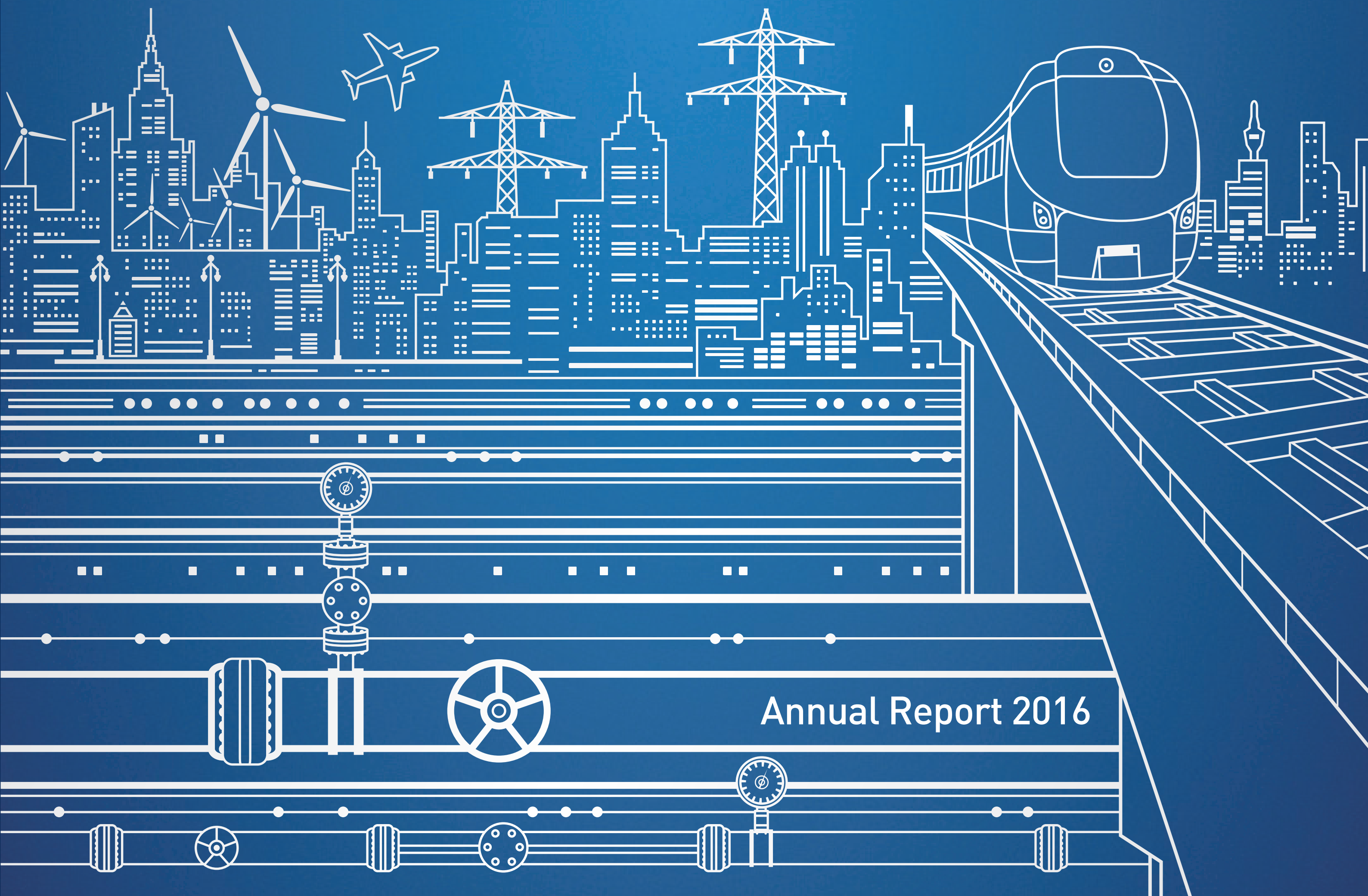
CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED
長江基建集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1038)

GLOBAL INFRASTRUCTURE PLAYER



Annual Report 2016

CKI A Leading Player in the Global Infrastructure Arena

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 Group has diversified investments in Energy Infrastructure, Transportation Infrastructure, Water Infrastructure, Waste Management, Waste-to-energy and Infrastructure Related Businesses. Its investments and operations span Hong Kong, Mainland China, the United Kingdom, the Netherlands, Portugal, Australia, New Zealand and Canada.

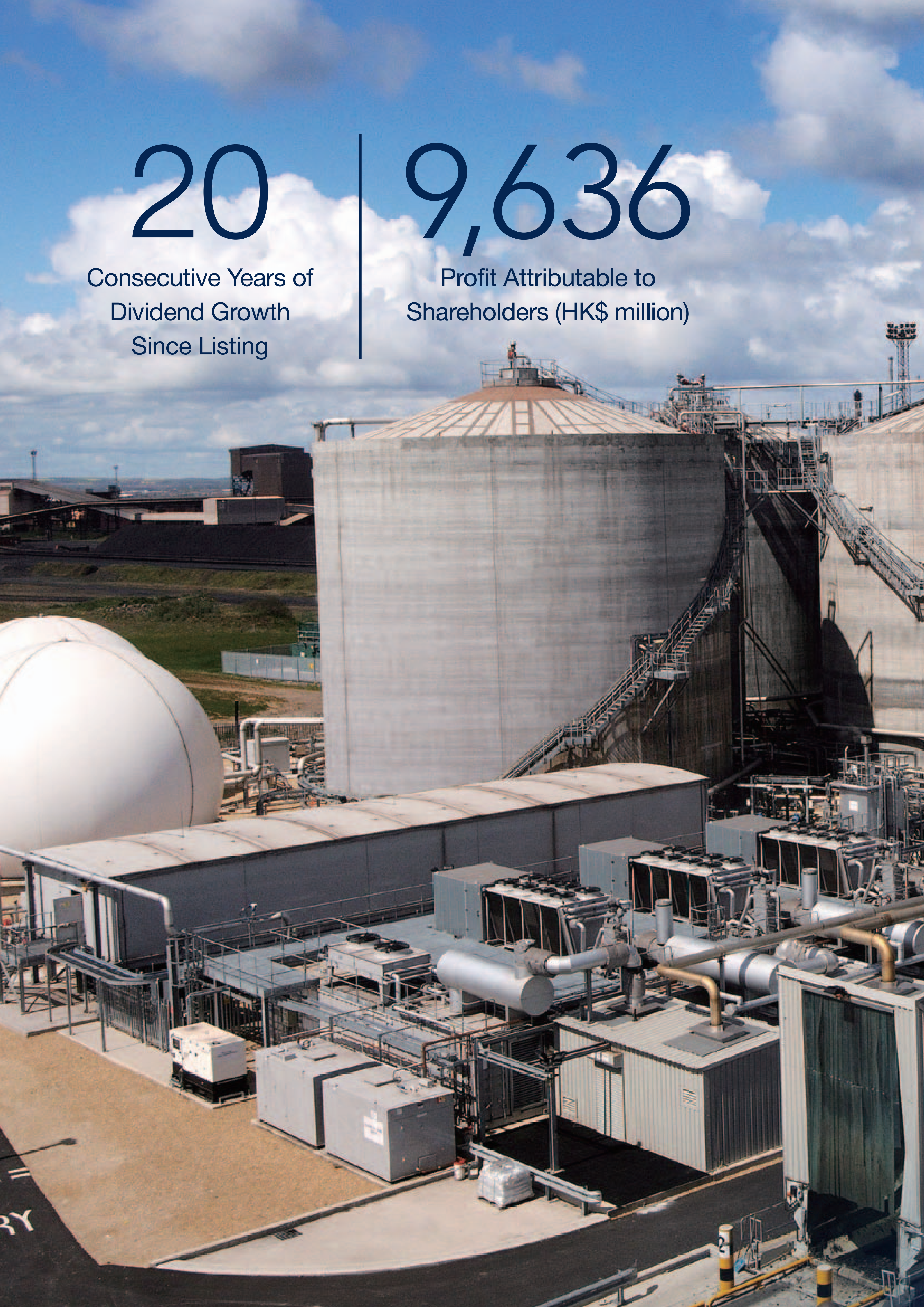
CONTENTS

20

Consecutive Years of Dividend Growth Since Listing

9,636

Profit Attributable to Shareholders (HK$ million)



2016 KEY FIGURES

2016 KEY FIGURES

12

Billion

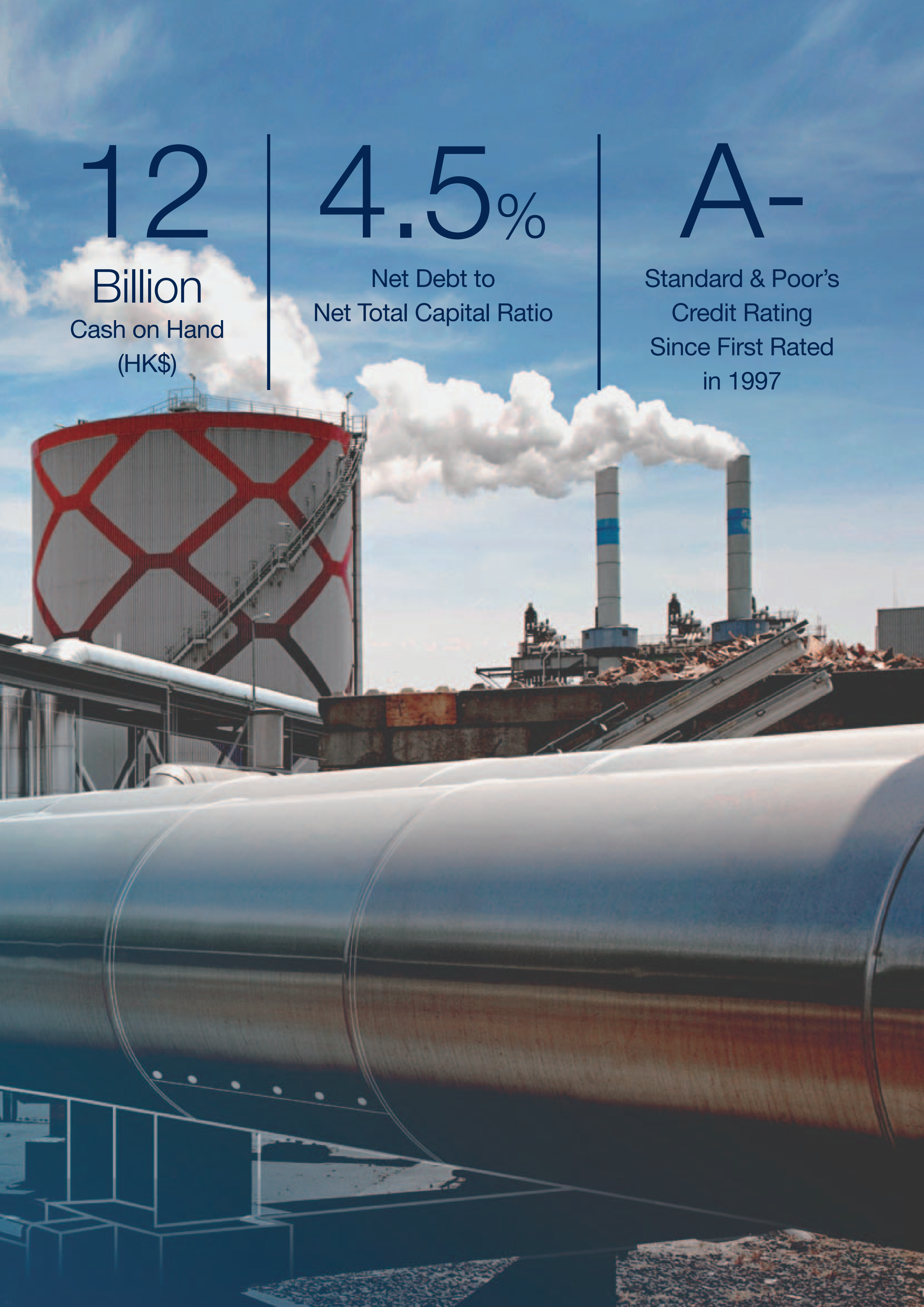
Cash on Hand (HK$)

4.5%

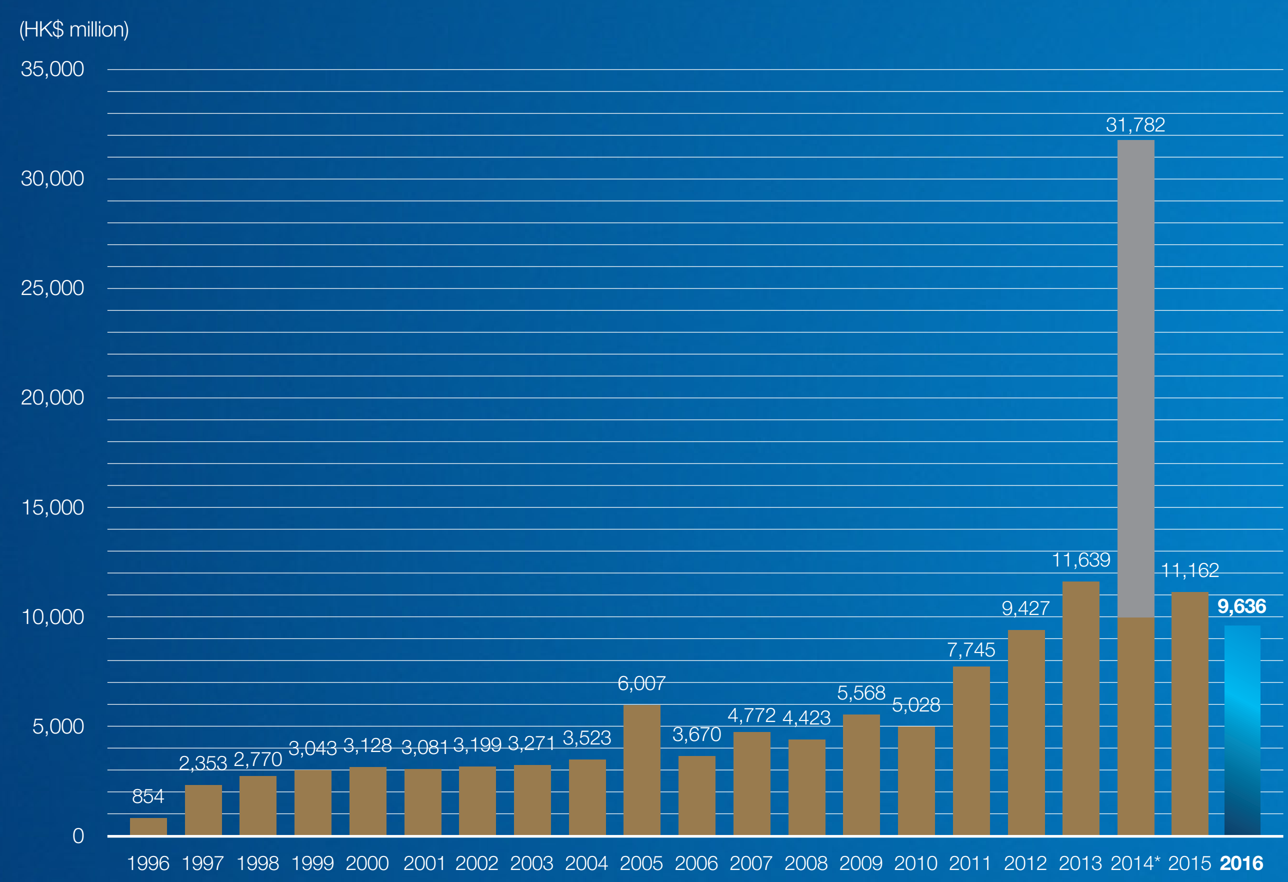
Net Debt to Net Total Capital Ratio

A-

Standard & Poor's Credit Rating Since First Rated in 1997

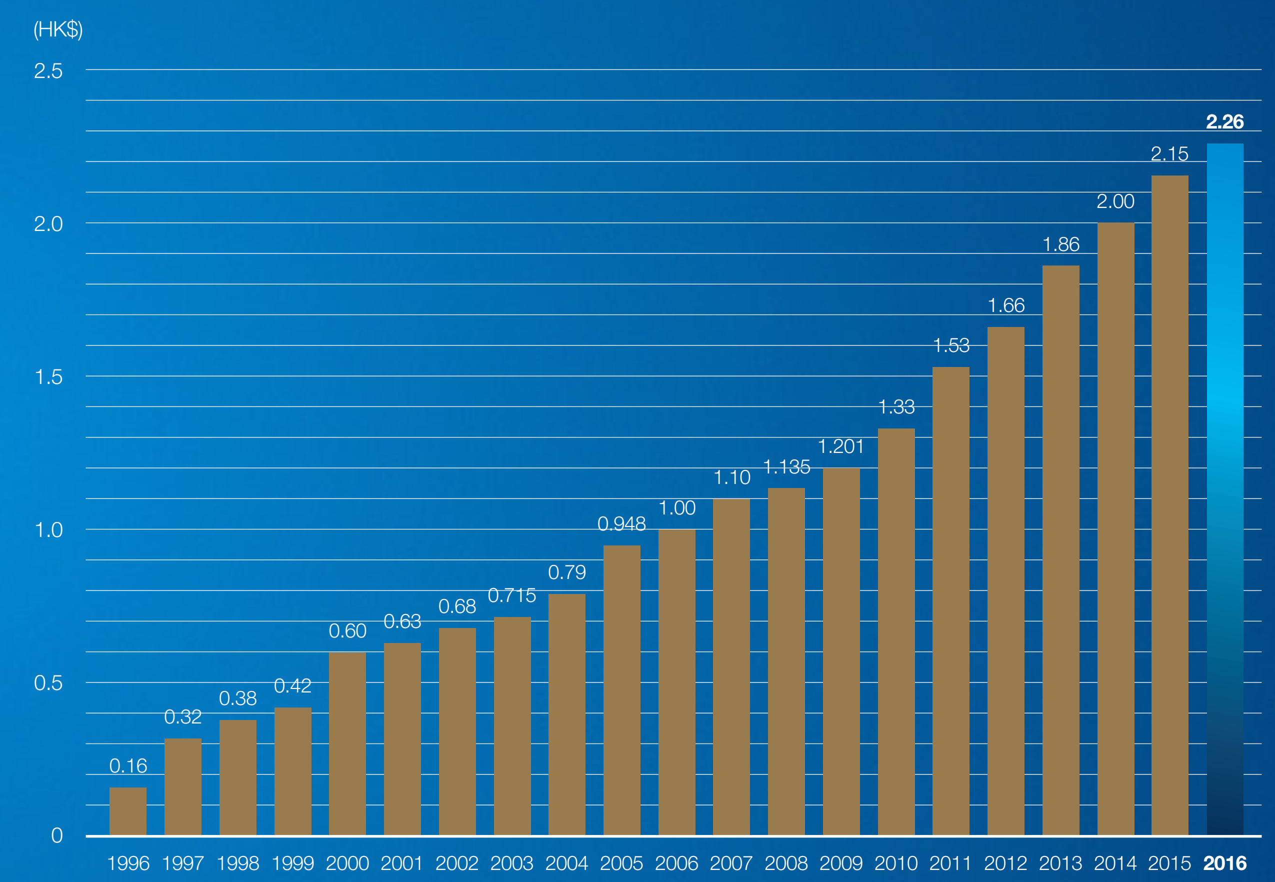


PROFIT ATTRIBUTABLE TO SHAREHOLDERS SINCE LISTING



* 2014 profit attributable to shareholders included approximately HK$19.6 billion share of one-off gain arising from the spin-off of the Hong Kong electricity business of Power Assets and approximately HK$2.2 billion gain on privatisation of Envestra (in grey colour)

20 YEARS OF CONTINUOUS DIVIDEND GROWTH SINCE LISTING



THE BUSINESS

Infrastructure Investment in
UNITED KINGDOM

- UK Power Networks
- Northumbrian Water
- Northern Gas Networks
- Wales & West Gas Networks
- Seabank Power
- UK Rails
- Southern Water

Infrastructure Investment in
AUSTRALIA

- SA Power Networks
- Victoria Power Networks
- Australian Gas Networks
- Australian Energy Operations

Infrastructure Investment in
MAINLAND CHINA

- Shen-Shan Highway (Eastern Section)
- Shantou Bay Bridge
- Tangshan Tangle Road
- Changsha Wujialing and Wuyilu Bridges
- Jiangmen Chaolian Bridge
- Panyu Beidou Bridge

Investment in
INFRASTRUCTURE RELATED BUSINESSES

- Alliance Construction Materials
- Green Island Cement
- Green Island Cement (Yunfu)
- Guangdong Gitic Green Island Cement
- Siquijor Limestone Quarry

Infrastructure Investment in
CONTINENTAL EUROPE

- Dutch Enviro Energy
- Portugal Renewable Energy

Infrastructure Investment in
NEW ZEALAND

- Wellington Electricity
- EnviroNZ

Investment in
POWER ASSETS

- Power Assets

Infrastructure Investment in
CANADA

- Canadian Power
- Park'N Fly
- Husky Midstream


THE PEOPLE

TEN-YEAR FINANCIAL SUMMARY

Consolidated Income Statement Summary

for the year ended 31st December

HK$ million	**2016**	2015	2014	2013	2012	2011	2010	2009	2008	2007
Profit attributable to shareholders	**9,636**	11,162	31,782	11,639	9,427	7,745	5,028	5,568	4,423	4,772
Dividends										
Interim dividend paid	**1,587**	1,512	1,281	1,220	976	854	744	724	670	609
Proposed final dividend	**4,107**	3,905	3,716	3,318	3,074	2,724	2,254	1,983	1,889	1,871
	5,694	5,417	4,997	4,538	4,050	3,578	2,998	2,707	2,559	2,480

Consolidated Statement of Financial Position Summary

as at 31st December

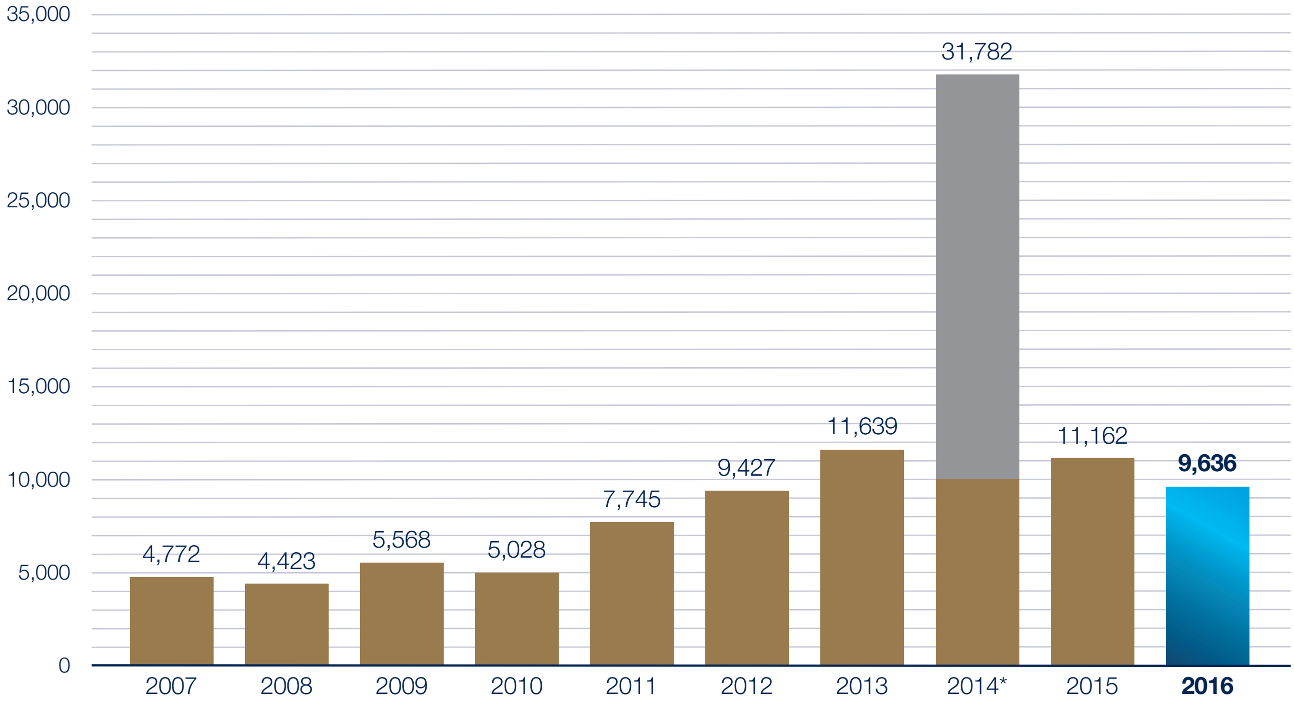
HK$ million	**2016**	2015	2014	2013	2012	2011	2010	2009	2008	2007
Property, plant and equipment	**2,404**	2,379	2,452	2,408	1,477	845	1,276	1,320	1,185	1,413
Investment properties	**344**	334	305	268	238	206	186	174	164	160
Interests in associates	**52,177**	54,004	54,135	34,583	32,737	30,220	29,797	26,859	24,456	26,856
Interests in joint ventures	**53,973**	60,988	52,999	46,244	39,678	33,226	21,483	7,003	7,972	6,709
Interests in infrastructure project investments	**–**	–	–	–	–	–	–	–	477	377
Investments in securities	**648**	1,985	3,889	4,599	6,199	5,197	4,824	4,459	2,597	4,187
Derivative financial instruments	**2,178**	571	86	42	–	158	209	–	624	55
Goodwill and intangible assets	**2,554**	2,525	2,877	2,966	–	–	151	158	143	209
Pledged bank deposit	**–**	–	–	–	–	–	–	–	1,113	–
Deferred tax assets	**29**	21	15	20	22	15	9	7	11	5
Other non-current assets	**64**	17	–	–	–	–	29	1	–	19
Current assets	**13,539**	9,278	9,312	8,778	8,191	6,956	6,296	11,798	6,267	9,452
Total assets	**127,910**	132,102	126,070	99,908	88,542	76,823	64,260	51,779	45,009	49,442
Current liabilities	**(13,837)**	(3,681)	(6,571)	(5,040)	(3,291)	(13,527)	(3,058)	(3,172)	(2,887)	(4,802)
Non-current liabilities	**(7,886)**	(17,862)	(17,753)	(14,270)	(11,870)	(3,524)	(7,515)	(6,320)	(5,392)	(5,183)
Total liabilities	**(21,723)**	(21,543)	(24,324)	(19,310)	(15,161)	(17,051)	(10,573)	(9,492)	(8,279)	(9,985)
Perpetual capital securities	**(9,544)**	(7,933)	(7,933)	(10,329)	(10,329)	(7,933)	(7,933)	–	–	–
Non-controlling interests	**(38)**	(55)	(77)	(84)	(89)	(95)	(81)	(72)	(55)	(48)
Equity attributable to shareholders	**96,605**	102,571	93,736	70,185	62,963	51,744	45,673	42,215	36,675	39,409

Per Share Data

HK$	**2016**	2015	2014	2013	2012	2011	2010	2009	2008	2007
Earnings per share	**3.82**	4.44	13.03	4.77	3.93	3.38	2.23	2.47	1.96	2.12
Dividends per share	**2.260**	2.150	2.000	1.860	1.660	1.530	1.330	1.201	1.135	1.100
Shareholders' equity – net book value per share	**38.34**	40.71	38.42	28.77	25.81	22.13	20.26	18.73	16.27	17.48

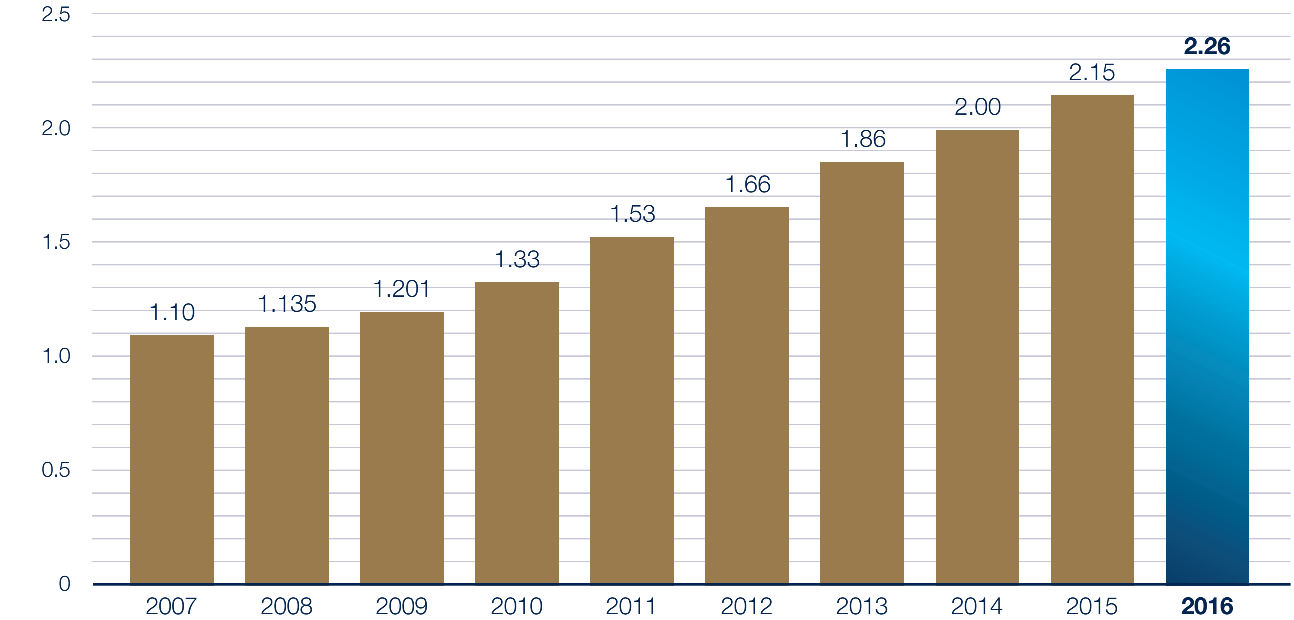
Profit Attributable to Shareholders

(HK$ million)



Dividends Per Share

(HK$)



* 2014 profit attributable to shareholders included approximately HK$19.6 billion share of one-off gain arising from the spin-off of the Hong Kong electricity business of Power Assets and approximately HK$2.2 billion gain on privatisation of Envestra (in grey colour)

CHAIRMAN'S LETTER

LI TZAR KUOI, VICTOR
Chairman

For the year ended 31st December, 2016, Cheung Kong Infrastructure Holdings Limited ("CKI", the "Company" or the "Group") recorded profit attributable to shareholders of HK$9,636 million. This represented a 14% decrease compared to 2015.

The Group faced many challenges during the year, including volatile exchange rates (particularly British pounds), and rising interest rates. Despite these influences, the Group's operations round the world performed well, with total profit contribution in Hong Kong dollars at a similar level as last year. The 14% reduction in attributable profit was mainly due to a smaller UK deferred tax credit in 2016 compared to 2015, and the 2015 reversal of provisions and expenses made earlier for non-operational matters.

With the exception of Power Assets and Infrastructure Materials, profit contribution from all infrastructure business portfolios of the Group recorded growth in local currency in 2016.

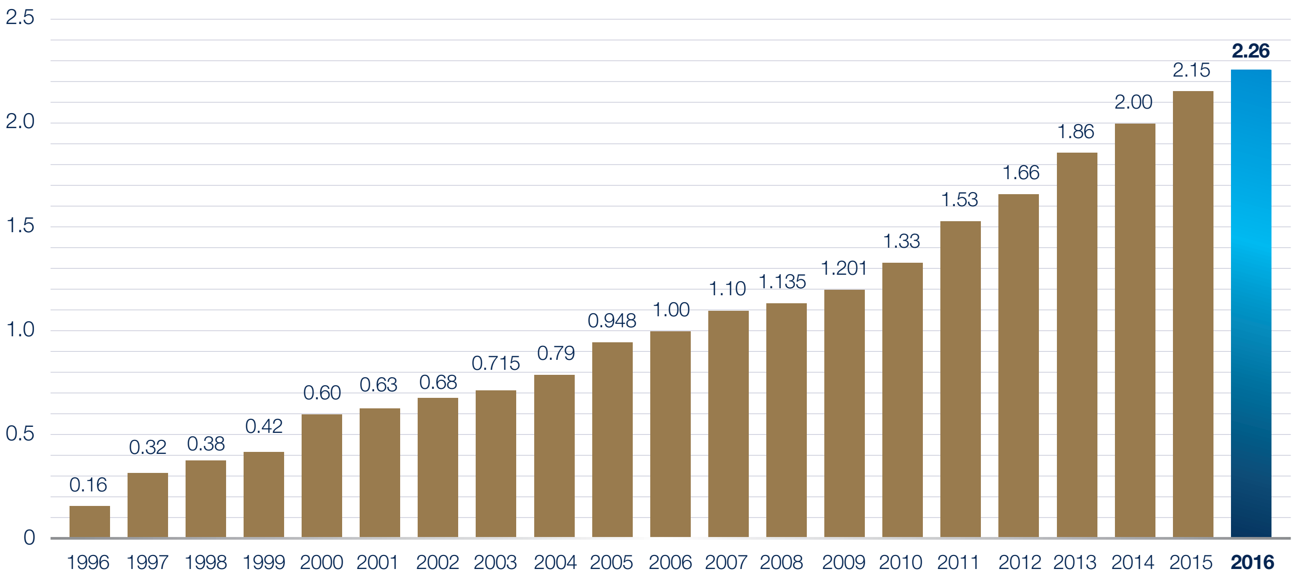
20 YEARS OF CONTINUOUS DIVIDEND GROWTH

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK$1.63 per share. Together with the interim dividend of HK$0.63 per share, this will bring the total dividend for the year to HK$2.26, a 5.1% increase over the previous year.

This is the 20th consecutive year of dividend growth since the Group's listing in 1996. The proposed dividend will be paid on Friday, 26th May, 2017, following approval at the 2017 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 16th May, 2017.

Dividends per Share since Listing

(HK$)



CHAIRMAN'S LETTER

NEW INVESTMENT MADE IN HUSKY MIDSTREAM

During the year under review, CKI, together with Power Assets, acquired 65% of Husky Midstream Limited Partnership ("Husky Midstream"), with CKI holding a 16.25% interest. This company comprises 1,900 km of oil pipelines, two storage facilities and ancillary assets in Canada. The transaction was completed in July 2016. This is CKI's first investment in oil pipelines and storage. The project is expected to generate secure and predictable returns for the Group.

POWER ASSETS

Profit contribution from Power Assets was HK$2,494 million for the year, a decrease of 17% as compared to 2015. This was mainly due to (a) lower UK deferred tax credits; (b) reversal of provisions and expenses in 2015; (c) British pounds weakness which affected the results of its UK investments when converted into Hong Kong dollars; and (d) lower contribution from HK Electric Investments.

UK PORTFOLIO

Profit contribution from the UK portfolio amounted to £603 million, an increase of 6% compared to last year.

During the year under review, lower deferred tax credits were recorded as compared to last year, as the reduction in corporate tax rate in 2016 was less than that in 2015. This affected the Group's profit contribution from UK during the year. Barring this tax credit effect, profit contribution from the UK portfolio would have increased 14% year-on-year.

UK Power Networks is the largest asset in the UK portfolio, accounting for half of the UK's contribution. During the year, it won the "Utility of the Year" award again - this is the second time in a row that UK Power Networks won the Award and the third time in five years; such accomplishment is unprecedented amongst UK utilities.

Similar to UK Power Networks, CKI's other regulated businesses in UK, namely Northumbrian Water, Northern Gas Networks and Wales & West Gas Networks all reported satisfactory performance, exceeding budget targets. They are all operating in the early and middle parts of their regulatory regimes. This offers a high predictability of income in the coming years.

During the year under review, UK Rails made its first full year contribution to the Group. Since acquisition, the performance of this business has been pleasing and approximately £1 billion of new build opportunities has been secured at attractive leasing rates.

Brexit Impact Negligible on Business Fundamentals

The result of the referendum on Brexit in June 2016 caused uncertainty for the global economy and has put significant pressure on the British pounds.

The fundamentals of CKI's UK businesses are not affected as our portfolio comprises regulated and contracted businesses characterised by stable and predictable returns. Nevertheless, the depreciation of the British pounds has had a translation impact on our reported profit contribution in 2016.

Other than the translation impact on reported earnings, Brexit has had little effect on CKI's UK businesses.

AUSTRALIAN PORTFOLIO

In Australia, healthy growth in operations as well as a capital gain on the sale of a non-core investment led to a year-on-year 71% increase in profit contribution, amounting to A$336 million.

SA Power Networks, Victoria Power Networks, as well as the South Australia and Queensland operations of Australian Gas Networks have entered into new five-year regulatory periods. These new regulatory regimes are expected to provide a stable and predictable framework in the coming years.

INFRASTRUCTURE BUSINESSES IN OTHER GEOGRAPHIC AREA

Profit contribution from the Mainland China portfolio was HK$347 million, a small increase as compared to 2015.

New Zealand's profit contribution was NZ$34 million, a year-on-year increase of 10%. Good growth was reported by EnviroNZ and Wellington Electricity.

The Canadian portfolio recorded a 38% increase in profit contribution to C$32 million. In addition to the sound performance of Canadian Power and Park'N Fly, Husky Midstream made its first profit contribution to the Group during the year.

In Continental Europe, Dutch Enviro Energy generated a profit contribution of €20 million, a 8% year-on-year increase. In Portugal, Portugal Renewable Energy reported its first full year contribution in 2016 at €12 million.

CHAIRMAN'S LETTER

MATERIALS BUSINESSES

Profit contribution from CKI's materials businesses was HK$353 million, a decrease of 9% over the previous year. This was mainly caused by the weakened concrete and Mainland China markets.

STRONG FINANCIAL POSITION

As at 31st December, 2016, CKI had cash on hand of HK$12 billion and a net debt to net total capital ratio of 4.5%. The Group is in a strong financial position for future organic expansion and new acquisitions.

Standard & Poor's continues to reaffirm the Group's credit rating of "A-/Stable".

As an international infrastructure investor, CKI adopts a prudent strategy of foreign currency management. Our operating companies borrow in their respective local currency, or otherwise hedge any foreign currency borrowings back into local currency. With regards to equity investments, CKI generally hedges them against currency movements at the time of acquisition. Such protection, though not reflected in the Consolidated Income Statement, has its value embedded in reserves and will crystalise when the equity investments are monetised.

OUTLOOK

The uncertainty and volatility experienced in 2016 is expected to continue in 2017. For CKI, this may provide opportunities to expand. With our strong financial position and extensive experience, CKI is well-positioned to capture attractive opportunities in the markets and industries we currently operate in, as well as in new businesses or geographic areas which may arise.

The Group has a good track record of organic growth, well-priced acquisitions, and prudent financial management. Our unwavering commitment in adhering to our investment criteria has also underpinned our success. We will continue to maintain our discipline of not approaching any new investments with a "must-win" mentality.

With a portfolio of prime assets which we have built in the past 20 years, and an experienced management team which excels in maximising business growth in existing and newly acquired businesses, we look forward to providing continuous steady recurring returns and growth for our shareholders.

I would like to take this opportunity to thank the Board, management and staff for their continued efforts, as well as our shareholders for their support.

LI TZAR KUOI, VICTOR
Chairman

21st March, 2017

GROUP MANAGING DIRECTOR'S REPORT

Today, CKI has become one of the leading global infrastructure players with diversified investments.

H L KAM
Group Managing Director

CELEBRATING 20 YEARS OF ACCOMPLISHMENTS

Twenty years ago, when CKI was listed on the Stock Exchange of Hong Kong in July 1996, we had a vision. Our vision was for the Group to become a global infrastructure company – one that makes the world a better place through a variety of infrastructure investments and developments in different parts of the world. As we completed CKI's 20th year in 2016, I would like to present the milestones we have achieved in this Group Managing Director's Report. These milestones have formed the foundations that brought CKI's vision into a reality.

THE GROWTH AND RETURNS TO SHAREHOLDERS OVER THE LAST TWO DECADES

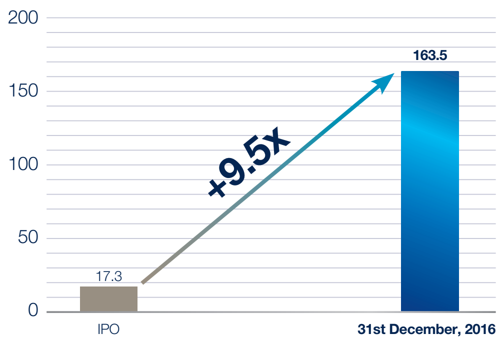
Since its listing in 1996, CKI has grown in size and scale, delivering decent and buoyant returns to shareholders through the ups and downs in the economies. Below are a few facts and figures since listing:

- In 2016, profit attributable to shareholders is HK$9,636 million, 11 times that of 1996;
- Share price of CKI is at HK$61.70*, nearly 5 times of the IPO price;
- Market capitalisation is about HK$163.5 billion*, 9.5 times of the market capitalisation at IPO;
- Full year dividend declared for 2016 is HK$2.26 per share, the 20th consecutive year of dividend growth since listing;
- CKI's cumulative dividends since listing is HK$22.869 per share, nearly doubled that of its IPO listing price of HK$12.65;
- The annualised total return to shareholders is about 12%* per annum since listing.

*As at 31st December, 2016

A Recap of CKI's 20 Years

Market Capitalisation (HK$ billion)



A DIVERSIFIED PORTFOLIO OF QUALITY ASSETS

CKI Portfolio – 1996 vs 2016

July 1996

MAINLAND CHINA

30%	Shantou Bay Bridge
30%	Shenzhen-Shantou Highway (Eastern Section)
49%	Nanhai Road Network
60%	Shantou Power Plants
30%	Nanhai Power Plant I
36.4%	Nanhai Jiangnan Power Plant
45%	Zhuhai Power Plant

INFRASTRUCTURE RELATED BUSINESSES

100%	Green Island Cement
100%	Ready Mixed Concrete
100%	Anderson Asphalt

December 2016

HONG KONG

38.9%	Power Assets

MAINLAND CHINA

33.5%	Shen-Shan Highway (Eastern Section)
30%	Shantou Bay Bridge
51%	Tangshan Tangle Road
44.2%	Changsha Wujialing and Wuyilu Bridge
50%	Jiangmen Chaolian Bridge
40%	Panyu Beidou Bridge

CANADA

50%	Canadian Power
50%	Park'N Fly
16.3%	Husky Midstream

AUSTRALIA

23.1%	SA Power Networks
23.1%	Victoria Power Networks
45%	Australian Gas Networks
50%	Australian Energy Operations

NEW ZEALAND

100%	EnviroNZ
50%	Wellington Electricity

INFRASTRUCTURE RELATED BUSINESSES

50%	Alliance Construction Materials
100%	Green Island Cement
100%	Green Island Cement (Yunfu)
67%	Guangdong Gitic Green Island Cement

UNITED KINGDOM

40%	UK Power Networks
40%	Northumbrian Water
47.1%	Northern Gas Networks
30%	Wales & West Gas Networks
50%	UK Rails
25%	Seabank Power
4.8%	Southern Water

NETHERLANDS

35%	Dutch Enviro Energy

PORTUGAL

50%	Portugal Renewable Energy

GROUP MANAGING DIRECTOR'S REPORT

At its inception, CKI was a Greater China-focused business with a portfolio of investments in the transportation and infrastructure related businesses.

Today, CKI has become one of the leading global infrastructure players with diversified investments in electricity generation, transmission and distribution; gas distribution; oil pipelines; water and wastewater services; waste management; waste-to-energy; transportation; and infrastructure materials. CKI's portfolio spans across Hong Kong, Mainland China, the United Kingdom, the Netherlands, Portugal, Australia, New Zealand and Canada.

A PATH OF GLOBALISATION AND DIVERSIFICATION

CKI has embarked on a course of globalisation and diversification to reach this scale of operations today.

