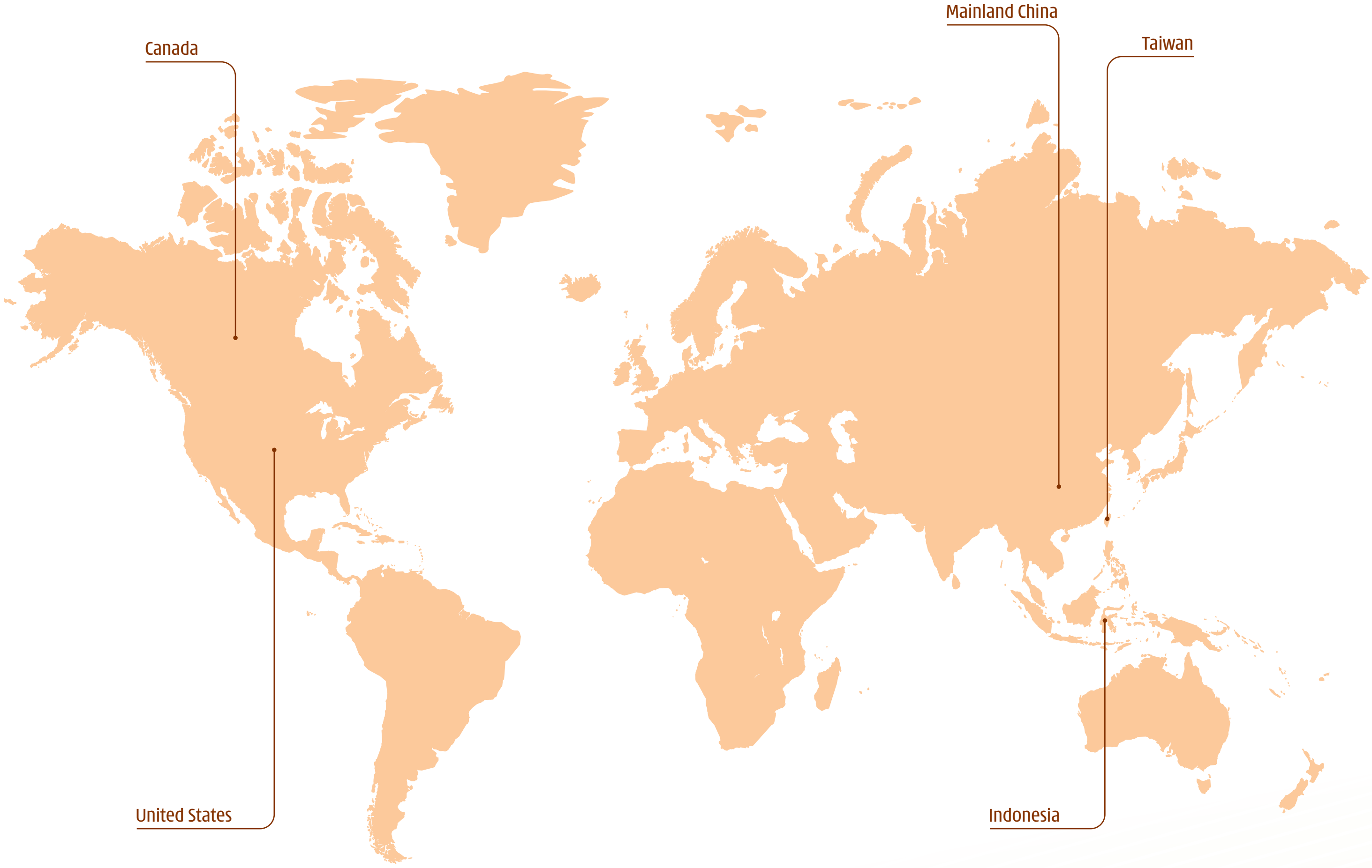
The liquids-rich BD Project offshore Indonesia achieves first production.

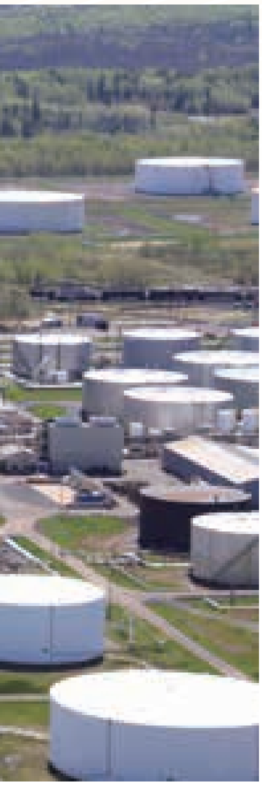
Energy



1. Husky acquires Superior Refinery in Wisconsin, USA for US$435 million.

2. The Sunrise Energy Project in Alberta, Canada continues to ramp up production.

3. Husky implements a second pilot project at its Pikes Peak South thermal project testing carbon capture technology. The captured CO_2 is used for enhanced oil recovery.



