CHAIRMAN'S STATEMENT

Half year results

I am pleased to report the Power Assets Group's unaudited profits for the six months ended 30 June 2017 amounted to HK$4,024 million (2016: HK$3,476 million), an increase of 16% compared to the same period of last year.

Interim dividend

The board of directors has declared an interim dividend of HK$0.77 (2016: HK$0.70) per share, payable on 29 August 2017 to shareholders whose names appear in the Company's Register of Members on 21 August 2017.

Special interim dividend

In addition, the board of directors has declared a one-off special interim dividend of HK$7.50 per share in order to address shareholder expectations while keeping in view the Group's financial capacity for future acquisitions. The special interim dividend will be payable on 29 August 2017 to shareholders whose names appear in the Company's Register of Members on 21 August 2017.

Global diversification with steady growth

At Power Assets, we have a well-defined strategy to maintain and extend our industry leadership, based on two key tenets: selective expansion and risk management. We invest in carefully chosen companies that will yield steady income, especially those with regulated revenue schemes or long-term contracts. This approach continues to serve us well in delivering long-term and sustainable returns to our shareholders.

During the first half of 2017, we further extended our operations in Australia with the acquisition of an energy owner and operator whose businesses hold strong growth potential and provide us with a steady assured income on a long-term basis. In Hong Kong, the early conclusion of our discussion with the Government on the future regulatory regime provides certainty and stability for the Hong Kong market.

The Group's portfolio of operating companies, spanning nine markets in Europe, Asia, Australia, New Zealand and North America, performed in line with expectations in tandem with improving economic sentiments around the world.

Acquisition of the DUET Group in Australia

The Group consolidated its presence in Australia with the acquisition in May of a 20% stake in the DUET Group ("DUET"), an international owner and operator of energy utility assets. The transaction was completed in partnership with CK Infrastructure Holdings Limited and Cheung Kong Property Holdings Limited that acquired the remaining 80% of DUET.

DUET is well aligned with the Group's strategy, with a diversified global portfolio of businesses in energy generation, transmission as well as distribution. In the generation business, it owns and operates Energy Developments, an international provider of low-emissions and remote energy generation solutions. DUET's gas transmission business is delivered through the Dampier Bunbury Pipeline in Western Australia while the distribution of gas and electricity is through two networks in Victoria, Australia — Multinet Gas and United Energy respectively. DUET has also set up DBP Development Group to build, own and operate new unregulated gas pipelines.

The DUET transaction successfully addressed concerns of the Australian Government, paving the way for further investments in Australia for the Group.

New Regulatory Agreement in Hong Kong offers stability

In Hong Kong, our flagship operating company, HK Electric, has entered into a new Scheme of Control Agreement (SCA) with the Government after months of discussion. Effective for 15 years from 1 January 2019, the new SCA provides a long-term regulatory framework which enables consumers to continue to enjoy service enhancements and price affordability while assuring investors of a stable return.

Under the new SCA, HK Electric will forge ahead with its investment pipeline to help achieve the Government's energy and environmental policy objectives as well as its aggressive target to cut carbon intensity by 65-70% by 2030 compared to the 2005 level. Two new gas-fired generation units are now under construction and more will be required to replace the other coal-fired units that are coming to the end of their useful lives over the next decade or so.

CHAIRMAN'S STATEMENT *(Continued)*

Operations

The Group achieved stable results in line with expectations during the first half of 2017, against the backdrop of healthy economic growth in the Eurozone and Asia, and stability in the UK.

In the UK, the Group's largest market, all four operating companies achieved operating targets. UK Power Networks improved upon its strong performance in 2016 to once again significantly exceed regulatory targets across the board. Northern Gas Networks is now officially the most efficient of the eight UK gas distribution networks, achieving every single regulatory target in the 2016/17 regulatory year. Wales & West Utilities successfully secured a project for smart meter installation, completing over 1,200 installations to date. Seabank achieved excellent performance, exceeding targets for overall station availability, forced outage, efficiency and starting performance.

HK Electric, our Hong Kong-based company, maintained its strong reliability performance of over 99.999%, and unplanned power interruption per customer of under one minute on average. Construction of two new gas-fired combined cycle generating units progressed at Lamma Power Station, our key generating facility, for scheduled commissioning by 2020 and 2022. HK Electric and CLP Power are also jointly conducting an Environmental Impact Assessment for a floating natural gas storage & regasification unit in Hong Kong waters to improve its capabilities to procure and store natural gas, which will become its primary fuel.

In Australia, SA Power Networks delivered satisfactory results, securing regulatory approval for its 2017-20 tariff structure. Victoria Power Networks secured a number of large-scale power infrastructure development projects under the auspices of Beon Energy Solutions, a new team established in late 2015. Australian Gas Networks performed ahead of all operational targets and made progress with its ongoing large-scale pipeline modernisation programme. Australian Energy Operations submitted a bid to perform early works for an upcoming wind farm in the State of Victoria. DUET has begun to contribute profits to the Group immediately following its acquisition in May.

In mainland China, the Zhuhai plant achieved emissions, availability and performance targets in the first six months. The Jinwan plant increased sales of steam, thanks to the embedded sales with new customers. The Siping plant's operations and maintenance contract and off-take contract were both executed smoothly. The renewable energy generated by the two wind farms at Dali and Laoting up to the end of June 2017 has reduced carbon emissions by 117,000 tonnes.

In mainland Europe, Dutch Enviro Energy Holdings B.V., the Netherlands-based energy-from-waste company, delivered steady results in line with expectations. Iberwind, the Portugese wind farm operator, achieved 98% availability and successfully completed the repowering of Vila Lobos, its oldest wind farm.

In Canada, Canadian Power increased earnings following an agreement on indexation for long-term contracts at Windsor and Ottawa as well as costs savings at the Mississauga plant. Husky Midstream achieved steady performance that met expectations in its second year as a Group operating company.

In New Zealand, Wellington Electricity Lines maintained its emphasis in delivering safe and reliable electricity distribution with excellent customer service, while maintaining a high level of performance from the network assets.

In Thailand, Ratchaburi Power outperformed its production plan achieving availability of over 92%.

Outlook

The energy sector is undergoing rapid change across the world, with cleaner fuels, renewables and the fight against climate change emerging as important trends in the coming months. The recent modest strengthening of the global economy and positive prognosis for growth is encouraging, and provides us with the opportunity to pursue our growth strategy with more confidence.

Our presence in Australia is expanding and our focus there will be on smooth integration and consolidation. In Hong Kong, under the new regulatory regime HK Electric will focus on putting in place the infrastructure to increase the use of natural gas for power generation to meet the Government's target to reduce carbon intensity as set out in the Climate Action Plan 2030+.

CHAIRMAN'S STATEMENT *(Continued)*

Sizable capital intensive deals are of particular interest to us. Our unique competitive edge lies in the readiness of our associate companies in the CK Group to form joint ventures in our investments. This is most beneficial to us in the diversification and management of risks and reward, mitigating our exposure in any particular investment.

The Group will continue to maintain a strong cash position to stay poised to capture the right opportunities as and when they arise. We will press ahead with our strategy of actively identifying suitable high quality investments in a diversified range of stable, well-regulated energy markets.

In closing, I extend my heartfelt gratitude to the stakeholders whose commitment and support are at the heart of our ongoing success: the board of directors, all our employees, and our shareholders and other partners.

Fok Kin Ning, Canning
Chairman

Hong Kong, 20 July 2017