Achieving Success in Greater China

Our business began with a focus mainly on Hong Kong and Mainland China. When the Group was listed in 1996, our investments included toll roads, toll bridges and power plants on the Mainland, and infrastructure related businesses in cement, concrete, asphalt and aggregates in Hong Kong and Mainland China.

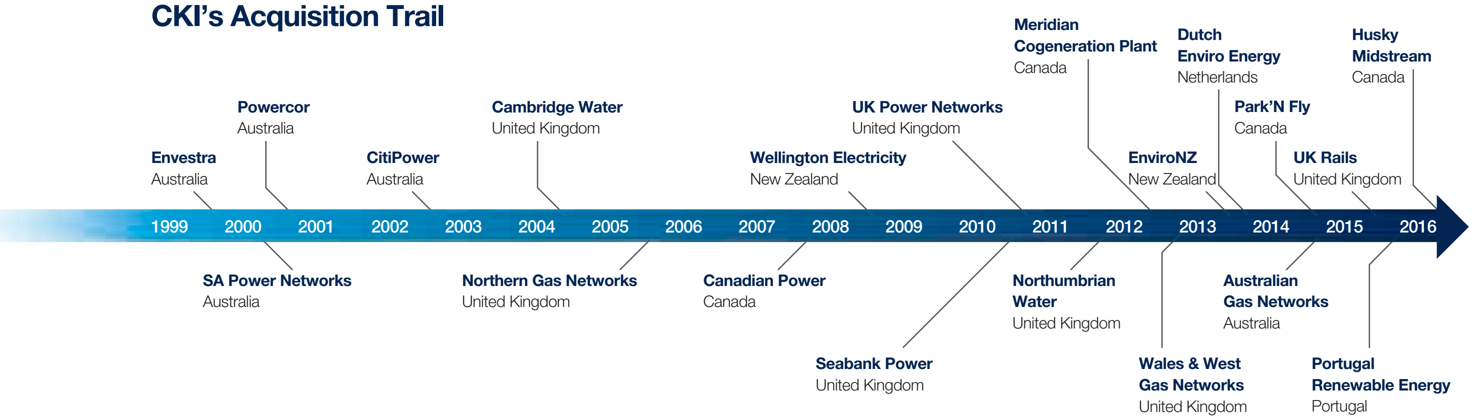
Within three years of listing, CKI's investments spanned seven provinces in Mainland China, including 700 kilometres of toll roads and 3,000 MW of power generation capacity. The Group quickly became one of the major infrastructure investors in Greater China.

Partnership with Power Assets in Overseas Expansion

In 1997, following a reorganisation of the Cheung Kong Group, CKI acquired a 35% stake in Hongkong Electric Holdings Limited (now renamed Power Assets Holdings Limited with CKI currently owning a 38.87% interest).

Since then, CKI and Power Assets have partnered together in many overseas expansion. As Power Assets' global portfolio became increasingly diverse, earnings from its overseas business began to surpass those from Hong Kong operations in 2011. In 2014, Power Assets spun off its Hong Kong electricity arm with a listing on the Stock Exchange of Hong Kong.

CKI's Acquisition Trail



CKI's First Overseas Foray – Australia

In July 1999, we took our first step to grow beyond Hong Kong and Mainland China through the A$100 million acquisition of a 19.97% stake in Envestra, one of the largest natural gas distributors in Australia. Since then, we have expanded in Australia with the following investments:

- **ETSA Utilities** (now renamed **SA Power Networks**) – (enterprise value at acquisition in 1999 was A$3.4 billion), the primary electricity distributor for South Australia;
- **Powercor** – (enterprise value at acquisition in 2000 was A$2.3 billion), the largest electricity distributor in the state of Victoria;
- **CitiPower** – (enterprise value at acquisition in 2002 was A$1.4 billion), an electricity distribution network serving the central business district and inner suburban areas of Melbourne. Both Powercor and CitiPower are now amalgamated into **Victoria Power Networks**; and
- **Envestra** (now renamed **Australian Gas Networks**) – (enterprise value at privatisation in 2014 was A$4.6 billion), one of the largest natural gas distributors in Australia. CKI consortium privatised Envestra in 2014.

Today, CKI has become one of the largest foreign investors in Australia. We serve the communities as one of the biggest electricity distributors in the country, being responsible for the distribution of electricity to the entire state of South Australia, and more than half of the state of Victoria in Australia. We also serve the communities as one of the major gas distributors in Australia covering four states and one territory.

Forging a Growth Pathway in the United Kingdom

Our UK expansion story mirrors a similar growth path as that of our Australian one.

In 2004, CKI expanded its footprint into the United Kingdom with a relatively small investment in Cambridge Water. Since the Cambridge Water acquisition, the Group has continued to make progress in acquisitions over the years. Below are the major investments we have made in the United Kingdom:

- **UK Power Networks** – (enterprise value at acquisition in 2010 was GBP5.8 billion), owns and manages three of the 14 regulated electricity distribution networks in the United Kingdom;
- **Northern Gas Networks** – (enterprise value at acquisition in 2005 was GBP1.4 billion) and **Wales & West Gas Networks**, which owns Wales & West Utilities – (enterprise value at acquisition in 2012 was GBP2.0 billion), two of the eight major gas distribution networks in Great Britain;
- **Seabank Power** – (enterprise value at acquisition in 2010 was GBP212 million), a 1,140 MW gas-fired power plant near Bristol;
- **Northumbrian Water** – (enterprise value at acquisition in 2011 was GBP4.8 billion), one of the ten regulated water and sewerage companies in England and Wales. (Cambridge Water was divested in the same year to enable us to meet regulatory requirements for the Northumbrian Water acquisition); and
- **UK Rails** – (enterprise value at acquisition in 2015 was GBP2.5 billion), the holding company of Eversholt Rail Group, one of the three major rolling stock companies in the country. Through this investment, CKI has embarked upon its first venture into the transportation infrastructure industry in the United Kingdom.

CKI is one of the largest foreign investors in the United Kingdom today, serving the people in different essential services across electricity, gas, water and transportation.

GROUP MANAGING DIRECTOR'S REPORT

Globalisation and Diversification in Other Industries

In addition to the investments in the United Kingdom and Australia, we have expanded our investment portfolio into other countries.

In 2007, CKI started its investment in Canada. Currently, CKI owns:

- **Canadian Power** – (enterprise value at acquisition in 2007 was C$630 million), which has interests in six power plants that are located in the provinces of Ontario, Alberta and Saskatchewan;
- **Park'N Fly** – (enterprise value at acquisition in 2014 was C$381 million), which is the largest off-airport car park provider in Canada; and
- **Husky Midstream** – (enterprise value at acquisition in 2016 was C$2.3 billion), which comprises 1,900 kilometres of oil pipelines, two storage facilities and ancillary assets in Canada.

In 2008, CKI made its first investment in New Zealand. Today, the Group has two projects in the country:

- **Wellington Electricity** – (enterprise value at acquisition in 2008 was NZ$785 million), the electricity distributor in Wellington, the capital city of New Zealand, and the surrounding greater Wellington area; and
- **EnviroNZ** – (enterprise value at acquisition in 2013 was NZ$490 million), one of the leading waste management companies in the country.

In 2013, CKI expanded its investment portfolio to Continental Europe. Currently, CKI has investments in:

- **Dutch Enviro Energy**, which owns **AVR** – (enterprise value at acquisition in 2013 was EUR940 million), the largest energy-from-waste company in the Netherlands; and
- **Portugal Renewable Energy**, which owns **Iberwind** – (enterprise value at acquisition in 2015 was EUR978 million), one of the largest wind power companies in Portugal.

CHARTING THE ROUTE TO ANOTHER 20 YEARS OF GROWTH

In the past two decades, CKI has grown from a HK$17.3 billion market cap Hong Kong/Mainland China infrastructure company into a HK$163.5 billion market cap (as at 31st December, 2016) global infrastructure player. We now have investments in conventional energy, energy networks, renewable energy, transportation, water and waste management businesses in different parts of the world.

Going forward, we will continue with our simple and effective set of strategies for growth:

(1) Growing existing businesses organically;

(2) Acquiring new businesses with good and stable returns; and

(3) Maintaining a strong balance sheet with steady cashflow and low gearing.

With a strong financial platform, cash on hand of $12 billion and a net debt to net total capital ratio of 4.5% as at end of 2016, CKI is well-placed to pursue expansion initiatives going forward.

Looking beyond, we believe the demand for infrastructure investments remains strong and there are a lot of opportunities for growth. We look forward to another 20 years of achievements.

H L KAM

Group Managing Director

21st March, 2017

LONG TERM DEVELOPMENT STRATEGY

Since its listing on the Hong Kong Stock Exchange in 1996, CKI has grown from a Greater China-focused company into an international infrastructure enterprise with diverse businesses across different sectors around the world.

Through globalisation and diversification, CKI's portfolio now spans Hong Kong, Mainland China, the United Kingdom, the Netherlands, Portugal, Australia, New Zealand and Canada. Currently, its operations include electricity generation, transmission and distribution, gas distribution, transportation, water treatment and distribution, waste management and waste-to-energy, as well as infrastructure materials.

The Group has an effective set of strategies for continued growth and development:

1. TO NURTURE ORGANIC GROWTH FROM THE GROUP'S EXISTING PORTFOLIO

CKI strives to nurture organic growth from its existing portfolio. Synergies across the Group help us to learn from experiences and implement global best practices across our businesses. CKI's head office sets targets and provides guidance as well as works with local management to best run local assets.

2. TO EXPAND THE GROUP'S PORTFOLIO BY ACQUIRING QUALITY BUSINESSES WITH STRONG AND RECURRENT RETURNS

When studying a potential acquisition, CKI focuses on the fundamentals of the project and adopts a conservative approach. CKI never adopts a "must-win" mindset in a bidding situation. Stringent investment criteria must be met which in turn, provide attractive returns and stable recurring cash flows. The Group seeks investments in industries where it can capitalise on existing knowledge, and favours countries that have established legal systems and transparent regulatory regimes. This philosophy keeps CKI's portfolio safe and secure.

3. TO MAINTAIN A STRONG BALANCE SHEET WITH STEADY CASH FLOW AND LOW GEARING

A strong balance sheet provides a stable platform to support the Group's future growth. As at 31st December, 2016, CKI had cash on hand of HK$12 billion, and gearing remained low at a net debt to net total capital ratio of 4.5%. CKI enjoys a low cost of funding from maintaining a Standard & Poor's "A-" rating for 20 consecutive years since 1997. The Group aims to preserve this financial strength to ensure it can opportunistically pursue acquisitions.

AWARDS

CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED

Hong Kong Institute of Financial Analysts and Professional Commentators

- Outstanding Listed Company Award 2016

Mandatory Provident Fund Schemes Authority

- 2015/2016 Good MPF Employer

UK POWER NETWORKS HOLDINGS LIMITED

Utility Week Awards 2016

- Utility of the Year

Utility Week Stars Awards 2016

- Customer Culture Award
- Rising Star Award (Sammy-Jo Evans)
- Supernova Award for Long Service (Graham Smith)

The Sunday Times

- The 25 Best Big Companies to Work for 2016
- Top 100 BAME Leaders in Business List 2016 (Patrick Clarke)

European Utility Industry Awards 2016

- Community Energy Award

2016 IET Innovation Award

- Power Award 2016 – Winner

Solar Power Portal Awards and Clean Energy Awards 2016

- Large-scale Energy Storage Project – Winner

Women in Construction Awards 2016

- Engineer of the Year (Lynne McDonald)

People in Power Awards 2016

- Power Safety Person of the Year (Simon Deeley)

London Underground

- Beacon Award (London Underground Northern Line Extension to Battersea)

NORTHERN GAS NETWORKS LIMITED

Considerate Constructors Scheme National Site Awards 2016

- Most Considerate Site Runner Up (Belvedere Street in Workington and Church Fenton DG)
- Gold Award

NORTHUMBRIAN WATER GROUP LIMITED

Queen's Award for Enterprise (Sustainable Development Category)

Waterwise UK Water Efficiency Awards 2016
- Business & Industry Award
- Innovation Award
- Research & Evaluation Award

Water Industry Achievement Awards 2016
- Community Project of the Year
- Sustainable Drainage & Flood Management Initiative of the Year

Royal Society for the Prevention of Accidents Awards 2016
- Achievement Awards (Gold Award)

Chartered Institute of Public Relations Excellence Awards 2016
- Internal Communications Campaign – Winner

Water Innovators 2016
- Best Solve (Hygiene) – Winner

Ethisphere Institute
- Honouree – World's Most Ethical Companies 2016

WALES & WEST GAS NETWORKS (HOLDINGS) LIMITED

Gas Industry Awards 2016
- Safety Award
- Customer Service Award
- Outstanding Contribution (Steve Edwards)

Brownfield Briefing Awards 2016
- Best Use of a Combination of Remediation Techniques – Winner
- Best Biodiversity Enhancement – Winner

Wales Responsible Business Awards 2016
- Responsible Large Business of the Year Award – Winner

Royal Society for the Prevention of Accidents Awards 2016
- Achievement Awards (Gold Award)

Institute of Internal Communication Awards 2016
- Award of Excellence – Printed News Magazine (more than four issues a year)

GO Awards Wales 2016/17
- GO Procurement Team of the Year Award – Winner

Welsh Contact Centre Awards 2016
- Customer Service Representative of the Year (Sophie Davies)

AWARDS

UK RAILS S.À R.L.

Britain's Healthiest Workplace
- Healthiest Employer – Winner (Small Category)

Golden Spanners Awards 2016
- New Generation DMU (Diesel trains) – Gold Award
- New Generation EMU (Electric trains) – Bronze Award

SA POWER NETWORKS

2016 Architecture Excellence Awards
- Global Award – Architecture Methodology
- Global Business CIO (Chris Ford)
- ANZ Award – Energy & Utility

Australian Engineering Excellence Awards South Australia 2016
- Excellence Award – Innovation, Research and Development
- High Commendations – Occupational Health and Safety

Project Management Achievement Awards 2016
- South Australia State Winner – ICT/Telecommunications

VICTORIA POWER NETWORKS PTY LIMITED

Project Management Achievement Awards 2016
- Victoria State Winner – Regional

ENVIRO (NZ) LIMITED

WasteMINZ Awards for Excellence 2016
- Best Project or Initiative Award

GREEN ISLAND CEMENT COMPANY, LIMITED

BOCHK Corporate Environmental Leadership Awards 2015
- EcoChallenger
- 5 Years + EcoPioneer

CLP GREEN$^{\text{PLUS}}$ Award 2016
- Industry & Technology – Silver Award

Tuen Mun Occupational Safety and Health Carnival 2016
- CLP Cup – 1st Runner-up
- Booth Design – 1st Runner-up

ERB Manpower Developer Award Scheme
- Manpower Developer (2014-18) – Non-SME

Mandatory Provident Fund Schemes Authority
- 2015/2016 Good MPF Employer

Home Affairs Bureau and Family Council
- Family-Friendly Employers 2015/16

Happy Organization Label Scheme 2016
- Happy Company

ALLIANCE CONSTRUCTION MATERIALS LIMITED

Hong Kong Construction Association
- Proactive Safety Contractors Award
- Hong Kong Construction Environmental Award

The 15th Hong Kong Occupational Safety & Health Award
- Safety Performance Awards – Other Industries
- Safety Performance Awards – SMEs

Hong Kong Awards for Environmental Excellence
- Wastewi$e Label – Excellence

Department of Health and Occupational Safety & Health Council
- “Joyful@Healthy Workplace” Charter

BUSINESS REVIEW

Investment in
POWER ASSETS

Infrastructure Investment in
UNITED KINGDOM

Infrastructure Investment in
CANADA

Infrastructure Investment in
CONTINENTAL EUROPE

Infrastructure Investment in
AUSTRALIA

Infrastructure Investment in
MAINLAND CHINA

Infrastructure Investment in
NEW ZEALAND

Investment in
INFRASTRUCTURE RELATED BUSINESSES

Investment in

POWER ASSETS

CKI holds 38.87% of Power Assets, a global investor with assets in the United Kingdom, Australia, Hong Kong, the Netherlands, Portugal, Canada, Mainland China, Thailand, and New Zealand. These investments include electricity and gas companies which serve millions of customers around the world.

Power Assets reported profit attributable to shareholders amounting to HK$6,417 million for the year, compared to HK$7,732 million for 2015. The decrease was mainly due to the weaker British pounds, lower UK deferred tax credit adjustment when compared with last year, a reduction of its stake in HK Electric Investments and HK Electric Investments Limited (collectively "HKEI") from 49.9% to 33.37% since 9th June 2015, and the reversal of provisions and expenses taken in 2015.

In July 2016, Power Assets, together with CKI, made its largest investment since the spinoff of its Hong Kong electricity business three years ago, by acquiring a stake in a portfolio of oil pipeline assets of Husky Energy Inc. Power Assets and CKI hold 48.75% and 16.25% share in the Husky Midstream project respectively. This investment extends Power Assets' reach in North America, and expands its businesses in the oil transmission and storage sector, augmenting its global energy portfolio.

During the year, Power Assets' key investments recorded sustainable, organic revenue growth, while maintaining high standards of customer satisfaction and operational excellence.

In the United Kingdom, the four operating companies reported steady revenues for 2016, winning awards for efficient operations and exemplary performances in customer service. In addition, the companies embraced the country's decarbonisation policy, with UK Power Networks being the first distributed generation system to install a commercial scale battery storage system and Northern Gas Networks collaborating in the H21 Leeds City Gate study to decarbonise parts of the existing gas system. Wales & West Utilities continued to support biomethane development, and Seabank Power completed a lifetime extension maintenance outage for its Module 2 generation unit in 2016.

In Australia, all of Power Assets' regulated electricity distribution businesses are now under the new regulatory regime, and will benefit from predictable revenues for the period. During the year, the operating businesses undertook customer oriented initiatives to deal with the growth of distributed generation, especially solar power. These include trials of residential battery storage systems in South Australia to manage solar energy for residential power grids, and smart energy services offered in Victoria to support large scale renewable energy and infrastructure projects, which help customers optimise usage of self-generated and stored power.

In Hong Kong, Power Assets through HKEI holds a 33.37% interest in The Hongkong Electric Company Limited, the sole electricity supplier for more than 570,000 customers on Hong Kong Island and Lamma Island. In 2016, HKEI continued to meet all operating parameters and upheld its world-class reliability record of over 99.999%, a record held for 20 consecutive years. HKEI is building two new gas-fired combined cycle generating units as part of a major replacement programme to increase the proportion of natural gas in the fuel mix, thereby contributing to an improvement of air quality.

Power Assets' operations in the Netherlands, Dutch Enviro Energy delivered another year of growth and continued to increase energy delivery to neighbouring industries and households during the year. In Portugal, Iberwind initiated a major repowering project to improve wind yield and efficiency.

Canadian Power Holdings achieved a good performance in 2016, and reached an agreement with the Alberta and Federal governments to end coal-fired emission by 2030. Meanwhile, the newly acquired Husky Midstream performed in line with expectations.

During the year, the three coal-fired power plants in Mainland China underwent an upgrade of their emissions control equipment to meet the stringent near-zero emission environmental targets. At the Yunnan and Hebei wind farms, improvement works to enhance productivity continued.

In Thailand, the Ratchaburi plant delivered strong performance and achieved its efficiency target, while Wellington Electricity in New Zealand performed ahead of budget during the year.

Infrastructure
Investment in

UNITED KINGDOM

In the United Kingdom, CKI's portfolio of investments comprises electricity and gas distribution, water and wastewater services, electricity generation, and railway rolling stock. These investments include UK Power Networks, an electricity distribution network which serves London, South East England and the East of England; Northern Gas Networks, a gas distribution business that serves the North of England; Wales & West Gas Networks, a gas distribution business that serves Wales and the South West of England; Seabank Power, an electricity generation plant located near Bristol; Northumbrian Water, a water, sewerage and wastewater company which serves North East and South East of England; and UK Rails, one of the three major rolling stock companies in Great Britain.

UK POWER NETWORKS HOLDINGS LIMITED

CKI and Power Assets each hold a 40% share in UK Power Networks, which owns three of the 14 regulated electricity distribution networks in Great Britain. The company distributes electricity to over a quarter of the country's population.

Approximately 190,000 kilometres in length, the company's network covers an area of about 30,000 square kilometres, serving approximately 8.25 million customers in London, the South East and the East of England.

UK Power Networks also has a non-regulated business which runs private networks for both public and private sector clients, such as London Heathrow and Gatwick Airports Authority, as well as the Ministry of Defence.

UK Power Networks delivered a strong financial performance in 2016. At the same time, the operational performance was good with improvements recorded for CMLs (Customer Minute Lost) and CIs (Customer Interruptions), earning incentive revenue of £48 million.

In recognition of its excellence and outstanding performance across the industry, UK Power Networks won the overall Utility of the Year Award at the Utility Week Awards for an unprecedented second time in a row and the third time in five years.

Progress has continued on the company's network investment with over £570 million invested in 2016. This included the commencement of a new £65 million power infrastructure programme to support significant property developments in the Battersea area of London.

UK Power Networks won the overall Utility of the Year Award at the Utility Week Awards for an unprecedented second time in a row and the third time in five years.

UK Power Networks completed its Business Transformation Programme to update its information technology systems and business processes; this will provide a strong foundation for future operational improvements.

NORTHUMBRIAN WATER GROUP LIMITED

CKI owns 40% of Northumbrian Water, one of the 10 regulated water and sewerage companies in England and Wales. It operates approximately 26,000 kilometres of water mains and 30,000 kilometres of sewers, providing water and wastewater services to 2.7 million people in the North East of England, and supplies drinking water to 1.8 million people in the South East of England.

In addition to its regulated businesses, Northumbrian Water's operations include Kielder Reservoir, the largest man-made reservoir in North West Europe, as well as a portfolio of long-term water and wastewater contracts in Scotland, Ireland and Gibraltar.

Northumbrian Water is the first and only wastewater company in the United Kingdom to use 100% of the sludge produced after sewage treatment to generate renewable energy, and the only water company globally to be on the Ethisphere Institute's World's Most Ethical Company List. It is also the holder of the Queen's Award for Enterprise: Sustainable Development.

In 2016, Northumbrian Water made good progress in key focus areas – customer, competitiveness, people, environment and communities, and achieved a satisfactory operational performance. A major undertaking to clean over 200 kilometres of large diameter pipelines, which serve 500,000 customers in Newcastle, was completed in November 2016 using the company's innovative and award winning 'Ice Pigging' cleaning process.

Northumbrian Water has been on the Ethisphere Institute's World's Most Ethical Company List for six years consecutively. It is the only water company globally on the list.

Northern Gas Networks remains highly ranked by the national energy regulator Ofgem for customer satisfaction. It was rated in the top two in its surveys.

The company continued to focus on providing unrivalled customer experience while maintaining cost-effectiveness. It came in first place across the whole water industry of England and Wales in Ofwat's 2016/17 survey for customer satisfaction. Northumbrian Water was also named the Top Water company in the British Water Survey of UK Water companies - this was its sixth win in seven years. In addition, Northumbrian Water won three awards from the Waterwise UK Water Efficiency Awards. It also won the Gold Medal for the RoSPA (Royal Society for the Prevention of Accidents) Award for five years of consistently high standards, and the Sustainable Drainage and Flood Management Initiative of the Year – Water Industry Achievement Award.

NORTHERN GAS NETWORKS LIMITED

CKI and Power Assets jointly own 88.4% of Northern Gas Networks, the gas distribution company responsible for serving homes and businesses across the North of England. Its network extends south from the Scottish border to South Yorkshire, covering a mix of large cities and rural areas. The network comprises approximately 36,100 kilometres of gas distribution pipeline, and transports approximately 13% of the nation's gas to a population of 6.7 million.

In 2016, Northern Gas Networks delivered another year of strong operational and financial performance. As the most efficient of the eight gas distribution networks in the country, Northern Gas Network was awarded additional funding of circa £9.4 million through regulatory incentives.

The company remains highly ranked by the national energy regulator Ofgem for customer satisfaction – it was rated in the top two in its surveys. Strong performance was also achieved by Northern Gas Networks in corporate social responsibility. It met all health and safety targets under RIIO and the company is OHSAS 18001 accredited for its safety management system. In terms of environmental protection, the company's policies complied with all relevant UK legislation. It also has an ISO 14001 accreditation for its environmental management system.

During the year, Northern Gas Network invested approximately £132 million in capital expenditure projects – these included a network extension programme which contributes to the alleviation of fuel poverty, and the continued investment in a large-scale mains-replacement programme of decommissioning over 500 kilometres of old iron mains to improve the future reliability and safety of its network.

WALES & WEST GAS NETWORKS (HOLDINGS) LIMITED

CKI and Power Assets each own a 30% interest in Wales & West Gas Networks, which holds Wales & West Utilities, one of the eight British gas distribution networks. The company has 2.5 million supply points which account for 11% of the country's total, and a pipeline network of 35,000 kilometres serving an area of 42,000 square kilometres which has a population of 7.5 million in Wales and the South West of England.

Wales & West Gas Networks reported good results in 2016, delivering all the required regulatory measured outputs and achieving all Guaranteed Standards of Performance.

Wales & West Gas Networks reported good results in 2016. It delivered all the required regulatory measured outputs and achieved all Guaranteed Standards of Performance. It also met key targets to attend escapes within one and two hours for more than 97% of the time.

The company was the first gas network to be awarded the BSI 18477 accreditation for Inclusive Service Provision for its focus on vulnerable customers, and also the first gas network to be awarded the OHSAS 18001 accreditation for Occupational Health & Safety. It received the RoSPA's Gold Award for excellent occupational safety for the third consecutive year, another industry first.

For the second time in a row, the company was ranked at the Distinction level for customer service by the Institute of Customer Service, with a world-class customer satisfaction rating, placing the company in the top 6 across all sectors in the United Kingdom. It won the prestigious Customer Service Award from the Institution of Gas Engineers and Managers (IGEM)'s Gas Industry Awards in 2016, the sixth win in the last eight years. West & Wales Gas Networks also received the 2016 BITC Cymru Responsible Business of the Year Award in recognition of its work on a wide range of responsible business practices.

SEABANK POWER LIMITED

CKI and Power Assets each hold a 25% share in Seabank Power, an electric power plant operation located near Bristol in the South West of England. The plant has a total generating capacity of approximately 1,140 MW from its two-combined cycle gas turbine generation units. In 2016, the company delivered financial performance higher than forecasted. Operation performance was strong with overall station availability, forced outage, efficiency, and starting performance all better than expected.

UK RAILS S.À R.L.

UK Rails, jointly owned by CKI and CK Hutchison Holdings Limited, contributed a first full year contribution since its acquisition in 2015.

The company is one of the three major rolling stock companies in the country, with a market share in excess of a quarter of the UK passenger rolling stock market. The company leases regional, commuter and high speed passenger trains, as well as freight locomotives, on long-term contracts to passenger train operating companies and freight operating companies. UK Rails' rolling stock portfolio includes 20 different fleets of trains comprising 3,445 passenger vehicles, and two depots.

UK Rails performed in line with expectations in 2016, generating steady returns to the Group. The company secured £744 million of new build orders with three customers in 2016. This includes £490 million with Arriva Rail North to procure 141 new Class 331 vehicles and 140 new Class 195, vehicles both being built by CAF in Spain; £114 million with TransPennine Express to procure 60 new Class 397 vehicles also being built by CAF; and £140 million with Great Western Railway to add a further 63 Hitachi-built Class 802 vehicles to their original order placed in 2015. These new orders will add four new fleets to UK Rails' portfolio and are scheduled to be ready for passenger service from 2018.

UK Rails secured £744 million of new build orders with three customers in 2016.

Infrastructure Investment in

AUSTRALIA

In Australia, CKI has investments in electricity and gas distribution as well as renewable energy power transmission. SA Power Networks is the primary electricity distributor in the state of South Australia while Victoria Power Networks, which holds CitiPower and Powercor, distributes electricity to over 65% of the state of Victoria. The Group's portfolio also includes Australian Gas Networks, one of the largest natural gas distributors in the country, and Australian Energy Operations, a renewable energy power transmission business in Victoria.

SA POWER NETWORKS

Together with Power Assets, CKI owns a combined 51% stake in SA Power Networks. As the primary electricity distributor in the state of South Australia, SA Power Networks serves approximately 850,000 customers over a network spanning approximately 172,000 square kilometres.

In 2016, the company's non-regulated business was awarded the ElectraNet Transmission Asset Maintenance Services contract for a further five years, while the National Broadband Network (NBN) Fibre-To-The-Node construction progressed well with 46 work areas having been completed in 2016.

SA Power Networks continues to focus on delivering productivity and efficiency initiatives. These efforts were demonstrated through the Australian Energy Regulator (AER)'s third annual benchmarking report in November 2016 with the company retaining its position as the most efficient distributor on a state wide basis.

SA Power Networks won Best Project in the Project Management Achievement Awards organized by the Australian Institute of Project Management and two IT Architecture Excellence Awards in 2016. It also received high commendation in the category of Occupational Health and Safety by the Australian Engineering Excellence Awards, while maintaining its work, health and safety certifications against AS/NZS 4801 and OHSAS 18001 during the year.

VICTORIA POWER NETWORKS PTY LTD

CKI and Power Assets together own 51% of Victoria Power Networks, the company which holds CitiPower and Powercor. CitiPower owns and operates an electricity distribution network in the central business district and inner suburbs of Melbourne, providing service to over 328,000 customers. Powercor, Victoria State's largest electricity distributor, covers a service area that includes regional and rural centres in central and western Victoria, as well as Melbourne's outer western suburbs, supplying electricity to over 786,000 customers.

SA Power Networks serves approximately 850,000 customers over a network spanning approximately 172,000 square kilometres.

Victoria Power Networks maintained its excellent track record for reliability, achieving network availability of 99.99% for CitiPower and 99.97% for Powercor.

In 2016, Victoria Power Networks delivered another year of strong performance largely driven by favorable sales volumes resulting from the hot weather during the first quarter of the year and a colder than expected spring.

AER's Final Determination on revenue allowances was affirmed in early 2016. This provides predictability of the company's income stream until 2020.

During the year, Victoria Power Networks maintained its excellent track record for reliability, achieving network availability of 99.99% for CitiPower and 99.97% for Powercor. The combined customer satisfaction level for both businesses attained record highs in 2016, beating the previous record scores in the previous year. In 2016, CitiPower and Powercor launched a number of digital tools, such as myEnergy Dashboard and the eConnect portal, to drive further value for both the customers and the business by enabling self-service.

The company received the Victorian State Award for "Best Regional Project" by the Australian Institute of Project Management during the year for its work on the Victorian Government's mandated Powerline Replacement project.

Victoria Power Networks also set up the Energy Solutions business to develop its unregulated business activities, including commercial solar, wind, storage and other energy services. This business reported good commercial progress during the year.

AUSTRALIAN GAS NETWORKS LIMITED

CKI owns an approximate 45% shareholding in Australian Gas Networks, one of the country's largest natural gas distribution companies, which serves approximately 1.25 million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

In 2016, Australian Gas Networks delivered results which were in line with expectations. A new regulatory period commenced on 1st July for its South Australian and Queensland networks. Gas deliveries recorded a decline year-on-year due to significantly warmer autumn weather in the southern states. Lower revenues were partially offset by the addition of new customers and a tight control on operating and borrowing costs.

The company continued its mains replacement program of old cast iron and HDPE pipes at an accelerated rate during the year. This results in a direct reduction of greenhouse emissions. In addition to being environmentally friendly, it also enhances safety and lowers maintenance costs. In 2016, Australian Gas Networks continued to promote the use of natural gas through advertising and network development programs.

AUSTRALIAN ENERGY OPERATIONS PTY LTD

Australian Energy Operations is jointly owned by CKI and Power Assets on a 50/50 basis. The company constructs, owns, and operates electricity transmission assets and specialises in connecting generation assets and load requiring assets to the existing electricity network, such as Victoria's Mt Mercer Wind Farm.

In 2016, Australian Energy Operations generated good returns with satisfactory year-on-year growth. The company has a 25-year agreement with the Ararat Wind Farm Pty Ltd to build, own and operate a transmission connection for the transfer of renewable energy from the wind turbines at the 240 MW Ararat Wind Farm to the Victorian transmission grid. The construction of this project was successfully completed ahead of schedule. In addition, the 25-year offtake agreement with Mt Mercer Wind Farm remains in place and the operations continue to perform with a high degree of reliability. The two projects together comprise two terminal stations and 42 kilometres of high voltage transmission lines.

Australian Gas Networks, one of the country's largest natural gas distribution companies, serves approximately 1.25 million customers.

Infrastructure Investment in

NEW ZEALAND

In New Zealand, CKI has investments in electricity distribution and waste management services. The Group's Wellington Electricity supplies electricity to the capital city and its surrounding area, while EnviroNZ provides waste collection, management and disposal services nationwide.

WELLINGTON ELECTRICITY LINES LIMITED

CKI owns Wellington Electricity together with Power Assets on a 50/50 basis. Wellington Electricity owns and operates the electricity distribution network in the cities of Wellington, Upper Hutt Valley, Lower Hutt Valley and Porirua in New Zealand. Its network extends over 4,700 kilometres, supplying electricity to approximately 166,000 connections across domestic, commercial and industrial sectors.

Despite the November earthquake and decreased energy usage due to a warmer winter, Wellington Electricity achieved a good operational performance. Wellington Electricity complied with regulatory performance thresholds and maintained its position as one of the most reliable networks in New Zealand. During the year, Wellington Electricity launched its new smartphone app “OutageCheck”, providing customers with regularly-updated outage information on their smart devices.

ENVIRO (NZ) LIMITED

CKI’s wholly owned subsidiary, EnviroNZ, is one of New Zealand’s leading waste management companies, with national coverage. EnviroNZ provides waste collection, management and disposal services to more than half a million commercial and residential customers, and also owns and manages Hampton PARRC, the largest landfill site in New Zealand, which accounts for approximately 40% of annual landfill volumes in Greater Auckland. The Hampton Downs landfill covers an area of 360 hectares and has consent to receive waste until 2030.

EnviroNZ reported another successful year in 2016 with organic growth in revenues and earnings across all business units. The largest contributor to this was a record year of waste volumes at the Hampton Downs landfill. During the year, the company won the Ashburton Refuse and Recycling collection contracts for a nine-year period; commenced the nine-year Waitakere (Auckland) recycling collection contract; and successfully commissioned the NZ$6 million Reverse Osmosis (leachate treatment) plant at Hampton PARRC.

EnviroNZ reported another successful year in 2016 with organic growth in revenues across all business units.

Infrastructure Investment in

CONTINENTAL EUROPE

In the Netherlands, CKI has interests in Dutch Enviro Energy, which owns AVR, the country's largest energy-from-waste company; while in Portugal, the Group owns a stake in the country's second largest wind energy company through Portugal Renewable Energy.

DUTCH ENVIRO ENERGY HOLDINGS B.V.

CKI has a 35% stake in Dutch Enviro Energy, which owns AVR, the largest energy-from-waste player in the Netherlands. It operates five waste treatment plants which are located in Duiven near the German border, and Rozenburg in the Port of Rotterdam area. Together, they have an energy-from-waste capacity of 2,300 kilotonnes per year. AVR's revenue streams are very stable. Long term contracts are in place for both gate fees for processing waste as well as offtake for energy generated. In addition to serving the domestic market, all AVR's waste treatment plants are accredited "R1 status", enabling the import of waste from European Union countries including Belgium, Germany and the United Kingdom. Waste product groups include biomass, industrial waste water, municipal solid waste, commercial waste, and hazardous waste, all of which are treated and converted into energy, including electricity, steam and heat. AVR is also one of the largest sustainable district heating producers in the Netherlands.

Dutch Enviro Energy delivered solid growth in profit contributions in 2016, ahead of expectations. During the year, the company finalised a feasibility study to connect the existing district heating network from Rozenburg and Rotterdam to The Hague, as well as a pilot study to capture Carbon (CO2) for greenhouse use.

Dutch Enviro Energy owns AVR, the largest energy-from-waste player in the Netherlands. The company delivered a solid growth in profit contributions in 2016.

In September 2016, AVR's Bottom Ash Green Deal with the Dutch Government commenced. Under this deal, the bottom ash from its Duiven plant is washed, treated and transformed into clean granulate for the production of concrete.

PORTUGAL RENEWABLE ENERGY

CKI owns 50% of Portugal Renewable Energy, the holding company of Iberwind, which made its first full year of profit contribution to the Group in 2016. Iberwind is the second largest wind energy developer in Portugal with approximately 15% of market share. Currently, Iberwind has 31 wind farms located across the country with an installed capacity of 726 MW. The capacity was increased by 42 MW in 2016, through the overpowering of five existing wind farms. All the energy produced by its 339 wind turbines is sold to the Grid. 2016 was a good wind year, and Iberwind achieved a favourable operational performance with a high availability rate of 97.4%. Satisfactory returns to the Group were generated.

2016 was a good wind year, and Iberwind achieved a favourable operational performance with a high availability rate of 97.4%.

Infrastructure Investment in

CANADA

CKI's investments in Canada include (i) Canadian Power, which holds a portfolio of stakes in six electricity generating plants located in Ontario, Alberta and Saskatchewan; as well as (ii) Park'N Fly, the largest off-airport car park provider in the country. During the year, the Group acquired an interest in Husky Midstream Limited Partnership, which holds a portfolio of oil pipeline and storage assets in Canada.

CANADIAN POWER HOLDINGS INC.

CKI jointly owns Canadian Power with Power Assets on a 50/50 basis. Canadian Power owns 100% of the Meridian Cogeneration Plant, a 220 MW natural gas-fired plant in the province of Saskatchewan, and 49.99% of TransAlta Cogeneration, L.P. ("TransAlta"), which operates four natural gas-fired cogeneration plants in Alberta and Ontario, and a coal-fired plant in Alberta. Canadian Power has a total generating capacity of 1,368 MW.

Canadian Power performed very well in 2016. The Meridian Cogeneration Plant achieved an exceptional availability of 98.5% during the year. Its TransAlta operations also performed well, with plant availability of 94.2% for the year.

PARK'N FLY

CKI has a 50% shareholding in Park'N Fly, the leading off-airport car park company in Canada, providing parking solutions to business and leisure travelers coast-to-coast. It has a market share of approximately 80% of the off-airport parking business, Park'N Fly has a footprint that spans from Vancouver to Halifax, including Edmonton, Winnipeg, Ottawa, Toronto and Montreal. Within the seven cities at which it operates, the company provides Self Parking and Valet options as well as a host of other vehicle related services such as detailing, oil and lube changing services.

Park'N Fly recorded strong performance in 2016, with growth attributable to an increase in business volume. As part of its expansion strategy, the company extended its footprint by commencing operations in Winnipeg during the year.

Canadian Power has a total generating capacity of 1,368 MW that can supply over 500,000 homes.

Park'N Fly has a market share of approximately 80% of the off-airport parking business in Canada.

HUSKY MIDSTREAM LIMITED PARTNERSHIP

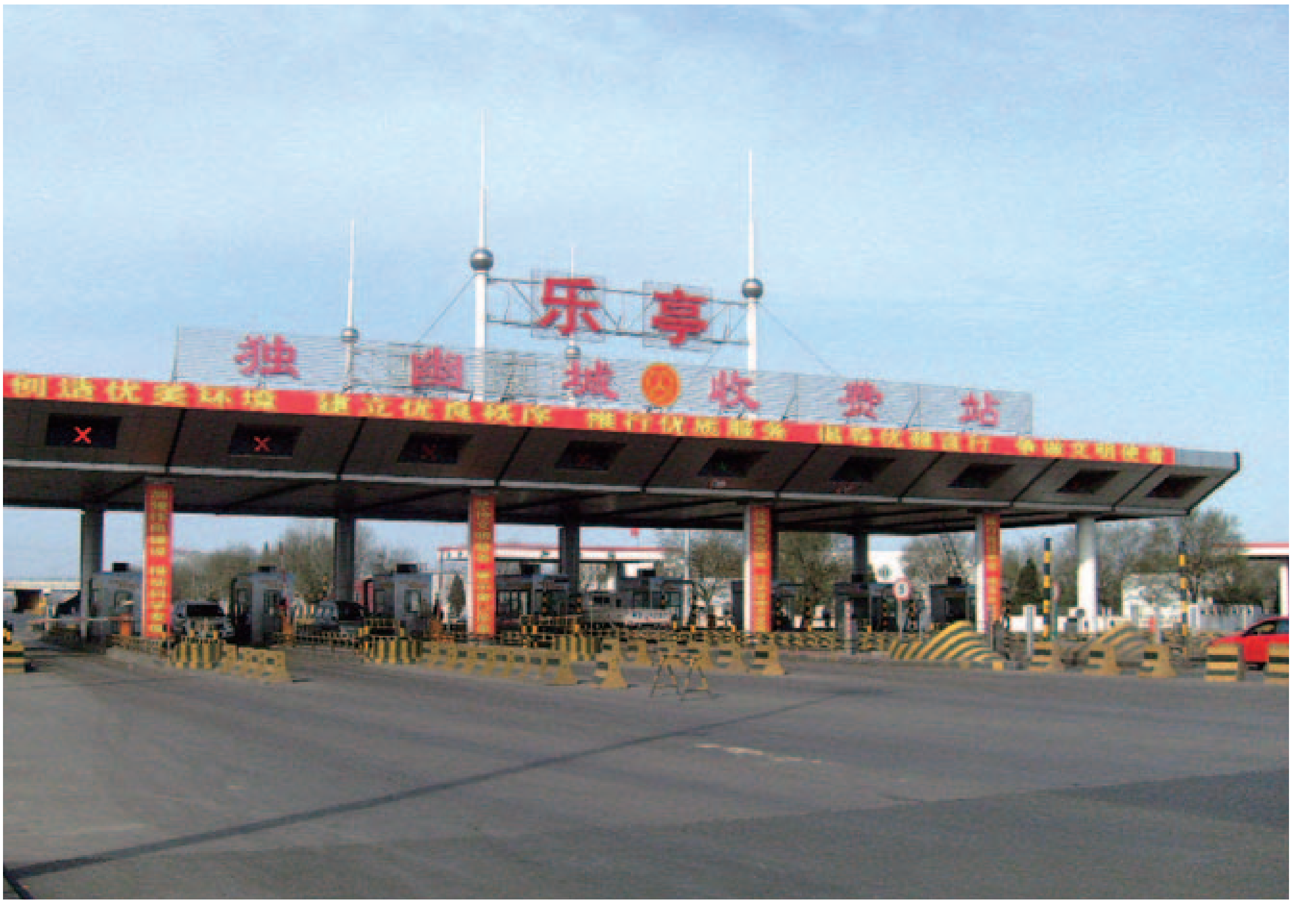
Together with Power Assets, CKI acquired 65% of Husky's midstream business. This business comprises 1,900 kilometres of oil pipelines, 4.1 million barrels of oil storage capacity and ancillary assets in the Lloydminster region of Alberta and Saskatchewan, Canada. This acquisition represents CKI's first major investment in oil pipelines and storage.

Operating performance in the first five months post-acquisition was ahead of budget. Given the 20-year offtake contract and various protections stipulated in the joint venture agreement, the investment in Husky Midstream is expected to generate secure and predictable returns for CKI.

Infrastructure
Investment in

MAINLAND CHINA

In Mainland China, CKI has a portfolio of investments in six toll roads and bridges spanning approximately 260 kilometres in the provinces of Guangdong, Hebei and Hunan. This portfolio includes the Shen-Shan Highway (Eastern Section), Shantou Bay Bridge, Changsha Wujialing and Wuyilu Bridges, Jiangmen Chaolian Bridge, Panyu Beidou Bridge, and Tangshan Tangle Road.



In 2016, the Group's Mainland businesses continued to deliver stable cash returns.

In 2016, the Group's Mainland businesses continued to deliver stable cash returns. Both the Shantou Bay Bridge and the Panyu Beidou Bridge projects recorded higher than budget revenues, mainly due to the closure of nearby competitive routes for maintenance. Performance of the Shen-Shan Highway (Eastern Section) continued to be under pressure due to the re-opening of the Leikou Bridge as well as the newly opened Shanzhan Expressway and Chaohui Highway during the year, but the impact to revenue was mitigated by effective cost control. The performance of the other Mainland assets in the portfolio was in line with expectations.