4. The West White Rose Project, the largest oil project sanctioned in Canada in 2017, will produce up to 75,000 barrels of oil per day by 2025.

5. Liuhua 29-1, the third deepwater gas field at the Liwan Gas project, is sanctioned; first production anticipated in 2021.

Operations Review – Energy

The energy division comprises of the Group's 40.19% interest in Husky Energy, an integrated energy company listed on the Toronto Stock Exchange.

	2017 HK$ million	2016 HK$ million	Change	Change in Local Currency
Total Revenue	**44,948**	30,467	+48%	+44%
EBITDA	**8,992**	9,284	-3%	-6%
EBIT	**2,703**	3,429	-21%	-24%
Production (mboe/day)	**322.9**	321.2	+1%	

Husky Energy ("Husky"), our associated company, announced net earnings of C$786 million in 2017, 15% lower than 2016 net earnings of C$922 million, mainly due to an after-tax gain of C$1,316 million on disposal of 65% ownership interest of the midstream asset in the Lloydminster region of Alberta and Saskatchewan to CKI and Power Assets, and an after-tax gain of C$140 million on disposal of certain legacy crude oil and natural gas properties in Western Canada. Underlying operations recovered strongly, particularly in the second half of 2017, due to higher commodity prices and increasing contributions from higher margin thermal developments in Western Canada and the Liwan Gas Project in Asia Pacific. Adjusted net earnings [1] of C$882 million in 2017, represented a 235% turnaround from the adjusted net loss of C$655 million in 2016. Husky also recognised a one-time deferred tax credit of C$436 million related to the reduction in U.S. Federal corporate tax rate. Husky also announced a quarterly dividend of C$0.075 per common share for the three-month period ended 31 December 2017.

As the Group rebased Husky Energy's assets to their fair values in the 2015 Reorganisation, the Group's share of after-tax gain on the disposals in 2016 were approximately HK$3,646 million.

After translation into Hong Kong dollars and including consolidation adjustments, the Group's share of EBITDA and EBIT decreased 3% and 21% against 2016 respectively, which reflect the aforementioned disposal gains being recognised by the Group in 2016 offset by the strong operational growth from better market prices during 2017.

Average production increased 1% to 322.9 thousand barrels of oil equivalent per day ("mboe/day") in 2017, mainly due to increased production from thermal developments including production ramp up at the Sunrise Energy Project, new production from Edam West, Vawn and Edam East thermal developments and strong production performance from the Tucker Thermal Project, as well as increased natural gas and NGLs production from the Liwan Gas Project in Asia Pacific. Healthy production increases in 2017 were offset by the sale of selected low margin legacy crude oil and natural gas assets which together contributed 31.9 mboe/day production in 2016.

At 31 December 2017, Husky's proved oil and gas reserves were 1,301 million barrels of oil equivalent ("mmboe"), compared to 1,224 mmboe at the end of 2016. Probable reserves were 1,136 mmboe compared to 1,591 mmboe at the end of 2016. Husky's 2017 reserves replacement ratio was 167% excluding economic revisions (165% including economic revisions). The proved reserves additions were mainly related to the sanction of the West White Rose Project, three new Lloyd thermal bitumen projects, and improved performance in heavy oil and bitumen production and Asia Pacific gas production.

Note 1: 2017 adjusted net earnings equals to after-tax net earnings before gain on sale of assets of C$34 million, impairment of C$126 million, exploration & evaluation asset and inventory write-downs of C$4 million. 2016 adjusted net loss equals to after-tax net loss before gain on sale of assets of C$1,456 million, impairment reversal of C$190 million and exploration & evaluation asset and inventory write-downs of C$69 million.

In November 2017, Husky acquired the 50,000 barrels per day Superior Refinery in Wisconsin, U.S.. This facility is expected to increase Husky's Downstream processing capacity for its own heavy crude to approximately 395,000 barrels per day and will contribute accretive earnings and cashflow.

Since 2015, Husky's management has been focused on transforming its resource base to achieve lower operating and sustaining capital costs. This program progressed well in 2017 and will continue. Concurrently, Husky's balance sheet, which was substantially restructured in 2016, has continued to improve with net debt to funds from operations currently below 0.9 times compared to 1.8 times in 2016.

Proved and Probable Reserves & Production