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Investment in

POWER ASSETS

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

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

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

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

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

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

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

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

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

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

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

Infrastructure
Investment in

UNITED KINGDOM

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

UK POWER NETWORKS HOLDINGS LIMITED

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

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

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

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

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

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

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

BUSINESS REVIEW

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

NORTHUMBRIAN WATER GROUP LIMITED

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

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

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

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

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

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

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

NORTHERN GAS NETWORKS LIMITED

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

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

BUSINESS REVIEW

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

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

WALES & WEST GAS NETWORKS (HOLDINGS) LIMITED

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

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

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

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

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

SEABANK POWER LIMITED

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

UK RAILS S.À R.L.

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

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

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

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

Infrastructure Investment in

AUSTRALIA

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

SA POWER NETWORKS

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

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

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

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

VICTORIA POWER NETWORKS PTY LTD

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

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


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

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

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

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

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

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

AUSTRALIAN GAS NETWORKS LIMITED

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

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

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

AUSTRALIAN ENERGY OPERATIONS PTY LTD

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

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

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

Infrastructure
Investment in

NEW ZEALAND

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

WELLINGTON ELECTRICITY LINES LIMITED

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

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

ENVIRO (NZ) LIMITED

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

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

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

Infrastructure
Investment in

CONTINENTAL EUROPE

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

DUTCH ENVIRO ENERGY HOLDINGS B.V.

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

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

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

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

PORTUGAL RENEWABLE ENERGY

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

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

Infrastructure Investment in

CANADA

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

CANADIAN POWER HOLDINGS INC.

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

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

PARK'N FLY

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

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

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

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

HUSKY MIDSTREAM LIMITED PARTNERSHIP

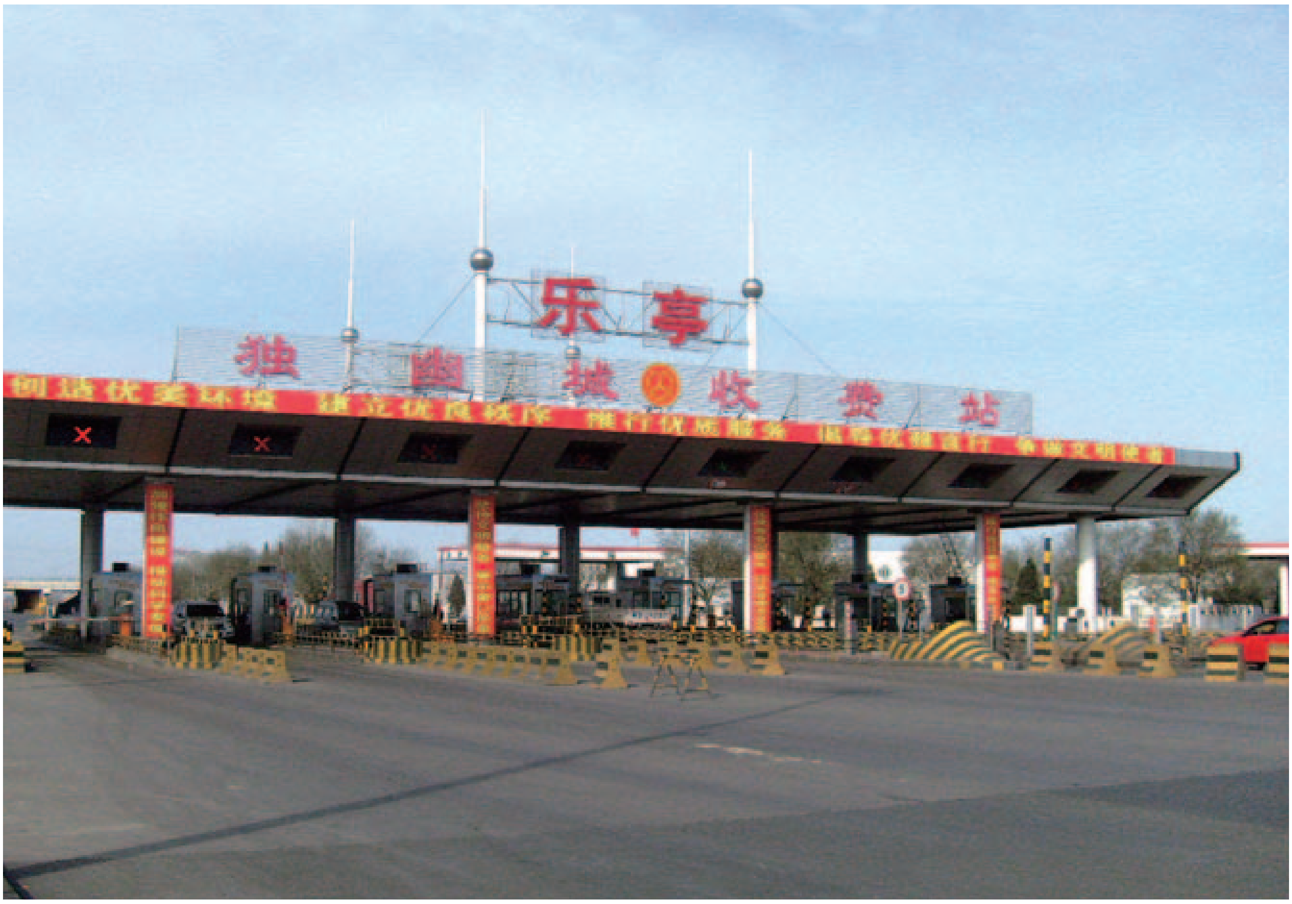
Together with Power Assets, CKI acquired 65% of Husky's midstream business. This business comprises 1,900 kilometres of oil pipelines, 4.1 million barrels of oil storage capacity and ancillary assets in the Lloydminster region of Alberta and Saskatchewan, Canada. This acquisition represents CKI's first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

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

Infrastructure Investment in

MAINLAND CHINA

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



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

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

Investment in

INFRASTRUCTURE RELATED BUSINESSES

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

CEMENT, CONCRETE AND AGGREGATES

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

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

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