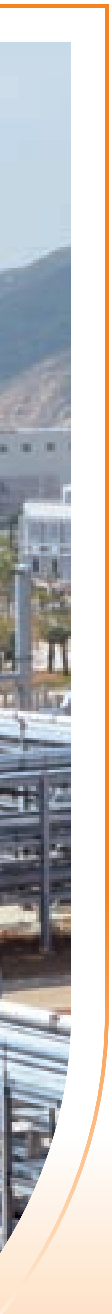
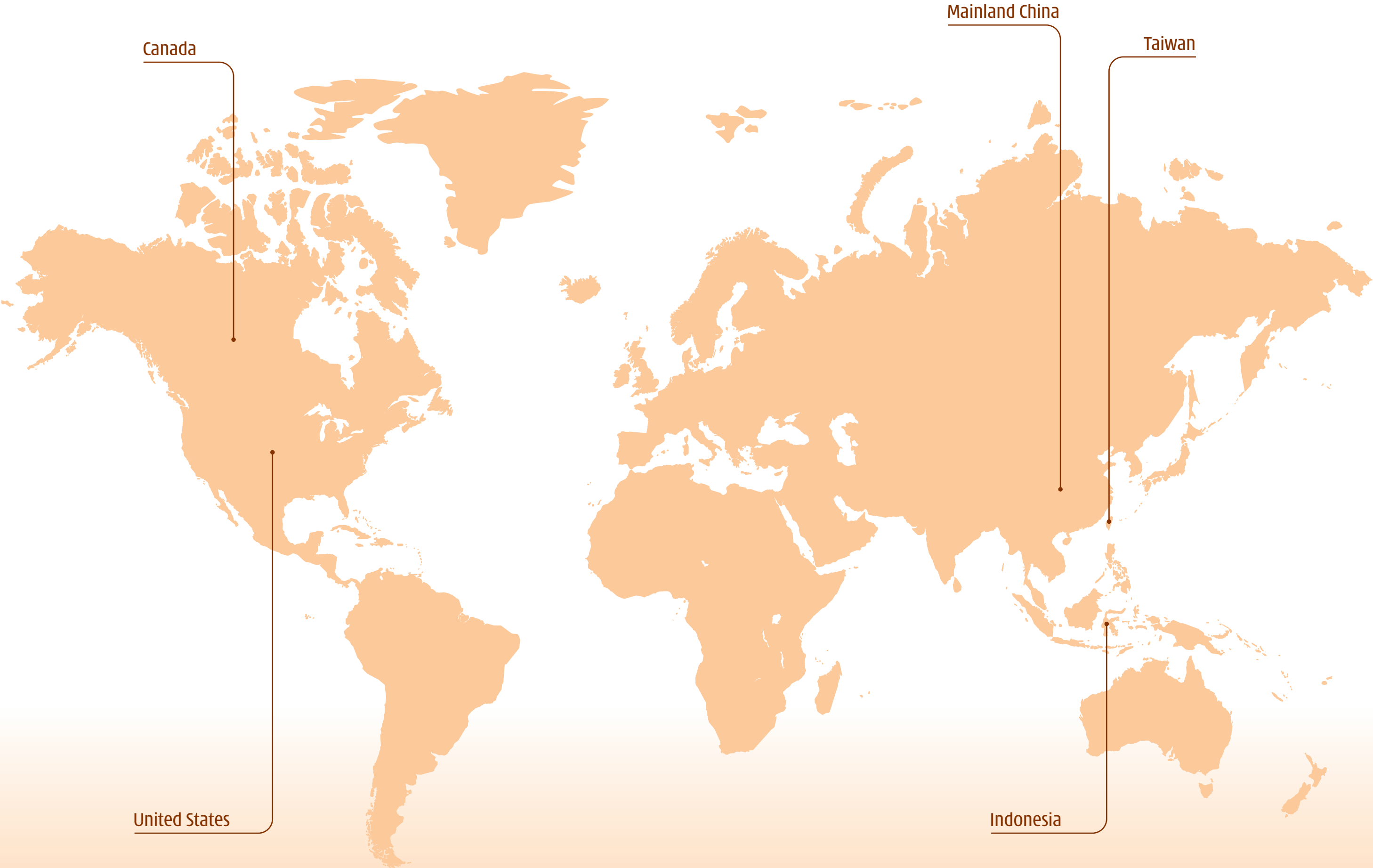
The Gaolan Gas Terminal, in the Mainland, processes the gas and gas-liquids from Liwan 3-1 and Liuhua 34-2 fields.

Energy





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1. Power Assets and Cheung Kong Infrastructure enter into an agreement with Husky Energy to acquire a 65% stake in a portfolio of Husky Energy's oil pipeline assets in Canada for approximately C$1.7 billion.

2. The liquids-rich BD field offshore Indonesia will be ramped up to full gas sales rates by the second half of 2017.

3. Husky Energy adds new production in the Atlantic Region with first oil from a Hibernia formation well at North Amethyst and additional infill wells at South White Rose.

4. Lima Refinery, in the US, is in the initial stages of modifying the refinery equipment which will enable the processing of up to an additional 40,000 barrels per day in 2018.

5. With three new thermal projects in Saskatchewan (Edam East, Vawn and Edam West), Husky Energy's total thermal production now reaches 100,000 barrels per day.

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

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

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

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

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

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

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

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

Proved and Probable Reserves & Production