesses (apart from the businesses of the Company or its subsidiaries) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company or its subsidiaries conducted during the year required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

Core Business Activities of the Company and its subsidiaries:

- (1) Ports and related services
- (2) Retail
- (3) Infrastructure
- (4) Energy
- (5) Telecommunications

Interests in Competing Business:

Directors	Name of Company/ Partnership/ Sole Proprietorship	Interest in the Competing Business	Nature of Competing Business
Li Tzar Kuoi, Victor	CKLS	Chairman	(2)
	HKEIML as trustee-manager of HKEI, and HKEIL	Deputy Chairman of HKEIL and Non-executive Director of both HKEIML and HKEIL	(3) & (4)
	Husky Energy	Co-Chairman	(4)
	Power Assets	Non-executive Director	(3) & (4)
Fok Kin Ning, Canning	HKEIML as trustee-manager of HKEI, and HKEIL	Chairman	(3) & (4)
	HPHM as trustee-manager of HPH Trust	Chairman	(1)
	Husky Energy	Co-Chairman	(4)
	Power Assets	Chairman	(3) & (4)
Chow Woo Mo Fong, Susan <sup>(a)</sup>	HKEIML as trustee-manager of HKEI, and HKEIL	Alternate Director	(3) & (4)
	TOM	Alternate Director <sup>(b)</sup>	(5)
Frank John Sixt	HKEIML as trustee-manager of HKEI, and HKEIL	Alternate Director	(3) & (4)
	HPHM as trustee-manager of HPH Trust	Non-executive Director <sup>(c)</sup>	(1)
	Husky Energy	Director	(4)
	Power Assets	Non-executive Director <sup>(c)</sup>	(3) & (4)
	TOM	Non-executive Chairman	(5)

Directors	Name of Company/ Partnership/ Sole Proprietorship	Interest in the Competing Business	Nature of Competing Business
Ip Tak Chuen, Edmond	CKLS	Senior Vice President and Chief Investment Officer	(2)
	Real Nutraceutical Group Limited	Non-executive Director <sup>(d)</sup>	(2)
	TOM	Non-executive Director <sup>(c)</sup>	(5)
Kam Hing Lam	CKLS	President and Chief Executive Officer	(2)
Lai Kai Ming, Dominic	TOM	Alternate Director <sup>(e)</sup>	(5)
Lee Yeh Kwong, Charles	Team Investment Limited	Director and Shareholder	(4)

Notes:

- (a) Retired as Group Deputy Managing Director and Executive Director on 1 August 2016 and appointed as Non-executive Director on 1 January 2017.
- (b) Retired on 1 August 2016.
- (c) Resigned on 1 January 2017.
- (d) Retired on 2 June 2016.
- (e) Appointed on 1 August 2016.

Save as disclosed above, none of the Directors is interested in any businesses (apart from the businesses of the Company or its subsidiaries) which compete or are likely to compete, either directly or indirectly, with the principal businesses of the Company or its subsidiaries during the year.

## Information on Senior Management

### Biographical Details of Senior Management

The Company is engaged in five core businesses, each with a Managing Director who oversees the operations of the relevant business, with his own team of executives, under the guidance of the Board and supported by executives from the head office of the Company. The senior management of the Company comprises the Managing Directors of these core businesses and the executives in charge of major head office functions of the Company.

#### CHEUNG Kwan Hoi

aged 52, has been Group Deputy Chief Financial Officer of the Company since June 2015 and was previously the Group Deputy Chief Financial Officer since 2011 of Hutchison Whampoa Limited (“HWL”), which was privatised by way of a scheme of arrangement in June 2015 and is currently a wholly owned subsidiary of the Company. He has been with the CK Hutchison Holdings Limited group (the “Group”) for over 19 years in various finance and accounting roles and has over 28 years of experience in accounting and finance. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Management Science. He is a member of both the Institute of Chartered Accountants in England & Wales and the Hong Kong Institute of Certified Public Accountants.

#### IP Sing Chi

aged 63, has been Group Managing Director of Hutchison Port Holdings Limited, the Company's ports division, since 2014 and has been with the Group since 1993. He is an Executive Director of Hutchison Port Holdings Management Pte. Limited (“HPHM”) as trustee-manager of Hutchison Port Holdings Trust (“HPH Trust”). He is also an external Director of Hyundai Merchant Marine Co., Ltd., a Non-independent Non-executive Director of Westports Holdings Berhad, and an Independent Non-executive Director of COSCO SHIPPING Energy Transportation Co., Ltd. (formerly known as “China Shipping Development Company Limited”) and Piraeus Port Authority S.A.. He was previously an Independent Non-executive Director of COSCO SHIPPING Ports Limited (formerly known as “COSCO Pacific Limited”). In addition, Mr Ip was a member of the Hong Kong Port Development Council from 2009 until the end of December 2014 and was the founding Chairman (in 2000-2001) of the Hong Kong Container Terminal Operators Association Limited. He has over 35 years of experience in the maritime industry. He holds a Bachelor of Arts degree.

#### KAM Hing Lam

aged 70, has been an Executive Director and Deputy Managing Director of the Company since January 2015. He is also an Executive Director and a Deputy Managing Director of Cheung Kong Property Holdings Limited (“Cheung Kong Property”) and a member of its Executive Committee. He is the founding Group Managing Director of Cheung Kong Infrastructure Holdings Limited, the infrastructure arm of the Company, and the founding President and Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc., the agriculture-related/nutraceutical/pharmaceutical business of the Company. Mr Kam has been Deputy Managing Director of Cheung Kong (Holdings) Limited (“Cheung Kong (Holdings)”) since 1993. The listing status of Cheung Kong (Holdings) on The Stock Exchange of Hong Kong Limited was replaced by the Company in March 2015 and he was then re-designated as Director of Cheung Kong (Holdings) in June 2015. He has also been an Executive Director of HWL since 1993 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement and became a wholly owned subsidiary of the Company. He is also the Chairman and a Non-executive Director of Hui Xian Asset Management Limited as manager of Hui Xian Real Estate Investment Trust. Save and except Cheung Kong Property and its associated companies, the aforementioned companies are either subsidiaries or associated companies of the Group in which Mr Kam acts as Director and senior executive for the purpose of overseeing the management of such businesses. Prior to joining the Group, Mr Kam had more than 20 years of experience in senior and regional capacities at major US multinational companies, including Johnson and Johnson, American Express and Levi Strauss. Mr Kam holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. He is the brother-in-law of Mr Li Ka-shing, Chairman of the Company and a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the uncle of Mr Li Tzar Kuoi, Victor, the Group Co-Managing Director and Deputy Chairman of the Company.

### **LAI Kai Ming, Dominic**

aged 63, has been an Executive Director and Deputy Managing Director of the Company since June 2015. He has been an Executive Director of HWL since 2000 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement and became a wholly owned subsidiary of the Company. He is Group Managing Director of the A.S. Watson Group, the retail arm of the Company, and has been with the Group for over 20 years. He is also a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") and a Director of Hutchison Telecommunications (Australia) Limited ("HTAL") as well as Alternate Director to directors of each of HTHKH, HTAL and TOM Group Limited. The aforementioned companies are either subsidiaries or associated companies of the Group in which Mr Lai acts as Director for the purpose of overseeing the management of such businesses. He has over 30 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

### **LUI Pok Man, Dennis**

aged 66, has been Deputy Chairman and a Non-executive Director of HTHKH since 2009. He is also currently responsible for the telecommunications operations of the Company in Indonesia, Sri Lanka and Vietnam; and assists in overseeing those in Austria, Denmark, Ireland, Sweden and the United Kingdom. He has been with the telecommunications arm of the Company for over 30 years in various positions in a number of countries. He has over 31 years of experience in the telecommunications industry. He holds a Bachelor of Science degree.

### **John Lyon MULCAHY**

aged 61, has been Group Treasurer of the Company since June 2015 and was previously the Group Treasurer since January 2015 of HWL, which was privatised by way of a scheme of arrangement in June 2015 and is currently a wholly owned subsidiary of the Company. He has been with the Group since 2000 as Deputy Group Treasurer of HWL and has over 37 years of experience in banking and finance. He holds a Bachelor of Science degree in International Politics and a Master's degree in Business Administration.

### **Edith SHIH**

aged 65, has been an Executive Director of the Company since 1 January 2017 and has been the Head Group General Counsel and Company Secretary of the Company since June 2015 overseeing legal, regulatory, corporate finance, compliance and corporate governance affairs of the Group. She was previously the Head Group General Counsel since 1993 and Company Secretary since 1997 of HWL, which was privatised by way of a scheme of arrangement in June 2015 and is currently a wholly owned subsidiary of the Company. She is also a Non-executive Director of HTHKH, Hutchison China MediTech Limited and HPHM as trustee-manager of HPH Trust. Ms Shih acts as Director of the aforementioned companies of the Group for the purpose of overseeing the management of such businesses. She has been with the Group for over 28 years and has over 34 years of experience in the legal, regulatory, corporate finance, compliance and corporate governance fields. She holds a Bachelor of Science degree in Education, a Master of Arts degree in Education, a Master of Arts degree in Teaching of English and a Master of Education degree in Applied Linguistics. She is a solicitor qualified in England and Wales, Hong Kong and Victoria, Australia and a Fellow of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

## Report of the Directors

The Directors have pleasure in submitting to shareholders their report and the audited financial statements for the year ended 31 December 2016.

### Principal Activities

The principal activity of the Company is investment holding and the activities of its principal subsidiary and associated companies and joint ventures are shown on pages 275 to 278.

### Business Review

A fair review of the business of the Group as required pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising analysis of the Group performance during the year, description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2016 as well as indication of likely future development in the business of the Group are set out in the sections "Chairman's Statement", "Operations Review", "Analyses of Core Business Segments by Geographical Location", "Analyses by Core Business Segments", "Key Financial Information", "Key Business Indicators" and "Business Highlights" on pages 4 to 75, "Risk Factors" on pages 82 to 86 and note 44 to the financial statements on page 271 contained in this annual report. Discussions on the environmental policies and performance, and the account of the key relationships of the Group with its stakeholders are contained in the "Environmental, Social and Governance Report" on pages 87 to 101 of this annual report. Disclosure of regulatory compliance by the Group with the relevant laws and regulations that have a significant impact on the Group is contained in the "Environmental, Social and Governance Report" on pages 87 to 101 and the "Corporate Governance Report" on pages 151 to 166 of this annual report.

### Group Profit

The Consolidated Income Statement is set out on page 172 and shows the Group profit for the year ended 31 December 2016.

### Dividends

An interim dividend of HK\$0.735 per share was paid to shareholders on 22 September 2016.

The Directors recommend the declaration of a final dividend of HK\$1.945 per share payable on Wednesday, 31 May 2017 to all persons registered as holders of shares on the register of members of the Company on Wednesday, 17 May 2017, being the record date for determining the entitlement of shareholders to the proposed final dividend.

### Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 47 to the financial statements on pages 273 to 274 and the Consolidated Statement of Changes in Equity on pages 176 to 178 respectively.

### Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK\$55,000,000 (2015 – approximately HK\$43,000,000).

### Fixed Assets

Particulars of the movements of fixed assets are set out in note 14 to the financial statements.

### Share Capital

Details of the shares movement during the year are set out in note 34 to the financial statements.

## Directors

As at the date of this report, the board of Directors of the Company (the "Board") comprised Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor, Mr Fok Kin Ning, Canning, Mr Frank John Sixt, Mr Ip Tak Chuen, Edmond, Mr Kam Hing Lam, Mr Lai Kai Ming, Dominic, Ms Edith Shih, Mr Chow Kun Chee, Roland, Mrs Chow Woo Mo Fong, Susan, Mr Lee Yeh Kwong, Charles, Mr Leung Siu Hon, Mr George Colin Magnus, Mr Kwok Tun-li, Stanley, Mr Cheng Hoi Chuen, Vincent, The Hon Sir Michael David Kadoorie, Ms Lee Wai Mun, Rose, Mr William Elkin Mocatta (Alternate Director to The Hon Sir Michael David Kadoorie), Mr William Shurniak, Mr Wong Chung Hin and Dr Wong Yick-ming, Rosanna.

During the year ended 31 December 2016 and the period up to the date of this report, the following changes to the Board composition were effected:

- (1) Mrs Chow Woo Mo Fong, Susan retired from her position as Group Deputy Managing Director and Executive Director on 1 August 2016 and was appointed as a Non-executive Director on 1 January 2017; and
- (2) Ms Edith Shih was appointed as an Executive Director on 1 January 2017.

The Director who retired as mentioned above has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

The Board is pleased to welcome Ms Edith Shih and Mrs Chow Woo Mo Fong, Susan, to the Board.

Ms Edith Shih and Mrs Chow Woo Mo Fong, Susan, who were appointed on 1 January 2017, will hold office until the forthcoming annual general meeting under the provision of Article 101 of the Articles of Association of the Company and, being eligible, offer themselves for re-election at the annual general meeting. Messrs Kam Hing Lam, Chow Kun Chee, Roland, Cheng Hoi Chuen, Vincent, Lee Wai Mun, Rose, William Shurniak and Wong Chung Hin will retire by rotation under the provision of Article 111 of the Articles of Association of the Company at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the annual general meeting.

The Company has received confirmation from all Independent Non-executive Directors of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considered all the Independent Non-executive Directors to be independent.

The Directors' biographical details are set out in the "Information on Directors" section of this annual report.

## Directors' Material Interests in Significant Transactions, Arrangements or Contracts

Save as otherwise disclosed in the transactions relating to "Sale of Companies engaged in Aircraft Leasing Business" under the section headed "Connected Transactions" in this report, there were no other transactions, arrangements or contracts that are significant in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Connected Transactions

During the year ended 31 December 2016 and up to the date of this report, the Group conducted the following transactions which constituted connected transactions for the Company under the Listing Rules, in respect of which announcements dated 2 December 2016 and 16 January 2017 were issued respectively:

### (1) Sale of Companies engaged in Aircraft Leasing Business

On 2 December 2016, CK Capital Investment Limited ("CKHH Sub", a wholly-owned subsidiary of the Company) and Accipiter Investments Limited ("CKP Sub", a wholly-owned subsidiary of Cheung Kong Property Holdings Limited ("Cheung Kong Property")) entered into a sale and purchase agreement (the "Agreement") pursuant to which CKHH Sub agreed to sell to CKP Sub (i) 1,000,000,000 shares in CK Capital Limited ("CK Capital", a direct wholly-owned subsidiary of CKHH Sub), representing the entire issued share capital of CK Capital ("CK Capital Sale Shares"), for a consideration of approximately US\$973 million (approximately HK\$7,550 million) (subject to adjustments); and (ii) one share in Harrier Global Limited ("Harrier Global", a direct wholly-owned subsidiary of CKHH Sub), representing the entire issued share capital of Harrier Global (the "Harrier Global Sale Share"), for a cash consideration of approximately US\$5 million (approximately HK\$39 million) (subject to adjustments).

The consideration for the CK Capital Sale Shares was satisfied as to approximately US\$172 million (approximately HK\$1,335 million) by way of the assumption by CKP Sub of the existing liability of CKHH Sub under a non-interest bearing loan owing to CK Capital in the principal amount of approximately US\$172 million (approximately HK\$1,335 million), with the balance settled in cash by CKP Sub. The consideration for the Harrier Global Sale Share was settled wholly in cash by CKP Sub.

CK Capital is an investment holding company, the subsidiaries of which invest in owning and leasing of aircraft or ancillary businesses. As at 2 December 2016, the CK Capital group owned a portfolio of 43 aircraft. Harrier Global owned 50% of the issued shares of Vermillion Aviation Holdings Limited ("Vermillion"). The remaining issued shares of Vermillion were owned as to 40% by MC Aviation Partners Inc. and as to 10% by a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation. As at 2 December 2016, the Vermillion group owned a portfolio of 22 aircraft and had commitment to acquire another 8 aircraft.

The transaction was completed on 15 December 2016 at the adjusted consideration of approximately US\$988 million (approximately HK\$7,667 million) and each of CK Capital and Harrier Global ceased to be a subsidiary of the Company.

Given that Cheung Kong Property has been deemed by The Stock Exchange of the Hong Kong Limited (the "SEHK") to be a connected person of the Company under the Listing Rules, the entering into of the Agreement between CKP Sub and CKHH Sub constituted a connected transaction for the Company under the Listing Rules, in respect of which an announcement dated 2 December 2016 was issued. Since each of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor has or may be regarded as having a material interest in the transactions, they abstained from voting on the Board resolutions of the Company in relation to the transactions.

## **(2) Formation of a Joint Venture in connection with the Proposed Acquisition of Stapled Securities of the Target listed on the Australian Securities Exchange by way of Schemes**

On 14 January 2017, Cheung Kong Property, Cheung Kong Infrastructure Holdings Limited ("CKI", a non-wholly owned subsidiary of the Company) and Power Assets Holdings Limited ("Power Assets") (together, the "Consortium Members") entered into a consortium formation agreement, pursuant to which, subject to obtaining the necessary independent shareholders' approvals ("Approval(s)"), the relevant Consortium Members will become indirect owners of CK William UK Holdings Limited ("JV Co") and fund the JV Co and its subsidiaries for the proposed acquisition of all of the stapled securities in issue of the DUET Group (the "Target") by way of schemes of arrangement and a trust scheme (the "Schemes") as described in the announcement dated 16 January 2017 (the "Announcement") issued by the Company (the "Acquisition") and enter into the shareholders' agreement to govern the shareholder relationship in JV Co as well as the downstream business of the Target (the "Joint Venture Transaction"). The Target, whose securities are listed on the Australian Securities Exchange, is an owner and operator of energy utility assets in Australia, the United States, the United Kingdom and Europe. Completion of the Acquisition is conditional, among other things, upon the approval of the Target's securityholders and other governmental approvals. The necessary Approvals for the Joint Venture Transaction were obtained at the respective general meetings of Cheung Kong Property, CKI and Power Assets held on 14 March 2017. Therefore, subject to the Schemes becoming effective, the Joint Venture Transaction will proceed between, and the Target will be indirectly held by, Cheung Kong Property, CKI and Power Assets as to 40%, 40% and 20%, respectively, and the maximum financial commitment of CKI in relation to the Joint Venture Transaction will be up to approximately AUD3,012 million (equivalent to approximately HK\$17,259 million). None of the Directors of the Company have any material interest in the connected transaction except by virtue of being a director and/or shareholder of the Company (including its subsidiaries) and/or the other parties involved in the transactions, and no Director of the Company were required to abstain from voting on the Board resolutions of the Company passed in connection with the Announcement. Notwithstanding the foregoing, each of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor has voluntarily abstained from voting on the Board resolutions of the Company passed in connection with the Announcement.

Given that Cheung Kong Property has been deemed by the SEHK to be a connected person of the Company under the Listing Rules, the entering into of the Joint Venture Transaction by CKI, which is a subsidiary of the Company, with Cheung Kong Property constituted a connected transaction for the Company under the Listing Rules.



## Continuing Connected Transactions

On 5 May 2015, the Company entered into an agreement (the "Master Leasing Agreement") with Cheung Kong Property in respect of the leasing and licensing by members of the Cheung Kong Property group to members of the Group of premises (including office space, car parks and building areas but excluding hotel premises) owned by the Cheung Kong Property group (the "Leasing Transactions") for the period from 3 June 2015 to 31 December 2017, in respect of which an announcement dated 4 June 2015 was issued.

Pursuant to the Master Leasing Agreement, relevant members of the Group and relevant members of the Cheung Kong Property group would enter into separate lease, tenancy or licence agreements with respect to each of the Leasing Transactions to be entered into between them. The terms of, and the consideration payable under, such agreements would be negotiated on a case-by-case and arm's length basis, with normal commercial terms which, from the Group's perspective, would be no less favourable than those which the relevant members of the Group could obtain from independent landlords, lessors or licensors of comparable premises. In particular, the rental or licence fee payable would be at market rates, and the Group would seek competitive quotes (including conducting a comparison of prices of a sufficient number of independent landlords, lessors or licensors of comparable premises in the market) for management review with a view to ensuring that the rental or licence fees payable by the Group to the relevant members of the Cheung Kong Property group are reasonable, having regard to the size, location, facilities and conditions of the premises required. The management/service fees chargeable by the Cheung Kong Property group to the relevant member of the Group would be the same as those chargeable by the Cheung Kong Property group to other tenants or licensees of the same building or property.

Cheung Kong Property has been deemed by the SEHK to be a connected person of the Company under the Listing Rules. Accordingly, the Leasing Transactions would constitute continuing connected transactions of the Company under the Listing Rules (the "Continuing Connected Transactions").

As set out in the announcement, the maximum aggregate annual amount payable by the Group in respect of the Leasing Transactions for each of the two years ended 31 December 2015 and 2016, and for the year ending 31 December 2017 was not to exceed HK\$683 million, HK\$763 million and HK\$856 million respectively.

The aggregate amount paid by the Group in respect of the Leasing Transactions for the year ended 31 December 2016 which is subject to the annual review requirement under the Listing Rules are approximately HK\$658 million (86% of the annual cap of HK\$763 million).

The Group's internal audit has reviewed the Continuing Connected Transactions and the internal control procedures comprising lease negotiation, review and approval, tenancy agreement management as well as transactions reporting and consolidation, and is of the view that such transactions were conducted in compliance with the agreements governing them, the internal control procedures and Chapter 14A of the Listing Rules during the year ended 31 December 2016.

In addition, all the Independent Non-executive Directors of the Company have reviewed the Continuing Connected Transactions for the year ended 31 December 2016 and the findings provided by the Group's internal audit and confirmed that such transactions had been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better and (c) according to the respective relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the auditor of the Company has confirmed in a letter to the Board that nothing has come to its attention which causes it to believe that:

- (i) the Continuing Connected Transactions have not been approved by the Board;
- (ii) the Continuing Connected Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iii) the total transaction value of the Continuing Connected Transactions has exceeded the maximum aggregate annual cap amounts in respect of the Continuing Connected Transactions as disclosed in the announcement of the Company dated 4 June 2015.

A summary of all related parties transactions entered into by the Group during the year ended 31 December 2016 is contained in note 42 to the consolidated financial statements. Save for the transaction in relation to the acquisition of Hutchison Whampoa Limited ("HWL") pursuant to the group reorganisation which took place in 2015 resulting in the consolidation of a traded debt securities issued by Husky Energy Inc. purchased by a subsidiary of HWL as described in note 42 falls under the definition of "connected transaction" under the Listing Rules and was disclosed previously by HWL pursuant to the Listing Rules, all other related parties transactions as described in note 42 do not fall under the definition of "connected transaction" or "continuing connected transaction" under the Listing Rules.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2016.

## Directors' Service Contract

None of the Directors of the Company who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## Permitted Indemnity Provisions

The Articles of Association of the Company provides that every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted, and against any loss in respect of his personal liability for the payment of any sum primarily due from the Company. Directors liability insurance is in place to protect the Directors of the Company or its subsidiaries against potential costs and liabilities arising from claims brought against the Directors.

## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures are set out in the section "Information on Directors" on pages 114 to 119.

## Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance

So far as is known to the Directors and chief executive of the Company, as at 31 December 2016, other than the interests of the Directors and chief executive of the Company as disclosed in the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" under "Information on Directors", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK:

### (I) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

#### Long positions in the shares of the Company

Names	Capacity	Number of Shares Held	Approximate % of Shareholding
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee and beneficiary of a trust	1,001,953,744 <sup>(1)</sup>	25.97%
Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust	Trustee and beneficiary of a trust	1,001,953,744 <sup>(1)</sup>	25.97%
Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1")	Trustee	1,001,953,744 <sup>(1)</sup>	25.97%

## (II) Interests and short positions of other persons in the shares and underlying shares of the Company

### (a) Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of Shares/ Underlying Shares Held	Total	Approximate % of Shareholding
JPMorgan Chase & Co.	Beneficial owner	63,083,981 )		
		)		
	Investment manager	52,946,826 )		
		)		
	Trustee	38,445 )		
		)		
	Custodian corporation/ approved lending agent	155,155,905 )	271,225,157 <sup>(2)</sup>	7.03%
		)		

### (b) Short positions in the shares and underlying shares of the Company

Name	Capacity	Number of Shares/ Underlying Shares Held	Total	Approximate % of Shareholding
JPMorgan Chase & Co.	Beneficial owner	16,849,967	16,849,967 <sup>(3)</sup>	0.43%

### (c) Lending pool in the shares and underlying shares of the Company

Name	Capacity	Number of Shares/ Underlying Shares Held	Total	Approximate % of Shareholding
JPMorgan Chase & Co.	Custodian corporation/ approved lending agent	155,155,905	155,155,905	4.02%

#### Notes:

- (1) The three references to 1,001,953,744 shares of the Company relate to the same block of shares of the Company. Of these 1,001,953,744 shares of the Company, 913,378,704 shares of the Company are held by TUT1 as trustee of UT1 and 88,575,040 shares of the Company are held by companies controlled by TUT1 as trustee of UT1. Each of TDT1, TDT2 and TUT1 is taken to have a duty of disclosure in relation to the said shares of the Company as described in Note (1)(a) under the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" in "Information on Directors" under the SFO.
- (2) Such long position includes derivative interests in 4,866,412 underlying shares of the Company of which 2,592,190 underlying shares are derived from listed and physically settled derivatives, 6,000 underlying shares are derived from listed and cash settled derivatives, 612,987 underlying shares are derived from unlisted and physically settled derivatives and 1,655,235 underlying shares are derived from unlisted and cash settled derivatives.
- (3) Such short position includes derivative interests in 16,534,967 underlying shares of the Company of which 1,242,500 underlying shares are derived from listed and physically settled derivatives, 1,259,521 underlying shares are derived from listed and cash settled derivatives, 2,820,348 underlying shares are derived from unlisted and physically settled derivatives and 11,212,598 underlying shares are derived from unlisted and cash settled derivatives.

Save as disclosed above, as at 31 December 2016, no other person (other than the Directors and chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK.

## Equity-Linked Agreements

No equity-linked agreements that will or may result in the Company issuing shares nor require the Company to enter into an agreement that will or may result in the Company issuing shares was entered into by the Company during the year or subsisted at the end of the year.

## Share Option Schemes

The Company has no share option scheme, but certain of the Company's subsidiary companies have adopted share option schemes. The principal terms of such share option schemes are summarised as follows:

### (I) Hutchison 3G UK Holdings Limited ("3 UK")

On 20 May 2004, 3 UK adopted a share option scheme (the "3 UK Plan") for the grant of options to acquire ordinary shares in the share capital of 3 UK ("3 UK Shares"). The 3 UK Plan is valid and effective during the period commencing on 20 May 2004 and ending on 20 May 2014, being the tenth anniversary of the date on which the 3 UK Plan was adopted. Following 20 May 2014, no further share options can be granted under the 3 UK Plan but the provisions of the 3 UK Plan will remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior to the end of the validity period, or otherwise to the extent as may be required in accordance with the provisions of the 3 UK Plan. A summary of the 3 UK Plan is as follows:

- (1) The purpose of the 3 UK Plan is to provide 3 UK with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to 3 UK Eligible Employees (as defined below).
- (2) Share options may be granted to the eligible employees of 3 UK (the "3 UK Eligible Employees"), being:
  - (a) any employee of 3 UK and any other company of which 3 UK has control from time to time (collectively the "3 UK Participating Company"); or
  - (b) any director of any 3 UK Participating Company who is required to devote to his duty substantially the whole of his working hours being not less than 25 hours per week.
- (3) Any grant of share options shall be by the remuneration committee of the board of directors of 3 UK (the "3 UK Remuneration Committee") subject always to any limits and restrictions specified in the rules of the 3 UK Plan as amended from time to time.
- (4) A 3 UK Eligible Employee is not required to pay for the grant of a share option under the 3 UK Plan.
- (5) Unless otherwise determined by the 3 UK Remuneration Committee and stated in the offer of the grant of share options to a 3 UK Eligible Employee, there is no minimum period required under the 3 UK Plan for the holding of a share option before it can be exercised.
- (6) The subscription price will be: (a) in the case of the one-time initial grants of share options recognising the long service and ongoing contribution of the founders and other 3 UK Eligible Employees, who were 3 UK Eligible Employees prior to 31 March 2001 and who at the date on which a share option is granted under the 3 UK Plan (the "3 UK Grant Date") remain so employed, and who the 3 UK Remuneration Committee determines should receive such an initial grant, the price as determined by the 3 UK Remuneration Committee (not being less than £1.00 per share); and (b) in any other case the market value of the 3 UK Shares at the 3 UK Grant Date as determined by the 3 UK Remuneration Committee but in any event not being less than the nominal value (if any) of such 3 UK Share at the 3 UK Grant Date.
- (7) In respect of any share option granted either: (i) after the Company has resolved to seek a separate listing of 3 UK and up to the date of the listing; or (ii) during the period commencing six months before the lodgement of Form A1 to the SEHK in relation to a listing on the Main Board of the SEHK (or an equivalent application in the case of a listing on the Growth Enterprise Market of the SEHK, London Stock Exchange plc or an overseas exchange) up to the date of listing, and where the subscription price notified to a share option holder is less than the issue price of the 3 UK Shares on listing, the subscription price shall be adjusted to the issue price of the 3 UK Shares on listing and no share option (to which the rules of the 3 UK Plan applies) shall be exercised at a subscription price below such issue price.

- (8) Subject always to paragraph (9) below, no share option shall be granted under the 3 UK Plan which would, at the 3 UK Grant Date, cause the number of 3 UK Shares which shall have been or may be issued under the 3 UK Plan and under any share option scheme of 3 UK (the "3 UK Option Plan Shares") to exceed 5% of the number of 3 UK Shares in the capital of 3 UK in issue as at 20 May 2004, being the date of passing of the relevant resolution approving the 3 UK Plan, unless approved by the shareholders of both 3 UK and the Company in general meetings in accordance with the requirements of the Listing Rules.
- (9) No share option shall be granted under the 3 UK Plan which would, at the 3 UK Grant Date, cause the number of 3 UK Option Plan Shares to exceed 4% of the number of 3 UK Shares in issue at the date of approval of the 3 UK Plan without the prior written consent of the Board.
- (10) The total number of 3 UK Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 3 UK Plan and under any other share option scheme of 3 UK must not exceed 30% of the 3 UK Shares in issue from time to time.
- (11) The total number of 3 UK Shares issued and to be issued upon the exercise of the share options granted to each 3 UK Eligible Employee (including exercised, cancelled and outstanding share options) in any 12-month period must not exceed 1% of the issued share capital of 3 UK, unless approved by the shareholders of 3 UK and the Company in general meetings (with such 3 UK Eligible Employee and his associates (as defined in the Listing Rules) abstaining from voting) in compliance with the requirements of the Listing Rules.

A share option may be exercised in whole or in part by the share option holder or, where appropriate, by his legal personal representatives at any time during the period commencing with a listing and terminating with the lapse of the relevant share option. Share options must be exercised within the period of 10 years from the 3 UK Grant Date.

Particulars of share options outstanding under the 3 UK Plan at the beginning and at the end of the financial year ended 31 December 2016 and share options granted, exercised, cancelled or lapsed under the 3 UK Plan during the year were as follows:

Category of participant	Effective date of grant or date of grant of share options <sup>(1)</sup>	Number of share options held as at 1 January 2016	Granted during 2016	Exercised during 2016	Lapsed/ cancelled during 2016	Number of share options held as at 31 December 2016	Exercise period of share options	Exercise price of share options £	Price of 3 UK Share	
									on grant date of share options <sup>(3)</sup> £	on exercise date of share options £
Employees in aggregate	7.9.2007	162,750	–	–	(162,750)	–	From Listing <sup>(2)</sup> to 6.9.2017	1.35	1.00	N/A
Total:		162,750	–	–	(162,750)	–				

Notes:

- (1) The share options granted to certain founders of 3 UK shall vest as to 50% on the date of (and immediately following) a Listing, as to a further 25% on the date one calendar year after a Listing and as to the final 25% on the date two calendar years after a Listing. The share options granted to non-founders of 3 UK shall vest as to one-third on the date of (and immediately following) a Listing, as to a further one-third on the date one calendar year after a Listing and as to the final one-third on the date two calendar years after a Listing.
- (2) Listing refers to an application to be made to the Financial Services Authority for admission to the official list of the ordinary share capital of 3 UK or to have the 3 UK Shares admitted to trading on AIM, a market regulated by the London Stock Exchange, or in the United Kingdom or elsewhere.
- (3) Nominal value of 3 UK Shares on date of grant set out for reference only.

As at the date of this report, 3 UK had no share options outstanding under the 3 UK Plan.

## (II) Hutchison China MediTech Limited (“Chi-Med”)

### 2006 Share Option Scheme

On 18 May 2006, Chi-Med adopted a share option scheme (the “2006 Plan”) for the grant of options to acquire ordinary shares in the share capital of Chi-Med (the “Chi-Med Shares”). The 2006 Plan is valid and effective during the period commencing on 18 May 2006 and ending on 17 May 2016, being the date falling 10 years from the date on which the 2006 Plan was adopted. Following the expiry of the 2006 Plan, no further share options can be granted under the 2006 Plan but the provisions of the 2006 Plan will remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior to the end of the validity period or otherwise to the extent as may be required in accordance with the provision of the 2006 Plan. A summary of the 2006 Plan is as follows:

- (1) The purpose of the 2006 Plan is to provide Chi-Med with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to 2006 Chi-Med Eligible Persons (as defined below).
- (2) Share options may be granted to a “2006 Chi-Med Eligible Person”, being any person who is (or will be on and following the date of offer of the relevant option) a director (other than an independent non-executive director) or an employee of Chi-Med, its listed parent company (which is currently the Company) and any of its subsidiaries, and any holding company, subsidiaries or affiliates of Chi-Med or other companies which the board of directors of Chi-Med (the “Chi-Med Board”) determines will be subject to the 2006 Plan, who is notified by the Chi-Med Board that he or she is an eligible person. Actual participation is at the discretion of the Chi-Med Board.
- (3) Share option holders are not required to pay for the grant of any share option.
- (4) Unless otherwise determined by the Chi-Med Board and stated in the offer of the grant of share options to a 2006 Chi-Med Eligible Person, there is no minimum period required under the 2006 Plan for the holding of a share option before it can be exercised.
- (5) Subject to any adjustment according to the rules of the 2006 Plan, the subscription price shall be:
  - (a) in the case of the one-time initial grants of share options by Chi-Med under the 2006 Plan to founders and non-founders prior to the Chi-Med Listing (as defined below), the price determined by the Chi-Med Board and notified to the relevant share option holder; and
  - (b) in respect of any other share option, the 2006 Market Value (as defined below) of the Chi-Med Shares as at the offer date,

where “2006 Market Value” on any particular day on or after the Chi-Med Listing means the higher of: (a) the average of the closing prices of the Chi-Med Shares on the five dealing days immediately preceding the offer date; (b) the closing price of the Chi-Med Shares as stated on a recognised stock exchange’s daily quotations sheet of such shares on the offer date; and (c) the nominal value of the Chi-Med Shares.

- (6) The maximum number of Chi-Med Shares which may be allotted and issued pursuant to the 2006 Plan is subject to the following:
- (a) the total number of Chi-Med Shares which may be issued upon the exercise of all share options to be granted under all share option schemes of Chi-Med must not in aggregate exceed 5% of the Chi-Med Shares in issue on the date on which the Chi-Med Shares are listed for trading on a recognised stock exchange (including the AIM) (the "Chi-Med Listing");
  - (b) the Chi-Med Board may refresh and recalculate the limit in paragraph (6)(a) above by reference to the issued share capital of Chi-Med then prevailing with the approval of the shareholders of its listed parent company (which is currently the Company) if required under the Listing Rules in a general meeting, provided that the total number of Chi-Med Shares issued and issuable pursuant to the exercise of share options under all share option schemes of Chi-Med may not exceed 10% of the issued ordinary share capital on the date of the approval of the refreshed limit. Share options previously granted under the 2006 Plan and any other employee share schemes of Chi-Med (including those outstanding, cancelled, lapsed or exercised) will not be counted for the purpose of calculating the limit as refreshed. As at the date of this report, the total number of Chi-Med Shares available for issue under the 2006 Plan (including the share options granted but yet to be exercised) is 335,910, which represented approximately 0.55% of the total number of Chi-Med Shares in issue as at that date;
  - (c) share options may be granted to any 2006 Chi-Med Eligible Person(s) specifically identified by the Chi-Med Board in excess of the limit, including the refreshed limit, under paragraphs (6)(a) and (6)(b) above, with the approval of the shareholders of Chi-Med in a general meeting and by the shareholders of the listed parent company, if required under the Listing Rules and subject to paragraphs (6)(d) and (6)(e) below, and restrictions on grant to key individuals under the 2006 Plan;
  - (d)
    - (i) no 2006 Chi-Med Eligible Person may be granted a share option if, as a result, the total number of Chi-Med Shares over which that 2006 Chi-Med Eligible Person holds share options granted in the previous 12 months, when added to the number of Chi-Med Shares, the subject of the proposed grant, would exceed 1% of the issued ordinary share capital of Chi-Med on that date; and
    - (ii) notwithstanding paragraph (6)(d)(i) above, share options may be granted to any 2006 Chi-Med Eligible Person(s) which would cause the limit under paragraph (6)(d)(i) above to be exceeded, but only with the approval of the shareholders of the listed parent in a general meeting (with such 2006 Chi-Med Eligible Person and his/her associates abstaining from voting) and subject to paragraph (6)(e) below; and
  - (e) the total number of shares which may be issued upon the exercise of all outstanding share options granted and yet to be exercised under the 2006 Plan and under any other share option scheme of Chi-Med must not exceed 10% of the Chi-Med Shares in issue from time to time.

Subject to and in accordance with the rules of the 2006 Plan, a share option may be exercised during a period which is notified at the offer date of the share option, such period will not exceed the period of 10 years from such offer date.

### 2016 Share Option Scheme

On 24 April 2015, Chi-Med conditionally adopted a share option scheme (the "2016 Plan") for the grant of options to acquire the Chi-Med Shares. The 2016 Plan is valid and effective during the period commencing on 13 May 2016 and ending on 12 May 2026, being the date falling 10 years from the date on which the 2016 Plan became unconditional. The 2016 Plan has a remaining term of approximately nine years as at the date of this report. A summary of the 2016 Plan is as follows:

- (1) The purpose of the 2016 Plan is to provide Chi-Med with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to 2016 Chi-Med Eligible Persons (as defined below).
- (2) Share options may be granted to a "2016 Chi-Med Eligible Person", being any person who is (or will be on and following the date of offer of the relevant option) a non-executive director (excluding any independent non-executive directors) or an employee or director holding salaried office or employment under a contract with Chi-Med, its listed parent company (which is currently the Company) and any of its subsidiaries or affiliates, and any holding company, subsidiaries or affiliates of Chi-Med or other companies which the Chi-Med Board determines will be subject to the 2016 Plan, who is notified by the Chi-Med Board that he or she is an eligible person.
- (3) Share option holders are not required to pay for the grant of any share option.
- (4) Unless otherwise determined by the Chi-Med Board and stated in the offer of the grant of share options to a 2016 Chi-Med Eligible Person, there is no minimum period required under the 2016 Plan for the holding of a share option before it can be exercised.
- (5) Subject to any adjustment according to the rules of the 2016 Plan, the exercise price shall be, in respect of any share option, the 2016 Market Value (as defined below) of the Chi-Med Shares as at the offer date,

where "2016 Market Value" on any particular day means:

- (i) where the Chi-Med Shares of the same class are admitted to trading on any stock exchange, the higher of:
  - (a) the average of the closing prices of the Chi-Med Shares on the five dealing days immediately preceding the offer date;
  - (b) the closing price of the Chi-Med Shares as stated on a recognised stock exchange's daily quotations sheet of such shares on the offer date; and
  - (c) the nominal value of the Chi-Med Shares; or
- (ii) where the Chi-Med Shares of the same class are not admitted to trading on any recognised stock exchange, the value of a Chi-Med Share determined in such manner as the Chi-Med Board considers reasonable according to objective criteria.



- (6) The maximum number of Chi-Med Shares which may be allotted and issued pursuant to the 2016 Plan is subject to the following:
- (a) the total number of Chi-Med Shares which may be issued upon the exercise of all options to be granted under the 2016 Plan must not in aggregate exceed 4% of the Chi-Med Shares in issue as at 13 May 2016, being the date on which the 2016 Plan was approved by the shareholders of the Company in general meeting (the "Scheme Limit"). Share options lapsed in accordance with the terms of the 2016 Plan will not be counted for the purpose of calculating the Scheme Limit;
  - (b) the Chi-Med Board may refresh the Scheme Limit by reference to the issued share capital of Chi-Med then prevailing with the approval of the shareholders of its listed parent company (which is currently the Company) if required under the Listing Rules in a general meeting, provided that the total number of Chi-Med Shares which may be issued upon exercise of share options to be granted under the 2016 Plan and any options under any other share option schemes of Chi-Med under the limit as refreshed shall not exceed 10% of the Chi-Med Shares in issue at the date on which shareholders of the listed parent company approve the refreshed limit (where applicable). Share options previously granted under the 2016 Plan and any other share option schemes of Chi-Med (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the limit as refreshed. As at the date of this report, the total number of Chi-Med Shares available for issue under the 2016 Plan (including the share options granted but yet to be exercised) is 2,425,597, which represented approximately 4% of the total number of Chi-Med Shares in issue as at that date;
  - (c) share options may be granted to any 2016 Chi-Med Eligible Person(s) specifically identified by the Chi-Med Board which would cause the Scheme Limit (including, for the avoidance of doubt, any such limit as refreshed under paragraph (6)(b) above) to be exceeded, but only with the approval of the shareholders of Chi-Med in a general meeting (and by the shareholders of the listed parent company, if required under the Listing Rules), and subject always to paragraphs (6)(d) and (6)(e) below, and restrictions on grant to key individuals under the 2016 Plan;
  - (d)
    - (i) the Chi-Med Board shall not grant any share options (the "Relevant Chi-Med Options") to any 2016 Chi-Med Eligible Person which, if exercised, would result in such person becoming entitled to subscribe for such number of Chi-Med Shares as, when aggregated with the total number of Chi-Med Shares already issued or to be issued to him or her under all share options (including both exercised and outstanding share options) granted to him or her in the 12-month period up to and including the offer date of the Relevant Chi-Med Options, exceeds 1% of the Chi-Med Shares in issue at such date; and
    - (ii) notwithstanding paragraph (6)(d)(i) above, the Chi-Med Board may grant share options to any 2016 Chi-Med Eligible Person(s) which would cause the limit under paragraph (6)(d)(i) above in relation to such 2016 Chi-Med Eligible Person to be exceeded, but only with the approval of the shareholders of the listed parent in a general meeting (with such 2016 Chi-Med Eligible Person and his/her associates abstaining from voting) and subject to paragraph (6)(e) below; and
  - (e) the total number of Chi-Med Shares which may be issued upon exercise of all outstanding share options granted and not yet exercised under the 2016 Plan and under any other share option scheme of Chi-Med must not exceed 10% of the Chi-Med Shares in issue from time to time.

