

# 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.

## REPORT OF THE DIRECTORS

### 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

Name of Company	Name of Director	Capacity	Number of Ordinary Shares / Share Stapled Units				Total	Approximate % of Shareholding
			Personal Interests	Family Interests	Corporate Interests	Other Interests		
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%

## REPORT OF THE DIRECTORS

### 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				Total	Approximate % of Shareholding
			Personal Interests	Family Interests	Corporate Interests	Other Interests		
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				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
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				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
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:

- 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.

- The 1,094,244,254 shares in CK Hutchison Holdings Limited (“CK Hutchison”) comprise:
  - 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.
  - 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.

## REPORT OF THE DIRECTORS

### 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 ("LKSOFF"). By virtue of the terms of the constituent documents of LKSOFF, 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 LKSOFF.
  - (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) )		



## REPORT OF THE DIRECTORS

### 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.

## REPORT OF THE DIRECTORS

### 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)

## REPORT OF THE DIRECTORS

### 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 <sup>^</sup>	(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 <sup>**</sup>	(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 <sup>**</sup>	(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)
	Husky Energy Inc.	Director	(1)
Chow Woo Mo Fong, Susan	CK Hutchison Holdings Limited	Group Deputy Managing Director <sup>^^</sup>	(1), (2), (3), (4) & (6)
	HK Electric Investments and HK Electric Investments Limited	Alternate Director	(1) & (6)
	TOM Group Limited	Alternate Director <sup>***</sup>	(6) & (7)
	Hutchison Telecommunications Hong Kong Holdings Limited	Non-executive Director <sup>###</sup>	(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.

## REPORT OF THE DIRECTORS

### 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