

CORPORATE GOVERNANCE REPORT



Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. The Company recognises that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value. The Group's corporate governance policy is designed to achieve these objectives and is maintained through a framework of processes, policies and guidelines.

The Board delegates its responsibility for performing corporate governance duties to the Audit Committee. At its meetings held in March and July 2017, the Audit Committee reviewed the governance structure of the Group, the records of continuous professional development activities of Directors and senior managers in 2016 and the half year to 30 June 2017, the

compliance status of the Corporate Governance Code for the year 2016 and the first six months of 2017, and the corporate governance disclosure in the 2016 Corporate Governance Report and the interim report 2017. The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2017, except as noted hereunder.

Board of Directors

The Board, led by the Chairman, is responsible for the approval and monitoring of Group-wide strategies and policies, approval of annual budgets and business plans, evaluation of the performance of the Group, and oversight of management. Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

During 2017, the Board comprised the following Directors and the record of attendance of meetings in 2017 of each Director is as follows:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Meetings between Chairman and Non-executive Directors	General Meeting held on 14 March 2017	Annual General Meeting held on 10 May 2017
Executive Directors						
Fok Kin Ning, Canning (Chairman)	3/4	–	0/1	1/1	√	√
Tsai Chao Chung, Charles (Chief Executive Officer)	4/4	–	–	–	√	√
Chan Loi Shun	4/4	–	–	–	√	√
Andrew John Hunter	4/4	–	–	–	√	√
Neil Douglas McGee	4/4	–	–	–	√	√
Wan Chi Tin	4/4	–	–	–	√	√
Non-executive Director						
Li Tzar Kuoi, Victor	4/4	–	–	1/1	√	√
Independent Non-executive Directors						
Ip Yuk-keung, Albert	4/4	3/3	–	1/1	x	√
Ralph Raymond Shea	4/4	3/3	1/1	1/1	√	√
Wong Chung Hin	3/4	3/3	1/1	1/1	√	√
Wu Ting Yuk, Anthony	4/4	–	–	1/1	√	√

Biographical details of the current Directors are set out in the “Board of Directors and Senior Management” section on pages 32 to 35 of the Annual Report. An updated list of Directors containing biographical information and identifying the Independent Non-executive Directors is maintained on the website of the Company. The names of all Directors and their role and function are posted on the website of Hong Kong Exchanges and Clearing Limited (“HKEX”).

The Board meets at least four times a year. Additional board meetings will be held when warranted. Regular meetings of a year are scheduled during the last quarter of the preceding year providing Directors with adequate time to plan their schedules to attend. The Directors may attend meetings in person, by telephone or other electronic means in accordance with the Company’s articles of association. Throughout the year, the Directors also participate in the consideration and approval of matters by way of written resolutions, which are circulated to Directors together with supporting explanatory write-up and coupled with briefings from the Chief Executive Officer or the Company Secretary

as required. Directors are required to declare their interests, if any, in the matters to be considered by them during board meetings and in the circular resolutions. During the year, the Board held four meetings, and the Chairman had a meeting with the Non-executive Directors without the presence of the Executive Directors.

Directors at all times have full and timely access to information of the Group. A financial summary outlining the Group’s financial position and performance and containing the actual and budgeted results from different operations, with major variances explained, is sent to Directors each month for their information. Directors also have independent access to senior management for information on the Group and unrestricted access to the services of the Company Secretary. The Company Secretary advises the Board on governance matters and board procedures. There is a procedure for Directors to seek independent professional advice whenever deemed necessary by them at the expense of the Company, as appropriate.

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Directors receive at least fourteen days prior written notice of a regular meeting and may propose matters for discussion to be included in the agenda. An agenda with supporting board papers is sent to Directors no less than three days prior to a regular meeting. The Company Secretary assists the Chairman in seeing that Directors receive adequate information on each matter set out in the agenda and acts as co-ordinator for management in providing clarification sought by Directors. The minutes of Board meetings are prepared by the Company Secretary with details of the decisions reached, any concerns raised and dissenting views expressed. The draft minutes are sent to all Directors within a reasonable time after each meeting for their comments before being formally signed by the chairman of the meeting. Copies of the final versions of Board minutes are sent to Directors for their information and records. The signed minutes are kept in safe custody by the Company Secretary and are available for inspection by Directors.

All Directors have been appointed on annual twelve-month basis, subject to retirement from office by rotation and re-election by shareholders at the annual general meeting once every three years pursuant to the articles of association of the Company. Directors retiring by rotation and offering themselves for re-election at the forthcoming annual general meeting are Mr. Neil Douglas McGee, Mr. Ralph Raymond Shea, Mr. Wan Chi Tin, Mr. Wong Chung Hin and Mr. Wu Ting Yuk, Anthony. Information relating to the Directors offering themselves for re-election which is required to be disclosed under the Listing Rules is contained in the circular to shareholders dated 4 April 2018. None of the said Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Insurance coverage in respect of Directors' liability has been arranged by the Company.