Subject to and in accordance with the rules of the 2016 Plan, a share option may be exercised during a period which is notified at the offer date of the share option, such period will not exceed the period of 10 years from such offer date.

Particulars of share options outstanding under the 2006 Plan and the 2016 Plan at the beginning and at the end of the financial year ended 31 December 2016 and share options granted, exercised, cancelled or lapsed under the 2006 Plan and the 2016 Plan during the year were as follows:

### 2006 Plan

Category of participant	Effective date of grant or date of grant of share options	Number of share options held as at 1 January 2016	Granted during 2016	Exercised during 2016	Lapsed/cancelled during 2016	Number of share options held as at 31 December 2016	Exercise period of share options	Exercise price of share options £	Price of Chi-Med Share on grant date of share options £	Price of Chi-Med Share on exercise date of share options £
Employees in aggregate	11.9.2006 <sup>(1)</sup>	26,808	-	(26,808)	-	-	11.9.2006 to 18.5.2016	1.715	1.715 <sup>(6)</sup>	18.150 <sup>(7)</sup>
	18.5.2007 <sup>(2)</sup>	37,857	-	(26,201)	-	11,656	18.5.2007 to 17.5.2017	1.535	1.535 <sup>(6)</sup>	20.033 <sup>(7)</sup>
	24.6.2011 <sup>(3)</sup>	75,000	-	-	-	75,000	24.6.2011 to 23.6.2021	4.405	4.400 <sup>(6)</sup>	N/A
	20.12.2013 <sup>(3)</sup>	302,700	-	(39,696)	(3,750)	259,254	20.12.2013 to 19.12.2023	6.100	6.100 <sup>(6)</sup>	18.789 <sup>(7)</sup>
Total:		442,365	-	(92,705)	(3,750)	345,910				

### 2016 Plan

Category of participant	Date of grant of share options	Number of share options held as at 1 January 2016	Granted during 2016	Exercised during 2016	Lapsed/cancelled during 2016	Number of share options held as at 31 December 2016	Exercise period of share options	Exercise price of share options £	Price of Chi-Med Share on grant date of share options £	Price of Chi-Med Share on exercise date of share options £
Employees in aggregate	15.6.2016 <sup>(4)</sup>	N/A	593,686	-	-	593,686	15.6.2016 to 19.12.2023	19.700	19.750 <sup>(6)</sup>	N/A
	15.6.2016 <sup>(5)</sup>	N/A	100,000	-	-	100,000	15.6.2016 to 27.6.2024	19.700	19.750 <sup>(6)</sup>	N/A
Total:		N/A	693,686	-	-	693,686				

Notes:

- (1) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of 19 May 2007, 19 May 2008 and 19 May 2009.
- (2) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of the first, second and third anniversaries of the date of grant of share options.
- (3) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the date of grant of share options.
- (4) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of approximately 50% on the day after the acceptance of the offer, approximately 25% on 20 December 2016 and approximately 25% on 20 December 2017.
- (5) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of approximately 50% on the day after the acceptance of the offer, approximately 25% on 28 June 2017 and approximately 25% on 28 June 2018.
- (6) The stated price was the closing price of the Chi-Med Shares quoted on AIM on the trading day immediately prior to the date of grant of share options.
- (7) The stated price was the weighted average closing price of the Chi-Med Shares quoted on AIM on the trading day immediately prior to the date on which the share options were exercised.

As at the date of this report, Chi-Med had 335,910 share options and 693,686 share options outstanding under the 2006 Plan and 2016 Plan respectively, which represented approximately 0.55% and 1.14% respectively of the Chi-Med Shares in issue as at that date.

The fair value of share options granted during the year, determined using the Binomial Model is as follows:

Value of each share option	£8.991
Significant inputs into the valuation model:	
Exercise price	£19.7
Share price at effective grant date	£19.7
Expected volatility	39%
Risk-free interest rate	1%
Contractual life of share options	8 years
Expected dividend yield	0%

The volatility of the underlying stock during the life of the share options is estimated with reference to the historical volatility prior to the issuances of share options. Changes in such subjective input assumptions could affect the fair value estimate.

### (III) Hutchison Telecommunications (Australia) Limited (“HTAL”)

On 1 June 2007, HTAL adopted a share option plan (the “HTAL Plan”) for the grant of options to acquire ordinary shares in the share capital of HTAL (the “HTAL Shares”). The HTAL Plan is valid and effective during the period commencing on 1 June 2007 and ending on 31 May 2017, being the date falling 10 years from the date on which the HTAL Plan was adopted. The HTAL Plan has a remaining term of approximately two months as at the date of this report. A summary of the HTAL Plan is as follows:

- (1) The purpose of the HTAL Plan is to provide HTAL with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to HTAL Eligible Persons (as defined below).
- (2) Share options may be granted to any person who is a full time or part time employee (including a director employed in an executive capacity) or a non-executive director (including any independent non-executive director) of HTAL and any of its related body corporate (within the meaning given by section 50 of the Corporations Act 2001 (Cth) of the Commonwealth of Australia (the “Corporations Act”)) (the “HTAL Eligible Person”) and is declared by the board of directors of HTAL (the “HTAL Board”) to be an eligible person for the purposes of the HTAL Plan. The HTAL Board may, at its discretion, grant a right to a HTAL Eligible Person to acquire (in the case of a share option that has an exercise price, by subscription or purchase) HTAL Shares (the “Right”).
- (3) No payment is required for the grant of a Right unless the HTAL Board determines otherwise.
- (4) Unless otherwise determined by the HTAL Board and stated in the offer of the grant of share options to a HTAL Eligible Person, there is no minimum period required under the HTAL Plan for the holding of a share option before it can be exercised.
- (5) The exercise price (if any) for a Right, subject to any adjustment according to the rules of the HTAL Plan, will be determined by the HTAL Board or by the application of a method of calculating the exercise price that is prescribed by the HTAL Board provided that it shall not be less than the higher of:
  - (a) the closing price of the HTAL Shares as quoted by the Australian Securities Exchange (“ASX”) on the grant date; and
  - (b) the average closing price of the HTAL Shares as quoted by the ASX for the five business days immediately preceding the grant date.

A HTAL Share does not have any nominal value.

- (6) The maximum number of HTAL Shares which may be allotted and issued pursuant to the HTAL Plan is as follows:
- (a) the maximum number of HTAL Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the HTAL Plan and any other share option scheme of HTAL or any of its subsidiaries ("Other HTAL Plan") must not in aggregate exceed 30% of the HTAL Shares in issue from time to time;
  - (b) the total number of HTAL Shares which may be allotted and issued upon the exercise of all Rights and share options (excluding, for this purpose, Rights and share options which have lapsed in accordance with the terms of the HTAL Plan and Other HTAL Plan) to be granted under the HTAL Plan and Other HTAL Plan must not in aggregate exceed 10% of the HTAL Shares in issue as at 1 June 2007 (the "Adoption Date"), being the date of passing the relevant resolution adopting the HTAL Plan (the "HTAL General Scheme Limit") provided that:
    - (i) subject to paragraph (6)(a) above and without prejudice to paragraph (6)(b)(ii) below, the HTAL Board may, with the approval of the shareholders of the Company in a general meeting if required to do so and in compliance with other applicable requirements under the Listing Rules, refresh the HTAL General Scheme Limit provided that the total number of HTAL Shares which may be allotted and issued upon the exercise of all Rights and share options under the HTAL Plan and Other HTAL Plan must not exceed 10% of the HTAL Shares in issue at the date on which shareholders of the Company approve such refreshed limit (where applicable) and for the purpose of calculating the limit, the Rights and share options (including those outstanding, cancelled, lapsed or exercised in accordance with the HTAL Plan and Other HTAL Plan) previously granted under the HTAL Plan and Other HTAL Plan will not be counted; and
    - (ii) subject to paragraph (6)(a) and without prejudice to paragraph (6)(b)(i) above, the HTAL Board may, with the approval of the Company's shareholders in a general meeting if required to do so and in compliance with the other applicable requirements under the Listing Rules, grant Rights beyond the HTAL General Scheme Limit or, if applicable, the extended limit referred to in paragraph (6)(b)(i) to the participants specifically identified by the HTAL Board before such approval is sought;
  - (c) the limits prescribed in this paragraph are subject to any issue limitation prescribed in the Australian Securities & Investments Commission Class Order 03/184 (or any such replacement or amendment). As at the Adoption Date, the Class Order prescribes a limit of that number of HTAL Shares to be issued on exercise of a Right when aggregated with:
    - (i) the number of HTAL Shares which would be issued were each outstanding Right to be exercised; and
    - (ii) the number of HTAL Shares issued during the previous five years pursuant to the HTAL Plan or any other employee share plan,

(but disregarding any Rights acquired or HTAL Shares issued by way of, or as a result of, an offer to a person situated at the time of receipt of the offer outside Australia, or an offer that was an excluded offer or invitation within the meaning of the Corporations Act, or an offer that did not require disclosure to investors or the giving of a product disclosure statement because of section 1012D of the Corporations Act, or an offer made under a disclosure document or product disclosure statement) shall not exceed 5% of the total number of HTAL Shares at the time of the grant date of such Right; and
  - (d) the total number of HTAL Shares issued and to be issued upon the exercise of the share options granted to each participant in the HTAL Plan or Other HTAL Plan (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the issued share capital of HTAL, unless approved by the shareholders of the Company in a general meeting (with such participant and his associates (as defined in the Listing Rules) abstaining from voting) in compliance with the requirements of the Listing Rules.

Subject to, and in accordance with, the rules of the HTAL Plan, a Right lapses on the date stated by the HTAL Board in the offer of the Rights as the "Expiry Date", or fixed by a method of calculation prescribed by the HTAL Board in the offer being no later than the date falling 10 years from the grant date of the Right.

As at the date of this report, the total number of HTAL Shares available for issue under the HTAL Plan is 35,431,271 shares which represented approximately 0.26% of the HTAL Shares in issue as at that date.

There were no share options outstanding under the HTAL Plan during the financial year ended 31 December 2016 nor any share option was granted, exercised, cancelled or lapsed under the HTAL Plan during the year.

#### **(IV) Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH")**

On 6 April 2009, HTHKH conditionally adopted a share option scheme (the "HTHKH Plan") for the grant of options to acquire ordinary shares in the share capital of HTHKH (the "HTHKH Shares"). The HTHKH Plan is valid and effective during the period commencing on 21 May 2009 and ending on 20 May 2019, being the date falling 10 years from the date on which the HTHKH Plan became unconditional. The HTHKH Plan has a remaining term of approximately two years as at the date of this report. A summary of the HTHKH Plan is as follows:

- (1) The purpose of the HTHKH Plan is to enable HTHKH and its subsidiaries (the "HTHKH Group") to grant share options to selected participants as incentives or rewards for their contribution to the HTHKH Group, to continue and/or render improved service with the HTHKH Group and/or to establish a stronger business relationship between the HTHKH Group and such participants.
- (2) The directors of HTHKH (the "HTHKH Directors") (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up share options to subscribe for HTHKH Shares:
  - (a) any employee or consultant (as to functional areas of finance, business or personnel administration or information technology) (whether full time or part time, including any executive director but excluding any non-executive director) of HTHKH, any of its subsidiaries or any entity in which any member of the HTHKH Group holds any equity interest (the "HTHKH Invested Entity");
  - (b) any non-executive directors (including independent non-executive directors) of HTHKH, any of its subsidiaries or any HTHKH Invested Entity;
  - (c) any supplier of goods or services to any member of the HTHKH Group or any HTHKH Invested Entity;
  - (d) any customer of any member of the HTHKH Group or any HTHKH Invested Entity;
  - (e) any person or entity that provides research, development or other technological support to any member of the HTHKH Group or any HTHKH Invested Entity;
  - (f) any shareholders of any member of the HTHKH Group or any HTHKH Invested Entity or any holder of any securities issued by any member of the HTHKH Group or any HTHKH Invested Entity;
  - (g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the HTHKH Group; and

(h) any company wholly owned by any one or more persons belonging to any of the above classes of participants.

For the avoidance of doubt, the grant of any share options by HTHKH for the subscription of HTHKH Shares or other securities of the HTHKH Group to any person who falls within any of the above classes of participants shall not, by itself, unless the HTHKH Directors otherwise determine, be construed as a grant of share options under the HTHKH Plan.

The eligibility of any of the above classes of participants to an offer for the grant of any share options shall be determined by the HTHKH Directors from time to time on the basis of their contribution to the development and growth of the HTHKH Group.

- (3) A nominal consideration of HK\$1 is payable on acceptance of the offer of the grant of a share option.
- (4) Unless otherwise determined by the HTHKH Directors and stated in the offer of grant of the share options to a grantee, there is no minimum period required under the HTHKH Plan for the holding of a share option before it can be exercised.
- (5) The subscription price for the HTHKH Shares under the HTHKH Plan shall be a price determined by the HTHKH Directors but shall not be less than the highest of (a) the closing price of HTHKH Shares as stated in the daily quotations sheet of the SEHK for trade in one or more board lots of the HTHKH Shares on the date of the offer of grant of the share options which must be a business day; (b) the average closing price of the HTHKH Shares as stated in the SEHK's daily quotations sheet for trade in one or more board lots of the HTHKH Shares for the five business days immediately preceding the date of the offer of grant of the share options which must be a business day; and (c) the nominal value of HTHKH Shares.
- (6) The maximum number of HTHKH Shares which may be allotted and issued pursuant to the HTHKH Plan is as follows:
  - (a) the maximum number of HTHKH Shares which may be allotted and issued upon the exercise of all outstanding share options granted and yet to be exercised under the HTHKH Plan and any other share option scheme adopted by the HTHKH Group ("Other HTHKH Plan") must not in aggregate exceed 30% of the relevant class of securities of HTHKH (or its subsidiaries) in issue from time to time;
  - (b) the total number of HTHKH Shares which may be allotted and issued upon the exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the HTHKH Plan and Other HTHKH Plan) to be granted under the HTHKH Plan and Other HTHKH Plan must not in aggregate exceed 10% of the relevant class of securities of HTHKH (or its subsidiaries) in issue, being 4,814,346,208 HTHKH Shares, as at 8 May 2009, the date on which the HTHKH Shares were first listed on the SEHK (the "HTHKH Listing Date") (the "HTHKH General Scheme Limit"). Based on the number of HTHKH Shares in issue on the HTHKH Listing Date, the HTHKH General Scheme Limit of the HTHKH Plan is 481,434,620 HTHKH Shares. As at the date of this report, the total number of HTHKH Shares available for issue under the HTHKH Plan (including the share options granted but yet to be exercised) is 476,884,620, representing approximately 9.90% of the total number of HTHKH Shares in issue as at that date;
  - (c) subject to paragraph (6)(a) above and without prejudice to paragraph (6)(d) below, HTHKH may seek approval of its shareholders (the "HTHKH Shareholders") in a general meeting to refresh the HTHKH General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the HTHKH Shareholders for that purpose) provided that the total number of HTHKH Shares which may be allotted and issued upon the exercise of all share options to be granted under the HTHKH Plan and Other HTHKH Plan must not exceed 10% of the relevant class of securities of HTHKH (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, share options including those outstanding, cancelled, lapsed or exercised in accordance with the HTHKH Plan and Other HTHKH Plan previously granted under the HTHKH Plan and Other HTHKH Plan will not be counted;

- (d) subject to paragraph (6)(a) above and without prejudice to paragraph (6)(c) above, HTHKH may seek separate approval of the HTHKH Shareholders in a general meeting to grant share options under the HTHKH Plan beyond the HTHKH General Scheme Limit (a circular containing the information required by the Listing Rule to be despatched to the HTHKH Shareholders for that purpose) or, if applicable, the extended limit referred to in paragraph (6)(c) above to participants specifically identified by HTHKH before such approval is sought; and
- (e) the total number of HTHKH Shares issued and to be issued upon the exercise of the share options granted to each participant under the HTHKH Plan and Other HTHKH Plan (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the issued share capital of HTHKH, unless approved by the HTHKH Shareholders in a general meeting (with such participant and his associates (as defined in the Listing Rules) abstaining from voting) in compliance with the requirements of the Listing Rules.

A share option may be accepted by a participant within 21 days from the date of the offer of grant of the share option.

A share option may be exercised in accordance with the terms of the HTHKH Plan at any time during a period to be determined on the date of offer of grant of the share option and notified by the HTHKH Directors to each grantee, which period may commence, once the offer for the grant is accepted within the prescribed time by the grantee, from the date on which such share option is deemed to have been granted but shall end in any event not later than 10 years from the date on which the offer for grant of the share option is made, subject to the provisions for early termination thereof.

Particulars of share options outstanding under the HTHKH Plan at the beginning and at the end of the financial year ended 31 December 2016 and share options granted, exercised, cancelled or lapsed under the HTHKH Plan during the year were as follows:

Category of participant	Date of grant of share options <sup>(1)</sup>	Number of share options held as at 1 January 2016	Granted during 2016	Exercised during 2016	Lapsed/ cancelled during 2016	Number of share options held as at 31 December 2016	Exercise period of share options	Exercise price of share options <sup>(2)</sup> HK\$	Price of HTHKH Share on grant date of share options <sup>(3)</sup> HK\$	Price of HTHKH Share on exercise date of share options HK\$
Employees in aggregate	1.6.2009	200,000	–	–	–	200,000	1.6.2009 to 31.5.2019	1.00	0.96	N/A
Total:		200,000	–	–	–	200,000				

Notes:

- (1) The share options were vested according to a schedule, namely, as to as close to one-third of the HTHKH Shares which are subject to the share options as possible on each of 1 June 2009, 23 November 2009 and 23 November 2010, and provided that for the vesting to occur the grantee has to remain an Eligible Participant (as defined in the HTHKH Plan) on such vesting date.
- (2) The exercise price of the share options is subject to adjustment in accordance with the provisions of the HTHKH Plan.
- (3) The stated price was the closing price of the HTHKH Shares on the SEHK on the trading day immediately prior to the date of grant of the share options.

As at the date of this report, HTHKH had 200,000 share options outstanding under the HTHKH Plan, which represented approximately 0.004% of the HTHKH Shares in issue as at that date.

No share option was granted under the HTHKH Plan during the year ended 31 December 2016.



## (V) Hydrospin Monitoring Solutions Ltd (“Hydrospin”)

On 11 June 2015, Hydrospin adopted the share option scheme (the “Hydrospin Plan”) for the grant of options to acquire ordinary shares in the share capital of Hydrospin (the “Hydrospin Shares”). The Hydrospin Plan is valid and effective during the period commencing on 11 June 2015 and ending on 10 June 2025, being the date falling 10 years from the date on which the Hydrospin Plan was adopted. The Hydrospin Plan has a remaining term of approximately eight years as at the date of this report. A summary of the Hydrospin Plan is as follows:

- (1) The purpose of the Hydrospin Plan is to enable Hydrospin to grant share options to selected participants as incentives or rewards for their contribution to Hydrospin and its subsidiaries (the “Hydrospin Group”), to continue and/or render improved service with the Hydrospin Group, and/or to establish a stronger business relationship between the Hydrospin Group and such participants.
- (2) The directors of Hydrospin (the “Hydrospin Directors”) (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up share options to subscribe for the Hydrospin Shares:
  - (a) any employee or consultant (as to functional areas of finance, business or personnel administration or information technology) (whether full time or part time, including any executive director but excluding any non-executive director) of Hydrospin, any of its subsidiaries or any entity in which any member of the Hydrospin Group holds an equity interest (the “Hydrospin Invested Entity”);
  - (b) any non-executive directors (including independent non-executive directors) of Hydrospin, any of its subsidiaries or any Hydrospin Invested Entity;
  - (c) any supplier of goods or services to any member of the Hydrospin Group or any Hydrospin Invested Entity;
  - (d) any customer of any member of the Hydrospin Group or any Hydrospin Invested Entity;
  - (e) any person or entity that provides research, development or other technological support to any member of the Hydrospin Group or any Hydrospin Invested Entity;
  - (f) any shareholder of any member of the Hydrospin Group or any Hydrospin Invested Entity or any holder of any securities issued by any member of the Hydrospin Group or any Hydrospin Invested Entity;
  - (g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the Hydrospin Group; and
  - (h) any company wholly owned by any one or more persons belonging to any one or more of the above classes of participants.

The eligibility of any of the above classes of participants to a grant of share options shall be determined by the Hydrospin Directors from time to time on the basis of their contribution to the development and growth of the Hydrospin Group.

- (3) Share option holders are not required to pay for the acceptance of a grant of share options.
- (4) Unless otherwise determined by the Hydrospin Directors and stated in the offer of grant of the share options to a grantee, there is no minimum period required under the Hydrospin Plan for the holding of a share option before it can be exercised.

- (5) The subscription price for the Hydrospin Shares under the Hydrospin Plan shall be a price determined by the Hydrospin Directors but shall, if the Hydrospin Shares are traded on a stock exchange (the "Stock Exchange", being the SEHK or other principal stock exchange in Hong Kong for the time being or such other stock exchange which is the principal stock exchange (as determined by the Hydrospin Directors) on which the relevant shares are for the time being listed or traded), not be less than the highest of (a) the closing price of the Hydrospin Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Hydrospin Shares on the date of the offer of grant of the share options which must be a day on which the banks in the State of Israel are open for business (the "Israel Business Day"); (b) the average closing price of the Hydrospin Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Hydrospin Shares for the five Israel Business Days immediately preceding the date of the offer of grant of the share options which must be an Israel Business Day; and (c) the nominal value of a Hydrospin Share.

The subscription price of any share option granted within the period commencing six months before the listing of the Hydrospin Shares on a Stock Exchange up to the listing date of the Hydrospin Shares on a Stock Exchange shall be adjusted immediately following such listing, at the discretion of the Hydrospin Directors, provided that such subscription price shall not be lower than the new issue price.

- (6) The maximum number of the Hydrospin Shares which may be allotted and issued pursuant to the Hydrospin Plan is as follows:
- (a) the maximum number of the Hydrospin Shares which may be allotted and issued upon the exercise of all outstanding share options granted and yet to be exercised under the Hydrospin Plan and any other share option scheme adopted by the Hydrospin Group ("Other Hydrospin Plan") shall not exceed 30% of the relevant class of securities of Hydrospin (or its subsidiaries) in issue from time to time;
  - (b) the total number of the Hydrospin Shares which may be allotted and issued upon the exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the Hydrospin Plan and Other Hydrospin Plan) to be granted under the Hydrospin Plan and Other Hydrospin Plan must not in aggregate exceed 10% of the relevant class of securities of Hydrospin (or its subsidiaries) in issue as at the date the Hydrospin Plan is approved and adopted by the Hydrospin Directors (the "Hydrospin General Scheme Limit"). Based on the number of the Hydrospin Shares in issue on the date the Hydrospin Plan is approved and adopted, the Hydrospin General Scheme Limit of the Hydrospin Plan is 122 Hydrospin Shares. As at the date of this report, the total number of Hydrospin Shares available for issue under the Hydrospin Plan is 122, representing approximately 10% of the total number of the Hydrospin Shares in issue as at that date;
  - (c) subject to paragraph 6(a) above and without prejudice to paragraph 6(d) below, the Company may seek approval of its shareholders (the "CKHH Shareholders") in a general meeting to refresh the Hydrospin General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the CKHH Shareholders for that purpose) provided that the total number of the Hydrospin Shares which may be allotted and issued upon the exercise of all share options to be granted under the Hydrospin Plan and Other Hydrospin Plan must not exceed 10% of the relevant class of securities of Hydrospin (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, share options (including those outstanding, cancelled, lapsed or exercised in accordance with the Hydrospin Plan and Other Hydrospin Plan) previously granted under the Hydrospin Plan and Other Hydrospin Plan will not be counted;
  - (d) subject to paragraph 6(a) above and without prejudice to paragraph 6(c) above, the Company may seek separate approval of the CKHH Shareholders in a general meeting to grant share options under the Hydrospin Plan beyond the Hydrospin General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the CKHH Shareholders for that purpose) or, if applicable, the extended limit referred to in paragraph 6(c) above to participants specifically identified by Hydrospin before such approval is sought; and

- (e) the total number of the Hydros핀 Shares issued, and which may fall to be issued, upon the exercise of the share options granted under the Hydros핀 Plan and Other Hydros핀 Plan (including both exercised or outstanding share options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the relevant class of securities of Hydros핀 for the time being unless approved by the CKHH Shareholders in a general meeting (with such participant and his associates (as defined in the Listing Rules) abstaining from voting) in compliance with the requirements of the Listing Rules.

A share option may be exercised in accordance with the terms of the Hydros핀 Plan at any time during a period (which may not expire later than 10 years from the date of grant of the share option) to be determined on the date of grant of the share option and notified by the Hydros핀 Directors to each grantee, and in the absence of such determination, from the date on which such share option is deemed to have been granted to the date falling 10 years from the date of grant of the share option subject to the provisions for early termination thereof.

No share options were granted under the Hydros핀 Plan during the year ended 31 December 2016 and up to the date of this report.

## (VI) Aquarius Spectrum Ltd (“Aquarius”)

On 8 July 2015, Aquarius adopted the share option scheme (the “Aquarius Plan”) for the grant of options to acquire ordinary shares in the share capital of Aquarius (the “Aquarius Shares”). The Aquarius Plan is valid and effective during the period commencing on 8 July 2015 and ending on 7 July 2025, being the date falling 10 years from the date on which the Aquarius Plan was adopted. The Aquarius Plan has a remaining term of approximately eight years as at the date of this report. A summary of the Aquarius Plan is as follows:

- (1) The purpose of the Aquarius Plan is to enable Aquarius to grant share options to selected participants as incentives or rewards for their contribution to Aquarius and its subsidiaries (the “Aquarius Group”), to continue and/or render improved service with the Aquarius Group and/or to establish a stronger business relationship between the Aquarius Group and such participants.
- (2) The directors of Aquarius (the “Aquarius Directors”) (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up share options to subscribe for the Aquarius Shares:
  - (a) any employee or consultant (as to functional areas of finance, business or personnel administration or information technology) (whether full time or part time, including any executive director but excluding any non-executive director) of Aquarius, any of its subsidiaries or any entity in which any member of the Aquarius Group holds an equity interest (the “Aquarius Invested Entity”);
  - (b) any non-executive directors (including independent non-executive directors) of Aquarius, any of its subsidiaries or any Aquarius Invested Entity;
  - (c) any supplier of goods or services to any member of the Aquarius Group or any Aquarius Invested Entity;
  - (d) any customer of any member of the Aquarius Group or any Aquarius Invested Entity;
  - (e) any person or entity that provides research, development or other technological support to any member of the Aquarius Group or any Aquarius Invested Entity;
  - (f) any shareholder of any member of the Aquarius Group or any Aquarius Invested Entity or any holder of any securities issued by any member of the Aquarius Group or any Aquarius Invested Entity;
  - (g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the Aquarius Group; and

(h) any company wholly owned by any one or more persons belonging to any one or more of the above classes of participants.

The eligibility of any of the above classes of participants to a grant of share options shall be determined by the Aquarius Directors from time to time on the basis of their contribution to the development and growth of the Aquarius Group.

- (3) Share option holders are not required to pay for the acceptance of a grant of share options.
- (4) Unless otherwise determined by the Aquarius Directors and stated in the offer of grant of the share options to a grantee, there is no minimum period required under the Aquarius Plan for the holding of a share option before it can be exercised.
- (5) The subscription price for the Aquarius Shares under the Aquarius Plan shall be a price determined by the Aquarius Directors but shall, if the Aquarius Shares are traded on a Stock Exchange, not be less than the highest of (a) the closing price of the Aquarius Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Aquarius Shares on the date of the offer of grant of the share options which must be an Israel Business Day; (b) the average closing price of the Aquarius Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Aquarius Shares for the five Israel Business Days immediately preceding the date of the offer of grant of the share options which must be an Israel Business Day; and (c) the nominal value of a Aquarius Share.

The subscription price of any share option granted within the period commencing six months before the listing of the Aquarius Shares on a Stock Exchange up to the listing date of the Aquarius Shares on a Stock Exchange shall be adjusted immediately following such listing, at the discretion of the Aquarius Directors, provided that such subscription price shall not be lower than the new issue price.

- (6) The maximum number of the Aquarius Shares which may be allotted and issued pursuant to the Aquarius Plan is as follows:
  - (a) the maximum number of the Aquarius Shares which may be allotted and issued upon the exercise of all outstanding share options granted and yet to be exercised under the Aquarius Plan and any other share option scheme adopted by the Aquarius Group ("Other Aquarius Plan") shall not exceed 30% of the relevant class of securities of Aquarius (or its subsidiaries) in issue from time to time;
  - (b) the total number of the Aquarius Shares which may be allotted and issued upon the exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the Aquarius Plan and Other Aquarius Plan) to be granted under the Aquarius Plan and Other Aquarius Plan must not in aggregate exceed 10% of the relevant class of securities of Aquarius (or its subsidiaries) in issue as at the date the Aquarius Plan is approved and adopted by the Aquarius Directors (the "Aquarius General Scheme Limit"). Based on the number of the Aquarius Shares in issue on the date the Aquarius Plan is approved and adopted, the Aquarius General Scheme Limit of the Aquarius Plan is 2,645 Aquarius Shares. As at the date of this report, the total number of Aquarius Shares available for issue under the Aquarius Plan is 2,645, representing approximately 4.79% of the total number of the Aquarius Shares in issue as at that date;
  - (c) subject to paragraph 6(a) above and without prejudice to paragraph 6(d) below, the Company may seek approval of the CKHH Shareholders in a general meeting to refresh the Aquarius General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the CKHH Shareholders for that purpose) provided that the total number of the Aquarius Shares which may be allotted and issued upon the exercise of all share options to be granted under the Aquarius Plan and Other Aquarius Plan must not exceed 10% of the relevant class of securities of Aquarius (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, share options (including those outstanding, cancelled, lapsed or exercised in accordance with the Aquarius Plan and Other Aquarius Plan) previously granted under the Aquarius Plan and Other Aquarius Plan will not be counted;

- (d) subject to paragraph 6(a) above and without prejudice to paragraph 6(c) above, the Company may seek separate approval of the CKHH Shareholders in a general meeting to grant share options under the Aquarius Plan beyond the Aquarius General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the CKHH Shareholders for that purpose) or, if applicable, the extended limit referred to in paragraph 6(c) above to participants specifically identified by Aquarius before such approval is sought; and
- (e) the total number of the Aquarius Shares issued, and which may fall to be issued, upon the exercise of the share options granted under the Aquarius Plan and Other Aquarius Plan (including both exercised or outstanding share options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the relevant class of securities of Aquarius for the time being unless approved by the CKHH Shareholders in a general meeting (with such participant and his associates (as defined in the Listing Rules) abstaining from voting) in compliance with the requirements of the Listing Rules.

A share option may be exercised in accordance with the terms of the Aquarius Plan at any time during a period (which may not expire later than 10 years from the date of grant of the share option) to be determined on the date of grant of the share option and notified by the Aquarius Directors to each grantee, and in the absence of such determination, from the date on which such share option is deemed to have been granted to the date falling 10 years from the date of grant of the share option subject to the provisions for early termination thereof.

No share options were granted under the Aquarius Plan during the year ended 31 December 2016 and up to the date of this report.

## (VII) Mercu Removal Ltd. ("Mercu")

On 23 May 2016, Mercu adopted the share option scheme (the "Mercu Plan") for the grant of options to acquire ordinary shares in the share capital of Mercu (the "Mercu Shares"). The Mercu Plan is valid and effective during the period commencing on 23 May 2016 and ending on 22 May 2026, being the date falling 10 years from the date on which the Mercu Plan was adopted. The Mercu Plan has a remaining term of approximately nine years as at the date of this report. A summary of the Mercu Plan is as follows:

- (1) The purpose of the Mercu Plan is to enable Mercu to grant share options to selected participants as incentives or rewards for their contribution to Mercu and its subsidiaries (the "Mercu Group"), to continue and/or render improved service with the Mercu Group, and/or to establish a stronger business relationship between the Mercu Group and such participants.
- (2) The directors of Mercu (the "Mercu Directors") (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up share options to subscribe for the Mercu Shares:
  - (a) any employee or consultant (as to functional areas of finance, business or personnel administration or information technology) (whether full time or part time, including any executive director but excluding any non-executive director) of Mercu, any of its subsidiaries or any entity in which any member of the Mercu Group holds an equity interest (the "Mercu Invested Entity");
  - (b) any non-executive directors (including independent non-executive directors) of Mercu, any of its subsidiaries or any Mercu Invested Entity;
  - (c) any supplier of goods or services to any member of the Mercu Group or any Mercu Invested Entity;
  - (d) any customer of any member of the Mercu Group or any Mercu Invested Entity;
  - (e) any person or entity that provides research, development or other technological support to any member of the Mercu Group or any Mercu Invested Entity;
  - (f) any shareholder of any member of the Mercu Group or any Mercu Invested Entity or any holder of any securities issued by any member of the Mercu Group or any Mercu Invested Entity;

- (g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the Mercu Group; and
- (h) any company wholly owned by any one or more persons belonging to any one or more of the above classes of participants.

The eligibility of any of the above classes of participants to a grant of share options shall be determined by the Mercu Directors from time to time on the basis of their contribution to the development and growth of the Mercu Group.

- (3) Share option holders are not required to pay for the acceptance of a grant of share options.
- (4) Unless otherwise determined by the Mercu Directors and stated in the offer of grant of the share options to a grantee, there is no minimum period required under the Mercu Plan for the holding of a share option before it can be exercised.
- (5) The subscription price for the Mercu Shares under the Mercu Plan shall be a price determined by the Mercu Directors but shall, if the Mercu Shares are traded on a Stock Exchange, not be less than the highest of (a) the closing price of the Mercu Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Mercu Shares on the date of the offer of grant of the share options which must be an Israel Business Day; (b) the average closing price of the Mercu Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Mercu Shares for the five Israel Business Days immediately preceding the date of the offer of grant of the share options which must be an Israel Business Day; and (c) the nominal value of a Mercu Share.

The subscription price of any share option granted within the period commencing six months before the listing of the Mercu Shares on a Stock Exchange up to the listing date of the Mercu Shares on a Stock Exchange shall be adjusted immediately following such listing, at the discretion of the Mercu Directors, provided that such subscription price shall not be lower than the new issue price.

- (6) The maximum number of the Mercu Shares which may be allotted and issued pursuant to the Mercu Plan is as follows:
  - (a) the maximum number of the Mercu Shares which may be allotted and issued upon the exercise of all outstanding share options granted and yet to be exercised under the Mercu Plan and any other share option scheme adopted by the Mercu Group ("Other Mercu Plan") shall not exceed 30% of the relevant class of securities of Mercu (or its subsidiaries) in issue from time to time;
  - (b) the total number of the Mercu Shares which may be allotted and issued upon the exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the Mercu Plan and Other Mercu Plan) to be granted under the Mercu Plan and Other Mercu Plan must not in aggregate exceed 10% of the relevant class of securities of Mercu (or its subsidiaries) in issue as at the date the Mercu Plan is approved and adopted by the Mercu Directors (the "Mercu General Scheme Limit"). Based on the number of the Mercu Shares in issue on the date the Mercu Plan is approved and adopted, the Mercu General Scheme Limit of the Mercu Plan is 3,000 Mercu Shares. As at the date of this report, the total number of Mercu Shares available for issue under the Mercu Plan is 3,000, representing approximately 10% of the total number of the Mercu Shares in issue as at that date;
  - (c) subject to paragraph 6(a) above and without prejudice to paragraph 6(d) below, the Company may seek approval of the CKHH Shareholders in a general meeting to refresh the Mercu General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the CKHH Shareholders for that purpose) provided that the total number of the Mercu Shares which may be allotted and issued upon the exercise of all share options to be granted under the Mercu Plan and Other Mercu Plan must not exceed 10% of the relevant class of securities of Mercu (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, share options (including those outstanding, cancelled, lapsed or exercised in accordance with the Mercu Plan and Other Mercu Plan) previously granted under the Mercu Plan and Other Mercu Plan will not be counted;

- (d) subject to paragraph 6(a) above and without prejudice to paragraph 6(c) above, the Company may seek separate approval of the CKHH Shareholders in a general meeting to grant share options under the Mercu Plan beyond the Mercu General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the CKHH Shareholders for that purpose) or, if applicable, the extended limit referred to in paragraph 6(c) above to participants specifically identified by Mercu before such approval is sought; and
- (e) the total number of the Mercu Shares issued, and which may fall to be issued, upon the exercise of the share options granted under the Mercu Plan and Other Mercu Plan (including both exercised or outstanding share options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the relevant class of securities of Mercu for the time being unless approved by the CKHH Shareholders in a general meeting (with such participant and his associates (as defined in the Listing Rules) abstaining from voting) in compliance with the requirements of the Listing Rules.

A share option may be exercised in accordance with the terms of the Mercu Plan at any time during a period (which may not expire later than 10 years from the date of grant of the share option) to be determined on the date of grant of the share option and notified by the Mercu Directors to each grantee, and in the absence of such determination, from the date on which such share option is deemed to have been granted to the date falling 10 years from the date of grant of the share option subject to the provisions for early termination thereof.

No share options were granted under the Mercu Plan during the year ended 31 December 2016 and up to the date of this report.

Save as disclosed above, at no time during the year was the Company or a subsidiary a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

## Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year.

## Purchase, Sale or Redemption of Listed Shares

During the year, the Company repurchased a total of 2,000,000 ordinary shares of HK\$1 each in the capital of the Company on the SEHK, with the aggregate consideration paid (before expenses) amounting to HK\$188,158,864.10. All the shares repurchased were subsequently cancelled. The Directors believe that such repurchase of shares would enhance the net assets and/or earnings per share of the Company and benefit the Company and its shareholders. As at 31 December 2016, the total number of shares of the Company in issue was 3,857,678,500.

Particulars of the share repurchase are as follows:-

<u>Date</u>	<u>Number of shares repurchased</u>	<u>Purchase price per share</u>		<u>Aggregate consideration (before expenses)</u> (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
November 2016	2,000,000	95.00	92.50	188,158,864.10

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Major Customers and Suppliers

During the year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the revenue from sales of goods or rendering of services attributable to the Group's five largest customers combined was less than 30% of the total value of Group purchases and total Group revenue.

## Sufficiency of Public Float

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, approximately 69% of the issued shares of the Company was held by the public.

## Auditor

The financial statements for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the 2017 annual general meeting.

By order of the Board

**Edith Shih**

*Executive Director and Company Secretary*

Hong Kong, 22 March 2017



## Corporate Governance Report

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries (the "Group") as it believes that effective corporate governance practices are fundamental to safeguarding interests of shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted and applied corporate governance principles that emphasise a quality board of Directors (the "Board"), effective risk management and internal control systems, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Company has complied throughout the year ended 31 December 2016 with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), other than those in respect of the nomination committee and the attendance of the Chairman of the Board at the 2016 annual general meeting of the Company. The reasons for deviation are explained subsequently in this report.

### The Board

#### Corporate Strategy

The primary objective of the Company is to enhance long-term total return for shareholders. To achieve this objective, the Group's strategy is to place equal emphasis on achieving sustainable recurring earnings growth and maintaining the Group's strong financial profile. The Chairman's Statement and the Operations Review contain discussions and analyses of the Group's performance and the basis on which the Group generates or preserves value over the longer term and the basis on which the Group will execute its strategy for delivering the Group's objectives.

#### Role of the Board

The Board, which is accountable to shareholders for the long-term performance of the Company, is responsible for directing the strategic objectives of the Company and overseeing the management of the business. Directors are charged with the task of promoting the success of the Company and making decisions in the best interests of the Company.

The Board, led by the Chairman, Mr Li Ka-shing, determines and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company ("Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Group Co-Managing Directors.

#### Board Composition

As at 31 December 2016, the Board comprised 18 Directors, including the Chairman, Group Co-Managing Director and Deputy Chairman, Group Co-Managing Director, Group Finance Director and Deputy Managing Director ("GFD/DMD"), three Deputy Managing Directors, four Non-executive Directors and seven Independent Non-executive Directors.

On 1 August 2016, Mrs Chow Woo Mo Fong, Susan retired from her position as Group Deputy Managing Director and Executive Director.

On 1 January 2017, Ms Edith Shih was appointed as an Executive Director and Mrs Chow was appointed as a Non-executive Director.

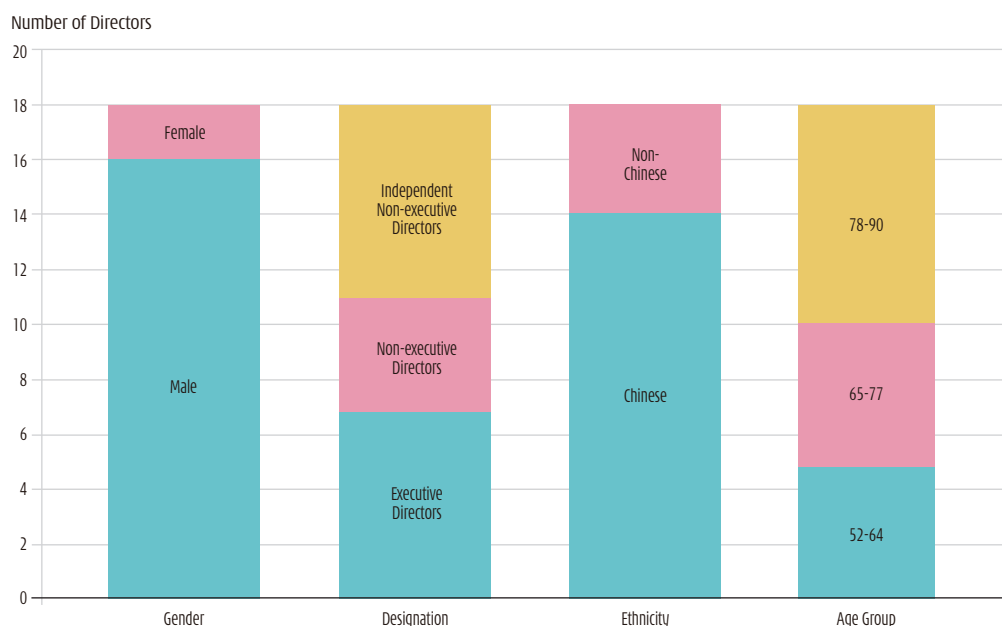
Ms Shih is the Head Group General Counsel and Company Secretary of the Company as well as director and company secretary of numerous companies in the Group. She has been with the Group since 1989, overseeing legal, corporate finance, regulatory, compliance and corporate governance affairs of the Group. Mrs Chow was Group Deputy Managing Director and Executive Director of the Company from June 2015 to July 2016, and had been with the Group for over 23 years, overseeing the administration, legal affairs and business development activities of the Group. Both Ms Shih and Mrs Chow have in-depth knowledge of the business operations of the Group. The Board considered the qualification, expertise and experience of Ms Shih and Mrs Chow and believed that their skills and knowledge would complement the skill sets and expertise of the existing members of the Board.