Investment in

INFRASTRUCTURE RELATED BUSINESSES

With operations in cement, concrete and aggregates, CKI has a leading market position in Hong Kong's infrastructure materials market.

CEMENT, CONCRETE AND AGGREGATES

Overall, the performance of the Group's materials business was in line with budget in 2016. Contribution from its Hong Kong cement business improved over 2015 due to lower operating costs despite a slight decline in volume against last year. Mainland China continued to experience oversupply in the cement market, although prices have steadied at an acceptable level. The Group's cement business in Hong Kong and the Mainland is operated by Green Island Cement, a wholly owned subsidiary of CKI.

CKI's concrete and aggregates businesses, which are operated by Alliance Construction Materials Limited, its 50% owned joint venture with HeidelbergCement AG, reported a satisfactory performance amidst a competitive environment that intensified in the second half of the year.

The Group's materials business was in line with budget in 2016.

FINANCIAL REVIEW

FINANCIAL RESOURCES, TREASURY ACTIVITIES AND GEARING RATIO

The Group's capital expenditure and investments were funded from cash on hand, internal cash generation, syndicated loans, notes, share placement and other project loans.

As at 31st December, 2016, cash and bank deposits on hand amounted to HK$11,790 million and the total borrowings of the Group amounted to HK$16,845 million, which included Hong Kong dollar notes of HK$260 million and foreign currency borrowings of HK$16,585 million. Of the total borrowings, 59 per cent were repayable in 2017, 33 per cent were repayable between 2018 and 2021 and 8 per cent were repayable beyond 2021. To refinance the borrowings repayable in 2017, the Group is in discussion with certain banks with good progress. The Group's financing activities continue to be well received and fully supported by its bankers.

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise the cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars, Hong Kong dollars, Australian dollars, New Zealand dollars, British pounds, Canadian dollars, Euro or Renminbi. The Group's liquidity and financing requirements are reviewed regularly. The Group will continue to maintain a strong capital structure when considering financing for new investments or maturity of bank loans.

As at 31st December, 2016, the Group maintained a net debt position with a net debt to net total capital ratio of 4.5 per cent, which was based on its net debt of HK$5,055 million and net total capital, which represents the total borrowings plus total equity net of cash and bank deposits, of HK$111,242 million. This ratio was lower than the net debt to net total capital ratio of 7.7 per cent at the year end of 2015. This change was mainly due to the funds raised in an issue of US$1.2 billion perpetual capital securities and the sales proceeds from disposal of investment in securities, which were partially utilised for the redemption of US$1 billion perpetual capital securities issued in 2010 and the investment in an oil pipelines and storage business in Canada during the year.

The fluctuations in currencies and in particular, the devaluation of the British pounds arising from the United Kingdom referendum vote to leave the European Union had an impact on all businesses in the market that have exposure in the United Kingdom and/or to British pounds. While the Group is not immune from such impact, there is no material change beyond market expectation.

To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with (i) currency swaps and (ii) the appropriate level of borrowings denominated in the local currencies. The Group also entered into certain interest rate swaps to mitigate interest rate risks. As at 31st December, 2016, the notional amounts of these derivative instruments amounted to HK$39,524 million.

CHARGE ON GROUP ASSETS

As at 31st December, 2016:

- the Group's obligations under finance leases totalling HK$34 million were secured by charges over the leased assets with carrying value of HK$32 million; and

- the shares of a subsidiary were pledged to secure bank borrowings totalling HK$1,154 million granted to the Group.

CONTINGENT LIABILITIES

As at 31st December, 2016, the Group was subject to the following contingent liabilities:

HK$ million	
Guarantee in respect of bank loan drawn by affiliated companies	1,225
Other guarantee given in respect of an affiliated company	724
Performance bond indemnities	101
Sub-contractor warranties	6
Total	2,056

EMPLOYEES

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,011 employees. Employees' cost (excluding directors' emoluments) amounted to HK$724 million. The Group ensures that the pay levels of its employees are competitive and that its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

Preferential subscription of 2,978,000 new shares of the Company was given to those employees who had subscribed for shares of HK$1.00 each in the Company at HK$12.65 per share on the flotation of the Company in 1996. The Group does not have any share option scheme for employees.

BOARD AND KEY PERSONNEL

Executive Committee

Front *(from left to right)* **Joanna Chen, Andrew Hunter, H L Kam, Victor Li, Edmond Ip, Dominic Chan**
Back *(from left to right)* **Duncan Macrae, Victor Luk, Pak Lam Lun, Lambert Leung, Ivan Chan, Wendy Tong Barnes, Chiu Yue Seng**

DIRECTORS' BIOGRAPHICAL INFORMATION

LI Tzar Kuoi, Victor

aged 52, has been the Chairman of the Company since its incorporation in May 1996. He has been a member of the Remuneration Committee of the Company since March 2005. Mr. Victor Li is the Group Co-Managing Director and Deputy Chairman of CK Hutchison Holdings Limited, and the Managing Director and Deputy Chairman and the Chairman of Executive Committee of Cheung Kong Property Holdings Limited. He is also the Chairman of CK Life Sciences Int'l., (Holdings) Inc., a Non-executive Director of Power Assets Holdings Limited and HK Electric Investments Manager Limited ("HKEIM") as the trustee-manager of HK Electric Investments, a Non-executive Director and the Deputy Chairman of HK Electric Investments Limited and Co-Chairman of Husky Energy Inc. Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong or overseas. Mr. Victor Li is also the Deputy Chairman of Li Ka Shing Foundation Limited, Li Ka Shing (Overseas) Foundation and Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 12th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Commission on Strategic Development of the Hong Kong Special Administrative Region ("HKSAR") and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. Victor Li is the Honorary Consul of Barbados in Hong Kong. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), and a director of certain companies controlled by certain substantial shareholders of the Company. 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 nephew of Mr. Kam Hing Lam, the Group Managing Director of the Company.

KAM Hing Lam

aged 70, has been the Group Managing Director of the Company since its incorporation in May 1996. He is the Deputy Managing Director of CK Hutchison Holdings Limited, and the Deputy Managing Director and Member of Executive Committee of Cheung Kong Property Holdings Limited. He is also the President and Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc. All the companies mentioned above are listed companies. Mr. Kam is also the Chairman of Hui Xian Asset Management Limited, which manages Hui Xian Real Estate Investment Trust, a real estate investment trust listed on The Stock Exchange of Hong Kong Limited ("SEHK"). Mr. Kam 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. Kam is an Advisor of the 12th Beijing Municipal Committee of the Chinese People's Political Consultative Conference 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 an uncle of Mr. Li Tzar Kuoi, Victor, the Chairman of the Company.

IP Tak Chuen, Edmond

aged 64, has been an Executive Director of the Company since its incorporation in May 1996 and Deputy Chairman of the Company since February 2003. He is Deputy Managing Director of CK Hutchison Holdings Limited, and Deputy Managing Director and Member of Executive Committee of Cheung Kong Property Holdings Limited. He is also the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc., and a Non-executive Director of ARA Asset Management Limited. Mr. Ip was previously a Non-executive Director of TOM Group Limited and Shougang Concord International Enterprises Company Limited. All the companies mentioned above are listed companies. Mr. Ip is also a Non-executive Director of Hui Xian Asset Management Limited, which manages Hui Xian Real Estate Investment Trust, a real estate investment trust listed on the SEHK. He 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. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

FOK Kin Ning, Canning

aged 65, has been an Executive Director and Deputy Chairman of the Company since March 1997. He is currently the Group Co-Managing Director of CK Hutchison Holdings Limited. Mr. Fok is also the Chairman of Hutchison Telecommunications Hong Kong Holdings Limited, Hutchison Telecommunications (Australia) Limited, Hutchison Port Holdings Management Pte. Limited ("HPHM") as the trustee-manager of Hutchison Port Holdings Trust, Power Assets Holdings Limited, HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited and Co-Chairman of Husky Energy Inc. Mr. Fok was previously an Alternate Director to Mrs. Chow Woo Mo Fong, Susan, a previous Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited. Except for HPHM and HKEIM, all the companies/business trust/investment trust mentioned above are listed in Hong Kong or overseas. Mr. Fok 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. He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a fellow of Chartered Accountants Australia and New Zealand.

BOARD AND KEY PERSONNEL

DIRECTORS' BIOGRAPHICAL INFORMATION (CONT'D)

Andrew John HUNTER

aged 58, has been an Executive Director of the Company since December 2006 and Deputy Managing Director of the Company since May 2010. He acted as the Chief Operating Officer of the Company from December 2006 to May 2010. Mr. Hunter is also an Executive Director of Power Assets Holdings Limited, a listed company. He is a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Prior to the appointment to the board of Power Assets Holdings Limited in 1999, Mr. Hunter was the Finance Director of the Hutchison Property Group. He holds a Master of Arts degree and a Master's degree in Business Administration. He is a member of the Institute of Chartered Accountants of Scotland and of the Hong Kong Institute of Certified Public Accountants. He has over 34 years of experience in accounting and financial management.

CHAN Loi Shun

aged 54, has been an Executive Director of the Company since January 2011 and Chief Financial Officer of the Company since January 2006. He joined Hutchison Whampoa Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO, in January 1992 and has been with the Cheung Kong Group since May 1994. Mr. Chan is also an Executive Director of Power Assets Holdings Limited, HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong. Mr. Chan is a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and also a member of the Institute of Certified Management Accountants (Australia).

CHEN Tsien Hua

aged 54, has been an Executive Director of the Company since January 2017 and the Head of Business Development of the Company since 2005. She joined Hutchison Whampoa Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO, in August 1992 and has been with the Company since July 1996. Ms. Chen holds a Bachelor's degree in Social Sciences and a Master's degree in Business Administration.

Frank John SIXT

aged 65, has been an Executive Director of the Company since its incorporation in May 1996. Mr. Sixt is the Group Finance Director and Deputy Managing Director of CK Hutchison Holdings Limited. He is also the Non-executive Chairman of TOM Group Limited, a Director of Hutchison Telecommunications (Australia) Limited and Husky Energy Inc., and an Alternate Director of Hutchison Telecommunications (Australia) Limited, HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. Mr. Sixt was previously a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited, Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust, and Power Assets Holdings Limited. Except for HPHM and HKEIM, all the companies/business trust/investment trust mentioned above are listed in Hong Kong or overseas. 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. He 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 Quebec and Ontario, Canada.

CHEONG Ying Chew, Henry

aged 69, has been an Independent Non-executive Director of the Company since its incorporation in May 1996. He has been a member of the Audit Committee of the Company since December 1998 and acted as the Chairman of the Audit Committee of the Company from December 1998 to December 2006. Mr. Cheong has been a member of the Remuneration Committee of the Company since January 2005 and the Chairman of the Remuneration Committee of the Company since January 2012. He is also an Independent Non-executive Director of Cheung Kong Property Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited, TOM Group Limited, CNNC International Limited, New World Department Store China Limited, Greenland Hong Kong Holdings Limited and Skyworth Digital Holdings Limited, and an Independent Director of BTS Group Holdings Public Company Limited. Mr. Cheong is an Executive Director and Deputy Chairman of Worldsec Limited. He is also an Alternate Director to Dr. Wong Yick Ming, Rosanna, an Independent Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited. All the companies mentioned above are listed companies. He 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 Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

KWOK Eva Lee

aged 75, has been an Independent Non-executive Director of the Company since September 2004. She is also an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc. and a Director of Li Ka Shing (Canada) Foundation ("LKS Canada Foundation"). She currently serves as Chair and Chief Executive Officer of Amara Holdings Inc. ("Amara"). Mrs. Kwok also acts as an Independent Director for Husky Energy Inc. Mrs. Kwok currently acts as the Chairman of the Remuneration Committee of CK Life Sciences Int'l., (Holdings) Inc. Mrs. Kwok also sits on the Compensation Committee and Corporate Governance Committee of Husky Energy Inc., and the Audit Committee of CK Life Sciences Int'l., (Holdings) Inc. and the Company. Except for LKS Canada Foundation and Amara, all the companies mentioned above are listed companies. She is a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. In addition, she was an Independent Director of Bank of Montreal, a listed company, and previously sat on the Audit Committee and Pension Fund Society of the Bank of Montreal, the Nominating and Governance Committee of Shoppers Drug Mart Corporation, the Independent Committee of Directors and Human Resources Committee of Telesystems International Wireless (TIW) Inc., the Independent Committee of Directors and the Corporate Governance Committee of Fletcher Challenge Canada Ltd., the Audit and Corporate Governance Committees of Clarica Life Insurance Company, the Corporate Governance Committee of Air Canada, the Innovation Saskatchewan (IS) Board of Directors and the Saskatchewan-Asia Advisory Council of Saskatchewan.

DIRECTORS' BIOGRAPHICAL INFORMATION (CONT'D)

SNG Sow-mei alias POON Sow Mei

aged 75, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since September 2004. She is an Independent Non-executive Director and the Lead Independent Director of Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust, a business trust listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"), and an Independent Non-executive Director of ARA Asset Management (Prosperity) Limited, which manages Prosperity Real Estate Investment Trust, a real estate investment trust listed on the SEHK. Mrs. Sng is also a member of the Audit Committee of HPHM and ARA Asset Management (Prosperity) Limited. Mrs. Sng was previously an Independent Director and a member of the Audit Committee of ARA Trust Management (Suntec) Limited, which manages Suntec Real Estate Investment Trust, a real estate investment trust listed on SGX-ST, and an Independent Non-executive Director and a member of the Audit Committee of ARA Asset Management (Fortune) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on the SEHK and SGX-ST. Mrs. Sng was also previously a Director of INFA Systems Ltd. and the Senior Consultant (International Business) of Singapore Technologies Electronics Ltd. Prior to her appointment with Singapore Technologies Pte Ltd. where Mrs. Sng was the Director, Special Projects (North East Asia) in 2000 and a Consultant in 2001, Mrs. Sng was the Managing Director of CapitaLand Hong Kong Ltd. for investments in Hong Kong and the region including Japan and Taiwan. In Hong Kong from 1983 to 1997, Mrs. Sng was the Centre Director and then as Regional Director of the Singapore Economic Development Board and Trade Development Board respectively. Mrs. Sng was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997. Mrs. Sng holds a Bachelor of Arts degree from the Nanyang University in Singapore and has wide experience in various fields of industrial investment, business development, strategic and financial management, especially in property investment and management. In 1996, Mrs. Sng was conferred the title of PPA(P) – Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver) by the Republic of Singapore.

Colin Stevens RUSSEL

aged 76, has been an Independent Non-executive Director and a member of the Remuneration Committee of the Company since January 2005. He has been a member of the Audit Committee of the Company since January 2005 and the Chairman of the Audit Committee of the Company since January 2007. He is also an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc., ARA Asset Management Limited and Husky Energy Inc. All the companies mentioned above are listed companies. He is a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Russel is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organisations on business strategy and planning, market development, competitive positioning and risk management. He is also Managing Director of EMAS (HK) Limited. He was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asia Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries. Mr. Russel received his Bachelor's degree in electronics engineering and Master's degree in Business Administration from McGill University, Canada. He is a Qualified Commercial Mediator.

LAN Hong Tsung, David

aged 76, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since February 2005. He is also an Independent Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited, SJM Holdings Limited and Cinda Financial Holdings Co., Limited ("CFHCL"). Except for CFHCL, all the companies mentioned above are listed companies. Dr. Lan is also an Independent Non-executive Director of ARA Asset Management (Prosperity) Limited, which manages Prosperity Real Estate Investment Trust, a real estate investment trust listed on the SEHK. Dr. Lan was previously an Independent Non-executive Director of ARA Asset Management (Fortune) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on the SEHK and SGX-ST. He is currently the Chairman of David H T Lan Consultants Ltd., Supervisor of Nanyang Commercial Bank (China), Limited and holds directorship at Nanyang Commercial Bank Ltd. He is also a Senior Advisor of Mitsui & Company (Hong Kong) Limited and the President of the International Institute of Management. He is a director of a company controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Dr. Lan was the Secretary for Home Affairs of the HKSAR Government till his retirement in July 2000. He had served as civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal on 1st July, 2000. He was appointed as the 10th and 11th National Committee Member of the Chinese People's Political Consultative Conference of the People's Republic of China. Dr. Lan is a Chartered Secretary and a Fellow Member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He received his Bachelor of Arts degree from the University of London and completed the Advanced Management Program of the Harvard Business School, Boston. He was also a Fellow at Queen Elizabeth House, University of Oxford. Dr. Lan was conferred with Doctor of Humanities, honoris causa by Don Honorio Ventura Technological State University, and holder of Visiting Professorship Awards of Bulacan State University and Tarlac State University.

Barrie COOK

aged 74, acted as an Executive Director of the Company from 2000 to September 2003 and a Non-executive Director of the Company from October 2003 to December 2011, and has been an Independent Non-executive Director of the Company since January 2012. He is the Honorary Chairman of the Hong Kong Construction Materials Association. Mr. Cook is a past Chairman of the East Asian Cement Forum, the Hong Kong Cement Association and the Waste Reduction Committee of the HKSAR Government. He was previously a member of the Advisory Council on the Environment and the Council for Sustainable Development of the HKSAR Government, and was the Convenor of the Hong Kong Business Coalition on the Environment. Mr. Cook was very active in community affairs through his work with the Hong Kong General Chamber of Commerce ("HKGCC") and was a past Chairman of the HKGCC's Environment and Arab/Africa Committees. Mr. Cook holds a Bachelor of Science Degree in Civil Engineering from University of Durham and a Diploma in Traffic Engineering from the Institution of Highway Engineers in the United Kingdom. He is a Chartered Civil Engineer of the United Kingdom and a Fellow of the Chartered Management Institute of the United Kingdom. He was previously a Member of the Institution of Highway Engineers of the United Kingdom and the Hong Kong Institution of Engineers.

BOARD AND KEY PERSONNEL

DIRECTORS' BIOGRAPHICAL INFORMATION (CONT'D)

LEE Pui Ling, Angelina

aged 68, acted as an Independent Non-executive Director of the Company from May 1996 to September 2004 and has been a Non-executive Director of the Company since September 2004. She is a practising solicitor, has a Bachelor of Laws degree and is a Fellow of the Institute of Chartered Accountants in England and Wales. She is active in public service and is currently a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a member of the Takeovers and Mergers Panel of the Securities and Futures Commission. She is also a Non-executive Director of TOM Group Limited and Henderson Land Development Company Limited, and an Independent Non-executive Director of Great Eagle Holdings Limited. All the companies mentioned above are listed companies. Mrs. Lee is a director of a company controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO.

George Colin MAGNUS

aged 81, acted as an Executive Director and Deputy Chairman of the Company from May 1996 to October 2005 and has been a Non-executive Director of the Company since November 2005. He is also a Non-executive Director of CK Hutchison Holdings Limited, a Director of Husky Energy Inc., and an Independent Non-executive Director of HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. He acted as an Executive Director of Cheung Kong (Holdings) Limited ("CKH") since 1980 and Deputy Chairman since 1985 until he retired from these offices in October 2005. He has been a Non-executive Director of CKH since November 2005 until his resignation in June 2015. He has been an Executive Director of Hutchison Whampoa Limited ("HWL") since 1980 and was re-designated as a Non-executive Director since November 2005 until his resignation in June 2015. He served as Deputy Chairman of HWL from 1984 to 1993. Mr. Magnus was previously the Chairman of Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited) from 1993 to 2005, a Non-executive Director from 2005 to 2012 and an Independent Non-executive Director until January 2014. Except for HKEIM, CKH and HWL, all the companies/investment trust mentioned above are listed in Hong Kong or overseas. He is a director of a substantial shareholder of the Company within the meaning of Part XV of the SFO, and a director of a company controlled by certain substantial shareholders of the Company. He holds a Master's degree in Economics.

CHOW WOO Mo Fong, Susan

aged 63, acted as an Executive Director of the Company from March 1997 to July 2016 and an Alternate Director to Mr. Frank John Sixt, an Executive Director of the Company, from May 2006 to July 2016, and has been an Alternate Director to Mr. Fok Kin Ning, Canning, Deputy Chairman of the Company, since May 2006. Mrs. Chow is a Non-executive Director of CK Hutchison Holdings Limited and an Alternate Director of HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. She was previously the Group Deputy Managing Director of CK Hutchison Holdings Limited, a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited, a Director of Hutchison Telecommunications (Australia) Limited and an Alternate Director of Hutchison Telecommunications (Australia) Limited and TOM Group Limited. Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong or overseas. She is a director of a substantial shareholder of the Company within the meaning of Part XV of the SFO, and a director of a company controlled by certain substantial shareholders of the Company. She is a qualified solicitor and holds a Bachelor's degree in Business Administration.

MAN Ka Keung, Simon

aged 59, has been an Alternate Director to Mr. Ip Tak Chuen, Edmond, Deputy Chairman of the Company, since February 2008. He joined the Cheung Kong Group in December 1987. He is a Member of the Executive Committee and the General Manager, Accounts Department of Cheung Kong Property Holdings Limited. He is a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He has over 36 years of experience in accounting, auditing, tax and finance. He holds a Bachelor's degree in Economics and is a member of Chartered Accountants Australia and New Zealand.

Eirene YEUNG

aged 56, Alternate Director to Mr. Kam Hing Lam, the Group Managing Director of the Company, and the Company Secretary of the Company. She is also a Member of the Executive Committee, General Manager, Company Secretarial Department and the Company Secretary of Cheung Kong Property Holdings Limited. She is also the Company Secretary of CK Life Sciences Int'l., (Holdings) Inc. All the companies mentioned above are listed companies. Ms. Yeung is a Non-executive Director of ARA Asset Management (Fortune) Limited, the manager of Fortune Real Estate Investment Trust (listed in Hong Kong and Singapore). She is a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Ms. Yeung joined the Cheung Kong Group in August 1994. She is a solicitor of the High Court of the HKSAR and of the Senior Courts of England and Wales. She is also a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

BOARD AND KEY PERSONNEL

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION

HONG KONG

CHAN Kee Ham, Ivan
aged 54, Chief Planning and Investment Officer, has been with the Company since September 1999. He is also the Chief Financial Officer of Power Assets Holdings Limited. He has over 30 years of experience in investment, banking and finance. He holds a Bachelor's degree in Science, a Bachelor's degree in Chinese Law and a Master's degree in Business Administration.

CHIU Yue Seng
aged 40, Head of Corporate Finance, joined the Company in January 2017. He has over 16 years of experience in investment banking and finance. He holds a Bachelor of Arts degree and a Master's degree in Business Administration.

Donald William JOHNSTON
aged 74, Executive Director of Anderson Asia (Holdings) Limited, Green Island Cement (Holdings) Limited and Green Island International Limited, has been with the Cheung Kong Group since 1988. He holds a Master's degree in Business Administration and a Bachelor's degree in Civil Engineering and is a Chartered Professional Engineer (Retired). He is a member of the Institute of Engineers (Australia) and a fellow of the Institute of Quarrying.

LEUNG Ying Wah, Lambert
aged 70, Chief Executive Officer of Cheung Kong Infrastructure Materials. He is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Quarrying (UK) and the past chairman of the Institute of Quarrying, Hong Kong Branch.

LUK Sai Hong, Victor
aged 53, Group General Counsel, has been with the Company since July 1998. He has over 26 years of experience in the legal field. He holds a Bachelor's degree in Social Science. He was admitted as solicitor of the Supreme Court in England in 1992 and was admitted as solicitor in Hong Kong in 1993. He is a solicitor of the High Court of the HKSAR and is a member of The Law Society of Hong Kong.

LUN Pak Lam

aged 59, Head of China Infrastructure, joined Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited in May 1993 and June 1994 respectively and has been with the Company since July 1996. He holds a Bachelor's and a Master's degree in Engineering, a Master of Finance degree in Investment Management and a Master of Science degree in Financial Analysis.

Duncan Nicholas MACRAE

aged 46, Head of International Business, joined the Company in February 2011. He has over 23 years of experience in the infrastructure investment field. He holds Bachelor's and Master's degrees in Philosophy, Politics & Economics, and is a member of the Institute of Directors, UK.

TONG BARNES Wai Che, Wendy

aged 56, Chief Corporate Affairs Officer, joined the Cheung Kong Group in March 1999. She is also the Chief Corporate Affairs Officer of Cheung Kong Property Holdings Limited and CK Life Sciences Int'l., (Holdings) Inc. and the Deputy Chief Executive Officer of Hui Xian Asset Management Limited. Mrs. Barnes is also a board member of The Community Chest of Hong Kong. She holds a Bachelor's degree in Business Administration.

TSANG Pak Chung, Eddy

aged 59, Chief Operating Officer of Cheung Kong Infrastructure Materials. He is also an Executive Director of Green Island Cement (Holdings) Limited, Green Island International Limited and Anderson Asia (Holdings) Limited. He joined the Cheung Kong Group in January 2005. He is a member of Chartered Accountants Australia and New Zealand, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secretaries and Administrators. He holds a Master's degree in Commerce and a Bachelor's degree in Economics.

YIP Cheung, Lawrence

aged 53, Head of Internal Audit, has been with the Company since November 1997. He holds a Master's degree in Business Administration. He is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and an associate of the Institute of Chartered Accountants in England and Wales.

BOARD AND KEY PERSONNEL

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION (CONT'D)

OVERSEAS

Graham Winston EDWARDS

aged 63, has been Chief Executive of Wales & West Utilities Limited since business start-up in 2005. The business owns and operates the gas network covering all of Wales and the South West of England – serving a population of around 7.5 million people. Mr. Edwards has significant senior management experience across the Utility sector – prior to Wales & West Utilities he worked in the Electricity and Water sectors, where he held senior posts in Human Resources, Operations, and business leadership roles with full P&L responsibility. He has also spent many years in the manufacturing sector with global automotive and consumer goods companies. Mr. Edwards has an MBA, and is a Fellow of both the Institute of Directors and the Chartered Institute Personnel & Development. He is a Vice President of the Institute of Customer Services and a board member of Dwr Cymru Welsh Water and the University of South Wales. He is a previous Wales Chair of both the CBI and Business in the Community.

Derek David GOODMANSON

aged 50, is Chief Executive Officer of Canadian Power Holdings Inc. (formerly Stanley Power Inc.). He joined the company as Technical and Commercial Director in 2011, and was promoted to his current position in 2012. Mr. Goodmanson has over 25 years of experience in engineering, maintenance, project management, operations, and commercial management in the power industry, having held a number of key leadership roles in the power generation and transmission sectors throughout Canada. He holds a Bachelor of Mechanical Engineering degree, and is a Registered Professional Engineer in Canada. He also completed the Ivey Executive Development Programme.

Mark John HORSLEY

aged 57, has been Chief Executive Officer of Northern Gas Networks Limited ("NGN") since 2011. He has more than 40 years of experience in the energy sector. In the six years since joining NGN, the company has transformed its approach to customer service, securing seven accolades for customer experience in 2014. Mr. Horsley has held a number of senior appointments in the industry, which include an international built asset consultancy and power companies. Mr. Horsley held the post of Chairman of the UK Energy Networks Association from 2004 to 2006, and was appointed Chairman of the Energy Innovation Centre (EIC) in 2014.

Douglas David JOHNSTON

aged 53, is Chief Operating Officer and the acting Chief Executive Officer of Husky Midstream Limited Partnership. Appointed in July 2016, Mr. Johnston has over thirty years of experience in operations. Prior to this position, he was General Manager of the Pipelines and Terminals business unit within Husky Energy and has spent 15 years in various intermediate line management positions and disciplines within the Husky Energy Downstream operating facilities. Mr. Johnston holds a Bachelor of Science (Honors) in Petroleum Engineering, and he is an APEGA Gold Medal Award winner as well as a Registered Professional Engineer (AB and SK) in Canada.

Mary KENNY

aged 51, is Chief Executive Officer of Eversholt Rail. Ms. Kenny was first involved in Eversholt Rail in 1997 as part of the due diligence team of the bank which acquired Eversholt Leasing (now known as Eversholt Rail). Subsequently she worked in Eversholt Rail as Commercial Manager until 2001, before returning to banking where she held various finance roles around the Asset and Structured Finance portfolio. In 2007, Ms. Kenny rejoined Eversholt Rail as Head of Finance and Chief Operating Officer before being promoted to her current position in 2008. During her time with Eversholt Rail, she has overseen a number of significant investment programmes in addition to operational and ownership changes. Ms. Kenny has a degree in Business and is a qualified Chartered Management Accountant.

Yves Willy André LUCA

aged 51, has been Chief Executive Officer of AVR since 2013, where he managed the acquisition by a consortium led by the Group and the transition of AVR-Afvalverwerking B.V. (AVR). Under his wing, AVR has set a standard for the energy-from-waste, co-siting and circular economy in Europe. Mr. Luca has 20 years of experience in the waste management industry, where he held several regional and national executive positions, as well as directorships in both Managing Board and Group Board in Europe's leading waste service, raw materials and energy provider group. Over the years, he has been responsible for waste collection operations, recycling activities and energy-from-waste activities in Belgium and Eastern Europe. Mr. Luca holds a Master's degree in Applied Economic Science.

Arnaldo Navarro MACHADO

aged 71, is Chief Executive Officer of Iberwind. Mr. Machado has held the position since 2009 before Iberwind was acquired by a consortium led by the Group in 2015. Prior to his current role, he held a number of senior management roles the past 30 years and has served on the boards of many different corporations in a wide range of industries including energy, shipping, engineering, breweries and technology. Mr. Machado holds a Bachelor's degree in Naval Engineering.

Carlo MARRELLO

aged 52, is Chief Executive Officer of Park'N Fly. He joined the company in 2014. Mr. Marrello has over 25 years of experience in executive management, consulting, sales, and operations in both the financial and commercial logistics industries. He has a Bachelor's degree, and has previously held a number of senior appointments, which include the Global Head of Commodities Logistics at a leading bank in Canada.

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION (CONT'D)

OVERSEAS (CONT'D)

Stuart Michael MAYER

aged 50, is General Manager of Seabank Power Limited. He joined the company as Commercial Financial Controller in 2001, and was promoted to his current position in 2007. Mr. Mayer held a variety of commercial and financial roles in the civil and military aero engine sectors in the United Kingdom and overseas. Mr. Mayer is a Chartered Management Accountant with over 25 years of experience in engineering and utilities.

Jonathan MCKENZIE

aged 49, has been Chairman of Husky Midstream Limited Partnership since September 2016. He is also Chief Financial Officer of Husky Energy, a position he has held since April 2015. Mr. McKenzie is an experienced financial executive with extensive energy and utilities sector experience, and held a number of senior positions in oil and energy companies before joining Husky Energy. He holds a Bachelor of Commerce degree and a Bachelor of Arts degree, and is a member of Chartered Professional Accountants of Alberta.

Heidi MOTTRAM

aged 52, is Chief Executive Officer of the Northumbrian Water Group Limited and Northumbrian Water Limited Boards. Ms. Mottram has held the positions since 2010 before Northumbrian Water's acquisition by a consortium led by the Group in October 2011. Prior to her current position, Ms. Mottram has held a number of senior management roles in the rail and transport sector, and she was awarded an OBE in the New Year Honours list 2010 for services to the rail industry. Ms. Mottram is currently a Board Member of Kielder Water and Forest Park Development Trust, the CBI, the North East Local Enterprise Partnership and a member of Newcastle University Council. In 2016, she was selected to be the Prince of Wales' Business Ambassador to the North East, in conjunction with Business in the Community. In the same year, Ms. Mottram was also named North East Business Executive of the Year for her contribution to business in the North East of England. Under her leadership, Northumbrian Water Group achieved the Queen's Award for Enterprise in the category of Sustainable Development in 2014 and is the only water company on the World's Most Ethical companies list six years in a row (2010-16).

Richard Clive PEARSON

aged 71, has been Chairman of Wellington Electricity Distribution Network Limited and its subsidiary companies since the organisation's establishment in 2008. He was also appointed Chairman of Enviro (NZ) Limited (formerly Enviro Waste Services Limited) in 2013. Prior to his current positions, Mr. Pearson worked for Hutchison Whampoa Group (now known as CK Hutchison Holdings) from 1975 to 2007, holding various senior roles in Hutchison Port Holdings Group, including Managing Director – Europe Division from 2005 to 2007, President ECT Rotterdam from 2002 to 2004, as well as Managing Director of Hongkong International Terminals Ltd from 1996 to 1998. Mr. Pearson holds a Bachelor's degree in Commerce and is a member of the New Zealand Society of Accountants.

Timothy Hugh ROURKE

aged 45, is Chief Executive Officer of Victoria Power Networks Pty Ltd. (formerly CHEDHA Holdings Pty Ltd.) and its subsidiaries, including CitiPower I Pty Ltd. and Powercor Australia Limited. Prior to joining Victoria Power Networks in April 2013, Mr. Rourke was Chief Executive Officer of an energy infrastructure business operating in Australia and New Zealand. Previous experience included senior executive roles with a number of Australian based energy and infrastructure companies. Before entering the energy sector, he worked for a multi-national mining company and an international accounting and consultancy firm. Mr. Rourke holds a Bachelor of Commerce degree.

Gary Brian SAUNDERS

aged 62, is Managing Director of Enviro (NZ) Limited (formerly Enviro Waste Services Limited). He has been with the company since 2007. Mr. Saunders has over 25 years of experience in the waste management industry in Australia and New Zealand. Prior to joining EnviroNZ, Mr. Saunders held a number of senior executive positions in a variety of industries including transport, document security, armoured cars, aviation and pallet pooling. He is an accountant by profession, gaining his qualification in Sydney, Australia.

Basil SCARSELLA

aged 61, has been Chief Executive Officer of UK Power Networks Holdings Limited since its establishment in late 2010. Prior to his current appointment, Mr. Scarsella held a number of senior positions in the Group's businesses, including Chief Executive Officer of Northern Gas Networks Limited in the United Kingdom from 2005 to 2010, and Chief Executive Officer of SA Power Networks (formerly ETSA Utilities) in Australia from 1998 to 2005. Before SA Power Networks was acquired by the Company, he worked in ETSA Utilities and other energy companies in Australia. Mr. Scarsella has a degree in Economics and is a Certified Practicing Accountant. He is a Life Member of Football Australia and received the Australian Sports Medal in 2000, and in 2003 became a Member of the Order of Australia (AM) for his services to sport. Mr. Scarsella is the current Chairman of the Energy Networks Association (ENA) in the United Kingdom.

Greg Donald SKELTON

aged 52, is Chief Executive Officer of Wellington Electricity Lines Limited. He has been with the company since its formation in 2009. Mr. Skelton has over 30 years of experience in the fields of production engineering, electrical engineering and business management. He holds a Bachelor's degree in Electrical Engineering, a Master's degree in Business Administration, and is a Fellow of the Institute of Professional Engineers of New Zealand.

BOARD AND KEY PERSONNEL

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION (CONT'D)

OVERSEAS (CONT'D)

Robert STOBBE

aged 60, has been Chief Executive Officer of SA Power Networks (formerly ETSA Utilities) since 2010. He has held senior executive positions from 1999 to 2008 at various businesses of the Group including Northern Gas Networks Limited in the United Kingdom; as well as Powercor Australia Limited, CitiPower I Pty Ltd., and SA Power Networks in Australia. Before returning to SA Power Networks to assume his current position, he held leadership roles in rail and infrastructure investment corporations. Mr. Stobbe holds directorships in charitable organisations including Asthma Foundation SA, Operation Flinders Foundation, as well as the James Brown Memorial Trust. He is also Director of Business SA and the Electricity Networks Association of Australia. Mr. Stobbe has a Bachelor of Business (Accounting) degree and is a Fellow of CPA Australia. He is a Member of the Australian Institute of Company Directors.

Peter Peace TULLOCH

aged 73, has been Chairman of SA Power Networks (formerly ETSA Utilities), Victoria Power Networks Pty Ltd. (formerly CHEDHA Holdings Pty Ltd.), as well as its subsidiaries, CitiPower I Pty Ltd. and Powercor Australia Limited since 2005. He was appointed Chairman of Australian Gas Networks Limited (formerly Envestra) in late 2014, and he is also a non-executive director of CK Life Sciences Int'l., (Holdings) Inc. Previously, Mr. Tulloch was Managing Director, Asia of CIBC World Markets; Chairman and Director of the major operating companies of the CEF Group; and Non-executive Director of CIBC Australia Holdings Limited, and has over 30 years of banking experience in Asia. He was educated in Scotland and is a Fellow of the Institute of Canadian Bankers.

Benjamin Hollis WILSON

aged 42, is Chief Executive Officer of Australian Gas Networks Limited ("AGN") (formerly Envestra). He joined the company in March 2015. Before joining AGN, Mr. Wilson was Director of Strategy & Regulation and Chief Financial Officer of UK Power Networks, with responsibility for treasury, long term business planning, regulation, innovation, and business transformation. Prior to joining UK Power Networks in 2011, Mr. Wilson was an investment banker for 15 years in London and Hong Kong, covering utilities and natural resources financings, mergers and acquisitions and privatisations in Europe, Asia and Latin America. He is a Director of the Energy Networks Australia (ENA) and Chairman of the ENA Gas Committee, and a past Director of the Energy Supply Association of Australia. Mr. Wilson holds a Bachelor's degree in Natural Sciences.

REPORT OF THE DIRECTORS

The Directors are pleased to present shareholders their report together with the audited financial statements of the Group for the year ended 31st December, 2016.

PRINCIPAL ACTIVITIES

The Group's principal activities during the year are development, investment and operation of infrastructure businesses in Hong Kong, Mainland China, the United Kingdom, the Netherlands, Portugal, Australia, New Zealand and Canada.

BUSINESS REVIEW

A fair review of the Group's business, and an indication of likely future development in the Group's business are provided in the Business Review, Chairman's Letter and Group Managing Director's Report on pages 26 to 51, pages 10 to 15 and pages 16 to 20 of this Annual Report respectively. An analysis of the Group's performance using financial key performance indicators is set out in the Ten-year Financial Summary on pages 8 to 9 and Financial Review on pages 52 to 53. A description of the principal risks and uncertainties facing the Group can be found in the Risk Factors on pages 192 to 196. In addition, particulars of important events affecting the Group that have occurred since the end of the year 2016, if any, are set out in the Chairman's Letter on pages 10 to 15 and in Note 38 to the Consolidated Financial Statements on page 152. A discussion on the Group's policies and performance about the environment and an account of the relationships with its key stakeholders are included in the Environmental, Social and Governance Report on pages 184 to 191 of this Annual Report. The above discussions form part of the Report of the Directors.

Many of the Group's businesses and investments in relation to energy, transportation, water, waste management and infrastructure in different parts of the world are subject to local laws and legislations including, for instance, Gas Act 1986 (and associated regulations in the United Kingdom), Electricity Safety, Quality and Continuity Regulations in the United Kingdom, National Gas Law in Australia and Canadian Environmental Protection Act 1999 in Canada. Each of such businesses is required to work within the ambit of its operating licence(s) in the jurisdictions where it operates and ensures that its local operations comply with relevant laws and regulations that have significant impact on the operation(s) through performing regular audits, completing regular internal compliance reports and putting in place regulatory compliance guideline and procedure. Further information about laws and regulations affecting the businesses of the Group can be found in the Environmental, Social and Governance Report on pages 184 to 191 of this Annual Report.

RESULTS AND DIVIDENDS

Results of the Group for the year ended 31st December, 2016 are set out in the Consolidated Income Statement on page 90.

The Directors recommend the payment of a final dividend of HK$1.63 per share which, together with the interim dividend of HK$0.63 per share paid on 9th September, 2016, makes the total dividend of HK$2.26 per share for the year.

GROUP FINANCIAL SUMMARY

Results, assets and liabilities of the Group for the last ten years are summarised on pages 8 to 9.

DIRECTORS

The Directors of the Company in office at the date of this Annual Report are listed on page 206 and their biographical information is set out on pages 54 to 61.

Mrs. Chow Woo Mo Fong, Susan retired as an Executive Director of the Company and ceased to act as Alternate Director to Mr. Frank John Sixt, both with effect from 1st August, 2016. After her retirement, Mrs. Chow remains as Alternate Director to Mr. Fok Kin Ning, Canning.

Ms. Chen Tsien Hua was appointed as an Executive Director of the Company with effect from 1st January, 2017. The Company's Bye-laws provide that any Director appointed by the Board of Directors of the Company (the "Board") as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Ms. Chen being the Director so appointed, shall hold office until the forthcoming annual general meeting and, being eligible, offer herself for re-election.

In accordance with the Company's Bye-laws, the Directors of the Company (including Non-executive Directors) shall be subject to retirement by rotation at each annual general meeting. Accordingly, Mr. Chan Loi Shun, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Colin Stevens Russel, Mr. Lan Hong Tsung, David and Mr. George Colin Magnus will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the Independent Non-executive Directors had made an annual confirmation of 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 that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its parent company, subsidiary or fellow subsidiary a party to any arrangements which enabled any Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for otherwise disclosed under the section headed "Continuing Connected Transactions and Connected Transactions", there were no other transactions, arrangements or contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a specified undertaking of the Company 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 any time during the year 2016 and as at the date of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

The Company's Bye-laws provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices, provided that this indemnity shall not extend to any matter in respect of any wilful negligence, wilful default, fraud or dishonesty which may attach to the Directors concerned. A Directors Liability Insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2016, the interests or short positions of the Directors and chief executives 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 Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

(1) Long Positions in Shares

			Number of Ordinary Shares / Share Stapled Units					
Name of Company	Name of Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate % of Shareholding
Company	Li Tzar Kuoi, Victor	Interest of child or spouse & beneficiary of trusts	–	227,000	–	5,428,000 (Note 1)	5,655,000	0.21%
	Kam Hing Lam	Beneficial owner	100,000	–	–	–	100,000	0.003%
CK Hutchison Holdings Limited	Li Tzar Kuoi, Victor	Beneficial Owner, Interest of child or spouse, interest of controlled corporations & beneficiary of trusts	220,000	405,200	2,572,350 (Note 3)	1,094,244,254 (Note 2)	1,097,441,804	28.44%
	Kam Hing Lam	Beneficial owner & interest of child or spouse	51,040	57,360	–	–	108,400	0.002%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	5,111,438 (Note 7)	–	5,111,438	0.13%
	Frank John Sixt	Beneficial owner	136,800	–	–	–	136,800	0.003%
	Lan Hong Tsung, David	Beneficial owner	13,680	–	–	–	13,680	0.0003%
	Lee Pui Ling, Angelina	Beneficial owner	111,334	–	–	–	111,334	0.002%
	George Colin Magnus	Beneficial owner, interest of child or spouse & founder & beneficiary of a discretionary trust	85,361	16,771	–	833,868 (Note 8)	936,000	0.02%
	Chow Woo Mo Fong, Susan	Beneficial owner	129,960	–	–	–	129,960	0.003%
	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	9,895 (Note 9)	11,895 (Note 9)	–	–	11,895	0.0003%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

(1) Long Positions in Shares (Cont'd)

Name of Company	Name of Director	Capacity	Number of Ordinary Shares / Share Stapled Units: Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate % of Shareholding
Power Assets Holdings Limited	Kam Hing Lam	Interest of child or spouse	–	100,000	–	–	100,000	0.004%
	Lee Pui Ling, Angelina	Beneficial owner	8,800	–	–	–	8,800	0.0004%
HK Electric Investments and HK Electric Investments Limited	Li Tzar Kuoi, Victor	Interest of controlled corporations	–	–	7,870,000 (Note 5)	–	7,870,000	0.08%
	Kam Hing Lam	Interest of child or spouse	–	1,025,000	–	–	1,025,000	0.01%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	2,000,000 (Note 7)	–	2,000,000	0.02%
	Lee Pui Ling, Angelina	Beneficial owner	2,000	–	–	–	2,000	0.00002%
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	4,100,000	–	1,000,000 (Note 7)	–	5,100,000	0.037%
	Frank John Sixt	Beneficial owner	1,000,000	–	–	–	1,000,000	0.007%
Hutchison Telecommunications Hong Kong Holdings Limited	Li Tzar Kuoi, Victor	Interest of child or spouse, interest of controlled corporations & beneficiary of trusts	–	192,000	2,519,250 (Note 4)	153,280 (Note 6)	2,864,530	0.05%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	1,202,380 (Note 7)	–	1,202,380	0.025%
	George Colin Magnus	Beneficial owner & interest of child or spouse	13,201	132	–	–	13,333	0.0003%
	Chow Woo Mo Fong, Susan	Beneficial owner	250,000	–	–	–	250,000	0.005%

(2) Long Positions in Underlying Shares

Name of Company	Name of Director	Capacity	Number of Underlying Shares: Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Hutchison Telecommunications Hong Kong Holdings Limited	Frank John Sixt	Beneficial owner	255,000 (Note 11)	–	–	–	255,000

(3) Long Positions in Debentures

Name of Company	Name of Director	Capacity	Amount of Debentures Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Hutchison Whampoa Finance (CI) Limited	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	US$100,000 7.45% Notes due 2017 (Note 10)	US$100,000 7.45% Notes due 2017 (Note 10)	–	–	US$100,000 7.45% Notes due 2017
Hutchison Whampoa International (09) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US$45,792,000 7.625% Notes due 2019 (Note 4)	–	US$45,792,000 7.625% Notes due 2019
Hutchison Whampoa International (12) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US$16,800,000 Subordinated Guaranteed Perpetual Capital Securities (Note 4)	–	US$16,800,000 Subordinated Guaranteed Perpetual Capital Securities

Notes:

1. The discretionary beneficiaries of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2") are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children and Mr. Li Tzar Kai, Richard. Each of the trustees of DT1 and DT2 holds units in The Li Ka-Shing Unity Trust ("UT1") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of UT1 holds a total of 5,428,000 shares of the Company.