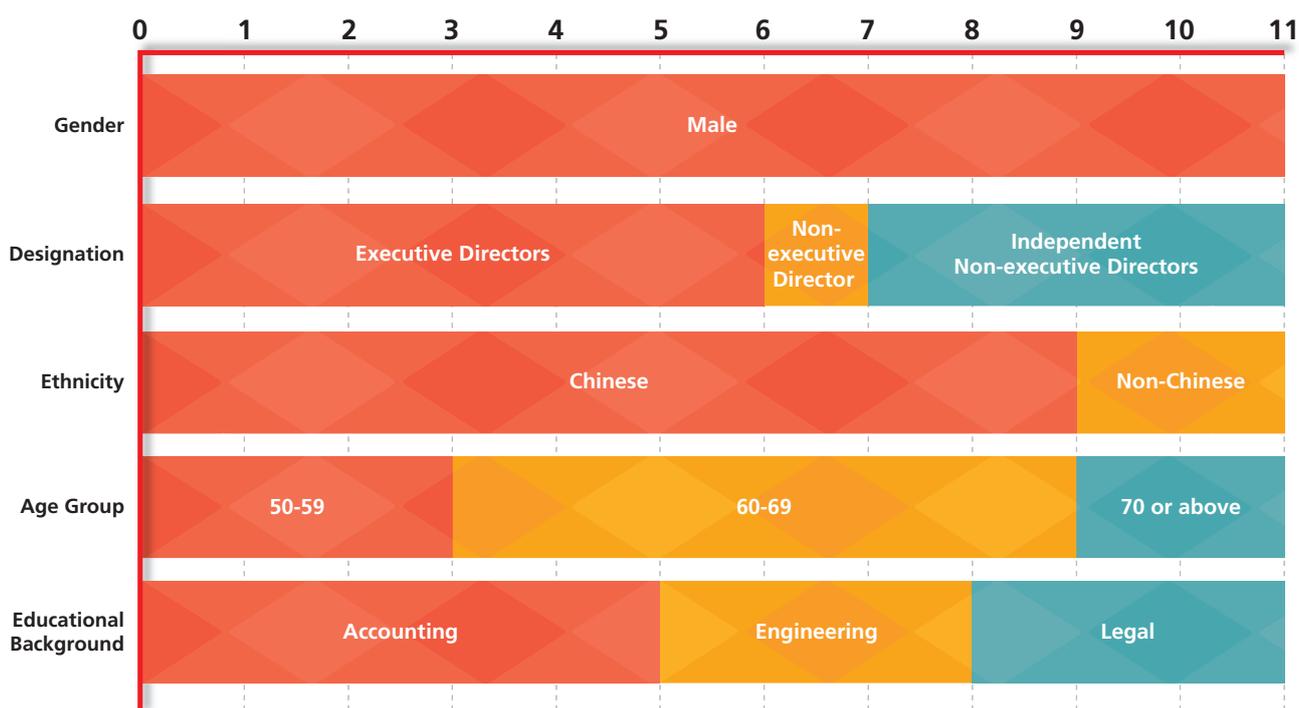
The Company does not have a nomination committee as provided for in the Corporate Governance Code. At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time. The Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman and the Chief Executive Officer. The Chairman and the Chief Executive Officer may recommend candidates for election to the Board. The principal consideration is to build an effective and complementary board with the expertise, skills and experience appropriate for the requirements of the businesses of the Group with due regard to the benefits of diversity on the Board laid down in the Group's board diversity policy which sets out the approach to achieving board diversity, recognising that board appointment should be based on merit that complements and expands the skills, experience and expertise of the Board as a whole, taking into account professional experience and qualifications, gender, age, cultural and educational background, and any other factors that the board might consider relevant and applicable from time to time towards achieving board diversity. The policy is available on the website of the Company. Potential candidates for Independent Non-executive Directors will also be reviewed to determine whether they are independent according to the requirements of the Listing Rules, and are able to devote sufficient time to Board and committee meetings. Credentials of candidates are put forward to the Board for consideration in respect of any proposed appointment of a new director or any proposed appointment of a director to an executive office, and the appointment is subject to the approval of the Board.

Any newly appointed director will be subject to retirement and re-election pursuant to the articles of association of the Company at the next general meeting (in the case of filling a casual vacancy) and at the next annual general meeting (in the case of an addition to the Board).

The diversity profile of the Board as at 31 December 2017 is as follows:

Board Diversity

No. of Directors



Newly appointed Directors receive briefings and a package of orientation materials on the operations and businesses of the Group, together with information relating to duties and responsibilities of directors under statutory regulations and the Listing Rules. The Company Secretary updates Directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties.

Directors' Training and Commitment

The Company arranges and provides continuous professional development training and relevant materials to Directors to help ensure they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendances at external forums or briefing sessions on the relevant topics also count towards continuous professional development training. The Directors have provided to the Company their records of continuous professional development training during 2017, and they have participated in training activities in the following manner:

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1. Reading materials and seminars on directors' duties, compliance issues for listed companies and/or legal and regulatory requirements
2. Reading materials and seminars on corporate governance and financial reporting
3. Reading materials and seminars on risk management, internal control and sustainable growth

	1	2	3
Executive Directors			
Fok Kin Ning, Canning	√	√	√
Tsai Chao Chung, Charles	√	√	√
Chan Loi Shun	√	√	√
Andrew John Hunter	√	√	√
Neil Douglas McGee	√	√	√
Wan Chi Tin	√	√	√
Non-executive Director			
Li Tzar Kuoi, Victor	√	√	√
Independent Non-executive Directors			
Ip Yuk-keung, Albert	√	√	√
Ralph Raymond Shea	√	√	√
Wong Chung Hin	√	√	√
Wu Ting Yuk, Anthony	√	√	√

The Directors have each confirmed that he has allocated sufficient time and attention to the affairs of the Group, and have also disclosed their offices held in other public companies and organisations and updated the Company on any subsequent changes in a timely manner.

Directors' Securities Transactions

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors ("Model Code") set out in Appendix 10 of the Listing Rules as the Group's code of conduct regulating directors' securities transactions. All Directors have confirmed following specific enquiry that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

Senior managers, and other nominated managers and staff who, because of their respective positions in the Company, are likely to possess unpublished inside information regarding the Company and its securities are also required to comply with the Model Code.

Reminders are sent during each year to Directors, senior managers and other nominated managers and staff that they should not deal in the securities of the Company during the "black-out period" specified in the Model Code.

The Company has established a policy relating to inside information and securities dealing which is applicable to all its staff. The policy explains the meaning of unpublished inside information and the illegality of insider dealing, and sets out restrictions, controls and reporting mechanism for dealing with securities of the Company.

Directors' Responsibility for Financial Reporting and Disclosure

Annual and Interim Reports and Financial Statements

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Company and the Group. The annual and interim results of the Company are published in a timely manner within the limits of three months and two months respectively after the end of the relevant periods.

Accounting Policies

The Directors consider that in preparing financial statements, the Group ensures statutory requirements are met and applies appropriate accounting policies that are consistently adopted and makes judgments and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

Accounting Records

The Directors are responsible for ensuring the Group keeps proper accounting records which disclose at any time the financial position of the Group from which, the financial statements of the Group could be prepared in accordance with statutory requirements and the Group's accounting policies.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

Going Concern

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Group's financial statements have accordingly been prepared on a going concern basis.

Disclosure

The Board is aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of inside information, announcements and financial disclosures and authorises their publication as and when required.

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. During 2017, the Chairman of the Board was Mr. Fok Kin Ning, Canning and the Chief Executive Officer was Mr. Tsai Chao Chung, Charles.

The Chairman is elected by members of the Board for a term of one year until the conclusion of each annual general meeting whereupon the Chairman is subject to re-election. Both the Chairman and the Chief Executive Officer are subject to retirement from their directorship by rotation and re-election by shareholders every three years at the annual general meeting.

