

## Risk Factors

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

### Global Economy

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

### Industry Trends, Interest Rates and Currency Markets

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

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

### Cashflow and Liquidity

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

### Currency Fluctuations

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

### Crude Oil and Natural Gas Markets

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

## Highly Competitive Markets

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

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

## Retail Product Liability

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

## Strategic Partners

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

## Future Growth

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Accounting

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

## Impact of Regulatory Reviews

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

## Outbreak of Highly Contagious Disease

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

## Natural Disasters

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

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

## Political Unrest and Terrorist Attacks

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

## UK's Exit from the EU

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

## Past Performance and Forward Looking Statements

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