Energy

The energy division comprises of the Group's 34.02% interest in Husky Energy, a Canadian based international integrated energy and energy-related company listed on the Toronto Stock Exchange.

Husky Energy officially opens two technologically advanced and industry-leading thermal heavy oil plants in Saskatchewan to serve Western Canada.

- Husky Energy announced revenues, net of royalties, increased 2% to C$22,435 million.

- Husky Energy's production averaged approximately 301,500 barrels of oil equivalent per day.

Operations Review – Energy

The energy division contributed 15%, 17% and 13% respectively to the total revenue, EBITDA and EBIT of the Group's businesses.

	2012 HK$ millions	2011 HK$ millions	Change
Total Revenue	**59,224**	59,103 [1]	**-**
EBITDA	**14,889**	16,053	**-7%**
EBIT	**7,427**	8,614	**-14%**

Note 1: Revenue reduced by HK$3,924 million for the year ended 31 December 2011 due to reclassification adjustments made by Husky Energy to its 2011 reported revenue and cost of sales following a change in presentation adopted by Husky Energy in 2012.

Husky Energy announced revenues, net of royalties, increased 2% to C$22,435 million in 2012. Net earnings of C$2,022 million are 9% below last year, mainly due to a one-off C$198 million after-tax gain on the sale of non-core assets recorded in 2011, the impact from planned maintenance programs in the Atlantic Region and weak natural gas prices impacting the Upstream operations offset by higher margins in the Downstream operations and higher commodity marketing income. Cashflow from operations of Husky Energy in 2012 was C$5,010 million, a 4% decrease from last year.

A total dividend of C$1.20 per share was declared in 2012. During the year, cash received and receivable by the Group from dividends from Husky Energy amounted to HK$1,540 million, with the remainder in scrip dividends. The Group's interest in Husky Energy increased from 33.78% at the end of 2011 to the current interest of 34.02% mainly due to the scrip dividends received for the first and second quarters in 2012.

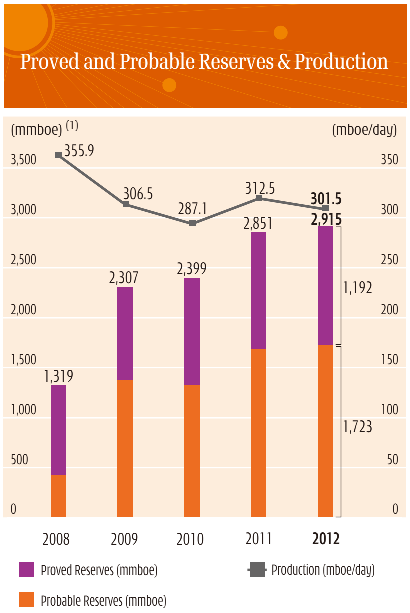
In 2012, Husky Energy's production averaged approximately 301,500 barrels of oil equivalent ("BOEs") per day, a 4% decrease when compared to approximately 312,500 BOEs per day in 2011, primarily due to the planned Atlantic Region off-station maintenance programs on the SeaRose and Terra Nova Floating, Production, Storage and Offloading vessels completed during 2012 and a reduction in natural gas production as investment prioritised higher netback crude oil and liquids rich natural gas developments. Declines were partially offset by the start-up of two new heavy oil thermal projects at Pikes Peak South and Paradise Hill. Crude oil and natural gas liquids production was 209,200 barrels per day in 2012 compared with 211,300 barrels per day in 2011. Natural gas production was 554 million cubic feet per day in 2012, compared with 607 million cubic feet per day in 2011.

A new drilling rig built by China Oil Field Services Limited is mobilised to support the Liwan Gas Project.

Husky Energy's Lloydminster Upgrader sets an all-time production record to convert 2.53 million barrels of synthetic crude oil from heavy oil, which can be refined into gasoline.

During 2012, Husky Energy focused on exploration and development projects on its extensive oil and liquids rich natural gas resource play portfolio in Western Canada and continued development of heavy oil thermal projects as well as major growth projects in Asia Pacific, the Oil Sands, and the Atlantic Region. First oil was achieved during the second quarter of 2012, ahead of schedule, for the 8,000 barrels per day capacity Pikes Peak South and 3,000 barrels per day capacity Paradise Hill thermal project respectively and production in the fourth quarter reached a combined 17,000 barrels per day. The Liwan Gas Project in the South China Sea is now more than 80% complete and currently planned to be on track to achieve planned first production in late 2013 / early 2014. Four new gas discoveries on the Madura Strait Block, offshore Indonesia, are being evaluated for potential tie-in to existing nearby infrastructure. At the Sunrise Energy Project, substantial cost certainty related to the first phase of the development was achieved in 2012 with the conversion of the lump sum contract for the Central Processing Facility. In the Atlantic Region, work continued in anticipation of sanction of the South White Rose Extension project with first oil expected in 2014 and development concepts, including a wellhead platform, are being evaluated for the West White Rose extension project in anticipation of production in the 2016 timeframe.

Going forward, Husky Energy will continue to maintain and enhance production in its Heavy Oil and Western Canada foundation as it repositions these areas toward thermal developments and resource plays, while advancing its three major growth pillars in the Asia Pacific Region, Oil Sands and in the Atlantic Region. Husky Energy's downstream assets will continue to provide specialised support to the Upstream operations to enhance efficiency and extract additional value from production.



Note 1: Oil and gas reserves disclosures for 2010 to 2012 have been prepared in accordance with Canadian Securities Administrators' National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" ("NI 51-101") effective 31 December 2010 ("Canadian method"). In prior years, Husky Energy applied for and was granted an exemption from certain of the provisions of NI 51-101, which permitted Husky Energy to present oil and gas reserves disclosures in accordance with the rules of the United States Securities and Exchange Commission guidelines and the United States Financial Accounting Standards Board ("SEC method"). The guidance was effective from 31 December 2010. Accordingly, the 2010 to 2012 figures are shown under the Canadian method, while 2008 and 2009 are shown under the SEC method.