The Chairman is responsible for providing leadership to, and overseeing the functioning and effective running of, the Board to ensure that the Board acts in the best interests of the Group. The Chairman approves board meeting agendas and ensures that meetings of the Board are planned and conducted effectively and that all Directors are properly briefed on issues arising at board meetings. In addition to board meetings, the Chairman holds meeting(s) annually with Non-executive Directors without the presence of Executive Directors. The Chairman also acts in an advisory capacity to the Chief Executive Officer in all matters covering the interests and management of the Group.

The Chief Executive Officer, working with the executive management team, is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. The Chief Executive Officer attends to developing strategic operating plans and is directly responsible for maintaining the operational performance of the Group. Working with other Executive Directors and the general managers, he ensures that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action when necessary. He maintains an ongoing dialogue with the Chairman and all other Directors to keep them informed of all major business development and issues. He is also responsible for building and maintaining an effective team to support him in his role.

Independent Non-executive Directors

The Board must be satisfied itself that an Independent Non-executive Director does not have any material relationship with the Group. The Board is guided by the criteria of independence as set out in the Listing Rules in determining the independence of Directors.

Mr. Ip Yuk-keung, Albert, Mr. Ralph Raymond Shea, Mr. Wong Chung Hin and Mr. Wu Ting Yuk, Anthony, Independent Non-executive Directors of the Company, have each provided a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board continues to consider these Directors to be independent.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2017, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Shares of the Company

Name of Director	Capacity	Nature of Interests	Number of Shares Held	Approximate % of Shareholding
Tsai Chao Chung, Charles	Beneficial owner	Personal	4,022	≈ 0%

Long Positions in Shares of Associated Corporation

HK Electric Investments and HK Electric Investments Limited

Name of Director	Capacity	Nature of Interests	Number of Share Stapled Units Held	Approximate % of Issued Share Stapled Units
Li Tzar Kuoi, Victor	Interest of controlled corporations	Corporate	7,870,000 (Note 1)	0.08%
Fok Kin Ning, Canning	Interest of controlled corporation	Corporate	2,000,000 (Note 2)	0.02%
Tsai Chao Chung, Charles	Beneficial owner	Personal	880	≈ 0%

Notes:

- (1) Such share stapled units of HK Electric Investments and HK Electric Investments Limited ("HKEI") comprise:
- 2,700,000 share stapled units of HKEI held by Lankford Profits Limited, a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOFF"). By virtue of the terms of the constituent documents of LKSOFF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOFF; and
 - 5,170,000 share stapled units of HKEI held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.
- (2) Such share stapled units of HKEI are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Interests in Competing Business

In 2017, the interests of Directors in businesses which may compete with the Group's business of development, investment and operation of power generation, transmission and distribution and other energy related infrastructure facilities ("Business") were as follows:

Name of Director	Name of Company	Nature of Interests
Fok Kin Ning, Canning	CK Hutchison Holdings Limited	Group Co-Managing Director
	CK Infrastructure Holdings Limited	Deputy Chairman
	Husky Energy Inc.	Co-Chairman
Chan Loi Shun	CK Infrastructure Holdings Limited	Executive Director and Chief Financial Officer
Andrew John Hunter	CK Infrastructure Holdings Limited	Deputy Managing Director
Li Tzar Kuoi, Victor	CK Asset Holdings Limited	Managing Director and Deputy Chairman
	CK Hutchison Holdings Limited	Group Co-Managing Director and Deputy Chairman
	CK Infrastructure Holdings Limited	Chairman
	Husky Energy Inc.	Co-Chairman
Neil Douglas McGee	Husky Energy Inc.	Director

The Board is of the view that the Group is capable of carrying on the Business independent of, and at arm's length from the businesses of the above companies. When making decisions on the Business, the above Directors, in the performance of their duties as Directors of the Company, have acted and will continue to act in the commercial best interest of the Group and all its shareholders.

Remuneration Committee

The Remuneration Committee is chaired by Mr. Wong Chung Hin (an Independent Non-executive Director), and the other members are Mr. Fok Kin Ning, Canning (the Chairman) and Mr. Ralph Raymond Shea (an Independent Non-executive Director).

The Remuneration Committee's principal responsibilities include the review and consideration of the Company's policy for remuneration of Directors and senior management, and the determination of their individual remuneration packages. It reports to the Board at the next board meeting after decisions and recommendations have been made. Committee members may seek independent professional advice at the expense of the Company to discharge their duties as members of the Committee. The terms of reference of the Remuneration Committee are published on the Company's website and the HKEX's website.

The Remuneration Committee receives and considers relevant remuneration data and market conditions. The remuneration of Executive Directors and senior management is determined with reference to the Company's performance and profitability, industry remuneration benchmarks and prevailing market conditions. Remuneration is performance-based and, coupled with an incentive system, is competitive to attract and retain talented employees.

The Committee held a meeting in December 2017, in which it assessed the performance of the full time Executive Directors and senior management of the Group and considered and determined the performance-based bonus payable to them in respect of the 2017 financial year and their remuneration for the next year. None of the Directors and senior management participated in the determination of their own remuneration. The Committee, authorised by the Board, also reviewed and approved the 2018 wage and salary review proposal.

The emoluments paid to each Director for the 2017 financial year are shown in note 10 to the financial statements on page 89 of the Annual Report. The remuneration paid to members of the senior management for the 2017 financial year is disclosed by bands also in note 10 on page 90 of the Annual Report.

Audit Committee

The Audit Committee is chaired by Mr. Wong Chung Hin and the other members are Mr. Ip Yuk-keung, Albert and Mr. Ralph Raymond Shea. All the three Committee members are Independent Non-executive Directors, and none of them is a partner or former partner of KPMG, the Group's external auditor. The Company Secretary acts as secretary to the Audit Committee.

The Audit Committee reports directly to the Board of Directors and its principal responsibilities include the review of the Group's financial reporting, risk management and internal control systems, the interim and annual financial statements, and corporate and compliance issues. The Committee also acts as the key representative body for overseeing the Company's relations with the external auditor, reviewing the whistle-blowing procedure under which employees and external parties can use in confidence to raise concerns about improprieties in financial reporting, internal control and other matters, and undertaking duties relating to the corporate governance function delegated by the Board. The Committee also meets regularly with KPMG to discuss the audit process and accounting issues. The chairman of the Committee summarises the subjects discussed and decisions or recommendations made in a written report to the Board after each meeting. Committee members may seek independent professional advice at the expense of the Company to discharge their duties as members of the Committee. The terms of reference of the Audit Committee are published on the Company's website and the HKEX's website.