   The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco. TUT1 is 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.

   By virtue of the above and as a director of the Company and a discretionary beneficiary of each of DT1 and DT2, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the shares of the Company held by TUT1 as trustee of UT1 under the SFO.

2. The 1,094,244,254 shares in CK Hutchison Holdings Limited ("CK Hutchison") comprise:

   (a) 1,001,953,744 shares held by TUT1 as trustee of UT1 together with certain companies 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"). By virtue of being a director of the Company and a discretionary beneficiary of each of DT1 and DT2 as described in Note 1 above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of CK Hutchison held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO.

   (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"). The discretionary beneficiaries of each of the two discretionary trusts ("DT3" and "DT4") are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children and Mr. Li Tzar Kai, Richard. Each of the trustees of DT3 and 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

Notes (Cont'd):

The entire issued share capital of TUT3 and of the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of CK Hutchison 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 CK Hutchison 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.

By virtue of the above and as a director of the Company and a discretionary beneficiary of each of DT3 and DT4, Mr. Li Tzar Kuoi, Victor is also taken to have a duty of disclosure in relation to the said 7,863,264 shares of CK Hutchison held by TUT3 as trustee of UT3 under the SFO.

(c) 84,427,246 shares held by a company controlled by Li Ka-Shing Castle Trustee Corporation Limited as trustee of DT3.

3. The 2,572,350 shares in CK Hutchison comprise:

(a) 2,272,350 shares held by certain companies in 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.

(b) 300,000 shares held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, 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.

4. Such interests 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. The 7,870,000 share stapled units in HK Electric Investments and HK Electric Investments Limited comprise:

(a) 2,700,000 share stapled units held by a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOF"). By virtue of the terms of the constituent documents of LKSOF, 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 LKSOF.

(b) 5,170,000 share stapled units held by LKSF. By virtue of the terms of the constituent documents of LKSF, 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.

6. 153,280 shares in Hutchison Telecommunications Hong Kong Holdings Limited ("HTHK") are held by TUT3 as trustee of UT3. By virtue of being a director of the Company and discretionary beneficiary of each of DT3 and DT4 as described in Note 2(b) above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said 153,280 shares of HTHK held by TUT3 as trustee of UT3 under the SFO.

7. Such interests are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

8. Such interests comprise 184,000 shares held by a company controlled by a trust under which Mr. George Colin Magnus is a discretionary beneficiary and 649,868 shares indirectly held by a trust of which Mr. George Colin Magnus is the settlor and a discretionary beneficiary.

9. Such 9,895 shares are jointly held by Mr. Man Ka Keung, Simon and his wife, the remaining 2,000 shares are held by his wife.

10. Such interests are jointly held by Mr. Man Ka Keung, Simon and his wife.

11. Such underlying shares are derived from the 17,000 American Depositary Shares (each representing 15 ordinary shares) in HTHK beneficially owned by Mr. Frank John Sixt.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31st December, 2016, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31st December, 2016, shareholders (other than Directors or chief executives of the Company) who 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 SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

1. Long Positions of Substantial Shareholders in the Shares of the Company

Name	Capacity	Number of Ordinary Shares	Total	Approximate % of Shareholding
Hutchison Infrastructure Holdings Limited	(1) Beneficial owner	1,906,681,945 (Note i)	2,037,747,042	76.87%
	(2) Interest of controlled corporation	131,065,097 (Note v)		
Hutchison International Limited	(1) Interest of controlled corporation	1,906,681,945 (Note ii)	2,037,747,042	76.87%
	(2) Interest of controlled corporation	131,065,097 (Note v)		
Hutchison Whampoa Limited	(1) Interest of controlled corporations	1,906,681,945 (Note ii)	2,037,747,042	76.87%
	(2) Interest of controlled corporation	131,065,097 (Note v)		
Cheung Kong (Holdings) Limited	(1) Interest of controlled corporations	1,906,681,945 (Note iii)	2,037,747,042	76.87%
	(2) Interest of controlled corporation	131,065,097 (Note v)		
CK Hutchison Global Investments Limited	(1) Interest of controlled corporations	1,906,681,945 (Note iii)	2,037,747,042	76.87%
	(2) Interest of controlled corporation	131,065,097 (Note v)		
CK Hutchison Holdings Limited	(1) Interest of controlled corporations	1,906,681,945 (Note iv)	2,037,747,042	76.87%
	(2) Interest of controlled corporation	131,065,097 (Note v)		

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS (CONT'D)

2. Long Positions of Other Persons in the Shares of the Company

Name	Capacity	Number of Ordinary Shares	Total	Approximate % of Shareholding
The Capital Group Companies, Inc.	Interest of controlled corporations	159,126,922 (Note vi)	159,126,922 (Note vi)	6.00% (Note vi)

Notes:

i. 1,906,681,945 shares of the Company are held by Hutchison Infrastructure Holdings Limited ("HIHL"), a subsidiary of Hutchison Whampoa Limited ("HWL"). Its interests are duplicated in the interests of HWL in the Company described in Note ii below.

ii. HWL is deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note i above as it is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Hutchison International Limited ("HIL"), which itself is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HIHL.

iii. Cheung Kong (Holdings) Limited ("CKH") and CK Hutchison Global Investments Limited ("CK Global") are deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note ii above as certain subsidiaries of CKH and CK Global are entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HWL.

iv. CK Hutchison Holdings Limited ("CK Hutchison") is deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note iii above as CK Hutchison is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of CKH and CK Global.

v. The 131,065,097 shares are held by OVPH Limited ("OVPH") by virtue of the US$1,200,000,000 5.875% Guaranteed Perpetual Capital Securities (the "Perpetual Securities") issued on 2nd March, 2016. The Perpetual Securities were issued by OVPH and guaranteed by the Company. A swap agreement was entered into between the Company and OVPH under which OVPH is obliged to act in accordance with directions from the Company on certain matters. As a result, the Company is deemed by virtue of section 316(2) of the SFO to be interested in such voting shares as OVPH is interested. HIHL, HIL, HWL, CKH, CK Global and CK Hutchison are in turn deemed to be interested in the same 131,065,097 shares of the Company held by OVPH for the reasons set out in Notes ii, iii and iv above.

vi. Such disclosure of interest was made in the form of notice pursuant to Part XV of the SFO filed to the Stock Exchange by The Capital Group Companies, Inc. ("CGC") on 29th December, 2016. Subsequently, CGC notified the Company that as of 31st December, 2016, CGC's holdings were 161,939,922 shares which represented approximately 6.11% of the issued share capital of the Company.

Save as disclosed above, as at 31st December, 2016, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who 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 SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

1. CONTINUING CONNECTED TRANSACTIONS

The following transactions constituted continuing connected transactions of the Company ("Continuing Connected Transactions") under the Listing Rules during the financial year ended 31st December, 2016:

On 29th August, 2014, the Company entered into two tenancy agreements (the "Tenancy Agreements") to renew the previous tenancy agreements with Turbo Top Limited ("Turbo Top"), which was a wholly-owned subsidiary of Hutchison Whampoa Limited, a substantial shareholder of the Company and has, since 3rd June, 2015, become a wholly-owned subsidiary of Cheung Kong Property Holdings Limited (may be regarded as a connected person of the Company following the exercise of the deeming power by the Stock Exchange under Rule 14A.19 of the Listing Rules) pursuant to Cheung Kong Group restructuring, in respect of the lease of Office Unit 1202 on 12th Floor and Office Unit 1903 on 19th Floor of Cheung Kong Center, 2 Queen's Road Central, Hong Kong with a total lettable floor area of approximately 13,390 square feet as the principal business office of the Group in Hong Kong. The term for each of the Tenancy Agreements is for a period of three years commencing from 1st September, 2014 to 31st August, 2017, at a total monthly rental of HK$1,439,425, exclusive of Government rates and other charges. The aggregate rent and service charges payable under the Tenancy Agreements are subject to the annual caps of HK$5,000,000 for the period from 1st September, 2014 to 31st December, 2014, HK$20,000,000 for the year ended 31st December, 2015, HK$20,000,000 for the year ended 31st December, 2016, and HK$14,000,000 for the period from 1st January, 2017 to 31st August, 2017 taking into account of the possible adjustment on the total monthly service charges of HK$141,934. During the year 2016, HK$19,169,124 has been paid/ payable by the Company to Turbo Top pursuant to the Tenancy Agreements.

An announcement in respect of the above transaction was published on 29th August, 2014 in accordance with the Listing Rules.

The Continuing Connected Transactions have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that for the year 2016 the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to report the Continuing Connected Transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported to the Board of Directors and confirmed that for the year 2016 nothing has come to their attention that causes them to believe that the Continuing Connected Transactions (i) have not been approved by the Board of Directors of the Company; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iii) have exceeded the cap.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS (CONT'D)

2. CONNECTED TRANSACTIONS

(a) On 26th April, 2016, the Company together with Power Assets Holdings Limited ("Power Assets") and Husky Energy Inc. ("Husky") entered into an investment agreement ("Investment Agreement") in relation to, among other things, to form a joint venture company, Husky Midstream Limited Partnership ("HMLP") (the "Husky Joint Venture Transaction"). On 15th July, 2016, the respective wholly-owned subsidiaries of the Company, Power Assets and Husky, together with Husky Midstream General Partner Inc. ("GPCo") entered into a limited partnership agreement in relation to the formation, management and operation of HMLP ("Limited Partnership Agreement"). On 15th July, 2016, the respective wholly-owned subsidiaries of the Company, Power Assets, Husky and HMLP, together with GPCo, HMLP and Husky Midstream General Partnership ("HMGP") entered into an unanimous shareholder agreement in relation to the conduct of the businesses and affairs of GPCo, HMLP and HMGP. The Company's maximum capital commitment (based upon the subscription price of units/shares in HMLP and GPCo, and its contribution obligations for the growth projects pursuant to the Limited Partnership Agreement and guaranteed by the Company) under the Husky Joint Venture Transaction was approximately C$373,000,000 (approximately HK$2,281,730,000). CK Hutchison Holdings Limited ("CK Hutchison"), the controlling shareholder of the Company holding approximately 71.93% of the issued shares of the Company, also indirectly holds approximately 40.18% of the issued shares of Husky. As an associate of CK Hutchison, Husky is a connected person of the Company under the Listing Rules. Accordingly, the Husky Joint Venture Transaction constitutes a connected transaction for the Company under the Listing Rules. The above transaction was subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under the Listing Rules. Mr. Li Tzar Kuoi, Victor, being a director of the Company, is or may be regarded as interested in the shareholding of the Trust (as defined in the Company's announcement dated 26th April, 2016) in Husky (amounting to approximately 29.31% in the issued shares of Husky), abstained from voting on the board resolutions of the Company approving the Husky Joint Venture Transaction.

(b) On 14th January, 2017, the Company, Cheung Kong Property Holdings Limited ("CKPH") and 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 ("DUET") by way of schemes of arrangement and a trust scheme (the "Schemes") as described in the Company's announcement of 16th January, 2017 (the "Acquisition") and enter into the shareholders' agreement to govern the shareholder relationship in JV Co as well as the downstream business of DUET (the "DUET Joint Venture Transaction"). On 14th January, 2017, the Company together with CKPH, Power Assets, CK William Australia Bidco Pty Ltd and DUET entered into a scheme implementation agreement in relation to the Acquisition. DUET, 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 still subject to, among other things, the approval of DUET's securityholders and other governmental approvals. Given Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor (who is a director of the Company) and the Trust (as defined in the Company's circular dated 22nd February, 2017) have been deemed as a group of connected persons by the Stock Exchange and they directly and/or indirectly held an aggregate of approximately 30.62% of the issued share capital of CKPH, CKPH may be regarded as a connected person of the Company under the Listing Rules. Therefore, the DUET Joint Venture Transaction constitutes a connected transaction for the Company under the Listing Rules. The above transaction was subject to the announcement, reporting and independent shareholders' approval requirements under the Listing Rules. Mr. Li Tzar Kuoi, Victor, being a director of the Company, has voluntarily abstained from voting on the board resolutions of the Company for approving the DUET Joint Venture Transaction. The necessary Approvals for the DUET Joint Venture Transaction were obtained at the respective general meetings of the Company, CKPH and Power Assets held on 14th March, 2017. Therefore, subject to the Schemes becoming effective, the DUET Joint Venture Transaction will proceed between, and DUET will be indirectly held by, the Company, CKPH and Power Assets as to 40%, 40% and 20%, respectively, and the maximum financial commitment of the Company in relation to the DUET Joint Venture Transaction will be up to approximately A$3,012,000,000 (approximately HK$17,259,000,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest customers accounted for less than 30 per cent of the Group's sales of goods or services and the Group's five largest suppliers accounted for less than 30 per cent of the Group's purchases.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, the interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (the "Competing Business") as required to be disclosed pursuant to the Listing Rules were as follows:

(a) Core Business Activities of the Group

(1) Development, investment and operation of energy infrastructure;
(2) Development, investment and operation of transportation infrastructure;
(3) Development, investment and operation of water infrastructure;
(4) Development, investment and operation of waste management and waste-to-energy businesses;
(5) Development, investment and operation and commercialisation of infrastructure related business;
(6) Investment holding and project management; and
(7) Securities investment.

(b) Interests in Competing Business

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Li Tzar Kuoi, Victor	Cheung Kong Property Holdings Limited	Managing Director and Deputy Chairman	(2)
	CK Hutchison Holdings Limited	Group Co-Managing Director and Deputy Chairman	(1), (2), (3), (4) & (6)
	Power Assets Holdings Limited	Non-executive Director	(1), (4), (6) & (7)
	HK Electric Investments and HK Electric Investments Limited	Non-executive Director and Deputy Chairman	(1) & (6)
	CK Life Sciences Int'l., (Holdings) Inc.	Chairman	(7)
	Husky Energy Inc.	Co-Chairman	(1)
Kam Hing Lam	Cheung Kong Property Holdings Limited	Deputy Managing Director	(2)
	CK Hutchison Holdings Limited	Deputy Managing Director	(1), (2), (3), (4) & (6)
	CK Life Sciences Int'l., (Holdings) Inc.	President and Chief Executive Officer	(7)
Ip Tak Chuen, Edmond	Cheung Kong Property Holdings Limited	Deputy Managing Director	(2)
	CK Hutchison Holdings Limited	Deputy Managing Director	(1), (2), (3), (4) & (6)
	CK Life Sciences Int'l., (Holdings) Inc.	Senior Vice President and Chief Investment Officer	(7)
	TOM Group Limited	Non-executive Director *	(6) & (7)
	Shougang Concord International Enterprises Company Limited	Non-executive Director #	(6) & (7)
	ARA Asset Management Limited	Non-executive Director	(6) & (7)

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (CONT'D)

(b) Interests in Competing Business (Cont'd)

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Fok Kin Ning, Canning	CK Hutchison Holdings Limited	Group Co-Managing Director	(1), (2), (3), (4) & (6)
	Power Assets Holdings Limited	Chairman	(1), (4), (6) & (7)
	HK Electric Investments and HK Electric Investments Limited	Chairman	(1) & (6)
	Hutchison Telecommunications Hong Kong Holdings Limited	Chairman and Alternate Director ^	(6)
	Husky Energy Inc.	Co-Chairman	(1)
Andrew John Hunter	Power Assets Holdings Limited	Executive Director	(1), (4), (6) & (7)
Chan Loi Shun	Power Assets Holdings Limited	Executive Director	(1), (4), (6) & (7)
	HK Electric Investments and HK Electric Investments Limited	Executive Director	(1) & (6)
Frank John Sixt	CK Hutchison Holdings Limited	Group Finance Director and Deputy Managing Director	(1), (2), (3), (4) & (6)
	Power Assets Holdings Limited	Non-executive Director **	(1), (4), (6) & (7)
	HK Electric Investments and HK Electric Investments Limited	Alternate Director	(1) & (6)
	TOM Group Limited	Non-executive Chairman	(6) & (7)
	Hutchison Telecommunications Hong Kong Holdings Limited	Non-executive Director ##	(6)
	Husky Energy Inc.	Director	(1)
Lee Pui Ling, Angelina	TOM Group Limited	Non-executive Director	(6) & (7)
	Henderson Land Development Company Limited	Non-executive Director	(1), (2) & (6)
George Colin Magnus	CK Hutchison Holdings Limited	Non-executive Director	(1), (2), (3), (4) & (6)
	Huksy Energy Inc.	Director	(1)
Chow Woo Mo Fong, Susan	CK Hutchison Holdings Limited	Group Deputy Managing Director ^^	(1), (2), (3), (4) & (6)
	HK Electric Investments and HK Electric Investments Limited	Alternate Director	(1) & (6)
	TOM Group Limited	Alternate Director ***	(6) & (7)
	Hutchison Telecommunications Hong Kong Holdings Limited	Non-executive Director ###	(6)

Note: Such businesses may be conducted through subsidiaries, associated companies or by way of other forms of investments.

* With effect from 1st January, 2017, Mr. Ip Tak Chuen, Edmond has resigned as a Non-executive Director of TOM Group Limited.

\# With effect from 1st January, 2017, Mr. Ip Tak Chuen, Edmond has resigned as a Non-executive Director of Shougang Concord International Enterprises Company Limited.

^ With effect from 1st August, 2016, Mr. Fok Kin Ning, Canning has ceased to act as an Alternate Director of Hutchison Telecommunications Hong Kong Holdings Limited.

**	With effect from 1st January, 2017, Mr. Frank John Sixt has resigned as a Non-executive Director of Power Assets Holdings Limited.

##	With effect from 1st January, 2017, Mr. Frank John Sixt has resigned as a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited.

^^	Mrs. Chow Woo Mo Fong, Susan has retired as the Group Deputy Managing Director of CK Hutchison Holdings Limited with effect from 1st August, 2016, and has been appointed as a Non-executive Director of CK Hutchison Holdings Limited with effect from 1st January, 2017.

***	With effect from 1st August, 2016, Mrs. Chow Woo Mo Fong, Susan has retired as an Alternate Director of TOM Group Limited.

###	With effect from 1st August, 2016, Mrs. Chow Woo Mo Fong, Susan has retired as a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited.

Save as disclosed above, none of the Directors is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws of Bermuda.

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

During the year ended 31st December, 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PLACING AND SUBSCRIPTION OF SHARES

On 22nd February, 2016, the Company and OVPH Limited ("OVPH") entered into the Share Subscription Agreement under which OVPH agreed to subscribe as principal for, and the Company agreed to issue 131,065,097 new ordinary shares of HK$1.00 each in the share capital of the Company (the "New Shares") for a consideration of US$1,200 million (equivalent to approximately HK$9,323 million) at the subscription price of the U.S. dollar equivalent of approximately HK$71.1302 per share (the "Issue Price") based on a fixed exchange rate. The average closing price of the Company's shares on the then last ten consecutive trading days was HK$75.27 and the net price to the Company for each New Share was approximately HK$70.5374. On 2nd March, 2016, the Company allotted and issued the New Shares to OVPH at the Issue Price. The Company has applied the gross proceeds for the Company's general corporate purposes including the funding of the redemption of the US$1,000,000,000 6.625% guaranteed perpetual capital securities issued by PHBS Limited, an indirect wholly-owned subsidiary of the Company.

EQUITY-LINKED AGREEMENTS

Save as otherwise disclosed under the section headed "Placing and Subscription of Shares", for the year ended 31st December, 2016, the Company has not entered into any equity-linked agreement, and there did not subsist any equity-linked agreement entered into by the Company as at 31st December, 2016.

MANAGEMENT CONTRACTS

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

PUBLIC FLOAT

As announced by the Company on 8th January, 1997 and 17th February, 1997, the Stock Exchange granted a waiver from strict compliance with Rule 8.08 of the Listing Rules to the Company on 9th January, 1997 subject to approximately not less than 15.2 per cent of the issued share capital of the Company being held in public hands. Based on information available and within the knowledge of the Directors, the obligation has been complied with.

DONATIONS

Donations made by the Group during the year amounted to HK$888,000.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

The following information is disclosed in accordance with Rules 13.21 and 13.22 of Chapter 13 of the Listing Rules:

As at 31st December, 2016, the Group's financial assistance to certain affiliated companies exceeded the assets ratio of 8 per cent. A combined statement of financial position of the affiliated companies as at 31st December, 2016 is set out below:

HK$ million	
Non-current assets	375,509
Current assets	18,971
Current liabilities	(38,443)
Non-current liabilities	(277,326)
Net assets	78,711
Share capital	30,362
Reserves	48,319
Non-controlling interests	30
Total equity	78,711

As at 31st December, 2016, the consolidated attributable interest of the Group in these affiliated companies amounted to HK$52,195 million.

AUDIT COMMITTEE

The Group's annual report for the year ended 31st December, 2016 has been reviewed by the audit committee of the Company ("Audit Committee"). Information on the work of Audit Committee and its composition are set out in the Code Provision C.3 of the Corporate Governance Report on pages 173 to 175.

AUDITOR

The financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu who retire and offer themselves for re-appointment at the 2017 annual general meeting.

On behalf of the Board

LI TZAR KUOI, VICTOR

Chairman

21st March, 2017

Deloitte. 德勤

TO THE MEMBERS OF CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Cheung Kong Infrastructure Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 90 to 157, which comprise the consolidated statement of financial position as at 31st December, 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of principal accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2016, and of its consolidated financial performance 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 compliance 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 (CONT'D)

Valuation of interests in associates and joint ventures

Key audit matter	How our audit addressed the key audit matter
We identified the valuation of interests in associates and joint ventures as a key audit matter due to the significance of the Group's interests in associates and joint ventures in the context of the Group's consolidated financial statements, combined with the judgements involved in management's impairment assessment of the interests in associates and joint ventures, in particular, the future prospects of each associate and joint venture. As at 31st December, 2016, the carrying amounts of interests in associates and joint ventures amounted to HK$52,177 million and HK$53,973 million, respectively, which represented approximately 41% and 42% of the Group's total assets, respectively. As disclosed in note 3(e) to the consolidated financial statements, investments in associates and joint ventures are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates and joint ventures, less impairment in the values of individual investments. As such, the Group is required to assess at the end of each reporting period whether there is any indication that the carrying amounts of interests in associates and joint ventures may be impaired. For those associates and joint ventures in which such indication exists, the Group assessed the carrying amounts for impairment. As disclosed in notes 17 and 18 to the consolidated financial statements, no impairment of interests in associates was considered to be necessary by management and impairment losses of HK$141 million were made against interests in joint ventures as at 31st December, 2016.	Our procedures in relation to the valuation of interests in associates and joint ventures included: • Assessing the appropriateness of management's accounting for interests in associates and joint ventures; • Understanding management's process for identifying the existence of impairment indicators in respect of the interests in associates and joint ventures and evaluating the effectiveness of such process; • Where indicators of impairment have been identified, assessing the reasonableness of the recoverable amount of each of the relevant associates and joint ventures and obtaining an understanding from management of their financial position and future prospects; • Assessing the reasonableness of key inputs and assumptions used by management in their estimation of recoverable amounts, including projections of cash flows, growth rates and discount rates applied; and comparing cash flow projections to supporting evidence, such as approved budgets, and evaluating the reasonableness of these budgets with reference to the future prospects of the associates and joint ventures as well as our knowledge of the industry and business; and • Performing sensitivity analysis on the key inputs to evaluate the magnitude of their impacts on the calculations of the recoverable amounts of those associates and joint ventures and assessing the sufficiency of provision for impairment loss made against interests in joint ventures by comparing the provision for impairment loss made by the Group against the deficit of recoverable amounts of the relevant joint ventures over carrying amounts of the interests in the relevant joint ventures.

KEY AUDIT MATTERS (CONT'D)

Hedge accounting and the related disclosures for currency derivatives

Key audit matter	How our audit addressed the key audit matter
We identified the hedge accounting for currency derivatives and the adequacy of the related disclosures as a key audit matter because the evaluation of hedge effectiveness involved a significant degree of management judgement and estimation. Besides, the changes in fair values of these currency derivatives also had a significant impact on the consolidated financial statements. As disclosed in note 4(a) to the consolidated financial statements, the Group was exposed to currency risk primarily arising from foreign investments. As further disclosed in note 20 to the consolidated financial statements, the Group utilised currency derivatives to hedge these investments during the year ended 31st December, 2016. These currency derivatives which were designated and effective as net investment hedges, gave rise to assets of HK$3,160 million and liabilities of HK$3 million as at 31st December, 2016 and the fair values of these currency derivatives have been deferred in equity at 31st December, 2016.	Our procedures in relation to the hedge accounting and the related disclosures for currency derivatives included: • Evaluating the management controls over the valuation of currency derivatives and hedging accounting; • Inspecting the hedge documentation and contracts and evaluating management's assessment of hedge effectiveness, on a sample basis, to evaluate the accounting for these currency derivatives in accordance with the requirements of Hong Kong Accounting Standard 39 Financial Instruments: Recognition and Measurement ("HKAS 39"); • Obtaining confirmations directly from contract counterparties to verify the existence of each currency derivative held at 31st December, 2016; • Reperforming mark-to-market valuations on a sample basis with the involvement of our financial instruments valuation specialists, to evaluate whether the fair values of the derivatives had been reasonably calculated by management; and • Assessing the adequacy of the disclosures in respect of the currency derivatives and hedge accounting in accordance with the disclosure requirements of HKFRS 7 Financial Instruments: Disclosures, HKFRS 13 Fair Value Measurement and HKAS 39.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 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 solely to you, as a body, in accordance with Section 90 of Bermuda Companies Act, 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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.

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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 the independent auditor's report is Keung To Wai, David.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21st March, 2017

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK$ million	Notes	2016	2015
Turnover	6	**27,346**	28,537
Sales and interest income from infrastructure investments	6	**5,321**	5,557
Other income	7	**580**	537
Operating costs	8	**(3,972)**	(2,865)
Finance costs	9	**(560)**	(726)
Exchange loss		**(698)**	(326)
Gain on disposal of investment in securities		**781**	–
Share of results of associates		**2,861**	3,275
Share of results of joint ventures		**5,887**	6,198
Profit before taxation	10	**10,200**	11,650
Taxation	11(a)	**8**	8
Profit for the year	12	**10,208**	11,658
Attributable to:			
Shareholders of the Company		**9,636**	11,162
Owners of perpetual capital securities		**584**	517
Non-controlling interests		**(12)**	(21)
		10,208	11,658
Earnings per share	13	**HK$3.82**	HK$4.44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December

HK$ million	2016	2015
Profit for the year	**10,208**	11,658
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Gain/(Loss) from fair value changes of available-for-sale financial assets	**219**	(61)
(Loss)/Gain from fair value changes of derivatives designated as effective cash flow hedges	**(363)**	48
Gain from fair value changes of derivatives designated as effective net investment hedges	**4,277**	1,830
Exchange differences on translation of financial statements of foreign operations	**(8,106)**	(3,546)
Share of other comprehensive expense of associates	**(1,821)**	(484)
Share of other comprehensive (expense)/income of joint ventures	**(1,283)**	54
Reserves released upon disposal of investment in securities	**(790)**	73
Income tax relating to components of other comprehensive income	**235**	(116)
	(7,632)	(2,202)
Items that will not be reclassified to profit or loss:		
Actuarial loss of defined benefit retirement plan	**(2)**	(3)
Share of other comprehensive (expense)/income of associates	**(545)**	257
Share of other comprehensive (expense)/income of joint ventures	**(2,274)**	444
Income tax relating to components of other comprehensive income	**453**	(196)
	(2,368)	502
Other comprehensive expense for the year	**(10,000)**	(1,700)
Total comprehensive income for the year	**208**	9,958
Attributable to:		
Shareholders of the Company	**(359)**	9,463
Owners of perpetual capital securities	**584**	517
Non-controlling interests	**(17)**	(22)
	208	9,958

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December

HK$ million	Notes	2016	2015
Property, plant and equipment	15	**2,404**	2,379
Investment properties	16	**344**	334
Interests in associates	17	**52,177**	54,004
Interests in joint ventures	18	**53,973**	60,988
Investments in securities	19	**648**	1,985
Derivative financial instruments	20	**2,178**	571
Goodwill and intangible assets	21	**2,554**	2,525
Deferred tax assets	27	**29**	21
Other non-current assets		**64**	17
Total non-current assets		**114,371**	122,824
Inventories	22	**139**	165
Derivative financial instruments	20	**982**	423
Debtors and prepayments	23	**628**	793
Bank balances and deposits	24	**11,790**	7,897
Total current assets		**13,539**	9,278
Bank and other loans	25	**9,901**	15
Derivative financial instruments	20	**3**	121
Creditors and accruals	26	**3,837**	3,432
Taxation		**96**	113
Total current liabilities		**13,837**	3,681
Net current (liabilities)/assets		**(298)**	5,597
Total assets less current liabilities		**114,073**	128,421
Bank and other loans	25	**6,944**	17,162
Derivative financial instruments	20	**422**	175
Deferred tax liabilities	27	**481**	488
Other non-current liabilities		**39**	37
Total non-current liabilities		**7,886**	17,862
Net assets		**106,187**	110,559
Representing:			
Share capital	29	**2,651**	2,520
Reserves		**93,954**	100,051
Equity attributable to shareholders of the Company		**96,605**	102,571
Perpetual capital securities	30	**9,544**	7,933
Non-controlling interests		**38**	55
Total equity		**106,187**	110,559

LI TZAR KUOI, VICTOR
Director

IP TAK CHUEN, EDMOND
Director

21st March, 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December

	Attributable to shareholders of the Company												
HK$ million	Share capital	Share premium	Treasury shares	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total	Perpetual capital securities	Non-controlling interests	Total
At 1st January, 2015	2,440	11,665	–	6,062	68	722	(1,388)	(1,119)	75,286	93,736	7,933	77	101,746
Profit for the year	–	–	–	–	–	–	–	–	11,162	11,162	517	(21)	11,658
Loss from fair value changes of available-for-sale financial assets	–	–	–	–	–	(61)	–	–	–	(61)	–	–	(61)
Gain from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	–	48	–	–	48	–	–	48
Gain from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	–	1,830	–	1,830	–	–	1,830
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	(3,545)	–	(3,545)	–	(1)	(3,546)
Share of other comprehensive income/(expense) of associates	–	–	–	–	–	–	280	(764)	257	(227)	–	–	(227)
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	54	–	444	498	–	–	498
Reserves released upon disposal of investment in securities	–	–	–	–	–	73	–	–	–	73	–	–	73
Actuarial loss of defined benefit plan	–	–	–	–	–	–	–	–	(3)	(3)	–	–	(3)
Income tax relating to components of other comprehensive income	–	–	–	–	–	–	(116)	–	(196)	(312)	–	–	(312)
Total comprehensive income/(expense) for the year	–	–	–	–	–	12	266	(2,479)	11,664	9,463	517	(22)	9,958
Final dividend paid for the year 2014	–	–	–	–	–	–	–	–	(3,716)	(3,716)	–	–	(3,716)
Interim dividend paid	–	–	–	–	–	–	–	–	(1,512)	(1,512)	–	–	(1,512)
Distribution paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	–	(517)	–	(517)
Issue of new ordinary shares	80	4,520	–	–	–	–	–	–	–	4,600	–	–	4,600
At 31st December, 2015	2,520	16,185	–	6,062	68	734	(1,122)	(3,598)	81,722	102,571	7,933	55	110,559
Profit for the year	–	–	–	–	–	–	–	–	9,636	9,636	584	(12)	10,208
Gain from fair value changes of available-for-sale financial assets	–	–	–	–	–	219	–	–	–	219	–	–	219
Loss from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	–	(363)	–	–	(363)	–	–	(363)
Gain from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	–	4,277	–	4,277	–	–	4,277
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	(8,101)	–	(8,101)	–	(5)	(8,106)
Share of other comprehensive expense of associates	–	–	–	–	–	–	(215)	(1,606)	(545)	(2,366)	–	–	(2,366)
Share of other comprehensive expense of joint ventures	–	–	–	–	–	–	(1,283)	–	(2,274)	(3,557)	–	–	(3,557)
Reserves released upon disposal of investment in securities	–	–	–	–	–	(953)	–	163	–	(790)	–	–	(790)
Actuarial loss of defined benefit plan	–	–	–	–	–	–	–	–	(2)	(2)	–	–	(2)
Income tax relating to components of other comprehensive income	–	–	–	–	–	–	235	–	453	688	–	–	688
Total comprehensive (expense)/income for the year	–	–	–	–	–	(734)	(1,626)	(5,267)	7,268	(359)	584	(17)	208
Final dividend paid for the year 2015	–	–	–	–	–	–	–	–	(3,905)	(3,905)	–	–	(3,905)
Interim dividend paid	–	–	–	–	–	–	–	–	(1,587)	(1,587)	–	–	(1,587)
Distribution paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	–	(533)	–	(533)
Issue of perpetual capital securities (note 30)	131	9,114	(9,245)	–	–	–	–	–	–	–	9,360	–	9,360
Direct costs for issue of perpetual capital securities	–	–	–	–	–	–	–	–	(115)	(115)	–	–	(115)
Redemption of perpetual capital securities (note 30)	–	–	–	–	–	–	–	–	–	–	(7,800)	–	(7,800)
At 31st December, 2016	**2,651**	**25,299**	**(9,245)**	**6,062**	**68**	**–**	**(2,748)**	**(8,865)**	**83,383**	**96,605**	**9,544**	**38**	**106,187**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st December

HK$ million	Notes	2016	2015
OPERATING ACTIVITIES			
Cash from operations	32	**4,206**	4,076
Income taxes recovered		**25**	3
Net cash from operating activities		**4,231**	4,079
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(303)**	(294)
Disposals of property, plant and equipment		**3**	12
Additions to intangible assets		**(19)**	(27)
Advances to associates		**(6)**	(20)
Return of capital from an associate		**175**	–
Investments in joint ventures		**(1,741)**	(7,758)
Disposal of interest in a joint venture		**–**	49
Advances to joint ventures		**(13)**	(21)
Repayment from joint ventures		**4**	84
Disposals of investment in securities		**1,451**	1,583
Loan note repayment from stapled securities		**16**	30
Dividends received from associates		**2,416**	2,382
Dividends received from joint ventures		**2,622**	2,645
Interest received		**108**	90
Net cash from/(utilised in) investing activities		**4,713**	(1,245)
Net cash before financing activities		**8,944**	2,834
FINANCING ACTIVITIES			
New bank and other loans		**1,364**	1,595
Repayments of bank and other loans		**(1,229)**	(1,607)
Finance costs paid		**(606)**	(880)
Dividends paid		**(5,492)**	(5,228)
Distribution paid on perpetual capital securities		**(533)**	(517)
Issue of new ordinary shares		**–**	4,600
Issue of perpetual capital securities		**9,360**	–
Direct costs for issue of perpetual capital securities		**(115)**	–
Redemption of perpetual capital securities		**(7,800)**	–
Net cash utilised in financing activities		**(5,051)**	(2,037)
Net increase in cash and cash equivalents		**3,893**	797
Cash and cash equivalents at 1st January		**7,897**	7,100
Cash and cash equivalents at 31st December	24	**11,790**	7,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). The addresses of its registered office and principal place of business are disclosed in the section headed "Corporate Information" of the Group's Annual Report. The Company's ultimate holding company is CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on Hong Kong Stock Exchange.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Group's principal activities are the development, investment and operation of infrastructure businesses in Hong Kong, Mainland China, the United Kingdom, Australia, the Netherlands, Portugal, New Zealand and Canada.

The Directors are of the opinion that, taking into account of the available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective to the Group for accounting periods beginning on or after 1st January, 2016. The adoption of those HKFRSs has no material impact on the Group's results and financial position for the current or prior years and does not result in any significant change in accounting policies of the Group.

The Group has not early adopted the following new and revised HKFRSs issued by HKICPA that have been issued but are not yet effective. Except for the adoption of HKFRS 9 "Financial Instruments", HKFRS 15 "Revenue from Contracts with Customers" and HKFRS 16 "Leases" of which the Directors are assessing the impact on the results and financial position of the Group, the Directors anticipate that the adoption of the following new and revised HKFRSs will have no material impact on the results and financial position of the Group.

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
HKFRS 9	Financial Instruments
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HKFRS 16	Leases
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the principal accounting policies set out below.

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the year together with the Group's interests in associates and joint ventures on the basis set out in (e) below.

The results of subsidiaries, share of results of associates and joint ventures acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control/exercises significant influences/gains joint control until the date when the Group ceases to control/ceases to exercise significant influences/ceases to joint control, as appropriate.

(b) Goodwill

In relation to business combination that took place on or after 1st January, 2010, goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the subsidiaries, and the fair value of the Group's previously held equity interests in the subsidiaries (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill recognised prior to 1st January, 2010 was measured as the excess of costs of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the subsidiaries, associates and joint ventures acquired.

Goodwill is recognised as an asset less any identified impairment loss. Goodwill recognised in reserves prior to 1st January, 2001 continues to be held in the reserves and are transferred to retained profits when the business to which the goodwill relates is disposed of or becomes impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the business acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, associate, joint venture or relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(c) Intangible Assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are carried at cost less accumulated amortisation and accumulated impairment losses, on the same basis that are acquired separately.

Amortisation of intangible assets is provided over their estimated useful lives using the straight-line method, at the following rates per annum:

Brand name and trademarks	Indefinite useful lives
Customer contracts	Over the expected contract lives
Resource consents (excluding landfills)	4% or over the expected contract lives
Computer software	33% or over the expected license period
Others	Over the expected contract lives

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired through business combination are carried at cost less accumulated impairment losses.

The useful life of the resource consents for the landfills is dependent on the total capacity of the landfills, the level of tonnage of waste, the compacting rate and other variable. As such the landfills useful life is reassessed annually and the amortisation rate of the landfills resource consents is adjusted accordingly.

The carrying amount of intangible assets with indefinite useful life is tested for impairment annually. The carrying amount of intangible assets with finite useful life is reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(d) Subsidiaries

A subsidiary is an entity that is controlled by the Company. The Company controls an entity when it has power over the investees; it 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.

The acquisition of a subsidiary is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. After 1st January, 2010, acquisition-related costs are generally recognised in profit or loss as incurred.

Prior to 1st January, 2010, any costs directly attributable to business combination were included as part of the cost of the acquisition.

The acquiree's identifiable assets, liabilities and contingent liabilities, where appropriate, are recognised at their fair values at the acquisition date.

(e) Associates and Joint Ventures

An associate is a company, other than a subsidiary or 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.

A joint venture is a contractual arrangement whereby the venturers agree to share control of the arrangement which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control, and have rights to the net assets of the arrangement.

The results and assets and liabilities of associates/joint ventures are incorporated in the Group's consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates/joint ventures are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates/joint ventures, less impairment in the values of individual investments.

Losses of an associate/joint venture in excess of the Group's interest in that associate/joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate/joint venture) are not recognised.

(f) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(f) Property, Plant and Equipment (Cont'd)

Freehold land is not depreciated. Depreciation of property, plant and equipment is provided to write off their depreciable amounts over their estimated useful lives using the straight-line method, at the following rates per annum:

Leasehold land	over the unexpired lease term
Buildings	2% to 3% or over the unexpired lease terms of the land, whichever is the higher
Mains, pipes, other plant and machinery	3% to 26% or over the expected contract lives
Furniture, fixtures and others	3% to 33% or over the expected useful lives

When an asset is disposed of or retired, any gain or loss, representing the difference between the carrying value and the sales proceeds, if any, is included in the consolidated income statement.

(g) Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at its fair value at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are recognised in the consolidated income statement for the period in which they arise.

(h) Inventories

Inventories are stated at the lower of cost, computed on a weighted-average or a first-in first-out basis as appropriate, and net realisable value. Cost includes cost of purchase and where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated costs to completion and selling expenses.

(i) Contract Work

When the outcome of a contract can be estimated reliably, revenue and costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period, that is the proportion that contract costs incurred for work performed to date bears to the estimated total contract costs.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that will probably be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) Financial Instruments

Investments in securities

The Group's investments in securities are classified as either available-for-sale financial assets, which are measured at fair value or at cost less accumulated impairment losses when the fair value cannot be measured reliably, or financial assets at fair value through profit or loss which are measured at fair value.

The Group designates the securities intended to be held for long term strategic purposes as available-for-sale financial assets. Gains and losses arising from changes in fair values of these assets are dealt with as movements in investment revaluation reserve, until the assets are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in the reserve is included in the consolidated income statement for the period. When a significant or prolonged decline in the fair value of an available-for-sale financial asset has been identified, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the consolidated income statement even though the financial asset has not been disposed of. Impairment losses recognised in the consolidated income statement for equity or stapled securities classified as available-for-sale financial assets are not subsequently reversed in the consolidated income statement.

Securities which are managed and their performances are evaluated based on a fair value basis are designated as financial assets at fair value through profit or loss. The management considers that such designation is appropriate given that the basis of internal risk assessments and performance evaluations on these assets is different from other investments and assets of the Group. Gains and losses arising from changes in fair values of these assets are dealt with in the consolidated income statement. The relevant dividend or interest accrued on the financial assets are also recognised in the consolidated income statement.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially measured at fair values on the dates at which the contracts are entered into, and are remeasured to their fair values at subsequent reporting dates.

Changes in the fair values of derivative financial instruments that are designated as effective in hedging future cash flows are recognised directly in hedging reserve. Amount deferred in the equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. Any ineffective portion is recognised immediately in the consolidated income statement.

Changes in fair values of derivative financial instruments that are designated and qualify as net investment hedges are recognised directly in exchange translation reserve. Any ineffective portion is recognised immediately in the consolidated income statement.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) Financial Instruments (Cont'd)

Derivative financial instruments and hedge accounting (Cont'd)

Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised in the consolidated income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or the hedge no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the hedged risk associated with the hedged item is ultimately recognised in profit or loss. The cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss when a forecast transaction is no longer expected to occur in relation to hedging of a forecast transaction.

Debtors

Debtors are classified as loans and receivables in accordance with HKAS 39, and are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated income statement when there is objective evidence that the assets are impaired.

Cash and cash equivalents

Cash and cash equivalents are classified as loans and receivables in accordance with HKAS 39, and 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.

Bank and other loans

Interest-bearing bank and other loans are initially measured at fair values, and are subsequently measured at amortised cost, using the effective interest method.