The Board has adopted a policy which recognises the benefits of a Board that possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the businesses of the Company.

Board appointment has been, and will continue to be, made based on attributes that complement and expand the skill set, experience and expertise of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural and educational background, and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board.

The Board diversity policy is available on the website of the Group ([www.ckh.com.hk](http://www.ckh.com.hk)). The Board reviews and monitors from time to time the implementation of the policy to ensure its effectiveness and application.

The following chart shows the diversity profile of the Board as at 31 December 2016:



Biographical details of the Directors are set out in the section "Information on Directors" on pages 106 to 111 and on the website of the Group. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Group and Hong Kong Exchanges and Clearing Limited ("HKEX") ([www.hkexnews.hk](http://www.hkexnews.hk)).

The Board has assessed the independence of all the Independent Non-executive Directors of the Company and considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules, (ii) the absence of involvement in the daily management of the Company and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment. Throughout the year, the number of Independent Non-executive Directors on the Board meets the one-third requirement under the Listing Rules.

### Chairman and Executive Directors

The role of the Chairman is separate from that of the Group Co-Managing Directors. Such division of responsibilities reinforces the independence and accountability of these Directors.

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. He is also responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors and the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders and other stakeholders, as outlined later in this report.

The Group Co-Managing Directors, assisted by the other Executive Directors (of whom four are Deputy Managing Directors), are responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal managers of the Group's businesses, the Group Co-Managing Directors attend to developing strategic operating plans that reflect the long-term objectives and priorities established by the Board and are directly responsible for maintaining the operational performance of the Group. Working with the Executive Directors and the executive management team of each core business division, the Group Co-Managing Directors present annual budgets to the Board for consideration and approval, and ensure that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the GFD/DMD, the Group Co-Managing Directors see to it that the funding requirements of the businesses are met and closely monitor the operating and financial results of the businesses against plans and budgets, taking remedial action if necessary. The Group Co-Managing Directors maintain an ongoing dialogue with the Chairman and all Directors to keep them fully informed of all major business development and issues. They are also responsible for building and maintaining an effective executive team to support them in their roles.

### Board Processes

The Board meets regularly, and at least four times a year with meeting dates scheduled prior to the beginning of the year. Between scheduled meetings, senior management of the Group provides to Directors, on a regular basis, monthly updates and other information with respect to the performance, business activities and development of the Group. Throughout the year, Directors participate in the deliberation and approval of routine and operational matters of the Company by way of written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information from the Company Secretary or other executives as and when required. Details of material or notable transactions of subsidiaries and associated companies are provided to Directors as appropriate. Whenever warranted, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by Directors and they are at liberty to propose appropriate matters for inclusion in Board agendas.

With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Articles of Association of the Company and the Listing Rules, a Director would abstain from voting on resolutions approving any contract, transaction or arrangement in which he or any of his close associates is materially interested in and such Director is not counted for quorum determination purposes.

In 2016, the Company held four Board meetings with overall attendance of approximately 95%. All Directors (including Non-executive and Independent Non-executive Directors) attended the annual general meeting of the Company held on 13 May 2016 (the "2016 AGM") and the Board meeting held on the same day except the Chairman of the Board who was not in a position to attend due to sudden indisposition. The attendance record is set out below:

Directors	Board Meetings Attended/ Eligible to Attend	Attendance at 2016 AGM
<b>Chairman</b>		
Li Ka-shing <sup>(1)</sup>	3/4	-
<b>Executive Directors</b>		
Li Tzar Kuoi, Victor <sup>(1)</sup> ( <i>Group Co-Managing Director and Deputy Chairman</i> )	4/4	✓
Fok Kin Ning, Canning ( <i>Group Co-Managing Director</i> )	4/4	✓
Chow Woo Mo Fong, Susan <sup>(2)</sup> ( <i>Group Deputy Managing Director</i> )	2/2	✓
Frank John Sixt ( <i>Group Finance Director and Deputy Managing Director</i> )	4/4	✓
Ip Tak Chuen, Edmond ( <i>Deputy Managing Director</i> )	4/4	✓
Kam Hing Lam <sup>(1)</sup> ( <i>Deputy Managing Director</i> )	4/4	✓
Lai Kai Ming, Dominic ( <i>Deputy Managing Director</i> )	4/4	✓
<b>Non-executive Directors</b>		
Chow Kun Chee, Roland	4/4	✓
Lee Yeh Kwong, Charles	4/4	✓
Leung Siu Hon	4/4	✓
George Colin Magnus	4/4	✓
<b>Independent Non-executive Directors</b>		
Kwok Tun-ii, Stanley	4/4	✓
Cheng Hoi Chuen, Vincent	4/4	✓
Michael David Kadoorie	2/4 <sup>(3)</sup>	✓
	<i>(by alternate)</i> 2/4 <sup>(3)</sup>	N/A
Lee Wai Mun, Rose	4/4	✓
William Shurniak	4/4	✓
Wong Chung Hin	4/4	✓
Wong Yick-ming, Rosanna	4/4	✓

Notes:

- (1) Mr Li Ka-shing is the father of Mr Li Tzar Kuoi, Victor and brother-in-law of Mr Kam Hing Lam.
- (2) Retired on 1 August 2016.
- (3) Due to commitment overseas, The Hon Sir Michael David Kadoorie arranged for his alternate, Mr William Elkin Mocatta, to attend the Board meetings held in March and August 2016, albeit the attendance of the alternate is not counted in his attendance record.

In addition to Board meetings, the Chairman holds regular meetings with Executive Directors and meets with Non-executive Directors (including Independent Non-executive Directors) at least twice annually without the presence of Executive Directors. The Non-executive Directors (including Independent Non-executive Directors) freely provide their independent views to the Board.

All Non-executive Directors are engaged on service contracts for an initial term ending on 31 December of the year of appointment which contracts are automatically renewed for successive 12-month periods. All Directors are subject to re-election by shareholders at general meetings at least about once every three years on a rotation basis, in accordance with the Articles of Association of the Company. A retiring Director is eligible for re-election, and re-election of retiring Directors at general meetings is dealt with by separate individual resolutions. No Director has a service contract with the Company which is not terminable by the Company within one year and without payment of compensation (other than statutory compensation).

Shareholders may propose candidate(s) for election as Director(s) in accordance with the Articles of Association of the Company. The procedures for such proposal are posted on the website of the Group.

## Training and Commitment

Upon appointment to the Board, Directors receive a package of comprehensive orientation materials on the Group and are provided with a detailed induction to the Group's businesses by senior executives.

The Company arranges and provides Continuous Professional Development ("CPD") training such as seminars and relevant reading materials to Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on relevant topics also counts toward CPD training.

The Directors are required to provide the Company with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors during the year is summarised as follows, representing an average of approximately 12.5 hours by each Director during the year:

Directors	Areas		
	Legal and Regulatory	Corporate Governance	Group's Business/ Directors' Duties
<b>Chairman</b>			
Li Ka-shing	√	√	√
<b>Executive Directors</b>			
Li Tzar Kuoi, Victor ( <i>Group Co-Managing Director and Deputy Chairman</i> )	√	√	√
Fok Kin Ning, Canning ( <i>Group Co-Managing Director</i> )	√	√	√
Chow Woo Mo Fong, Susan <sup>(1)</sup> ( <i>Group Deputy Managing Director</i> )	√	√	√
Frank John Sixt ( <i>Group Finance Director and Deputy Managing Director</i> )	√	√	√
Ip Tak Chuen, Edmond ( <i>Deputy Managing Director</i> )	√	√	√
Kam Hing Lam ( <i>Deputy Managing Director</i> )	√	√	√
Lai Kai Ming, Dominic ( <i>Deputy Managing Director</i> )	√	√	√
<b>Non-executive Directors</b>			
Chow Kun Chee, Roland	√	√	√
Lee Yeh Kwong, Charles	√	√	√
Leung Siu Hon	√	√	√
George Colin Magnus	√	√	√
<b>Independent Non-executive Directors</b>			
Kwok Tun-li, Stanley	√	√	√
Cheng Hoi Chuen, Vincent	√	√	√
Michael David Kadoorie	√	√	√
Lee Wai Mun, Rose	√	√	√
William Shurniak	√	√	√
Wong Chung Hin	√	√	√
Wong Yick-ming, Rosanna	√	√	√
<b>Alternate Director</b>			
William Elkin Mocatta ( <i>Alternate Director to Michael David Kadoorie</i> )	√	√	√

Note:

(1) Retired on 1 August 2016.

Confirmation is received from the Directors that they have provided sufficient time and attention to the affairs of the Group. In addition, Directors disclose to the Company in a timely manner their interests as directors in other public listed companies and major appointments as well as update the Company on any subsequent changes.

## Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct regulating Directors' dealings in securities of the Company. In response to specific enquiries made, all Directors have confirmed that they have complied with such code in their securities transactions throughout their tenure during the year.

## Board Committees

The Board is supported by two permanent board committees: the Audit Committee and the Remuneration Committee, details of which are described later in this report. The terms of reference for these Committees, which have been adopted by the Board, are available on the websites of the Group and HKEx. Other board committees are established by the Board as and when warranted to take charge of specific tasks.

The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, determines and approves the structure, size and composition of the Board as well as the appointment of any new Director, as and when appropriate. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of existing Directors. In addition, the Board as a whole is also responsible for reviewing the succession plan for Directors, including the Chairman of the Board and the Group Co-Managing Directors.

## Company Secretary

The Company Secretary is accountable to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and the timely preparation and dissemination to Directors comprehensive Board meeting agendas and papers. Minutes of all meetings of the Board and Board Committees are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or Board Committees, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of Board meetings and meetings of Board Committees are sent to Directors or Board Committee members as appropriate for comments, approval and records. Board records are available for inspection by any Director upon request.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments of relevance to the Group and that it takes these developments into consideration when making decisions for the Group. From time to time, she organises seminars on specific topics of importance and interest and disseminates reference materials to Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations under the Listing Rules and The Codes on Takeovers and Mergers and Share Buy-back, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, and the timely dissemination to shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on connected transactions, price-sensitive/inside information, and Directors' obligations for disclosure of interests and dealings in the Group's securities, to ensure that the standards and disclosures requirements of the Listing Rules are complied with and, where required, reported in the annual report of the Company.

The appointment and removal of the Company Secretary is subject to Board approval. Whilst the Company Secretary reports to the Chairman and the Group Co-Managing Directors, all members of the Board have access to the advice and service of the Company Secretary. Ms Edith Shih is the Company Secretary of the Company and has day-to-day knowledge of the Group's affairs. She confirms that she has complied with all the required qualifications, experience and training requirements of the Listing Rules.

## Accountability and Audit

### Financial Reporting

The annual and interim results of the Company are published in a timely manner, within three months and two months respectively of the year end and the half-year end.

The responsibility of Directors in relation to the financial statements is set out below. This should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 167 to 171 which acknowledges the reporting responsibility of the Group's Auditor.

### Annual Report and Financial Statements

The Directors acknowledge their responsibility for the preparation of the annual report and financial statements of the Company, ensuring that the financial statements give a true and fair presentation in accordance with the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the applicable accounting standards.

### Accounting Policies

The Directors consider that in preparing the financial statements, the Group has applied appropriate accounting policies that are consistently adopted and made judgments and estimates that are reasonable in accordance with the applicable accounting standards.

### Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group, upon which financial statements of the Group could be prepared in accordance with the Group's accounting policies.

### Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

### Going Concern

The Directors, having made appropriate enquiries, are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the financial statements.

## Audit Committee

The Audit Committee comprises four Independent Non-executive Directors who possess the relevant business and financial management experience and skills to understand financial statements and contribute to the financial governance, internal controls and risk management of the Company. It is chaired by Mr Wong Chung Hin with Messrs Kwok Tun-li, Stanley, Cheng Hoi Chuen, Vincent and William Shurniak as members.

The Audit Committee held five meetings in 2016 with 100% attendance.

Members	Attended/Eligible to Attend
Wong Chung Hin ( <i>Chairman</i> )	5/5
Kwok Tun-li, Stanley	5/5
Cheng Hoi Chuen, Vincent	5/5
William Shurniak	5/5

Throughout 2016, the Audit Committee discharged the duties and responsibilities under its terms of reference and the CG Code. The terms of reference of the Audit Committee was revised and adopted by the Board effective on 1 January 2016.

Under its terms of reference, the Audit Committee is required to oversee the relationship between the Company and its external auditors, review the Group's preliminary interim and annual results, and interim and annual financial statements, monitor the corporate governance of the Group including compliance with statutory and Listing Rules requirements, review the scope, extent and effectiveness of the activities of the Group's internal audit function, engage independent legal and other advisers and conduct investigations as it determines to be necessary.

The Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters has been adopted and updated by the Board and is posted on the website of the Group.

The Audit Committee meets with the GFD/DMD and other senior management of the Group from time to time for the purposes of reviewing the interim and annual results, the interim and annual reports and other financial, internal control, corporate governance and risk management matters of the Group. It considers and discusses the reports and presentations of Management, the Group's internal and external auditors, with a view of ensuring that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong. It also meets at least four times a year with the Group's principal external auditor, PricewaterhouseCoopers ("PWC"), to consider their reports on the scope, strategy, progress and outcome of its independent review of the interim financial report and annual audit of the consolidated financial statements. In addition, the Audit Committee holds regular private meetings with the external auditor, GFD/DMD and internal auditor separately without the presence of Management.

The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective risk management and internal control systems. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It receives and considers the presentations of Management in relation to the reviews on the effectiveness of the Group's risk management and internal control systems and the adequacy of resources, qualifications and experience of staff in the Group's accounting, financial reporting and internal audit functions, as well as their training programmes and budget. In addition, the Audit Committee reviews with the Group's internal auditor the work plans for its audits together with its resource requirements and considers the reports of the Group Internal Audit General Manager to the Audit Committee on the effectiveness of risk management and internal controls in the Group business operations. Further, it also receives the reports from the Head Group General Counsel on the Group's material litigation proceedings and compliance status on regulatory requirements. These reviews and reports are taken into consideration by the Audit Committee when it makes its recommendation to the Board for approval of the consolidated financial statements for the year.



## External Auditor

The Audit Committee reviews and monitors the external auditor's independence, objectivity and effectiveness of the audit process. Each year, the Audit Committee receives a letter from the external auditor confirming its independence and objectivity. It holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendation to the Board on the appointment and retention of the external auditor.

The Group's policy regarding the engagement of its external auditors for the various services listed below is as follows:

- Audit services - include audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by the external auditor.
- Audit related services - include services that would normally be provided by an external auditor but not generally included in audit fees, for example, audits of the Group's pension plans, accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that it must, or is best placed to, undertake in its capacity as auditor.
- Taxation related services - include all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group uses the services of the external auditor where it is best suited. All other significant taxation related work is undertaken by other parties as appropriate.
- Other services - include, for example, financial due diligence, review of actuarial reports and calculations, risk management diagnostics and assessments, and non-financial systems consultations. The external auditor is also permitted to assist Management and the Group's internal auditor with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.
- General consulting services - the external auditor is not eligible to provide services involving general consulting work.

An analysis of the fees of PwC and other external auditors is shown in note 46 to the financial statements. In the year ended 31 December 2016, the PwC fees, amounting to HK\$210 million were primarily for audit services and those for non-audit services amounted to HK\$26 million, approximately 11% of the total fees.

## Audit Report on the Annual Financial Statements

The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2016 have been audited by PwC in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unqualified auditor's report is set out on pages 167 to 171. The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2016 have also been reviewed by the Audit Committee.

## Assurance Report on Pro Forma Results for the Comparative Year Ended 31 December 2015

The unaudited pro forma financial results of the Group for the comparative year ended 31 December 2015 set out in the sections headed "Analyses by Core Business Segments" on page 5 and "Financial Performance Summary" on page 15 as comparative figures, prepared for illustrative purposes as if the Group reorganisation was effective on 1 January 2015, have been reported on by PwC in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by HKICPA. The independent assurance report of PwC is set out on pages 280 to 281 of the Company's 2015 Annual Report. The unaudited pro forma financial results of the Group for the comparative year ended 31 December 2015 have also been reviewed by the Audit Committee.

A waiver from compliance with the requirements under rule 4.29 of the Listing Rules in relation to the unaudited pro forma financial results for the comparative year ended 31 December 2015 included in this annual report has been granted by The Stock Exchange of Hong Kong Limited, as it would be unduly onerous upon the Company if that rule is required to be fully complied with in the present situation.

## Pro Forma Results for the Comparative Year Ended 31 December 2015

The unaudited pro forma financial results of the Group for the comparative year ended 31 December 2015 included as comparative figures in this annual report assume the Group reorganisation was effective on 1 January 2015 and also include a number of assumptions and estimates and have been prepared for additional information and illustrative purposes only. Due to their hypothetical nature, they may not reflect the actual financial results of the Group for the comparative year ended 31 December 2015 had the reorganisation become effective on 1 January 2015. The pro forma financial results are no guarantee of the future results of the Group.

The unaudited pro forma financial results for the comparative year ended 31 December 2015 should be read in conjunction with other financial information included elsewhere in this annual report.

## Risk Management, Internal Control and Legal & Regulatory Compliance

### Role of the Board

The Board has overall responsibility for the Group's systems of risk management, internal control and legal and regulatory compliance.

In meeting its responsibilities, the Board seeks to inculcate risk awareness across the Group's business operations and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification and management of risks. The Board evaluates and determines the nature and extent of the risks that the Company is willing to accept in pursuit of the Group's strategic and business objectives. It also reviews and monitors the effectiveness of the systems of risk management and internal control on an ongoing basis. Reporting and review activities include review by the Executive Directors and the Board and approval of detailed operational and financial reports, budgets and plans provided by management of the business operations, review by the Board of actual results against budget, review by the Audit Committee of the ongoing work of the Group's internal audit and risk management functions, as well as regular business reviews by Executive Directors and the executive management team of each core business division.

On behalf of the Board, the Audit Committee regularly reviews the corporate governance structure and practices within the Group and monitors compliance fulfillment on an ongoing basis. To assist the Audit Committee in discharging its responsibilities, a Governance Working Group chaired by the Executive Director and Company Secretary, comprising representatives from key departments of the Company, continuously provides updates, identifies emerging matters of compliance, and establishes appropriate compliance policies and procedures for group-wide adoption. The Competition, Regulatory and Public Affairs Group reviews, assesses, escalates and where appropriate, proposes handling measures on competition, regulatory and public affairs matters affecting business units. It meets regularly with business units to monitor compliance requirements and to formulate strategy and share information and expertise across jurisdictions and businesses. It also provides regular updates to the Governance Working Group.

The Audit Committee is satisfied that the Company has complied throughout the year with all code provisions of the CG Code, other than those in respect of the nomination committee and the attendance of the Chairman of the Board at the 2016 AGM.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

### Risk Management

The Company adopts an Enterprise Risk Management (ERM) framework which is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework. The framework facilitates a systematic approach to the management of risks within the Group, coupled with a strong internal control environment, enabling the Group to effectively manage the risks it faces, be they strategic, financial, operational or compliance.

Risk management of the Group is integrated into the day-to-day operation of the Group and is a continuous process carried out at all levels of the Group. There are ongoing dialogues between the Executive Directors and the executive management teams of each core business about current and emerging risks, their possible impact and mitigation measures. These measures include instituting additional controls and safeguards and deploying appropriate insurance instruments to eliminate or minimise any potential financial, compliance or other risks to the Group's businesses. The latter also includes Directors and Officers Liability Insurance to protect Directors and officers of the Group against potential personal legal liabilities.

In terms of formal risk review and reporting, the Group adopts a “top-down and bottom-up” approach, involving regular input from each core business as well as discussions and reviews by the Executive Directors. On a half-yearly basis, each core business is required to identify and assess the risks their business faces, and record them in the relevant risk register. Mitigation measures and plans are also registered to facilitate review and tracking of progress. These risk registers are considered by the Executive Directors who take a holistic assessment of all the significant risks that the Group faces.

The composite risk register, of which the content is confirmed by the Executive Directors, forms part of the Risk Management Report for review and approval by the Audit Committee on a half-yearly basis. The Audit Committee, on behalf of the Board, reviews the report to ensure that all significant risks are identified and appropriately managed. Pages 82 to 86 of this annual report provide a description of the Group's risk factors which could affect the Group's financial condition or results of operations that differ materially from expected or historical results.

### Internal Control Environment

Executive Directors are appointed to the boards of all material operating subsidiaries and associates for monitoring those companies, including attendance at board meetings, review and approval of budgets and plans, and business strategies with associated risks identified and setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly management of each business is accountable for its conduct and performance. The Group Co-Managing Directors monitor the performance and review the risk profiles of the Group companies on an on-going basis.

The internal control procedures of the Group include a comprehensive system for reporting information to the executive management teams of each core business and the Executive Directors.

Business plans and budgets are prepared annually by management of individual businesses and subject to review and approval by both the executive management teams and Executive Directors as part of the Group's five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for variances to the budget and for approval. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

Executive Directors review monthly management reports on the financial results and key operating statistics of each business and hold monthly meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, finance directors and financial controllers of the executive management teams of each of the major businesses attend monthly meetings with the GFD/DMD and members of his finance team to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Group maintains a centralised cash management system for its unlisted subsidiary operations and the Group's Treasury function oversees the Group's investment and lending activities. Treasury reports on the Group's cash and liquid investments, borrowings and movements thereof are distributed weekly.

The Group has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specifically, material expenditures within the approved budget as well as unbudgeted expenditures are subject to approval by the GFD/DMD or an Executive Director prior to commitment. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

In terms of formal review of the Group's internal control system, an internal control self-assessment process is in place, requiring the executive management team and senior management of each core business to review, evaluate and declare the effectiveness of the controls over the operations and devise action plans to address the issues, if any. These assessment results, together with the Risk Management Report as mentioned earlier and the independent assessments by the auditors, form part of the bases on which the Audit Committee formulates its opinion on the Group's risk management and internal control systems.

## Legal and Regulatory Compliance

The Group is committed to ensuring its businesses are operated in compliance with local and international laws, rules and regulations. The Group Legal Department has the responsibility for safeguarding the legal interests of the Group. The team, led by Ms Edith Shih, Executive Director, Head Group General Counsel and Company Secretary, is responsible for monitoring the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal and corporate secretarial documentation of Group companies, working in conjunction with finance, tax, treasury, corporate secretarial and business unit personnel on the review and co-ordination process, and advising Management of legal and commercial issues of concern. In addition, the Group Legal Department is also responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory frameworks within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting responses or filings with relevant regulatory and/or government authorities on regulatory issues and consultations. In addition, the Department prepares and updates internal policies and conducts tailor-made workshops where necessary so as to strengthen the internal controls and compliance procedures of the Group. The Department also determines and approves the engagement of external legal advisors, ensuring the requisite professional standards are adhered to as well as the most cost effective services are rendered. Further, the Group Legal Department organises and holds continuing education seminars/conferences on legal and regulatory matters of relevance to the Group for Directors, business executives and the Group legal and corporate secretarial teams.

On the listed companies level, the Group is subject to the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Cayman Islands Companies Law, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and/or the rules and regulations of the jurisdictions where the securities of the Group companies are listed and traded. The Group Legal Department is vigilant with the legal requirements under these statutes, rules and regulations which would have a material implication or impact on the Group.

## Code of Conduct and Handling of Inside Information

The Group places utmost importance on the ethical, personal and professional standards of the Directors and employees of the Group. In addition to the various policies adopted and implemented by the Group imposing requirements on Directors and employees to conduct themselves in compliance with applicable laws, rules and regulations, every employee is required to undertake to adhere to the Group's Code of Conduct, and is expected to achieve the highest standards of behaviour including avoiding conflict of interest, discrimination or harassment and bribery and corruption. Employees are required to report any non-compliance with the Code of Conduct to Management.

With a view to identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), procedures including pre-clearance on dealing in Group's securities by designated members of Management, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis have been implemented by the Group to guard against possible mishandling of inside information within the Group.

## Internal Audit

The General Manager of the Group's internal audit function, reporting directly to the Audit Committee and also to the GFD/DMD, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations worldwide. Using risk assessment methodology and taking into account the dynamics of the Group's activities, internal audit derives its yearly audit plan which is reviewed by the Audit Committee, and continually reassessed during the year to ensure that adequate resources are deployed and the plan's objectives are met. Internal audit is responsible for assessing the Group's risk management and internal control systems, formulating an impartial opinion on the systems, and reporting its findings to the Audit Committee, the GFD/DMD and the senior management concerned as well as following up on all reports to ensure that all issues are satisfactorily resolved. In addition, a regular dialogue is maintained with the Group's external auditor so that both are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial/IT and operations reviews, recurring and surprise audits, fraud investigations and productivity efficiency reviews.

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to the General Manager of the Group's internal audit function and, as appropriate, to the GFD/DMD and the finance director or financial controller of the relevant executive management team. These reports are reviewed and appropriate actions are taken.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2016 covering all material controls, including financial, operational and compliance controls, and is satisfied that such systems are effective and adequate. In addition, it has also reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget.

## Remuneration of Directors and Senior Management

### Remuneration Committee

The Remuneration Committee comprises four members with expertise in human resources and personnel emoluments. The Committee is chaired by Dr Wong Yick-ming, Rosanna, an Independent Non-executive Director, with the Chairman Mr Li, Independent Non-executive Directors Mr Cheng and Mr Wong, as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence of the Listing Rules. The Committee meets towards the end of each year to determine the remuneration package of Directors and senior management of the Group. Remuneration matters are also considered and approved by way of written resolutions and additional meetings where warranted.

The Remuneration Committee held two meetings in 2016 with 87.5% attendance.

Members	Attended/Eligible to Attend
Wong Yick-ming, Rosanna ( <i>Chairman</i> )	2/2
Li Ka-shing	1/2
Cheng Hoi Chuen, Vincent	2/2
Wong Chung Hin	2/2

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objectives of attracting, retaining and motivating employees of the highest calibre and experience needed to shape and execute strategy across the Group's substantial, diverse and international business operations. It assists the Group in the administration of a fair and transparent procedure for setting remuneration policies for all Directors and senior executives of the Group. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration package of individual Executive Directors and senior management of the Group is delegated to the Remuneration Committee.

During the year, the Remuneration Committee reviewed background information on market data (including economic indicators, statistics and the Remuneration Bulletin), the Group's business activities and human resources issues, and headcount and staff costs. It also reviewed and approved the proposed 2017 directors' fees for Executive Directors and made recommendation to the Board on the directors' fees for Non-executive Directors. Prior to the end of the year, the Committee reviewed and approved the year end bonus and 2017 remuneration package of Executive Directors, subsidiaries' managing directors and senior executives of the Group. Executive Directors do not participate in the determination of their own remuneration.

### Remuneration Policy

The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

## 2016 Remuneration

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments exclude amounts received from the Company's listed subsidiaries and paid to the Company. Details of emoluments paid to each Director in 2016 are set out below:

Name of directors	Director's fees HK\$ millions	Basic salaries, allowances and benefits-in-kind HK\$ millions	Discretionary bonuses HK\$ millions	Provident fund contributions HK\$ millions	Inducement or compensation fees HK\$ millions	Total emoluments HK\$ millions
LI Ka-shing <sup>(1)(7)</sup>	0.01	-	-	-	-	0.01
LI Tzar Kuoi, Victor <i>Paid by the Company</i>	0.22	4.89	53.87	-	-	58.98
<i>Paid by Cheung Kong Infrastructure Holdings Limited ("CKI")</i>	0.08	-	30.44	-	-	30.52
	0.30	4.89	84.31	-	-	89.50
FOK Kin Ning, Canning <sup>(2)</sup>	0.22	11.60	186.99	1.95	-	200.76
CHOW WOO Mo Fong, Susan <sup>(2)(3)</sup>	0.13	5.08	34.83	1.00	-	41.04
Frank John SIXT <sup>(2)</sup>	0.22	8.55	42.58	0.75	-	52.10
IP Tak Chuen, Edmond <i>Paid by the Company</i>	0.22	1.62	9.59	-	-	11.43
<i>Paid by CKI</i>	0.08	1.80	11.02	-	-	12.90
	0.30	3.42	20.61	-	-	24.33
KAM Hing Lam <i>Paid by the Company</i>	0.22	2.42	9.59	-	-	12.23
<i>Paid by CKI</i>	0.08	4.20	11.02	-	-	15.30
	0.30	6.62	20.61	-	-	27.53
LAI Kai Ming, Dominic <sup>(2)</sup>	0.22	5.82	42.00	1.10	-	49.14
CHOW Kun Chee, Roland <sup>(4)</sup>	0.22	-	-	-	-	0.22
LEE Yeh Kwong, Charles <sup>(4)</sup>	0.22	-	-	-	-	0.22
LEUNG Siu Hon <sup>(4)</sup>	0.22	-	-	-	-	0.22
George Colin MAGNUS <sup>(4)</sup> <i>Paid by the Company</i>	0.22	-	-	-	-	0.22
<i>Paid by CKI</i>	0.08	-	-	-	-	0.08
	0.30	-	-	-	-	0.30
KWOK Tun-li, Stanley <sup>(5)(6)</sup>	0.35	-	-	-	-	0.35
CHENG Hoi Chuen, Vincent <sup>(5)(6)(7)</sup>	0.41	-	-	-	-	0.41
Michael David KADOORIE <sup>(5)</sup>	0.22	-	-	-	-	0.22
LEE Wai Mun, Rose <sup>(5)</sup>	0.22	-	-	-	-	0.22
William SHURNIAK <sup>(5)(6)</sup>	0.35	-	-	-	-	0.35
WONG Chung Hin <sup>(5)(6)(7)</sup>	0.41	-	-	-	-	0.41
WONG Yick-ming, Rosanna <sup>(5)(7)</sup>	0.28	-	-	-	-	0.28
<b>Total:</b>	<b>4.90</b>	<b>45.98</b>	<b>431.93</b>	<b>4.80</b>	<b>-</b>	<b>487.61</b>

Notes:

- (1) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK\$5,000 (2015 - HK\$5,000). The amount of Director's fees shown above is a result of rounding.
- (2) Directors' fees received by these Directors from the Company's listed subsidiaries during the period they served as directors that have been paid to the Company are not included in the amounts above.
- (3) Retired on 1 August 2016.
- (4) Non-executive Director.
- (5) Independent Non-executive Director. The total emoluments of the Independent Non-executive Directors of the Company are HK\$2.24 million (2015 - HK\$2.32 million).
- (6) Member of the Audit Committee.
- (7) Member of the Remuneration Committee.

The remuneration paid to the members of senior management by bands during the year is set out below:

Remuneration Bands*	Number of Individuals
HK\$10 million to HK\$14 million	1
HK\$15 million to HK\$19 million	2
HK\$20 million to HK\$24 million	2
HK\$25 million to HK\$29 million	1
HK\$45 million to HK\$49 million	1

\* Rounding to the nearest million.

## Relationship with Shareholders and Other Stakeholders

The Group actively promotes investor relations and communication with the investment community throughout the year. Through its Executive Directors, the Group Corporate Affairs Department, Group Investor Relations Department and the Corporate Secretarial Department, the Group responds to requests for information and queries from the investment community including shareholders, analysts and the media through regular briefing meetings, announcements, conference calls and presentations. The policy on shareholders' communication, which is available on the Group's website, was adopted and is subject to regular review by the Board to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. The Memorandum and Articles of Association of the Company are published on the websites of the Group and HKEX. Moreover, additional information on the Group is also available to shareholders and stakeholders through the Investor Relations page on the Group's website.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to Article 73 of the Articles of Association of the Company, any two or more shareholders (or one shareholder which is a recognised clearing house, or its nominee(s)) holding not less than one-tenth of the paid up share capital of the Company, carrying the right of voting at general meetings of the Company, have statutory rights to call for general meetings and to put forward agenda items for consideration by shareholders, by depositing at the principal office of the Company in Hong Kong a written request for such general meetings, signed by the shareholders concerned together with the objects of the meeting. The Board would within 21 days from the date of deposit of requisition convene the meeting to be held within a further 21 days.

All substantive resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Group's Hong Kong Share Registrar. The results of the poll are published on the websites of the Group and HKEX. In addition, regular updated financial, business and other information on the Group is made available to the shareholders and stakeholders on the Group's website.

The latest shareholders' meeting of the Company was the 2016 AGM which was held on 13 May 2016 at Harbour Grand Kowloon. The 2016 AGM was attended by PwC and the majority of the Directors, including the Chairmen of the Audit Committee and the Remuneration Committee with attendance rate of approximately 95%. The Chairman of the Board was not in a position to attend the 2016 AGM due to sudden indisposition; the Group Co-Managing Director and Deputy Chairman of the Company chaired the 2016 AGM on his behalf. Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from so doing.

Separate resolutions were proposed at the 2016 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 13 May 2016 are set out below:

<b>Resolutions proposed at the 2016 AGM</b>	<b>Percentage of Votes</b>
1 Adoption of the audited Financial Statements, the Reports of the Directors and the Independent Auditor for the year ended 31 December 2015	99.96%
2 Declaration of a final dividend	99.85%
3(a) Re-election of Mr Li Tzar Kuoi, Victor as a Director	93.45%
3(b) Re-election of Mr Fok Kin Ning, Canning as a Director	93.26%
3(c) Re-election of Mr Frank John Sixt as a Director	69.04%
3(d) Re-election of Mr Lee Yeh Kwong, Charles as a Director	68.39%
3(e) Re-election of Mr George Colin Magnus as a Director	68.27%
3(f) Re-election of The Hon Sir Michael David Kadoorie as a Director	71.09%
3(g) Re-election of Dr Wong Yick-ming, Rosanna as a Director	98.41%
4 Appointment of Auditor and authorisation of Directors to fix the Auditor's remuneration	99.33%
5(1) Granting of a general mandate to Directors to issue additional shares of the Company	59.87%
5(2) Approval of the repurchase by the Company of its own shares	99.95%
5(3) Extension of the general mandate regarding issue of additional shares of the Company	61.28%
6 Approval of the share option scheme of Hutchison China MediTech Limited	70.42%

Accordingly, all resolutions put to shareholders at the 2016 AGM were passed. The results of the voting by poll were published on the websites of the Group and HKEX.

Other corporate information relating to the Company is set out in the "Information for Shareholders" section of this annual report. This includes, among others, dates for key corporate events for 2017 and public float capitalisation as at 31 December 2016.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Comments and suggestions to the Board or the Company are welcome and can be addressed to the Group Investor Relations or the Company Secretary by mail to 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong or by email at [ir@ckh.com.hk](mailto:ir@ckh.com.hk).

## Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. It has adopted a proactive approach to environmental, social and governance ("ESG") responsibility and has established a committee, chaired by the Executive Director and Company Secretary comprising representatives from key departments of the Company to spearhead the ESG activities of the Group. The "Environmental, Social and Governance Report" of the Group is set out on pages 87 to 101 of this annual report.

By order of the Board

**Edith Shih**

*Executive Director and Company Secretary*

Hong Kong, 22 March 2017



# Independent Auditor's Report

## To the Shareholders of CK Hutchison Holdings Limited

(incorporated in the Cayman Islands with limited liability)

### Opinion

#### What we have audited

The consolidated financial statements of CK Hutchison Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 172 to 278, which comprise:

- the consolidated and Company statements of financial position as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016, and of its consolidated profit and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Goodwill and brand names with an indefinite useful life; and
- Investments in associated companies and joint ventures.

### **Key Audit Matter**

#### **Goodwill and brand names with an indefinite useful life**

*Refer to notes 18 and 19 to the consolidated financial statements*

The Group has a significant amount of goodwill and brand names arising primarily from the acquisition of Hutchison Whampoa Limited's businesses in 2015. As at 31 December 2016, goodwill amounted to approximately HK\$255 billion and brand names with an indefinite useful life amounted to approximately HK\$60 billion.

Goodwill and brand names with an indefinite useful life are subject to impairment assessments annually and when there is an indication of impairment.

In carrying out the impairment assessments, significant judgements are required to estimate the future cash flows of the respective business units and to determine the assumptions, including the growth rates used in the cash flow projections and the discount rates applied to bring the future cash flows back to their present values.

Based on the results of these impairment assessments conducted by the Group, it is believed that there is no impairment of goodwill and brand names with an indefinite useful life. This conclusion is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the book amount of the respective business units including goodwill, brand names with an indefinite useful life and operating assets.

The significant assumptions are disclosed in notes 18 and 19 to the consolidated financial statements.

### **How our audit addressed the Key Audit Matter**

The procedures to evaluate the Group's assessments of goodwill and brand names with an indefinite useful life included:

- Assessing the appropriateness of the valuation methodologies used;
- Assessing the reasonableness of key assumptions based on our knowledge of the relevant business and industry and with the involvement of our valuations specialists;
- Performing sensitivity analyses on the key assumptions where we flexed the growth rates and discount rates as these are the key assumptions to which the valuation models are the most sensitive; and
- Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets.

We found the assumptions adopted in relation to these impairment assessments to be supportable and reasonable based on available evidence.

## Key Audit Matters *(continued)*

### **Key Audit Matter**

#### **Investments in associated companies and joint ventures**

*Refer to notes 20 and 21 to the consolidated financial statements*

The Group has significant investments in associated companies and joint ventures, which are accounted for under the equity method. As at 31 December 2016, investments in associated companies and joint ventures amounted to approximately HK\$257 billion.

Investments in associated companies and joint ventures are subject to impairment assessments when there is an indication of impairment.

In carrying out the impairment assessments, significant judgements are required to estimate the Group's share of the associated companies' and the joint ventures' future cash flows and to determine the assumptions, such as the growth rates used to prepare the associated companies' and the joint ventures' cash flow projections, and the discount rates applied to bring the future cash flows back to their present values.

Based on the results of these impairment assessments conducted by the Group, it is believed that there is no impairment of the Group's investments in associated companies and joint ventures. This conclusion is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the respective book amounts.

### **How our audit addressed the Key Audit Matter**

The procedures to evaluate the Group's assessments of investments in associated companies and joint ventures included:

- Testing the Group's assessments as to whether any indication of impairment exist by reference to the available information in the relevant markets and industries;
- Assessing the appropriateness of the valuation methodologies used;
- Checking information used to determine the key assumptions, including growth rates and discount rates, to available market data;
- Performing sensitivity analyses on the key assumptions as stated above; and
- Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets.

In the context of the audit of the consolidated financial statements of the Group, we found the assumptions adopted in relation to these impairment assessments to be supportable and reasonable based on available evidence.

## Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and that comply with the disclosure requirements of 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Choi Chor Ching.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 22 March 2017

# Consolidated Income Statement

for the year ended 31 December 2016

2016 US\$ millions		Note	2016 HK\$ millions	2015 HK\$ millions
	<b>Continuing operations</b>			
33,313	Revenue	4, 5	259,842	166,760
(13,070)	Cost of inventories sold		(101,943)	(68,243)
(4,204)	Staff costs		(32,792)	(20,178)
(2,458)	Telecommunications customer acquisition costs		(19,170)	(12,364)
(2,053)	Depreciation and amortisation	5	(16,014)	(9,618)
(6,745)	Other operating expenses		(52,611)	(31,675)
(44)	Profits on disposal of investments and others	6	(344)	13,613
	Share of profits less losses of:			
816	Associated companies before profits on disposal of investments and others		6,362	7,445
1,314	Joint ventures		10,251	6,187
–	Associated companies' profits on disposal of investments and others	6	–	(196)
6,869			53,581	51,731
(913)	Interest expenses and other finance costs	8	(7,118)	(4,470)
5,956	<b>Profit before tax</b>		46,463	47,261
(427)	Current tax	9	(3,334)	(2,629)
(156)	Deferred tax	9	(1,217)	(266)
5,373	<b>Profit after tax from continuing operations</b>		41,912	44,366
	<b>Discontinued operations</b>			
–	Profit after tax from discontinued operations	10	–	80,514
5,373	<b>Profit after tax</b>		41,912	124,880
	<b>Profit attributable to non-controlling interests and holders of perpetual capital securities arises from:</b>			
(1,141)	Continuing operations		(8,904)	(6,177)
–	Discontinued operations	10	–	(133)
(1,141)			(8,904)	(6,310)
	<b>Profit attributable to ordinary shareholders arises from:</b>			
4,232	Continuing operations	5	33,008	38,189
–	Discontinued operations	10	–	80,381
4,232			33,008	118,570
	<b>Earnings per share for profit attributable to ordinary shareholders arises from:</b>			
US\$ 1.10	Continuing operations	11	HK\$ 8.55	HK\$ 11.89
–	Discontinued operations	11	–	HK\$ 25.02
US\$ 1.10			HK\$ 8.55	HK\$ 36.91

Details of distribution paid to the holders of perpetual capital securities, interim dividend paid and proposed final dividend payable to the ordinary shareholders are set out in note 12(a) and (b) respectively.