The Audit Committee held three meetings in 2017. During the meetings, the Audit Committee reviewed and considered matters including the Group financial statements and Annual Report for the year ended 31 December 2016, the audit fee and auditor engagement letter for the 2016 Group financial statements, the re-appointment of auditor, the report of the auditor to the Audit Committee in relation to the audit of the 2016 Group financial statements, the non-audit services provided by KPMG in the year 2016, the Group's risk management report as of December 2016 and June 2017, the assessment and declaration in respect of the effectiveness of risk management and internal control systems of the Group for the year 2016 and for the half year to 30 June 2017, the internal

audit plan for 2017, the 3-year cycle internal audit plan for 2017 to 2019, the financial statements for the six months ended 30 June 2017, the statistics on bribery activities and illegal or unethical behaviour of the Group and its major associates for the year 2016 and for the half year to 30 June 2017, the Group's outstanding litigation and claims as at 31 December 2016 and 30 June 2017, the Group's corporate governance structure, the compliance of the Corporate Governance Code by the Company, the disclosure in the 2016 Corporate Governance Report, the corporate governance disclosure in the interim report 2017, the compliance review of the Deed of Non-competition with HK Electric Investments Limited, the environmental, social and governance reporting in the annual report 2016, the continuous professional development activities undertaken by Directors and senior managers during 2016 and the six months ended 30 June 2017, KPMG's audit plan for the 2017 Group results and all internal audit reports compiled during the year. Representatives from KPMG were invited to attend two of the meetings and they discussed the 2016 audited financial statements, the 2017 audit plan and various accounting issues with the Committee.

Company Secretary

The Company Secretary of the Company supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters and also facilitates induction and professional development of Directors.

The appointment and removal of the Company Secretary is subject to approval of the Board. Although the Company Secretary reports to the Chairman and the Chief Executive Officer, all Directors have access for advice and service of the Company Secretary. Mr. Alex Ng has been appointed as the Company Secretary of the Company since May 2013 and has day-to-day knowledge of the Group's affairs. During the year ended 31 December 2017, Mr. Ng has received no less than fifteen hours of relevant professional training to refresh his skills and knowledge.

Risk Management and Internal Control

Introduction

The Board has overall responsibility for evaluating and determining the nature and extent of the risks they are willing to take in achieving the Group's strategic objectives, overseeing the risk management and internal control systems including reviewing their effectiveness through the Audit Committee to ensure appropriate and effective risk management and internal control systems are in place.

The Audit Committee assists the Board in meeting its responsibility for maintaining effective systems of risk management and internal control. The Audit Committee reviews all significant aspects of risk management and internal control, including financial, operational and compliance controls; the adequacy of resources, qualifications and experience, training programmes and budgets of the staff of the Group's accounting, internal audit, and financial reporting functions. It reviews the process by which the Group evaluates its control environment and its risk assessment process, and the way in which business and control risks are managed. The Audit Committee reviews the effectiveness of the internal audit function and its annual work plans, and considers the reports of the Chief Executive Officer and an Executive Director on the effectiveness of the systems of risk management and internal control. These reviews and reports are considered by the Audit Committee before it makes its recommendation to the Board for approval of the annual consolidated financial statements.

At the meetings held in March and July 2017, the Audit Committee has reviewed the effectiveness of the risk management and internal control systems of the Group for the year 2016 and for the half year ended 30 June 2017 respectively and considered the systems are effective and adequate.

Pursuant to an agreement dated 14 January 2014 between the Company and HK Electric Investments Limited for sharing of support services, HK Electric Investments Limited provides the relevant financial and accounting, treasury and internal audit services to the Company and to support its internal control functions.

Risk Management and Internal Control Environment

Effective risk management is fundamental to the achievement of the Group's strategic objectives, and an enterprise risk management framework is in place to provide top-down and bottom-up approaches to identify, assess, mitigate and monitor key risks at corporate and business unit levels in a pro-active and structured manner. More details are given in the Risk Management and Risk Factors on pages 56 to 60 of the Annual Report.

The Company's management encourages a risk aware and control conscious environment, setting objectives, performance targets or policies for the management of key risks including strategic planning, business operations, acquisitions, investments, legal and regulatory compliance, expenditure control, treasury, environment, health and safety, and customer service. The Company has a well-established organisational structure with defined levels of responsibility and authority and reporting procedures. There are inherent limitations in any systems of risk management and internal control and accordingly the Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Executive Directors review operational and financial reports and key operating statistics and hold regular meetings with general managers to review their reports.

Executive Directors and senior executives are appointed to the boards and board committees of all major operating subsidiaries, associates and joint ventures for monitoring the operations of those companies. There is a comprehensive system for reporting information by those companies to the Company's management.

Budgets are prepared annually by the management and are subject to review and approval firstly by the Chief Executive Officer and then by the Board. Re-forecasts of operating results for the current year are prepared on a quarterly basis, reviewed for differences to the budget and for approval by the Executive Directors.

The Group has established guidelines and procedures for the approval and control of expenditure. Operating expenditure is subject to overall budget control, with

approval levels being set by reference to the level of authority of each executive and officer. Capital expenditure is also subject to overall control within the approved budget of individual projects with more specific control and approval being required for overspending, unbudgeted expenditure and material expenditure within the approved budget. Monthly reports of actual versus budgeted and approved expenditure are also reviewed.

The treasury function, overseeing the Group's investment and funding activities, regularly reports to an Executive Director on the Group's cash and liquid investments, borrowings, outstanding contingent liabilities and financial derivatives commitments. The Board has approved and adopted a treasury policy governing the management of the financial risks of the Group (including interest rate risk, foreign exchange risk and liquidity risk) and the operational risks associated with such risk management activities. The treasury policy is reviewed by the Audit Committee from time to time.

The legal and company secretarial function reports to the Chief Executive Officer, and oversees, among other things, the Group's compliance of the Listing Rules and other legal and regulatory requirements.

The internal audit function reports to an Executive Director and the Audit Committee, and provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the operations of the Group's business units. Staff members are from a wide range of disciplines including accounting, engineering and information technology. Using risk assessment methodology and taking into account the scope and nature of the Group's activities and changes in operating environment, Internal Audit prepares its yearly audit plan which is reviewed and approved by the Audit Committee. Internal Audit's reports on the Group's operations are also reviewed and considered by the Audit Committee. The scope of work on the Group's business units performed by Internal Audit includes financial and operations review, recurring and unscheduled audits, fraud investigation, productivity efficiency review and laws and regulations compliance review. Internal Audit follows up audit recommendations on implementation by the business units and the progress is reported to the Audit Committee.

