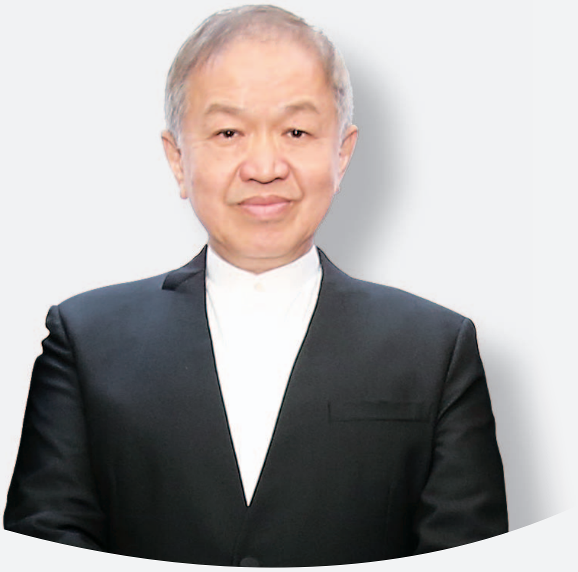
CHAIRMAN'S STATEMENT



Prudent investment to deliver sustained growth

I am pleased to report that stability in both revenues and profitability was maintained for the Power Assets Group in 2015.

We remained selective in our approach to new opportunities. With financial discipline playing a central part in our strategy, we continued to focus on well-regulated and mature markets that can deliver predictable and reliable income streams. To achieve organic growth, we developed and strengthened our operations in existing markets, notably through network expansion in Australia.

A key achievement during the year was our acquisition of Iberwind, a major wind energy developer in Portugal. The investment is especially significant as Iberwind will serve as a key component of our wind energy portfolio, alongside the wind farms in Dali and Laoting in mainland China. Following this transaction our presence spans North America, Europe, Asia, Australia and New Zealand, with nine power generation companies and eight transmission/ distribution companies across the electricity and gas sectors.

In June we disposed of a 16.53% stake in HK Electric Investments and HK Electric Investments Limited (collectively known as "HKEI") to an investment holding company wholly-owned by Qatar Investment Authority, for an aggregate consideration of over HK$7.681 billion. Notwithstanding the disposal, we remain HKEI's single largest shareholder with a 33.37% stake.

The regulatory environment for the global energy sector is constantly evolving. In the UK, an incentive scheme called the RIIO regime (Revenue = Incentives + Innovation + Outputs) was introduced in 2013. In Hong Kong, the Government launched a public consultation during the year in order to set the regulatory environment after 2018. In Australia as well as New Zealand, our regulated electricity and gas distribution networks participated in the regulatory reset process.

Results and dividends

The Group's 2015 audited profits attributable to shareholders amounted to HK$7,732 million including a loss of HK$532 million from a partial disposal of HKEI in June 2015 (2014: HK$61,005 million, including a one-time gain of HK$52,928 million from the spin-off of the Hong Kong electricity business in January 2014). Earnings per share was HK$3.62 (2014: HK$28.58).

The Directors will recommend a final dividend of HK$2.02 per share, payable on 27 May 2016 to those persons registered as shareholders on 18 May 2016. This, together with the interim dividend of HK$0.68 per share takes the total dividend for the year to HK$2.70 per share (2014: HK$2.68 per share).

Entering the wind energy business in Europe

The acquisition of a 50% stake in Portuguese wind energy developer Iberwind for a consideration of EUR144 million was an important milestone for the Group during the year. Following the completion of the transaction in November 2015, the Power Assets Group and our joint venture partner Cheung Kong Infrastructure Holdings Limited each hold a 50% stake in the company.

Operating 31 wind farms with a total capacity of 684 MW, Iberwind is considered a pioneer in the production of renewable energy, whose output offset over 1 million tons of carbon dioxide emissions in 2015. As such it will form an important part of our renewable energy portfolio. The output of Iberwind's wind farms is governed by a regulated tariff for the next 13 years, aligning with the Group's preference for stable, long term income streams.

Progress across the portfolio

The operating results of all Group companies were in line with expectations for the year. The solid and stable performance enabled us to deliver on our promise of sustained shareholder returns.

