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

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

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

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

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

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

Dividend

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

Ports and Related Services

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

Note 1: The Group's 50% share of VHA's operating losses continued to be included as a P&L charge under "Others" of the Group's profits on disposal of investments and others line as VHA continues to operate under the leadership of Vodafone under the applicable terms of our shareholders' agreement since the second half of 2012.

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

Retail

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

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

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

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

Infrastructure

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

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

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

CKI

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

Husky Energy

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

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

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

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

3 Group Europe

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

Hutchison Telecommunications Hong Kong

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

Hutchison Asia Telecommunications

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

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

Finance & Investments and Others

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

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

Outlook

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

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

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

Li Ka-shing
Chairman

Hong Kong, 22 March 2017