With the assistance of Internal Audit, the Chief Executive Officer and an Executive Director review, among other things, the profile of the significant risks and

how these risks have been identified, evaluated and managed, the changes since the last annual assessment in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment, the scope and quality of management's ongoing monitoring of the risk management and internal control systems. In addition, they review the work of internal audit function and other assurance providers, the extent and frequency of communication of monitoring results to the Audit Committee which enables it to assess control of the Group and the effectiveness of risk management, any significant failing or weaknesses in internal control that have been reported, the necessary actions that are being taken promptly to remedy any significant failings or weaknesses, and the effectiveness of the Group's processes for financial reporting and Listing Rules compliance. They also review the results of the self-assessment on internal controls. The assessment of the effectiveness of entity-level controls is the first tier of the internal control self-assessment. Management of each business unit conduct surveys on entity-level controls self-assessment with reference to five components of internal control, namely, Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. The second tier of internal control self-assessment at key business process level is also conducted to assess the effectiveness of controls over the operations within their areas of accountability and compliance with applicable laws and regulations. These assessments form part of the bases on which the Chief Executive Officer and an Executive Director formulate their opinion on risk management and internal control systems and report their findings to the Audit Committee and the Board.

The Chief Executive Officer and other Executive Directors also have the responsibility of developing and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risk. The insurance function of HK Electric Investments Limited supports the Group with appropriate insurance coverage.

Reports from the external auditor on material non-compliance with procedures and significant internal control weaknesses, if any, are presented to the Audit Committee. These reports are considered and reviewed and the appropriate action is to be taken if required.

Established guidelines where new businesses are being acquired including detailed appraisal and review procedures and due diligence processes are in place.

There are also procedures including pre-clearance on dealing in the Group's securities by designated Directors, notification of regular blackout period and securities dealing restrictions to Directors and relevant employees, and dissemination of information for specified purpose and on a need-to-know basis have been implemented to guard against possible mishandling of inside information within the Group.

Code of Conduct

The Group recognises the need to maintain a culture of corporate ethics and places great emphasis on employees' ethical standards and integrity in all aspects of its operations. The Group's Code of Conduct, applicable to all employees, aims to give guidance in dealing with ethical issues, provides mechanisms to report unethical conduct and helps to foster a culture of honesty and accountability. Employees of the Group are required to adhere to the standards set out in the Code of Conduct.

The Group prohibits any form of bribery or corruption. Accepting or offering advantages in any manner from or to clients, suppliers, or any person in connection with the Group's business is prohibited. An anti-bribery and anti-corruption control assessment is conducted biannually to evaluate the effectiveness of controls for managing bribery risks. A monitoring mechanism has been established to review compliance with anti-corruption laws and the Code of Conduct.

It is the responsibility of each Director and employee to avoid situations that may lead to or involve a conflict of interest. They should make full disclosure in case any of their dealings may have a conflict of interest with the activities of the Group. It is the responsibility of all Directors and employees who have access to and in control of the Group's information to provide adequate safeguard to prevent any abuse or misuse of that information. The Group strictly prohibits the use of inside information to secure personal advantage.

The Group promotes fair and open competition, and procurement of supplies and services are conducted in a manner of high ethical standards. There are procurement and tendering procedures in place to ensure impartial selection of suppliers and contractors, and that the hire of services and purchase of goods are based solely upon price, quality, suitability and need.

External Auditor

Independence

KPMG, the external auditor, have confirmed that they have been, for the year ended 31 December 2017, independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

Rotation of Engagement Partner

KPMG adopt a policy of rotating every seven years the engagement partner servicing their client companies. The last rotation in respect of the Group took place in the audit of the 2014 financial statements and the next rotation will take place in the audit of the 2021 financial statements.

Reporting Responsibility

The reporting responsibilities of KPMG are stated in the Independent Auditor's Report on pages 65 to 68 of the Annual Report.

Remuneration

An analysis of the fees of KPMG and other external auditors is shown in note 8 to the financial statements on page 87 of the Annual Report.

Re-appointment

A resolution for re-appointment of KPMG as auditor of the Company will be proposed at the forthcoming annual general meeting. There has been no change in auditor in any of the preceding three years.

Shareholders

The Company has established a range of communication channels between itself and its shareholders and investors. These include the annual general meeting, the annual and interim reports, notices, letters, announcements and circulars, results highlights published in newspapers, news releases, the Company's website at www.powerassets.com and meetings with investors and analysts. All shareholders have the opportunity to put questions to the Board at general meetings, and at other times by e-mailing or writing to the Company.

Shareholders may at any time notify the Company by mail or email of any change in their choice of language (English or Chinese or both) or means of receiving (printed copies or through the Company's website) corporate communications from the Company.

The Company handles share registration and related matters for shareholders through Computershare Hong Kong Investor Services Limited, the Company's share registrar, whose contact details are set out on page 131 of the Annual Report.

Pursuant to section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings may request for the convening of a general meeting. The request stating the general nature of the business to be dealt with at the meeting should be signed by the requisitionists and sent to the Company in hard copy form or in electronic form. Pursuant to sections 580 and 615 of the Companies Ordinance, shareholders qualified under sub-section (3) and sub-section (2) of the respective sections may request for the Company's circulation of statements with respect to proposed resolutions to be considered at a general meeting and the Company's giving of notice of a resolution intended to be moved at an annual general meeting. The request should be signed by the requisitionists and sent to the Company in hard copy form or in electronic form in accordance with the statutory provisions. Pursuant to article 122 of the articles of association of the Company, shareholders may propose a person other than a retiring director of the Company for election as a director of the Company at any general meeting, the procedures for which are posted on the Company's website.

The Board has adopted a communication policy which provided a framework to promote effective communication with shareholders. The policy is available on the website of the Company.

General Meeting

A general meeting to consider and approve the formation of a joint venture with CK Infrastructure Holdings Limited ("CKI") and CK Asset Holdings Limited ("CKA", formerly known as Cheung Kong Property Holdings Limited) (the "Joint Venture Transaction") in connection with the acquisition of the DUET Group, the

stapled securities of which were listed on the Australian Securities Exchange, was held at Harbour Grand Kowloon on 14 March 2017. The notice of meeting and the circular containing information on the proposed Joint Venture Transaction were sent to shareholders on 22 February 2017 which was more than 10 clear business days (as defined in the Listing Rules) and more than 14 clear days (as required by the Company's articles of association) prior to the meeting. The chairman of the Independent Board Committee was available at the meeting to answer questions from the shareholders. There was only one resolution proposed by the Chairman for the approval of the connected transaction contemplated thereunder and voting on the resolution was conducted by way of a poll. The poll voting procedure was explained fully to shareholders during the meeting. Computershare Hong Kong Investor Services Limited, the Company's share registrar, was appointed as scrutineer to monitor and count the poll votes cast at the meeting. The resolution proposed was passed by independent shareholders (being shareholders other than CKI and its associates) at the meeting, with 99.792614% of votes cast in favour of the resolution.