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016

2016 US\$ millions		Note	2016 HK\$ millions	2015 HK\$ millions
5,373	<b>Profit after tax</b>		<b>41,912</b>	124,880
	<b>Other comprehensive income (losses)</b>			
	<b>Items that will not be reclassified to profit or loss:</b>			
(287)	Remeasurement of defined benefit obligations recognised directly in reserves		(2,239)	(133)
(72)	Share of other comprehensive income (losses) of associated companies		(563)	323
(183)	Share of other comprehensive income (losses) of joint ventures		(1,423)	772
42	Tax relating to items that will not be reclassified to profit or loss	13	328	(44)
(500)			(3,897)	918
	<b>Items that have been reclassified or may be subsequently reclassified to profit or loss:</b>			
	Available-for-sale investments			
(69)	Valuation losses recognised directly in reserves		(537)	(797)
69	Valuation losses (gains) previously in reserves recognised in income statement		541	(1,021)
	Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts			
(181)	Gains (losses) recognised directly in reserves		(1,411)	701
(2)	Gains previously in reserves recognised in initial cost of non-financial items		(13)	–
784	Gains on net investment hedges arising from forward foreign currency contracts recognised directly in reserves		6,112	2,060
(2,362)	Losses on translating overseas subsidiaries' net assets recognised directly in reserves		(18,423)	(6,383)
	Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement		(209)	12,925
3	Share of other comprehensive income (losses) of associated companies		22	(13,721)
(1,312)	Share of other comprehensive income (losses) of joint ventures		(10,240)	(3,152)
25	Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	13	190	(8)
(3,072)			(23,968)	(9,396)
(3,572)	Other comprehensive income (losses) after tax		(27,865)	(8,478)
1,801	<b>Total comprehensive income</b>		<b>14,047</b>	116,402
	<b>Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities arises from:</b>			
(444)	Continuing operations		(3,467)	(3,519)
–	Discontinued operations		–	(130)
(444)			(3,467)	(3,649)
	<b>Total comprehensive income attributable to ordinary shareholders arises from:</b>			
1,357	Continuing operations		10,580	39,071
–	Discontinued operations		–	73,682
1,357			10,580	112,753

# Consolidated Statement of Financial Position

at 31 December 2016

2016 US\$ millions		Note	2016 HK\$ millions	2015 HK\$ millions
	<b>ASSETS</b>			
	<b>Non-current assets</b>			
18,666	Fixed assets	14	145,598	179,855
44	Investment properties	15	344	334
1,046	Leasehold land	16	8,155	7,215
3,069	Telecommunications licences	17	23,936	32,608
9,439	Brand names and other rights	18	73,625	82,233
32,660	Goodwill	19	254,748	261,449
19,283	Associated companies	20	150,406	148,372
13,622	Interests in joint ventures	21	106,253	92,425
2,033	Deferred tax assets	22	15,856	20,986
653	Other non-current assets	23	5,096	4,238
763	Liquid funds and other listed investments	24	5,954	10,255
<b>101,278</b>			<b>789,971</b>	<b>839,970</b>
	<b>Current assets</b>			
20,035	Cash and cash equivalents	25	156,270	121,171
6,201	Trade and other receivables	26	48,372	52,042
2,417	Inventories	27	18,852	19,761
<b>28,653</b>			<b>223,494</b>	<b>192,974</b>
	<b>Current liabilities</b>			
10,654	Trade and other payables	28	83,098	94,849
9,215	Bank and other debts	30	71,880	33,016
299	Current tax liabilities		2,334	2,438
<b>20,168</b>			<b>157,312</b>	<b>130,303</b>
<b>8,485</b>	<b>Net current assets</b>		<b>66,182</b>	<b>62,671</b>
<b>109,763</b>	<b>Total assets less current liabilities</b>		<b>856,153</b>	<b>902,641</b>
	<b>Non-current liabilities</b>			
29,649	Bank and other debts	30	231,260	270,536
549	Interest bearing loans from non-controlling shareholders	31	4,283	4,827
3,037	Deferred tax liabilities	22	23,692	26,062
688	Pension obligations	32	5,369	4,066
6,072	Other non-current liabilities	33	47,359	48,039
<b>39,995</b>			<b>311,963</b>	<b>353,530</b>
<b>69,768</b>	<b>Net assets</b>		<b>544,190</b>	<b>549,111</b>



2016 US\$ millions		Note	2016 HK\$ millions	2015 HK\$ millions
	<b>CAPITAL AND RESERVES</b>			
495	Share capital	34 (a)	3,858	3,860
31,347	Share premium	34 (a)	244,505	244,691
3,911	Perpetual capital securities	34 (b)	30,510	35,153
18,693	Reserves	35	145,806	144,884
54,446	<b>Total ordinary shareholders' funds and perpetual capital securities</b>		<b>424,679</b>	428,588
15,322	Non-controlling interests		119,511	120,523
69,768	<b>Total equity</b>		<b>544,190</b>	549,111

**Fok Kin Ning, Canning**

*Director*

**Frank John Sixt**

*Director*

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

Total equity US\$ millions		Attributable to						Total equity HK\$ millions
		Ordinary shareholders			Holders of perpetual capital securities HK\$ millions	Total ordinary shareholders' funds and perpetual capital securities HK\$ millions		
		Share capital and share premium <sup>(a)</sup> HK\$ millions	Reserves <sup>(b)</sup> HK\$ millions	Sub-total HK\$ millions		Non- controlling interests HK\$ millions		
70,399	At 1 January 2016	248,551	144,884	393,435	35,153	428,588	120,523	549,111
5,373	Profit for the year	–	33,008	33,008	1,421	34,429	7,483	41,912
	Other comprehensive income (losses)							
	Available-for-sale investments							
(69)	Valuation losses recognised directly in reserves	–	(506)	(506)	–	(506)	(31)	(537)
69	Valuation losses previously in reserves recognised in income statement	–	462	462	–	462	79	541
(287)	Remeasurement of defined benefit obligations recognised directly in reserves	–	(1,590)	(1,590)	–	(1,590)	(649)	(2,239)
	Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts							
(181)	Losses recognised directly in reserves	–	(1,180)	(1,180)	–	(1,180)	(231)	(1,411)
(2)	Gains previously in reserves recognised in initial cost of non-financial items	–	(12)	(12)	–	(12)	(1)	(13)
	Gains on net investment hedges arising from forward foreign currency contracts recognised directly in reserves							
784	Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	5,128	5,128	–	5,128	984	6,112
(2,362)	Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(15,590)	(15,590)	–	(15,590)	(2,833)	(18,423)
	Gains previously in exchange and other reserves related to subsidiaries disposed during the year recognised in income statement							
(27)	Share of other comprehensive income (losses) of associated companies	–	(153)	(153)	–	(153)	(56)	(209)
(69)	Share of other comprehensive income (losses) of joint ventures	–	31	31	–	31	(572)	(541)
(1,495)	Tax relating to components of other comprehensive income (losses)	–	(9,403)	(9,403)	–	(9,403)	(2,260)	(11,663)
67	Tax relating to components of other comprehensive income (losses)	–	385	385	–	385	133	518
(3,572)	Other comprehensive income (losses)	–	(22,428)	(22,428)	–	(22,428)	(5,437)	(27,865)
1,801	Total comprehensive income	–	10,580	10,580	1,421	12,001	2,046	14,047
(915)	Dividends paid relating to 2015	–	(7,140)	(7,140)	–	(7,140)	–	(7,140)
(364)	Dividends paid relating to 2016	–	(2,837)	(2,837)	–	(2,837)	–	(2,837)
(610)	Dividends paid to non-controlling interests	–	–	–	–	–	(4,756)	(4,756)
(190)	Distribution paid on perpetual capital securities	–	–	–	(1,486)	(1,486)	–	(1,486)
1,340	Equity contribution from non-controlling interests	–	–	–	–	–	10,453	10,453
	Redemption of perpetual capital securities by a subsidiary							
(1,000)	Transaction costs in relation to equity contribution from non-controlling interests	–	–	–	–	–	(7,800)	(7,800)
(15)	Buy-back and cancellation of issued shares (see note 34(a)(iii))	–	(87)	(87)	–	(87)	(28)	(115)
(24)	Redemption of perpetual capital securities (see note 34(b))	(188)	(1)	(189)	–	(189)	–	(189)
(587)	Share option schemes and long term incentive plans of subsidiary companies	–	–	–	(4,578)	(4,578)	–	(4,578)
1	Unclaimed dividends write back	–	5	5	–	5	2	7
1	Relating to acquisition of subsidiary companies	–	5	5	–	5	–	5
68	Relating to purchase of non-controlling interests	–	–	–	–	–	531	531
(182)	Relating to partial disposal of subsidiary companies	–	(1,065)	(1,065)	–	(1,065)	(351)	(1,416)
45		–	1,462	1,462	–	1,462	(1,109)	353
(2,432)		(188)	(9,658)	(9,846)	(6,064)	(15,910)	(3,058)	(18,968)
69,768	At 31 December 2016	248,363	145,806	394,169	30,510	424,679	119,511	544,190

Total equity US\$ millions		Attributable to						Total equity HK\$ millions
		Ordinary shareholders			Holders of perpetual capital securities HK\$ millions	Total ordinary shareholders' funds and perpetual capital securities HK\$ millions		
		Share capital and share premium <sup>(a)</sup> HK\$ millions	Reserves <sup>(b)</sup> HK\$ millions	Sub-total HK\$ millions		Non- controlling interests HK\$ millions		
52,057	At 1 January 2015	10,489	383,656	394,145	9,045	403,190	2,857	406,047
16,010	Profit for the year	–	118,570	118,570	1,363	119,933	4,947	124,880
	Other comprehensive income (losses)							
	Available-for-sale investments							
(102)	Valuation losses recognised directly in reserves	–	(697)	(697)	–	(697)	(100)	(797)
(131)	Valuation gains previously in reserves recognised in income statement	–	(1,039)	(1,039)	–	(1,039)	18	(1,021)
(17)	Remeasurement of defined benefit obligations recognised directly in reserves	–	(66)	(66)	–	(66)	(67)	(133)
90	Gains on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised directly in reserves	–	692	692	–	692	9	701
264	Gains on net investment hedges arising from forward foreign currency contracts recognised directly in reserves	–	1,783	1,783	–	1,783	277	2,060
(818)	Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(5,044)	(5,044)	–	(5,044)	(1,339)	(6,383)
1,657	Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	–	13,729	13,729	–	13,729	(804)	12,925
(1,718)	Share of other comprehensive income (losses) of associated companies	–	(13,236)	(13,236)	–	(13,236)	(162)	(13,398)
(305)	Share of other comprehensive income (losses) of joint ventures	–	(1,893)	(1,893)	–	(1,893)	(487)	(2,380)
(7)	Tax relating to components of other comprehensive income (losses)	–	(46)	(46)	–	(46)	(6)	(52)
(1,087)	Other comprehensive income (losses)	–	(5,817)	(5,817)	–	(5,817)	(2,661)	(8,478)
14,923	Total comprehensive income	–	112,753	112,753	1,363	114,116	2,286	116,402
(45,106)	Cancellation of Cheung Kong shares <sup>(c)</sup>	(10,489)	(341,336)	(351,825)	–	(351,825)	–	(351,825)
45,106	Issue of new CK Hutchison shares pursuant to the Reorganisation Proposal <sup>(c)</sup>	351,825	–	351,825	–	351,825	–	351,825
33,364	Merger Proposal <sup>(d)</sup>	260,237	–	260,237	–	260,237	–	260,237
20,423	Relating to acquisition of subsidiary companies	–	–	–	39,116	39,116	120,187	159,303
(1,705)	Redemption of perpetual capital securities (see note 34(b))	–	–	–	(13,299)	(13,299)	–	(13,299)
(896)	Dividends paid relating to 2014	–	(6,985)	(6,985)	–	(6,985)	–	(6,985)
(346)	Dividends paid relating to 2015	–	(2,702)	(2,702)	–	(2,702)	–	(2,702)
(282)	Dividends paid to non-controlling interests	–	–	–	–	–	(2,203)	(2,203)
(137)	Distribution paid on perpetual capital securities	–	–	–	(1,072)	(1,072)	–	(1,072)
(46,951)	Distribution In Specie (see note 36(e))	(363,511)	–	(363,511)	–	(363,511)	(2,707)	(366,218)
–	Equity contribution from non-controlling interests	–	–	–	–	–	3	3
(19)	Equity redemption to non-controlling interests	–	–	–	–	–	(148)	(148)
(2)	Share option schemes and long term incentive plans of subsidiary companies	–	(11)	(11)	–	(11)	(6)	(17)
1	Unclaimed dividends write back	–	5	5	–	5	–	5
(26)	Relating to purchase of non-controlling interests	–	(14)	(14)	–	(14)	(190)	(204)
(5)	Relating to partial disposal of subsidiary companies	–	(482)	(482)	–	(482)	444	(38)
3,419		238,062	(351,525)	(113,463)	24,745	(88,718)	115,380	26,662
70,399	At 31 December 2015	248,551	144,884	393,435	35,153	428,588	120,523	549,111

## Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

- (a) As at 31 December 2016, the share capital and share premium accounts comprise share capital of HK\$3,858 million and share premium of HK\$244,505 million (1 January 2016 and 31 December 2015 - share capital of HK\$3,860 million and share premium of HK\$244,691 million, 1 January 2015 - share capital of HK\$10,489 million).
- (b) In prior years, changes in the retained profit and other reserves accounts were presented in the face of the consolidated statement of changes in equity. With effect from 1 January 2016, changes in these reserves accounts are presented in the note to the financial statements. Comparative information for these reserves accounts have been reclassified to conform to the current year presentation. See note 35 for further details on reserves.
- (c) Under the Reorganisation Proposal completed during the year ended 31 December 2015, the share capital and the reserves accounts were reduced by HK\$10,489 million and HK\$341,336 million, respectively, totalling HK\$351,825 million, representing the fair value of Cheung Kong (Holdings) Limited ("Cheung Kong") shares cancelled, and at the same time the share capital and the share premium accounts were increased by HK\$2,316 million and HK\$349,509 million, respectively, totalling HK\$351,825 million, representing the fair value of new CK Hutchison Holdings Limited shares issued.
- (d) Under the Merger Proposal completed during the year ended 31 December 2015, the share capital and the share premium accounts were increased by HK\$1,544 million and HK\$258,693 million, respectively, totalling HK\$260,237 million, representing the fair value of new CK Hutchison Holdings Limited shares issued.

# Consolidated Statement of Cash Flows

for the year ended 31 December 2016

2016 US\$ millions		Note	2016 HK\$ millions	2015 HK\$ millions
	<b>Operating activities</b>			
7,955	Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	36 (a)	62,051	49,924
(1,218)	Interest expenses and other finance costs paid		(9,499)	(6,038)
(431)	Tax paid		(3,364)	(2,169)
<b>6,306</b>	<b>Funds from operations</b>		<b>49,188</b>	<b>41,717</b>
(1,134)	Changes in working capital	36 (b)	(8,850)	2,832
<b>5,172</b>	<b>Net cash from operating activities</b>		<b>40,338</b>	<b>44,549</b>
	<b>Investing activities</b>			
(2,570)	Purchase of fixed assets		(20,046)	(22,494)
(514)	Additions to telecommunications licences		(4,013)	(2,448)
(62)	Additions to brand names and other rights		(487)	(540)
(43)	Purchase of subsidiary companies	36 (c)	(333)	109,803
(11)	Additions to other unlisted investments		(87)	(68)
259	Repayments from associated companies and joint ventures		2,024	3,078
(265)	Purchase of and advances to associated companies and joint ventures		(2,066)	(21,225)
50	Proceeds on disposal of fixed assets		393	471
365	Proceeds on disposal of subsidiary companies	36 (d)	2,847	(640)
—	Proceeds on disposal of joint ventures		—	3,642
14	Proceeds on disposal of other unlisted investments		107	403
(2,777)	Cash flows from (used in) investing activities before additions to / disposal of liquid funds and other listed investments		(21,661)	69,982
570	Disposal of liquid funds and other listed investments		4,446	2,718
(104)	Additions to liquid funds and other listed investments		(812)	(132)
(2,311)	<b>Cash flows from (used in) investing activities</b>		<b>(18,027)</b>	<b>72,568</b>
<b>2,861</b>	<b>Net cash inflow before financing activities</b>		<b>22,311</b>	<b>117,117</b>
	<b>Financing activities</b>			
9,782	New borrowings		76,306	28,065
(5,816)	Repayment of borrowings		(45,365)	(66,028)
148	Issue of shares by subsidiary companies to non-controlling shareholders and net loans from (to) non-controlling shareholders		1,152	(1,034)
1,185	Proceeds on issue of perpetual capital securities by a subsidiary, net of transaction costs		9,245	—
(1,000)	Redemption of perpetual capital securities by a subsidiary		(7,800)	—
(43)	Payments to acquire additional interests in subsidiary companies		(339)	—
45	Proceeds on partial disposal of subsidiary companies		353	20
(540)	Redemption of perpetual capital securities		(4,210)	(13,299)
(24)	Payments for buy-back and cancellation of issued shares	34 (a)	(189)	—
(1,279)	Dividends paid to ordinary shareholders		(9,977)	(9,687)
(628)	Dividends paid to non-controlling interests		(4,902)	(2,997)
(191)	Distribution paid on perpetual capital securities		(1,486)	(1,072)
—	Distribution In Specie	36 (e)	—	40,649
<b>1,639</b>	<b>Cash flows from (used in) financing activities</b>		<b>12,788</b>	<b>(25,383)</b>
<b>4,500</b>	<b>Increase in cash and cash equivalents</b>		<b>35,099</b>	<b>91,734</b>
<b>15,535</b>	<b>Cash and cash equivalents at 1 January</b>		<b>121,171</b>	<b>29,437</b>
<b>20,035</b>	<b>Cash and cash equivalents at 31 December</b>		<b>156,270</b>	<b>121,171</b>

## Consolidated Statement of Cash Flows

for the year ended 31 December 2016

2016 US\$ millions	Note	2016 HK\$ millions	2015 HK\$ millions
<b>Additional information:</b>			
<b>Analysis of net cash flows</b>			
Operating net cash inflows arises from:			
5,172		40,338	40,474
–		–	4,075
5,172		40,338	44,549
Investing net cash inflows (outflows) arises from:			
(2,311)		(18,027)	77,650
–		–	(5,082)
(2,311)		(18,027)	72,568
Financing net cash inflows (outflows) arises from:			
1,639		12,788	(25,183)
–		–	(200)
1,639		12,788	(25,383)
Total net cash inflows (outflows) arises from:			
4,500		35,099	92,941
–		–	(1,207)
4,500		35,099	91,734
<b>Analysis of cash, liquid funds and other listed investments</b>			
20,035	25	156,270	121,171
763	24	5,954	10,255
20,798		162,224	131,426
Total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions			
38,978	30	304,030	304,006
549	31	4,283	4,827
18,729		146,089	177,407
(549)		(4,283)	(4,827)
18,180		141,806	172,580

# Notes to the Financial Statements

## 1 Basis of preparation

The consolidated financial statements of CK Hutchison Holdings Limited (the "Company" or "CK Hutchison") and its subsidiaries (the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirement of the Hong Kong Companies Ordinance Cap. 622. These financial statements have been prepared under the historical cost convention except for certain properties and financial instruments which are stated at fair values, as explained in the significant accounting policies set out in note 2.

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2016. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position.

## 2 Significant accounting policies

### (a) Basis of consolidation

The financial statements of the Group include the financial statements of the Company and its direct and indirect subsidiary companies and also incorporate the Group's interest in associated companies and joint ventures on the basis set out in notes 2(c) and 2(d) below. Results of subsidiary and associated companies and joint ventures acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2016 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the acquisition method.

### (b) Subsidiary companies

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the consolidated financial statements, subsidiary companies are accounted for as described in note 2(a) above.

### (c) Associated companies

An associate is an entity, other than a subsidiary or a joint venture, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

The results and net assets of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

### (d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement.

The results and net assets of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

## Notes to the Financial Statements

### 2 Significant accounting policies (continued)

#### (e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of 50 years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right to renewal is attached. Aircrafts 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.

Depreciation of other fixed assets is provided on the straight-line basis to write off their costs over their estimated useful lives. The principal annual rates used for these purposes are as follows:

Motor vehicles	20 - 25%
Plant, machinery and equipment	3 <sup>1</sup> / <sub>3</sub> - 20%
Container terminal equipment	3 - 20%
Telecommunications equipment	2.5 - 20%
Rolling stock and other railway assets	2.5 - 5%
Water and sewerage infrastructure assets	0.5 - 25%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is greater

The gain or loss on disposal or retirement of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

#### (f) Investment properties

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the statement of financial position at their fair value. Changes in fair values of investment properties are recorded in the income statement.

#### (g) Leasehold land

The acquisition costs and upfront payments made for leasehold land are presented on the face of the statement of financial position as leasehold land and expensed in the income statement on a straight-line basis over the period of the lease.

#### (h) Telecommunications licences, other licences, brand names, trademarks and other rights

Separately acquired telecommunications licences, other licences, brand names, trademarks and other rights are carried at historical cost. Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives:

Telecommunications licences and other licences	2 to 20 years
Brand names, trademarks and other rights	2 to 45 years

Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have an indefinite useful life to the Group are not amortised and are tested for impairment annually and when there is indication that they may be impaired.

#### (i) Telecommunications customer acquisition costs

Telecommunications customer acquisition costs ("CACs") comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G and LTE customers. Telecommunications CACs are expensed and recognised in the income statement in the period in which they are incurred.



## 2 Significant accounting policies (continued)

### (j) Goodwill

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill is subject to impairment test annually and when there is indication that the carrying value may not be recoverable.

If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the income statement.

The profit or loss on disposal is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

### (k) Contractual customer relationships

Separately acquired contractual customer relationships are carried at historical cost. These contractual customer relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from five to seven years over the expected useful life of the customer relationship.

### (l) Deferred tax

Deferred tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised.

### (m) Liquid funds and other listed investments and other unlisted investments

"Liquid funds and other listed investments" are investments in listed / traded debt securities, listed equity securities, long-term deposits and cash and cash equivalents. "Other unlisted investments", disclosed under other non-current assets, are investments in unlisted debt securities, unlisted equity securities and other receivables. These investments are recognised and de-recognised on the date the Group commits to purchase or sell the investments or when they expire. These investments are classified and accounted for as follows:

#### *Loans and receivables*

"Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

#### *Held-to-maturity investments*

"Held-to-maturity investments" are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. At the end of the reporting period subsequent to initial recognition, held-to-maturity investments are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

#### *Financial assets at fair value through profit or loss*

"Financial assets at fair value through profit or loss" are financial assets where changes in fair value are recognised in the income statement in the period in which they arise. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value. In addition, any dividends or interests earned on these financial assets are recognised in the income statement.

## Notes to the Financial Statements

### 2 Significant accounting policies *(continued)*

#### (m) Liquid funds and other listed investments and other unlisted investments *(continued)*

##### *Available-for-sale investments*

"Available-for-sale investments" are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value and changes in fair value are recognised in other comprehensive income and accumulated under the heading of revaluation reserve except for impairment losses which are charged to the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement. Dividends from available-for-sale investments are recognised when the right to receive payment is established. When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognised in revaluation reserve is removed from revaluation reserve and recognised in the income statement.

#### (n) Derivative financial instruments and hedging activities

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in fair value are recognised based on whether certain qualifying criteria under HKAS 39 are satisfied in order to apply hedge accounting, and if so, the nature of the items being hedged.

Derivatives designated as hedging instruments to hedge the fair value of recognised assets or liabilities or firm commitments may qualify as fair value hedges. The Group mainly enters into interest rate swap contracts to swap certain fixed interest rate borrowings into floating interest rate borrowings. Changes in the fair value of these derivative contracts, together with the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk are recognised in the income statement. At the same time, the carrying amount of the hedged asset or liability or firm commitments in the statement of financial position is adjusted for the changes in fair value.

Derivatives designated as hedging instruments to hedge against the cash flows attributable to recognised assets or liabilities or forecast payments may qualify as cash flow hedges. The Group mainly enters into interest rate swap contracts to swap certain floating interest rate borrowings to fixed interest rate borrowings and foreign currency contracts to hedge the currency risk associated with certain forecast foreign currency payments and obligations. Changes in the fair value relating to the effective portion of these derivative contracts are recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised in the income statement. Amounts accumulated are removed from hedging reserve and recognised in the income statement in the periods when the hedged derivative contract matures, except, when the forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the amounts accumulated are transferred from hedging reserve and, then they are included in the initial cost of the asset or liability.

Derivatives designated as hedging instruments to hedge the net investment in a foreign operation are accounted for in a way similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion is recognised in other comprehensive income and accumulated under the heading of exchange reserve. The gain or loss relating to the ineffective portion is recognised in the income statement. Amounts accumulated are removed from exchange reserve and recognised in the income statement in the periods when the foreign operation is disposed of.

Derivatives that do not qualify for hedge accounting under HKAS 39 will be accounted for with the changes in fair value being recognised in the income statement.

#### (o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Appropriate allowance for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

## 2 Significant accounting policies *(continued)*

### (p) Inventories

Inventories consist mainly of retail goods. The carrying value of retail stock is mainly determined using the weighted average cost method. Inventories are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition.

### (q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### (r) Borrowings and borrowing costs

Borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognised over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

### (s) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

### (t) Customer loyalty credits

Customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted.

### (u) Share capital

Share capital issued by the Company are recorded in equity at the proceeds received, net of direct issue costs.

### (v) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

### (w) Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the income statement. All other leases are accounted for as operating leases and the rental payments are charged to the income statement on accrual basis.

## Notes to the Financial Statements

### 2 Significant accounting policies (continued)

#### (x) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. Such impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

#### (y) Pension plans

Pension plans are classified into defined benefit and defined contribution plans. The pension plans are generally funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

The Group's contributions to the defined contribution plans are charged to the income statement in the year incurred.

Pension costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations.

Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the year in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Pension costs are charged to the income statement within staff costs.

#### (z) Share-based payments

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based compensation plans. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the respective group companies' estimate of their shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at the end of the reporting period.

#### (aa) Foreign exchange

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the end of the reporting period.

## 2 Significant accounting policies (continued)

### (aa) Foreign exchange (continued)

The financial statements of foreign operations are translated into Hong Kong dollars using the year end rates of exchange for the statement of financial position items and the average rates of exchange for the year for the income statement items. Exchange differences are recognised in other comprehensive income and accumulated under the heading of exchange reserve. Exchange differences arising from foreign currency borrowings and other currency instruments designated as hedges of such overseas investments, are recognised in other comprehensive income and accumulated under the heading of exchange reserve.

Exchange differences arising from translation of inter-company loan balances between Group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity. On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange gains or losses accumulated in exchange reserve in respect of that operation attributable to the owners of the Company are transferred out of the exchange reserve and are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the income statement. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is transferred out of the exchange reserve and are recognised in the income statement.

All other exchange differences are recognised in the income statement.

### (ab) Business combinations

The Group applies the provisions of HKFRS 3, Business combinations, to transactions and other events that meet the definition of a business combination within the scope of HKFRS 3. Where the acquisition method of accounting is used to account for business combinations, the consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the Group to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are generally recognised in profit or loss as incurred. Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

The difference between the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any pre-existing investment in the acquiree over the acquisition date fair value of assets acquired and the liabilities assumed is recognised as goodwill. If the consideration transferred and the fair value of pre-existing investment in the acquiree is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the Group, the difference is recognised as a gain directly in profit or loss by the Group on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the Group's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed as of the acquisition date. The measurement period is the period from the date the Group obtains complete information about the facts and circumstances that existed as of the acquisition date, and ends on 12 months from the date of the acquisition.

## Notes to the Financial Statements

### 2 Significant accounting policies (continued)

#### (ac) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale or dispose.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operations.

#### (ad) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

##### *Ports and Related Services*

Revenue from the provision of ports and related services is recognised when the service is rendered.

##### *Retail*

Revenue from the sale of retail goods is recognised at point of sales less an estimate for sales return based on past experience where goods are sold with a right to return. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sales, including credit card fees payable for the transaction.

##### *Infrastructure*

Income from long-term contracts is recognised according to the stage of completion.

Aircraft leasing income are recognised on a straight-line basis over the period of the lease.

##### *Energy*

Revenue associated with the sale of crude oil, natural gas, natural gas liquids, synthetic crude oil, purchased commodities and refined petroleum products is recognised when the title passes to the customer.

Revenue associated with the sale of transportation, processing and natural gas storage services is recognised when the service is provided.

##### *Mobile and fixed-line telecommunications services*

Revenue from the provision of mobile telecommunications services with respect to voice, video, internet access, messaging and media services, including data services and information provision, is recognised when the service is rendered and, depending on the nature of the services, is recognised either at gross amount billed to the customer or the amount receivable as commission for facilitating the services.

Revenue from the sale of prepaid mobile calling cards is deferred until such time as the customer uses the card or upon the expiry of the service period.

For bundled transactions under contract comprising of provision of mobile telecommunications services and sale of a device (e.g. handsets), the amount of revenue recognised upon the sale of the device is accrued as determined by considering the estimated fair values of each of the services element and device element of the contract.

## 2 Significant accounting policies *(continued)*

### (ad) Revenue recognition *(continued)*

#### *Mobile and fixed-line telecommunications services (continued)*

Other service income is recognised when the service is rendered.

Customer service revenue is mobile telecommunications service revenue, and where a customer is invoiced for a bundled transaction under contract, the invoiced amount less amounts related to accrued device revenue and also less other service income.

Total revenue arising from mobile and fixed-line telecommunications services comprises of service revenue, other service income and sale of device revenue.

#### *Finance and investments*

Dividend income from investments in securities is recognised when the Group's right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

## Notes to the Financial Statements

### 2 Significant accounting policies (continued)

At the date these financial statements are authorised for issue, the following standards, amendments and interpretations were in issue, and applicable to the Group's financial statements for annual accounting periods beginning on or after 1 January 2017, but not yet effective and have not been early adopted by the Group:

Annual Improvements 2014-2016 Cycle <sup>(i)(ii)</sup>	Improvements to HKFRSS
HKAS 7 (Amendments) <sup>(i)</sup>	Disclosure Initiative
HKAS 12 (Amendments) <sup>(i)</sup>	Recognition of Deferred Tax Assets for Unrealised Losses
HKAS 40 (Amendments) <sup>(ii)</sup>	Transfers of Investment Property
HKFRS 2 (Amendments) <sup>(ii)</sup>	Classification and Measurement of Share-based Payment Transactions
HKFRS 9 <sup>(ii)</sup>	Financial Instruments
HKFRS 15 and HKFRS 15 (Amendments) <sup>(ii)</sup>	Revenue from Contracts with Customers
HKFRS 16 <sup>(iii)</sup>	Leases
HKFRS 10 and HKAS 28 (Amendments) <sup>(iv)</sup>	Sale or Contribution of Asset between an Investor and its Associate or Joint Venture
IFRIC 22 <sup>(ii)</sup>	Foreign Currency Transactions and Advance Consideration

- (i) Effective for the Group for annual periods beginning on or after 1 January 2017.
- (ii) Effective for the Group for annual periods beginning on or after 1 January 2018.
- (iii) Effective for the Group for annual periods beginning on or after 1 January 2019.
- (iv) The original effective date of 1 January 2016 has been postponed until further announcement by the HKICPA.

HKFRS 15 will be effective for the Group's financial statement for annual reporting periods beginning on or after 1 January 2018. HKFRS 15 will replace all existing HKFRS revenue guidance and requirements including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is assessing the impact of HKFRS 15. It is currently anticipated that the application of HKFRS 15 in the future may impact the Group's financial statements. However, it is not practicable to provide a reasonable estimate of the impact of HKFRS 15 as at the date of publication of these financial statements.

HKFRS 16 will be effective for the Group's financial statements for annual reporting periods beginning on or after 1 January 2019. HKFRS 16 specifies how an entity to recognise, measure, present and disclose leases. HKFRS 16 requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance with HKFRS 16's approach to lessor accounting substantially unchanged from its predecessor HKAS 17. The Group is assessing the impact of HKFRS 16. It is currently anticipated that the application of HKFRS 16 in the future may impact the Group's financial statements. However, it is not practicable to provide a reasonable estimate of the impact of HKFRS 16 as at the date of publication of these financial statements.

The adoption of other standards, amendments and interpretations listed above in future periods is not expected to have any material impact on the Group's results of operations and financial position.



### 3 Critical accounting estimates and judgements

Note 2 includes a summary of the significant accounting policies used in the preparation of the financial statements. The preparation of financial statements often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the financial statements. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements.

#### (a) Basis of consolidation

The determination of the Group's level of control over another entity will require exercise of judgement under certain circumstances. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As such, the classification of the entity as a subsidiary, a joint venture, a joint operation, an associate or a cost investment might require the application of judgement through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors and various other factors including, if relevant, the existence of agreement with other shareholders, applicable statutes and regulations and their requirements. The Group also considers, in particular, whether it obtains benefits, including non-financial benefits, from its power to control the entity.

#### (b) Long-lived assets

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. Such impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease and is recognised in other comprehensive income.

Judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to dispose or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions used to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

### 3 Critical accounting estimates and judgements (continued)

#### (c) Depreciation and amortisation

##### *(i) Fixed assets*

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

##### *(ii) Telecommunications licences, other licences, brand names, trademarks and other rights*

Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation and are reviewed for impairment annually. Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have an indefinite useful life are not amortised and are tested for impairment annually and when there is indication that they may be impaired.

On the basis of confirmation from the Ministry of the Italian Government that the term of the 3G licences in Italy held by H3G S.p.A. can be continuously extended for a period equivalent to the previous term, effectively making it a perpetual licence, and the enactment by the UK Houses of Parliament of a statutory instrument, which inter alia changes the life of the Group's 3G licence to indefinite, the Group's 3G licences in Italy and the UK are considered to have an indefinite useful life.

Certain brand names related to Retail and Telecommunications are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

Judgement is required to determine the useful lives of the telecommunications licences, other licences, brand names, trademarks and other rights. The actual economic lives of these assets may differ from the current contracted or expected usage periods, which could impact the amount of amortisation expense charged to the income statement. In addition, governments from time to time revise the terms of licences to change, amongst other terms, the contracted or expected licence period, which could also impact the amount of amortisation expense charged to the income statement.

##### *(iii) Telecommunications customer acquisition costs*

Telecommunications customer acquisition costs ("CACs") comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G and LTE customers. Telecommunications CACs are expensed and recognised in the income statement in the period in which they are incurred.

Judgement is required to determine the most appropriate accounting policy for telecommunications CACs. Any change in the accounting policy to capitalise these costs will impact the charge to the income statement as these costs will be capitalised and amortised over the contract periods.

#### (d) Goodwill

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the impairment test annually and when there are indications that the carrying value may not be recoverable.

### 3 Critical accounting estimates and judgements *(continued)*

#### (e) Tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were previously recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised.

The ultimate realisation of deferred tax assets recognised for certain of the Group's businesses depends principally on these businesses maintaining profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. It may be necessary for some or all of the deferred tax assets recognised to be reduced and charged to the income statement if there is a significant adverse change in the projected performance and resulting projected taxable profits of these businesses. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used can significantly affect these taxable profit and loss projections.

#### (f) Business combinations and goodwill

As disclosed in note 2(ab), the Group applies the provisions of HKFRS 3 to transactions and other events that meet the definition of a business combination within the scope of HKFRS 3. When the Group completes a business combination, the identifiable assets acquired and the liabilities assumed, including intangible assets, contingent liabilities and commitments, are recognised at their fair value. Judgement is required to determine the fair values of the assets acquired, the liabilities assumed, and the purchase consideration, and on the allocation of the purchase consideration to the identifiable assets and liabilities. If the purchase consideration exceeds the fair value of the net assets acquired then the incremental amount paid is recognised as goodwill. If the purchase price consideration is lower than the fair value of the net assets acquired then the difference is recorded as a gain in the income statement. Allocation of the purchase consideration between finite lived assets and indefinite lived assets such as goodwill affects the subsequent results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised.

#### (g) Provisions for commitments, onerous contracts and other guarantees

The Group has entered into a number of procurement and supply contracts related to specific assets in the ordinary course of its business and provided guarantees in respect of bank and other borrowing facilities to associated companies and joint ventures. Where the unavoidable costs of meeting the obligations under these procurement and supply contracts exceed the associated, expected future net benefits, an onerous contract provision is recognised, or where the borrowing associated companies and joint ventures are assessed to be unable to repay the indebtedness that the Group has guaranteed, a provision is recognised. The calculation of these provisions will involve the use of estimates. These onerous provisions are calculated by taking the unavoidable costs that will be incurred under the contract and deducting any estimate revenues or predicted income to be derived from the assets, or by taking the unavoidable costs that will be incurred under the guarantee and deducting any estimated recoverable value from the investment in such associated companies and joint ventures.

### 3 Critical accounting estimates and judgements *(continued)*

#### (h) Pension costs

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19, "Employee Benefits". Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the year in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Management appoints actuaries to carry out full valuations of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the financial statements in accordance with the HKFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

#### (i) Sale and leaseback transactions

The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in note 2(w). Determining whether a lease transaction is a finance lease or an operating lease is a complex issue and requires substantial judgement as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from the Group. Careful and considered judgement is required on various complex aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease or operating lease determines whether the leased asset is capitalised and recognised on the statement of financial position as set out in note 2(w). In sale and leaseback transactions, the classification of the leaseback arrangements as described above determines how the gain or loss on the sale transaction is recognised. It is either deferred and amortised (finance lease) or recognised in the income statement immediately (operating lease).

#### (j) Allocation of revenue for bundled telecommunications transactions with customers

The Group has bundled transactions under contract with customers including sales of both services and hardware (for example handsets). The amount of revenue recognised upon the sale of hardware is determined by considering the estimated fair values of each of the service element and hardware element of the contract. Significant judgement is required in assessing fair values of both of these elements by considering inter alia, standalone selling price and other observable market data. Changes in the estimated fair values may cause the revenue recognised for sales of services and hardware to change individually but not the total bundled revenue from a specific customer throughout its contract term. The Group periodically re-assesses the fair value of the elements as a result of changes in market conditions.

## 4 Revenue

An analysis of revenue of the Company and subsidiary companies is as follows:

	2016 HK\$ millions	2015 HK\$ millions
Sales of goods	152,606	99,736
Revenue from services	104,124	64,872
Interest	2,979	2,018
Dividends	133	134
	<b>259,842</b>	166,760

## 5 Operating segment information

Saved as disclosed in the notes below, the column headed as Company and Subsidiaries refers to the holding company of the Group and subsidiary companies' respective items and the column headed as Associates and JV refers to the Group's share of associated companies (including Hutchison Whampoa Limited ("HWL")'s respective items before the completion of the Hutchison Proposal in the comparative year ended 31 December 2015) and joint ventures' respective items. Segments are reported in a manner consistent with internal reporting currently provided to the board of directors of the Company who is responsible for allocating resources and assessing performance of the operating segments. Information about the discontinued operations is not presented in the following operating segment analysis.

### *Ports and Related Services:*

This division had 275 operational berths as at 31 December 2016.

### *Retail:*

The Retail division had 13,331 stores across 25 markets as at 31 December 2016.

### *Infrastructure:*

The Infrastructure division comprises a 75.67% interest in Cheung Kong Infrastructure Holdings Limited ("CKI"), a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"); interests in certain co-owned infrastructure investments as well as aircraft leasing business, which was disposed during the year, are reported under this division.

### *Husky Energy:*

This comprises of the Group's 40.18% interest in Husky Energy, an integrated energy company listed on the Toronto Stock Exchange in Canada.

### *Telecommunications:*

The Group's telecommunications division consists of 3 Group Europe with businesses in 6 countries in Europe, a 66.09% interest in Hutchison Telecommunications Hong Kong Holdings, which is listed on the Stock Exchange, Hutchison Asia Telecommunications and a 87.87% interest in the Australian Securities Exchange listed Hutchison Telecommunications (Australia) ("HTAL"), which has a 50% interest in a joint venture company, Vodafone Hutchison Australia Pty Limited ("VHA").

Following the completion in November 2016 of the formation of a 50 / 50 joint venture, VIP-CKH Luxembourg S.à r.l. (the "Italian Joint Venture"), to jointly own and operate the telecommunications businesses in Italy of 3 Italia S.p.A., a then indirect subsidiary of the Company, and WIND Acquisition Holdings Finance S.p.A., a then wholly-owned subsidiary of VimpelCom Ltd, the Group's share of the results of the Italian Joint Venture is presented in the column headed as Associates and JV. Prior to the completion of the formation of the Italian Joint Venture, the results of the Group's telecommunications businesses in Italy was presented in the column headed as Company and Subsidiaries.

HTAL's share of VHA's results are presented as separate items within the income statement line item titled profits on disposal of investments and others (see notes 6(c) and 6(d)).

## Notes to the Financial Statements

### 5 Operating segment information (continued)

Finance & Investments and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position, which covers the activities of other areas of the Group which are not presented separately and include Hutchison Water, Hutchison Whampoa (China), Hutchison E-Commerce and corporate head office operations, the Marionnaud business, listed subsidiary Hutchison China MediTech, listed associates TOM Group and CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences"), and the returns earned on the Group's holdings of cash and liquid investments.

Revenue from external customers is after elimination of inter-segment revenue. The amounts eliminated mainly attributable to Retail of HK\$52 million (2015 - HK\$49 million), Hutchison Telecommunications Hong Kong Holdings of HK\$297 million (2015 - HK\$110 million) and Hutchison Asia Telecommunications of HK\$11 million (2015 - HK\$9 million).

(a) The following is an analysis of the Group's revenue by operating segments:

	Revenue							
	Company and Subsidiaries	Associates and JV	2016 Total		Company and Subsidiaries	Associates and JV	2015 Total	
	HK\$ millions	HK\$ millions	HK\$ millions	%	HK\$ millions	HK\$ millions	HK\$ millions	%
Ports and Related Services #	24,027	8,157	32,184	9%	14,732	12,242	26,974	8%
Retail	121,969	29,533	151,502	41%	74,587	47,127	121,714	38%
Infrastructure	19,569	33,642	53,211	14%	13,085	33,102	46,187	15%
Husky Energy	–	30,467	30,467	8%	–	29,620	29,620	9%
3 Group Europe	58,417	3,998	62,415	17%	37,517	12,635	50,152	16%
Hutchison Telecommunications Hong Kong Holdings	12,133	–	12,133	3%	12,957	4,563	17,520	6%
Hutchison Asia Telecommunications	8,200	–	8,200	2%	4,261	1,231	5,492	2%
Finance & Investments and Others	15,527	7,047	22,574	6%	9,621	9,038	18,659	6%
	<b>259,842</b>	<b>112,844</b>	<b>372,686</b>	<b>100%</b>	<b>166,760</b>	<b>149,558</b>	<b>316,318</b>	<b>100%</b>
Non-controlling interests' share of HPH Trust's revenue	–	1,017	1,017		–	668	668	
	<b>259,842</b>	<b>113,861</b>	<b>373,703</b>		<b>166,760</b>	<b>150,226</b>	<b>316,986</b>	

# includes the Group's attributable share of HPH Trust's revenue based on the effective shareholdings in HPH Trust during 2016. Revenue reduced by HK\$1,017 million for 2016 (2015 - HK\$668 million for the 7 months from June to December), being adjustments to exclude non-controlling interests' share of revenue of HPH Trust.