Creditors

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

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Perpetual capital securities issued by the Group are classified as equity instruments and are initially recorded at the proceeds received.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) Financial Instruments (Cont'd)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group, which is not designated as a fair value through profit or loss, is recognised initially at its fair value less transaction costs directly attributable to the issue of the financial guarantee contract.

Fair value

Fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Fair value of derivative financial instruments and certain available-for-sale financial assets not traded on active liquid markets are determined with reference to fair value estimated by independent professionals or the present value of the estimated future cash flows discounted at the effective interest rate.

(k) Revenue Recognition

Sales of goods

Revenue from sales of goods is recognised at the time when the goods are delivered or title to the goods passes to the customers. Revenue is measured at the fair value of the consideration received or receivable and is arrived at after deduction of any sales returns and discounts and taxes.

Sales of services

Sales of services including waste collection, commercial refuse and recycling services together with refuse transfer station operations and landfill operations are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Income from investments in securities

Interest income from investments in securities are recognised when the Group's right to receive payment is established.

Contract revenue

Income from contracts is recognised according to the stage of completion.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(l) Foreign Currencies

The individual financial statements of each group entity is prepared and presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the result and financial position of each entity are presented in Hong Kong dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was measured. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement for the year, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised directly in equity. Exchange differences arising on the retranslation of non-monetary items carried at fair values are included in the consolidated income statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income and accumulated in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and included in the Group's exchange translation reserve. Such translation differences are recognised in the consolidated income statement in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange translation reserve.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(m) Taxation

Hong Kong profits tax is provided for at the prevailing tax rate on the estimated assessable profits less available tax relief for losses brought forward of each individual company comprising the Group. Overseas tax is provided for at the applicable local tax rates on the estimated assessable profits less available tax losses of the individual company concerned.

Deferred tax is provided for all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit of the corresponding year. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(n) Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable under operating leases are recorded in the consolidated income statement on a straight-line basis over the respective lease terms.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(o) Finance Leases

Leases that transfer substantially all the risks and rewards of ownership of the leased assets to the lessees are accounted for as finance leases.

Assets held under finance leases are recognised as assets at their fair values or, if lower, at the present value of the minimum lease payment at the dates of inception. The corresponding liabilities to the lessor are shown within bank and other loans in the consolidated statement of financial position as obligations under finance leases. Finance costs are charged to the consolidated income statement over the terms of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(p) Employee Retirement Benefits

The Group operates defined contribution and defined benefit retirement plans for its employees.

The costs of defined contribution plans are charged to the consolidated income statement as an expense when employees have rendered service entitling them to the contributions.

The cost of providing retirement benefits under the Group's defined benefit retirement plans is determined using the projected unit credit method, with actuarial valuations being carried out annually. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Past service cost is recognised in profit or loss in the period of a planned amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. The amount recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plans.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(q) Borrowing Costs

Borrowing costs are expensed in the consolidated income statement in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the financing of certain infrastructure projects considered as qualified assets up to the commencement of revenue contribution or upon commencement of operation of the projects, whichever is the earlier.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include investments in securities, derivative financial instruments, bank balances and deposits, bank and other loans, and debtors and creditors. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Currency Risk

The Group is exposed to currency risk primarily arising from foreign investments and borrowings denominated in currencies other than the functional currency of individual subsidiaries, which accounted for 26 per cent of the Group's borrowings (2015: 25 per cent). The Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of relevant countries. The Group also entered into currency swaps to hedge most foreign investments financed by internal resources. Given this, the management considers that the net exposure to currency risk is kept to an appropriate level. Details of the currency swaps entered into by the Group at the end of the reporting period are set out in note 20.

The Group is also exposed to currency risk arising from bank deposits denominated in foreign currencies, which accounted for 76 per cent of the Group's bank balances and deposits at the end of the reporting period (2015: 71 per cent). Those bank balances and deposits are mainly denominated in United States dollars, Australian dollars, Pounds sterling, Canadian dollars, New Zealand dollars and Euros. The management maintains the portfolio of bank deposits denominated in different currencies and the exposure to currency risk is kept to an appropriate level.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Currency Risk (Cont'd)

Sensitivity analysis

The following table indicates the approximate change in the Group's profit for the year and other comprehensive income in response to a 5 per cent strengthening in foreign currencies (except for United States dollars) against Hong Kong dollars to which the Group has significant exposure related to monetary financial assets and liabilities and derivative financial instruments in existence at the end of the reporting period:

HK$ million	2016 Effect on profit for the year increase/(decrease)	2016 Effect on other comprehensive income increase/(decrease)	2015 Effect on profit for the year increase/(decrease)	2015 Effect on other comprehensive income increase/(decrease)
Australian dollars	**128**	**(44)**	59	(88)
Pounds sterling	**189**	**(1,119)**	139	(1,284)
Japanese yen	**(103)**	**–**	(96)	–
Canadian dollars	**7**	**(120)**	18	(51)
New Zealand dollars	**21**	**(75)**	21	(73)
Euros	**2**	**(56)**	2	(56)

A 5 per cent weakening in the above foreign currencies against Hong Kong dollars would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group's entities exposure to currency risk for both monetary financial assets and liabilities and derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

During the year, the management adjusted the sensitivity rate from 10% to 5% for the purpose of assessing foreign currency risk to align with the rate used by the ultimate holding company. Comparative figures are restated accordingly. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. In this respect, the management does not expect any significant movements in the pegged rate of 7.8 between the United States dollars and Hong Kong dollars. It is also assumed that such pegged rate would be materially unaffected by any changes in movement in value of the United States dollars against other currencies.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Interest Rate Risk

The Group's interest rate risk relates primarily to floating rate borrowings and deposits. In relation to these floating rate borrowings, the management aims at keeping borrowings at fixed rates at appropriate level by entering into interest rate swaps. In order to achieve this result, the Group entered into interest rate swaps to hedge against certain exposures to changes in interest rates of the borrowings. The management adopts a policy of ensuring that all the material borrowings of the Group are effectively on a fixed rate basis, either through the contractual terms of the loan facilities agreements or through the use of interest rate swaps.

Details of the Group's interest rate swaps and borrowings entered into by the Group at the end of the reporting period are set out in notes 20 and 25, respectively.

Sensitivity analysis

At 31st December, 2016, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's profit for the year by HK$79 million (2015: HK$25 million). Other comprehensive income would increase by HK$20 million (2015: HK$21 million) in response to the general increase in interest rates. A decrease of 100 basis points in interest rate would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis was performed on the same basis for 2015.

(c) Credit Risk

The Group's credit risk is primarily attributable to debt securities investments, derivative financial instruments entered into for hedging purposes, bank balances and deposits, trade debtors and other receivables.

In respect of trade debtors and other receivables, local management teams of subsidiaries are responsible for monitoring the procedures to ensure that follow-up actions are taken to recover overdue debts of the subsidiaries. In addition, the teams review the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Normally, the Group does not obtain collateral covering the outstanding balances.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Credit Risk (Cont'd)

Debt securities investments are normally in liquid securities quoted on a recognised stock exchange or financial institutions with high credit standing, except where entered into for long term strategic purposes. Transactions involving derivative financial instruments and liquid funds are also with banks or financial institutions of high credit standing.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. Except for the guarantees given by the Group as set out in note 35, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these guarantees at the end of the reporting period is disclosed in note 35.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and other receivables are set out in note 23.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(d) Liquidity Risk

The Group's treasury activities are centralised to achieve better risk control and minimise the cost of funds. Cash is generally placed in short-term deposits mostly denominated in United States dollars, Hong Kong dollars, Australian dollars, Pounds sterling, Canadian dollars, New Zealand dollars and Euros. The management aims to maintain a balance between continuity of adequate funding and the flexibility through the use of bank and other borrowings. The Group's liquidity and financing requirements are reviewed regularly to mitigate the effects of fluctuations in cash flows. The management will consider new financing while maintaining appropriate gearing for new investments and refinancing of existing debts.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity Risk (Cont'd)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial assets and liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

HK$ million	2016 Carrying amount	2016 Total contractual undiscounted cash outflows	2016 Within 1 year or on demand	2016 More than 1 year but less than 2 years	2016 More than 2 years but less than 5 years	2016 More than 5 years	2015 Carrying amount	2015 Total contractual undiscounted cash outflows	2015 Within 1 year or on demand	2015 More than 1 year but less than 2 years	2015 More than 2 years but less than 5 years	2015 More than 5 years
Unsecured bank loans	11,842	12,189	7,735	1,664	2,790	–	12,410	12,990	290	9,472	3,228	–
Secured bank loans	1,154	1,332	52	51	1,229	–	1,008	1,183	51	51	1,081	–
Obligations under finance leases	34	34	10	10	14	–	22	26	17	5	4	–
Unsecured notes	3,815	4,238	2,400	41	319	1,478	3,737	4,204	68	2,392	305	1,439
Trade creditors	253	253	253	–	–	–	190	190	190	–	–	–
Amount due to a joint venture	1	1	1	–	–	–	1	1	1	–	–	–
Other payables and accruals	478	478	454	1	–	23	561	561	539	1	–	21
	17,577	18,525	10,905	1,767	4,352	1,501	17,929	19,155	1,156	11,921	4,618	1,460
Derivatives settled gross:												
Forward foreign exchange contracts held as net investment hedging instruments:												
– outflow		28,489	15,985	–	11,248	1,256		32,499	17,436	1,154	10,519	3,390
– inflow		(32,575)	(16,939)	–	(14,111)	(1,525)		(33,730)	(17,772)	(1,254)	(11,101)	(3,603)
		(4,086)	(954)	–	(2,863)	(269)		(1,231)	(336)	(100)	(582)	(213)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Other Price Risk

The Group is exposed to other price risk through its investments in securities as set out in note 19. The management manages this exposure by maintaining a portfolio of investments with different risks. For strategic purposes, the Group holds primarily equity or debt instruments operating in energy sector.

Sensitivity analysis

At 31st December, 2016, it is estimated that a 5 per cent decrease in the prices of the respective instruments, with all other variables held constant, would decrease the Group's profit for the year by HK$2 million (2015: HK$2 million). Other comprehensive income would decrease by HK$8 million (2015: HK$71 million) in response to 5 per cent decrease in the prices. A 5 per cent increase in prices would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

The sensitivity analysis above has been determined assuming that the change in prices had occurred at the end of the reporting period and had been applied to the exposure to price risk for the Group's investments in securities in existence at that date (as set out in note 19). The 5 per cent decrease in prices represents management's assessment of a reasonably possible change in the prices of those instruments over the period until the end of the next reporting period. The analysis is performed on the same basis for 2015.

(f) Fair Value

Except for certain investments in securities which are stated at cost, the carrying values of all financial assets and financial liabilities approximate to their fair values.

The fair value of the Group's financial instruments and non-financial instruments are grouped into Level 1 to 3 with reference to the observability and significance of the inputs used in the valuation technique 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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(f) Fair Value (Cont'd)

The following table provides an analysis of the Group's financial instruments and non-financial instruments that are measured at fair value at the end of the reporting period:

Assets measured at fair value

	Level 1		Level 2		Level 3		Total	
HK$ million	2016	2015	2016	2015	2016	2015	2016	2015
Investment properties (note 16)	–	–	344	334	–	–	344	334
Financial assets at fair value through profit or loss (note 19)								
Equity securities, unlisted	–	–	46	46	–	–	46	46
Available-for-sale financial assets (note 19)								
Stapled securities, listed overseas	–	1,217	–	–	–	–	–	1,217
Debt securities, unlisted	–	–	164	197	–	–	164	197
Derivative financial instruments (note 20)								
Forward foreign exchange contracts	–	–	3,160	968	–	–	3,160	968
Interest rate swaps	–	–	–	26	–	–	–	26
Total	–	1,217	3,714	1,571	–	–	3,714	2,788

Liabilities measured at fair value

	Level 1		Level 2		Level 3		Total	
HK$ million	2016	2015	2016	2015	2016	2015	2016	2015
Derivative financial instruments (note 20)								
Forward foreign exchange contracts	–	–	3	140	–	–	3	140
Interest rate swaps	–	–	422	156	–	–	422	156
Total	–	–	425	296	–	–	425	296

The fair values of the financial assets and financial liabilities included in Level 2 category above have been determined in accordance with generally accepted pricing models.

There were no transfers between Level 1 and 2 during the year (2015: nil).

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(g) Offsetting Financial Assets and Financial Liabilities

The following tables set out the carrying amounts of financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar agreements, irrespective of whether they are offset in the Group's consolidated statement of financial position.

As at 31st December, 2016 HK$ million	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)	
Financial asset						
Derivative financial instruments	1,144	–	1,144	(3)	–	1,141
Financial liability						
Derivative financial instruments	(3)	–	(3)	3	–	–

As at 31st December, 2015 HK$ million	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)	
Financial asset						
Derivative financial instruments	765	–	765	(218)	–	547
Financial liability						
Derivative financial instruments	(218)	–	(218)	218	–	–

5. CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES

Significant estimates and assumptions concerning the future may be required in selecting and applying the appropriate accounting methods and policies in the financial statements. The Group bases its estimates and judgments on historical experience and various other assumptions that it believes are reasonable under various circumstances. Actual results may differ from these estimates and judgments under different assumptions and conditions.

5. CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES (CONT'D)

(a) Impairment testing of goodwill

Goodwill are tested for impairment annually or more frequently when there is any indication of impairment which required the Group to estimate the value in use of the relevant cash-generating unit. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying value of goodwill as at 31st December, 2016 is HK$920 million (2015: HK$905 million). Details of the impairment testing of goodwill are disclosed in note 21.

(b) Impairment testing of intangible assets

Impairment testing of intangible assets requires significant judgment and estimate. Intangible assets with indefinite useful lives are tested for impairment annually and intangible assets with definite useful lives are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs of disposals and value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying value of intangible assets as at 31st December, 2016 is HK$1,634 million (2015: HK$1,620 million).

6. TURNOVER

Turnover represents net sales of infrastructure materials, interest income from loans granted to associates and joint ventures, sales of waste management services, interest income from investments in securities classified as infrastructure investments, sales of water supply and share of turnover of joint ventures.

Turnover comprises both sales and interest income from infrastructure investments and share of turnover of joint ventures as follows:

HK$ million	2016	2015
Sales of infrastructure materials	**1,980**	2,161
Interest income from loans granted to associates	**364**	378
Interest income from loans granted to joint ventures	**1,631**	1,714
Sales of waste management services	**1,322**	1,225
Interest income from investments in securities	**24**	46
Sales of water supply	**–**	33
Sales and interest income from infrastructure investments	**5,321**	5,557
Share of turnover of joint ventures	**22,025**	22,980
Turnover	**27,346**	28,537

7. OTHER INCOME

Other income includes the following:

HK$ million	2016	2015
Bank and other interest income	114	89
Gain on disposal of a joint venture	–	34
Change in fair values of investment properties	10	29

8. OPERATING COSTS

Operating costs include the following:

HK$ million	2016	2015
Staff costs including directors' emoluments	817	774
Depreciation of property, plant and equipment	193	215
Amortisation of intangible assets	33	28
Cost of inventories sold	1,700	1,916
Cost of services provided	727	674

9. FINANCE COSTS

HK$ million	2016	2015
Interest and other finance costs on		
Bank borrowings wholly repayable within 5 years	428	444
Notes wholly repayable within 5 years	37	27
Notes repayable after 5 years	38	35
Others	57	220
Total	560	726

10. PROFIT BEFORE TAXATION

HK$ million	2016	2015
Profit before taxation is arrived at after (crediting)/charging:		
Operating lease rental for land and buildings	45	42
Directors' emoluments (note 33)	93	89
Auditor's remuneration	6	7

11. TAXATION

(a) Taxation is provided for at the applicable tax rates on the estimated assessable profits less available tax losses. Deferred taxation is provided on temporary differences under the liability method using tax rates applicable to the Group's operations in different countries.

HK$ million	2016	2015
Current taxation – Hong Kong	(4)	(1)
Current taxation – outside Hong Kong	69	39
Deferred taxation (note 27)	(73)	(46)
Total	(8)	(8)

11. TAXATION (CONT'D)

(b) Reconciliation between tax credit and accounting profit at Hong Kong profits tax rate:

HK$ million	2016	2015
Profit before taxation	**10,200**	11,650
Less: Share of results of associates	**(2,861)**	(3,275)
Share of results of joint ventures	**(5,887)**	(6,198)
	1,452	2,177
Tax at 16.5% (2015: 16.5%)	**240**	359
Tax impact on:		
Different domestic rates of subsidiaries operating in other tax jurisdictions	**(266)**	(386)
Income not subject to tax	**(132)**	(124)
Expenses not deductible for tax purpose	**135**	134
Tax losses and other temporary differences not recognised	**1**	3
Others	**14**	6
Tax credit	**(8)**	(8)

12. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

	Investment in Power Assets*		Infrastructure Investments																	
			United Kingdom		Australia		Mainland China		New Zealand		Canada and Continental Europe		Infrastructure related business		Total before unallocated items		Unallocated items		Consolidated	
HK$ million	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Turnover	–	–	17,747	19,214	1,872	1,993	430	545	1,938	1,823	2,409	1,469	2,950	3,493	27,346	28,537	–	–	27,346	28,537
Sales and interest income from infrastructure investments #	–	–	1,367	1,556	388	424	–	–	1,376	1,279	210	137	1,980	2,161	5,321	5,557	–	–	5,321	5,557
Bank and other interest income	–	–	–	–	–	–	1	1	–	–	–	–	31	33	32	34	82	55	114	89
Other income	–	–	53	28	–	–	139	163	1	1	–	–	62	68	255	260	211	109	466	369
Change in fair value of derivative financial instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(124)	45	(124)	45
Depreciation and amortisation	–	–	–	(5)	–	–	–	–	(143)	(142)	–	–	(82)	(95)	(225)	(242)	(1)	(1)	(226)	(243)
Other operating expenses	–	–	–	(41)	–	–	–	(46)	(974)	(897)	–	–	(1,813)	(2,002)	(2,787)	(2,986)	(835)	364	(3,622)	(2,622)
Finance costs	–	–	–	(1)	–	–	–	–	(62)	(68)	–	–	–	–	(62)	(69)	(498)	(657)	(560)	(726)
Exchange gain/(loss)	–	–	–	–	–	–	–	–	–	–	–	–	1	2	1	2	(699)	(328)	(698)	(326)
Gain on disposal of a joint venture	–	–	–	–	–	–	–	34	–	–	–	–	–	–	–	34	–	–	–	34
Gain on disposal of investment in securities	–	–	–	–	781	–	–	–	–	–	–	–	–	–	781	–	–	–	781	–
Share of results of associates and joint ventures	2,494	3,005	4,848	5,172	769	720	219	205	11	4	250	163	157	204	8,748	9,473	–	–	8,748	9,473
Profit/(Loss) before taxation	2,494	3,005	6,268	6,709	1,938	1,144	359	357	209	177	460	300	336	371	12,064	12,063	(1,864)	(413)	10,200	11,650
Taxation	–	–	58	56	–	–	(12)	(11)	(23)	(8)	–	(1)	5	(2)	28	34	(20)	(26)	8	8
Profit/(Loss) for the year	2,494	3,005	6,326	6,765	1,938	1,144	347	346	186	169	460	299	341	369	12,092	12,097	(1,884)	(439)	10,208	11,658
Attributable to:																				
Shareholders of the Company	2,494	3,005	6,326	6,765	1,938	1,144	347	346	186	169	460	299	353	390	12,104	12,118	(2,468)	(956)	9,636	11,162
Owners of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	584	517	584	517
Non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(12)	(21)	(12)	(21)	–	–	(12)	(21)
	2,494	3,005	6,326	6,765	1,938	1,144	347	346	186	169	460	299	341	369	12,092	12,097	(1,884)	(439)	10,208	11,658

12. PROFIT FOR THE YEAR AND SEGMENT INFORMATION (CONT'D)

for the year ended 31st December

			Infrastructure Investments																	
	Investment in Power Assets*		United Kingdom		Australia		Mainland China		New Zealand		Canada and Continental Europe		Infrastructure related business		Total before unallocated items		Unallocated items		Consolidated	
HK$ million	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Other information																				
Expenditure for segment non-current assets:																				
– Additions to property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	–	**214**	198	**–**	–	**89**	95	**303**	293	**–**	1	**303**	294
– Additions to intangible assets	**–**	–	**–**	–	**–**	–	**–**	–	**19**	27	**–**	–	**–**	–	**19**	27	**–**	–	**19**	27
– Investments in joint ventures	**–**	–	**–**	6,366	**8**	17	**–**	–	**–**	–	**1,733**	1,375	**–**	–	**1,741**	7,758	**–**	–	**1,741**	7,758
as at 31st December																				
Assets																				
Interests in associates and joint ventures	**45,829**	47,720	**40,070**	48,856	**12,383**	12,299	**452**	421	**1,014**	992	**5,924**	4,252	**478**	452	**106,150**	114,992	**–**	–	**106,150**	114,992
Property, plant and equipment and investment properties§	**–**	–	**62**	74	**–**	–	**–**	–	**885**	770	**–**	–	**1,799**	1,865	**2,746**	2,709	**2**	4	**2,748**	2,713
Other segment assets	**–**	–	**628**	747	**–**	1,217	**4**	3	**2,769**	2,729	**8**	1	**2,333**	2,119	**5,742**	6,816	**–**	–	**5,742**	6,816
Unallocated corporate assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**13,270**	7,581	**13,270**	7,581
Total assets	**45,829**	47,720	**40,760**	49,677	**12,383**	13,516	**456**	424	**4,668**	4,491	**5,932**	4,253	**4,610**	4,436	**114,638**	124,517	**13,272**	7,585	**127,910**	132,102
Liabilities																				
Segment liabilities	**–**	–	**3**	5	**42**	42	**18**	14	**1,869**	1,673	**10**	7	**633**	697	**2,575**	2,438	**–**	–	**2,575**	2,438
Unallocated corporate liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**19,148**	19,105	**19,148**	19,105
Total liabilities	**–**	–	**3**	5	**42**	42	**18**	14	**1,869**	1,673	**10**	7	**633**	697	**2,575**	2,438	**19,148**	19,105	**21,723**	21,543

Notes:

\# Sales of infrastructure materials comprise sales in Hong Kong of HK$1,257 million (2015: HK$1,409 million), sales in Mainland China of HK$721 million (2015: HK$750 million) and sales in other region of HK$2 million (2015: HK$2 million).

* During the year, the Group has a 38.87 per cent (2015: 38.87 per cent) equity interest in Power Assets Holdings Limited ("Power Assets"), which is listed on Hong Kong Stock Exchange.

§ The carrying value of HK$615 million (2015: HK$591 million) and HK$1,184 million (2015: HK$1,274 million) of the property, plant and equipment and investment properties of infrastructure related business are located in Hong Kong and Mainland China respectively.

12. PROFIT FOR THE YEAR AND SEGMENT INFORMATION (CONT'D)

Segment profit attributable to shareholders of the Company represents the profit earned by each segment after the profit attributable to owners of perpetual capital securities and non-controlling interests without allocation of gains or losses from treasury activities, corporate overheads and other expenses of the Group's head office.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets of the Group's head office; and
- all liabilities are allocated to reportable segments other than financial and other liabilities of the Group's head office.

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK$9,636 million (2015: HK$11,162 million) and on the weighted average of 2,519,610,945 shares (2015: 2,513,035,603 shares) in issue during the year.

The shares issued in connection with the issue of perpetual capital securities in March 2016 (note 30) were excluded from the calculation of earnings per share since these shares are disregarded for the purpose of determining the number of shares held by the public.

14. DIVIDENDS

(a)

HK$ million	2016	2015
Interim dividend paid of HK$0.63 per share (2015: HK$0.6 per share)	**1,587**	1,512
Proposed final dividend of HK$1.63 per share (2015: HK$1.55 per share)	**4,107**	3,905
Total	**5,694**	5,417

During the year, dividends of HK$5,694 million (2015: HK$5,417 million) are stated after elimination of HK$296 million (2015: HK$203 million) paid/proposed for the shares issued in connection with the issue of perpetual capital securities in March 2016 (note 30).

(b)

HK$ million	2016	2015
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$1.55 per share (2015: HK$1.475 per share)	**3,905**	3,716

Final dividend in respect of the previous financial year, approved and paid during the year ended 31st December, 2016, is stated after elimination of HK$203 million for the shares issued in connection with the issue of perpetual capital securities in March 2016 (note 30).

15. PROPERTY, PLANT AND EQUIPMENT

HK$ million	Medium term leasehold land in Hong Kong	Medium term leasehold land outside Hong Kong	Freehold land outside Hong Kong	Buildings	Mains, pipes, other plant and machinery	Furniture, fixtures and others	Total
Cost							
At 1st January, 2015	393	115	177	1,354	2,885	77	5,001
Transfer between categories	–	–	–	22	(22)	–	–
Transfer (to)/from other assets	–	–	(5)	–	7	–	2
Additions	–	–	33	27	225	9	294
Disposals	–	–	(2)	(3)	(124)	(8)	(137)
Exchange translation differences	–	(5)	(38)	(47)	(181)	(3)	(274)
At 31st December, 2015	393	110	165	1,353	2,790	75	4,886
Transfer between categories	–	–	–	26	(26)	–	–
Additions	–	–	3	13	283	4	303
Disposals	–	–	–	–	(93)	(7)	(100)
Exchange translation differences	–	(7)	2	(60)	(78)	(4)	(147)
At 31st December, 2016	393	103	170	1,332	2,876	68	4,942
Accumulated depreciation							
At 1st January, 2015	181	46	–	650	1,635	37	2,549
Charge for the year	6	2	–	19	181	7	215
Disposals	–	–	–	(2)	(124)	(5)	(131)
Exchange translation differences	–	(1)	–	(15)	(109)	(1)	(126)
At 31st December, 2015	187	47	–	652	1,583	38	2,507
Charge for the year	7	2	–	22	154	8	193
Disposals	–	–	–	–	(90)	(7)	(97)
Exchange translation differences	–	(3)	–	(21)	(39)	(2)	(65)
At 31st December, 2016	194	46	–	653	1,608	37	2,538
Carrying value							
At 31st December, 2016	**199**	**57**	**170**	**679**	**1,268**	**31**	**2,404**
At 31st December, 2015	206	63	165	701	1,207	37	2,379

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The carrying value of the Group's mains, pipes, other plant and machinery includes an amount of HK$32 million (2015: HK$20 million) in respect of assets held under finance leases.

16. INVESTMENT PROPERTIES

HK$ million	
Medium term leases in Hong Kong, at fair value	
At 1st January, 2015	305
Change in fair values	29
At 31st December, 2015	334
Change in fair values	10
At 31st December, 2016	**344**

The fair values of the Group's investment properties at 31st December, 2016 and 2015 are determined based on a valuation carried out by Mr. K. B. Wong for and on behalf of DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. Mr. K. B. Wong is a member of the Hong Kong Institute of Surveyors. The valuation 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.

17. INTERESTS IN ASSOCIATES

HK$ million	2016	2015
Investment costs		
– Listed in Hong Kong	8,687	8,687
– Unlisted	838	1,010
Share of post-acquisition reserves	39,181	40,842
	48,706	50,539
Amounts due by unlisted associates (note 36)	3,471	3,465
	52,177	54,004
Market value of investment in a listed associate	56,703	59,026

Included in the amounts due by unlisted associates are subordinated loans of HK$3,348 million (2015: HK$3,330 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the associates.

Summarised financial information of Power Assets, the only material associate, are adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below.

(a) Financial information of the material associate as at 31st December

	Power Assets	
HK$ million	2016	2015
Current assets	61,871	68,543
Non-current assets	67,396	65,984
Current liabilities	(2,641)	(2,119)
Non-current liabilities	(8,725)	(9,642)
Equity	117,901	122,766
Reconciled to the Group's interests in the material associate		
Group's effective interest	38.87%	38.87%
Group's shares of net assets of the material associate and its carrying amount in the consolidated financial statements	45,829	47,720

17. INTERESTS IN ASSOCIATES (CONT'D)

(b) Financial information of the material associate for the year ended 31st December

	Power Assets	
HK$ million	2016	2015
Turnover	1,288	1,308
Profit for the year	6,417	7,732
Other comprehensive expense	(5,798)	(1,482)
Total comprehensive income	619	6,250
Dividend received from the material associate	2,257	2,232

(c) Aggregate information of associates that are not individually material

HK$ million	2016	2015
Aggregate carrying amount of individually insignificant associates in the consolidated financial statements	2,877	2,819
Aggregate amounts of the Group's share of those associates'		
Profit for the year	367	270
Other comprehensive income	13	194
Total comprehensive income	380	464

Particulars of the principal associates are set out in Appendix 2 on pages 154 and 155.

18. INTERESTS IN JOINT VENTURES

HK$ million	2016	2015
Investment costs	**32,573**	30,832
Share of post-acquisition reserves	**3,169**	8,755
	35,742	39,587
Impairment losses	**(141)**	(141)
	35,601	39,446
Amounts due by joint ventures (note 36)	**18,372**	21,542
	53,973	60,988

Included in the amounts due by joint ventures are subordinated loans of HK$11,436 million (2015: HK$13,260 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the joint ventures.

The Directors reviewed certain joint ventures' operations and financial positions as at 31st December, 2016 and no further impairment loss is considered necessary for the year. During the year ended 31st December, 2015, an impairment loss of HK$44 million was made against interests in joint ventures. Due to the abolishment of the toll collection right of Chaolian Bridge with effect from May 2016 according to the Administrative Order issued by the Department of Communications of Guangdong Province, an impairment loss of HK$40 million was made against interest in a joint venture, which operated Chaolian Bridge in Jiangmen, Guangdong Province, China. Due to unsatisfactory operating performance, an impairment loss of HK$4 million was made against interest in a joint venture, which operated Tangshan Tangle Road in Hebei Province, China.

18. INTERESTS IN JOINT VENTURES (CONT'D)

Summarised financial information of UK Power Networks Holdings Limited ("UK Power Networks") and Northumbrian Water Group Limited ("Northumbrian Water"), the material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below.

(a) Financial information of the material joint ventures as at 31st December

	UK Power Networks		Northumbrian Water	
HK$ million	**2016**	2015	**2016**	2015
Current assets	**3,150**	4,416	**3,498**	3,638
Non-current assets	**108,025**	123,512	**64,003**	75,377
Current liabilities	**(7,510)**	(11,239)	**(4,790)**	(3,099)
Non-current liabilities	**(63,837)**	(70,365)	**(50,431)**	(59,797)
Equity	**39,828**	46,324	**12,280**	16,119
Reconciled to the Group's interest in the joint ventures				
Group's effective interest	**40%**	40%	**40%**	40%
Group's share of net assets of the joint ventures	**15,931**	18,530	**4,912**	6,448
Consolidation adjustments at Group level and non-controlling interests	**113**	137	**46**	59
Carrying amount of the joint ventures in the consolidated financial statements	**16,044**	18,667	**4,958**	6,507
Included in the above assets and liabilities:				
Cash and cash equivalents	**776**	1,811	**1,666**	1,397
Current financial liabilities (excluding trade and other payables and provisions)	**(835)**	(3,882)	**(2,749)**	(1,397)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(50,336)**	(56,218)	**(39,409)**	(48,199)

18. INTERESTS IN JOINT VENTURES (CONT'D)

(b) Financial information of the material joint ventures for the year ended 31st December

	UK Power Networks		Northumbrian Water	
HK$ million	**2016**	2015	**2016**	2015
Turnover	**18,136**	20,125	**9,132**	10,111
Profit for the year	**7,321**	7,749	**1,727**	2,154
Other comprehensive (expense)/income	**(3,110)**	418	**(1,730)**	300
Total comprehensive income/(expense)	**4,211**	8,167	**(3)**	2,454
Dividend received from the joint ventures	**899**	889	**444**	495
Included in the above profit:				
Depreciation and amortisation	**(2,225)**	(2,481)	**(1,381)**	(1,536)
Interest income	**326**	381	**24**	63
Interest expense	**(2,649)**	(2,953)	**(2,570)**	(2,832)
Income tax (expense)/credit	**(1,205)**	(773)	**(75)**	834

(c) Aggregate information of joint ventures that are not individually material

HK$ million	**2016**	2015
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**14,599**	14,272
Aggregate amounts of the Group's share of those joint ventures'		
Profit for the year	**2,268**	2,238
Other comprehensive (expense)/income	**(1,066)**	51
Total comprehensive income	**1,202**	2,289

Particulars of the principal joint ventures are set out in Appendix 3 on pages 156 and 157.

19. INVESTMENTS IN SECURITIES

HK$ million	2016	2015
Financial assets at fair value through profit or loss*		
Equity securities, unlisted	46	46
Available-for-sale financial assets		
Stapled securities, listed overseas, at fair value	–	1,217
Equity securities, unlisted, at cost	438	525
Debt securities, unlisted, at fair value	164	197
Total	648	1,985

* designated as financial assets at fair value through profit or loss in accordance with HKAS 39

Overseas listed stapled securities comprise various subordinated loan notes and fully paid ordinary shares. It is quoted at a single combined price and cannot trade separately. The investment had been disposed of during the year.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2016		2015	
HK$ million	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	3,160	(3)	968	(140)
Interest rate swaps	–	(422)	26	(156)
	3,160	(425)	994	(296)
Portion classified as:				
Non-current	2,178	(422)	571	(175)
Current	982	(3)	423	(121)
	3,160	(425)	994	(296)

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives

During the current year, the Group utilised currency derivatives to hedge long-term foreign investments. The Group is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. No material cash flow is expected to occur in the coming year.

The following contracts are outstanding as at the end of the reporting period and the major terms of these contracts are as follows:

As at 31st December, 2016 Notional amount	Maturity
Sell GBP 1,161.4 million*	2017
Sell AUD 159.3 million*	2017
Sell NZD 280.0 million*	2017
Sell CAD 416.7 million*	2017
Sell GBP 100.0 million*	2019
Sell EUR 70.0 million*	2020
Sell GBP 760.0 million*	2020
Sell GBP 250.4 million*	2021
Sell EUR 65.0 million*	2022
Sell GBP 76.0 million*	2022

As at 31st December, 2015 Notional amount	Maturity
Sell AUD 313.7 million*	2016
Sell CAD 184.2 million*	2016
Sell NZD 280.0 million*	2016
Sell GBP 1,141.8 million*	2016
Sell GBP 100.0 million*	2017
Sell GBP 100.0 million*	2019
Sell EUR 70.0 million*	2020
Sell GBP 760.0 million*	2020
Sell GBP 170.0 million*	2021
Sell EUR 65.0 million*	2022
Sell GBP 76.0 million*	2022

* designated as hedging instrument in accordance with HKAS 39

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives (Cont'd)

The fair values of the above currency derivatives that are designated and effective as net investment hedges totalling HK$3,157 million (net assets to the Group) (2015: HK$828 million) have been deferred in equity at 31st December, 2016.

None of above currency derivatives is designated and effective as cash flow hedges and fair value hedges at 31st December, 2016 and 2015.

Interest Rate Swaps

During the current year, the Group utilised interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The notional principal amounts of the interest rate swap contracts outstanding as at 31st December, 2016 and the major terms of these contracts are as follows:

As at 31st December, 2016 HK$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount
Contract maturing in 2018	EURIBOR*	2.00%	1,592
Contracts maturing in 2019	BKBM*	3.48%	806
Contracts maturing in 2022	LIBOR*	1.89%	5,772
Contracts maturing in 2025	BBSW*	2.70%	2,866

As at 31st December, 2015 HK$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount
Contract maturing in 2018	EURIBOR*	2.00%	1,669
Contracts maturing in 2019	BKBM*	3.48%	792
Contracts maturing in 2022	LIBOR*	1.89%	6,924
Contracts maturing in 2025	BBSW*	2.70%	2,850

* BBSW – Australian Bank Bill Swap Reference Rate
EURIBOR – Euro Interbank Offered Rate
BKBM – New Zealand Bank Bill Reference Rate
LIBOR – London Interbank Offered Rate

The fair values of the above interest rate swaps that are designated and effective as cash flow hedges totalling HK$251 million (net liabilities to the Group) (2015: HK$41 million) have been deferred in equity at 31st December, 2016.

21. GOODWILL AND INTANGIBLE ASSETS

HK$ million	2016	2015
Goodwill	920	905
Intangible assets	1,634	1,620
Total	2,554	2,525

Goodwill

HK$ million	2016	2015
At 1st January	905	1,030
Exchange difference	15	(125)
At 31st December	920	905

For the purpose of impairment test, the recoverable amount of the cash-generating units is determined based on value in use calculations.

The Group prepared its cash flow projections of each cash-generating unit based on the latest approved budget plus extrapolated cash flows for the subsequent 4 years (2015: 4 years) except for a landfill where the whole life model is used. Cash flow projections for each cash-generating unit are based on the expected terminal growth rate of 3 per cent (2015: 3 per cent). The Group considers that cash flow projections of 5 years (2015: 5 years) are appropriate as they entered long-term contracts with customers.

The model uses a terminal value which is equal to eight to ten times of earnings before interest, taxation, depreciation and amortisation and discount rate of 7.8 per cent to 13.8 per cent (2015: 9.4 per cent to 15.4 per cent). The impairment test of its assets is then assessed using the value in use for each cash-generating unit. Based on impairment tests prepared, there is no impairment for goodwill as at 31st December, 2016 and 2015.

21. GOODWILL AND INTANGIBLE ASSETS (CONT'D)

Intangible Assets

HK$ million	Brand name and trademarks	Customer contracts	Resource consents	Computer software	Others	Total
Cost						
At 1st January, 2015	142	65	1,664	13	9	1,893
Transfer (to)/from other assets	–	–	(2)	10	3	11
Additions	–	–	3	24	–	27
Disposals	–	–	(2)	(8)	–	(10)
Exchange translation differences	(17)	(8)	(202)	(3)	(2)	(232)
At 31st December, 2015	125	57	1,461	36	10	1,689
Additions	–	–	1	17	1	19
Exchange translation differences	2	1	26	–	1	30
At 31st December, 2016	127	58	1,488	53	12	1,738
Accumulated amortisation						
At 1st January, 2015	–	12	27	3	4	46
Transfer from other assets	–	–	–	10	3	13
Charge for the year	–	8	17	1	2	28
Disposals	–	–	(2)	(8)	–	(10)
Exchange translation differences	–	(2)	(3)	(2)	(1)	(8)
At 31st December, 2015	–	18	39	4	8	69
Charge for the year	–	6	22	3	2	33
Exchange translation differences	–	–	2	–	–	2
At 31st December, 2016	–	24	63	7	10	104
Carrying value						
At 31st December, 2016	**127**	**34**	**1,425**	**46**	**2**	**1,634**
At 31st December, 2015	125	39	1,422	32	2	1,620

For brand name and trademarks of the Group that are regarded to have indefinite useful lives, there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group.

For other intangible assets of the Group that are regarded to have finite useful lives, they are amortised on a straight-line basis according to their legal lives or expected contract lives.

22. INVENTORIES

HK$ million	2016	2015
Raw materials	35	48
Work-in-progress	36	46
Stores, spare parts and supplies	51	48
Finished goods	17	23
Total	**139**	165

23. DEBTORS AND PREPAYMENTS

HK$ million	2016	2015
Trade debtors	308	312
Prepayments, deposits and other receivables	320	481
Total	**628**	793

The aging analysis of the Group's trade debtors is as follows:

HK$ million	2016	2015
Current	191	203
Less than 1 month past due	96	81
1 to 3 months past due	20	30
More than 3 months but less than 12 months past due	4	15
More than 12 months past due	22	16
Amount past due	142	142
Allowance for doubtful debts	(25)	(33)
Total after allowance	**308**	312

23. DEBTORS AND PREPAYMENTS (CONT'D)

Trade with customers is carried out largely on credit, except for new customers, residential customers of waste management services and customers with unsatisfactory payment records, where payment in advance is normally required. Invoices are normally due within 1 month of issuance, except for certain well-established customers, where the terms are extended to 2 months, and certain customers with disputed items, where the terms are negotiated individually. Each customer has a maximum credit limit, which was granted and approved by senior management in accordance with the laid-down credit review policy and procedures.

The movement in the allowance for doubtful debts during the year is as follows:

HK$ million	2016	2015
At 1st January	**33**	41
Impairment loss recognised	**–**	5
Impairment loss written back	**(6)**	(8)
Uncollective amounts written off	**(1)**	(4)
Exchange translation differences	**(1)**	(1)
At 31st December	**25**	33

At 31st December, 2016, gross trade debtors' balances totalling HK$25 million (2015: HK$33 million) were individually determined to be impaired, which related to customers that were in financial difficulties. The management assessed that only a portion of the trade debtors' balances is expected to be recovered. Consequently, specific allowance for doubtful debts of HK$25 million (2015: HK$33 million) was recognised at 31st December, 2016. The Group does not hold any collateral over these balances.

23. DEBTORS AND PREPAYMENTS (CONT'D)

The aging analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

HK$ million	2016	2015
Neither past due nor impaired	**191**	203
Less than 1 month past due	**96**	81
1 to 3 months past due	**17**	24
More than 3 months but less than 12 months past due	**–**	2
More than 12 months past due	**4**	2
Amount past due	**117**	109
Total	**308**	312

The trade debtors that were neither past due nor impaired related to customers for whom there was no recent history of default.

The trade debtors that were past due but not impaired related to customers that had good track records with the Group. Management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

24. BANK BALANCES AND DEPOSITS

Bank balances and deposits carry average effective interest rate at 1.19 per cent (2015: 1.24 per cent) per annum.

25. BANK AND OTHER LOANS

HK$ million	2016	2015
Unsecured bank loans repayable:		
Within 1 year	**7,566**	–
In the 2nd year	**1,592**	9,285
In the 3rd to 5th year, inclusive	**2,684**	3,125
	11,842	12,410
Obligations under finance leases repayable:		
Within 1 year	**10**	15
In the 2nd year	**10**	4
In the 3rd to 5th year, inclusive	**14**	3
	34	22
Unsecured notes repayable:		
Within 1 year	**2,325**	–
In the 2nd year	**–**	2,325
In the 3rd to 5th year, inclusive	**205**	192
After 5 years	**1,285**	1,220
	3,815	3,737
Secured bank loans repayable:		
In the 3rd to 5th year, inclusive	**1,154**	1,008
	1,154	1,008
Total	**16,845**	17,177
Portion classified as:		
Current liabilities	**9,901**	15
Non-current liabilities	**6,944**	17,162
Total	**16,845**	17,177

25. BANK AND OTHER LOANS (CONT'D)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Bank loans		Finance leases		Notes		Total	
HK$ million	2016	2015	2016	2015	2016	2015	2016	2015
GBP	2,886	3,462	–	–	–	–	2,886	3,462
AUD	6,544	6,511	–	–	–	–	6,544	6,511
JPY	820	768	–	–	1,230	1,152	2,050	1,920
EUR	1,592	1,669	–	–	–	–	1,592	1,669
NZD	1,154	1,008	34	22	–	–	1,188	1,030
USD	–	–	–	–	2,325	2,325	2,325	2,325
HKD	–	–	–	–	260	260	260	260
Total	12,996	13,418	34	22	3,815	3,737	16,845	17,177

The average effective interest rates of the Group's bank loans and finance leases are 2.96 per cent (2015: 3.17 per cent) per annum and 8.20 per cent (2015: 11.44 per cent) per annum, respectively.

The Group's notes of HK$1,490 million (2015: HK$1,412 million) were arranged at fixed interest rate and exposed the Group to fair value interest rate risk. Other borrowings were arranged at floating rates, thus exposed the Group to cash flow interest rate risk.

Bank loans and floating rate notes carried interest at floating rate, which was determined with reference to BBSY*, LIBOR, USD LIBOR, EURIBOR, BKBM or British Bankers Association Interest Settlement Rate for Yen deposit plus an average margin less than 2 per cent (2015: 2 per cent) per annum.

Fixed rate notes and finance leases carried interest ranging from 1.75 per cent to 13.50 per cent (2015: 1.75 per cent to 13.50 per cent) per annum.

The shares of a subsidiary were pledged to secure bank borrowings totalling HK$1,154 million (2015: HK$1,008 million) granted to the Group.