2017 Annual General Meeting

The annual general meeting is a main channel of communication between Directors and shareholders. The 2017 Annual General Meeting was held at Harbour Grand Kowloon on 10 May 2017. The notice of meeting, the annual report and the circular containing information on the proposed resolutions were sent to shareholders on 31 March 2017 which was more than 20 clear business days (as defined in the Listing Rules) and more than 21 clear days (as required by the Company's articles of association) prior to the meeting. The chairman and members of the Audit Committee and the Remuneration Committee respectively were available at the meeting to answer questions from the shareholders. Representatives from KPMG, the external auditor, also attended the meeting and were available to answer questions. A separate resolution was proposed by the Chairman in respect of each substantially separate issue, and voting on each resolution was conducted by way of a poll. The poll voting procedure was explained fully to shareholders during the meeting. Computershare Hong Kong Investor Services Limited, the Company's share registrar, was appointed as scrutineer to monitor and count the poll votes cast at the meeting. The resolutions proposed were passed by shareholders at the meeting and the percentage of votes cast in favour of each of them is set out below:

Ordinary resolutions

- Audited Financial Statement, Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2016 (99.9944%);
- Declaration of a final dividend of HK\$2.02 per share (99.9905%);
- Election of Mr. Fok Kin Ning, Canning (93.8029%), Mr. Andrew John Hunter (85.6330%), Mr. Ip Yuk-keung, Albert (96.2416%), Mr. Li Tzar Kuoi, Victor (87.0267%) and Mr. Tsai Chao Chung, Charles (97.9227%) as Directors;
- Re-appointment of KPMG as auditor and authorisation of Directors to fix their remuneration (99.6539%); and
- General mandates to Directors to issue and dispose of additional shares of the Company (63.6939%) and to repurchase shares of the Company (99.9564%), and extension of the general mandate to issue shares (64.9462%).

The results of the poll, which included the number of shares voted for and against each resolution, were posted on the Company's and HKEX's websites on the same day of the meeting.

CORPORATE GOVERNANCE REPORT

Company's Website

The Company maintains a website at www.powerassets.com. It contains a wide range of information of interest to investors and other stakeholders. For the dissemination of published information, such information including financial results, notices of meetings, announcements required under the Listing Rules, circulars to shareholders, press releases and other necessary announcements were uploaded onto the Company's website.

Articles of Association

No changes were made to the articles of association of the Company during the year ended 31 December 2017. The current version of the articles of association of the Company is available on the Company's and HKEX's websites.

Key Dates

Announcement of 2017 interim results	20 July 2017
Payment of 2017 interim dividends per share Interim : HK\$0.77 Special Interim : HK\$7.50	29 August 2017
Announcement of annual results for the year ended 31 December 2017	16 March 2018
Record date for 2017 special interim dividend (HK\$6.00 per share)	4 April 2018
Payment of 2017 special interim dividend (HK\$6.00 per share)	16 April 2018
Closure of register of members (annual general meeting)	4 May 2018 to 9 May 2018 (both days inclusive)
2018 annual general meeting	9 May 2018
Record date for 2017 final dividend	15 May 2018
Payment of 2017 final dividend (HK\$2.03 per share)	29 May 2018

Interests and Short Positions of Shareholders

As at 31 December 2017, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Substantial Shareholders

Long Positions in Shares of the Company

Name	Capacity	Number of Shares Held	Approximate % of Shareholding
Interman Development Inc.	Beneficial owner	186,736,842 (Note 1)	8.75%
Venniton Development Inc.	Beneficial owner	197,597,511 (Note 1)	9.26%
Univest Equity S.A.	Beneficial owner	279,011,102 (Note 1)	13.07%
Monitor Equities S.A.	Beneficial owner & interest of controlled corporation	287,211,674 (Note 1)	13.46%
Hyford Limited	Interest of controlled corporations	829,599,612 (Notes 2 and 4)	38.87% (Note 4)
CK Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612 (Notes 2 and 4)	38.87% (Note 4)
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612 (Notes 3 and 4)	38.87% (Note 4)
CK Hutchison Global Investments Limited	Interest of controlled corporations	829,599,612 (Notes 3 and 4)	38.87% (Note 4)
CK Hutchison Holdings Limited	Interest of controlled corporations	829,599,612 (Notes 3 and 4)	38.87% (Note 4)

Other Persons

Long Positions in Shares of the Company

Name	Capacity	Number of Shares Held	Approximate % of Shareholding
Capital Research and Management Company	Investment Manager	149,357,800 (Note 5)	6.99%
The Capital Group Companies, Inc.	Investment Manager	149,357,800 (Note 5)	6.99%

Notes:

- (1) These are direct or indirect wholly-owned subsidiaries of Hyford Limited ("Hyford") and their interests are duplicated in the same 829,599,612 shares of the Company held by Hyford described in Note (2) below.
- (2) CK Infrastructure Holdings Limited ("CKI") is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (1) above as it holds more than one-third of the issued share capital of Hyford indirectly. Its interests are duplicated in the interest of CK Hutchison Holdings Limited ("CK Hutchison") in the Company described in Note (3) below.
- (3) CK Hutchison is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (2) above as it holds more than one-third of the issued shares of CK Hutchison Global Investments Limited ("CKHGI"). Certain subsidiaries of CKHGI hold more than one-third of the issued voting shares of Hutchison Infrastructure Holdings Limited ("HIH") which in turn holds more than one-third of the issued share capital of CKI.
- (4) Such disclosure of interest was made in the form of notice pursuant to Part XV of the SFO submitted by CK Hutchison to the Company on 8 June 2015. Subsequently, Hyford notified the Company that as of 31 December 2017, it is deemed to be interested in 811,299,612 shares of the Company which represented approximately 38.01% of the issued shares of the Company as at 31 December 2017, and accordingly CKI, HIH, CKHGI and CK Hutchison are deemed to be interested in the same 811,299,612 shares of the Company as at 31 December 2017 as described in Notes (2) and (3) above.
- (5) Capital Research and Management Company ("CRMC") is a wholly-owned subsidiary of The Capital Group Companies, Inc. ("CGCI"). As such, the interests of CRMC are notified by CGCI and are duplicated in the same 149,357,800 shares of the Company notified by CGCI.