## 5 Operating segment information (continued)

- (b) The Group uses two measures of segment results, EBITDA (see note 5(m)) and EBIT (see note 5(n)). The following is an analysis of the Group's results by operating segments by EBITDA:

	EBITDA (LBITDA) <sup>(m)</sup>							
	Company and Subsidiaries	Associates and JV	2016 Total		Company and Subsidiaries	Associates and JV	2015 Total	
	HK\$ millions	HK\$ millions	HK\$ millions	%	HK\$ millions	HK\$ millions	HK\$ millions	%
Ports and Related Services #	7,705	3,934	11,639	13%	4,527	4,949	9,476	13%
Retail	11,949	2,618	14,567	16%	8,007	4,251	12,258	17%
Infrastructure	11,358	19,770	31,128	34%	8,324	18,358	26,682	36%
Husky Energy	–	9,284	9,284	10%	–	6,899	6,899	9%
3 Group Europe	17,242	1,702	18,944	20%	11,174	3,078	14,252	19%
Hutchison Telecommunications								
Hong Kong Holdings	2,543	64	2,607	3%	1,597	671	2,268	3%
Hutchison Asia Telecommunications	2,298	–	2,298	2%	869	–	869	1%
Finance & Investments and Others	231	1,282	1,513	2%	(198)	1,525	1,327	2%
<b>EBITDA before profits on disposal of investments and others</b>	<b>53,326</b>	<b>38,654</b>	<b>91,980</b>	<b>100%</b>	<b>34,300</b>	<b>39,731</b>	<b>74,031</b>	<b>100%</b>
Non-controlling interests' share of HPH Trust's EBITDA	–	711	711		–	477	477	
<b>EBITDA (see note 36(a))</b>	<b>53,326</b>	<b>39,365</b>	<b>92,691</b>		<b>34,300</b>	<b>40,208</b>	<b>74,508</b>	
Depreciation and amortisation	(16,014)	(13,806)	(29,820)		(9,618)	(15,195)	(24,813)	
Profits on disposal of investments and others (see note 6)	27	(371)	(344)		14,260	(870)	13,390	
Interest expenses and other finance costs	(7,118)	(5,111)	(12,229)		(4,470)	(6,308)	(10,778)	
Current tax	(3,334)	(2,913)	(6,247)		(2,629)	(2,960)	(5,589)	
Deferred tax	(1,217)	(552)	(1,769)		(266)	65	(201)	
Non-controlling interests	(8,904)	(370)	(9,274)		(6,177)	(2,151)	(8,328)	
	<b>16,766</b>	<b>16,242</b>	<b>33,008</b>		<b>25,400</b>	<b>12,789</b>	<b>38,189</b>	

- # includes the Group's attributable share of HPH Trust's EBITDA based on the effective shareholdings in HPH Trust during 2016. EBITDA reduced by HK\$711 million for 2016 (2015 - HK\$477 million for the 7 months from June to December), being adjustments to exclude non-controlling interests' share of EBITDA of HPH Trust.

## Notes to the Financial Statements

### 5 Operating segment information (continued)

(c) The following is an analysis of the Group's results by operating segments by EBIT:

	EBIT (LBIT) <sup>(a)</sup>							
	2016				2015			
	Company and Subsidiaries	Associates and JV	2016 Total	%	Company and Subsidiaries	Associates and JV	2015 Total	%
	HK\$ millions	HK\$ millions	HK\$ millions		HK\$ millions	HK\$ millions	HK\$ millions	
Ports and Related Services <sup>#</sup>	5,019	2,548	7,567	12%	2,986	3,256	6,242	12%
Retail	10,028	2,031	12,059	19%	6,826	3,420	10,246	21%
Infrastructure	7,547	14,615	22,162	36%	5,750	13,420	19,170	39%
Husky Energy	–	3,429	3,429	5%	–	1,796	1,796	4%
<b>3 Group Europe</b>								
EBITDA before the following non-cash items:	17,242	1,702	18,944		11,174	3,078	14,252	
Depreciation	(4,208)	(161)	(4,369)		(2,784)	(1,436)	(4,220)	
Amortisation of licence fees and other rights	(1,567)	(170)	(1,737)		(604)	(240)	(844)	
EBIT - 3 Group Europe	11,467	1,371	12,838	21%	7,786	1,402	9,188	19%
Hutchison Telecommunications Hong Kong Holdings	1,036	19	1,055	2%	745	351	1,096	2%
Hutchison Asia Telecommunications	2,130	–	2,130	3%	869	(248)	621	1%
Finance & Investments and Others	85	1,089	1,174	2%	(280)	1,282	1,002	2%
<b>EBIT before profits on disposal of investments and others</b>	<b>37,312</b>	<b>25,102</b>	<b>62,414</b>	<b>100%</b>	<b>24,682</b>	<b>24,679</b>	<b>49,361</b>	<b>100%</b>
Profits on disposal of investments and others (see note 6)	27	(371)	(344)		14,260	(870)	13,390	
Non-controlling interests' share of HPH Trust's EBIT	–	457	457		–	334	334	
Interest expenses and other finance costs	(7,118)	(5,111)	(12,229)		(4,470)	(6,308)	(10,778)	
Current tax	(3,334)	(2,913)	(6,247)		(2,629)	(2,960)	(5,589)	
Deferred tax	(1,217)	(552)	(1,769)		(266)	65	(201)	
Non-controlling interests	(8,904)	(370)	(9,274)		(6,177)	(2,151)	(8,328)	
	<b>16,766</b>	<b>16,242</b>	<b>33,008</b>		<b>25,400</b>	<b>12,789</b>	<b>38,189</b>	

# includes the Group's attributable share of HPH Trust's EBIT based on the effective shareholdings in HPH Trust during 2016. EBIT reduced by HK\$457 million for 2016 (2015 - HK\$334 million for the 7 months from June to December), being adjustments to exclude non-controlling interests' share of EBIT of HPH Trust.



## 5 Operating segment information (continued)

(d) The following is an analysis of the Group's depreciation and amortisation by operating segments:

	Depreciation and amortisation					
	Company and Subsidiaries	Associates and JV	2016 Total	Company and Subsidiaries	Associates and JV	2015 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Ports and Related Services #	2,686	1,386	4,072	1,541	1,693	3,234
Retail	1,921	587	2,508	1,181	831	2,012
Infrastructure	3,811	5,155	8,966	2,574	4,938	7,512
Husky Energy	–	5,855	5,855	–	5,103	5,103
3 Group Europe	5,775	331	6,106	3,388	1,676	5,064
Hutchison Telecommunications Hong Kong Holdings	1,507	45	1,552	852	320	1,172
Hutchison Asia Telecommunications	168	–	168	–	248	248
Finance & Investments and Others	146	193	339	82	243	325
	16,014	13,552	29,566	9,618	15,052	24,670
Non-controlling interests' share of HPH Trust's depreciation and amortisation	–	254	254	–	143	143
	16,014	13,806	29,820	9,618	15,195	24,813

# includes the Group's attributable share of HPH Trust's depreciation and amortisation based on the effective shareholdings in HPH Trust during 2016. Depreciation and amortisation reduced by HK\$254 million for 2016 (2015 HK\$143 million for the 7 months from June to December), being adjustments to exclude non-controlling interests' share of depreciation and amortisation of HPH Trust.

(e) The following is an analysis of the Group's capital expenditure by operating segments:

	Capital expenditure							
	Fixed assets, investment properties and leasehold land	Telecom- munications licences	Brand names and other rights	2016 Total	Fixed assets, investment properties and leasehold land	Telecom- munications licences	Brand names and other rights	2015 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Ports and Related Services	2,858	–	26	2,884	2,918	–	434	3,352
Retail	2,403	–	–	2,403	1,420	–	–	1,420
Infrastructure	5,532	–	18	5,550	9,881	–	21	9,902
Husky Energy	–	–	–	–	–	–	–	–
3 Group Europe	7,449	427	376	8,252	7,130	2,447	11	9,588
Hutchison Telecommunications Hong Kong Holdings	1,131	1,779	40	2,950	760	1	6	767
Hutchison Asia Telecommunications	439	1,807	–	2,246	20	–	27	47
Finance & Investments and Others	234	–	27	261	229	–	41	270
	20,046	4,013	487	24,546	22,358	2,448	540	25,346
Reconciliation item @	–	–	–	–	136	–	–	136
	20,046	4,013	487	24,546	22,494	2,448	540	25,482

@ the reconciliation item represents the capital expenditure of the discontinued operation, Property and hotels in the comparative year ended 31 December 2015.

## Notes to the Financial Statements

### 5 Operating segment information (continued)

(f) The following is an analysis of the Group's total assets by operating segments:

	Total assets								
	Company and Subsidiaries		Investments in associated companies and interests in joint ventures		2016 Total assets	Company and Subsidiaries		Investments in associated companies and interests in joint ventures	
	Segment assets <sup>(a)</sup>	Deferred tax assets	HK\$ millions	HK\$ millions		Segment assets <sup>(a)</sup>	Deferred tax assets	HK\$ millions	HK\$ millions
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	
Ports and Related Services	72,286	151	25,982	98,419	74,765	440	27,309	102,514	
Retail	191,458	871	11,181	203,510	193,879	902	12,409	207,190	
Infrastructure	161,567	482	122,900	284,949	188,413	490	131,495	320,398	
Husky Energy	–	–	58,709	58,709	–	–	54,434	54,434	
3 Group Europe	93,493	14,270	24,365	132,128	127,309	19,001	3	146,313	
Hutchison Telecommunications Hong Kong Holdings	26,628	53	459	27,140	26,406	128	433	26,967	
Hutchison Asia Telecommunications	5,111	–	–	5,111	2,615	–	–	2,615	
Finance & Investments and Others	190,407	29	7,946	198,382	157,770	25	7,885	165,680	
	740,950	15,856	251,542	1,008,348	771,157	20,986	233,968	1,026,111	
Reconciliation item <sup>@</sup>	–	–	5,117	5,117	4	–	6,829	6,833	
	740,950	15,856	256,659	1,013,465	771,161	20,986	240,797	1,032,944	

@ the reconciliation item comprises total assets of HTAL.

## 5 Operating segment information (continued)

(g) The following is an analysis of the Group's total liabilities by operating segments:

	Total liabilities							
	Segment liabilities <sup>(b)</sup>	Current & non-current borrowings <sup>(a)</sup> and other non-current liabilities	Current & deferred tax liabilities	2016 Total liabilities	Segment liabilities <sup>(b)</sup>	Current & non-current borrowings <sup>(a)</sup> and other non-current liabilities	Current & deferred tax liabilities	2015 Total liabilities
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Ports and Related Services	15,888	15,212	4,485	35,585	17,166	17,085	4,900	39,151
Retail	23,929	12,428	10,322	46,679	24,366	12,832	11,008	48,206
Infrastructure	14,448	72,881	6,120	93,449	14,883	79,748	7,826	102,457
Husky Energy	–	–	–	–	–	–	–	–
3 Group Europe	17,954	12,223	32	30,209	26,360	66,791	4	93,155
Hutchison Telecommunications Hong Kong Holdings	3,615	4,926	579	9,120	4,038	4,590	508	9,136
Hutchison Asia Telecommunications	4,616	16,990	2	21,608	4,248	16,711	1	20,960
Finance & Investments and Others	8,017	220,122	4,486	232,625	7,852	158,661	4,253	170,766
	88,467	354,782	26,026	469,275	98,913	356,418	28,500	483,831
Reconciliation item <sup>(c)</sup>	–	–	–	–	2	–	–	2
	88,467	354,782	26,026	469,275	98,915	356,418	28,500	483,833

@ the reconciliation item comprises total liabilities of HTAL.

### Additional information in respect of geographical locations

(h) Additional disclosures of the Group's revenue by geographical location are shown below:

	Revenue							
	Company and Subsidiaries	Associates and JV	2016 Total		Company and Subsidiaries	Associates and JV	2015 Total	
	HK\$ millions	HK\$ millions	HK\$ millions	%	HK\$ millions	HK\$ millions	HK\$ millions	%
Hong Kong	44,859	5,107	49,966	13%	33,235	16,190	49,425	15%
Mainland China	29,178	6,585	35,763	10%	18,247	13,692	31,939	10%
Europe <sup>(1)</sup>	127,743	52,906	180,649	49%	81,755	65,163	146,918	47%
Canada <sup>(1)</sup>	478	29,514	29,992	8%	292	27,959	28,251	9%
Asia, Australia and Others <sup>(1)</sup>	42,057	11,685	53,742	14%	23,610	17,516	41,126	13%
Finance & Investments and Others	15,527	7,047	22,574	6%	9,621	9,038	18,659	6%
	259,842	112,844	372,686 <sup>(1)</sup>	100%	166,760	149,558	316,318 <sup>(1)</sup>	100%

(1) see note 5(a) for reconciliation to total revenue included in the Group's income statement.

## Notes to the Financial Statements

### 5 Operating segment information (continued)

(i) Additional disclosures of the Group's EBITDA by geographical location are shown below:

	EBITDA (LBITDA) <sup>(m)</sup>							
	Company and Subsidiaries	Associates and JV	2016 Total		Company and Subsidiaries	Associates and JV	2015 Total	
	HK\$ millions	HK\$ millions	HK\$ millions	%	HK\$ millions	HK\$ millions	HK\$ millions	%
Hong Kong	2,766	2,034	4,800	5%	1,874	2,622	4,496	6%
Mainland China	5,802	4,165	9,967	11%	3,474	5,593	9,067	12%
Europe <sup>(s)</sup>	34,113	16,789	50,902	55%	22,436	17,894	40,330	55%
Canada <sup>(t)</sup>	347	8,200	8,547	9%	167	5,115	5,282	7%
Asia, Australia and Others <sup>(s)</sup>	10,067	6,184	16,251	18%	6,547	6,982	13,529	18%
Finance & Investments and Others	231	1,282	1,513	2%	(198)	1,525	1,327	2%
EBITDA before profits on disposal of investments and others	53,326	38,654	91,980 <sup>(2)</sup>	100%	34,300	39,731	74,031 <sup>(2)</sup>	100%

(2) see note 5(b) for reconciliation to total EBITDA included in the Group's income statement.

(j) Additional disclosures of the Group's EBIT by geographical location are shown below:

	EBIT (LBIT) <sup>(n)</sup>							
	Company and Subsidiaries	Associates and JV	2016 Total		Company and Subsidiaries	Associates and JV	2015 Total	
	HK\$ millions	HK\$ millions	HK\$ millions	%	HK\$ millions	HK\$ millions	HK\$ millions	%
Hong Kong	927	991	1,918	3%	781	1,440	2,221	4%
Mainland China	4,831	2,662	7,493	12%	2,876	3,832	6,708	14%
Europe <sup>(s)</sup>	23,669	13,094	36,763	59%	15,989	12,450	28,439	58%
Canada <sup>(t)</sup>	249	3,120	3,369	5%	92	924	1,016	2%
Asia, Australia and Others <sup>(s)</sup>	7,551	4,146	11,697	19%	5,224	4,751	9,975	20%
Finance & Investments and Others	85	1,089	1,174	2%	(280)	1,282	1,002	2%
EBIT before profits on disposal of investments and others	37,312	25,102	62,414 <sup>(3)</sup>	100%	24,682	24,679	49,361 <sup>(3)</sup>	100%

(3) see note 5(c) for reconciliation to total EBIT included in the Group's income statement.

## 5 Operating segment information (continued)

(k) Additional disclosures of the Group's capital expenditure by geographical location are shown below:

	Capital expenditure							
	Fixed assets, investment properties and leasehold land	Telecom- munications licences	Brand names and other rights	2016 Total	Fixed assets, investment properties and leasehold land	Telecom- munications licences	Brand names and other rights	2015 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Hong Kong	1,575	1,779	40	3,394	1,027	1	27	1,055
Mainland China	952	–	–	952	875	–	–	875
Europe <sup>(i)</sup>	13,876	427	376	14,679	13,097	2,447	11	15,555
Canada	27	–	–	27	893	–	–	893
Asia, Australia and Others <sup>(i)</sup>	3,382	1,807	44	5,233	6,373	–	461	6,834
Finance & Investments and Others	234	–	27	261	229	–	41	270
	20,046	4,013	487	24,546	22,494 <sup>#</sup>	2,448	540	25,482

# included in the balance for the comparative year ended 31 December 2015 is an amount relating to the discontinued operation, Property and hotels of HK\$ 136 million.

(l) Additional disclosures of the Group's total assets by geographical location are shown below:

	Total assets							
	Company and Subsidiaries		Investments in associated companies and interests in joint ventures	2016 Total assets	Company and Subsidiaries		Investments in associated companies and interests in joint ventures	2015 Total assets
	Segment assets <sup>(i)</sup>	Deferred tax assets	HK\$ millions	HK\$ millions	Segment assets <sup>(i)</sup>	Deferred tax assets	HK\$ millions	HK\$ millions
Hong Kong	66,608	94	38,123	104,825	74,107	169	42,209	116,485
Mainland China	48,818	479	29,014	78,311	54,277	566	27,132	81,975
Europe <sup>(i)</sup>	335,587	15,022	87,365	437,974	391,827	19,984	72,039	483,850
Canada <sup>(i)</sup>	4,732	8	53,543	58,283	4,371	5	47,485	51,861
Asia, Australia and Others <sup>(i)</sup>	94,798	224	40,668	135,690	88,809	237	44,047	133,093
Finance & Investments and Others	190,407	29	7,946	198,382	157,770	25	7,885	165,680
	740,950	15,856	256,659	1,013,465	771,161	20,986	240,797	1,032,944

## Notes to the Financial Statements

### 5 Operating segment information *(continued)*

- (m) EBITDA (LBITDA) represents the EBITDA (LBITDA) of the Company and subsidiary companies as well as the Group's share of the EBITDA (LBITDA) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBITDA for this operation. EBITDA (LBITDA) is defined as earnings (losses) before interest expenses and other finance costs, tax, depreciation and amortisation, and includes profits on disposal of investments and other earnings of a cash nature. Information concerning EBITDA (LBITDA) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA (LBITDA) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA (LBITDA) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBITDA (LBITDA) is not a measure of cash liquidity or financial performance under generally accepted accounting principles in Hong Kong and the EBITDA (LBITDA) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA (LBITDA) should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with HKFRS.
- (n) EBIT (LBIT) represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBIT for this operation. EBIT (LBIT) is defined as earnings (losses) before interest expenses and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of results from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to results from operations as determined in accordance with HKFRS.
- (o) Segment assets comprise fixed assets, investment properties, leasehold land, telecommunications licences, brand names and other rights, goodwill, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets. As additional information, non-current assets (excluding financial instruments, deferred tax assets, post-employment benefits assets and assets from insurance contracts) for Hong Kong, Mainland China, Europe, Canada, and Asia, Australia and Others amounted to HK\$116,283 million (2015 - HK\$129,905 million), HK\$85,976 million (2015 - HK\$88,208 million), HK\$383,148 million (2015 - HK\$419,416 million), HK\$58,432 million (2015 - HK\$51,711 million) and HK\$119,226 million (2015 - HK\$115,251 million) respectively. To conform to current year presentation, comparative information for Watsons Turkey has been reclassified to Asia, Australia and Others from Europe.
- (p) Segment liabilities comprise trade and other payables and pension obligations.
- (q) Current and non-current borrowings comprise bank and other debts and interest bearing loans from non-controlling shareholders. Included in the balance presented under Finance & Investments and Others as at 31 December 2016 are borrowings of HK\$66,952 million which are denominated in Euro (2015 - HK\$20,412 million and HK\$39,870 million borrowings that are denominated in Euro are included in Finance & Investments and Others and 3 Group Europe respectively).
- (r) Include contribution from the United States of America for Husky Energy.
- (s) To conform to current year presentation, comparative information for Watsons Turkey has been reclassified to Asia, Australia and Others from Europe.

## 6 Profits on disposal of investments and others

	Attributable to			Total HK\$ millions
	Ordinary shareholders HK\$ millions	Holders of perpetual capital securities HK\$ millions	Non-controlling interests HK\$ millions	
<b>Year ended 31 December 2016</b>				
Profits on disposal of investments	–	–	–	–
Others				
Impairment of certain ports assets <sup>(a)</sup>	(577)	–	(144)	(721)
Remeasurement gain on interest in a port operation <sup>(b)</sup>	598	–	150	748
HTAL – share of operating losses of joint venture VHA <sup>(c)</sup>	(326)	–	(45)	(371)
	<b>(305)</b>	<b>–</b>	<b>(39)</b>	<b>(344)</b>
<b>Year ended 31 December 2015</b>				
Profits on disposal of investments				
Net gain on remeasurement of the Group's previously held equity interest in HWL and certain interests in co-owned assets	14,260	–	–	14,260
Others				
HTAL – share of operating losses of joint venture VHA <sup>(c)</sup>	(568)	–	(79)	(647)
	<b>13,692</b>	<b>–</b>	<b>(79)</b>	<b>13,613</b>
Share of former associated company, HWL's profits on disposal of investments and others <sup>(d)</sup>	(196)	–	–	(196)

(a) In 2016, the Group recognised impairment charge on certain non-core investments held by the ports operation.

(b) It represents a mark-to-market gain realised on the acquisition of an additional interest in an existing port operation.

(c) It represents the Group's indirect subsidiary, HTAL's share of operating losses of a joint venture VHA.

(d) It represents the Group's share of former associated company, HWL's share of operating losses of HK\$223 million net of non-controlling interests of HK\$27 million of a joint venture VHA.

## Notes to the Financial Statements

### 7 Directors' emoluments

	2016 HK\$ millions	2015 HK\$ millions
Directors' emoluments	488	554

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments exclude amounts received from the Company's listed subsidiaries and paid to the Company. The amounts disclosed above are the amounts recognised as directors' emolument expenses in the Group's income statement for 2016 and 2015 and do not include the amounts paid to directors as directors' emoluments by HWL and its subsidiaries (the "HWL Group") before the completion of the Merger Proposal during the comparative year ended 31 December 2015, as under the accounting standards such amounts paid by the HWL Group during the period HWL was an associated company are not consolidated and reported as directors' emolument expenses in the Group's income statement.

Further details of the directors' emoluments of HK\$487.61 million (2015 - HK\$554.24 million) are set out in note 7(a).

As additional information, payments by the HWL Group in 2015 to directors, who were directors of HWL up to the completion of the Merger Proposal, amounted to HK\$488.34 million, of which HK\$467.43 million were included in the comparative amount disclosed above and in note 7(a) below and represented the amounts paid by the HWL Group during the period HWL is a subsidiary of the Group, and further details of these payments are set out in note 7(b).

The Company does not have a share option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2015 - nil).

In 2016 and 2015, the five individuals whose emoluments were the highest for the year were five directors of the Company.



## 7 Directors' emoluments (continued)

### (a) Directors' emolument expenses recognised in the Group's income statement:

Name of directors	2016					
	Director's fees HK\$ millions	Basic salaries, allowances and benefits- in-kind HK\$ millions	Discretionary bonuses HK\$ millions	Provident fund contributions HK\$ millions	Inducement or compensation fees HK\$ millions	Total emoluments HK\$ millions
LI Ka-shing <sup>(1) (10)</sup>	0.01	–	–	–	–	0.01
LI Tzar Kuoi, Victor						
<i>Paid by the Company</i>	0.22	4.89	53.87	–	–	58.98
<i>Paid by CKI</i>	0.08	–	30.44	–	–	30.52
FOK Kin Ning, Canning <sup>(3)</sup>	0.30	4.89	84.31	–	–	89.50
CHOW WOO Mo Fong, Susan <sup>(3) (11)</sup>	0.22	11.60	186.99	1.95	–	200.76
Frank John SIXT <sup>(3)</sup>	0.13	5.08	34.83	1.00	–	41.04
IP Tak Chuen, Edmond	0.22	8.55	42.58	0.75	–	52.10
<i>Paid by the Company</i>	0.22	1.62	9.59	–	–	11.43
<i>Paid by CKI</i>	0.08	1.80	11.02	–	–	12.90
KAM Hing Lam	0.30	3.42	20.61	–	–	24.33
<i>Paid by the Company</i>	0.22	2.42	9.59	–	–	12.23
<i>Paid by CKI</i>	0.08	4.20	11.02	–	–	15.30
LAI Kai Ming, Dominic <sup>(3)</sup>	0.30	6.62	20.61	–	–	27.53
CHOW Kun Chee, Roland <sup>(6)</sup>	0.22	5.82	42.00	1.10	–	49.14
LEE Yeh Kwong, Charles <sup>(6)</sup>	0.22	–	–	–	–	0.22
LEUNG Siu Hon <sup>(6)</sup>	0.22	–	–	–	–	0.22
George Colin MAGNUS <sup>(6)</sup>	0.22	–	–	–	–	0.22
<i>Paid by the Company</i>	0.22	–	–	–	–	0.22
<i>Paid by CKI</i>	0.08	–	–	–	–	0.08
KWOK Tun-li, Stanley <sup>(8) (9) (10)</sup>	0.30	–	–	–	–	0.30
<i>Paid by the Company</i>	0.35	–	–	–	–	0.35
CHENG Hoi Chuen, Vincent <sup>(8) (9) (10)</sup>	0.41	–	–	–	–	0.41
Michael David KADOORIE <sup>(8)</sup>	0.22	–	–	–	–	0.22
LEE Wai Mun, Rose <sup>(8)</sup>	0.22	–	–	–	–	0.22
William SHURNIAK <sup>(8) (9)</sup>	0.35	–	–	–	–	0.35
WONG Chung Hin <sup>(8) (9) (10)</sup>	0.41	–	–	–	–	0.41
WONG Yick-ming, Rosanna <sup>(8) (10)</sup>	0.28	–	–	–	–	0.28
<b>Total</b>	<b>4.90</b>	<b>45.98</b>	<b>431.93</b>	<b>4.80</b>	<b>–</b>	<b>487.61</b>

## Notes to the Financial Statements

### 7 Directors' emoluments (continued)

#### (a) Directors' emolument expenses recognised in the Group's income statement (continued):

Name of directors	2015					
	Director's fees HK\$ millions	Basic salaries, allowances and benefits-in-kind HK\$ millions	Discretionary bonuses HK\$ millions	Provident fund contributions HK\$ millions	Inducement or compensation fees HK\$ millions	Total emoluments HK\$ millions
LI Ka-shing <sup>(1)(10)</sup>	0.01	—	—	—	—	0.01
LI Tzar Kuoi, Victor <sup>(2)</sup>						
<i>Paid by the Company</i>	0.22	21.30	55.39	1.85	—	78.76
<i>Paid by CKI</i>	0.08	—	28.15	—	—	28.23
	0.30	21.30	83.54	1.85	—	106.99
FOK Kin Ning, Canning <sup>(3)</sup>	0.22	6.41	202.51	1.33	—	210.47
CHOW WOO Mo Fong, Susan <sup>(3)(7)</sup>	0.13	4.69	45.22	0.96	—	51.00
Frank John SIXT <sup>(3)</sup>	0.22	4.69	43.77	0.42	—	49.10
IP Tak Chuen, Edmond <sup>(4)</sup>						
<i>Paid by the Company</i>	0.22	7.43	9.86	0.74	—	18.25
<i>Paid by CKI</i>	0.08	1.05	10.60	—	—	11.73
	0.30	8.48	20.46	0.74	—	29.98
KAM Hing Lam <sup>(5)</sup>						
<i>Paid by the Company</i>	0.22	10.42	9.59	0.91	—	21.14
<i>Paid by CKI</i>	0.08	2.45	10.60	—	—	13.13
	0.30	12.87	20.19	0.91	—	34.27
LAI Kai Ming, Dominic <sup>(3)(7)</sup>	0.13	3.12	43.19	0.61	—	47.05
CHOW Kun Chee, Roland <sup>(6)</sup>	0.22	—	—	—	—	0.22
LEE Yeh Kwong, Charles <sup>(6)</sup>	0.22	—	—	—	—	0.22
LEUNG Siu Hon <sup>(6)</sup>	0.22	—	—	—	—	0.22
George Colin MAGNUS <sup>(6)</sup>						
<i>Paid by the Company</i>	0.22	—	—	—	—	0.22
<i>Paid by CKI</i>	0.08	—	—	—	—	0.08
	0.30	—	—	—	—	0.30
KWOK Tun-li, Stanley <sup>(8)(9)(10)(14)</sup>	0.38	—	—	—	—	0.38
CHENG Hoi Chuen, Vincent <sup>(7)(8)(9)(10)</sup>	0.24	—	—	—	—	0.24
Michael David KADOORIE <sup>(7)(8)</sup>	0.13	—	—	—	—	0.13
LEE Wai Mun, Rose <sup>(7)(8)</sup>	0.13	—	—	—	—	0.13
William SHURNIAK <sup>(7)(8)(9)</sup>	0.20	—	—	—	—	0.20
WONG Chung Hin <sup>(7)(8)(9)(10)</sup>	0.23	—	—	—	—	0.23
WONG Yick-ming, Rosanna <sup>(8)(10)</sup>	0.28	—	—	—	—	0.28
CHUNG Sun Keung, Davy <sup>(12)</sup>	0.09	4.61	—	0.46	—	5.16
PAU Yee Wan, Ezra <sup>(12)</sup>	0.09	5.23	—	0.52	—	5.84
WOO Chia Ching, Grace <sup>(12)</sup>	0.09	5.23	—	0.52	—	5.84
CHIU Kwok Hung, Justin <sup>(12)</sup>	0.09	4.69	—	0.47	—	5.25
YEH Yuan Chang, Anthony <sup>(8)(12)</sup>	0.09	—	—	—	—	0.09
Simon MURRAY <sup>(8)(12)</sup>	0.09	—	—	—	—	0.09
CHOW Nin Mow, Albert <sup>(8)(12)</sup>	0.09	—	—	—	—	0.09
HUNG Siu-lin, Katherine <sup>(8)(9)(12)(13)</sup>	0.14	—	—	—	—	0.14
CHEONG Ying Chew, Henry <sup>(8)(9)(12)(13)</sup>						
<i>Paid by the Company</i>	0.14	—	—	—	—	0.14
<i>Paid by CKI</i>	0.18	—	—	—	—	0.18
	0.32	—	—	—	—	0.32
<b>Total</b>	<b>5.25</b>	<b>81.32</b>	<b>458.88</b>	<b>8.79</b>	<b>—</b>	<b>554.24</b>

## 7 Directors' emoluments *(continued)*

### (a) Directors' emolument expenses recognised in the Group's income statement *(continued)*:

- (1) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK\$5,000 (2015 - HK\$5,000). The amount of director's fee shown above is a result of rounding. In 2015, the director's fee of HK\$20,958 received by Mr Li Ka-shing from HWL was paid to the Company. This amount was received during the period HWL was an associated company and therefore is not reflected in the amounts above.
- (2) In 2015, part of the directors' emoluments in the sum of HK\$1,699,719 received by Mr Li Tzar Kuoi, Victor from HWL was paid to the Company. This amount was received during the period HWL was an associated company and therefore is not reflected in the amounts above.
- (3) Directors' fees received by these directors from the Company's listed subsidiaries during the period they served as directors that have been paid to the Company are not included in the amounts above.
- (4) In 2015, part of the directors' emoluments in the sum of HK\$750,000 received by Mr Ip Tak Chuen, Edmond from CKI was paid to the Company. This amount was received during the period HWL (the parent company of CKI) was an associated company and therefore is not reflected in the amounts above.
- (5) In 2015, part of the directors' emoluments in the sum of HK\$736,219 received by Mr Kam Hing Lam from HWL was paid to the Company. This amount was received during the period HWL was an associated company and therefore is not reflected in the amounts above.
- (6) Non-executive director.
- (7) Appointed on 3 June 2015.
- (8) Independent non-executive director. The total emoluments of the independent non-executive directors of the Company are HK\$2.24 million (2015 - HK\$2.32 million).
- (9) Member of the Audit Committee.
- (10) Member of the Remuneration Committee.
- (11) Retired on 1 August 2016.
- (12) Resigned on 3 June 2015.
- (13) Resigned on 3 June 2015 as Member of the Audit Committee.
- (14) Resigned on 3 June 2015 as Member of the Remuneration Committee.

## Notes to the Financial Statements

### 7 Directors' emoluments (continued)

#### (b) Additional information – directors' emolument payments made by the HWL Group in 2015:

Name of directors of HWL	2015					
	Director's fees HK\$ millions	Basic salaries, allowances and benefits- in-kind HK\$ millions	Discretionary bonuses HK\$ millions	Provident fund contributions HK\$ millions	Inducement or compensation fees HK\$ millions	Total emoluments HK\$ millions
LI Ka-shing <sup>(15)</sup> <sup>(22)</sup> <sup>(26)</sup>	0.02	–	–	–	–	0.02
LI Tzar Kuoi, Victor <sup>(16)</sup>						
<i>Paid by HWL</i>	0.09	4.70	55.39	–	–	60.18
<i>Paid by CKI</i>	0.08	–	28.15	–	–	28.23
	0.17	4.70	83.54	–	–	88.41
FOK Kin Ning, Canning <sup>(17)</sup>	0.09	11.10	202.51	2.28	–	215.98
CHOW WOO Mo Fong, Susan <sup>(17)</sup>	0.09	8.17	45.22	1.64	–	55.12
Frank John SIXT <sup>(17)</sup>	0.09	8.19	43.77	0.71	–	52.76
LAI Kai Ming, Dominic <sup>(17)</sup>	0.09	5.64	43.19	1.04	–	49.96
KAM Hing Lam <sup>(18)</sup>						
<i>Paid by HWL</i>	0.09	2.35	9.59	–	–	12.03
<i>Paid by CKI</i>	0.08	4.20	10.60	–	–	14.88
<i>Paid to HWL</i>	–	(1.75)	–	–	–	(1.75)
	0.17	4.80	20.19	–	–	25.16
LEE Yeh Kwong, Charles <sup>(19)</sup> <sup>(23)</sup>	0.09	–	–	–	–	0.09
George Colin MAGNUS <sup>(19)</sup> <sup>(23)</sup>						
<i>Paid by HWL</i>	0.09	–	–	–	–	0.09
<i>Paid by CKI</i>	0.08	–	–	–	–	0.08
	0.17	–	–	–	–	0.17
CHENG Hoi Chuen, Vincent <sup>(20)</sup> <sup>(21)</sup> <sup>(22)</sup> <sup>(23)</sup> <sup>(25)</sup> <sup>(26)</sup>	0.17	–	–	–	–	0.17
Michael David KADOORIE <sup>(20)</sup> <sup>(24)</sup>	0.09	–	–	–	–	0.09
LEE Wai Mun, Rose <sup>(20)</sup> <sup>(23)</sup>	0.09	–	–	–	–	0.09
William SHURNIAK <sup>(20)</sup> <sup>(21)</sup> <sup>(23)</sup> <sup>(25)</sup>	0.15	–	–	–	–	0.15
WONG Chung Hin <sup>(20)</sup> <sup>(21)</sup> <sup>(22)</sup> <sup>(23)</sup> <sup>(25)</sup> <sup>(26)</sup>	0.17	–	–	–	–	0.17
<b>Total</b>	<b>1.65</b>	<b>42.60</b>	<b>438.42</b>	<b>5.67</b>	<b>–</b>	<b>488.34</b>

(15) In 2015, no remuneration was paid to Mr Li Ka-shing by HWL during the year other than a director's fee of HK\$20,958 which he paid to the Company.

(16) In 2015, part of the directors' emoluments in the sum of HK\$1,699,719 received by Mr Li Tzar Kuoi, Victor from HWL was paid to the Company.

(17) In 2015, directors' fees received by these directors from HWL's listed subsidiaries during the period they served as directors that have been paid to HWL are not included in the amounts above.

(18) In 2015, part of the directors' emoluments in the sum of HK\$736,219 received by Mr Kam Hing Lam from HWL was paid to the Company.

(19) Non-executive director.

(20) Independent non-executive director. The total emoluments of the independent non-executive directors of HWL are HK\$0.67 million.

(21) Member of the Audit Committee of HWL.

(22) Member of the Remuneration Committee of HWL.

(23) Resigned on 8 June 2015.

(24) Resigned on 24 July 2015.

(25) Ceased as Member of the Audit Committee of HWL on 8 June 2015.

(26) Ceased as Member of the Remuneration Committee of HWL on 8 June 2015.

## 8 Interest expenses and other finance costs

	2016 HK\$ millions	2015 HK\$ millions
Bank loans and overdrafts	1,588	974
Other loans	200	118
Notes and bonds	7,759	4,914
	<b>9,547</b>	6,006
Interest bearing loans from non-controlling shareholders	274	198
	<b>9,821</b>	6,204
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	99	15
Notional non-cash interest adjustments <sup>(a)</sup>	<b>(2,480)</b>	(1,708)
Other finance costs	4	55
	<b>7,444</b>	4,566
Less: interest capitalised <sup>(b)</sup>	<b>(326)</b>	(96)
	<b>7,118</b>	4,470

(a) Notional non-cash interest adjustments represent notional adjustments to the carrying amount of certain obligations recognised in the consolidated statement of financial position to the present value of the estimated future cash flows expected to be required for their settlement in the future.

(b) Borrowing costs have been capitalised at various applicable rates ranging from 0.4% to 6.2% per annum (2015 - 0.5% to 5.6% per annum).

## Notes to the Financial Statements

### 9 Tax

	2016 HK\$ millions	2015 HK\$ millions
Current tax charge		
Hong Kong	382	150
Outside Hong Kong	2,952	2,479
	<b>3,334</b>	2,629
Deferred tax charge		
Hong Kong	72	79
Outside Hong Kong	1,145	187
	<b>1,217</b>	266
	<b>4,551</b>	2,895

Hong Kong profits tax has been provided for at the rate of 16.5% (2015 - 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

The differences between the Group's expected tax charge (credit), calculated at the domestic rates applicable to the country concerned, and the Group's tax charge (credit) for the years were as follows:

	2016 HK\$ millions	2015 HK\$ millions
Tax calculated at the domestic rates applicable in the country concerned	6,950	7,403
Tax effect of:		
Tax losses not recognised	585	1,278
Tax incentives	–	(108)
Income not subject to tax	(1,077)	(2,730)
Expenses not deductible for tax purposes	1,413	1,874
Recognition of previously unrecognised tax losses	(1,812)	(1,863)
Utilisation of previously unrecognised tax losses	(988)	(693)
Under (over) provision in prior years	72	(512)
Deferred tax assets written off	–	(14)
Other temporary differences	(454)	(951)
Effect of change in tax rate	(138)	(789)
Total tax for the year	<b>4,551</b>	2,895

## 10 Discontinued operations

As disclosed in the Company's 2015 Annual Report, all of the Group's former interests in the Cheung Kong Property Holdings Limited ("Cheung Kong Property") had been distributed to shareholders pursuant to the Distribution In Specie under the Spin-off Proposal completed in the year ended 31 December 2015. Accordingly the results of the Property and hotels operations are presented as discontinued operations separately from continuing operations in the Company's consolidated income statement and consolidated statement of comprehensive income for year ended 31 December 2015. Set out below is the financial information relating to the results of these discontinued operations for the year ended 31 December 2015, including the results recognised on the remeasurement of assets of these disposal groups.

	2015 HK\$ millions
Revenue	9,334
Increase in fair value of investment properties	526
Expenses	(4,468)
Share of profits less losses of associated company	3,166
Share of profits less losses of joint ventures	(158)
Pre-tax profit before remeasurement of assets	8,400
Tax	(745)
After tax profit before remeasurement of assets	7,655
Pre-tax gain recognised on remeasurement of assets of the disposal group	72,859
Tax	—
After tax gain recognised on remeasurement of assets of the disposal group <sup>(a)</sup>	72,859
Profit after tax from discontinued operations	80,514
Profit from discontinued operations attributable to:	
Non-controlling interests and holders of perpetual capital securities	(133)
Ordinary shareholders	80,381

(a) Analysis of gain on remeasurement of assets

	Arising from		Total HK\$ millions
	Remeasurement of assets <sup>(b)</sup> HK\$ millions	Distribution In Specie <sup>(c)</sup> HK\$ millions	
One-off non-cash gains before reclassification adjustments (see note 36(e))	18,351	48,004	66,355
Reclassification adjustments	3,578	2,926	6,504
One-off non-cash gains after reclassification adjustments	21,929	50,930	72,859

(b) Upon completion of the Hutchison Proposal, entities co-owned by CK Hutchison and HWL over which CK Hutchison has control became indirectly owned subsidiaries of the Group. These entities formed part of the Cheung Kong Property Group which was distributed to shareholders pursuant to the Distribution In Specie. One-off non-cash gain on remeasurement of these assets represents the difference between their fair value and the book value, including gains previously in exchange and other reserves related to these entities reclassified to profit or loss.

(c) See note 12(c).

## Notes to the Financial Statements

### 11 Earnings per share for profit attributable to ordinary shareholders

	2016	2015
<b>Earnings per share for profit attributable to ordinary shareholders arises from:</b>		
Continuing operations	<b>HK\$ 8.55</b>	HK\$ 11.89
Discontinued operations	–	HK\$ 25.02
	<b>HK\$ 8.55</b>	HK\$ 36.91

The calculation of earnings per share is based on profit attributable to ordinary shareholders and on weighted average number of shares outstanding during 2016 and 2015 as follows:

	2016 HK\$ millions	2015 HK\$ millions
<b>Profit attributable to ordinary shareholders arises from:</b>		
Continuing operations	<b>33,008</b>	38,189
Discontinued operations	–	80,381
	<b>33,008</b>	118,570
Weighted average number of shares outstanding during 2016 and 2015	<b>3,859,441,388</b>	3,212,671,194

The Company does not have a share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 31 December 2016 and 2015. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2016 and 2015 did not have a dilutive effect on earnings per share.



## 12 Distributions and dividends

### (a) Distribution paid on perpetual capital securities

	2016 HK\$ millions	2015 HK\$ millions
Distribution paid on perpetual capital securities	1,486	1,072

### (b) Dividends

	2016 HK\$ millions	2015 HK\$ millions
Interim dividend, paid of HK\$0.735 per share (2015 - HK\$0.70 per share)	2,837	2,702
Final dividend, proposed of HK\$1.945 per share (2015 - HK\$1.85 per share)	7,503	7,140
	<b>10,340</b>	<b>9,842</b>

In 2016, the calculation of the interim dividend and final dividend is based on 3,859,678,500 shares (2015 - 3,859,678,500 shares) and 3,857,678,500 shares (2015 - 3,859,678,500 shares) in issue respectively.