In the UK, results were satisfactory amidst an economic recovery that was slower than expected. Interest rates, GDP and inflation remained low. The focus of the four Group companies in the UK was on delivering performance enhancement through innovation, improved efficiencies, and excellence in customer service. Through business transformation initiatives, our three distribution companies were successful in securing satisfactory levels of incentives offered by the UK energy authority Ofgem under the RIIO scheme.

In Australia, our regulated businesses engaged with the Australian Energy Regulator (AER) to ascertain their applicable revenues for the upcoming regulatory period. SA Power Networks has already begun operating in the new regulatory control period while CitiPower and Powercor are in the process of setting their respective tariffs. Transmission General Holdings Australia (TGHA) operated the dedicated transmission lines connecting the Mercer wind farm to the power grid and delivered reliable performance. Plans are in place for TGHA to expand its operations by providing transmission connection facilities for the Ararat wind farm, which is presently under construction.

In Hong Kong, The Hongkong Electric Company, Limited (HK Electric) continued to achieve outstanding power supply reliability, deliver excellent customer service and reduce emissions. Since 2009, customers in Hong Kong have suffered less than one minute of unplanned power interruption per year. The government conducted a public consultation during the year ahead of a strategic review of the Scheme of Control Agreement (SCA). Following in-depth stakeholder engagement, HK Electric submitted that the existing SCA should be retained to provide the optimum environment to achieve Hong Kong's energy objectives. With the ongoing softening of international fuel prices, the company announced in December 2015 that it would reduce net tariff by an average of 1.1% from 1 January 2016.

In the Netherlands, the performance of Dutch Enviro Energy Holdings B.V. which in turn owns AVR-Afvalverwerking B.V. (AVR), exceeded expectations, demonstrating that the energy-from-waste model is a well received one in Europe. In addition to the domestic market, AVR sourced waste from neighbouring markets like the UK. Its energy output was either sold to customers on long term contracts or onto the power grid, ensuring a dependable income stream. AVR improved its performance through the acquisition of new heating customers during the year and received government subsidies arising from its green waste-to-energy operations.

The Group's three coal plants in mainland China were affected by the slowing mainland economy and the increased adoption of renewable energy. In this context their focus was to augment emissions control capabilities to achieve stringent new environmental targets. Works were undertaken during the year at the Group's two wind farms in mainland China to upgrade operations, which are expected to bring about performance improvements going forward.

The Group companies in other markets also delivered reliable results, enabling us to deliver on our promise of steady growth in value. In Canada, we attained satisfactory results despite the weakening of the Canadian Dollar. In Thailand, the Ratchaburi plant delivered consistent returns. In New Zealand, Wellington Electricity expanded its customer base and adjusted its business processes surrounding a regulatory reset.

Evolving with new technology

Technology is proving to be a catalyst for change in the energy industry. The most significant trend at the moment is an increase in the supply of renewable energy. This stems both from large-scale onshore and offshore wind farms and solar power through photovoltaic cells coupled with commercial-scale batteries for storage. To keep abreast of these trends, our UK distribution networks have installed commercial-scale batteries, while in Australia, we are installing domestic solar panels coupled with batteries.

A consistent strategy going forward

In September 2015, we had an opportunity for a merger with Cheung Kong Infrastructure Holdings Limited to form a diversified investment platform with investment mandate in both power and non-power infrastructure sectors. Though over half of the independent shareholders supported the proposal, regrettably there were not enough votes for the proposal to be passed.

We entered 2016 with a strong cash position, further enhanced by the disposal of part of the stake in HKEI. To deploy our cash the Group is actively exploring a number of investment opportunities. If no sizeable investment is expected by the upcoming Annual General Meeting, a Board meeting would be convened to decide on the payment of a special dividend. Whilst payment of a special dividend would allow the Company to return earnings retained in previous years to shareholders, any such distribution would decrease the cash position of the Company and reduce its capabilities for future acquisitions.

At our existing companies we will maintain and improve efficiencies and customer service while minimising our carbon footprint. We will encourage innovation, particularly through the use of new technologies that are reshaping our sector. Strong corporate governance remains a cornerstone of our business, underpinning our operations to ensure we deliver reliable, value-for-money and sustainable services for our customers and create value for our shareholders.

Going forward, we will continue to work towards achieving growth from our investments in North America, Australia and Europe.

In closing I would like to express my thanks to the Board, the management across all our Group companies, and our hard-working and passionate employees who should be congratulated for our ongoing success.

Fok Kin Ning, Canning
Chairman
Hong Kong, 16 March 2016