Save as disclosed above, as at 31 December 2017, there was no other person (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Public Float

According to information that is available to the Company and within the knowledge of the Directors, the percentage of the shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

Connected Transaction in 2017

Formation of a joint venture for acquisition of DUET Group in Australia

On 14 January 2017, the Company, CKI and CKA (collectively, the "Consortium Members") entered into a consortium formation agreement ("Consortium Formation Agreement") in relation to the formation of a joint venture, namely CK William UK Holdings Limited ("JV Co"), for the acquisition of all the stapled securities of the DUET Group listed on the Australian Securities Exchange (the "Acquisition") by the JV Co's Group by

way of schemes of arrangement and a trust scheme (the "Schemes") (as described in the announcement of the Company dated 16 January 2017) (the "Joint Venture Transaction"). The Acquisition and the Schemes were implemented according to the Scheme Implementation Agreement dated 14 January 2017 entered into between, among others, the Consortium Members and the DUET Group. Upon all the necessary independent shareholders' approval of the respective Consortium Members had been obtained and the Schemes had become effective on 26 April 2017, the Consortium Members, JV Co and their respective subsidiaries entered into a shareholders' agreement which sets out certain ongoing rights and obligations governing their relationship as direct or indirect shareholders of JV Co and the management and operation of JV Co and the DUET Group. DUET Group is an owner and operator of energy utility assets in Australia, the United States, the United Kingdom and Europe.

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Pursuant to the Consortium Formation Agreement, the JV Co will be indirectly held by the Company, CKI and CKA as to 20%, 40% and 40% respectively and the maximum financial commitment of the Company was up to approximately AUD1,506 million.

As one or more of the applicable percentage ratios of the Company based on the maximum financial commitment of the Company under the Joint Venture Transaction exceeds 5% but is less than 25%, the Joint Venture Transaction constitutes a discloseable transaction for the Company, and is subject to the announcement and notification requirements under Chapter 14 of the Listing Rules but is exempt from the shareholders' approval requirement.

CKI is a substantial shareholder and therefore a connected person of the Company under the Listing Rules. Further, given that Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor (who is a Director of the Company) and the Trusts (as defined in the Company's circular dated 22 February 2017) have been deemed as a group of connected persons by the Stock Exchange and they directly and/or indirectly held an aggregate of approximately 30.62% of the issued share capital of CKA as at the Latest Practicable Date (as defined in the Company's circular dated 22 February 2017), CKA may also be regarded as a connected person of the Company under the Listing Rules. Accordingly, the Joint Venture Transaction also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Company based on the maximum financial commitment of the Company under the Joint Venture Transaction exceeds 5%, the Joint Venture Transaction is subject

to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Li Tzar Kuoi, Victor, being a Director of the Company, has voluntarily abstained from voting on the board resolutions of the Company for approving the Joint Venture Transaction. The Company obtained approval for the connected transaction contemplated under the Consortium Formation Agreement from independent shareholders (being shareholders other than CKI and its associates) of the Company at a general meeting held on 14 March 2017.

Shareholders have been informed of the Joint Venture Transaction in the announcements posted on the respective websites of the Company and HKEX on 16 January 2017, 21 February 2017 and 14 March 2017 and the circular to shareholders dated 22 February 2017.

Continuing Connected Transactions during 2017

Services Agreements between HMGP and Husky Energy's affiliates

Pursuant to an investment agreement dated 25 April 2016 entered into between the Company, CKI and Husky Energy Inc. ("Husky Energy") and upon completion of transactions contemplated under the agreement, Husky Midstream General Partnership ("HMGP", a wholly-owned subsidiary of Husky Midstream Limited Partnership ("HMLP")) entered into the following services agreements (collectively, the "Services Agreements"), in each case subject to pre-agreed annual caps and with effect from 1 July 2016 and up to 31 December 2036:

Services Agreement (Parties)	Nature of Services	Payment
Management and Operating Services Agreement (HMLP, HMGP, GPCo*, PipeCo*, HoldCo*, FinanceCo* and HOOL*)	HOOL is engaged to provide operating services in respect of the pipeline and terminal system and any other assets owned by HMGP and management services to the relevant subsidiaries of HMLP, including but not limited to exercising and performing HMGP's rights and obligation under various Services Agreements, preparing and submitting various budgets, plans and proposals to GPCo and conducting businesses on its behalf.	HMLP and its relevant subsidiaries is required to pay their respective shares of all costs and expenses incurred by HOOL in the performance of its duties and responsibilities, including reasonable professional, legal, accounting and administrative costs and expenses, on at costs basis.
Construction Services Agreement (HMGP and HOOL)	HOOL is engaged as the contractor to provide engineering, procurement and construction services and to perform necessary works to complete certain specified projects of HMGP.	HMGP is required to reimburse HOOL for all costs and expenses incurred by HOOL in performing or completing any work or otherwise under the agreement, other than any construction capital incurred by HOOL in excess of the target costs for a project. If the actual construction capital incurred is less than the target cost, HOOL is entitled to the amount equal to the target cost for the project.
Blending Services Agreement (HMGP and Blender GP*)	Blender GP is provided with access to the HMGP system to carry out blending services on behalf of HMGP in respect of all procurement, administrative and other activities required relating to the blending of dry crude delivered by shippers with diluent to allow for transportation of blend on the HMGP system, and is granted the sole and exclusive right to conduct ancillary blending activities on the HMGP system on its sole account.	Blender GP is required to pay HMGP a pre-agreed annual fee (or a pro-rated amount for any contract year that is not an entire 12-month period).
Transportation and Terminalling Services Agreement (HMGP and HEMP* (as shipper))	HMGP provides transportation and terminalling services for HEMP, including the receipt, blending and commingling of products, provision of laboratory services and the facilitation of measurement of products.	HEMP is required to pay HMGP a pre-agreed annual revenue amount based on expected volume throughput and tariffs. If the revenue generated from/by HEMP's throughput and tariffs is less than such amount, HEMP is required to pay the pre-agreed amount and is entitled to receive credits to use for reducing the base tariff amount in any subsequent month where the revenue generated from HEMP's throughput is greater than the pre-agreed amount. If the amount paid by HEMP based on actual throughput and tariffs in a year less the total amount of all credits received by HEMP (due to throughput and tariffs in earlier months being less than the pre-agreed amount) exceeds the pre-agreed amount, HEMP is entitled to a rebate equal to 25% of the amount of such difference.
Storage Agreement (HMGP and HEMP)	HMGP provides storages services to HEMP, including but not limited to the receipt, delivery and transfer of products, making available capacity in the storage facilities owned or operated by HMGP (including designated storage tanks, on a sole and exclusive basis, and additional storage capacity in the non-dedicated facilities, on a non-exclusive basis).	HEMP is required to pay HMGP a pre-agreed fee for reservation and utilisation of storage capacity in storage tanks for HEMP's use regardless of the volume of product delivered into or withdrawn in a month, and agreed tolls in respect of non-dedicated storage facilities.