### (c) Other distributions

	2016 HK\$ millions	2015 HK\$ millions
Distribution In Specie	-	363,511

During the year ended 31 December 2015, the Group's entire interest in Cheung Kong Property was distributed to shareholders pursuant to the Distribution In Specie under the Spin-off Proposal and Cheung Kong Property became a separate listed company on the Main Board of the Stock Exchange. The Distribution In Specie is accounted for as a distribution of non-cash assets to shareholders, where the difference between the distribution liability measured at fair value and the book value of the disposal group (after netting off HK\$55,000 million received) is recognised in the consolidated financial statements of CK Hutchison upon settlement of the distribution liability. This resulted in an one-off non-cash gain of approximately HK\$50,930 million recognised and reported as part of the results from discontinued operations (see note 10(a)).

## Notes to the Financial Statements

### 13 Other comprehensive income (losses)

	2016		
	Before-tax amount	Tax effect	Net-of-tax amount
	HK\$ millions	HK\$ millions	HK\$ millions
Available-for-sale investments			
Valuation losses recognised directly in reserves	(537)	–	(537)
Valuation losses previously in reserves recognised in income statement	541	–	541
Remeasurement of defined benefit obligations recognised directly in reserves	(2,239)	328	(1,911)
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts			
Losses recognised directly in reserves	(1,411)	188	(1,223)
Gains previously in reserves recognised in initial cost of non-financial items	(13)	2	(11)
Gains on net investment hedges arising from forward foreign currency contracts recognised directly in reserves	6,112	–	6,112
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(18,423)	–	(18,423)
Gains previously in exchange and other reserves related to subsidiaries disposed during the year recognised in income statement	(209)	–	(209)
Share of other comprehensive income (losses) of associated companies	(541)	–	(541)
Share of other comprehensive income (losses) of joint ventures	(11,663)	–	(11,663)
	<b>(28,383)</b>	<b>518</b>	<b>(27,865)</b>
	2015		
	Before-tax amount	Tax effect	Net-of-tax amount
	HK\$ millions	HK\$ millions	HK\$ millions
Available-for-sale investments			
Valuation losses recognised directly in reserves	(797)	–	(797)
Valuation gains previously in reserves recognised in income statement	(1,021)	–	(1,021)
Remeasurement of defined benefit obligations recognised directly in reserves	(133)	(44)	(177)
Gains on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised directly in reserves	701	(8)	693
Gains on net investment hedges arising from forward foreign currency contracts recognised directly in reserves	2,060	–	2,060
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(6,383)	–	(6,383)
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	12,925	–	12,925
Share of other comprehensive income (losses) of associated companies	(13,398)	–	(13,398)
Share of other comprehensive income (losses) of joint ventures	(2,380)	–	(2,380)
	<b>(8,426)</b>	<b>(52)</b>	<b>(8,478)</b>

## 14 Fixed assets

	Hotels and serviced suites HK\$ millions	Land and buildings HK\$ millions	Telecom- munications network assets HK\$ millions	Aircraft HK\$ millions	Other assets <sup>(i)</sup> HK\$ millions	Total HK\$ millions
<b>Cost</b>						
At 1 January 2015	13,027	–	–	7,599	1,372	21,998
Additions	49	1,140	810	6,675	13,820	22,494
Relating to subsidiaries acquired (see note 36(c))	–	27,225	25,265	–	114,550	167,040
Disposals	–	(316)	(4)	–	(663)	(983)
Relating to subsidiaries disposed (see note 36(d))	–	(764)	–	–	(821)	(1,585)
Distribution In Specie (see note 36(e))	(12,985)	–	–	–	(1,073)	(14,058)
Transfer to other assets	–	–	–	–	(76)	(76)
Transfer between categories	–	8	4,353	–	(4,361)	–
Exchange translation differences	(91)	(999)	(333)	–	(5,545)	(6,968)
At 31 December 2015 and 1 January 2016	–	26,294	30,091	14,274	117,203	187,862
Additions	–	1,125	1,113	1	17,807	20,046
Relating to subsidiaries acquired (see note 36(c))	–	26	1,690	–	400	2,116
Disposals	–	(4)	(92)	(188)	(442)	(726)
Relating to subsidiaries disposed (see note 36(d))	–	(1,391)	(4,854)	(14,087)	(4,496)	(24,828)
Transfer from (to) other assets	–	32	–	–	(2,394)	(2,362)
Transfer between categories	–	219	6,088	–	(6,097)	210
Exchange translation differences	–	(1,934)	(1,975)	–	(15,074)	(18,983)
At 31 December 2016	–	24,367	32,061	–	106,907	163,335
<b>Accumulated depreciation and impairment</b>						
At 1 January 2015	3,242	–	–	93	1,209	4,544
Charge for the year	102	559	1,979	530	5,390	8,560
Disposals	–	–	–	–	(321)	(321)
Relating to subsidiaries disposed (see note 36(d))	–	(3)	–	–	(50)	(53)
Distribution In Specie (see note 36(e))	(3,341)	–	–	–	(864)	(4,205)
Transfer from other assets	–	5	–	–	2	7
Transfer between categories	–	–	(77)	–	77	–
Exchange translation differences	(3)	(119)	95	–	(498)	(525)
At 31 December 2015 and 1 January 2016	–	442	1,997	623	4,945	8,007
Charge for the year	–	1,114	4,041	642	7,465	13,262
Disposals	–	(2)	(42)	(7)	(172)	(223)
Relating to subsidiaries disposed (see note 36(d))	–	(22)	(760)	(1,258)	(56)	(2,096)
Transfer from (to) other assets	–	3	–	–	(410)	(407)
Transfer between categories	–	18	334	–	(142)	210
Exchange translation differences	–	(106)	(258)	–	(652)	(1,016)
At 31 December 2016	–	1,447	5,312	–	10,978	17,737
<b>Net book value</b>						
At 31 December 2016	–	22,920	26,749	–	95,929	145,598
At 31 December 2015	–	25,852	28,094	13,651	112,258	179,855
At 1 January 2015	9,785	–	–	7,506	163	17,454

- (i) Cost and net book value of other assets include HK\$19,303 million (2015 - HK\$18,993 million) and HK\$17,306 million (2015 - HK\$18,131 million) respectively relate to the business of Ports and Related Services, and HK\$68,749 million (2015 - HK\$75,624 million) and HK\$64,421 million (2015 - HK\$74,002 million) respectively relate to the business of Infrastructure.

## Notes to the Financial Statements

### 14 Fixed assets (continued)

The analysis of the Group's aggregate future minimum lease payments receivable under non-cancellable operating leases of fixed assets is as follows:

	2016 HK\$ millions	2015 HK\$ millions
Within 1 year	3,744	5,620
After 1 year, but within 5 years	7,194	14,360
After 5 years	1,909	5,546

### 15 Investment properties

	2016 HK\$ millions	2015 HK\$ millions
<b>Valuation</b>		
At 1 January	334	33,285
Relating to subsidiaries acquired (see note 36(c))	–	305
Increase in fair value of investment properties	10	555
Distribution In Specie (see note 36(e))	–	(33,811)
At 31 December	344	334

Investment properties have been fair valued as at 31 December 2016 and 31 December 2015 by DTZ Debenham Tie Leung Limited, professional valuers.

As at 31 December 2016 and 2015, the fair value of investment properties which reflects the highest and best use was arrived at by reference to comparable market transactions and also taking reference of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

There were no transfers among Level 1, Level 2 and Level 3 during the year. The Group's policy is to recognise transfers into / out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

As at 31 December 2016 and 2015, the Group's aggregate future minimum lease payments receivable under non-cancellable operating leases is not material.

## 16 Leasehold land

	2016 HK\$ millions	2015 HK\$ millions
<b>Net book value</b>		
At 1 January	7,215	–
Relating to subsidiaries acquired (see note 36(c))	1,877	7,861
Amortisation for the year	(416)	(189)
Relating to subsidiaries disposed (see note 36(d))	(257)	(327)
Exchange translation differences	(264)	(130)
At 31 December	8,155	7,215

## 17 Telecommunications licences

	2016 HK\$ millions	2015 HK\$ millions
<b>Net book value</b>		
At 1 January	32,608	–
Additions	4,013	2,448
Relating to subsidiaries acquired (see note 36(c))	–	31,571
Amortisation for the year	(823)	(352)
Relating to subsidiaries disposed (see note 36(d))	(8,899)	–
Exchange translation differences	(2,963)	(1,059)
At 31 December	23,936	32,608
Cost	25,027	32,960
Accumulated amortisation and impairment	(1,091)	(352)
	23,936	32,608

The carrying amount of telecommunications licences primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015.

The Group's telecommunications licences in the UK are considered to have an indefinite useful life and their carrying amount at 31 December 2016 is £1,359 million (2015 - £1,357 million).

## Notes to the Financial Statements

### 18 Brand names and other rights

	Brand names HK\$ millions	Other rights HK\$ millions	Total HK\$ millions
<b>Net book value</b>			
At 1 January 2015	–	–	–
Additions	–	540	540
Relating to subsidiaries acquired (see note 36(c))	66,740	16,795	83,535
Transfer from other assets	–	65	65
Amortisation for the year	(7)	(632)	(639)
Exchange translation differences	(561)	(707)	(1,268)
At 31 December 2015 and 1 January 2016	<b>66,172</b>	<b>16,061</b>	<b>82,233</b>
Additions	–	487	487
Transfer from other assets	–	2,304	2,304
Amortisation for the year	(12)	(1,501)	(1,513)
Relating to subsidiaries disposed (see note 36(d))	(2,099)	(2,234)	(4,333)
Exchange translation differences	(3,941)	(1,612)	(5,553)
At 31 December 2016	<b>60,120</b>	<b>13,505</b>	<b>73,625</b>
Cost	<b>60,139</b>	<b>15,049</b>	<b>75,188</b>
Accumulated amortisation	(19)	(1,544)	(1,563)
	<b>60,120</b>	<b>13,505</b>	<b>73,625</b>

The carrying amount of brand names and other rights primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015. At 31 December 2016,

- brand names relate to Retail of approximately HK\$49 billion (2015 - HK\$52 billion) and Telecommunications of approximately HK\$11 billion (2015 - HK\$14 billion) are considered to have an indefinite useful life; and
- other rights, which include rights of use of telecommunications network infrastructure sites of HK\$750 million (2015 - HK\$927 million), operating and service content rights of HK\$10,000 million (2015 - HK\$11,786 million), resource consents and customer lists of HK\$2,755 million (2015 - HK\$3,180 million) are amortised over their finite useful lives.

## 19 Goodwill

	2016 HK\$ millions	2015 HK\$ millions
<b>Cost</b>		
At 1 January	261,449	–
Relating to subsidiaries acquired (see note 36(c))	27	264,051
Exchange translation differences	(6,728)	(2,602)
At 31 December	254,748	261,449

Goodwill primarily arises from the acquisition of the HWL's businesses pursuant to the Merger Proposal in 2015. As at 31 December 2016, the carrying amount of goodwill has been mainly allocated to Retail of approximately HK\$114 billion (2015 - HK\$114 billion) and CKI of approximately HK\$39 billion (2015 - HK\$39 billion).

Goodwill and assets with indefinite useful lives (telecommunication licences and brand names) are allocated to business units and divisions as described in notes 17, 18 and in this note. In assessing whether these assets have suffered any impairment, the carrying value of the respective business unit or division on which these assets are allocated is compared with its recoverable amount. The results of the tests undertaken as at 31 December 2016 and 2015 indicated no impairment charge was necessary.

As additional information,

- (i) the recoverable amount for the purpose of impairment testing for the businesses Retail is based on fair value less costs of disposal which utilises cash flow projections based on the latest approved financial budgets for 5 years discounted to present value at a pre-tax rate of 5% to 9% (2015 - 6% to 9%) and where applicable, in the calculation, the cash flows beyond the 5 year period have been extrapolated using a growth rate of 1% to 4% (2015 - 1% to 3%) per annum;
- (ii) the recoverable amount for the purpose of impairment testing for CKI is based on fair value less costs of disposal, and is determined by reference to the prevailing trading prices and with consideration for premium over the Group's controlling block of CKI shares (Level 3 of the HKFRS 13 fair value hierarchy); and
- (iii) the Group prepared the financial budgets reflecting current and prior year performances, market development expectations and where available and relevant, observable market data. There are a number of assumptions and estimates involved for the preparation of the budget, the cash flow projections for the period covered by the approved budget and the estimated terminal value at the end of the budget period. Key assumptions include the expected growth in revenues and gross margin, inventory level, volume and operating costs, timing of future capital expenditures, growth rates and selection of discount rates and, where applicable, for the fair value less cost of disposal calculation, the prevailing trading prices and control premium that can be realised for the estimated fair value. A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective business units and divisions.

## Notes to the Financial Statements

### 20 Associated companies

	2016 HK\$ millions	2015 HK\$ millions
Unlisted shares	8,553	8,667
Listed shares, Hong Kong	65,803	65,803
Listed shares, outside Hong Kong	78,095	77,405
Share of undistributed post acquisition reserves	(6,636)	(8,712)
	145,815	143,163
Amounts due from associated companies	4,591	5,209
	150,406	148,372

The market value of the above listed investments at 31 December 2016 was HK\$114,919 million (2015 - HK\$113,173 million), inclusive of HK\$38,080 million (2015 - HK\$31,467 million) and HK\$56,703 million (2015 - HK\$59,026 million) for material associated companies, namely Husky Energy and Power Assets Holdings Limited ("Power Assets") respectively.

There are no material contingent liabilities relating to the Group's interests in the associated companies, save as for those disclosed in note 40.

Set out below are additional information in respect of the Group's material associated companies in 2016:

	2016 Material associated companies	
	Husky Energy HK\$ millions	Power Assets HK\$ millions
Dividends received from associated companies	690 <sup>(a)</sup>	2,257
Gross amount of the following items of the associated companies <sup>(b)</sup> :		
Total revenue	75,827	1,288
EBITDA	23,106	15,290
EBIT	8,534	11,168
Other comprehensive income (losses)	4,395	(5,798)
Total comprehensive income	10,565	619
Current assets	25,001	61,871
Non-current assets	219,245	105,083
Current liabilities	18,487	2,641
Non-current liabilities	75,210	8,725
Net assets (net of preferred shares, perpetual capital securities and non-controlling interests)	146,125	155,588
Reconciliation to the carrying amount of the Group's interests in associated companies:		
Group's interest	40.2%	38.9%
Group's share of net assets, and its carrying amount	58,709	60,479



## 20 Associated companies (continued)

	Husky Energy HK\$ millions	Power Assets HK\$ millions	Other associated companies HK\$ millions	2016 Total HK\$ millions
Group's share of the following items of the associated companies <sup>(b)</sup> :				
Profits less losses after tax	2,479	2,494	1,389	6,362
Other comprehensive income (losses)	1,766	(2,253)	(54)	(541)
Total comprehensive income	4,245	241	1,335	5,821

Set out below are additional information in respect of the Group's material associated companies in 2015:

	2015 Material associated companies		
	HWL <sup>(c)</sup> HK\$ millions	Husky Energy HK\$ millions	Power Assets HK\$ millions
Dividends received from associated companies	3,739	2,717	2,232
Gross amount of the following items of the associated companies <sup>(b) (d)</sup> :			
Total revenue	106,157	54,780	1,308
EBITDA	32,880	12,662	16,829
EBIT	19,914	4,122	12,424
Other comprehensive income (losses)	(11,756)	(16,629)	(1,482)
Total comprehensive income (losses)	(3,698)	(14,767)	6,250
Current assets	–	16,202	68,544
Non-current assets	–	222,390	103,674
Current liabilities	–	21,328	2,119
Non-current liabilities	–	79,035	9,642
Net assets (net of preferred shares, perpetual capital securities and non-controlling interests)	–	133,842	160,457
Reconciliation to the carrying amount of the Group's interests in associated companies:			
Group's interest	–	40.2%	38.9%
Group's share of net assets	–	53,774	62,370
Amounts due from associated companies	–	660	–
Carrying amount	–	54,434	62,370

## Notes to the Financial Statements

### 20 Associated companies (continued)

	HWL <sup>(c)</sup> HK\$ millions	Husky Energy HK\$ millions	Power Assets HK\$ millions	Other associated companies HK\$ millions	2015 Total HK\$ millions
Group's share of the following items of the associated companies <sup>(b)</sup> :					
Profits less losses after tax (before profits on disposal of investments and others)	4,222	751	1,639	833	7,445
Profits on disposal of investments and others	(196)	—	—	—	(196)
Other comprehensive income (losses)	(5,372)	(6,681)	(364)	(781)	(13,198)
<b>Total comprehensive income (losses)</b>	<b>(1,346)</b>	<b>(5,930)</b>	<b>1,275</b>	<b>52</b>	<b>(5,949)</b>

- (a) Represented stock dividends received from Husky Energy in January 2016.
- (b) After translation into Hong Kong dollars and consolidation adjustments.
- (c) As HWL became a wholly owned subsidiary of the Group during the year ended 31 December 2015, HWL's respective profit and loss items are included in the summarised financial information for the Group's material associated companies above up to the effective date it became a wholly owned subsidiary, and HWL's respective statement of financial position items as at 31 December 2015 are not included above as it is no longer an associated company and its assets and liabilities are consolidated in the Group's statement of financial position as at that date.
- (d) As additional information, the gross amount of profits less losses after tax arising from discontinued operations of HWL for the year ended 31 December 2015 amounted to HK\$6,334 million.

Particulars regarding the principal associated companies are set forth on pages 275 to 278.

## 21 Interests in joint ventures

	2016 HK\$ millions	2015 HK\$ millions
Unlisted shares	100,255	75,984
Share of undistributed post acquisition reserves	(7,302)	(474)
	92,953	75,510
Amounts due from joint ventures	13,300	16,915
	106,253	92,425

There are no material contingent liabilities relating to the Group's interests in the joint ventures, save as for those disclosed in note 40.

Set out below are the aggregate amount of the Group's share of the following items of joint ventures:

	2016 HK\$ millions	2015 HK\$ millions
Profits less losses after tax <sup>(a)</sup>	10,251	6,187
Other comprehensive income (losses)	(11,663)	(2,349)
Total comprehensive income (losses)	(1,412)	3,838
Capital commitments	1,862	1,469

- (a) From the second half of 2012, VHA is undergoing a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. Since then, HTAL's share of VHA's results is presented as a separate item under profits on disposal of investments and others (see note 6(c) and 6(d)) to separately identify it from the recurring earnings profile.

Particulars regarding the principal joint ventures are set forth on pages 275 to 278.

## Notes to the Financial Statements

### 22 Deferred tax

	2016 HK\$ millions	2015 HK\$ millions
Deferred tax assets	15,856	20,986
Deferred tax liabilities	23,692	26,062
Net deferred tax liabilities	<b>(7,836)</b>	(5,076)

Movements in net deferred tax assets (liabilities) are summarised as follows:

	2016 HK\$ millions	2015 HK\$ millions
At 1 January	<b>(5,076)</b>	(1,022)
Relating to subsidiaries acquired (see note 36(c))	2	(4,344)
Distribution In Specie (see note 36(e))	–	1,013
Relating to subsidiaries disposed (see note 36(d))	<b>(2,004)</b>	(81)
Transfer to current tax	175	(7)
Net credit (charge) to other comprehensive income	518	(52)
Net credit (charge) to the income statement		
Unused tax losses	<b>(653)</b>	(302)
Accelerated depreciation allowances	161	1,550
Fair value adjustments arising from acquisitions	<b>(194)</b>	(197)
Withholding tax on undistributed profits	<b>(116)</b>	(71)
Other temporary differences	<b>(415)</b>	(1,257)
Exchange translation differences	<b>(234)</b>	(306)
At 31 December	<b>(7,836)</b>	(5,076)

Analysis of net deferred tax assets (liabilities):

	2016 HK\$ millions	2015 HK\$ millions
Unused tax losses	<b>13,846</b>	18,110
Accelerated depreciation allowances	<b>(9,181)</b>	(10,749)
Fair value adjustments arising from acquisitions	<b>(9,582)</b>	(9,665)
Revaluation of investment properties and other investments	126	86
Withholding tax on undistributed profits	<b>(587)</b>	(499)
Other temporary differences	<b>(2,458)</b>	(2,359)
	<b>(7,836)</b>	(5,076)

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for income taxes. To the extent that dividends distributed from investments in subsidiaries, branches and associates, and interests in joint ventures are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for the temporary differences arising from undistributed profits of these companies to the extent that the undistributed profits are considered permanently employed in their businesses and it is probable that such temporary differences will not reverse in the foreseeable future.

## 22 Deferred tax (continued)

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The amounts shown in the consolidated statement of financial position are determined after appropriate offset.

At 31 December 2016, the Group has recognised accumulated deferred tax assets amounting to HK\$15,856 million (2015 - HK\$20,986 million) of which HK\$14,270 million (2015 - HK\$19,001 million) relates to 3 Group Europe.

Note 3(e) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unused tax losses carried forward.

The Group has not recognised deferred tax assets of HK\$13,837 million at 31 December 2016 (2015 - HK\$22,037 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK\$53,193 million (2015 - HK\$99,244 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK\$32,464 million (2015 - HK\$72,464 million) can be carried forward indefinitely and the balances expire in the years:

	2016 HK\$ millions	2015 HK\$ millions
In the first year	2,404	5,000
In the second year	6,525	2,441
In the third year	3,947	6,455
In the fourth year	4,610	3,720
After the fourth year	3,243	9,164
	<b>20,729</b>	<b>26,780</b>

## 23 Other non-current assets

	2016 HK\$ millions	2015 HK\$ millions
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	165	436
Available-for-sale investments		
Unlisted equity securities	1,059	1,518
Fair value hedges		
Interest rate swaps	119	256
Cash flow hedges		
Interest rate swaps	-	76
Forward foreign exchange contracts	196	-
Other contracts	2	-
Net investment hedges	3,199	1,902
Other derivative financial instruments	356	50
	<b>5,096</b>	<b>4,238</b>

The carrying value of the unlisted debt securities approximates the fair value as these investments bear floating interest rates and are repriced within one to six-month periods at the prevailing market interest rates.

Unlisted equity securities where there is a history of dividends are carried at fair value based on the discounted present value of expected future dividends. The value of the remaining unlisted equity securities are not significant to the Group.

## Notes to the Financial Statements

### 24 Liquid funds and other listed investments

	2016 HK\$ millions	2015 HK\$ millions
Available-for-sale investments		
Managed funds, outside Hong Kong	2,932	4,773
Listed / traded debt securities, outside Hong Kong	1,184	1,177
Listed equity securities, Hong Kong	1,621	2,029
Listed equity securities, outside Hong Kong	58	2,181
	5,795	10,160
Financial assets at fair value through profit or loss	159	95
	5,954	10,255

Components of managed funds, outside Hong Kong are as follows:

	2016 HK\$ millions	2015 HK\$ millions
Listed debt securities	2,765	4,606
Listed equity securities	151	153
Cash and cash equivalents	16	14
	2,932	4,773

Included in listed / traded debt securities outside Hong Kong as at 31 December 2016 and 2015 are notes issued by listed associated company, Husky Energy at a principal amount of US\$25 million mature in 2019.

The fair value of the available-for-sale investments and financial assets designated as "at fair value through profit or loss" are based on quoted market prices.

At 31 December, liquid funds and other listed investments are denominated in the following currencies:

	2016		2015	
	Available- for-sale investments Percentage	Financial assets at fair value through profit or loss Percentage	Available- for-sale investments Percentage	Financial assets at fair value through profit or loss Percentage
HK dollars	28%	—	30%	—
US dollars	54%	69%	54%	36%
Other currencies	18%	31%	16%	64%
	100%	100%	100%	100%

## 24 Liquid funds and other listed investments (continued)

Listed / traded debt securities as at 31 December presented above are analysed as follows:

	2016 Percentage	2015 Percentage
<b>Credit ratings</b>		
Aaa / AAA	12%	14%
Aa1 / AA+	58%	66%
Aa3 / AA-	2%	2%
Other investment grades	6%	4%
Unrated	22%	14%
	<b>100%</b>	<b>100%</b>
<b>Sectorial</b>		
US Treasury notes	58%	61%
Government and government guaranteed notes	4%	18%
Husky Energy notes	6%	4%
Financial institutions notes	3%	2%
Others	29%	15%
	<b>100%</b>	<b>100%</b>
Weighted average maturity	<b>2 years</b>	2 years
Weighted average effective yield	<b>2.35%</b>	1.88%

## 25 Cash and cash equivalents

	2016 HK\$ millions	2015 HK\$ millions
Cash at bank and in hand	25,461	28,107
Short term bank deposits	130,809	93,064
	<b>156,270</b>	121,171

The carrying amount of cash and cash equivalents approximates their fair value.

## Notes to the Financial Statements

### 26 Trade and other receivables

	2016 HK\$ millions	2015 HK\$ millions
Trade receivables	13,202	19,165
Less: provision for estimated impairment losses for bad debts	(2,615)	(3,767)
Trade receivables - net	10,587	15,398
Other receivables and prepayments	34,470	35,672
Fair value hedges		
Interest rate swaps	2	547
Cash flow hedges		
Forward foreign exchange contracts	8	2
Net investment hedges	3,282	423
Other derivative financial instruments	23	-
	<b>48,372</b>	<b>52,042</b>

Trade and other receivables are stated at the expected recoverable amount, net of any provision for estimated impairment losses for bad debts where it is deemed that a receivable may not be fully recoverable. The carrying amount of these assets approximates their fair value.

Trade receivables exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days. As stated above trade receivables which are past due at the end of the reporting period are stated at the expected recoverable amount, net of provision for estimated impairment losses for bad debts. Given the profile of our customers and the Group's different types of businesses, the Group generally does not hold collateral over these balances.

The Group's five largest customers contributed less than 4% of the Group's turnover for the year ended 31 December 2016 (2015 - less than 4%).

(a) At 31 December, the ageing analysis of the trade receivables presented based on the invoice date, is as follows:

	2016 HK\$ millions	2015 HK\$ millions
Less than 31 days	7,260	10,262
Within 31 to 60 days	1,889	1,843
Within 61 to 90 days	771	673
Over 90 days	3,282	6,387
	<b>13,202</b>	<b>19,165</b>



## 26 Trade and other receivables (continued)

- (b) As at 31 December 2016, out of the trade receivables of HK\$13,202 million (2015 - HK\$19,165 million), HK\$8,665 million (2015 - HK\$11,808 million) are impaired and it is assessed that portion of these receivables is expected to be recoverable. The amount of the provision for estimated impairment losses for bad debts is HK\$2,615 million (2015 - HK\$3,767 million). The ageing analysis of these trade receivables is as follows:

	2016 HK\$ millions	2015 HK\$ millions
Not past due	3,878	3,920
Past due less than 31 days	985	651
Past due within 31 to 60 days	636	517
Past due within 61 to 90 days	504	407
Past due over 90 days	2,662	6,313
	<b>8,665</b>	<b>11,808</b>

Movements on the provision for estimated impairment losses for bad debts are as follows:

	2016 HK\$ millions	2015 HK\$ millions
At 1 January	3,767	—
Additions	1,845	4,137
Utilisations	(782)	(224)
Write back	(255)	(220)
Relating to subsidiaries disposed	(1,410)	(8)
Exchange translation differences	(550)	82
At 31 December	<b>2,615</b>	<b>3,767</b>

The ageing analysis of trade receivables not impaired is as follows:

	2016 HK\$ millions	2015 HK\$ millions
Not past due	2,887	5,024
Past due less than 31 days	989	1,451
Past due within 31 to 60 days	273	422
Past due within 61 to 90 days	129	168
Past due over 90 days	259	292
	<b>4,537</b>	<b>7,357</b>

## Notes to the Financial Statements

### 27 Inventories

	2016 HK\$ millions	2015 HK\$ millions
Retail stock and others	18,852	19,761

### 28 Trade and other payables

	2016 HK\$ millions	2015 HK\$ millions
Trade payables	17,380	20,393
Other payables and accruals	64,002	72,366
Provisions (see note 29)	744	1,017
Interest free loans from non-controlling shareholders	927	951
Cash flow hedges		
Forward foreign exchange contracts	1	1
Net investment hedges	3	121
Other derivative financial instruments	41	–
	<b>83,098</b>	<b>94,849</b>

The Group's five largest suppliers accounted for less than 22% of the Group's cost of purchases for the year ended 31 December 2016 (2015 - less than 29%).

At 31 December, the ageing analysis of the trade payables is as follows:

	2016 HK\$ millions	2015 HK\$ millions
Less than 31 days	11,648	12,948
Within 31 to 60 days	3,015	3,234
Within 61 to 90 days	1,327	2,067
Over 90 days	1,390	2,144
	<b>17,380</b>	<b>20,393</b>

## 29 Provisions

	Provision for commitments, onerous contracts and other guarantees	Closure obligations	Assets retirement obligation	Others	Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
At 1 January 2015	–	–	–	–	–
Additions	–	44	9	294	347
Relating to subsidiaries acquired	36,179	457	887	316	37,839
Interest accretion	–	2	14	–	16
Utilisations	(1,459)	(13)	(65)	(16)	(1,553)
Write back	–	(3)	–	(65)	(68)
Exchange translation differences	(487)	6	(28)	(5)	(514)
At 31 December 2015 and 1 January 2016	<b>34,233</b>	<b>493</b>	<b>817</b>	<b>524</b>	<b>36,067</b>
Additions	–	15	6	104	125
Interest accretion	–	6	24	–	30
Utilisations	(1,767)	(80)	(107)	(24)	(1,978)
Write back	–	(46)	–	(69)	(115)
Relating to subsidiaries disposed	–	–	(62)	(95)	(157)
Exchange translation differences	26	(77)	(67)	(7)	(125)
At 31 December 2016	<b>32,492</b>	<b>311</b>	<b>611</b>	<b>433</b>	<b>33,847</b>

Provisions are analysed as:

	2016 HK\$ millions	2015 HK\$ millions
Current portion (see note 28)	744	1,017
Non-current portion (see note 33)	33,103	35,050
	<b>33,847</b>	<b>36,067</b>

The provision for closure obligations represents costs to execute integration plans and store closures. The provision for assets retirement obligations represents the present value of the estimated future costs of dismantling and removing fixed assets when they are no longer used and restoring the sites on which they are located. The provision for commitments, onerous contracts and other guarantees represents the unavoidable costs of meeting these commitments and obligations after deducting the associated, expected future benefits and / or estimated recoverable value.

## Notes to the Financial Statements

### 30 Bank and other debts

The carrying amount of bank and other debts comprises items measured at amortised cost and an element of fair value which is due to movements in interest rates. The following is an analysis of the carrying amount of the bank and other debts:

	2016			2015		
	Current portion HK\$ millions	Non-current portion HK\$ millions	Total HK\$ millions	Current portion HK\$ millions	Non-current portion HK\$ millions	Total HK\$ millions
Bank loans	20,612	64,371	84,983	9,663	75,410	85,073
Other loans	669	1,569	2,238	214	2,573	2,787
Notes and bonds	50,312	154,514	204,826	22,357	177,386	199,743
Total principal amount of bank and other debts	71,593	220,454	292,047	32,234	255,369	287,603
Unamortised fair value adjustments arising from acquisitions	336	11,647	11,983	1,020	15,383	16,403
Total bank and other debts before the following items <sup>(i)</sup>	71,929	232,101	304,030	33,254	270,752	304,006
Unamortised loan facilities fees and premiums or discounts related to debts	–	(603)	(603)	–	(197)	(197)
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	(49)	(238)	(287)	(238)	(19)	(257)
	71,880	231,260	303,140	33,016	270,536	303,552

(i) See note 34(c)(i).

### 30 Bank and other debts (continued)

Analysis of principal amount of bank and other debts:

	2016			2015		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Bank loans	20,612	64,371	84,983	9,663	75,410	85,073
Other loans	669	1,569	2,238	214	2,573	2,787
Notes and bonds						
HK\$150 million notes, 5.1% due 2016	–	–	–	150	–	150
HK\$330 million notes, 2.45% due 2016	–	–	–	330	–	330
HK\$377 million notes, 2.56% due 2016	–	–	–	377	–	377
HK\$500 million notes, 4.88% due 2018	–	500	500	–	500	500
HK\$500 million notes, 4.3% due 2020	–	500	500	–	500	500
HK\$500 million notes, 4.35% due 2020	–	500	500	–	500	500
HK\$300 million notes, 3.9% due 2020	–	300	300	–	300	300
HK\$400 million notes, 3.45% due 2021	–	400	400	–	400	400
HK\$300 million notes, 3.35% due 2021	–	300	300	–	300	300
HK\$260 million notes, 4% due 2027	–	260	260	–	260	260
US\$300 million notes, LIBOR* + 0.7% due 2017	2,340	–	2,340	–	2,340	2,340
US\$492 million notes - Series B, 7.45% due 2017	3,837	–	3,837	–	3,837	3,837
US\$1,000 million notes, 2% due 2017	7,800	–	7,800	–	7,800	7,800
US\$1,000 million notes, 3.5% due 2017	7,800	–	7,800	–	7,800	7,800
US\$2,000 million notes, 1.625% due 2017	15,600	–	15,600	–	15,600	15,600
US\$1,000 million notes, 5.75% due 2019	–	7,800	7,800	–	7,800	7,800
US\$1,500 million notes, 7.625% due 2019	–	11,700	11,700	–	11,700	11,700
US\$750 million notes, 1.875% due 2021	–	5,850	5,850	–	–	–
US\$1,500 million notes, 4.625% due 2022	–	11,700	11,700	–	11,700	11,700
US\$500 million notes, 3.25% due 2022	–	3,900	3,900	–	3,900	3,900
US\$1,500 million notes, 3.625% due 2024	–	11,700	11,700	–	11,700	11,700
US\$500 million notes, 2.75% due 2026	–	3,900	3,900	–	–	–
US\$309 million (2015 - US\$329 million) notes - Series C, 7.5% due 2027	–	2,410	2,410	–	2,565	2,565
US\$1,039 million notes, 7.45% due 2033	–	8,107	8,107	–	8,107	8,107
US\$25 million notes-Series D, 6.988% due 2037	–	196	196	–	196	196
SGD180 million notes, 2.585% due 2016	–	–	–	994	–	994
SGD320 million notes, 3.408% due 2018	–	1,718	1,718	–	1,767	1,767
EUR669 million notes, 4.625% due 2016	–	–	–	5,667	–	5,667
EUR1,750 million notes, 4.75% due 2016	–	–	–	14,822	–	14,822
EUR1,250 million notes, 2.5% due 2017	10,100	–	10,100	–	10,588	10,588
EUR1,500 million notes, 1.375% due 2021	–	12,120	12,120	–	12,705	12,705
EUR750 million notes, 3.625% due 2022	–	6,060	6,060	–	6,353	6,353

## Notes to the Financial Statements

### 30 Bank and other debts (continued)

Analysis of principal amount of bank and other debts (continued):

	2016			2015		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
EUR1,350 million notes, 1.25% due 2023	–	10,908	10,908	–	–	–
EUR1,000 million notes, 0.875% due 2024	–	8,080	8,080	–	–	–
EUR650 million notes, 2% due 2028	–	5,252	5,252	–	–	–
GBP113 million bonds, 5.625% due 2017	1,088	–	1,088	–	1,305	1,305
GBP180 million (2015 - GBP300 million) bonds, 6% due 2017	1,732	–	1,732	–	3,462	3,462
GBP300 million bonds, 5.831% due 2020	–	2,886	2,886	–	3,462	3,462
GBP100 million notes, 5.82% due 2021	–	962	962	–	1,154	1,154
GBP350 million bonds, 6.875% due 2023	–	3,367	3,367	–	4,039	4,039
GBP400 million bonds, 6.359% due 2025	–	3,848	3,848	–	4,616	4,616
GBP33 million notes, 2.56% due 2026	–	317	317	–	–	–
GBP300 million bonds, 1.625% due 2026	–	2,886	2,886	–	–	–
GBP303 million bonds, 5.625% due 2026	–	2,914	2,914	–	3,496	3,496
GBP45 million notes, 2.56% due 2028	–	433	433	–	–	–
GBP90 million notes, 3.54% due 2030	–	866	866	–	1,039	1,039
GBP22 million notes, 2.83% due 2031	–	212	212	–	–	–
GBP350 million bonds, 5.625% due 2033	–	3,367	3,367	–	4,039	4,039
GBP247 million (2015 - GBP248 million) bonds, 5.87526% due 2034	11	2,364	2,375	8	2,849	2,857
GBP400 million bonds, 6.697% due 2035	–	3,848	3,848	–	4,616	4,616
GBP50 million notes, 5.01% due 2036	–	481	481	–	577	577
GBP100 million notes, LIBOR* + 2.33% due 2036	–	962	962	–	1,154	1,154
GBP207 million (2015 - GBP204 million) bonds, RPI# + 2.033% due 2036	–	1,997	1,997	–	2,364	2,364
GBP59 million (2015 - GBP60 million) bonds, 6.627% due 2037	4	562	566	9	680	689
GBP82 million (2015 - GBP80 million) bonds, RPI# + 1.6274% due 2041	–	786	786	–	930	930
GBP360 million bonds, 5.125% due 2042	–	3,463	3,463	–	4,154	4,154
GBP135 million (2015 - GBP133 million) bonds, RPI# + 1.7118% due 2049	–	1,301	1,301	–	1,540	1,540
GBP135 million (2015 - GBP133 million) bonds, RPI# + 1.7484% due 2053	–	1,301	1,301	–	1,540	1,540
JPY3,000 million notes, 1.75% due 2019	–	205	205	–	192	192
JPY15,000 million notes, 2.6% due 2027	–	1,025	1,025	–	960	960
	50,312	154,514	204,826	22,357	177,386	199,743
	71,593	220,454	292,047	32,234	255,369	287,603

\* LIBOR represents the London Interbank Offered Rates

# RPI represents UK Retail Price Index

### 30 Bank and other debts (continued)

Bank and other debts at principal amount are repayable as follows:

	2016			2015		
	Current portion HK\$ millions	Non-current portion HK\$ millions	Total HK\$ millions	Current portion HK\$ millions	Non-current portion HK\$ millions	Total HK\$ millions
<b>Bank loans</b>						
Current portion	20,612	–	20,612	9,663	–	9,663
After 1 year, but within 2 years	–	8,097	8,097	–	22,594	22,594
After 2 years, but within 5 years	–	52,669	52,669	–	46,556	46,556
After 5 years	–	3,605	3,605	–	6,260	6,260
	<b>20,612</b>	<b>64,371</b>	<b>84,983</b>	9,663	75,410	85,073
<b>Other loans</b>						
Current portion	669	–	669	214	–	214
After 1 year, but within 2 years	–	218	218	–	790	790
After 2 years, but within 5 years	–	528	528	–	735	735
After 5 years	–	823	823	–	1,048	1,048
	<b>669</b>	<b>1,569</b>	<b>2,238</b>	214	2,573	2,787
<b>Notes and bonds</b>						
Current portion	50,312	–	50,312	22,357	–	22,357
After 1 year, but within 2 years	–	2,235	2,235	–	52,750	52,750
After 2 years, but within 5 years	–	43,761	43,761	–	26,807	26,807
After 5 years	–	108,518	108,518	–	97,829	97,829
	<b>50,312</b>	<b>154,514</b>	<b>204,826</b>	22,357	177,386	199,743
	<b>71,593</b>	<b>220,454</b>	<b>292,047</b>	32,234	255,369	287,603

The bank and other debts of the Group as at 31 December 2016 are secured to the extent of HK\$19,920 million (2015 - HK\$22,948 million).

Borrowings with principal amount of HK\$91,799 million (2015 - HK\$92,384 million) bear interest at floating interest rates and borrowings with principal amount of HK\$200,248 million (2015 - HK\$195,219 million) bear interest at fixed interest rates.

Borrowings at principal amount are denominated in the following currencies:

	2016 Percentage	2015 Percentage
US dollars	41%	36%
Euro	27%	25%
HK dollars	5%	7%
British Pounds	21%	25%
Other currencies	6%	7%
	<b>100%</b>	<b>100%</b>

## Notes to the Financial Statements

### 30 Bank and other debts *(continued)*

Derivative financial instruments are principally utilised by the Group in the management of its foreign currency and interest rate exposures. The Group has entered into interest rate swap agreements with banks and other financial institutions mainly to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2016, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK\$25,200 million (2015 - HK\$47,973 million).

In addition, interest rate swap agreements with notional amount of HK\$8,678 million (2015 - HK\$6,061 million) were entered to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings.

- (a) The analysis of derivative financial instruments utilised by the Group in the management of its interest rate and foreign currency exposures are as follows:

	2016			2015		
	Current portion HK\$ millions	Non-current portion HK\$ millions	Total HK\$ millions	Current portion HK\$ millions	Non-current portion HK\$ millions	Total HK\$ millions
<b>Fair value hedges</b>						
Derivative financial assets						
Interest rate swaps (see notes 23 and 26)	2	119	121	547	256	803
	2	119	121	547	256	803
<b>Cash flow hedges</b>						
Derivative financial assets						
Interest rate swaps (see note 23)	–	–	–	–	76	76
Forward foreign exchange contracts (see notes 23 and 26)	8	196	204	2	–	2
Other contracts (see note 23)	–	2	2	–	–	–
	8	198	206	2	76	78
Derivative financial liabilities						
Interest rate swaps (see note 33)	–	(550)	(550)	–	(160)	(160)
Forward foreign exchange contracts (see note 28)	(1)	–	(1)	(1)	–	(1)
Other contracts (see note 33)	–	(402)	(402)	–	(433)	(433)
	(1)	(952)	(953)	(1)	(593)	(594)
	7	(754)	(747)	1	(517)	(516)
<b>Net investment hedges</b>						
Derivative financial assets (see notes 23 and 26)	3,282	3,199	6,481	423	1,902	2,325
Derivative financial liabilities (see notes 28 and 33)	(3)	–	(3)	(121)	(19)	(140)
	3,279	3,199	6,478	302	1,883	2,185



### 31 Interest bearing loans from non-controlling shareholders

	2016 HK\$ millions	2015 HK\$ millions
Interest bearing loans from non-controlling shareholders	4,283	4,827

At 31 December 2016, these loans bear interest at rates ranging from Stockholm Interbank Offered Rate ("STIBOR") + 1.73% to 11% per annum (2015 - STIBOR + 1.73% to 11%). The carrying amount of the borrowings approximates their fair value.

### 32 Pension plans

	2016 HK\$ millions	2015 HK\$ millions
Defined benefit assets	–	–
Defined benefit liabilities	5,369	4,066
Net defined benefit liabilities	5,369	4,066

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

#### (a) Defined benefit plans

The Group's major defined benefit plans are in Hong Kong, the United Kingdom and the Netherlands. The plans are either contributory final salary pension plans or contributory career average pay plans or non-contributory guaranteed return defined contribution plans. No other post-retirement benefits are provided.