* BBSY – Australian Bank Bill Swap Bid Rate

25. BANK AND OTHER LOANS (CONT'D)

Details of the present value of the minimum finance lease payments are shown below:

HK$ million	2016	2015
Minimum lease payments:		
Within 1 year	10	17
In the 2nd year	10	5
In the 3rd to 5th year, inclusive	14	4
	34	26
Less: Future finance charges	–	(4)
Present value of lease payments	34	22
Less: Amount due for settlement within 12 months	(10)	(15)
Amount due for settlement after 12 months	24	7

At 31st December, 2016, the remaining weighted average lease term was 3.4 years (2015: 1.2 years). All leases are denominated in NZD on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the lessors' charge over the leased assets (note 15).

26. CREDITORS AND ACCRUALS

HK$ million	2016	2015
Trade creditors	253	190
Other payables and accruals	3,584	3,242
Total	3,837	3,432

The aging analysis of the Group's trade creditors is as follows:

HK$ million	2016	2015
Current	192	110
1 month	20	21
2 to 3 months	7	11
Over 3 months	34	48
Total	253	190

27. DEFERRED TAX ASSETS/LIABILITIES

HK$ million	2016	2015
Deferred tax assets	**29**	21
Deferred tax liabilities	**(481)**	(488)
Total	**(452)**	(467)

The following are the major deferred tax (assets)/liabilities recognised by the Group and movements thereon during the current and prior years:

HK$ million	Accelerated tax depreciation	Tax losses	Fair value arising from business combination	Others	Total
At 1st January, 2015	105	(15)	460	(13)	537
(Credit)/Charge to profit for the year	(4)	(55)	(1)	14	(46)
Credit to other comprehensive income for the year	–	–	–	(1)	(1)
Exchange translation differences	(5)	1	(55)	1	(58)
Others	–	47	–	(12)	35
At 31st December, 2015	96	(22)	404	(11)	467
Charge/(Credit) to profit for the year	7	(74)	(8)	2	(73)
Credit to other comprehensive income for the year	–	–	–	(8)	(8)
Exchange translation differences	(2)	5	7	(1)	9
Others	–	67	–	(10)	57
At 31st December, 2016	**101**	**(24)**	**403**	**(28)**	**452**

27. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

Apart from the unused tax losses of which the deferred tax assets were recognised as presented above, the Group had unused tax losses and other unused tax credits totalling HK$1,322 million (2015: HK$1,398 million) at 31st December, 2016. No deferred tax asset has been recognised in respect of these tax losses and tax credits due to the unpredictability of future profit streams to utilise the available tax losses and tax credits.

An analysis of the expiry dates of the tax losses and tax credits is as follows:

HK$ million	2016	2015
Within 1 year	8	–
In the 2nd year	26	9
In the 3rd to 5th year, inclusive	204	123
No expiry date	1,084	1,266
Total	**1,322**	1,398

28. RETIREMENT PLANS

(a) Defined Contribution Retirement Plans

The Group provides defined contribution retirement plans for its eligible employees except for a defined benefit plan for the employees of certain subsidiaries as detailed in (b) below.

Contributions to the defined contribution plans in Hong Kong are made by either the employer only at 10 per cent of the employees' monthly basic salaries or by both the employer and the employees each at 10 or 15 per cent of the employees' monthly basic salaries. The Company and its Hong Kong subsidiaries also participate in master trust Mandatory Provident Fund ("MPF") schemes operated by independent service providers. Mandatory contributions to these MPF schemes are made by both the employers and employees at 5 per cent of the employees' monthly relevant income each capped at HK$30,000.

Contribution to the defined contribution plans in New Zealand are made by either the employer only at 9 per cent of the employees' monthly basic salaries or by both the employer and employees each at 4 to 9 per cent of the employees' monthly basic salaries.

As the Group's retirement plans in Hong Kong, including the defined benefit plan mentioned in (b) below, are all MPF-exempted recognised occupational retirement schemes ("ORSO schemes"), except for certain subsidiaries of which the new Hong Kong employees have to join the MPF schemes, the Group offers an option to its new Hong Kong employees to elect between the ORSO schemes and the MPF schemes.

28. RETIREMENT PLANS (CONT'D)

(a) Defined Contribution Retirement Plans (Cont'd)

The Group's costs in respect of defined contribution plans for the year amounted to HK$23 million (2015: HK$25 million). No forfeited contributions and earnings for the year under the defined contribution plans were used to reduce the existing level of contributions (2015: HK$1 million). At 31st December, 2016, there were no forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution plans in future years (2015: nil).

(b) Defined Benefit Retirement Plan operating in Hong Kong

Certain subsidiaries of the Group operate a defined benefit retirement plan in Hong Kong for their eligible employees. Contributions to the defined benefit plan are made by the employees at either 5 or 7 per cent of the employees' salaries and contributions made by the employer are based on the recommendations of an independent actuary according to a periodic actuarial valuation of the plan.

The plan exposes the Group to actuarial risks, such as interest rate risk, investment risk, longevity risk and salary risk.

Actuarial valuation of the defined benefit plan according to HKAS 19 "Employee Benefits" was carried out at 31st December, 2016, by Ms. Phoebe W. Y. Shair of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations, the related current service cost and past service cost, if any, were measured using the Projected Unit Credit Method. The principal actuarial assumptions used are as follows:

	2016	2015
Discount rate at 31st December	**1.00% per annum**	1.00% per annum
Expected rate of salary increase	**5.00% per annum**	5.00% per annum

The actuarial valuation showed that the market value of plan assets was HK$79 million (2015: HK$81 million) and that the actuarial value of these assets represented 85 per cent (2015: 89 per cent) of the benefits that had accrued to members.

28. RETIREMENT PLANS (CONT'D)

(b) Defined Benefit Retirement Plan operating in Hong Kong (Cont'd)

The below analysis shows how the defined benefit obligation as at 31st December, 2016 would have increased/(decreased) as a result of 0.25 per cent change in the significant actuarial assumptions:

HK$ million	Increase in 0.25%	Decrease in 0.25%
Discount rate	(1)	1
Expected rate of salary increase	–	–

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

The following amounts in respect of the defined benefit plan have been debited to the consolidated income statement under operating costs:

HK$ million	2016	2015
Current service cost (net of employee contributions)	3	3
Net amount debited to the consolidated income statement	**3**	3

The actual return on plan assets for the year ended 31st December, 2016 was a gain of HK$1 million (2015: nil).

The amount included in the consolidated statement of financial position at 31st December, 2016 arising from the Group's obligations in respect of its defined benefit plan in Hong Kong is as follows:

HK$ million	2016	2015
Present value of defined benefit obligations	93	91
Fair value of plan assets	(79)	(81)
Employee retirement benefit liabilities classified as other non-current liabilities included in the consolidated statement of financial position	**14**	10

28. RETIREMENT PLANS (CONT'D)

(b) Defined Benefit Retirement Plan operating in Hong Kong (Cont'd)

Changes in the present value of the defined benefit obligations are as follows:

HK$ million	2016	2015
At 1st January	91	92
Current service cost (net of employee contributions)	3	3
Interest cost	1	1
Actual benefits paid	(4)	(8)
Actual employee contributions	–	1
Actuarial loss on experience	2	1
Actuarial loss on financial assumptions	–	1
At 31st December	**93**	91

Changes in the fair value of the plan assets are as follows:

HK$ million	2016	2015
At 1st January	81	86
Return on plan assets less than discount rate	–	(1)
Interest income	–	1
Actual company contributions	1	2
Actual employee contributions	1	1
Actual benefits paid	(4)	(8)
At 31st December	**79**	81

Major categories of the plan assets at the end of the reporting period are analysed as follows:

As at 31st December	2016	2015
Equity instruments	51%	51%
Debt instruments	49%	49%
Total	**100%**	100%

All the equity instruments and debt instruments have quoted prices in active markets.

The Group recognised net actuarial loss on defined benefit obligations amounting to HK$2 million (2015: HK$2 million) directly through other comprehensive income. No return on plan assets less than discount rate was recognised through other comprehensive income in 2016 (2015: HK$1 million).

28. RETIREMENT PLANS (CONT'D)

(b) Defined Benefit Retirement Plan operating in Hong Kong (Cont'd)

Another actuarial valuation was completed at 1st January, 2016 by Ms. Phoebe W. Y. Shair of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries, to determine the funding rates to be adopted by the Group in accordance with requirements of Occupational Retirement Schemes Ordinance. The actuarial method adopted was Attained Age Funding Method. The major assumptions used were the long-term average annual rate of investment return on the plan assets at 5 per cent per annum, and the average annual salary increases at 5 per cent per annum. The actuarial valuation showed that the fair value of the plan assets attributable to the Group at 31st December, 2015 represented 103 per cent of the present value of the obligations as at that date. Contributions to fund the obligations were based upon the recommendations of actuary to fully fund the retirement plan on an ongoing basis. The funding rates will be reviewed no later than 1st January, 2019 as required by Occupational Retirement Schemes Ordinance.

The Group expects to make a contribution of HK$2 million (2015: HK$1 million) to the defined benefit plan during the next financial year.

29. SHARE CAPITAL

	Number of Shares		Amount	
	2016	2015	**2016 HK$ million**	2015 HK$ million
Authorised:				
Ordinary shares of HK$1 each	**4,000,000,000**	4,000,000,000	**4,000**	4,000
Issued and fully paid:				
At 1st January	**2,519,610,945**	2,439,610,945	**2,520**	2,440
Issue of new shares in connection with the issue of perpetual capital securities (note 30)	**131,065,097**	–	**131**	–
Issue of new shares via a share placement exercise	**–**	80,000,000	**–**	80
At 31st December	**2,650,676,042**	2,519,610,945	**2,651**	2,520

On 23rd January, 2015 and 30th January, 2015, Hutchison Infrastructure Holdings Limited ("HIHL"), a controlling shareholder of the Company, sold 80,000,000 existing shares of the Company via a share placement exercise at a price of HK$58 per share, and has subscribed for 80,000,000 new shares of the Company at a price which is equivalent to the placing price less the costs and expenses incurred in connection with the placing and subscription, respectively. The net proceeds from the subscription were approximately HK$4,600 million. Accordingly, the Company's share capital and share premium were increased by HK$80 million and HK$4,520 million, respectively. The new shares issued rank pari passu in all aspects with the existing shares of the Company.

30. PERPETUAL CAPITAL SECURITIES

On 29th September, 2010, the Group issued US$1,000 million 6.625 per cent guaranteed perpetual capital securities at an issue price of 100 per cent. The perpetual capital securities were issued for general corporate funding purposes. Distributions on the perpetual capital securities are paid semi-annually in arrears from 29th March, 2011 and may be deferred at the discretion of the Group. The perpetual capital securities have no fixed maturity and are redeemable at the Group's option on or after 29th September, 2015 at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

On 29th March, 2016, the Company redeemed the perpetual capital securities by paying US$1,033.1 million, being US$1,000 million outstanding principal and US$33.1 million accrued distribution up to 29th March, 2016, to the securities owner.

On 1st March, 2016, OVPH Limited (the "Issuer") issued US$1,200 million perpetual capital securities which are guaranteed by the Company and listed on Hong Kong Stock Exchange at an issue price of 100 per cent. Distribution is payable semi-annually in arrear based on a fixed rate, which is 5.875 per cent per annum. Distribution by the Issuer may be deferred at its sole discretion. The perpetual capital securities have no fixed maturity and are redeemable in whole, but not in part, at the Issuer's option on 1st March, 2021, or any distribution payment date falling thereafter at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

On 2nd March, 2016, the Company issued 131,065,097 new ordinary shares to the Issuer for a consideration of approximately US$1,200 million (equivalent to approximately HK$9,360 million). The net proceeds for the shares issued were approximately HK$9,245 million. The shares were issued in connection with the issue of the above perpetual capital securities. A swap agreement dated 1st March, 2016 was entered into between the Company and the Issuer under which the Issuer is obliged to act in accordance with directions from the Company on certain matters. As a result, these shares were accounted for as treasury shares.

31. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can expand and generate attractive and predictable returns for shareholders and benefits for other stakeholders, by establishing and maintaining a quality investment portfolio with stable earnings and appropriate level of risks that the management are comfortable with.

The capital structure of the Group consists of debts, which includes bank borrowings, notes and obligations under finance leases as detailed in note 25, bank balances and deposits, equity attributable to shareholders of the Company, comprising issued share capital and reserves, and perpetual capital securities as detailed in the consolidated statement of changes in equity.

The management actively and regularly reviews and manages the Group's capital structure to maintain a balance between high shareholders' returns and strong capital position, and makes adjustments to the capital structure in light of changes in the global market conditions.

The Group maintained a low net debt to net total capital ratio of 4.5 per cent (2015: 7.7 per cent) as at 31st December, 2016. The management targets to maintain a solid capital position to pursue more new investment opportunities. The Group's overall strategy remains unchanged from 2015.

The net debt to net total capital ratio at 31st December, 2016 and 2015 was as follows:

HK$ million	2016	2015
Total debts	16,845	17,177
Bank balances and deposits	(11,790)	(7,897)
Net debt	5,055	9,280
Net total capital	111,242	119,839
Net debt to net total capital ratio	**4.5%**	7.7%

During the current year, the Company acted as the guarantor in respect of certain loan facilities granted to its subsidiaries, and fully complied with the capital requirements under the loan facility agreements.

32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Cash from Operations

HK$ million	2016	2015
Profit before taxation	**10,200**	11,650
Share of results of associates	**(2,861)**	(3,275)
Share of results of joint ventures	**(5,887)**	(6,198)
Interest income from loans granted to associates	**(364)**	(378)
Interest income from loans granted to joint ventures	**(1,631)**	(1,714)
Bank and other interest income	**(114)**	(89)
Interest income from investment in securities	**(24)**	(46)
Finance costs	**560**	726
Depreciation of property, plant and equipment	**193**	215
Amortisation of intangible assets	**33**	28
Change in fair values of investment properties	**(10)**	(29)
Gain on disposal of property, plant and equipment	**–**	(6)
Gain on disposal of a joint venture	**–**	(34)
Dividend from investment in securities	**(53)**	(16)
(Gain)/Loss on disposal of investments in securities	**(781)**	91
Change in fair value of derivative financial instruments	**124**	(45)
Pension costs of defined benefit retirement plans	**3**	3
Unrealised exchange loss/(gain)	**260**	(71)
Returns received from joint ventures	**176**	249
Interest received from investment in securities	**24**	46
Distribution received from investment in securities	**53**	16
Interest received from associates	**365**	381
Interest received from joint ventures	**1,761**	1,556
Contributions to defined benefit retirement plans	**(1)**	(2)
Net cash received on hedging instruments	**1,716**	1,896
Others	**(125)**	(94)
Operating cash flows before changes in working capital	**3,617**	4,860
Decrease in inventories	**26**	10
Decrease in debtors and prepayments	**134**	341
Increase/(Decrease) in creditors and accruals	**414**	(1,113)
Exchange translation differences	**15**	(22)
Cash from operations	**4,206**	4,076

33. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments comprise payments to the Company's directors by the Group in connection with the management of the affairs of the Group. The independent non-executive directors ("INED") receive an annual director's fee of HK$75,000 each; and for those acting as the audit committee members ("ACM") and remuneration committee members ("RCM"), additional annual fee of HK$80,000 each is paid for the former and HK$25,000 each is paid for the latter. The emoluments of each of the Company's directors for the current year, excluding emoluments received from the Group's associates, are as follows:

HK$ million	Fees	Basic Salaries, Allowances and Other Benefits	Bonuses	Provident Fund Contributions	Inducement or Compensation Fees	**Total Emoluments 2016**	Total Emoluments 2015
Li Tzar Kuoi, Victor (1)	0.075	–	30.435	–	–	**30.510**	28.227
Kam Hing Lam	0.075	4.200	11.025	–	–	**15.300**	14.876
Ip Tak Chuen, Edmond	0.075	1.800	11.025	–	–	**12.900**	12.476
Fok Kin Ning, Canning (1)	0.075	–	–	–	–	**0.075**	0.075
Andrew John Hunter (1)	0.075	11.087	11.743	1.108	–	**24.013**	22.770
Chan Loi Shun (1 and 2)	0.075	6.019	2.900	0.600	–	**9.594**	9.295
Chow Woo Mo Fong, Susan (3)	0.044	–	–	–	–	**0.044**	0.075
Frank John Sixt (1)	0.075	–	–	–	–	**0.075**	0.075
Cheong Ying Chew, Henry (4)	0.180	–	–	–	–	**0.180**	0.180
Kwok Eva Lee (4)	0.155	–	–	–	–	**0.155**	0.155
Sng Sow-Mei (4)	0.155	–	–	–	–	**0.155**	0.155
Colin Stevens Russel (4)	0.180	–	–	–	–	**0.180**	0.180
Lan Hong Tsung, David (4)	0.155	–	–	–	–	**0.155**	0.155
Barrie Cook	0.075	–	–	–	–	**0.075**	0.075
Lee Pui Ling, Angelina	0.075	–	–	–	–	**0.075**	0.075
George Colin Magnus	0.075	–	–	–	–	**0.075**	0.075
Tso Kai Sum	–	–	–	–	–	**–**	0.028
Total for the year 2016	**1.619**	**23.106**	**67.128**	**1.708**	**–**	**93.561**	
Total for the year 2015	1.678	22.242	63.405	1.622	–		88.947

Notes:

(1) During the year, Mr. Li Tzar Kuoi, Victor, Mr. Andrew John Hunter, Mr. Chan Loi Shun and Mr. Frank John Sixt each received directors' fees of HK$70,000 (2015: HK$70,000), Mr. Fok Kin Ning, Canning received director's fees of HK$120,000 (2015: HK$120,000) from Power Assets. The directors' fees totalling HK$400,000 (2015: HK$400,000) were then paid back to the Company.

33. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONT'D)

Notes (Cont'd):

(2) During the year, part of the directors' emoluments in the sum of HK$4,560,000 (2015: HK$4,200,000) received by Mr. Chan Loi Shun from Power Assets were paid back to the Company.

(3) Mrs. Chow Woo Mo Fong, Susan was retired as director of the Company with effect from 1st August, 2016.

(4) INED, ACM and RCM – During the year, Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mr. Lan Hong Tsung, David, Mr. Colin Stevens Russel and Mrs. Sng Sow-Mei have acted as INED and ACM of the Company. Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel have acted as RCM of the Company during the year. The total emoluments paid to these INED, ACM and RCM during the year were HK$825,000 (2015: HK$825,000).

Of the 5 individuals with the highest emoluments in the Group, all (2015: all) are directors whose emoluments are disclosed above.

34. COMMITMENTS

(a) The Group's capital commitments outstanding at 31st December and not provided for in the consolidated financial statements are as follows:

	Contracted but not provided for	
HK$ million	**2016**	2015
Investment in joint ventures	**486**	10
Plant and machinery	**52**	107
Total	**538**	117

(b) At 31st December, the Group had outstanding commitments under non-cancellable operating leases in respect of land and buildings and other assets, which fall due as follows:

HK$ million	**2016**	2015
Within 1 year	**38**	46
In the 2nd to 5th year, inclusive	**64**	59
Over 5 years	**49**	22
Total	**151**	127

35. CONTINGENT LIABILITIES

The contingent liabilities of the Group are as follows:

HK$ million	2016	2015
Guarantee in respect of bank loan drawn by joint ventures	**1,225**	1,120
Other guarantees given in respect of a joint venture	**724**	695
Performance bond indemnities	**101**	94
Sub-contractor warranties	**6**	6
Total	**2,056**	1,915

36. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group advanced HK$6 million (2015: HK$20 million) to its unlisted associates. The Group received return of capital of HK$175 million from an unlisted associate during the year. The total outstanding loan balances as at 31st December, 2016 amounted to HK$3,471 million (2015: HK$3,465 million), of which HK$3,348 million (2015: HK$3,330 million) at fixed rates ranging from 10.85 per cent to 11.19 per cent (2015: from 10.85 per cent to 11.19 per cent) per annum and HK$123 million (2015: HK$135 million) was interest-free. The average effective interest rate of the loan granted to associates is 11.05 per cent (2015: 11.02 per cent) per annum. As stated in note 6, interest income from loans granted to associates during the year amounted to HK$364 million (2015: HK$378 million). Except for a loan of HK$94 million (2015: HK$94 million) which was repayable within five years (2015: six years), the loans had no fixed terms of repayment.

During the year, the Group advanced HK$13 million (2015: HK$21 million) to its joint ventures. The Group received repayments totalling HK$4 million (2015: HK$84 million) from its joint ventures. The total outstanding loan balances as at 31st December, 2016 amounted to HK$18,372 million (2015: HK$21,542 million), of which HK$4,808 million (2015: HK$5,717 million) bore interest with reference to London Interbank Offered Rate, Hong Kong Dollar Prime Rate and return from a joint venture, and HK$13,167 million (2015: HK$15,233 million) at fixed rate ranging from 8 per cent to 14 per cent (2015: from 8 per cent to 14 per cent) per annum, and HK$397 million (2015: HK$592 million) was interest-free. The average effective interest rate of the loan granted to joint ventures is 9.18 per cent (2015: 9.22 per cent) per annum. As stated in note 6, interest income from loans granted to joint ventures during the year amounted to HK$1,631 million (2015: HK$1,714 million). The loans had no fixed terms of repayment.

Moreover, the Group's sales and purchases of infrastructure materials to/from a joint venture for the current year amounted to HK$413 million (2015: HK$384 million) and HK$2 million (2015: HK$16 million), respectively. The Group also received income and incurred operating costs from sales of waste management services from/to its joint ventures amounted to HK$87 million (2015: HK$77 million) and HK$44 million (2015: HK$43 million), respectively for the current year.

The emoluments of key management have been presented in note 33 above.

The above related party transactions made during the year did not constitute connected transactions or continuing connected transactions.

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

as at 31st December

(a) Statement of Financial Position of the Company

HK$ million	2016	2015
Property, plant and equipment	2	3
Unlisted investments in subsidiaries	44,970	43,219
Total non-current assets	**44,972**	43,222
Amounts due from subsidiaries	20,858	20,815
Amount due from a joint venture	2	2
Prepayments, deposits and other receivables	36	37
Bank balances	33	7
Total current assets	**20,929**	20,861
Amounts due to subsidiaries	10,600	17,979
Other payables and accruals	284	93
Total current liabilities	**10,884**	18,072
Net current assets	**10,045**	2,789
Net assets	**55,017**	46,011
Representing:		
Share capital	2,651	2,520
Reserves	52,366	43,491
Total equity	**55,017**	46,011

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONT'D)

(b) Movements in the Company's Reserves

HK$ million	Share capital	Share premium	Retained profits	Total
At 1st January, 2015	2,440	11,633	24,322	38,395
Profit for the year	–	–	8,244	8,244
Final dividend paid for the year 2014	–	–	(3,716)	(3,716)
Interim dividend paid	–	–	(1,512)	(1,512)
Issue of new ordinary shares	80	4,520	–	4,600
At 31st December, 2015	2,520	16,153	27,338	46,011
Profit for the year	–	–	5,539	5,539
Final dividend paid for the year 2015	–	–	(4,108)	(4,108)
Interim dividend paid	–	–	(1,670)	(1,670)
Issue of new ordinary shares	131	9,114	–	9,245
At 31st December, 2016	**2,651**	**25,267**	**27,099**	**55,017**

38. EVENT AFTER THE REPORTING PERIOD

In January 2017, the Company, Cheung Kong Property Holdings Limited ("CKPH") and Power Assets jointly announced that they have entered into a consortium formation agreement on 14th January, 2017 for the formation of a joint venture to acquire 100% of DUET Group by way of schemes of arrangement in Australia, pursuant to which the Company will subscribe for a 40% interest in the joint venture, with its maximum financial commitment of the Company under the transaction being approximately AUD3,012 million (equivalent to approximately HK$17 billion). The transaction was approved by the independent shareholders of the Company and the independent shareholders of CKPH in their respective independent shareholders' meeting on 14th March, 2017.

DUET Group is an owner and operator of energy utility assets in Australia, the United States, the United Kingdom and Europe. It consists of four separate legal entities that are traded together as stapled securities which are listed on the Australian Securities Exchange. Completion of the acquisition is conditional upon fulfillment of certain conditions.

39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 90 to 157 were approved by the Board of Directors on 21st March, 2017.

PRINCIPAL SUBSIDIARIES

APPENDIX 1

The table below shows the subsidiaries as at 31st December, 2016 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name	Issued share capital	Proportion of nominal value of issued capital held by the Group (per cent)	Principal activities
Incorporated and operating in Hong Kong			
Anderson Asia (Holdings) Limited	HK$1 ordinary	100	Investment holding
	HK$60,291,765 Non-voting deferred		
Anderson Asphalt Limited	HK$30,300,000	100	Production and laying of asphalt and investment holding
Cheung Kong China Infrastructure Limited	HK$2	100	China transportation infrastructure investment holding
China Cement Company (International) Limited	HK$1,000,000	70	Investment holding
Green Island Cement Company, Limited	HK$306,694,931	100	Manufacturing, sale and distribution of cement and property investment
Green Island Cement (Holdings) Limited	HK$722,027,503	100	Investment holding
Incorporated in British Virgin Islands and operating in Hong Kong			
Cheung Kong Infrastructure Finance (BVI) Limited	US$1	100	Financing
Capellini Limited	US$1	100	Financing
Cerise Global Limited	US$1	100	Financing
Daredon Assets Limited	US$1	100	Treasury
Export Success International Limited	US$1	100	Financing
Green Island International (BVI) Limited	US$1	100	Investment holding
Treriso Limited	US$1	100	Financing
Incorporated and operating in Australia			
Cheung Kong Infrastructure Finance (Australia) Pty Ltd	A$63,840,181	100	Financing
Incorporated and operating in New Zealand			
Enviro Waste Services Limited	NZ$84,768,736	100	Waste management services

Note: The shares of all the above subsidiaries are indirectly held by the Company.

PRINCIPAL ASSOCIATES

APPENDIX 2

The table below shows the associates as at 31st December, 2016 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the associates would, in the opinion of the Directors, result in particulars of excessive length.

Name	Issued share capital	Percentage of equity attributable to the Group	Principal activities
Incorporated and operating in Hong Kong			
Power Assets Holdings Limited (note 1)	HK$6,610,008,417	39	Investment in power and utility-related businesses
Incorporated and operating in Australia			
SA Power Networks Partnership (note 2)	N/A	23	Electricity distribution
Victoria Power Networks Pty Limited (note 3)	A$315,498,640	23	Electricity distribution

Notes:

1. The associate is listed on Hong Kong Stock Exchange.

2. SA Power Networks Partnership, an unincorporated body, is formed by the following companies:

   CKI Utilities Development Limited
   PAI Utilities Development Limited
   Spark Infrastructure SA (No.1) Pty Ltd
   Spark Infrastructure SA (No.2) Pty Ltd
   Spark Infrastructure SA (No.3) Pty Ltd

   CKI Utilities Development Limited and PAI Utilities Development Limited, both of which are associates of the Group, together own a 51 per cent interest in SA Power Networks Partnership.

   The partnership operates and manages the electricity distribution business in the State of South Australia of Australia.

3. Victoria Power Networks Pty Limited owns 100 per cent interests in the following companies:

   Powercor Australia Ltd
   CitiPower Pty Ltd
   The CitiPower Trust

   Powercor Australia Ltd and The CitiPower Trust each operates and manages an electricity distribution business in the State of Victoria of Australia.

PRINCIPAL JOINT VENTURES

APPENDIX 3

The table below shows the joint ventures as at 31st December, 2016 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

Name	Issued share capital	Percentage of equity attributable to the Group	Principal activities
Incorporated and operating in the United Kingdom			
UK Power Networks Holdings Limited	£6,000,000 A ordinary £4,000,000 B ordinary £360,000,000 A preference £240,000,000 B preference	40	Electricity distribution
Northumbrian Water Group Limited	£19 A ordinary £142 B ordinary	40	Water supply, sewerage and waste water businesses
Northern Gas Networks Holdings Limited	£71,670,979 ordinary £1 special	47	Gas distribution
Wales & West Gas Networks (Holdings) Limited	£290,272,506	30	Gas distribution
Electricity First Limited	£4	50	Electricity generation
Incorporated in Luxembourg and operating in the United Kingdom			
UK Rails S.à r.l.	£24,762	50	Leasing of rolling stock
Incorporated and operating in Australia			
Australian Gas Networks Limited	A$879,082,753	45	Gas distribution

APPENDIX 3 (CONT'D)

Name	Issued share capital	Percentage of equity attributable to the Group	Principal activities
Incorporated and operating in Canada			
Canadian Power Holdings Inc.	C$139,000,000 ordinary C$23,000,000 preference	50	Electricity generation
1822604 Alberta Ltd.	C$1	50	Off-airport parking operation
Husky Midstream Limited Partnership	C$1,153,845,000 class A units C$621,301,154 class B units C$1,776,923 general partnership interest	16	Oil pipelines, storage facilities and anciliary assets operation
Incorporated and operating in New Zealand			
Wellington Electricity Distribution Network Limited	NZ$172,000,100	50	Electricity distribution
Incorporated and operating in the Netherlands			
AVR-Afvalverwerking B.V.	€1	35	Producing energy from waste
Incorporated and operating in Portugal			
Iberwind – Desenvolvimento e Projectos, S.A.	€50,000	50	Generation and sale of wind energy

SCHEDULE OF MAJOR PROPERTIES

APPENDIX 4

Location	Lot Number	Group's Interest (per cent)	Approximate floor/site area attributable to the Group (sq. m.)	Existing Usage	Lease Term
14-18 Tsing Tim Street, Tsing Yi	TYTL 98	100	3,355	I	Medium
TMTL 201 Tap Shek Kok	TMTL 201	100	152,855	I	Medium
Certain units of Harbour Centre Tower 2, 8 Hok Cheung Street, Hunghom	KML 113	100	5,528	C	Medium

I: Industrial   C: Commercial

CORPORATE GOVERNANCE REPORT

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

Save as disclosed below, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31st December, 2016. In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company does not have a nomination committee. At present, the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman of the Board (the "Chairman") and the Group Managing Director.

Key corporate governance principles and corporate governance practices of the Company are summarised below:

I. CODE PROVISIONS

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Comply ("C")/
Explain ("E")</th><th>Corporate Governance Practices</th></tr>
<tr><td colspan="4">A. DIRECTORS</td></tr>
<tr><td>A.1</td><td colspan="3">THE BOARD
Corporate Governance Principle
The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.</td></tr>
<tr><td>A.1.1</td><td>Regular board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of majority of directors.</td><td>C</td><td>• The Board meets regularly and held meetings in March, May, July and November of 2016.
• Directors' attendance records in 2016 are as follows:
<table>
<tr><th>Members of the Board</th><th>Attendance</th></tr>
<tr><td colspan="2">Executive Directors</td></tr>
<tr><td>LI Tzar Kuoi, Victor (Chairman)</td><td>4/4</td></tr>
<tr><td>KAM Hing Lam (Group Managing Director)</td><td>4/4</td></tr>
<tr><td>IP Tak Chuen, Edmond (Deputy Chairman)</td><td>4/4</td></tr>
<tr><td>FOK Kin Ning, Canning (Deputy Chairman)</td><td>4/4</td></tr>
<tr><td>Andrew John HUNTER (Deputy Managing Director)</td><td>4/4</td></tr>
<tr><td>CHAN Loi Shun (Chief Financial Officer)</td><td>4/4</td></tr>
<tr><td>CHEN Tsien Hua *</td><td>N/A</td></tr>
<tr><td>CHOW WOO Mo Fong, Susan **</td><td>2/3</td></tr>
<tr><td>Frank John SIXT</td><td>4/4</td></tr>
<tr><td colspan="2">Independent Non-executive Directors</td></tr>
<tr><td>CHEONG Ying Chew, Henry</td><td>4/4</td></tr>
<tr><td>KWOK Eva Lee</td><td>4/4</td></tr>
<tr><td>SNG Sow-mei alias POON Sow Mei</td><td>4/4</td></tr>
<tr><td>Colin Stevens RUSSEL</td><td>4/4</td></tr>
<tr><td>LAN Hong Tsung, David</td><td>4/4</td></tr>
<tr><td>Barrie COOK</td><td>4/4</td></tr>
<tr><td colspan="2">Non-executive Directors</td></tr>
<tr><td>LEE Pui Ling, Angelina</td><td>4/4</td></tr>
<tr><td>George Colin MAGNUS</td><td>4/4</td></tr>
</table>
* Appointed as an Executive Director with effect from 1st January, 2017.
** Retired as an Executive Director with effect from 1st August, 2016.
• The Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) in accordance with the Company's Bye-laws. An updated and consolidated version of the Company's Memorandum of Association and Bye-laws (both English and Chinese versions) are available on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx"). There were no significant changes in the Company's constitutional documents during the year 2016.</td></tr>
</table>

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.1.2	All directors are given an opportunity to include matters in the agenda for regular board meetings.	C	• All Directors are consulted as to whether they may wish to include any matter in the agenda before the agenda for each regular Board meeting is issued.
A.1.3	– At least 14 days notice for regular board meetings – Reasonable notice for other board meetings	C C	• Regular Board meetings in a particular year are usually scheduled towards the end of the immediately preceding year to give all Directors adequate time to plan their schedules to attend the meetings. • At least 14 days formal notice would be given before each regular meeting. • According to the Company's Bye-laws, any Director may waive notice of any meeting.
A.1.4	Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.	C	• The Company Secretary prepares written resolutions or minutes and keeps records of substantive matters discussed and decisions resolved at all Board and Board Committee meetings. • Board and Board Committee minutes are sent to all Directors/Board Committee members within a reasonable time after each Board and Board Committee meeting. • Board and Board Committee minutes/resolutions are available for inspection by Directors/Board Committee members.
A.1.5	– Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached. – Draft and final versions of minutes for all directors to comment and to keep records within a reasonable time after the board meeting	C C	• Minutes record in sufficient detail the matters considered by the Board/Board Committees and decisions reached. • Directors are given an opportunity to comment on draft Board minutes. • Final version of Board minutes is placed on record within a reasonable time after the Board meeting.
A.1.6	– A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense – The board should resolve to provide separate independent professional advice to directors to assist them perform their duties to the company.	C C	• Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.
A.1.7	– If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. – Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.	C C	• Important matters are usually dealt with by way of written resolutions so that all Directors (including Independent Non-executive Directors) can note and comment, as appropriate, the matters before approval is granted. • Director must declare his/her interest in the matters to be passed in the resolution, if applicable. • If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.
A.1.8	Arrange appropriate insurance cover in respect of legal action against the directors	C	• The Company has arranged appropriate Directors and Officers liability insurance coverage for its Directors and officers since 1996 including the year 2016/2017.
A.2	**CHAIRMAN AND CHIEF EXECUTIVE** *Corporate Governance Principle* *There should be a clear division of responsibilities between the Chairman and the Group Managing Director of the Company to ensure a balance of power and authority.*		

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2.1	– Separate roles of chairman and chief executive not to be performed by the same individual – Division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.	C C	• The positions of the Chairman and the Group Managing Director are currently held by separate individuals. • The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management. • The Group Managing Director, with the support of the Executive Directors, is responsible for strategic planning of different business functions and day-to-day management and operation of the Group.
A.2.2	The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	C	• 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 receive adequate and reliable information on a timely basis. • In addition to regular Board meetings, the Chairman met with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in May and November of 2016. Attendance records of the meetings are as follows: **Attendance** **Chairman** LI Tzar Kuoi, Victor 2/2 **Independent Non-executive Directors** CHEONG Ying Chew, Henry 2/2 KWOK Eva Lee 2/2 SNG Sow-mei alias POON Sow Mei 2/2 Colin Stevens RUSSEL 2/2 LAN Hong Tsung, David 2/2 Barrie COOK 2/2 **Non-executive Directors** LEE Pui Ling, Angelina 1/2 George Colin MAGNUS 2/2
A.2.3	The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.	C	• The Board papers including supporting analysis and related background information are normally sent to the Directors at least three days before Board meetings. • Communications between Non-executive Directors (including Independent Non-executive Directors) on the one hand, and the Company Secretary as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and further supporting information and/or documentation is provided as appropriate.
A.2.4	– The chairman to provide leadership for the board – The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. – The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. He should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary.	C C C	• The Chairman is an Executive Director who is responsible for the leadership and effective running of the Board. • The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management. • The Board meets regularly and held meetings in March, May, July and November of 2016. • With the support of the Executive Directors and the Company Secretary, the Chairman ensures that all Directors are properly briefed on all key and appropriate issues in a timely manner. • The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and ensures that, where applicable, matters proposed by other Directors are included in the agenda; and that all applicable rules and regulations are followed.
A.2.5	The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.	C	• The Board as a whole and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2.6	– The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the company. – The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.	C C	• Please refer to A.2.3 and A.2.4 above for the details.
A.2.7	The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.	C	• In addition to regular Board meetings, the Chairman met with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in May and November of 2016. Please refer to A.2.2 above for the attendance records.
A.2.8	The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole.	C	• The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules, and shareholders can choose to receive such documents using electronic means through the Company's website; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its shareholders and stakeholders; (v) press conferences and briefing meetings with analysts are arranged from time to time to update on the performance of the Group; (vi) the Company's Branch Share Registrar deals with shareholders for share registration and related matters; and (vii) the Corporate Affairs Department of the Company handles enquiries from shareholders and investors generally. • In March 2012, the Board has established a shareholders communication policy and has made it available on the Company's website. The policy is subject to review on a regular basis to ensure its effectiveness.
A.2.9	The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.	C	• The Chairman promotes a culture of openness and actively encourages Directors with different views to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's functions.
A.3	**BOARD COMPOSITION** *Corporate Governance Principle* *The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*		
A.3.1	Independent non-executive directors should be identified in all corporate communications that disclose the names of directors.	C	• The composition of the Board, by category and position of Directors including the names of the Chairman, the Executive Directors, the Non-executive Directors and the Independent Non-executive Directors, is disclosed in all corporate communications. • The Board consists of a total of sixteen Directors, comprising eight Executive Directors, two Non-executive Directors and six Independent Non-executive Directors. Three Alternate Directors were appointed. More than one Independent Non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise. • Details of the composition of the Board are set out on page 206. • The Directors' biographical information and the relationships among the Directors are set out on pages 54 to 61. • Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.3.2	The company should maintain on its website and on HKEx's website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	C	• The Company maintains on its website an updated list of its Directors identifying their respective roles and functions together with their biographical information, and whether they are independent non-executive directors. Since March 2012, the updated list of Directors has been posted on the website of HKEx which has been revised from time to time. The Company has also posted on its website and/or the website of HKEx the Terms of Reference of its Board Committees to enable the shareholders to understand the roles played by those Independent Non-executive Directors who serve on the relevant Board Committees.
A.4	**APPOINTMENTS, RE-ELECTION AND REMOVAL** *Corporate Governance Principle* *There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments. All Directors should be subject to re-election at regular intervals.*		
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election.	C	• All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-laws and the CG Code.
A.4.2	– All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. – Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	C C	• In accordance with the Company's Bye-laws, newly appointed Directors are required to offer themselves for re-election at the next following general meeting (in the case of filling a casual vacancy) or at the next following annual general meeting (in the case of an addition to the existing Board) following their appointment. • The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by shareholders at the general meeting of the Company. Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the existing Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board) and shall then be eligible for re-election at the same general meeting. • All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-laws and the CG Code. • The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company. The independence of the Independent Non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules. • Each of the Independent Non-executive Directors makes an annual confirmation of independence pursuant to the requirements of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines. • The Company has published the procedures for shareholders to propose a person for election as a Director on its website.
A.4.3	– If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. – The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be re-elected.	C C	• Each Independent Non-executive Director who was subject to retirement by rotation was appointed by a separate resolution in the Company's annual general meeting. Each Independent Non-executive Director who was eligible for re-election at the annual general meeting had made a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. • The Company had expressed the view in its circular for 2017 Annual General Meeting that each Independent Non-executive Director who was eligible for re-election had met the independence guidelines set out in Rule 3.13 of the Listing Rules and was independent in accordance with the terms of the guidelines. In respect of an Independent Non-executive Director who has served more than nine years, the Company had expressed its view in the circular for the 2017 Annual General Meeting as regards such Director's independence. In accordance with the CG Code, the Company has to include its own recommendation in the circular to explain why a particular candidate should be re-elected. As their relevant credentials have been included in the circular for the shareholders' information, the Company opines that it is more important for the shareholders themselves to make their own independent decision on whether to approve a particular re-election or not.