* Husky Midstream General Partner Inc. ("GPCo") is the general partner of HMLP. LBX Pipeline Ltd. ("PipeCo"), Husky Midstream GP 1% Partner Ltd. ("HoldCo") and Husky Canada Group Finance Ltd. ("FinanceCo") are wholly-owned subsidiaries of HMLP. Husky Oil Operations Limited ("HOOL"), Husky Blend General Partnership ("Blender GP") and Husky Energy Marketing Partnership ("HEMP") are wholly owned by Husky Energy.

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As HMLP is considered as a material joint venture of the Company and Husky Energy is a connected person of the Company, the transactions under the Services Agreements constituted continuing connected transactions (the “HMGP Continuing Connected Transactions”) for the Company under the Listing Rules.

For the year ended 31 December 2017, the annual caps applicable to the Management and Operating Services Agreement, the Construction Services Agreement, the Blending Services Agreement, the Transportation and Terminalling Services Agreement and the Storage Agreement were CAD118 million, CAD140 million, CAD30 million, CAD143 million and CAD27.6 million respectively, and the amount paid/received in respect of such year subject to annual review requirements under the Listing Rules were approximately CAD30.6 million, approximately CAD24.1 million, CAD30.0 million, approximately CAD137.3 million and approximately CAD26.1 million respectively.

Operation and Management Contract in respect of power plant investments in mainland China

Pursuant to an operation and management contract dated 2 April 2009 entered into between Outram Limited (“Outram”), an indirect wholly-owned subsidiary of the Company, and Cheung Kong China Infrastructure Limited (“CKCI”), as supplemented by notices issued by Outram to CKCI on 30 September 2011 and 30 September 2014 by which its term was extended to 1 April 2018 (the “Contract”), CKCI agreed to provide Outram with services in relation to the operation and management of Outram’s power plant investments in mainland China. The fees payable to CKCI for the services are equivalent to CKCI’s costs for provision of such services and are paid in cash on a monthly basis subject to a maximum of HK\$35 million per year.

CKCI is an indirect wholly-owned subsidiary of CKI, a substantial shareholder of the Company, and therefore CKCI’s provision of the services to Outram constituted continuing connected transactions (the “Outram Continuing Connected Transactions”) for the Company under the Listing Rules. The aggregate amount paid for the year ended 31 December 2017 attributable to the Outram Continuing Connected Transactions subject to annual review requirements under the Listing Rules was approximately HK\$32.1 million.

All the Independent Non-executive Directors have reviewed the HMGP Continuing Connected Transactions and the Outram Continuing Connected Transactions in the 2017 financial year and confirmed that those transactions had been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company have been engaged to report on the HMGP Continuing Connected Transactions and the Outram Continuing Connected Transactions in accordance with Hong Kong Standard of Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor have issued an unqualified letter to the Board containing their finding and conclusions in respect of the HMGP Continuing Connected Transactions and the Outram Continuing Connected Transactions, in which they have confirmed that nothing has come to their attention that caused them to believe that the continuing connected transactions in the 2017 financial year (i) had not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and (iii) had exceeded the annual cap amount for the 2017 financial year.

Extension of the term of the Contract

On 29 September 2017, Outram issued a notice to CKCI to extend the term of the Contract for a period of three years from 2 April 2018 to 1 April 2021 on the same terms and for the same purposes contained in the Contract, save that the maximum annual aggregate fee payable to CKCI for the services in 2018, 2019 and 2020 shall be HK\$33 million, HK\$25 million and HK\$20 million respectively (or a pro rata amount if the relevant period is less than a full calendar year).

Shareholders have been informed of the extension of the term of the Contract in an announcement posted on the respective websites of the Company and the HKEX on 29 September 2017.

Other Transactions

In connection with the spin-off and separate listing of the Group's electricity business in Hong Kong in January 2014 the Company entered into the following transactions:

Non-competition Deed with HK Electric Investments Limited

The Company entered into a deed of non-competition dated 14 January 2014 (the "Non-competition Deed") with HK Electric Investments Limited, pursuant to which the Company has undertaken that save for certain exceptions the Group will not on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on, or be engaged in or interested in, directly or indirectly, whether as a shareholder, partner, agent or otherwise (other than through its holding of share stapled units in HKEI), the business of generation, transmission, distribution and supply of electricity in Hong Kong.

The Company has complied with the Non-competition Deed during 2017 and has, in accordance with the Non-competition Deed, provided HK Electric Investments Limited with its annual written confirmation.

Deed relating to investment opportunity in power projects with CK Infrastructure Holdings Limited

The Company entered into a deed relating to investment opportunity in power projects dated 10 January 2014 (the "Investment Opportunity Deed") with CKI to further enhance the delineation between the future business focus of the Company and CKI in power projects and projects other than power projects respectively. Pursuant to the Investment Opportunity Deed, CKI has undertaken that if it is offered an opportunity to invest in any power projects it will inform the Company and offer the opportunity to the Company, and CKI may only invest in any power project if (i) the Company (with the endorsement of its independent non-executive directors or a committee thereof) invites CKI to participate as a co-investor and (ii) the investment opportunity is in respect of a power project of an enterprise value exceeding HK\$4 billion. Any co-investment by the Company and CKI will be subject to compliance with the applicable requirements of the Listing Rules, including independent shareholders' approval (if required).

The Investment Opportunity Deed also requires CKI and the Company to review the deed's implementation as part of its internal audit plan and the respective audit committee of CKI and the Company to review the deed's compliance.

In accordance with the Investment Opportunity Deed, a committee comprising all its independent non-executive directors has reviewed the compliance by CKI with the terms of the deed and any decision by the Group regarding any exercise of the rights under the deed. Having considered the Company's internal control framework of ensuring the deed's compliance, Internal Audit's compliance review report, CKI's annual compliance confirmation to the Company and other relevant documents, the committee has confirmed its view that during 2017, CKI complied with the terms of the Investment Opportunity Deed and the Group's decisions regarding any exercise of the rights under the deed are made in accordance with the requirements thereof.