The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

	2016	2015
Discount rates	0.29%-2.80%	0.57%-3.95%
Future salary increases	0.5%-4.0%	0.5%-3.0%
Interest credited on two principal plans in Hong Kong	5.0%-6.0%	5.0%-6.0%

The amount recognised in the consolidated statement of financial position is determined as follows:

	2016 HK\$ millions	2015 HK\$ millions
Present value of defined benefit obligations	29,392	28,823
Fair value of plan assets	24,026	24,760
	5,366	4,063
Restrictions on assets recognised	3	3
Net defined benefit liabilities	5,369	4,066

## Notes to the Financial Statements

### 32 Pension plans (continued)

#### (a) Defined benefit plans (continued)

Movements in net defined benefit liabilities and its components are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Asset ceiling	Net defined benefit liabilities
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
At 1 January 2016	28,823	(24,760)	3	4,066
Net charge (credit) to the income statement				
Current service cost	624	44	–	668
Past service cost and gains and losses on settlements	(331)	–	–	(331)
Interest cost (income)	830	(741)	–	89
	1,123	(697)	–	426
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	(49)	–	–	(49)
Actuarial loss arising from change in financial assumptions	4,721	–	–	4,721
Actuarial gain arising from experience adjustment	(425)	–	–	(425)
Return on plan assets excluding interest income	–	(1,962)	–	(1,962)
Exchange translation differences	(3,473)	3,077	–	(396)
	774	1,115	–	1,889
Contributions paid by the employer	–	(862)	–	(862)
Contributions paid by the employee	100	(100)	–	–
Benefits paid	(1,266)	1,266	–	–
Relating to subsidiaries disposed (see note 36(d))	(146)	–	–	(146)
Transfer from (to) other liabilities	(16)	12	–	(4)
At 31 December 2016	29,392	(24,026)	3	5,369

## 32 Pension plans (continued)

### (a) Defined benefit plans (continued)

	Present value of defined benefit obligations HK\$ millions	Fair value of plan assets HK\$ millions	Asset ceiling HK\$ millions	Net defined benefit liabilities HK\$ millions
At 1 January 2015	–	–	–	–
Relating to subsidiaries acquired (see note 36(c))	30,974	(26,605)	3	4,372
Net charge (credit) to the income statement				
Current service cost	411	32	–	443
Past service cost and gains and losses on settlements	13	–	–	13
Interest cost (income)	534	(456)	–	78
	958	(424)	–	534
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial loss arising from change in demographic assumptions	397	–	–	397
Actuarial gain arising from change in financial assumptions	(1,978)	–	–	(1,978)
Actuarial loss arising from experience adjustment	635	–	–	635
Return on plan assets excluding interest income	–	1,120	–	1,120
Exchange translation differences	(1,164)	999	–	(165)
	(2,110)	2,119	–	9
Contributions paid by the employer	–	(514)	–	(514)
Contributions paid by the employee	57	(57)	–	–
Benefits paid	(698)	698	–	–
Relating to subsidiaries disposed (see note 36(d))	(336)	–	–	(336)
Transfer from (to) other liabilities	(22)	23	–	1
At 31 December 2015	28,823	(24,760)	3	4,066

The net defined benefit liabilities presented above represent the deficit calculated in accordance with Hong Kong Accounting Standard 19 "Employee Benefits" ("HKAS 19") and is the difference between the present value of the defined benefit obligation and the fair value of plan assets. Management appointed actuaries to carry out a valuation of these pension plans to determine the pension obligation and the fair value of the plan assets that are required to be disclosed and accounted for in the financial statements in accordance with HKAS 19 (the "accounting actuarial valuations"). The realisation of the deficit disclosed above is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. The accounting actuarial valuations are not used for the purposes of determining the funding contributions to the defined benefit pension plans. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. Funding requirements of the Group's major defined benefit pension plans are detailed below.

### 32 Pension plans (continued)

#### (a) Defined benefit plans (continued)

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 1 August 2015 reported a funding level of 127% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 5.5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2016, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK\$15 million (2015 - HK\$11 million) were used to reduce the current year's level of contributions and HK\$1 million forfeited contribution was available at 31 December 2016 (2015 - nil) to reduce future years' contributions.

The Group operates three contributory defined benefit pension plans for its ports operation in the United Kingdom. The plans are all final salary in nature and they are not open to new entrants. Of the three plans, the Port of Felixstowe Pension Plan ("Felixstowe Scheme") is the principal plan. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 December 2015 reported a funding level of 86% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP7.5 million and 2.7% of active members' pensionable salaries in 2016 and agreed to make additional contributions of GBP7.5 million per annum until 30 June 2023 and 2.7% of active members' pensionable salaries per annum until 30 September 2018 to eliminate the shortfall by 30 June 2023. The valuation used the projected unit credit method and the main assumptions in the valuation are a pre-retirement discount rates of 5% per annum; post-retirement discount rate of 4.45% per annum for non-pensioners and 2.9% per annum for pensioners; pensionable earnings increases of 2.8% per annum; pre-retirement Retail Price Index ("RPI") inflation of 2.8% per annum; post-retirement RPI inflation of 4.05% per annum for non-pensioners and 2.6% per annum for pensioners; pre-retirement Consumer Price Index ("CPI") inflation of 1.8% per annum; post-retirement CPI inflation of 3.05% per annum for non-pensioners and 1.6% per annum for pensioners; and pension increases of 2% to 3.5% per annum for non-pensioners and 1.4% to 2.55% per annum for pensioners. The valuation was prepared by Lloyd Cleaver, a Fellow of the Institute and Faculty of Actuaries, of Towers Watson Limited.

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit payable under the plans in return for actuarially determined contributions based on tariffs and conditions agreed for the term of the contracts. As the risk of providing past pension benefits is underwritten by the insurance companies, the Group does not carry funding risk relating to past service. The annual contribution to provide current year benefits varies in accordance with annual actuarial calculations.

The Group operates a defined benefit pension plan for certain of its retail operation in the United Kingdom. It is not open to new entrants. With effect from 28 February 2010, accrual of future defined benefits for all active members was ceased and the final salary linkage was also severed. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 March 2015 reported a funding level of 75% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP3.7 million in 2015 and GBP5.4 million in 2016, and agreed to make additional contributions of GBP5.5 million per annum until 31 December 2023, to eliminate the shortfall by 31 December 2023. The valuation used the projected unit credit method and the main assumptions in the valuation are investment returns of 2.85% to 4.7% per annum and pension increases of 2.05% to 3.25% per annum. The valuation was prepared by Paul Jayson, a Fellow of the Institute and Faculty of Actuaries, of Barnett Waddingham LLP.

In addition, the Group operates three defined benefit pension plans for certain of its infrastructure operation in the United Kingdom. Of the three plans, the Northumbrian Water Pension Scheme ("NWPS") is the principal plan. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 December 2013 reported a funding level of 83.1% of the accrued actuarial liabilities on an ongoing basis. The valuation used the projected unit credit method and the main assumptions in the valuation are a pre-retirement discount rates of 1.6% per annum above relevant fixed interest government bonds; post-retirement discount rate of 0.7% per annum above relevant fixed interest government bonds; and salary growth of 0.25% per annum above RPI inflation plus an allowance for promotional pay increases. Subsequent to the valuation date, certain changes to the scheme have been agreed with members to take effect from 1 January 2016. The main changes to the scheme were to base benefits from a final salary basis to a career average revalued earnings basis. The sponsoring employers have agreed, with effect from 1 April 2015 to 31 March 2031, to make additional contributions of GBP11 million per annum to eliminate the shortfall by 31 March 2031. These contributions will increase annually each 1 April with the increase in RPI over the 12 months to the preceding November. The valuation was prepared by Martin Potter, a Fellow of the Institute and Faculty of Actuaries, of Hymans Robertson LLP.

## 32 Pension plans (continued)

### (a) Defined benefit plans (continued)

#### (i) Plan assets

Fair value of the plan assets are analysed as follows:

	2016 Percentage	2015 Percentage
Equity instruments		
Consumer markets and manufacturing	8%	10%
Energy and utilities	3%	3%
Financial institutions and insurance	7%	9%
Telecommunications and information technology	3%	3%
Units trust and equity instrument funds	4%	3%
Others	10%	12%
	35%	40%
Debt instruments		
US Treasury notes	1%	1%
Government and government guaranteed notes	15%	11%
Financial institutions notes	2%	3%
Others	8%	7%
	26%	22%
Qualifying insurance policies	20%	18%
Properties	9%	2%
Other assets	10%	18%
	100%	100%

The debt instruments are analysed by issuers' credit rating as follows:

	2016 Percentage	2015 Percentage
Aaa / AAA	8%	29%
Aa1 / AA+	8%	12%
Aa2 / AA	49%	16%
Aa3 / AA-	1%	2%
A1 / A+	1%	2%
A2 / A	10%	12%
Other investment grades	19%	25%
No investment grades	4%	2%
	100%	100%

The fair value of the above equity instruments and debt instruments are determined based on quoted market prices.

Fair value of plan assets of HK\$24,026 million (2015 - HK\$24,760 million) includes investments in the Company's shares with a fair value of HK\$27 million (2015 - HK\$93 million).

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership and liability profile, and the liquidity requirements of the plans.

## Notes to the Financial Statements

### 32 Pension plans (continued)

#### (a) Defined benefit plans (continued)

##### (ii) Defined benefit obligation

The average duration of the defined benefit obligation as at 31 December 2016 is 18 years (2015 - 17 years).

The Group expects to make contributions of HK\$924 million (2015 - HK\$863 million) to the defined benefit plans next year.

HKAS 19 "Employee Benefits" requires disclosure of a sensitivity analysis for the significant actuarial assumptions, used to determine the present value of the defined benefit obligations, that shows the effects of a hypothetical change in the relevant actuarial assumption at the end of the reporting period on defined benefit obligations.

The effect that is disclosed in the following assumes that (a) a hypothetical change of the relevant actuarial assumption had occurred at the end of the reporting period and had applied to the relevant actuarial assumption in existence on that date; and (b) the sensitivity analysis for each type of actuarial assumption does not reflect inter-dependencies between different assumptions.

The preparation and presentation of the sensitivity analysis for significant actuarial assumptions is solely for compliance with HKAS 19 disclosure requirements in respect of defined benefit obligations. The sensitivity analysis measures changes in the defined benefit obligations from hypothetical instantaneous changes in one actuarial assumption (e.g. discount rate or future salary increase), the amount so generated from the sensitivity analysis are "what-if" forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice actuarial assumptions rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the markets which may cause fluctuations in actuarial assumptions (e.g. discount rate or future salary increase) to vary and therefore it is important to note that the hypothetical amounts so generated do not present a projection of likely future events and profits or losses.

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 3.9% or increase by 3.8% respectively (2015 - decrease by 4.1% or increase by 4.2% respectively).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.5% or decrease by 0.4% respectively (2015 - increase by 0.6% or decrease by 0.6% respectively).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

#### (b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK\$1,039 million (2015 - HK\$732 million) which has been charged to the profit or loss for the year. Forfeited contributions of HK\$9 million (2015 - HK\$1 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2016 (2015 - nil) to reduce future years' contributions.

### 33 Other non-current liabilities

	2016 HK\$ millions	2015 HK\$ millions
Cash flow hedges		
Interest rate swaps	550	160
Other contracts	402	433
Net investment hedges	–	19
Other derivative financial instruments	1,810	1,172
Obligations for telecommunications licences and other rights	5,850	6,588
Other non-current liabilities	5,644	4,617
Provisions (see note 29)	33,103	35,050
	<b>47,359</b>	<b>48,039</b>

### 34 Share capital, share premium, perpetual capital securities and capital management

#### (a) Share capital and share premium

	Number of shares	Share capital HK\$ millions	Share premium HK\$ millions	Total HK\$ millions
At 1 January 2015 - Cheung Kong	2,316,164,338	10,489	–	10,489
Cancellation of the shares of Cheung Kong pursuant to the Reorganisaton Proposal	(2,316,164,338)	(10,489)	–	(10,489)
Issue of new CK Hutchison shares <sup>(i)</sup> :				
On incorporation	1	–	–	–
Pursuant to the Reorganisaton Proposal	2,316,164,337	2,316	349,509	351,825
Pursuant to the Merger Proposal	1,543,514,162	1,544	258,693	260,237
Distribution In Specie	–	–	(363,511)	(363,511)
At 31 December 2015 and 1 January 2016 – CK Hutchison	<b>3,859,678,500</b>	<b>3,860</b>	<b>244,691</b>	<b>248,551</b>
Buy-back and cancellation of issued shares <sup>(ii)</sup>	<b>(2,000,000)</b>	<b>(2)</b>	<b>(186)</b>	<b>(188)</b>
At 31 December 2016	<b>3,857,678,500</b>	<b>3,858</b>	<b>244,505</b>	<b>248,363</b>

- (i) CK Hutchison was incorporated in the Cayman Islands on 11 December 2014 with an authorised share capital of HK\$380,000 divided into 380,000 shares of HK\$1 par value each. The authorised share capital of CK Hutchison was subsequently increased to HK\$8,000,000,000 by the creation of 7,999,620,000 shares of HK\$1 par value each on 2 March 2015. On the date of incorporation, 1 share was issued and allotted. During the comparative year ended 31 December 2015, 2,316,164,337 and 1,543,514,162 shares were issued and allotted pursuant to the Reorganisation Proposal and the Merger Proposal respectively.
- (ii) The Company acquired a total of 2,000,000 of its own shares through purchases on the Stock Exchange on 17 and 18 November 2016. The purchased shares were subsequently cancelled. The total amount paid to acquire the shares was approximately HK\$189 million and has been deducted from share capital and share premium of HK\$188 million and retained profit of HK\$1 million.

## Notes to the Financial Statements

### 34 Share capital, share premium, perpetual capital securities and capital management (continued)

#### (b) Perpetual capital securities

	2016 HK\$ millions	2015 HK\$ millions
SGD730 million issued in 2011	–	4,643
US\$1,000 million issued in 2012	7,870	7,870
HK\$1,000 million issued in 2012	1,025	1,025
US\$425.3 million issued in 2013*	3,373	3,373
EUR1,750 million issued in 2013	18,242	18,242
	<b>30,510</b>	35,153

In September 2011, May 2012, July 2012, January 2013 and May 2013, wholly owned subsidiary companies of the Group issued perpetual capital securities with nominal amount of SGD730 million (approximately HK\$4,578 million), US\$1,000 million (approximately HK\$7,800 million), HK\$1,000 million, US\$500 million (approximately HK\$3,875 million) and EUR1,750 million (approximately HK\$17,879 million) respectively for cash.

During the year, the Group had redeemed SGD730 million nominal amount of perpetual capital securities that were originally issued in September 2011. During the year ended 31 December 2015, the Group had redeemed the full amount of the remaining outstanding nominal amount of perpetual capital securities amounting to US\$1,705 million that were originally issued in October 2010.

These securities are perpetual, subordinated and the coupon payment is optional in nature. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

\* US\$74.7 million nominal values of perpetual capital securities were repurchased during the year ended 31 December 2013.



## 34 Share capital, share premium, perpetual capital securities and capital management (continued)

### (c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to ensure optimal capital structure to maintain a balance between higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

At 31 December 2016, total equity amounted to HK\$544,190 million (2015 - HK\$549,111 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK\$141,806 million (2015 - HK\$172,580 million). The Group's net debt to net total capital ratio decreased to 20.5% from 23.7% at the end of last year.

As additional information, the following table shows the net debt to net total capital ratios calculated on the basis of including loans from non-controlling shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at the end of the reporting period.

Net debt / Net total capital ratios <sup>(i)</sup> at 31 December:

	2016	2015
A1 - excluding interest-bearing loans from non-controlling shareholders from debt	20.5%	23.7%
A2 - as in A1 above and investments in listed subsidiaries and associated companies marked to market value	21.7%	24.2%
B1 - including interest-bearing loans from non-controlling shareholders as debt	21.1%	24.4%
B2 - as in B1 above and investments in listed subsidiaries and associated companies marked to market value	22.3%	24.9%

- (i) Net debt is defined on the consolidated statement of cash flows. Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions. Net total capital is defined as total bank and other debts plus total equity and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments.

## Notes to the Financial Statements

### 35 Reserves

	Attributable to ordinary shareholders			
	Retained profit HK\$ millions	Exchange reserve HK\$ millions	Others <sup>(a)</sup> HK\$ millions	Total HK\$ millions
At 1 January 2016	500,909	(13,986)	(342,039)	144,884
Profit for the year	33,008	–	–	33,008
Other comprehensive income (losses)				
Available-for-sale investments				
Valuation losses recognised directly in reserves	–	–	(506)	(506)
Valuation losses previously in reserves recognised in income statement	–	–	462	462
Remeasurement of defined benefit obligations recognised directly in reserves	(1,590)	–	–	(1,590)
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts				
Losses recognised directly in reserves	–	–	(1,180)	(1,180)
Gains previously in reserves recognised in initial cost of non-financial items	–	–	(12)	(12)
Gains on net investment hedges arising from forward foreign currency contracts recognised directly in reserves	–	5,128	–	5,128
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(15,590)	–	(15,590)
Gains previously in exchange and other reserves related to subsidiaries disposed during the year recognised in income statement	(323)	(24)	194	(153)
Share of other comprehensive income (losses) of associated companies	(453)	659	(175)	31
Share of other comprehensive income (losses) of joint ventures	(1,101)	(7,021)	(1,281)	(9,403)
Tax relating to components of other comprehensive income (losses)	232	–	153	385
Other comprehensive income (losses)	(3,235)	(16,848)	(2,345)	(22,428)
Dividends paid relating to 2015	(7,140)	–	–	(7,140)
Dividends paid relating to 2016	(2,837)	–	–	(2,837)
Transaction costs in relation to equity contribution from non-controlling interests	(87)	–	–	(87)
Buy-back and cancellation of issued shares (see note 34(a)(ii))	(1)	–	–	(1)
Share option schemes and long term incentive plans of subsidiary companies	–	–	5	5
Unclaimed dividends write back	5	–	–	5
Relating to purchase of non-controlling interests	–	–	(1,065)	(1,065)
Relating to partial disposal of subsidiary companies	(6)	2	1,466	1,462
At 31 December 2016	520,616	(30,832)	(343,978)	145,806

## 35 Reserves (continued)

	Attributable to ordinary shareholders			
	Retained profit HK\$ millions	Exchange reserve HK\$ millions	Others <sup>(a)</sup> HK\$ millions	Total HK\$ millions
At 1 January 2015	371,865	(10,334)	22,125	383,656
Profit for the year	118,570	—	—	118,570
Other comprehensive income (losses)				
Available-for-sale investments				
Valuation losses recognised directly in reserves	—	—	(697)	(697)
Valuation gains previously in reserves recognised in income statement	—	—	(1,039)	(1,039)
Remeasurement of defined benefit obligations recognised directly in reserves	(66)	—	—	(66)
Gains on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised in reserves	—	—	692	692
Gains on net investment hedges arising from forward foreign currency contracts recognised directly in reserves	—	1,783	—	1,783
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	—	(5,044)	—	(5,044)
Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	—	16,097	(2,368)	13,729
Share of other comprehensive income (losses) of associated companies	(34)	(13,604)	402	(13,236)
Share of other comprehensive income (losses) of joint ventures	473	(2,880)	514	(1,893)
Tax relating to components of other comprehensive income (losses)	(40)	—	(6)	(46)
Other comprehensive income (losses)	333	(3,648)	(2,502)	(5,817)
Cancellation of Cheung Kong shares <sup>(b)</sup>	—	—	(341,336)	(341,336)
Dividends paid relating to 2014	(6,985)	—	—	(6,985)
Dividends paid relating to 2015	(2,702)	—	—	(2,702)
Share option schemes and long term incentive plans of subsidiary companies	—	—	(11)	(11)
Unclaimed dividends write back	5	—	—	5
Relating to deemed disposal of associated companies <sup>(c)</sup>	19,823	—	(19,823)	—
Relating to purchase of non-controlling interests	—	—	(14)	(14)
Relating to partial disposal of subsidiary companies	—	(4)	(478)	(482)
At 31 December 2015	500,909	(13,986)	(342,039)	144,884

(a) Other reserves comprise revaluation reserve, hedging reserve and other capital reserves. As at 31 December 2016, revaluation reserve deficit amounted to HK\$792 million (1 January 2016 - HK\$763 million and 1 January 2015 - surplus of HK\$2,918 million), hedging reserve deficit amounted to HK\$1,982 million (1 January 2016 - surplus of HK\$673 million and 1 January 2015 - deficit of HK\$35 million) and other capital reserves deficit amounted to HK\$341,204 million (1 January 2016 - HK\$341,949 million and 1 January 2015 - surplus of HK\$19,242 million). Revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities which are available for sale are included in the revaluation reserve. Fair value changes arising from the effective portion of hedging instruments designated as cash flow hedges are included in the hedging reserve.

(b) See note (c) on the consolidated statement of changes in equity.

(c) Mainly related to deemed disposal of the Group's previously held equity interest in HWL and certain interests in co-owned assets.

## Notes to the Financial Statements

### 36 Notes to consolidated statement of cash flows

(a) Reconciliation of profit after tax to cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital

	2016 HK\$ millions	2015 HK\$ millions
<b>Profit after tax</b>	<b>41,912</b>	124,880
Less: share of profits less losses of		
Associated companies before profits on disposal of investments and others	<b>(6,362)</b>	(10,611)
Joint ventures	<b>(10,251)</b>	(6,029)
Associated companies' profits on disposal of investments and others	–	196
	<b>25,299</b>	108,436
Adjustments for:		
Current tax charge	<b>3,334</b>	3,363
Deferred tax charge	<b>1,217</b>	277
Interest expenses and other finance costs	<b>7,118</b>	4,346
Depreciation and amortisation	<b>16,014</b>	9,740
Profits on disposal of investments and others (see notes 6 and 10)	<b>344</b>	(86,472)
<b>EBITDA of Company and subsidiaries<sup>(i)</sup></b>	<b>53,326</b>	39,690
Loss on disposal of other unlisted investments	<b>25</b>	24
Loss on disposal of fixed assets	<b>116</b>	192
Dividends received from associated companies and joint ventures	<b>8,747</b>	12,192
Profit on disposal of subsidiaries and joint ventures	<b>(401)</b>	(1,377)
Other non-cash items	<b>238</b>	(797)
	<b>62,051</b>	49,924

### 36 Notes to consolidated statement of cash flows (continued)

#### (a) Reconciliation of profit after tax to cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital (continued)

(i) Reconciliation of EBITDA from continuing operations:

	2016 HK\$ millions	2015 HK\$ millions
EBITDA of Company and subsidiaries from continuing and discontinued operations	53,326	39,690
Less: EBITDA of Company and subsidiaries from discontinued operations	–	(5,390)
EBITDA of Company and subsidiaries from continuing operations	53,326	34,300
Share of EBITDA of associated companies and joint ventures		
Share of profits less losses of		
Associated companies before profits on disposal of investments and others	6,362	7,445
Joint ventures	10,251	6,187
Associated companies' profits on disposal of investments and others	–	(196)
Adjustments for:		
Depreciation and amortisation	13,806	15,195
Interest expenses and other finance costs	5,111	6,308
Current tax charge	2,913	2,960
Deferred tax charge (credit)	552	(65)
Non-controlling interests	370	2,151
Profits on disposal of investments and others (see note 6)	–	223
	39,365	40,208
EBITDA (see notes 5(b) and 5(m))	92,691	74,508

#### (b) Changes in working capital

	2016 HK\$ millions	2015 HK\$ millions
Decrease (increase) in inventories	(581)	2,158
Decrease (increase) in debtors and prepayments	(3,046)	5,455
Decrease in creditors	(605)	(3,065)
Other non-cash items	(4,618)	(1,716)
	(8,850)	2,832

## Notes to the Financial Statements

### 36 Notes to consolidated statement of cash flows (continued)

#### (c) Purchase of subsidiary companies

The following table summarises the consideration paid and the amounts of the assets acquired and liabilities assumed recognised for acquisitions completed during the years.

	2016 HK\$ millions	2015 HK\$ millions
Purchase consideration transferred:		
Cash and cash equivalents paid	874	–
Shares issued, at fair value	–	260,236
Fair value of investments held by the Company prior to acquisition	1,350	264,639
Cost of investments held by HWL prior to acquisition	–	18,990
	<b>2,224</b>	543,865
Fair value		
Fixed assets	2,116	167,040
Investment properties	–	305
Leasehold land	1,877	7,861
Telecommunications licences	–	31,571
Brand names and other rights	–	83,535
Associated companies	–	152,041
Interests in joint ventures	–	97,618
Deferred tax assets	2	20,589
Other non-current assets	–	3,382
Cash and cash equivalents	541	109,803
Liquid funds and other listed investments	–	11,970
Assets held for distribution	–	191,122
Trade and other receivables	2,473	55,294
Inventories	72	21,036
Creditors and current tax liabilities	(4,314)	(102,957)
Bank and other debts	(39)	(314,197)
Interest bearing loans from non-controlling shareholders	–	(5,689)
Deferred tax liabilities	–	(24,933)
Pension obligations	–	(4,372)
Other non-current liabilities	–	(47,616)
Liabilities held for distribution	–	(14,286)
Net identifiable assets acquired	2,728	439,117
Non-controlling interests	(531)	(120,187)
Perpetual capital securities	–	(39,116)
	<b>2,197</b>	279,814
Goodwill	27	264,051
Total consideration	<b>2,224</b>	543,865
Net cash outflow (inflow) arising from acquisition:		
Cash and cash equivalents paid	874	–
Cash and cash equivalents acquired	(541)	(109,803)
Total net cash outflow (inflow)	<b>333</b>	(109,803)

## 36 Notes to consolidated statement of cash flows (continued)

### (c) Purchase of subsidiary companies (continued)

The assets acquired and liabilities assumed are recognised at the acquisition date fair value and are recorded at the consolidation level.

Amounts disclosed for the year ended 31 December 2015 mainly related to the acquisition of the remaining 50.03% (which the Group did not previously own) of the issued and outstanding ordinary share capital of HWL.

Acquisition related costs of approximately HK\$4 million (2015 - HK\$640 million) had been charged to income statement during the year and included in the line item titled other operating expenses (2015 - profits on disposal of investments and others of HK\$500 million and profit after tax from discontinued operations of HK\$140 million).

The contribution to the Group's revenue and profit before tax from these subsidiaries acquired during the year ended 31 December 2016 since the respective date of acquisition is not material.

For the year ended 31 December 2015, the subsidiaries contributed HK\$164,309 million to the Group's revenue and HK\$25,935 million to the Group's profit before tax since the respective date of acquisition. If the combinations had been effective on 1 January 2015, the operations would have contributed additional revenue of HK\$110,557 million and an increase in profit before tax from continuing operations for the Group of HK\$12,715 million for the year ended 31 December 2015.

## Notes to the Financial Statements

### 36 Notes to consolidated statement of cash flows (continued)

#### (d) Disposal of subsidiary companies

	2016 HK\$ millions	2015 HK\$ millions
Consideration received or receivable		
Cash and cash equivalents	6,995	18
Non-cash consideration	24,224	1,161
Total disposal consideration	31,219	1,179
Carrying amount of net assets disposed	(30,971)	(1,188)
Cumulative exchange gain in respect of the net assets of the subsidiaries and related hedging instruments and other reserves reclassified from equity to profit or loss on loss of control of subsidiaries	153	—
Gain (loss) on disposal*	401	(9)
Net cash inflow (outflow) on disposal of subsidiaries		
Cash and cash equivalents received as consideration	6,995	18
Less: Cash and cash equivalents disposed	(4,148)	(658)
Total net cash consideration	2,847	(640)
Analysis of assets and liabilities over which control was lost		
Fixed assets	22,732	1,532
Leasehold land	257	327
Telecommunications licences	8,899	—
Brand names and other rights	4,333	—
Interests in joint ventures	1,450	—
Deferred tax assets	2,033	81
Trade and other receivables	7,229	148
Inventories	268	63
Creditors and current tax liabilities	(9,919)	(364)
Bank and other debts	(10,228)	(117)
Deferred tax liabilities	(29)	—
Pension obligations	(146)	(336)
Non-controlling interests	(56)	(804)
Net assets (excluding cash and cash equivalents) disposed	26,823	530
Cash and cash equivalents disposed	4,148	658
Net assets disposed	30,971	1,188

\* The gain or loss on disposal for the years ended 31 December 2016 and 2015 are recognised in the consolidated income statement and are included in the line item titled other operating expenses.

The effect on the Group's results from the subsidiaries disposed are not material for the years ended 31 December 2016 and 2015.



## 36 Notes to consolidated statement of cash flows (continued)

### (e) Distribution In Specie to shareholders

During the year ended 31 December 2015, the Group distributed the Group's entire interests in Cheung Kong Property to the shareholders pursuant to the Spin-off Proposal. Details of the Distribution In Specie in 2015 are set out below.

	2015 HK\$ millions
<b>Breakdown of net assets disposed of:</b>	
Assets acquired net of liabilities assumed arising from acquisition of HWL (see note 36(c))	176,836
Fixed assets	9,853
Investment properties	33,811
Associated companies	3
Interests in joint ventures	51,074
Liquid funds and other listed investments	7,823
Current assets (including bank balances and cash of HK\$14,351 million)	88,523
Current liabilities	(12,047)
Deferred tax liabilities	(1,013)
Non-controlling interests	(2,707)
Book value of net assets distributed	352,156
Deduct cash received	(55,000)
	297,156
One-off non-cash gain recognised on remeasurement of assets (see note 10(a))	18,351
One-off non-cash gain recognised on Distribution In Specie (see note 10(a) and 12(c))	48,004
<b>Distribution In Specie</b>	<b>363,511</b>
<b>Analysis of net cash inflow arising from Distribution In Specie:</b>	
Intercompany loans repaid	55,000
Bank balances and cash disposed	(14,351)
	40,649

## 37 Share-based payments

The Company does not have a share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. The aggregate amount of the share-based payments recognised by these companies are not material to the Group.

### 38 Financial risk management

The Group's major financial assets and financial liabilities include cash and cash equivalents, liquid funds and other listed investments and borrowings. Details of these financial assets and financial liabilities are disclosed in the respective notes. The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. It is the Group's policy not to have credit rating triggers that would accelerate the maturity dates of the Group's borrowings. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's exposure to interest rate and foreign exchange rate fluctuations. In limited circumstances, the Group also enters into swaps and forward contracts relating to oil and gas prices to hedge earnings and cash flow in Husky Energy. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

#### (a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associated companies to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, for which the proportions will change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

The Group continues to maintain a robust financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK\$162,224 million at 31 December 2016 (2015 - HK\$131,426 million), mainly reflecting the cash arising from positive funds from operations from the Group's businesses and cash from new borrowings, including the issuance of US\$750 million (approximately HK\$5,850 million), US\$500 million (approximately HK\$3,900 million) and EUR1,000 million (approximately HK\$8,470 million) fixed rate notes in September 2016, EUR1,350 million (approximately HK\$11,894 million) and EUR650 million (approximately HK\$5,726 million) fixed rate notes in April 2016, the issuance of US\$1,200 million (approximately HK\$9,360 million) of perpetual capital securities in March 2016 by listed subsidiary CKI, partly offset by the redemption of US\$1,000 million (approximately HK\$7,800 million) of perpetual capital securities by CKI, dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, the repayment and early repayment of certain borrowings and capex and investment spendings. Liquid assets were denominated as to 18% in HK dollars, 54% in US dollars, 6% in Renminbi, 8% in Euro, 6% in British Pounds and 8% in other currencies (2015 - 28% were denominated in HK dollars, 40% in US dollars, 8% in Renminbi, 5% in Euro, 11% in British Pounds and 8% in other currencies).

Cash and cash equivalents represented 96% (2015 - 92%) of the liquid assets, US Treasury notes and listed / traded debt securities 3% (2015 - 4%) and listed equity securities 1% (2015 - 4%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of US Treasury notes of 58% (2015 - 61%), government and government guaranteed notes of 4% (2015 - 18%), notes issued by the Group's associated company, Husky Energy of 6% (2015 - 4%), notes issued by financial institutions of 3% (2015 - 2%), and others of 29% (2015 - 15%). Of these US Treasury notes and listed / traded debt securities, 70% (2015 - 80%) are rated at Aaa / AAA or Aa1 / AA+ with an average maturity of 2.0 years (2015 - 2.0 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

## 38 Financial risk management (continued)

### (b) Interest rate exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Group's main interest rate exposure relates to US dollar, British Pound, Euro and HK dollar borrowings.

At 31 December 2016, approximately 31% (2015 - approximately 32%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 69% (2015 - approximately 68%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$25,200 million (2015 - approximately HK\$47,973 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$8,678 million (2015 - HK\$6,061 million) principal amount of floating interest rate borrowings that were used to finance long term infrastructure investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 37% (2015 - approximately 47%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 63% (2015 - approximately 53%) were at fixed rates at 31 December 2016. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

### (c) Foreign currency exposure

For overseas subsidiaries, associated companies and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to its underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associated companies, except in relation to certain infrastructure investments.

The Group has operations in over 50 countries and conducts businesses in over 45 currencies. The Group's functional currency for reporting purposes is Hong Kong Dollars and the Group's reported results in Hong Kong Dollars are exposed to exchange translation gains or losses on its foreign currency earnings. The Group generally does not enter into foreign currency hedges in respect of its foreign currency earnings. At times of significant exchange rate volatility and where appropriate opportunities arise, the Group may prudently enter into forward foreign currency contracts and currency swaps for selective foreign currencies for a portion of its budgeted foreign currency earnings to limit potential downside foreign currency exposure on its earnings.

The Group's total principal amount of bank and other debts are denominated as follows: 41% in US dollars, 27% in Euro, 5% in HK dollars, 21% in British Pounds and 6% in other currencies (2015 - 36% in US dollars, 25% in Euro, 7% in HK dollars, 25% in British Pounds and 7% in other currencies).

### (d) Credit exposure

The Group's holdings of cash, managed funds and other liquid investments, interest rate and foreign currency swaps and forward currency contracts with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparties credit risk from its operating activities, particularly in its ports businesses. Such risks are continuously monitored by the local operational management.

### 38 Financial risk management (continued)

#### (e) Market price risk

The Group's main market price risk exposures relate to listed / traded debt and equity securities as described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holding of listed / traded debt and equity securities represented approximately 4% (2015 – approximately 8%) of the liquid assets. The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

#### (f) Market risks sensitivity analyses

For the presentation of financial assets and financial liabilities market risks (including interest rate risk, currency risk and other price risk) information, HKFRS 7 "Financial Instruments: Disclosures" requires disclosure of a sensitivity analysis for each type of financial market risk that shows the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the end of the reporting period on profit for the year and on total equity.

The effect that is disclosed in the following sections assumes that (a) a hypothetical change of the relevant risk variable had occurred at the end of the reporting period and had been applied to the relevant risk variable in existence on that date; and (b) the sensitivity analysis for each type of financial market risk does not reflect inter-dependencies between risk variables, e.g. the interest rate sensitivity analysis does not take into account of the impact of changes in interest rates would have on the relative strengthening and weakening of the currency with other currencies.

**The preparation and presentation of the sensitivity analysis on financial market risk is solely for compliance with HKFRS 7 disclosure requirements in respect of financial assets and financial liabilities. The sensitivity analysis measures changes in the fair value and/or cash flows of the Group's financial assets and financial liabilities from hypothetical instantaneous changes in one risk variable (e.g. functional currency rate or interest rate), the amount so generated from the sensitivity analysis are "what-if" forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates (e.g. exchange or interest rate) to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses.**

##### (i) Interest rate sensitivity analysis

Interest rate risk as defined by HKFRS 7 arises on interest-bearing financial assets and financial liabilities.

The interest rate sensitivity analysis is based on the following assumptions:

In the cases of non-derivative financial assets and financial liabilities with fixed interest rates, changes in market interest rates only affect profit for the year or total equity if these financial assets and financial liabilities are measured at fair value. Accordingly, all non-derivative financial assets and financial liabilities with fixed interest rates that are carried at amortised cost are excluded from the interest rate sensitivity analysis as they are not subject to interest rate risk as defined in HKFRS 7.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging interest rate risks, changes in market interest rates affect their fair value. All interest rate hedges are expected to be highly effective. Changes in the fair value of fair value interest rate hedges and changes in the fair value of the hedged items that are attributable to interest rate movements effectively balance out with each other in income statement in the same period. Accordingly, these hedging instruments and hedged items are excluded from the interest rate sensitivity analysis as they are not exposed to interest rate risk as defined in HKFRS 7. Changes in the fair value of cash flow interest rate hedges resulting from market interest rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

## 38 Financial risk management *(continued)*

### (f) Market risks sensitivity analyses *(continued)*

#### (i) Interest rate sensitivity analysis *(continued)*

In the cases of derivative financial assets and financial liabilities that are not part of an interest rate risk hedging relationship, changes in their fair value (arising from gain or loss from remeasurement of these interest rate derivatives to fair value) resulting from market interest rate movements affect profit for the year and total equity, and are therefore taken into consideration in the sensitivity analysis.

Major financial assets and financial liabilities for the purpose of the interest rate sensitivity analysis include:

- cash and cash equivalents (see note 25)
- some of the listed debt securities and managed funds (see note 24) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 24) that bear interest at floating rate
- some of the bank and other debts (see note 30) that bear interest at floating rate
- interest bearing loans from non-controlling shareholders (see note 31)

Under these assumptions, the impact of a hypothetical 100 basis points (2015 - 100 basis points) increase in market interest rate at 31 December 2016, with all other variables held constant:

- profit for the year would increase by HK\$366 million due to increase in interest income (2015 - decrease by HK\$384 million due to increase in interest expense);
- total equity would increase by HK\$366 million due to increase in interest income (2015 - decrease by HK\$384 million due to increase in interest expense); and
- total equity would have no material impact due to change in fair value of interest rate swaps (2015 - nil).

#### (ii) Foreign currency exchange rate sensitivity analysis

Currency risk as defined by HKFRS 7 arises on financial assets and financial liabilities being denominated in a currency that is not the functional currency and being of a monetary nature. Therefore, non-monetary financial assets and financial liabilities, monetary financial assets and financial liabilities denominated in the entity's functional currency and differences resulting from the translation of financial statements of overseas subsidiaries into the Group's presentation currency are not taken into consideration for the purpose of the sensitivity analysis for currency risk.

The foreign currency exchange rate sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial assets and financial liabilities are either directly denominated in the functional currency or are transferred to the functional currency through the use of foreign currency swaps and forward foreign exchange contracts. Exchange fluctuations of these monetary financial assets and financial liabilities therefore have no material effects on profit for the year and total equity.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging currency risks, changes in foreign exchange rates affect their fair values. All currency hedges are expected to be highly effective. Changes in the fair value of foreign currency fair value hedges and changes in the fair value of the hedged items effectively balance out with each other in income statement in the same period. As a consequence, these hedging instruments and hedged items are excluded from the foreign currency exchange rate sensitivity analysis as they are not exposed to currency risk as defined in HKFRS 7. Changes in the fair value of foreign currency cash flow hedges resulting from market exchange rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

## Notes to the Financial Statements

### 38 Financial risk management *(continued)*

#### (f) Market risks sensitivity analyses *(continued)*

##### (ii) Foreign currency exchange rate sensitivity analysis *(continued)*

Major financial assets and financial liabilities for the purpose of the foreign currency exchange rate sensitivity analysis include:

- some of the cash and cash equivalents (see note 25)
- some of the liquid funds and other listed investments (see note 24)
- some of the bank and other debts (see note 30)

Under these assumptions, the impact of a hypothetical 5% weakening of HK dollar against all exchange rates at the end of the reporting period, with all other variables held constant, on the Group's profit for the year and total equity is set out in the table below.

	2016		2015	
	Hypothetical increase (decrease) in profit after tax HK\$ millions	Hypothetical increase (decrease) in total equity HK\$ millions	Hypothetical increase (decrease) in profit after tax HK\$ millions	Hypothetical increase (decrease) in total equity HK\$ millions
Euro	(191)	(213)	(61)	(197)
British Pounds	(41)	(1,647)	(11)	(1,297)
Australian dollars	151	(39)	106	(294)
Renminbi	(44)	(44)	190	202
US dollars	1,367	1,367	940	940
Japanese Yen	(103)	(103)	(96)	(96)

##### (iii) Other price sensitivity analysis

Other price risk as defined by HKFRS 7 arises from changes in market prices (other than those arising from interest rate risk and currency risk as detailed in "interest rate exposure" and "foreign currency exposure" paragraphs above) on financial assets and financial liabilities.

The other price sensitivity analysis is based on the assumption that changes in market prices (other than those arising from interest rate risk and currency risk) of financial assets and financial liabilities only affect profit for the year or total equity if these financial assets and financial liabilities are measured at the fair values. Accordingly, all non-derivative financial assets and financial liabilities carried at amortised cost are excluded from the other price sensitivity analysis as they are not subject to other price risk as defined in HKFRS 7.

Major financial assets and financial liabilities for the purpose of the other price sensitivity analysis include:

- available-for-sale investments (see note 24)
- financial assets at fair value through profit or loss (see note 24)

## 38 Financial risk management *(continued)*

### (f) Market risks sensitivity analyses *(continued)*

#### (iii) Other price sensitivity analysis *(continued)*

Under these assumptions, the impact of a hypothetical 5% increase in the market price of the Group's available-for-sale investments and financial assets at fair value through profit or loss at the end of the reporting period, with all other variables held constant:

- profit for the year would increase by HK\$8 million (2015 - HK\$5 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK\$8 million (2015 - HK\$5 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK\$290 million (2015 - HK\$508 million) due to increase in gains on available-for-sale investments which are recognised in other comprehensive income.