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Comply ("C")/
Explain ("E")</th><th>Corporate Governance Practices</th></tr>
<tr><td>A.5</td><td colspan="3">NOMINATION COMMITTEE

Corporate Governance Principle
In carrying out its responsibilities, the nomination committee should give adequate consideration to the principles under Sections A.3 and A.4 in the CG Code.</td></tr>
<tr><td>A.5.1 –
A.5.4</td><td>– The company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.
– The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties.
– It should perform the following duties:–
(a) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the company's corporate strategy;
(b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships;
(c) assess the independence of independent non-executive directors; and
(d) make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.
– The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on HKEx's website and the company's website.
– The company should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the company's expense, to perform its responsibilities.</td><td>E</td><td>• The Company does not have a nomination committee. The Board as a whole is responsible for the appointment of new Directors and the nomination of Directors for re-election by shareholders at the general meeting of the Company. Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the existing Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board) and shall then be eligible for re-election at the same general meeting.
• At present, the full Board is responsible for reviewing the structure, size and composition of the Board from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman and the Group Managing Director.
• The Company adopts a formal, considered and transparent procedure for the appointment of new Directors. Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the Independent Non-executive Directors) are sought. After considering the proposal for the appointment of a new Director, the Board as a whole will make the final decision.
• The Board as a whole is responsible for assessing the independence of the Independent Non-executive Directors according to the relevant rules and requirements under the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines.</td></tr>
<tr><td>A.5.5</td><td>Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he should be elected and the reasons why they consider him to be independent.</td><td>C</td><td>• Please refer to A.4.3 above for the details.</td></tr>
</table>

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.5.6	The nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the Corporate Governance Report.	C	• In August 2013, the Company has established a policy concerning diversity of Board members ("Board Diversity Policy") and has made it available on the Company's website. • In the Board Diversity Policy:– 1. The Company recognises the benefits of having a Board that has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's businesses. 2. The Company maintains that appointments to the Board should be based on merit that complements and expands the skills and experience of the Board as a whole, and after due regard to factors which include but not limited to gender, age, cultural and educational background, and/or professional experience, and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board. 3. The full Board of the Company is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors of the Company from time to time to ensure that it has a balanced composition of skills and experience appropriate to the requirements of the Company's businesses, with due regard to the benefits of diversity on the Board. The Board as a whole is also responsible for reviewing the succession plan for the directors of the Company, in particular, for the Chairman and the Group Managing Director. • Selection of Board members is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other factors that the Board may consider relevant and applicable from time to time. The ultimate decision is based on merit and contribution that the selected Board members could bring to the Board. • The Board has, from time to time, reviewed and monitored the implementation of the policy to ensure its effectiveness. It will at appropriate time set measurable objectives for achieving diversity on the Board.
A.6	**RESPONSIBILITIES OF DIRECTORS** *Corporate Governance Principle* *Every Director must always know his responsibilities as a Director of the Company and its conduct, business activities and development.*		
A.6.1	Every newly appointed director of the company should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the company's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the company's business and governance policies.	C	• The Company Secretary and key officers of the Company Secretarial Department liaise closely with newly appointed Directors both immediately before and after his/her appointment to acquaint them with the duties and responsibilities as a Director of the Company and the business operation of the Company. • A package, which has been compiled and reviewed by the Company's legal advisers, setting out the duties and responsibilities of directors under the Listing Rules and relevant regulatory requirements is provided to each newly appointed Director. Further information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. Guidelines for directors have also been forwarded to each Director for his/her information and ready reference. • During the year, the Company had arranged at the cost of the Company Directors seminar sessions conducted by qualified professionals experienced on topics relating to the roles, functions and duties of the Directors. Certificates were issued to Directors who had attended the seminar sessions. • In addition, the Company has from time to time provided information and briefings to Directors on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. The Company had also, on an individual basis, advised Directors on queries raised or issues which arise in the performance of their duties as directors.
A.6.2	The functions of non-executive directors include: – bring independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings	C	• The Non-executive Directors exercise their independent judgement and advise on the future business direction and strategic plans of the Company. • The Non-executive Directors review the financial information and operational performance of the Company on a regular basis. • The Independent Non-executive Directors are invited to serve on the Audit Committee and Remuneration Committee of the Company.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.6.2 (Cont'd)	– take the lead on potential conflicts of interests – serve on the audit, remuneration, nomination and other governance committees, if invited – scrutinise the company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting	C C C	
A.6.3	Every director should ensure that he can give sufficient time and attention to the company's affairs and should not accept the appointment if he cannot do so.	C	• There is satisfactory attendance at Board meetings during the year. Please refer to A.1.1 above for the attendance records. • Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he/she is charged with. Appropriate attention to the affairs of the Company is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his/her area of knowledge and expertise, and his/her global perspective.
A.6.4	Board should establish written guidelines no less exacting than the Model Code for relevant employees.	C	• The Company had adopted the model code for securities transactions by directors of listed issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective from 31st March, 2004. The Model Code has been revised and adopted by the Company from time to time to comply with the new requirements set out in Appendix 10 to the Listing Rules. • Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code for the year ended 31st December, 2016. • Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Employee Handbook of the Company. • Since December 2011, the Company has established a policy on handling of confidential and price-sensitive information, and securities dealing for all employees of the Group to comply with when they are in possession of confidential or unpublished price-sensitive information in relation to the Group. Such policy has since been revised to comply with the requirements set out in Part XIVA of the Securities and Futures Ordinance. The policy has been further revised in July 2015 and such revised policy has been posted on the Company's intranet and disseminated to all employees of the Company in 2015.
A.6.5	All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.	C	• A package, which has been compiled and reviewed by the Company's legal advisers, setting out the duties and responsibilities of directors under the Listing Rules and relevant regulatory requirements is provided to each newly appointed Director. Further information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. Guidelines for directors have also been forwarded to each Director for his/her information and ready reference. • In addition, the Company has from time to time provided information and briefings to Directors on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. The Company had also, on an individual basis, advised Directors on queries raised or issues which arise in the performance of their duties as directors. • The Directors have provided to the Company their records of continuous professional development during the year 2016. • During the year, the Company had arranged at the cost of the Company Directors seminar sessions conducted by qualified professionals experienced on topics relating to the roles, functions and duties of the Directors. Certificates were issued to Directors who had attended the seminar sessions. Directors have also participated in continuous professional training organised by professional bodies and/or government authorities.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.6.5 (Cont'd)			• The Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means: (1) Reading memoranda issued or materials provided (for example, in-house directors' seminar) from time to time by the Company to Directors, and as applicable, briefings and reports by the Company Secretary, as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties with the latest developments in public consultations, laws, rules and regulations relating to the duties and responsibilities of directors and corporate governance; (2) Participation in continuous professional training seminars/conferences/courses/workshops on subjects relating to directors' duties and corporate governance, etc. organised by the Company and/or professional bodies and/or government authorities; and (3) Reading news/journal/magazine/other reading materials as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties. • Records of the Directors' training during 2016 are as follows: **Members of the Board** — **Training received** **Executive Directors** LI Tzar Kuoi, Victor *(Chairman)* — (1) & (3) KAM Hing Lam *(Group Managing Director)* — (1) & (3) IP Tak Chuen, Edmond *(Deputy Chairman)* — (1) & (3) FOK Kin Ning, Canning *(Deputy Chairman)* — (1) & (3) Andrew John HUNTER *(Deputy Managing Director)* — (1) & (3) CHAN Loi Shun *(Chief Financial Officer)* — (1), (2) & (3) CHEN Tsien Hua * — N/A CHOW WOO Mo Fong, Susan ** — N/A Frank John SIXT — (1), (2) & (3) **Independent Non-executive Directors** CHEONG Ying Chew, Henry — (1), (2) & (3) KWOK Eva Lee — (1), (2) & (3) SNG Sow-mei alias POON Sow Mei — (1), (2) & (3) Colin Stevens RUSSEL — (1), (2) & (3) LAN Hong Tsung, David — (1), (2) & (3) Barrie COOK — (1), (2) & (3) **Non-executive Directors** LEE Pui Ling, Angelina — (1), (2) & (3) George Colin MAGNUS — (1), (2) & (3) * Appointed as an Executive Director with effect from 1st January, 2017. ** Retired as an Executive Director with effect from 1st August, 2016.
A.6.6	Each director should disclose to the company at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The board should determine for itself how frequently this disclosure should be made.	C	• The Directors have disclosed to the Company at the time of their appointment and from time to time thereafter the number and nature of offices held in public companies or organisations and other significant commitments, identifying the public companies or organisations involved.
A.6.7	Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.	C	• There is satisfactory attendance at Board meetings, Board Committee meetings, the meetings between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) and the general meetings during the year. Please refer to A.1.1, A.2.2, B.1.2, C.3.1 and E.1.2 for the attendance records. • Extent of participation and contribution should be viewed both quantitatively and qualitatively.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.6.8	Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the company's strategy and policies through independent, constructive and informed comments.	C	• Please refer to A.6.7 above.
A.7	**SUPPLY OF AND ACCESS TO INFORMATION** *Corporate Governance Principle* *Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.*		
A.7.1	– Send agenda and full board papers to all directors at least 3 days before regular board or board committee meetings – As far as practicable for other board or board committee meetings	C C	• Board/Board Committee papers are circulated not less than three days before the regular Board/Board Committee meetings to enable the Directors/Board Committee members to make informed decisions on matters to be raised at the Board/Board Committee meetings.
A.7.2	– Management has an obligation to supply the board and its committees with adequate and reliable information in a timely manner to enable it to make informed decisions. – The board and individual directors should have separate and independent access to the company's senior management for making further enquiries where necessary.	C C	• The Company Secretary and the Chief Financial Officer attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate. • Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided as appropriate.
A.7.3	– All directors are entitled to have access to board papers and related materials. – Queries raised by directors should receive a prompt and full response, if possible.	C C	• Please see A.7.1 and A.7.2 above.
B.	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION**		
B.1	**THE LEVEL AND MAKE-UP OF REMUNERATION AND DISCLOSURE** *Corporate Governance Principle* *The Company should disclose its Director's remuneration policy and other remuneration related matters. The procedure for setting policy on Executive Directors' remuneration and all Directors' remuneration packages should be formal and transparent.*		
B.1.1	The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors and should have access to independent professional advice if necessary.	C	• The Remuneration Committee has consulted the Chairman and/or the Group Managing Director about proposals relating to the remuneration packages and other human resources issues of the Directors and senior management, including, without limitation, succession plan and key personnel movements as well as policies for recruiting and retaining qualified personnel. • The emoluments of Directors have been determined with reference to the skills, knowledge, involvement in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the year. • To enable them to better advise on the Group's future remuneration policy and related strategies, the Remuneration Committee has been advised of the Group's existing remuneration policy and succession plan, including the corporate philosophy in formulating employees' remuneration packages, and market trends and related information. • The Remuneration Committee is satisfied that there is in place a clear system for determining remuneration, which is reasonable and has been followed consistently in its application.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
B.1.2	The remuneration committee's terms of reference should include: – recommend to the board on the company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy – review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives – either to determine, with delegated responsibility, or to make recommendations to the board on the remuneration packages of individual executive directors and senior management – recommend to the board on the remuneration of non-executive directors – consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group – review and approve compensation payable on loss or termination of office or appointment – review and approve compensation arrangements relating to dismissal or removal of directors for misconduct – ensure that no director or any of his associates is involved in deciding his own remuneration	C	• The Company established its Remuneration Committee ("Remuneration Committee") on 1st January, 2005. A majority of the members are Independent Non-executive Directors. • The Remuneration Committee comprises the Chairman, Mr. Li Tzar Kuoi, Victor, and two Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Remuneration Committee) and Mr. Colin Stevens Russel. • The terms of reference of the Remuneration Committee (both English and Chinese versions) follow closely the requirements of the CG Code. The same as modified from time to time and adopted by the Board, are posted on the websites of the Company and HKEx. • The Remuneration Committee, with delegated responsibility, determines the remuneration packages of individual Executive Directors and senior management, and reviews the remuneration of Non-executive Directors. • Since the publication of the Annual Report 2015 in April 2016, meetings of the Remuneration Committee were held in November 2016 and January 2017. Attendance records of the members of the Remuneration Committee are as follows: **Members of the Remuneration Committee** — **Attendance** CHEONG Ying Chew, Henry *(Chairman of the Remuneration Committee)* — 2/2 LI Tzar Kuoi, Victor — 2/2 Colin Stevens RUSSEL — 2/2 • The following is a summary of the work of the Remuneration Committee during the said meetings: 1. Review the remuneration policy for 2016/2017; 2. Recommend to the Board the Company's policy and structure for the remuneration of Directors and the management; 3. Review the remuneration packages of Executive Directors and the management with reference to the established system of the Company for determining the remuneration review; 4. Review and approve the remuneration of Non-executive Directors; and 5. Review the annual bonus policy. • No Director or any of his/her associates is involved in deciding his/her own remuneration at the meetings of the Remuneration Committee held in November 2016 and January 2017.
B.1.3	The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on HKEx's website and the company's website.	C	• The terms of reference of the Remuneration Committee are posted on the websites of the Company and HKEx. • The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and the management, and reviewing the remuneration packages of all Executive Directors and the management with reference to the corporate goals and objectives of the Board resolved from time to time.
B.1.4	The remuneration committee should be provided with sufficient resources to perform its duties.	C	• The Human Resources Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.
B.1.5	The company should disclose details of any remuneration payable to members of senior management by band in the annual reports.	C	• The Board has resolved that the senior management of the Company comprises only the Executive Directors of the Company. Please refer to note 33 in the Notes to the Consolidated Financial Statements for details of the remuneration payable to the Directors.

C. ACCOUNTABILITY AND AUDIT

C.1 FINANCIAL REPORTING

Corporate Governance Principle
The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.1.1	Management should provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval.	C	• Directors are provided with a review of the Group's major business activities and key financial information on a quarterly basis.
C.1.2	Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties.	C	• Monthly updates had been provided to all members of the Board since April 2012, the effective date of code provision C.1.2, for the purpose of providing a balance and understandable assessment of the Company's performance, position and prospects in sufficient detail and to enable the Board as a whole and each Director to discharge their duties.
C.1.3	– The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. – There should be a statement by the auditors about their reporting responsibilities in the auditor's report on the financial statements. – Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. – Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the company's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report.	C C C N/A	• The Directors acknowledged in writing on an annual basis their responsibility for preparing the financial statements of the Group. • Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.3 of the CG Code. • With the assistance of the Company's Finance and Accounting Department which is under the supervision of the Chief Financial Officer who is a professional accountant, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. • The Directors also ensure the publication of the financial statements of the Group is in a timely manner. • The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 84 to 89.
C.1.4	The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the company's objectives.	C	• The Board has included the separate statement containing a discussion and analysis of the Group's Long Term Development Strategy in the Annual Report 2016.
C.1.5	The board should present a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required by the Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements.	C	• The Board aims to present a clear, balanced and understandable assessment of the Group's performance and position in all shareholder communications. • The Board is aware of and updated with the requirements under the applicable rules and regulations about timely disclosure of inside information or matters regarding the Company and will authorise the publication of such announcements as and when the occasion arises. The Company Secretary and key officers of the Company Secretarial Department work closely and in consultation with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2	**RISK MANAGEMENT AND INTERNAL CONTROL** *Corporate Governance Principle* *The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems.*		
C.2.1	The board should oversee the group's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the company's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.	C	• The Board is responsible for maintaining sound and effective risk management and internal control systems, which include the development of necessary policies and procedures. Such systems are reviewed twice a year to ensure they are operating effectively on an ongoing basis. The Group maintains an enterprise risk management framework to identify, assess, manage, monitor and control current and emerging risks. • Risk management and internal control systems are designed to help the achievement of business objectives in the following categories: (1) Alignment with and supportive of the Group's strategies; (2) Effectiveness and efficiency of operations which include safeguarding assets against unauthorised user or disposition; (3) Reliability of financial and operational reporting; and (4) Compliance with applicable laws, regulations, and internal controls and procedures.
C.2.2	The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the company's accounting, internal audit and financial reporting functions.	C	• The Board, through the Audit Committee, reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions at the Board meeting held in March 2017 and noted that the Company has been in compliance with the Code Provision for the year 2016. Please also refer to C.3.3 below.
C.2.3	The board's annual review should, in particular, consider:		
	(a) the changes, since the last annual review, in the nature and extent of significant risks, and the company's ability to respond to changes in its business and the external environment;	C	• The Board, through the Audit Committee, regularly reviews the significant risks and decisions that could have a material impact on the Group. These reviews consider the level of risk that the Group is prepared to take in pursuit of the business strategy and the effectiveness of the management controls in place to mitigate the risk exposure. They also regularly review the effectiveness of any remedial actions taken during the reporting period in order to respond to changes in its business and the external environment.
	(b) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;	C	• The Audit Committee, on behalf of the Board, regularly reviews the scope and quality of the risk management framework and effectiveness of the internal control systems. The Audit Committee evaluates the internal audit function on an ongoing basis by reviewing internal audit resources, plans, budgets and its work. The Audit Committee also carries out a review of the reports from the external auditors, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), regarding the internal controls and relevant financial reporting matters in the Company.
	(c) the extent and frequency of communication of monitoring results to the board (or board committee(s)) which enables it to assess control of the company and the effectiveness of risk management;	C	• The Group's risk management and internal control systems are reviewed twice a year by the management. Each business unit has to perform risk assessment where the risks associated with achieving the business objectives are identified and analysed. It also includes a review of the control mechanism for each risk and action plan is put in place to address the areas for improvement. The Chief Executive Officer and Chief Financial Officer of each business unit need to provide a formal confirmation to acknowledge review of their control systems and highlight any weaknesses. Such confirmations are reviewed by the Audit Committee, through Internal Audit, and submitted to the Board for its assessment.
	(d) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the company's financial performance or condition; and	C	• No significant control failings or weaknesses had been identified during the reporting period. The Board is not aware of any material unforeseen outcomes or contingencies that may in the future have a material impact on the Company's financial performance or condition.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2.3 (Cont'd)	(e) the effectiveness of the company's processes for financial reporting and Listing Rule compliance.	C	• The Board has conducted a review of the effectiveness of the Group's risk management and internal control systems, including all material financial, operational and compliance controls, and concluded that they are adequate and effective.
C.2.4	The company should disclose, in the Corporate Governance Report, a narrative statement on how it has complied with the risk management and internal control code provisions during the reporting period. In particular, the company should disclose:	C	• The Company has complied with the code provisions on risk management and internal controls during the reporting period.
	(a) the process used to identify, evaluate and manage significant risks;	C	• The Group has in place an Enterprise Risk Management framework which is consistent with the COSO (Committee of Sponsoring Organisations of the Treadway Commission) framework. The framework supports the Group to identify, evaluate and manage significant risks.
	(b) the main features of the risk management and internal control systems;	C	• The Group adopts a "top-down and bottom-up" approach to manage risk exposures which works as follows: Managing Risk from Top-down: *The Board and Audit Committee* (1) Assess and determine the nature and extent of the risks that the Group is willing to accept in pursuit of its strategic and business objectives; and (2) Ensure appropriate and effective risk management and internal control systems are in place. *Senior Management* (1) Oversee the Group's risk profile and evaluate if major risks are appropriately mitigated; and (2) Review and confirm the effectiveness of the risk management processes. Managing Risk from Bottom-up: *Risk and Control Monitoring Functions* (1) Establish relevant policies and procedures for the Group; and (2) Monitor business units in the implementation of effective risk management and internal control systems. *Operational Level* (1) Identify, assess, mitigate and report the risks; and (2) Provision of reports and data relating to emerging risks to the Board, through the Audit Committee. • Through this "top-down and bottom-up" risk review process, the risks identified in each business unit will be presented in the Group Risk Register, where they are considered significant on a group level. This Register, of which the content is confirmed by the Group Managing Director and the Chief Financial Officer, forms part of the Risk Management Report for review and approval by the Audit Committee every half-yearly. The Audit Committee, on behalf of the Board, reviews the Report to ensure that all the significant risks are identified and appropriately managed. • Pages 192 to 196 of the Annual Report also provide a description of the Group's risk factors which could affect the Group's financial condition or results of operations to differ materially from expected or historical results.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2.4 (Cont'd)	(c) an acknowledgement by the board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss;	C	• Both risk management and internal control systems are designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material errors, losses or fraud. The concept of reasonable assurance recognises that the cost of control procedure should not exceed the expected benefits.
	(d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and	C	• Please refer to C.2.3 above.
	(e) the procedures and internal controls for the handling and dissemination of inside information.	C	• Regarding the procedures and internal controls for handling inside information, the Group: (1) is well aware of its statutory and regulatory obligations to announce any inside information; (2) makes reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012; (3) has implemented policy and procedure which strictly prohibit unauthorised use of confidential information and insider trading, and has communicated to all staff; and (4) requires that only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs.
C.2.5	The company should have an internal audit function. The company without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.	C	• Internal Audit, reporting directly to the Audit Committee and the Group Managing Director, performs independent assessment of the risk management and internal control systems. Using a risk based methodology, Internal Audit prepares its audit plan in consultation with, but independent of, management, and it is reviewed by the Audit Committee. The audit work focuses on those areas of the Group's activities with greatest perceived risks. Ad hoc review will also be performed on areas of concern identified by the Audit Committee and management. Management of individual business unit will be informed of the areas for improvement, and Internal Audit is responsible for monitoring the corrective actions.
C.3	**AUDIT COMMITTEE** *Corporate Governance Principle* *The Board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company's auditors.*		
C.3.1	– Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. – Draft and final versions of minutes should be sent to all committee members for their comment and records within a reasonable time after the meeting.	C C	• Minutes drafted by the Company Secretary are circulated to members of the Audit Committee within a reasonable time after each meeting. • Audit Committee meetings were held in March and July of 2016. Attendance records of members of the Audit Committee are as follows: **Members of the Audit Committee** — **Attendance** Colin Stevens RUSSEL *(Chairman of the Audit Committee)* — 2/2 CHEONG Ying Chew, Henry — 2/2 KWOK Eva Lee — 2/2 SNG Sow-mei alias POON Sow Mei — 2/2 LAN Hong Tsung, David — 2/2 • The following is a summary of the work of the Audit Committee during 2016: 1. Review the financial reports for 2015 annual results and 2016 interim results; 2. Review the findings and recommendations of the Group Internal Audit on the work of various business units and divisions/departments; 3. Review the effectiveness of the risk management and internal control systems; 4. Review the external auditor's audit findings; 5. Review the auditor's remuneration; 6. Review the risks of different business units and analysis thereof provided by the relevant business units; 7. Review the control mechanisms for such risks advising on action plans for improvement of the situations; 8. Review the arrangements employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and 9. Perform the corporate governance functions and review the corporate governance policies and practices.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.3.1 (Cont'd)			• After due and careful consideration of reports from management and the internal and external auditors, the Audit Committee noted that no suspected fraud or irregularities, significant internal control deficiencies, or suspected infringement of laws, rules, or regulations had been found, and concluded at the meeting held on 15th March, 2017 that the internal control system was adequate and effective. • On 15th March, 2017, the Audit Committee met to review the Group's 2016 consolidated financial statements, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor. After review and discussions with the management, internal auditor and external auditor, the Audit Committee endorsed the accounting treatment adopted by the Company, and the Audit Committee had to the best of its ability assured itself that the disclosure of the financial information in the Annual Report 2016 complied with the applicable accounting standards and Appendix 16 to the Listing Rules. The Audit Committee therefore resolved to recommend for the Board's approval the consolidated financial statements for the year ended 31st December, 2016. • The Audit Committee also recommended to the Board the re-appointment of Deloitte as the Company's external auditor for 2017 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2017 annual general meeting. • The Group's Annual Report for the year ended 31st December, 2016 has been reviewed by the Audit Committee.
C.3.2	A former partner of existing auditing firm shall not act as a member of the audit committee for 1 year from the date of his ceasing to be a partner of or to have any financial interest in, the firm, whichever is later.	C	• No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm.
C.3.3	The audit committee's terms of reference should include: – recommendations to the board on the appointment, reappointment and removal of external auditor and approval of their terms of engagement – review and monitor external auditor's independence and objectivity and effectiveness of audit process – review of the company's financial information – oversight of the company's financial reporting system, risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the company's accounting and financial reporting function	C	• The terms of reference of the Audit Committee (both English and Chinese versions), which follow closely the requirements of the CG Code and are modified from time to time and adopted by the Board, are posted on the websites of the Company and HKEx.
C.3.4	The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on HKEx's and the company's website.	C	• The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established the Audit Committee in December 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. • In accordance with the requirements of the CG Code, the terms of reference of the Audit Committee were revised from time to time in terms substantially the same as the provisions set out in the CG Code. The latest version of the terms of reference of the Audit Committee is available on the websites of the Company and HKEx. • The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, risk management and internal control systems, review of the Group's financial information, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board. Regular meetings have been held by the Audit Committee since its establishment.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.3.4 (Cont'd)			• The Audit Committee comprises five Independent Non-executive Directors, namely, Mr. Colin Stevens Russel (Chairman of the Audit Committee), Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei and Mr. Lan Hong Tsung, David. The Audit Committee held two meetings in 2016.
C.3.5	Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	N/A	• The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Deloitte be re-appointed as the Company's external auditor for 2017. • For the year ended 31st December, 2016, the external auditor of the Company received approximately HK$6.3 million for annual audit services and approximately HK$9.6 million for tax and other services.
C.3.6	The audit committee should be provided with sufficient resources to perform its duties.	C	• The Audit Committee has been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should the seeking of such advice be considered necessary by the Audit Committee.
C.3.7	The terms of reference of the audit committee should also require it: – to review arrangements employees of the company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and – to act as the key representative body for overseeing the company's relations with the external auditor.	C C	• The terms of reference of the Audit Committee were revised with effect from 1st January, 2012 to include the requirement to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. • The Company has established the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters for employees and those who deal with the Group to raise concerns, in confidence, with the Audit Committee about possible improprieties in matters of financial reporting, internal control or other matters relating to the Group. Such procedures were included into the Company's employees handbook and posted on the Company's website. • The Company has issued an employee's handbook to its staff, which contains the mechanism for employees to raise any issues they may have to their department heads and to the human resources department for necessary action (whether these relate to their career development or any other grievances and complaints they may have).
D.	**DELEGATION BY THE BOARD**		
D.1	**MANAGEMENT FUNCTIONS** *Corporate Governance Principle* *The Company should have a formal schedule of matters specifically reserved for Board approval and those delegated to management.*		
D.1.1	When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the management's powers, in particular, where management should report back and obtain prior board approval before making decisions or entering into any commitments on the company's behalf.	C	• Executive Directors are in charge of different businesses and functional divisions in accordance with their respective areas of expertise. • Please refer to the Management Structure Chart set out on page 183. • For matters or transactions of a material nature, the same will be referred to the Board for approval. • For matters or transactions of a magnitude requiring disclosure under the Listing Rules or other applicable rules or regulations, appropriate disclosure will be made and where necessary, circular will be prepared and shareholders' approval will be obtained in accordance with the requirements of the applicable rules and regulations.
D.1.2	Formalise functions reserved to the board and those delegated to management and to review those arrangements periodically to ensure that they remain appropriate to the company's needs.	C	• The Board, led by the Chairman, is responsible for the Group's future development directions; overall strategies and policies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. • Under the leadership of the Group Managing Director, management is responsible for the day-to-day operations of the Group.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
D.1.3	The company should disclose the respective responsibilities, accountabilities and contributions of the board and management.	C	• Please refer to the Management Structure Chart set out on page 183.
D.1.4	Directors should clearly understand delegation arrangements in place. The company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.	C	• In February 2012, formal letters of appointment have been issued to all Directors setting out the key terms and conditions of their respective appointment. Each newly appointed Director will also be issued with a letter of appointment.
D.2	**BOARD COMMITTEES** *Corporate Governance Principle* *Board Committees should be formed with specific written terms of reference which deal clearly with their authority and duties.*		
D.2.1	Where board committees are established to deal with matters, the board should give them sufficiently clear terms of reference to enable them to perform their functions properly.	C	• Three Board Committees, namely, Audit Committee, Remuneration Committee and Executive Committee, have been established with specific terms of reference.
D.2.2	The terms of reference of board committees should require them to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	C	• Board Committees report to the Board of their decisions and recommendations at the Board meetings.
D.3	**CORPORATE GOVERNANCE FUNCTIONS**		
D.3.1	The terms of reference of the board (or a committee or committees performing this function) should include:– – develop and review the company's policies and practices on corporate governance and make recommendations to the board; – review and monitor the training and continuous professional development of directors and senior management; – review and monitor the company's policies and practices on compliance with legal and regulatory requirements; – develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and – review the company's compliance with the CG Code and disclosure in the Corporate Governance Report.	C	• The terms of reference of the Audit Committee were revised with effect from 1st January, 2012 to include the following corporate governance functions delegated by the Board: 1. Develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; 2. Review and monitor the training and continuous professional development of Directors and senior management; 3. Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; 4. Develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and 5. Review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report. • At the Audit Committee's meeting held in March 2017, the Audit Committee was satisfied that the above-mentioned corporate governance functions were adhered to, and members of the Audit Committee had examined the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements including:– (a) Policy on Handling of Confidential Information, Information Disclosure, and Securities Dealing; (b) Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters; (c) Shareholders Communication Policy; (d) Media and Public Engagement Policy; (e) Model Code for Securities Transactions by Directors; and (f) Board Diversity Policy.
D.3.2	The board should be responsible for performing the corporate governance duties set out in the terms of reference in D.3.1 or it may delegate the responsibility to a committee or committees.	C	• The board has delegated the responsibility of performing the corporate governance duties to the Audit Committee. To that effect, the terms of reference of the Audit Committee as set out in D.3.1 above were revised with effect from 1st January, 2012 to include the corporate governance functions delegated by the Board.

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Comply (“C”)/
Explain (“E”)</th><th>Corporate Governance Practices</th></tr>
<tr><td>E.</td><td colspan="3">COMMUNICATION WITH SHAREHOLDERS</td></tr>
<tr><td>E.1</td><td colspan="3">EFFECTIVE COMMUNICATION

Corporate Governance Principle
The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.</td></tr>
<tr><td>E.1.1</td><td>For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. The company should avoid “bundling” resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are “bundled”, the company should explain the reasons and material implications in the notice of meeting.</td><td>C</td><td>• Separate resolutions are proposed at the general meetings of the Company on each substantially separate issue, including the election of individual directors.</td></tr>
<tr><td>E.1.2</td><td>– The chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee to be available to answer questions at the annual general meeting.

– The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders’ approval.

– The company’s management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies and auditor independence.</td><td>C

C

C</td><td>• In 2016, the Chairman, Chairman of the Audit Committee and Chairman of the Remuneration Committee attended the 2016 annual general meeting and were available to answer questions.

• Directors’ attendance records of the 2016 annual general meeting are as follows:

<table>
<tr><th>Members of the Board</th><th>Attendance</th></tr>
<tr><td colspan="2">Executive Directors</td></tr>
<tr><td>LI Tzar Kuoi, Victor (Chairman of the Board)</td><td>1/1</td></tr>
<tr><td>KAM Hing Lam</td><td>1/1</td></tr>
<tr><td>IP Tak Chuen, Edmond</td><td>1/1</td></tr>
<tr><td>FOK Kin Ning, Canning</td><td>1/1</td></tr>
<tr><td>Andrew John HUNTER</td><td>1/1</td></tr>
<tr><td>CHAN Loi Shun</td><td>1/1</td></tr>
<tr><td>CHEN Tsien Hua *</td><td>N/A</td></tr>
<tr><td>CHOW WOO Mo Fong, Susan **</td><td>1/1</td></tr>
<tr><td>Frank John SIXT</td><td>1/1</td></tr>
<tr><td colspan="2">Independent Non-executive Directors</td></tr>
<tr><td>CHEONG Ying Chew, Henry
(Chairman of the Remuneration Committee)</td><td>1/1</td></tr>
<tr><td>KWOK Eva Lee</td><td>1/1</td></tr>
<tr><td>SNG Sow-mei alias POON Sow Mei</td><td>1/1</td></tr>
<tr><td>Colin Stevens RUSSEL (Chairman of the Audit Committee)</td><td>1/1</td></tr>
<tr><td>LAN Hong Tsung, David</td><td>1/1</td></tr>
<tr><td>Barrie COOK</td><td>1/1</td></tr>
<tr><td colspan="2">Non-executive Directors</td></tr>
<tr><td>LEE Pui Ling, Angelina</td><td>1/1</td></tr>
<tr><td>George Colin MAGNUS</td><td>1/1</td></tr>
</table>

* Appointed as an Executive Director with effect from 1st January, 2017.
** Retired as an Executive Director with effect from 1st August, 2016.

• In 2016, the Company’s external auditor attended the annual general meeting and was available to answer questions.</td></tr>
</table>

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
E.1.3	The company should arrange for the notice to shareholders to be sent for annual general meeting at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.	C	• The Company's notice to shareholders for the 2016 annual general meeting of the Company was sent at least 20 clear business days before the meeting.
E.1.4	The board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness.	C	• In March 2012, the Board has established a shareholders communication policy and made it available on the Company's website. The policy is subject to review on a regular basis to ensure its effectiveness. • The particulars of shareholders' rights relating to, inter alia, convening of special general meetings and making enquiries to the Company are as follows: 1. The Company has only one class of shares. All shares have the same voting rights and are entitled to the dividends declared. The Company's Bye-laws set out the rights of shareholders. 2. Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may, in accordance with the requirements and procedures set out in the Companies Act of Bermuda, request the Board to convene a special general meeting pursuant to Bye-law 58 of the Company's Bye-laws. The objects of the meeting must be stated in the related requisition which must be signed by the requisitionist(s) and deposited at the registered office of the Company. 3. (a) Shareholder(s) holding not less than one-twentieth of the total voting rights or (b) not less than 100 shareholders, may at their expense, unless the Company otherwise resolves, propose any resolution at any general meeting under the Companies Act of Bermuda. A written notice to that effect signed by the requisitionists together with a sum reasonably sufficient to meet the expenses in giving effect thereto must be deposited at the registered office of the Company at Clarendon House, Church Street, Hamilton HM11, Bermuda (addressed to the Company Secretary) not less than six weeks before the meeting. The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the meeting, the reasons for such proposal and any material interest of the proposing shareholder in such proposal. 4. Pursuant to Bye-law 88 of the Company's Bye-laws, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at any general meeting (including annual general meeting), the shareholder should lodge a written notice at the registered office or the head office of the Company provided that the minimum length of the period, during which such written notice may be given, shall be at least seven days and that the period for lodgment of such written notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. Such written notice must be accompanied by a notice signed by the person to be proposed of his/her willingness to be elected as a Director. 5. In conducting a poll, subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Company's Bye-laws, every shareholder present in person or by proxy or, in the case of a shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid share of which he/she/it is the holder. A person entitled to more than one vote on a poll need not use all his/her votes or cast all the votes he/she uses in the same way. 6. Shareholders have the right to receive corporate communications issued by the Company in hard copies or through electronic means in accordance with the manner as specified in Bye-law 160 of the Company's Bye-laws. 7. Shareholders whose shares are held in the Central Clearing and Settlement System (CCASS) may notify the Company from time to time through Hong Kong Securities Clearing Company Limited if they wish to receive the Company's corporate communications. 8. Shareholders and other stakeholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
E.2	**VOTING BY POLL** *Corporate Governance Principle* *The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.*		
E.2.1	The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.	C	• At the 2016 annual general meeting, the Chairman of the meeting explained (through the Company Secretary) the detailed procedures for conducting a poll, and answered questions from shareholders. • At the 2016 annual general meeting, the Chairman of the meeting exercised his power under the Company's Bye-laws to put each resolution set out in the notice to be voted by way of a poll. • Representatives of the Branch Share Registrar of the Company were appointed as scrutineer to monitor and count the poll votes cast at the 2016 annual general meeting. • Since the Company's 2003 annual general meeting, all the resolutions (other than procedural or administrative resolutions) put to vote at the Company's general meetings were taken by poll. • Poll results were posted on the websites of the Company and HKEx.
F.	**COMPANY SECRETARY**		
	Corporate Governance Principle *The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Group Managing Director on governance matters and should also facilitate induction and professional development of Directors.*		
F.1.1	The company secretary should be an employee of the company and have day-to-day knowledge of the company's affairs.	C	• The Company Secretary of the Company has been appointed from 1996 to 2008 and re-appointed in 2008 and has day-to-day knowledge of the Group's affairs. • The Company Secretary ensures the effective conduct of board meetings and that Board procedures are duly followed. • The Company Secretary prepares written resolutions or minutes and keeps records of substantive matters discussed and decisions resolved at all Board and Board Committee meetings. • The Company Secretary also advises on compliance with all applicable laws, rules and regulations in relation to the investments of the Group and keeps the Board fully abreast of all legislative, regulatory and corporate governance developments.
F.1.2	The board should approve the selection, appointment or dismissal of the company secretary.	C	• The appointment and removal of the Company Secretary is subject to Board approval in accordance with the Company's Bye-laws.
F.1.3	The company secretary should report to the board chairman and/or the chief executive.	C	• The Company Secretary reports to the Board through the Chairman whilst all members of the Board have access to the advice of the Company Secretary.
F.1.4	All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.	C	• Directors have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board for ensuring that Board procedures, and all applicable rules and regulations, are followed. • Memoranda are issued to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.

II. RECOMMENDED BEST PRACTICES

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices

A. DIRECTORS

A.1 THE BOARD

Corporate Governance Principle
The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.

There is no recommended best practice under Section A.1 in the CG Code.

A.2 CHAIRMAN AND CHIEF EXECUTIVE

Corporate Governance Principle
There should be a clear division of responsibilities between the Chairman and the Group Managing Director of the Company to ensure a balance of power and authority.

There is no recommended best practice under Section A.2 in the CG Code.

A.3 BOARD COMPOSITION

Corporate Governance Principle
The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.

There is no recommended best practice under Section A.3 in the CG Code.

A.4 APPOINTMENTS, RE-ELECTION AND REMOVAL

Corporate Governance Principle
There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments. All Directors should be subject to re-election at regular intervals.

There is no recommended best practice under Section A.4 in the CG Code.

A.5 NOMINATION COMMITTEE

Corporate Governance Principle
In carrying out its responsibilities, the nomination committee should give adequate consideration to the principles under Sections A.3 and A.4 in the CG Code.

There is no recommended best practice under Section A.5 in the CG Code.

A.6 RESPONSIBILITIES OF DIRECTORS

Corporate Governance Principle
Every Director must always know his responsibilities as a Director of the Company and its conduct, business activities and development.

There is no recommended best practice under Section A.6 in the CG Code.

A.7 SUPPLY OF AND ACCESS TO INFORMATION

Corporate Governance Principle
Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

There is no recommended best practice under Section A.7 in the CG Code.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION

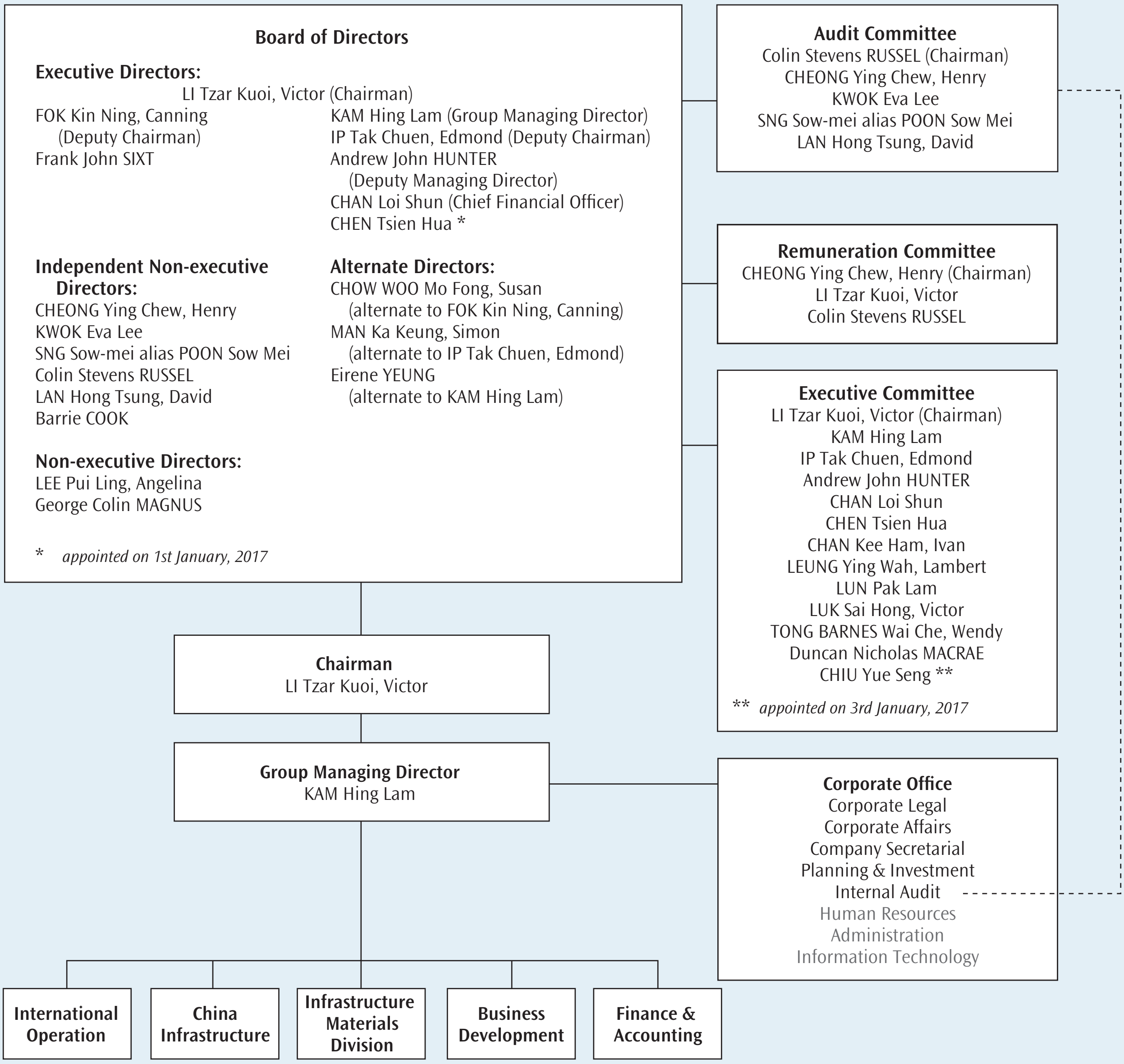
B.1 THE LEVEL AND MAKE-UP OF REMUNERATION AND DISCLOSURE

Corporate Governance Principle
The Company should disclose its Director's remuneration policy and other remuneration related matters. The procedure for setting policy on Executive Directors' remuneration and all Directors' remuneration packages should be formal and transparent.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
B.1.6	Where the board resolves to approve any remuneration or compensation arrangements with which the remuneration committee disagrees, the board should disclose the reasons for its resolution in its next Corporate Governance Report.	N/A	• The Board has never approved any remuneration or compensation arrangements which have previously been rejected by the Remuneration Committee.
B.1.7	A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance.	C	• In 2016, a significant proportion of Executive Directors' remuneration has been structured to link rewards to corporate and individual performance. Please refer to note 33 in the Notes to the Consolidated Financial Statements for details of discretionary bonus.
B.1.8	The company should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in the annual reports.	C	• The Board has resolved that the senior management of the Company comprises only the Executive Directors of the Company. Please refer to note 33 in the Notes to the Consolidated Financial Statements for details of the remuneration payable to the Directors.
B.1.9	The board should conduct a regular evaluation of its performance.	E	• The performance of the Board is best reflected by the Company's results and stock price performance during the year.
C.	**ACCOUNTABILITY AND AUDIT**		
C.1	**FINANCIAL REPORTING** *Corporate Governance Principle* *The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.*		
C.1.6 – C.1.7	– The Company should announce and publish quarterly financial results within 45 days after the end of the relevant quarter. These should disclose sufficient information to enable shareholders to assess the Company's performance, financial position and prospects. The company's quarterly financial results should be prepared using the accounting policies of its half-year and annual accounts. – Once the company announces quarterly financial results, it should continue to do so for each of the first 3 and 9 months periods of subsequent financial years. Where it decides not to continuously announce and publish its financial results for a particular quarter, it should announce the reason(s) for this decision.	E	• The Company issued half-yearly financial results within 2 months after the end of the relevant period, and annual financial results within 3 months after the end of the relevant year. In addition, all significant transactions and inside information have been announced and disclosed in accordance with the Listing Rules during the year. The shareholders of the Company are therefore able to assess the performance, financial position and prospects of the Company. The Company does not consider it necessary, nor is it in the interests of the Company and its shareholders, to issue quarterly financial results. This would result in incurring costs disproportionate to any additional benefits to the shareholders. • Please refer to C.1.6 above for details.
C.2	**RISK MANAGEMENT AND INTERNAL CONTROL** *Corporate Governance Principle* *The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal controls systems. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems.*		
C.2.6	The board may disclose in the Corporate Governance Report that it has received a confirmation from management on the effectiveness of the company's risk management and internal control systems.	C	• The Board confirmed that, through the Audit Committee, it has received a confirmation from the management of the Company and its business units on the effectiveness of the risk management and internal control systems. Please also refer to C.2.3(c) above.
C.2.7	The board may disclose in the Corporate Governance Report details of any significant areas of concern.	C	• No significant areas of concern regarding the Group's risk management and internal controls were raised by the Board.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.3	**AUDIT COMMITTEE** *Corporate Governance Principle* *The Board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company's auditors.*		
C.3.8	The audit committee should establish a whistleblowing policy and system for employees and those who deal with the company (e.g. customers and suppliers) to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the company.	C	• Please refer to C.3.7 above for the details.
D.	**DELEGATION BY THE BOARD**		
D.1	**MANAGEMENT FUNCTIONS** *Corporate Governance Principle* *The Company should have a formal schedule of matters specifically reserved for Board approval and those delegated to management.*		
There is no recommended best practice under Section D.1 in the CG Code.			
D.2	**BOARD COMMITTEES** *Corporate Governance Principle* *Board Committees should be formed with specific written terms of reference which deal clearly with their authority and duties.*		
There is no recommended best practice under Section D.2 in the CG Code.			
D.3	**CORPORATE GOVERNANCE FUNCTIONS**		
There is no recommended best practice under Section D.3 in the CG Code.			
E.	**COMMUNICATION WITH SHAREHOLDERS**		
E.1	**EFFECTIVE COMMUNICATION** *Corporate Governance Principle* *The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.*		
There is no recommended best practice under Section E.1 in the CG Code.			
E.2	**VOTING BY POLL** *Corporate Governance Principle* *The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.*		
There is no recommended best practice under Section E.2 in the CG Code.			
F.	**COMPANY SECRETARY**		
	Corporate Governance Principle *The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Group Managing Director on governance matters and should also facilitate induction and professional development of Directors.*		
There is no recommended best practice under Section F in the CG Code.			

MANAGEMENT STRUCTURE CHART



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the first Environmental, Social and Governance ("ESG") Report ("Report") on Cheung Kong Infrastructure Holdings Limited (the "Company") and its subsidiaries or business units (the "Group") for the year ended 31st December, 2016.

The scope of this Report covers the Group's core businesses, including energy infrastructure, transportation infrastructure, water infrastructure, waste management, waste-to-energy, as well as infrastructure related business. This Report aims to provide an overview of the Group's ESG performance and its representative initiatives, based on the ESG Reporting Guide under Appendix 27 of the Main Board Listing Rules issued by the Stock Exchange of Hong Kong Limited ("Reporting Guide") in 2015.

This Report has been organised into four chapters focusing on environment, employment and labour practices, operating practices and community. Key initiatives undertaken by the respective business units are featured in their relevant chapters which we believe best demonstrate our commitments in generating sustainable values to our stakeholders.

Approach to ESG and Reporting

The Group's ESG philosophy is to create long-term value for its stakeholders that aligns with the growth and sustainability of its business and the environment it is in. The Group aspires to be a responsible corporate citizen and believes that transparency and accountability are important foundations for building the trust with its stakeholders.

As a leading player in the global infrastructure arena, the Group is cognizant of the significance of effective ESG practices and the importance of integrating ESG systems in the key business decision-making. The Group tackles ESG issues both at the Group and business levels. While the Board oversees the direction for our ESG practices, the Group's business units set up individual ESG programmes and regularly measure their performances to identify opportunities for improvement and create sustainable values for our stakeholders. The management will then confirm that appropriate and effective ESG risk management and internal control systems are in place.

Stakeholder Engagement and Materiality Assessment

The Group engages its stakeholders from time to time through on-going communications and collect their views on the ESG aspects that they regard as relevant and important. Our key stakeholders include our employees, shareholders, customers, suppliers, the local community, professional institutions, non-governmental organisations and authorities. The Group maintains an open and transparent dialogue with its stakeholders through various channels including meetings, surveys, seminars and workshops. This Report details how the material ESG aspects identified based on the inputs of our key stakeholders are addressed.

In the year of 2016, for the purpose of meeting the new requirements of the Reporting Guide, a working group has been formed from International Operation, China Infrastructure, Infrastructure Materials Division, Business Development, Finance & Accounting, Corporate Legal, Corporate Affairs, Company Secretarial, Planning & Investment, Internal Audit and Human Resources of the Company, and Power Assets, HK Electric Investments, UK Power Networks, Northumbrian Water, Northern Gas Networks, Wales & West Gas Networks, Seabank Power, UK Rails, SA Power Networks, Victoria Power Networks, Australian Gas Networks, Wellington Electricity, Enviro (NZ), Dutch Enviro Energy, Portugal Renewable Energy, Canadian Power and Park'N Fly with a view to identifying and assessing material ESG aspects of our operations.

An independent advisor has been retained to provide reporting advisory services to the Company and to assist with developing a structure, processes and practices for ESG reporting for its compilation of an ESG report in accordance with the Reporting Guide. With the assistance of the advisor, information was collected from the relevant parties of the above mentioned business units and departments of the Group. The information so collected was reported in the ESG report which has been reviewed by the advisor in the process. The management has confirmed that appropriate and effective ESG risk management and internal control systems are in place.

ENVIRONMENT

The Group recognises its responsibility to the environment and the importance of reducing emissions and improving the efficiency in resource use.

Emissions

The Group's business units strive to minimise impacts to the environment through reducing air and greenhouse gas (GHG) emissions, waste and wastewater discharges.

Air and Greenhouse Gas (GHG) Emissions

Business units of the Group have taken various actions to reduce their GHG emissions. UK Power Networks has implemented a combination of measures including fleet refurbishment, site consolidation and installation of LED lighting to bring down its GHG emissions by 14% during the reporting period, and it plans to take additional measures to further reduce its GHG emissions.

Wales & West Gas Networks continues to embrace the UK's decarbonisation policy and the Government's efforts to promote biogas, and to date, it has connected 16 biomethane producers to the distribution network, Wales & West Gas Networks has been successful in reducing total carbon emissions by 12.7% against the 2013-2021 target of 16%, while business related carbon emissions were brought down by 9% against the 2013-2021 target of 10%.

Waste

Waste management which includes avoiding, reusing, recycling and reducing waste before final disposal is adopted by businesses within the Group. Northumbrian Water recycles 100% of sludge resulted from its wastewater treatment process for power generation and it has reduced its waste volume by 45% since 2015 and generated more than £2.4 million additional operational savings per year.

EnviroNZ has converted landfill methane gas to electricity. At its Hampton Downs landfill it has 7MW of generation installed which is capable of supplying the electricity needs of 5,000 households.

Wastewater

Businesses within the Group handle wastewater with care. EnviroNZ minimised the amount of liquid waste disposed to sewer. At its ChemWaste site, water consumption decreased by 29% (5,000 m^3) over the last year. At the Hampton Downs Landfill a newly installed reverse osmosis leachate treatment plant removes contaminants and recovers up to 300,000 litres per day of high purity water fit for reuse or direct discharge back into the environment.

Use of Resources

The Group's businesses endeavour to optimise the use of resources, including energy, water and other materials and have initiated their own resource efficiency programmes that align with their respective business natures.

Energy

Northumbrian Water has replaced or upgraded old and inefficient equipment and facilities with cleaner and alternative energy sources. It produces 29% of its service power use from renewable sources such as hydropower at treatment works and reservoirs and by converting 100% of its sewage sludge to biogas and then also into renewable electricity. The Advance Anaerobic Digestion plant at Howdon has been upgraded so that the biogas is purified to biomethane so that it can be directly injected into the national gas grid.

Water

Business units in the Group endeavour to conserve water by promoting saving and recycling water in their operations. HK Electric collects rain water and plant processing water at its Lamma Power Station for reuse. This initiative has been in place since 2002 and it helped saving more than 102,000 m^3 of water during 2016. Similarly Green Island Cement collects and recycles rainwater for evaporation cooling at the conditioning tower in its manufacturing process.

Material

The cement production business of the Group in Hong Kong has increased the use of recycled materials from 43% to 54% since 2015. Over one million tonnes of industrial waste materials, such as byproducts from coal-fired power generation, have been recycled as raw materials for the Group's cement manufacturing business at its plants in Hong Kong and Mainland China.

The Environment and Natural Resources

Across the Group, a number of individual operations continue to identify, assess and manage potentially adverse environmental impacts including the protection of important habitats and the natural environment.

Northern Gas Networks has a land management programme dedicated to the monitoring and controlling of potential impacts caused by current operations or pre-existing conditions. Across 2015 and 2016, a total of 117 sites have been assessed under the programme of which six were identified to be contaminated by the previous land users. These sites were promptly cleaned up according to the local land quality standards.

Northumbrian Water's responsible management of land holdings for water storage helps protect the Abberton Reservoir, which is a wetland site of international importance, including as a Site of Special Scientific Interest (SSSI)[1] and a Ramsar site[2].

1 A Site of Special Scientific Interest in Great Britain is a conservation designation denoting a protected area in the United Kingdom.

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.

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 was 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 2016.

EMPLOYMENT AND LABOUR PRACTICES

The Group believes people is its important asset. Recruiting, engaging and retaining talent are fundamental for the Group to remain ahead of its competition. The belief in talent management is demonstrated through the merit-based evaluation mechanism, competitive remuneration and inclusive work environment adopted in business units across the Group.

Recognising the importance of a work-life balance to a motivated and productive workforce, business units in the Group encourage their employees to maintain reasonable working hours and competitive paid leave entitlements are offered to the employees. Programmes have been initiated at the business unit level to recruit people from higher education institutions and to promote health and wellbeing of their employees.

The Group values employees' views and its business units have established various communication channels, such as seminars and workshops, to facilitate open dialogues with the employees, and to exchange views and collect feedback.

Business units of the Group have received awards as recognition for their achievements in different areas of employment practice. For example, UK Power Networks was recognised as an "Investor in People Gold Standard" and regarded as the "Top 25 Best Big Companies to Work For" for the second successive year. For other awards in the employment practice that have been obtained by business units of the Group during the year, please refer to pages 22 to 25 of this Annual Report.

Health and Safety

The Group recognises the importance of health and safety of employees at work and business units have established individual health and safety management programmes for such purpose.

SA Power Networks' "Safety First" programme highlighted the importance of safety and encouraged employees to consistently apply safety standards at workplace. Northern Gas Networks has adopted a scientific approach to understand the human behavior to enhance employee health and safety at work. Power Asset's Ratchaburi plant in Thailand has adopted a "Stop Work" programme in which frontline employees are given full autonomy to halt a work process if an unsafe situation is observed.

Victoria Power Networks applies technologies to facilitate the safety workplace and uses the "Never Compromise Safety" app to support employees working alone on operational tasks. It has improved efficiency in providing assistance in cases of emergencies. The app is also used by employees to report health and safety incidents and to receive alerts and information relating to recent incidents.

Training and Development

The Group believes in talent investment and strives to realise the potential of employees through development programmes. It hopes to inspire employees to pursue further knowledge and encourage them to undertake learning. Trainings are provided at the business unit level to suit specific business needs and support the day-to-day job functions.

Labour Standards

The Group adheres to fair employment practices and promotes diversity and equal opportunity in its recruitment and promotion. The Group has zero tolerance to harassment and discrimination of any form. Employees are hired and selected based on their merits, regardless of their race, colour, sex or religious belief. The Group prohibits the use of child and forced labour in its businesses across the world. Mechanisms have been established by business units to prevent unethical practices.

Regulatory Compliance

During the reporting period, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to employment and labour practices, occupational health and safety. Nor was any incident identified relating to the use of child or forced labour.

OPERATING PRACTICES

Supply Chain Management

Businesses within the Group work with suppliers to make them aware of the Group's commitment to sustainability.

Sourcing Responsibility

The Group supports sustainable procurement and its business units have incorporated environmental and social responsibilities into their procurement processes. Suppliers are required to take into consideration sustainability performance.

HK Electric has updated its Green Purchasing Guidelines to encompass supplier screening criteria on all major categories of purchasing, including building and construction supplies, electrical and gas appliances, and light fittings. Green Island Cement, Green Island Cement (Yunfu) and Guangdong GITIC Green Island Cement have included safety and environmental clauses in the purchasing contracts of its suppliers of fuel as well as raw and auxiliary materials.

Engaging Suppliers

Business units of the Group exchange and share knowledge with suppliers about their procurement practices and requirements. Northumbrian Water engages local small and medium enterprises through seminars and training to help them understand and meet its procurement requirements.

Australian Gas Networks engages its key contractor for distribution and transmission pipeline operations and management services and incentivises them to improve productivity and efficiency in a consistent and sustainable manner.

Product Responsibility

Business units of the Group strive to continuously enhance customer experience of their services and products through seeking feedback from customers to improve their operations.

Product Reliability and Safety

Effort and resources have been dedicated by the Group's business units in upholding safety procedures in the course of their daily operations. Safe and reliable performance of rolling stock is a key focus of UK Rails. Its team closely monitors safety, reliability and maintenance performance of the fleet. All safety events are investigated and reported through the internal governance process. Assistance has been provided to train operators and maintainers to improve maintenance and design modifications to reduce risk.

Customer Experience

Business units of the Group provide different ways to communicate and engage with customers and collect customer feedback. Victoria Power Networks has developed an outage app to enable more timely communication with customers. Northern Gas Networks adopts website, SMS and other written communication to obtain feedbacks from customer to gauge customer satisfaction and act upon their suggestions to improve the way it runs its operations.

Innovative Products

UK Power Networks adopts technologies that work with weather agencies to predict median fault volumes at 90% confidence intervals occurring on the power distribution. This helps in finding potential faults faster which in turn allows its business to restore power supply to customers quicker. Victoria Power Networks has been investing in developing a smarter network for which technologies have been applied to enable better management of assets, peak demand, outages and security risks to improve operational efficiency.

Alliance Construction Materials turns surplus rocks from local development projects into aggregates for concrete production or rock products for construction projects, which would have otherwise ended up as landfill waste or being transported to other regions. The initiative helps to alleviate the stress on the limited landfill capacity, and reduces the carbon footprint from transportation.

Customer Protection

The Group recognises the importance of personal data protections and relevant business units of the Group safeguard data privacy and provide transparency on information relating to their products and services. The relevant business units have established data and privacy protection procedures which have been communicated to employees through internal policy and training. Collected personal data is treated as confidential and kept securely, accessible only by authorised personnel.

Regulatory Compliance

The Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning health and safety, advertising, labelling and privacy matters relating to products and services and methods of redress.

Anti-corruption

The Group has zero-tolerance on any forms of bribery, corruption and fraud. Policies and measures against corruption and other malpractice are adopted by business units across the Group. Monitoring and management control systems have been developed to detect bribery, fraud or other malpractice activities directly at the source. Employees and all other concerned stakeholders are encouraged to raise concerns on suspected cases through the Company's whistle-blowing mechanisms. Reports raised may be investigated internally by the Audit Committee or other departments of the Company delegated by the Audit Committee.

Regulatory Compliance

The Group was not aware of any breach of laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering during the year.

COMMUNITY INVESTMENT

The Group's businesses support the development of communities in which they operate.

Supporting Education

Australian Gas Networks has been supporting the nationwide "Science and Engineering Challenge" for a number of years. The initiative is to inspire high school students to study science and engineering and to encourage them to pursue related careers. In 2016, a total of 2,500 students from 80 high schools have benefited from the initiative.

In 2016, Dutch Enviro Energy organised presentations and plant tours for over 450 people at its facilities to introduce to them about waste-to-energy and inform them on its role in society. Among the visitors were high school students, policy makers and governmental personnel.

Helping the Underprivileged

Wales & West Gas Networks has its share of contribution in helping to alleviate fuel poverty[3] with its "Warm Home Assistance" scheme since 2009. The scheme is targeted to fund the underprivileged families and those in deprived areas in Wales and the South West of England to keep warm by using a cost effective form of energy. Government backed vouchers are offered to eligible customers to ease the costs of installing new gas supplies, and advice is provided to help them to become more energy conscious. Its continuous efforts have so far helped over 13,600 "fuel poor" families and the business is on track to increase the number of beneficiaries by at least 5,000 by 2021.

UK Rails has supported Back Up which is the leading UK charity to assist people to adjust to life-changing spinal cord injuries. Over £42,000 has been raised during the year through a series of fundraising activities. Participated staff ran over 750 km, wore festive Christmas jumpers, climbed mountains and raced Dragon Boats. In addition, UK Rails funded the attendance of three selected staff volunteers to join a week long activity to become 'buddies' to wheelchair users to gain first hand experience of Back Up's contribution.

The Group's toll road and bridge operation makes annual donations to remote and less developed communities in Guangdong Province of Mainland China to improve the livelihoods of local residents and provide education to children of the disadvantaged families.

Conserving the Environment

Northumbrian Water works in partnership with a number of conservation charities. Over 156,000 people visited Northumbrian Water's special conservation sites in 2016, with one site increasing its visitor numbers by 38%. Over 6,200 volunteer days were given across the sites. Northumbrian Water's Branch Out programme funds projects across the regions to help build resilience in the natural world.

[3] In the UK, the Warm Homes and Energy Conservation Act defines a person to be living "in fuel poverty" if he is a member of a household living on a lower income in a home which cannot be kept warms at reasonable cost.

RISK FACTORS

The Group's businesses, financial conditions, results of operations or growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and 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. In addition, this Annual Report does not constitute a recommendation or advice to invest in the shares of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

ECONOMIC ENVIRONMENT AND CONDITIONS

Uncertainty in world economic recovery continues due to economic pressures and geopolitical tensions in various areas of the world. Slowdown of the Mainland China economy and volatility in commodity prices continue to pose risks to the recovery and stability of the global economy. Slowdown in global economic growth could lead to economic contractions in certain markets, commercial and consumer delinquencies, weakened consumer confidence and increased market volatility. The Group is a diversified infrastructure investment company with businesses in Hong Kong, Mainland China, the United Kingdom, the Netherlands, Portugal, Australia, New Zealand and Canada. Any adverse economic conditions in those countries and places in which the Group operates may potentially impact on the Group's financial position or potential income, asset value and liabilities.

ECONOMIC CONDITIONS AND INTEREST RATES

The industries in which the Group operates are affected by the economic conditions of the various places where the Group's investments or operations are located, the population growth of these places, mark to market value of securities investments, the currency environment and interest rates cycles. There can be no assurance that the combination of the above factors the Group experiences in the future will not adversely affect its financial conditions or results of operations.

In particular, income from finance and treasury operations is dependent upon the capital markets, interest rate and currency environment, and the worldwide economic and market conditions, and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's financial conditions or results of operations. The volatility in the financial markets may also adversely affect the income to be derived by the Group from its finance and treasury activities.

POTENTIAL RISKS IN RELATION TO THE UK REFERENDUM ON EU'S MEMBERSHIP ("BREXIT")

On 23rd June, 2016, the outcome of UK's referendum on the EU's membership was to "leave the European Union". The financial markets and exchange rate of the British pounds responded vigorously immediately.

While the Group's businesses in the UK are either protected by the respective regulated regimes or under long term payment contracts, and are essential services including electricity, water & sewage, gas and transportation, the continuing uncertainties following Brexit could adversely affect the economy of the UK and the strength of the British pounds, although the long term implication of Brexit remains to be seen.

A significant and prolonged depreciation of the British pounds may affect the Group's reported profit, and ability to maintain future growth of dividends for shareholders.

CONCENTRATION IN GEOGRAPHICAL MARKETS AND BUSINESS TYPES

The business operation of the Group may be viewed as substantially concentrated in one or more geographical markets or in one particular or more types of business. If and when the Group's operations are exposed to any deterioration in the economic, social and/or political conditions as well as any incidence of social unrest, strike, riot, civil disturbance or disobedience or terrorism in such geographical markets and/or business segments, the adverse circumstances may materially disrupt the Group's operations and, in turn, impact the revenue, profitability and financial condition of the Group.

HIGHLY COMPETITIVE MARKETS

The Group's waste management and off-airport car park businesses face significant competition across the markets in which they operate. New market entrants and intensified price competition among existing market players could adversely affect the Group's businesses, financial conditions, results of operations or growth prospects. Competition risks faced by the Group include (a) possible restrictions on the access by the shuttle buses operated by the Group's off-airport car park businesses as imposed by the airport authorities who operates the on-airport car park businesses; (b) the availability of rail link services from city centre to airport which may reduce the usage of the off-airport car park; and (c) significant competition and pricing pressure from other competitors attempting to capture a higher level of market share. Such risks may adversely affect the financial performance of the Group's operation.

INFRASTRUCTURE MARKET

Some of the investments owned by the Group (for example, water, gas and electricity) 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 or guidelines may lead to penalties, or, in extreme circumstances, amendment, suspension or cancellation of the relevant licences by the authorities. Infrastructure projects are capital intensive, and with only a few major players in the market, there is no assurance of ready buyers on disposal.

The distribution and transmission networks of the Group's utilities investments are also exposed to supply interruptions. If a severe earthquake, storm, flood, fire, sabotage, terrorist attack or other unplanned event interrupts service, the loss of cash flow resulting from the interruption and the cost of recovery from network damage could be considerable and potentially cause poor customer perception and may also lead to claims and litigations. Moreover, some losses from events such as terrorist attacks may not be recoverable. Increases in the number or duration of supply interruptions could result in material increases in the costs associated with the operation of the distribution and transmission networks. The capacity factor (load factor) of the Group's wind farms could also be affected by the wind condition, which could result in the fluctuation of revenues. All of these uncertain factors could have a material adverse effect on the businesses, financial conditions, results of operations or growth prospects of the Group.

CRUDE OIL MARKETS

The Group's investment in Husky Midstream Limited Partnership ("HMLP") comprises oil pipelines, storage facilities and ancillary assets in Canada. Its results of operation and financial condition may be dependent on the prices received for Husky Energy Inc. ("Husky")'s refined products and crude oil. Lower prices for crude oil could adversely affect the value and quantity of Husky's oil reserve. HMLP also has other customers apart from Husky and their demand for HMLP's services may depend on prices received for their refined products and crude oil. Prices for refined products and crude oil are based on world supply and demand. The imbalance in the supply and demand may be affected by a number of factors including, but not limited to, the growth in U.S. unconventional and the Organisation of the Petroleum Exporting Countries (OPEC) production, lower economic growth forecasts from emerging markets and corresponding growth in global crude oil inventories. Volatility in refined products and crude oil price may adversely affect the Group's financial condition and results of operations.

CAPITAL EXPENDITURE

A significant amount of capital expenditure is required for the Group to acquire new investments and to maintain the assets of its existing businesses. While the relevant asset companies have their own asset management plans, there is a risk that due to unforeseen events, capital expenditure required for the replacement of assets could exceed budgeted amounts and hence affect the businesses, financial conditions, results of operations or growth prospects of the Group.

CURRENCY FLUCTUATIONS

The Group is a diversified infrastructure investment company with businesses in Hong Kong, Mainland China, the United Kingdom, the Netherlands, Portugal, Australia, New Zealand and Canada, and is exposed to potential currency fluctuations in these countries and places in which the Group operates. The results of the Group are recorded in Hong Kong dollars but its various subsidiaries, associates and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, associates and joint ventures and also on the repatriation of earnings, equity investments and loans may therefore impact on the Group's financial position or potential income, asset value and liabilities. The fluctuations in currencies and in particular, the devaluation of the pound sterling arising from the United Kingdom referendum vote to leave the European Union impact on all businesses in the market that have exposure in the United Kingdom and/or to pound sterling. While the Company is not immune from such impact, there is no material change beyond market expectation.

To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with (i) currency swaps and (ii) appropriate level of borrowings denominated in the local currencies. The Group has not entered into any speculative derivative transaction.

Although currency exposures have been managed by the Group, a depreciation or fluctuation of the currencies in which the Group conducts operations relative to the Hong Kong dollar could adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

CYBERSECURITY

With the fast expanding adoption of Internet and networking operational technology, cyberattacks around the world are occurring at a higher frequency and intensity. The Group's critical utility and information assets are exposed to attack, damage or unauthorised access in the cyberworld. Cybersecurity risks could have material adverse effect on the operational and business performance, as well as the business reputation of the Group.

Although the Group has not experienced any major damage to its infrastructure projects, assets or activities from cyberattacks to date, there can be no assurance that future cyberattacks or breaches of the Group's cybersecurity will not occur and result in significant impact on the Group's reputation, business, results of operations and financial condition.

STRATEGIC PARTNERS

Some of the businesses of the Group are conducted through non wholly-owned subsidiaries, associates and joint ventures in which the Group shares control (in whole or in part) and strategic alliances had been formed by the Group with other strategic or business partners. There can be no assurance that any of these strategic or business partners will 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, associates and joint ventures and the markets in which they operate. Furthermore, the joint venture partners may (a) have economic or business interests or goals that are inconsistent with those of the Group; (b) take actions contrary to the Group's policies or objectives; (c) undergo a change of control; (d) experience financial and other difficulties; or (e) be unable or unwilling to fulfill their obligations under the joint ventures, which may affect the Group's businesses, financial conditions, results of operations or growth prospects.

MERGERS AND ACQUISITIONS

The Company has undertaken mergers and acquisitions activities in the past and may continue to do so if there are appropriate acquisition opportunities in the market. Although due diligence and detailed analysis are conducted before these activities are being undertaken, there can be no assurance that these can fully expose all hidden problems, potential liabilities and unresolved disputes that the target company may have. In addition, valuations and analyses on the target company conducted by the Company and by professionals alike are based on numerous assumptions, and there can be no assurance that those assumptions are correct or appropriate or that they will receive universal recognition. Relevant facts and circumstances used in the analyses could have changed over time, and new facts and circumstances may come to light as to render the previous assumptions and the valuations and analyses based thereon obsolete. Some of these mergers and acquisitions activities are subject to regulatory approvals in overseas countries and there can be no assurance that such approvals will be obtained, and even if granted, that there will be no burdensome conditions attached to such approvals. The Company may not necessarily be able to successfully integrate the target business into the Group and may not be able to derive any synergy from the acquisition, leading to an increase in costs, time and resources. For merger and acquisitions activities undertaken overseas, the Company may also be exposed to different and changing political, social, legal and regulatory requirements at the local, national and international level. The Company may also need to face different cultural issues when dealing with local employees, customers, governmental authorities and pressure groups.

IMPACT OF LOCAL, NATIONAL AND INTERNATIONAL REGULATIONS

The local business risks in different countries and cities in which the Group operates could have a material impact on the businesses, financial conditions, results of operations or growth prospects. The Group has investments in different countries and cities around the world and the Group is, and may increasingly become, exposed to different and changing political, social, legal, tax, regulatory and environmental requirements at the local, national or international level. Also, new guidelines, directives, policies or measures by governments, whether fiscal, tax, regulatory, environmental or other competitive changes, may lead to an increase in additional or unplanned operating expenses and capital expenditures, increase in market capacity, reduction in government subsidies, pose a risk to the overall investment return of the Group's businesses and may delay or prevent the commercial operation of a business with resulting loss of revenue and profit, which may adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

IMPACT OF NEW ACCOUNTING STANDARDS

The International Accounting Standards Board has from time to time issued a number of new and revised International Financial Reporting Standards ("IFRS"). The International Accounting Standards Board may in the future issue new and revised standards and interpretations. In addition, interpretations on the application of the IFRS will continue to develop. These factors may require the Group to adopt new accounting policies. The adoption of new accounting policies or new IFRS might or could have a significant impact on the Group's businesses, financial conditions, results of operations or growth prospects.

OUTBREAK OF HIGHLY CONTAGIOUS DISEASE

In 2003, there was an outbreak of Severe Acute Respiratory Syndrome ("SARS") in Hong Kong, the Mainland and other places. The SARS outbreak had a significant adverse impact on the economies of the affected areas. The spread of Influenza and other communicable diseases from time to time have also affected many areas of the world. The outbreak of the Ebola virus disease also poses a significant threat to global industries. Additional outbreaks of other epidemic diseases may adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

CONNECTED TRANSACTIONS

CK Hutchison Holdings Limited ("CK Hutchison") is also listed on The Stock Exchange of Hong Kong Limited. Although the Group believes that its relationship with CK Hutchison provides it with significant business advantages, the relationship results in various connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and accordingly any transactions entered into between the Group and CK Hutchison, its subsidiaries or associates are connected transactions, which, unless one of the exemptions is available, will be subject to compliance with the applicable requirements of the Listing Rules, including the issuance of announcements, the obtaining of independent shareholders' approval at general meetings and disclosure in annual reports and accounts. Independent shareholders' approval requirements may also lead to unpredictable outcomes causing disruptions to as well as an increase in the risks of the Group's business activities. Independent shareholders may also take actions that are in conflict with the interests of the Group.

THE GROUP'S FINANCIAL CONDITIONS OR RESULTS OF OPERATIONS ARE AFFECTED BY THOSE OF THE POWER ASSETS GROUP

Following the spin-off by Power Assets Group of its Hong Kong electricity business in January 2014, the Group owns approximately 38.87 per cent of Power Assets Holdings Limited ("Power Assets") which has investments in different countries and places and holds 33.37 per cent of HK Electric Investments, a fixed single investment trust, which in turn holds 100 per cent of The Hongkong Electric Company, Limited ("HEC") whose operations comprise the generation, transmission, distribution and supply of electricity to Hong Kong Island and Lamma Island. Hence the financial conditions and results of operations of Power Assets may be affected by the local market conditions and the economy of Hong Kong as well as the places where its investments are located. The Group's financial conditions and results of operations are materially affected by the financial conditions and results of operations of Power Assets.

Besides, the operations of HEC are subject to a scheme of control ("SCA") agreed with the Hong Kong Government which provides for a permitted level of earnings based principally on a return on their capital investment in electricity generation, transmission and distribution assets. The SCA was renewed for a term of ten years commencing 1st January, 2009. There can be no assurance that changes to or abolition of the SCA in the future will not adversely affect HEC's and the Power Assets' (and hence the Group's) financial conditions 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, fire, frost and similar events and the occurrence of any of these events could disrupt the Group's business and materially and adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Although the Group has not experienced any major structural damage to its infrastructure projects or assets or facilities from earthquakes or natural disasters 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, assets or facilities or on the general supporting infrastructure facilities in the vicinity, which could adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the results of operations of the Group during the past years as contained in this Annual Report are historical in nature and past performance can be no guarantee of future results of the Group. This Annual Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume (a) any obligation to correct or update the forward-looking statements or opinions contained in this Annual Report; and (b) any liability in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

PROJECT PROFILES

Investment in

POWER ASSETS

POWER ASSETS HOLDINGS LIMITED
HONG KONG

Power Assets Holdings Limited is a global investor in power and utility-related businesses with investments in electricity generation, transmission and distribution; renewable energy; gas distribution and energy-from-waste

HK OPERATIONS

Business
Owns 33.37% HKEI which supplies electricity to Hong Kong Island and Lamma Island

Installed capacity
3,737 MW

Consumer coverage
More than 570,000 customers

OPERATIONS OUTSIDE HK

Business
Power Assets has also established a strong global presence with investments in the United Kingdom, Australia, New Zealand, Mainland China, Canada, Thailand, the Netherlands and Portugal, bringing sustainable energy and lighting up the lives of millions around the world

CKI's interest
38.87%

Infrastructure Investment in

UNITED KINGDOM

UK POWER NETWORKS HOLDINGS LIMITED
THE UNITED KINGDOM

Business
One of UK's largest power distributors comprises three regional networks with a distribution area that covers London, South East England and the East of England; and non-regulated business comprising commercial contracts to distribute electricity to a number of privately owned sites

Network length
Underground – 138,000 km
Overhead – 46,000 km

Consumer coverage
Approximately 8.2 million customers

CKI's interest
40% (another 40% held by Power Assets)

NORTHUMBRIAN WATER GROUP LIMITED
THE UNITED KINGDOM

Business
One of the ten regulated water and sewerage companies in England and Wales. It supplies water and sewerage services in the North East of England and supplies water services to the South East of England

Network length
Water mains – Approximately 26,000 km
Sewers – About 30,000 km
Water treatment works – 64
Sewage treatment works – 437
Water service reservoirs – 354

Consumer coverage
Serves a total population of 4.5 million

CKI's interest
40%

Infrastructure Investment in

UNITED KINGDOM (CONT'D)

NORTHERN GAS NETWORKS LIMITED
THE UNITED KINGDOM

Business
One of the eight major gas distribution networks in Great Britain

Natural gas distribution network
Approximately 36,100 km

Consumer coverage
Serves a total population of around 6.7 million

CKI's interest
47.1% (another 41.3% held by Power Assets)

SEABANK POWER LIMITED
BRISTOL, THE UNITED KINGDOM

Business
Owns and operates Seabank Power Station near Bristol. The electricity is sold under a long-term contract to SSE Energy Supply Ltd.

Generating Capacity
Approximately 1,140 MW

CKI's interest
25% (another 25% held by Power Assets)

WALES & WEST GAS NETWORKS (HOLDINGS) LIMITED
THE UNITED KINGDOM

Business
A gas distribution network that serves Wales and the South West of England

Natural gas distribution network
42,000 km

Consumer coverage
Serves a total population of 7.5 million

CKI's interest
30% (another 30% held by Power Assets)

SOUTHERN WATER SERVICES LIMITED
THE UNITED KINGDOM

Business
Supplies water and waste water services to the South East of England

Length of mains/sewers
Water mains – 13,700 km
Length of sewers – 39,600 km

Consumer coverage
Water – Serves a population of 2.4 million
Recycles wastewater – Serves a population of 2.4 million

CKI's interest
4.75%

Infrastructure Investment in
AUSTRALIA

UK RAILS S.À R.L.
THE UNITED KINGDOM

Business
One of the three major rolling stock operation companies in the United Kingdom. It leases a diverse range of rolling stock on long term contracts.

CKI's interest
50%

SA POWER NETWORKS
SOUTH AUSTRALIA, AUSTRALIA

Business
Primary electricity distribution business for the state of South Australia

Electricity distribution network
Approximately 172,000 km

Consumer coverage
Approximately 850,000 customers

CKI's interest
23.07% (another 27.93% held by Power Assets)

POWERCOR AUSTRALIA LIMITED
VICTORIA, AUSTRALIA

Business
Operates a major electricity distribution network, covering an area of 150,000 sq km in the state of Victoria

Electricity distribution network
Approximately 84,000 km

Consumer coverage
Over 786,000 customers

CKI's interest
23.07% (another 27.93% held by Power Assets)

PROJECT PROFILES

Infrastructure Investment in AUSTRALIA (CONT'D)

CITIPOWER I PTY LTD.
VICTORIA, AUSTRALIA

Business
Operates the electricity distribution network in the CBD and inner suburban areas of Melbourne, Victoria

Electricity distribution network
Approximately 7,400 km

Consumer coverage
Over 328,000 customers

CKI's interest
23.07% (another 27.93% held by Power Assets)

AUSTRALIAN ENERGY OPERATIONS PTY LTD.
VICTORIA, AUSTRALIA

Business
To operate a transmission link which transports renewable energy from the wind farm to Victoria's power grid

Electricity transmission network
42 km

CKI's interest
50% (another 50% held by Power Assets)

AUSTRALIAN GAS NETWORKS LIMITED
AUSTRALIA

Business
One of Australia's largest distributors of natural gas

Natural gas distribution network
About 24,000 km

Consumer coverage
Approximately 1.25 million customers

CKI's interest
Approximately 45% (another 27.5% held by Power Assets)

Infrastructure Investment in

NEW ZEALAND

WELLINGTON ELECTRICITY LINES LIMITED
WELLINGTON, NEW ZEALAND

Business
Operates the electricity distribution network in New Zealand's capital city, Wellington, and the surrounding greater Wellington area

Electricity distribution network
Over 4,700 km

Consumer coverage
Approximately 166,000 customers

CKI's interest
50% (another 50% held by Power Assets)

ENVIRO (NZ) LIMITED
NEW ZEALAND

Business
A diversified, vertically integrated waste management business that has national coverage in New Zealand

Facilities
A network of collection facilities at 18 locations nationwide, 14 transfer stations, 3 landfills and a fleet of over 290 vehicles

Consumer coverage
More than 500,000 commercial and residential customers

CKI's interest
100%

Infrastructure Investment in

CONTINENTAL EUROPE

DUTCH ENVIRO ENERGY HOLDINGS B.V.
THE NETHERLANDS

Business
Owns the largest energy-from-waste player in the Netherlands, AVR, which operates 5 waste treatment plants in Rozenburg and Duiven; as well as 4 transfer stations

Capacity (plants)
Energy from Waste – 2,300 kilo tonnes per year
Biomass Energy – 140 kilo tonnes per year
Liquid Waste – 270 kilo tonnes per year
Paper Residue Incineration – 160 kilo tonnes per year

Capacity (transfer stations)
1,000 kilo tonnes per year

CKI's interest
35% (another 20% held by Power Assets)

PORTUGAL RENEWABLE ENERGY
PORTUGAL

Business
One of the largest wind energy companies in Portugal

Generating Capacity Wind Power
About 726 MW

CKI's interest
50% (another 50% held by Power Assets)

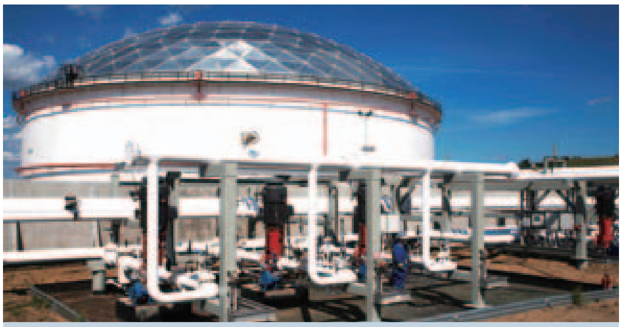
Infrastructure Investment in
CANADA (CONT'D)

CANADIAN POWER HOLDINGS INC.
CANADA

Business
Owns 49.99% share of TransAlta Cogeneration, L.P. which operates five power plants in the provinces of Ontario and Alberta as well as 100% of the Meridian Cogeneration Plant in Saskatchewan

Generation capacity
Six power plants with total gross capacity of 1,368 MW

CKI's interest
50% (another 50% held by Power Assets)



HUSKY MIDSTREAM LIMITED PARTNERSHIP
CANADA

Business
This business comprises oil pipelines, storage facilities and ancillary assets in Canada

Length of Oil Pipeline
1,900 km

Storage facilities
2

CKI's interest
16.25% (another 48.75% held by Power Assets)

PARK'N FLY
CANADA

Business
The largest off-airport car park provider in Canada and the only national operator. The company provides parking facilities in Toronto, Vancouver, Montreal, Edmonton, Ottawa, Halifax and Winnipeg

CKI's interest
50%

Infrastructure Investment in

MAINLAND CHINA

SHEN-SHAN HIGHWAY (EASTERN SECTION)
GUANGDONG, CHINA

Location
Lufeng/Shantou,
Guangdong Province

Road type
Expressway

Length
140 km

No. of lanes
Dual two-lane

Joint venture contract date
1993

Joint venture expiry date
2028

Total project cost
HK$2,619 million

CKI's investment
HK$877 million

CKI's interest in JV
33.5%

TANGSHAN TANGLE ROAD
HEBEI, CHINA

Location
Tangshan,
Hebei Province

Road type
Class 2 highway

Length
100 km

No. of lanes
Dual one-lane

Joint venture contract date
1997

Joint venture expiry date
2019

Total project cost
HK$187 million

CKI's investment
HK$95 million

CKI's interest in JV
51%

SHANTOU BAY BRIDGE
GUANGDONG, CHINA

Location
Shantou,
Guangdong Province

Road type
Bridge

Length
6 km

No. of lanes
Dual three-lane

Joint venture contract date
1993

Joint venture expiry date
2028

Total project cost
HK$665 million

CKI's investment
HK$200 million

CKI's interest in JV
30%

CHANGSHA WUJIALING AND WUYILU BRIDGES
HUNAN, CHINA

Location
Changsha,
Hunan Province

Road type
Bridge

Length
5 km

No. of lanes
Dual two-lane

Joint venture contract date
1997

Joint venture expiry date
2022

Total project cost
HK$465 million

CKI's investment
HK$206 million

CKI's interest in JV
44.2%

Infrastructure Investment in

MAINLAND CHINA (CONT'D)

JIANGMEN CHAOLIAN BRIDGE
GUANGDONG, CHINA

Location
Jiangmen,
Guangdong Province

Road type
Bridge

Length
2 km

No. of lanes
Dual two-lane

Joint venture contract date
1997

Joint venture expiry date
2027

Total project cost
HK$130 million

CKI's investment
HK$65 million

CKI's interest in JV
50%

PANYU BEIDOU BRIDGE
GUANGDONG, CHINA

Location
Panyu,
Guangdong Province

Road type
Bridge

Length
3 km

No. of lanes
Dual three-lane

Joint venture contract date
1999

Joint venture expiry date
2024

Total project cost
HK$164 million

CKI's investment
HK$66 million

CKI's interest in JV
40%

Investment in

INFRASTRUCTURE RELATED BUSINESSES

ALLIANCE CONSTRUCTION MATERIALS LIMITED
HONG KONG

CONCRETE DIVISION

Business
Hong Kong's largest concrete producer

Total capacity
4 million cubic meters per annum

CKI's interest
50%

QUARRY DIVISION

Business
1 quarry in Hong Kong and 1 quarry in China, with sole distribution rights for another quarry in China for sales into Hong Kong

Total capacity (aggregates)
6 million tonnes per annum

CKI's interest
50%

GREEN ISLAND CEMENT COMPANY, LIMITED
HONG KONG

Business
The only fully integrated cement producer in Hong Kong

Total capacity
Clinker – 1.5 million tonnes per annum
Cement grinding – 2.5 million tonnes per annum

CKI's interest
100%

GUANGDONG GITIC GREEN ISLAND CEMENT CO. LTD.
GUANGDONG, CHINA

Location
Yunfu, Guangdong Province

Business
Cement production

Total capacity
Clinker – 1.0 million tonnes per annum
Cement grinding – 1.5 million tonnes per annum

CKI's interest
67%

GREEN ISLAND CEMENT (YUNFU) COMPANY LIMITED
GUANGDONG, CHINA

Location
Yunfu, Guangdong Province

Total capacity
Clinker – 2.0 million tonnes per annum
Cement grinding – 1.5 million tonnes per annum

CKI's interest
100%

SIQUIJOR LIMESTONE QUARRY
PHILIPPINES

Location
Siquijor, Philippines

Business
Limestone quarry

Total capacity
2 million tonnes per annum

CKI's interest
40%

CORPORATE INFORMATION AND KEY DATES

BOARD OF DIRECTORS

Executive Directors

LI Tzar Kuoi, Victor (Chairman)

FOK Kin Ning, Canning (Deputy Chairman)
Frank John SIXT
KAM Hing Lam (Group Managing Director)
IP Tak Chuen, Edmond (Deputy Chairman)
Andrew John HUNTER (Deputy Managing Director)
CHAN Loi Shun (Chief Financial Officer)
CHEN Tsien Hua

Independent Non-executive Directors

CHEONG Ying Chew, Henry
KWOK Eva Lee
SNG Sow-mei alias POON Sow Mei
Colin Stevens RUSSEL
LAN Hong Tsung, David
Barrie COOK

Non-executive Directors

LEE Pui Ling, Angelina
George Colin MAGNUS

Alternate Directors

CHOW WOO Mo Fong, Susan
(alternate to FOK Kin Ning, Canning)
MAN Ka Keung, Simon
(alternate to IP Tak Chuen, Edmond)
Eirene YEUNG
(alternate to KAM Hing Lam)

AUDIT COMMITTEE

Colin Stevens RUSSEL (Chairman)
CHEONG Ying Chew, Henry
KWOK Eva Lee
SNG Sow-mei alias POON Sow Mei
LAN Hong Tsung, David

REMUNERATION COMMITTEE

CHEONG Ying Chew, Henry (Chairman)
LI Tzar Kuoi, Victor
Colin Stevens RUSSEL

COMPANY SECRETARY

Eirene YEUNG

AUTHORISED REPRESENTATIVES

IP Tak Chuen, Edmond
Eirene YEUNG

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited
Bank of China (Hong Kong) Limited
Credit Agricole Corporate and Investment Bank
Mizuho Bank, Ltd.
The Hongkong and Shanghai Banking Corporation Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

Clarendon House, Church Street,
Hamilton HM11, Bermuda

PRINCIPAL PLACE OF BUSINESS

12th Floor, Cheung Kong Center,
2 Queen's Road Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building,
69 Pitts Bay Road,
Pembroke HM08, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

STOCK CODES

Stock Exchange of Hong Kong: 1038
Bloomberg: 1038 HK
Reuters: 1038.HK

WEBSITE

www.cki.com.hk

INVESTOR RELATIONS

For further information about Cheung Kong Infrastructure Holdings Limited, please contact:

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Cheung Kong Infrastructure Holdings Limited
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Facsimile: (852) 2501 4550
Email: contact@cki.com.hk

KEY DATES

Annual Results Announcement	21st March, 2017
Closure of Register of Members (for determination of shareholders who are entitled to attend and vote at Annual General Meeting)	5th May, 2017 to 10th May, 2017 *(both days inclusive)*
Annual General Meeting	10th May, 2017
Record Date (for determination of shareholders who qualify for the Final Dividend)	16th May, 2017
Payment of Final Dividend	26th May, 2017

This annual report 2016 ("Annual Report") is available in both English and Chinese versions. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the other language by writing to the Company c/o the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email to cki.ecom@computershare.com.hk.

The Annual Report (both English and Chinese versions) has been posted on the Company's website at www.cki.com.hk. Shareholders who have chosen (or are deemed to have consented) to read the Company's corporate communications (including but not limited to the Annual Report) published on the Company's website in place of receiving printed copies thereof may request the printed copy of the Annual Report in writing to the Company c/o the Company's Branch Share Registrar or by email to cki.ecom@computershare.com.hk.

Shareholders who have chosen (or are deemed to have consented) to receive the corporate communications using electronic means through the Company's website and who for any reason have difficulty in receiving or gaining access to the Annual Report posted on the Company's website will upon request in writing to the Company c/o the Company's Branch Share Registrar or by email to cki.ecom@computershare.com.hk promptly be sent the Annual Report in printed form free of charge.

Shareholders may at any time choose to change their choice as to the means of receipt (i.e. in printed form or by electronic means through the Company's website) and/or the language of the Company's corporate communications by reasonable prior notice in writing to the Company c/o the Company's Branch Share Registrar or sending a notice to cki.ecom@computershare.com.hk.

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