### (g) Contractual maturities of financial liabilities

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted principal cash flows and the earliest date the Group can be required to pay:

#### Non-derivative financial liabilities:

	Contractual maturities			Total undiscounted cash flows HK\$ millions	Difference from carrying amounts HK\$ millions	Carrying amounts HK\$ millions
	Within 1 year HK\$ millions	After 1 year, but within 5 years HK\$ millions	After 5 years HK\$ millions			
<b>At 31 December 2016</b>						
Trade payables	17,380	-	-	17,380	-	17,380
Other payables and accruals	64,002	-	-	64,002	-	64,002
Interest free loans from non-controlling shareholders	927	-	-	927	-	927
Bank loans	20,612	60,766	3,605	84,983	(362)	84,621
Other loans	669	746	823	2,238	-	2,238
Notes and bonds	50,312	45,996	108,518	204,826	11,455	216,281
Interest bearing loans from non-controlling shareholders	-	1,593	2,690	4,283	-	4,283
Obligations for telecommunications licences and other rights	610	3,179	2,871	6,660	(810)	5,850
	154,512	112,280	118,507	385,299	10,283	395,582

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$8,665 million in "within 1 year" maturity band, HK\$25,348 million in "after 1 year, but within 5 years" maturity band, and HK\$31,882 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

## Notes to the Financial Statements

### 38 Financial risk management (continued)

#### (g) Contractual maturities of financial liabilities (continued)

##### Derivative financial liabilities:

	Contractual maturities			
	Within 1 year HK\$ millions	After 1 year, but within 5 years HK\$ millions	After 5 years HK\$ millions	Total undiscounted cash flows HK\$ millions
<b>At 31 December 2016</b>				
Cash flow hedges:				
Interest rate swaps				
Net outflow	(118)	(277)	(264)	(659)
Forward foreign exchange contracts				
Inflow	127	–	–	127
Outflow	(131)	–	–	(131)
Other contracts				
Net outflow	(9)	(119)	(376)	(504)
Net investment hedges				
Inflow	786	–	–	786
Outflow	(792)	–	–	(792)
Other derivative financial instruments				
Net outflow	(254)	(968)	(1,132)	(2,354)

##### Non-derivative financial liabilities:

	Contractual maturities				Difference from carrying amounts HK\$ millions	Carrying amounts HK\$ millions
	Within 1 year HK\$ millions	After 1 year, but within 5 years HK\$ millions	After 5 years HK\$ millions	Total undiscounted cash flows HK\$ millions		
<b>At 31 December 2015</b>						
Trade payables	20,393	–	–	20,393	–	20,393
Other payables and accruals	72,366	–	–	72,366	–	72,366
Interest free loans from non-controlling shareholders	951	–	–	951	–	951
Bank loans	9,663	69,150	6,260	85,073	(343)	84,730
Other loans	214	1,525	1,048	2,787	10	2,797
Notes and bonds	22,357	79,557	97,829	199,743	16,282	216,025
Interest bearing loans from non-controlling shareholders	–	2,415	2,412	4,827	–	4,827
Obligations for telecommunications licences and other rights	1,163	3,028	2,970	7,161	(573)	6,588
	127,107	155,675	110,519	393,301	15,376	408,677

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$10,563 million in "within 1 year" maturity band, HK\$28,650 million in "after 1 year, but within 5 years" maturity band, and HK\$38,153 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.



## 38 Financial risk management (continued)

### (g) Contractual maturities of financial liabilities (continued)

#### Derivative financial liabilities:

	Contractual maturities			
	Within 1 year HK\$ millions	After 1 year, but within 5 years HK\$ millions	After 5 years HK\$ millions	Total undiscounted cash flows HK\$ millions
<b>At 31 December 2015</b>				
Cash flow hedges:				
Interest rate swaps				
Net outflow	(76)	(139)	(2)	(217)
Forward foreign exchange contracts				
Inflow	18	–	–	18
Outflow	(20)	–	–	(20)
Other contracts				
Net outflow	(8)	(176)	(297)	(481)
Net investment hedges				
Inflow	3,140	1,143	1,713	5,996
Outflow	(3,235)	(1,154)	(1,685)	(6,074)
Other derivative financial instruments				
Net outflow	(164)	(1,090)	(801)	(2,055)

### (h) In accordance with the disclosure requirement of HKFRS 7, other gains and losses recognised in income statement include the following items:

	2016 HK\$ millions	2015 HK\$ millions
Change in fair value of financial assets at fair value through profit or loss	64	(108)
Losses arising on derivatives in a designated fair value hedge	(690)	(391)
Gains arising on adjustment for hedged items in a designated fair value hedge	690	391
Interest income on available-for-sale financial assets	85	99

## Notes to the Financial Statements

### 38 Financial risk management (continued)

#### (i) Carrying amounts and fair values of financial assets and financial liabilities

The fair value of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position, are as follows:

	2016		2015	
	Carrying amounts	Fair values	Carrying amounts	Fair values
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
<b>Financial assets</b>				
Loans and receivables *				
Trade receivables (see note 26)	10,587	10,587	15,398	15,398
Other receivables and prepayments (see note 26)	34,470	34,470	35,672	35,672
Unlisted debt securities (see note 23)	165	165	436	436
	45,222	45,222	51,506	51,506
Available-for-sale investments #				
Unlisted equity securities (see note 23)	1,059	1,059	1,518	1,518
Managed funds, outside Hong Kong (see note 24)	2,932	2,932	4,773	4,773
Listed / traded debt securities, outside Hong Kong (see note 24)	1,184	1,184	1,177	1,177
Listed equity securities, Hong Kong (see note 24)	1,621	1,621	2,029	2,029
Listed equity securities, outside Hong Kong (see note 24)	58	58	2,181	2,181
Financial assets at fair value through profit or loss # (see note 24)	159	159	95	95
	7,013	7,013	11,773	11,773
Fair value hedges #				
Interest rate swaps (see notes 23 and 26)	121	121	803	803
Cash flow hedges #				
Interest rate swaps (see note 23)	–	–	76	76
Forward foreign exchange contracts (see notes 23 and 26)	204	204	2	2
Other contracts (see note 23)	2	2	–	–
Net investment hedges # (see notes 23 and 26)	6,481	6,481	2,325	2,325
Other derivative financial instruments # (see notes 23 and 26)	379	379	50	50
	7,187	7,187	3,256	3,256
	59,422	59,422	66,535	66,535

## 38 Financial risk management (continued)

### (i) Carrying amounts and fair values of financial assets and financial liabilities (continued)

	2016		2015	
	Carrying amounts HK\$ millions	Fair values HK\$ millions	Carrying amounts HK\$ millions	Fair values HK\$ millions
<b>Financial liabilities</b>				
Financial liabilities *				
Trade payables (see note 28)	17,380	17,380	20,393	20,393
Other payables and accruals (see note 28)	64,002	64,002	72,366	72,366
Bank and other debts (see note 30)	303,140	311,083	303,552	307,074
Interest free loans from non-controlling shareholders (see note 28)	927	927	951	951
Interest bearing loans from non-controlling shareholders (see note 31)	4,283	4,283	4,827	4,827
Obligations for telecommunications licences and other rights (see note 33)	5,850	5,850	6,588	6,588
	<b>395,582</b>	<b>403,525</b>	408,677	412,199
Cash flow hedges #				
Interest rate swaps (see note 33)	550	550	160	160
Forward foreign exchange contracts (see note 28)	1	1	1	1
Other contracts (see note 33)	402	402	433	433
Net investment hedges # (see notes 28 and 33)	3	3	140	140
Other derivative financial instruments # (see notes 28 and 33)	1,851	1,851	1,172	1,172
	<b>2,807</b>	<b>2,807</b>	1,906	1,906
	<b>398,389</b>	<b>406,332</b>	410,583	414,105

\* carried at amortised costs (see note 38(j)(ii) below)

# carried at fair value (see note 38(j)(i) below)

## Notes to the Financial Statements

### 38 Financial risk management (continued)

#### (j) Fair value measurements

- (i) Financial assets and financial liabilities measured at fair value

##### *Fair value hierarchy*

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

	Level 1 HK\$ millions	Level 2 HK\$ millions	Level 3 HK\$ millions	Total HK\$ millions
<b>At 31 December 2016</b>				
Available-for-sale investments				
Unlisted equity securities (see note 23)	–	–	1,059	1,059
Managed funds, outside Hong Kong (see note 24)	2,932	–	–	2,932
Listed / traded debt securities, outside Hong Kong (see note 24)	326	858	–	1,184
Listed equity securities, Hong Kong (see note 24)	1,621	–	–	1,621
Listed equity securities, outside Hong Kong (see note 24)	58	–	–	58
Financial assets at fair value through profit or loss (see note 24)	110	49	–	159
	<b>5,047</b>	<b>907</b>	<b>1,059</b>	<b>7,013</b>
Fair value hedges				
Interest rate swaps (see notes 23 and 26)	–	121	–	121
Cash flow hedges				
Forward foreign exchange contracts (see notes 23 and 26)	–	204	–	204
Other contracts (see note 23)	–	2	–	2
Net investment hedges (see notes 23 and 26)	–	6,481	–	6,481
Other derivative financial instruments (see notes 23 and 26)	–	379	–	379
	–	<b>7,187</b>	–	<b>7,187</b>
Cash flow hedges				
Interest rate swaps (see note 33)	–	(550)	–	(550)
Forward foreign exchange contracts (see note 28)	–	(1)	–	(1)
Other contracts (see note 33)	–	(402)	–	(402)
Net investment hedges (see note 28)	–	(3)	–	(3)
Other derivative financial instruments (see notes 28 and 33)	–	(1,851)	–	(1,851)
	–	<b>(2,807)</b>	–	<b>(2,807)</b>

## 38 Financial risk management *(continued)*

### (j) Fair value measurements *(continued)*

#### (i) Financial assets and financial liabilities measured at fair value *(continued)*

##### *Fair value hierarchy (continued)*

	Level 1 HK\$ millions	Level 2 HK\$ millions	Level 3 HK\$ millions	Total HK\$ millions
<b>At 31 December 2015</b>				
Available-for-sale investments				
Unlisted equity securities (see note 23)	–	–	1,518	1,518
Managed funds, outside Hong Kong (see note 24)	4,773	–	–	4,773
Listed / traded debt securities, outside Hong Kong (see note 24)	323	854	–	1,177
Listed equity securities, Hong Kong (see note 24)	2,029	–	–	2,029
Listed equity securities, outside Hong Kong (see note 24)	2,181	–	–	2,181
Financial assets at fair value through profit or loss (see note 24)	–	95	–	95
	9,306	949	1,518	11,773
Fair value hedges				
Interest rate swaps (see notes 23 and 26)	–	803	–	803
Cash flow hedges				
Interest rate swaps (see note 23)	–	76	–	76
Forward foreign exchange contracts (see note 26)	–	2	–	2
Net investment hedges (see notes 23 and 26)	–	2,325	–	2,325
Other derivative financial instruments (see note 23)	–	50	–	50
	–	3,256	–	3,256
Cash flow hedges				
Interest rate swaps (see note 33)	–	(160)	–	(160)
Forward foreign exchange contracts (see note 28)	–	(1)	–	(1)
Other contracts (see note 33)	–	(433)	–	(433)
Net investment hedges (see notes 28 and 33)	–	(140)	–	(140)
Other derivative financial instruments (see note 33)	–	(1,172)	–	(1,172)
	–	(1,906)	–	(1,906)

The fair value of financial assets and financial liabilities that are not traded in active market is determined by using valuation techniques. Specific valuation techniques used to value financial assets and financial liabilities include discounted cash flow analysis, are used to determine fair value for the financial assets and financial liabilities.

During the year ended 31 December 2016 and 2015, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

## Notes to the Financial Statements

### 38 Financial risk management (continued)

#### (j) Fair value measurements (continued)

##### (i) Financial assets and financial liabilities measured at fair value (continued)

###### Level 3 fair values

The movements of the balance of financial assets and financial liabilities measured at fair value based on Level 3 are as follows:

	2016 HK\$ millions	2015 HK\$ millions
At 1 January	1,518	164
Total losses recognised in		
Income statement	(26)	(1)
Other comprehensive income	(388)	(442)
Additions	75	68
Relating to subsidiaries acquired	–	1,771
Disposals	(43)	(13)
Exchange translation differences	(77)	(29)
At 31 December	1,059	1,518
Total losses recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	(26)	(1)

The fair value of financial assets and financial liabilities that are grouped under Level 3 is determined by using valuation techniques including discounted cash flow analysis. In determining fair value, specific valuation techniques are used with reference to inputs such as dividend stream and other specific input relevant to those particular financial assets and financial liabilities.

Changing unobservable inputs used in Level 3 valuation to reasonable alternative assumptions would not have significant impact on the Group's profit or loss.

##### (ii) Financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required

Except for bank and other debts as detailed in the table (i) above, the carrying amounts of the financial assets and financial liabilities recognised in the consolidated statements of financial position approximate their fair values.

###### Fair value hierarchy

The table below analyses the fair value measurements disclosures for bank and other debts. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	Level 1 HK\$ millions	Level 2 HK\$ millions	Level 3 HK\$ millions	Total HK\$ millions
<b>At 31 December 2016</b>				
Bank and other debts	214,108	96,975	–	311,083
	Level 1 HK\$ millions	Level 2 HK\$ millions	Level 3 HK\$ millions	Total HK\$ millions
<b>At 31 December 2015</b>				
Bank and other debts	210,377	96,697	–	307,074

The fair value of the bank and other debts included in level 2 category above are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

## 38 Financial risk management (continued)

### (k) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

The following tables set out the carrying amounts of recognised financial assets and recognised financial liabilities that:

- (1) are offset in the Group's consolidated statement of financial position; or
- (2) are subject to an enforceable master netting arrangements or similar agreements that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

	Gross amounts of recognised financial assets (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
				Financial assets (liabilities)	Cash collateral pledged (received)	
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
<b>At 31 December 2016</b>						
<b>Financial assets</b>						
Trade receivables	42	(3)	39	(27)	–	12
Other receivables and prepayments	696	(386)	310	–	–	310
Cash flow hedges						
Forward foreign exchange contracts	196	–	196	(1)	–	195
Net investment hedges	1,144	–	1,144	(3)	–	1,141
Other derivative financial instruments	301	–	301	(299)	–	2
	2,379	(389)	1,990	(330)	–	1,660
<b>Financial liabilities</b>						
Trade payables	(3,648)	389	(3,259)	–	–	(3,259)
Other payables and accruals	(41)	–	(41)	27	–	(14)
Cash flow hedges						
Forward foreign exchange contracts	(1)	–	(1)	1	–	–
Net investment hedges	(3)	–	(3)	3	–	–
Other derivative financial instruments	(299)	–	(299)	299	–	–
	(3,992)	389	(3,603)	330	–	(3,273)
<b>At 31 December 2015</b>						
<b>Financial assets</b>						
Trade receivables	83	(63)	20	–	–	20
Other receivables and prepayments	709	(411)	298	–	–	298
Cash flow hedges						
Interest rate swaps	60	–	60	(17)	–	43
Net investment hedges	375	–	375	(140)	–	235
Other derivative financial instruments	50	–	50	(32)	–	18
	1,277	(474)	803	(189)	–	614
<b>Financial liabilities</b>						
Trade payables	(3,967)	429	(3,538)	–	–	(3,538)
Other payables and accruals	(53)	45	(8)	–	–	(8)
Cash flow hedges						
Interest rate swaps	(17)	–	(17)	17	–	–
Net investment hedges	(140)	–	(140)	140	–	–
Other derivative financial instruments	(200)	–	(200)	32	–	(168)
	(4,377)	474	(3,903)	189	–	(3,714)

## Notes to the Financial Statements

### 39 Pledge of assets

At 31 December 2016, assets of the Group totalling HK\$24,994 million (2015 - HK\$28,828 million) were pledged as security for bank and other debts.

### 40 Contingent liabilities

At 31 December 2016, CK Hutchison Holdings Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures of HK\$3,797 million (2015 - HK\$3,797 million).

The amount utilised by its associated companies and joint ventures are as follows:

	2016 HK\$ millions	2015 HK\$ millions
To associated companies		
Other businesses	2,470	2,355
To joint ventures		
Other businesses	593	533

At 31 December 2016, the Group had provided performance and other guarantees of HK\$3,950 million (2015 - HK\$3,557 million).

### 41 Commitments

The Group's outstanding commitments contracted for at 31 December 2016, where material, not provided for in the financial statements at 31 December 2016 are as follows:

#### Capital commitments

- (i) Ports and Related Services - HK\$674 million (2015 - HK\$164 million)
- (ii) 3 Group Europe - HK\$3,038 million (2015 - HK\$1,770 million)
- (iii) Telecommunications, Hong Kong and Asia - HK\$699 million (2015 - HK\$634 million)
- (iv) Other fixed assets - HK\$184 million (2015 - HK\$148 million)

#### Operating lease commitments – future aggregate minimum lease payments for land and buildings leases

- (a) In the first year - HK\$9,888 million (2015 - HK\$11,508 million)
- (b) In the second to fifth years inclusive - HK\$17,614 million (2015 - HK\$19,550 million)
- (c) After the fifth year - HK\$29,938 million (2015 - HK\$32,937 million)

#### Operating lease commitments – future aggregate minimum lease payments for other assets

- (a) In the first year - HK\$1,290 million (2015 - HK\$1,173 million)
- (b) In the second to fifth years inclusive - HK\$3,351 million (2015 - HK\$3,772 million)
- (c) After the fifth year - HK\$377 million (2015 - HK\$676 million)



## 42 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and joint ventures as disclosed in notes 20 and 21 are unsecured. Balances totalling HK\$15,945 million (2015 - HK\$18,216 million) are interest bearing. In addition, during 2015, the acquisition of HWL resulted in the consolidation of traded debt securities outside Hong Kong issued by listed associated company, Husky Energy with a principal amount of US\$25 million which will mature in 2019.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation).

## 43 Legal proceedings

As at 31 December 2016, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

## 44 Subsequent events

On 14 March 2017, independent shareholders' approval was obtained for the consortium comprising CKI, Power Assets and Cheung Kong Property to acquire 100% interest in the DUET Group, owner and operator of energy utility assets in Australia, the United States, the United Kingdom and Europe, which is listed on the Australian Securities Exchange, for an estimated total consideration of approximately AUD7.4 billion. Subject to completion, the DUET Group will be indirectly held by CKI, Power Assets and Cheung Kong Property as to 40%, 20% and 40% respectively. Completion of the acquisition is subject to, among other conditions, approval from the Foreign Investment Review Board of Australia and shareholders of the DUET Group.

## 45 US dollar equivalents

Amounts in these financial statements are stated in Hong Kong dollars (HK\$), the functional currency of the Company. The translation into US dollars (US\$) of these financial statements as of, and for the year ended, 31 December 2016, is for convenience only and has been made at the rate of HK\$7.80 to US\$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

## Notes to the Financial Statements

### 46 Profit before tax

Profit before tax is shown after crediting and charging the following items:

	2016 HK\$ millions	2015 HK\$ millions
<i>Credits:</i>		
Share of profits less losses of associated companies (2015 - including share of profits on disposal of investments and others of HK\$196 million of associated companies)		
Listed	5,735	6,984
Unlisted	627	265
	<b>6,362</b>	7,249
Dividend and interest income from managed funds and other investments		
Listed	126	394
Unlisted	144	65
<i>Charges:</i>		
Depreciation and amortisation		
Fixed assets	13,262	8,438
Leasehold land	416	189
Telecommunications licences	823	352
Brand names and other rights	1,513	639
	<b>16,014</b>	9,618
Inventories write-off	1,114	247
Operating leases		
Properties	18,129	10,923
Hire of plant and machinery	1,939	1,307
Auditors' remuneration		
Audit and audit related - PricewaterhouseCoopers	210	159
- other auditors	19	28
Non-audit work - PricewaterhouseCoopers	26	56
- other auditors	46	16

## 47 Statement of financial position of the Company, as at 31 December 2016

	2016 HK\$ millions	2015 HK\$ millions
<b>Assets</b>		
Non-current assets		
Subsidiary companies - Unlisted shares <sup>(a)</sup>	355,164	355,164
Current assets		
Amounts due from subsidiary companies <sup>(b)</sup>	9,397	9,362
Other receivables	28	–
Cash	7	–
Current liabilities		
Other payables and accruals	43	2
Net current assets	9,389	9,360
<b>Net assets</b>	<b>364,553</b>	<b>364,524</b>
<b>Capital and reserves</b>		
Share capital (see note 34(a))	3,858	3,860
Share premium (see note 34(a))	244,505	244,691
Reserves - Retained profit <sup>(c)</sup>	116,190	115,973
<b>Shareholders' funds</b>	<b>364,553</b>	<b>364,524</b>

**Fok Kin Ning, Canning**  
Director

**Frank John Sixt**  
Director

## Notes to the Financial Statements

### 47 Statement of financial position of the Company, as at 31 December 2016 *(continued)*

- (a) Particulars regarding the principal subsidiary companies are set forth on pages 275 to 278 .
- (b) Amounts due from subsidiary companies are interest-free, unsecured and repayable on demand.
- (c) Reserves - Retained profit

	HK\$ millions
At 1 January 2015	–
Profit for the year	118,675
Dividends paid relating to 2015	(2,702)
At 31 December 2015	<b>115,973</b>
Profit for the year	<b>10,195</b>
Buy-back and cancellation of issued shares (see note 34(a)(ii))	<b>(1)</b>
Dividends paid relating to 2015	<b>(7,140)</b>
Dividends paid relating to 2016	<b>(2,837)</b>
At 31 December 2016	<b>116,190</b>

- (d) The Company does not have an option scheme for the purchase of ordinary shares in the Company.
- (e) The net profit of the Company is HK\$10,195 million (2015 - HK\$118,675 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.
- (f) At 31 December 2016, the Company's share premium and retained profit amounted to HK\$244,505 million (2015 - HK\$244,691 million) and HK\$116,190 million (2015 - HK\$115,973 million) respectively, and subject to a solvency test, they are available for distribution to shareholders.

### 48 Approval of financial statements

The financial statements set out on pages 172 to 278 were approved and authorised for issue by the Board of Directors on 22 March 2017.

# Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2016

Subsidiary and associated companies and joint ventures	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital ** / registered capital	Percentage of equity attributable to the Group	Principal activities
<b>Ports and related services</b>				
Alexandria International Container Terminals Company S.A.E.	Egypt	USD 30,000,000	64	Container terminal operating
Amsterdam Port Holdings B.V.	Netherlands	EUR 170,704	56	Holding Company
Brisbane Container Terminals Pty Limited	Australia	AUD 34,100,000	80	Container terminal operating
Buenos Aires Container Terminal Services S.A.	Argentina	ARS 99,528,668	80	Container terminal operating
ECT Delta Terminal B.V.	Netherlands	EUR 18,000	71	Stevedoring activities
Ensenada Cruiseport Village, S.A. de C.V.	Mexico	MXP 145,695,000	80	Cruise terminal operating
Ensenada International Terminal, S.A. de C.V.	Mexico	MXP 160,195,000	80	Container terminal operating
Europe Container Terminals B.V.	Netherlands	EUR 45,000,000	75	Holding company
Euromax Terminal Rotterdam B.V.	Netherlands	EUR 100,000	49	Stevedoring activities
Freeport Container Port Limited	Bahamas	BSD 2,000	41	Container terminal operating
Gdynia Container Terminal S.A.	Poland	PLN 11,379,300	79	Container terminal operating and rental of port real estate
Harwich International Port Limited	United Kingdom	GBP 16,812,002	80	Container terminal operating
☆ Hongkong United Dockyards Limited	Hong Kong	HKD 76,000,000	50	Ship repairing, general engineering and tug operations
☆ Huizhou Port Industrial Corporation Limited	China	RMB 300,000,000	27	Container terminal operating
☆ ☼ Huizhou Quanwan Port Development Co., Ltd.	China	RMB 359,300,000	40	Port related land development
Hutchison Ajman International Terminals Limited - F.Z.E.	United Arab Emirates	AED 60,000,000	80	Container terminal operating
Hutchison Port Holdings Limited	British Virgin Islands / Hong Kong	USD 26,000,000	80	Operation, management and development of ports and container terminals, and investment holding
Hutchison Korea Terminals Limited	South Korea	WON 4,107,500,000	80	Container terminal operating
Hutchison Laemchabang Terminal Limited	Thailand	THB 1,000,000,000	64	Container terminal operating
☆ * # Hutchison Port Holdings Trust	Singapore/China	USD 8,797,780,935	30	Container port business trust
Hutchison Port Investments Limited	Cayman Islands	USD 74,870,807	80	Holding company
Hutchison Ports Investments S.à r.l.	Luxembourg	EUR 12,750	80	Operation, management and development of ports and container terminals, and investment holding
Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP 138,623,200	80	Container terminal operating
International Ports Services Co. Ltd.	Saudi Arabia	SAR 2,000,000	41	Container terminal operating
☆ ☼ Jiangmen International Container Terminals Limited	China	USD 14,461,665	40	Container terminal operating
Karachi International Container Terminal Limited	Pakistan	PKR 1,109,384,220	80	Container terminal operating

## Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2016

Subsidiary and associated companies and joint ventures	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital ** / registered capital	Percentage of equity attributable to the Group	Principal activities
<b>Ports and related services</b> (continued)				
Korea International Terminals Limited	South Korea	WON 45,005,000,000	71	Container terminal operating
L.C. Terminal Portuaria de Contenedores, S.A. de C.V.	Mexico	MXP 78,560,628	80	Container terminal operating
Maritime Transport Services Limited	United Kingdom	GBP 13,921,323	64	Container terminal operating
✧ ☹ Nanhai International Container Terminals Limited	China	USD 42,800,000	40	Container terminal operating
✧ ☹ Ningbo Beilun International Container Terminals Limited	China	RMB 700,000,000	39	Container terminal operating
+ Oman International Container Terminal L.L.C.	Oman	OMR 4,000,000	52	Container terminal operating
Panama Ports Company, S.A.	Panama	USD 10,000,000	72	Container terminal operating
Port of Felixstowe Limited	United Kingdom	GBP 100,002	80	Container terminal operating
✧ PT Jakarta International Container Terminal	Indonesia	IDR 221,450,406,000	39	Container terminal operating
✧ River Trade Terminal Co. Ltd.	British Virgin Islands / Hong Kong	USD 1	40	River trade terminal operation
Saigon International Terminals Vietnam Limited	Vietnam	USD 80,084,000	56	Container terminal operating
✧ ☹ + Shanghai Mingdong Container Terminals Limited	China	RMB 4,000,000,000	40	Container terminal operating
☹ Shantou International Container Terminals Limited	China	USD 88,000,000	56	Container terminal operating
South Asia Pakistan Terminals Limited	Pakistan	PKR 5,763,773,300	72	Container terminal operating
Sydney International Container Terminals Pty Ltd	Australia	AUD 49,000,001	80	Container terminal operating
Talleres Navales del Golfo, S.A. de C.V.	Mexico	MXP 143,700,000	80	Marine construction and ship repair yard
+ Tanzania International Container Terminal Services Limited	Tanzania	TZS 2,208,492,000	53	Container terminal operating
Terminal Catalunya, S.A.	Spain	EUR 2,342,800	80	Container terminal operating
Thai Laemchabang Terminal Co., Ltd.	Thailand	THB 800,000,000	70	Container terminal operating
Thamesport (London) Limited	United Kingdom	GBP 2	64	Container terminal operating
* # + Westports Holdings Berhad	Malaysia	MYR 341,000,000	19	Holding company
# ☹ Xiamen Haicang International Container Terminals Limited	China	RMB 555,515,000	39	Container terminal operating
✧ ☹ Xiamen International Container Terminals Limited	China	RMB 1,148,700,000	39	Container terminal operating
<b>Retail</b>				
A.S. Watson (Europe) Retail Holdings B.V.	Netherlands	EUR 18,001	75	Investment holding in retail businesses
A. S. Watson Retail (HK) Limited	Hong Kong	HKD 100,000,000	75	Retailing
✧ + Dirk Rossmann GmbH	Germany	EUR 12,000,000	30	Retailing
☹ Guangzhou Watson's Personal Care Stores Ltd.	China	HKD 71,600,000	71	Retailing
PARKnSHOP (HK) Limited	Hong Kong	HKD 100,000,000	75	Supermarket operating
✧ Rossmann Supermarkety Drogerijne Polska Sp. z o.o.	Poland	PLN 26,442,892	53	Retailing
Superdrug Stores plc	United Kingdom	GBP 22,000,000	75	Retailing
✧ Wuhan Watson's Personal Care Stores Co., Limited	China	RMB 55,930,000	75	Retailing

Subsidiary and associated companies and joint ventures	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital ** / registered capital	Percentage of equity attributable to the Group	Principal activities
<b>Infrastructure and energy</b>				
☆ Australian Gas Networks Limited	Australia	AUD 879,082,753	62	Natural gas distribution
☆ + AVR-Afvalverwerking B.V.	Netherlands	EUR 1	61	Producing energy from waste
* + Cheung Kong Infrastructure Holdings Limited	Bermuda / Hong Kong	HKD 2,650,676,042	76	Holding Company
+ Enviro Waste Services Limited	New Zealand	NZD 84,768,736	76	Waste management services
* # + Husky Energy Inc.	Canada	CAD 7,295,709,034	40	Investment in oil and gas
☆ + Northern Gas Networks Holdings Limited	United Kingdom	GBP 71,670,980	36	Gas distribution
+ Northumbrian Water Group Limited	United Kingdom	GBP 161	70	Water & sewerage businesses
* # + Power Assets Holdings Limited	Hong Kong	HKD 6,610,008,417	29	Investment holdings in power and utility-related businesses
☆ + UK Power Networks Holdings Limited	United Kingdom	GBP 10,000,000	30	Electricity distribution
+ UK Rails S.à r.l.	Luxembourg / United Kingdom	GBP 24,762	88	Holding company in leasing of rolling stock
☆ + Wales & West Gas Networks (Holdings) Limited	United Kingdom	GBP 290,272,506	53	Gas distribution
<b>Telecommunications</b>				
☆ VIP-CKH Luxembourg S.à r.l.	Luxembourg	EUR 50,000	50	Mobile telecommunications services
Hi3G Access AB	Sweden	SEK 10,000,000	60	Mobile telecommunications services
Hi3G Denmark ApS	Denmark	DKK 64,375,000	60	Mobile telecommunications services
Hutchison Drei Austria GmbH	Austria	EUR 34,882,960	100	Mobile telecommunications services
Hutchison 3G Ireland Holdings Limited	United Kingdom	EUR 2	100	Holding company of mobile telecommunications services
Hutchison 3G UK Limited	United Kingdom	GBP 201	100	Mobile telecommunications services
Hutchison Global Communications Limited	Hong Kong	HKD 20	66	Fixed-line telecommunications services
* Hutchison Telecommunications (Australia) Limited	Australia	AUD 4,204,487,847	88	Holding company
* Hutchison Telecommunications Hong Kong Holdings Limited	Cayman Islands / Hong Kong	HKD 1,204,724,052	66	Holding company of mobile and fixed-line telecommunications services
Vietnamobile Telecommunications Joint Stock Company	Vietnam	VND 9,348,000,000,000	49	Mobile telecommunications services
Hutchison Telephone Company Limited	Hong Kong	HKD 2,730,684,340	50	Mobile telecommunications services
PT. Hutchison 3 Indonesia	Indonesia	IDR 651,156,000,000	65	Mobile telecommunications services
☆ + Vodafone Hutchison Australia Pty Limited	Australia	AUD 6,046,889,713	44	Telecommunications services
<b>Finance &amp; investments and others</b>				
Cheung Kong (Holdings) Limited	Hong Kong	HKD 10,488,733,666	100	Holding company
* # + CK Life Sciences Int'l., (Holdings) Inc.	Cayman Islands / Hong Kong	HKD 961,107,240	45	Holding company of nutraceuticals, pharmaceuticals and agriculture-related businesses

## Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2016

Subsidiary and associated companies and joint ventures	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital ** / registered capital	Percentage of equity attributable to the Group	Principal activities
<b>Finance &amp; investments and others (continued)</b>				
CK Hutchison Global Investments Limited	British Virgin Islands	USD 2	100	Holding company
Hutchison International Limited	Hong Kong	HKD 727,966,526	100	Holding company & corporate
Hutchison Whampoa Europe Investments S.à r.l.	Luxembourg	EUR 1,764,026,975	100	Holding company
Hutchison Whampoa Limited	Hong Kong	HKD 29,424,795,590	100	Holding company
✧ ⌘ Guangzhou Aircraft Maintenance Engineering Company Limited	China	USD 65,000,000	50	Aircraft maintenance
* Hutchison China MediTech Limited	Cayman Islands / China	USD 60,705,823	60	Holding company of healthcare businesses
Hutchison Water Holdings Limited	Cayman Islands	USD 100,000	80	Investment holding in water businesses
Hutchison Whampoa (China) Limited	Hong Kong	HKD 15,100,000	100	Investment holding & China businesses
Marionnaud Parfumeries S.A.S.	France	EUR 76,575,832	100	Investment holding in perfume retailing businesses
✧ Metro Broadcast Corporation Limited	Hong Kong	HKD 1,000,000	50	Radio broadcasting
* # TOM Group Limited	Cayman Islands / Hong Kong	HKD 389,327,056	37	Cross media

The above table lists the principal subsidiary and associated companies and joint ventures of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiary and associated companies and joint ventures would, in the opinion of the directors, result in particulars of excessive length.

Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation.

Except Cheung Kong (Holdings) Limited and CK Hutchison Global Investments Limited which are 100% directly held by the Company, the interests in the remaining subsidiary and associated companies and joint ventures are held indirectly.

\* Company listed on the Stock Exchange of Hong Kong except Hutchison Port Holdings Trust which is listed on Singapore Stock Exchange, Westports Holdings Berhad which is listed on the Bursa Malaysia Securities Berhad, Husky Energy Inc. which is listed on the Toronto Stock Exchange, Hutchison Telecommunications (Australia) Limited which is listed on the Australian Securities Exchange and Hutchison China MediTech Limited which is listed on the AIM of the London Stock Exchange and in the form of American Depositary Shares on the Nasdaq Stock Market.

\*\* For Hong Kong incorporated companies, this represents issued ordinary share capital.

# Associated companies

✧ Joint ventures

⌘ Equity joint venture registered under PRC law

♣ Wholly owned foreign enterprise (WOFE) registered under PRC law

◇ The share capital of Hutchison Port Holdings Trust is in a form of trust units.

+ The accounts of these subsidiary and associated companies and joint ventures have been audited by firms other than PricewaterhouseCoopers. The aggregate net assets and turnover (excluding share of associated companies and joint ventures) attributable to shareholders of these companies not audited by PricewaterhouseCoopers amounted to approximately 21% and 9% of the Group's respective items.



# Ten Year Summary

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>CONSOLIDATED INCOME STATEMENT</b>										
HK\$ millions										
Revenue <sup>(1)</sup>	18,762	13,322	20,316	25,291	34,538	21,379	21,480	26,384	176,094	259,842
Profit attributable to ordinary shareholders of the Company <sup>(1)</sup>	29,171	12,721	20,304	26,750	45,957	32,036	35,260	53,869	118,570	33,008
Dividends	5,675	5,675	6,254	6,833	7,319	7,319	8,060	24,676	9,842	10,340
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>										
HK\$ millions										
<b>ASSETS</b>										
<b>Non-current assets</b>										
Fixed assets	10,560	11,624	10,696	10,399	11,233	10,145	9,977	17,454	179,855	145,598
Investment properties	15,497	15,670	19,433	21,170	25,180	29,656	28,777	33,285	334	344
Leasehold land	–	–	–	–	–	–	–	–	7,215	8,155
Telecommunications licences	–	–	–	–	–	–	–	–	32,608	23,936
Brand names and other rights	–	–	–	–	–	–	–	–	82,233	73,625
Goodwill	–	–	–	–	–	–	–	–	261,449	254,748
Associated companies	143,376	145,524	148,185	154,568	178,606	187,348	196,812	216,841	148,372	150,406
Interests in joint ventures	24,456	30,207	33,650	40,671	56,929	63,303	65,659	68,754	92,425	106,253
Deferred tax assets	–	–	–	–	–	–	–	–	20,986	15,856
Other non-current assets	1,618	1,586	1,192	1,062	1,206	1,100	1,564	1,272	4,238	5,096
Liquid funds and other listed investments	9,398	4,185	6,278	8,577	7,301	10,828	8,843	10,210	10,255	5,954
	204,905	208,796	219,434	236,447	280,455	302,380	311,632	347,816	839,970	789,971
Current assets	69,826	76,230	79,231	93,877	92,006	104,345	117,205	110,125	192,974	223,494
<b>Total assets</b>	<b>274,731</b>	<b>285,026</b>	<b>298,665</b>	<b>330,324</b>	<b>372,461</b>	<b>406,725</b>	<b>428,837</b>	<b>457,941</b>	<b>1,032,944</b>	<b>1,013,465</b>
Current liabilities	17,058	19,571	22,776	34,705	35,031	20,189	15,466	31,350	130,303	157,312
<b>Non-current liabilities</b>										
Bank and other debts	23,655	31,258	25,279	22,027	23,020	43,001	39,452	19,522	270,536	231,260
Interest bearing loans from non-controlling shareholders	–	–	–	–	–	–	–	–	4,827	4,283
Deferred tax liabilities	517	598	664	761	850	820	986	1,022	26,062	23,692
Pension obligations	–	–	–	–	–	–	–	–	4,066	5,369
Other non-current liabilities	4,000	2,000	–	–	–	63	112	–	48,039	47,359
	28,172	33,856	25,943	22,788	23,870	43,884	40,550	20,544	353,530	311,963
<b>Net assets</b>	<b>229,501</b>	<b>231,599</b>	<b>249,946</b>	<b>272,831</b>	<b>313,560</b>	<b>342,652</b>	<b>372,821</b>	<b>406,047</b>	<b>549,111</b>	<b>544,190</b>
<b>CAPITAL AND RESERVES</b>										
Share capital	1,158	1,158	1,158	1,158	1,158	1,158	1,158	10,489 <sup>(2)</sup>	3,860	3,858
Share premium	9,331	9,331	9,331	9,331	9,331	9,331	9,331	–	244,691	244,505
Perpetual capital securities	–	–	–	–	4,648	5,652	9,048	9,045	35,153	30,510
Reserves	215,597	216,759	235,646	258,521	295,211	323,354	350,192	383,656	144,884	145,806
<b>Total ordinary shareholders' funds and perpetual capital securities</b>	<b>226,086</b>	<b>227,248</b>	<b>246,135</b>	<b>269,010</b>	<b>310,348</b>	<b>339,495</b>	<b>369,729</b>	<b>403,190</b>	<b>428,588</b>	<b>424,679</b>
Non-controlling interests	3,415	4,351	3,811	3,821	3,212	3,157	3,092	2,857	120,523	119,511
<b>Total equity</b>	<b>229,501</b>	<b>231,599</b>	<b>249,946</b>	<b>272,831</b>	<b>313,560</b>	<b>342,652</b>	<b>372,821</b>	<b>406,047</b>	<b>549,111</b>	<b>544,190</b>

## Ten Year Summary

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>PERFORMANCE DATA</b>										
Earnings per share for profit attributable to ordinary shareholders of the Company - (HK\$)	12.59	5.49	8.77	11.55	19.84	13.83	15.22	23.26	36.91	<b>8.55</b>
Dividends per share - (HK\$) <sup>(3)</sup>	2.45	2.45	2.70	2.95	3.16	3.16	3.48	3.65	2.55	<b>2.68</b>
Special dividends per share - (HK\$)	—	—	—	—	—	—	—	7.00	—	<b>—</b>
Dividend cover <sup>(3)</sup>	5.1	2.2	3.2	3.9	6.3	4.4	4.4	6.4	14.5	<b>3.2</b>
Return on average ordinary shareholders' funds (%)	13.8%	5.6%	8.6%	10.4%	16.0%	10.0%	10.2%	14.3%	30.1%	<b>8.4%</b>
Current ratio	4.1	3.9	3.5	2.7	2.6	5.2	7.6	3.5	1.5	<b>1.4</b>
Net debt - (HK\$ millions) <sup>(4)</sup>	16,081	28,033	12,861	1,172	18,502	15,868	Note 5	Note 5	172,580	<b>141,806</b>
Net debt / Net total capital (%) <sup>(4)</sup>	6.5%	10.8%	4.9%	0.4%	5.6%	4.4%	N/A	N/A	23.7%	<b>20.5%</b>
Net assets attributable to ordinary shareholders of the Company per share - book value (HK\$)	97.6	98.1	106.3	116.1	132.0	144.1	155.7	170.2	101.9	<b>102.2</b>
Number of shares (million)	2,316.2	2,316.2	2,316.2	2,316.2	2,316.2	2,316.2	2,316.2	2,316.2	3,859.7	<b>3,857.7</b>

Certain line item descriptions have been updated and certain comparative amounts have been reclassified to conform to the current year presentation.

- (1) Amounts shown above are the aggregate total arising from continuing and discontinuing operations in 2015.
- (2) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, the amounts standing to the credit of the share premium account created under the sections 48B and 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32) have become part of the Cheung Kong's share capital.
- (3) Exclude special dividend of HK\$7 per share in 2014.
- (4) See note 34(c)(i) to the financial statements.
- (5) Net cash in 2014 and 2013 amounted to HK\$6,433 million and HK\$1,510 million respectively.

# Information for Shareholders

<b>LISTING</b>	The Company's ordinary shares are listed on The Stock Exchange of Hong Kong Limited
<b>STOCK CODES</b>	The Stock Exchange of Hong Kong Limited: 1 Bloomberg: 1 HK Reuters: 1.HK
<b>PUBLIC FLOAT CAPITALISATION</b>	Approximately HK\$235,013 million (approximately 69% of the issued share capital of the Company) as at 31 December 2016
<b>FINANCIAL CALENDAR</b>	Payment of 2016 Interim Dividend: 22 September 2016 2016 Final Results Announcement: 22 March 2017 Record Date for 2016 Final Dividend: 17 May 2017 Payment of 2016 Final Dividend: 31 May 2017
<b>REGISTERED OFFICE</b>	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
<b>PRINCIPAL PLACE OF BUSINESS</b>	12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong
<b>PRINCIPAL EXECUTIVE OFFICE</b>	22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong Telephone: +852 2128 1188 Facsimile: +852 2128 1705
<b>PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE</b>	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square Grand Cayman, KY1-1102, Cayman Islands
<b>HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE</b>	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong Telephone: +852 2862 8628 Facsimile: +852 2865 0990
<b>INVESTOR INFORMATION</b>	Corporate press releases, financial reports and other investor information on the Group are available on the website of the Company
<b>INVESTOR RELATIONS CONTACT</b>	Please direct enquiries to: Group Investor Relations 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong Telephone: +852 2128 1188 Facsimile: +852 2128 1705 Email: <a href="mailto:ir@ckh.com.hk">ir@ckh.com.hk</a>
<b>WEBSITE ADDRESS</b>	<a href="http://www.ckh.com.hk">www.ckh.com.hk</a>



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

22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong

Telephone: +852 2128 1188

Facsimile: +852 2128 1705

[www.ckh.com.hk](http://www.ckh.com.hk)