

CEO'S REPORT



The 15-year term of the new Scheme of Control Agreement is conducive for industry participants to make the large-scale investments needed to increase gas-firing generation capacity.

AN ASSURED PLATFORM TO REALISE A GREEN ENERGY VISION

In 2017, HK Electric concluded negotiations with the Government on the new Scheme of Control Agreement (SCA) that forms the blueprint for the future of the power sector in Hong Kong. While delivering excellent performance, significant investments were also made to augment our capabilities to generate greener electricity, maintain reliability standards and support the evolving electricity needs of the city.

We support and endorse the terms of the new SCA. It retains the stability, reliability and emphasis on customer value that has always characterised the Hong Kong power sector, and will act as a catalyst for adopting low-carbon power.

We are confident that we will deliver stable returns to our holders of Share Stapled Unit (SSU) with new investment opportunities arising from the process of renewing our generation portfolio to meet the Government's carbon reduction targets.

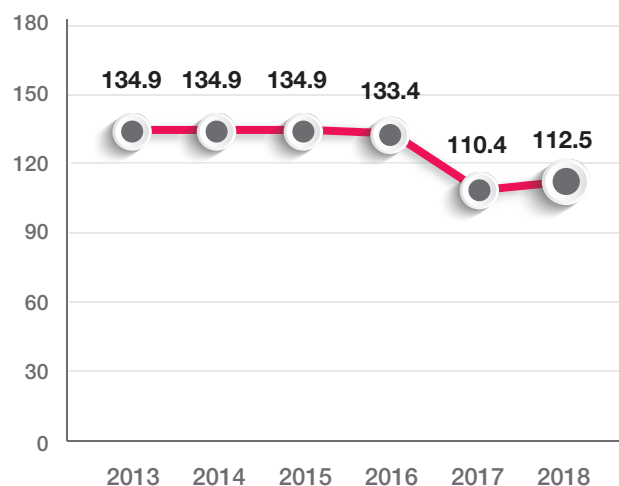
PERFORMANCE AND PROGRESS

HK Electric entered into a framework agreement with CK Asset Holdings Limited (CKA) for a hotel development

project in February 2018. The hotel will situate at the site of Ap Lei Chau HK Electric's former operational headquarters and carpark building which is no longer in use for electricity-related activities. CKA, which has expertise in project development and hotel management, was appointed as the project manager and will be responsible for overseeing the construction of the hotel and its business and financial performance. We will benefit from this project for income deriving from the hotel business and the appreciation in the value of the property.

Net Tariffs 2013-2018

HK Cents

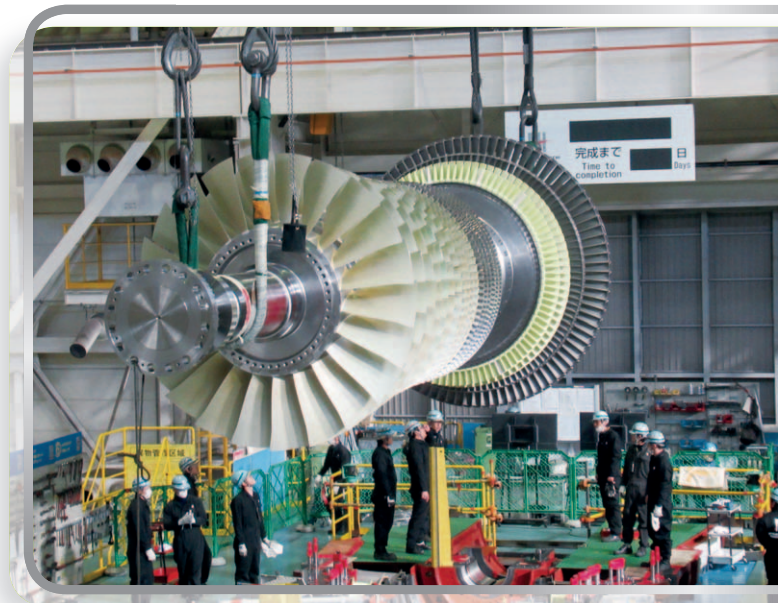


2017 was another year of stable financial performance by HK Electric, witnessing strong delivery on all operating parameters.

We have gone over and above our 2013 pledge to keep tariffs unchanged until the end of 2018. Following tariff freezes in 2014 and 2015 and a tariff cut in 2016, our customers enjoyed two rebates, namely the “Special Rent & Rates Rebate” and the “Special Fuel Rebate” in 2017, which resulted in a 17.2% reduction in tariff. In 2018, we continue to offer these two rebates through a lower “Special Fuel Rebate” and other adjustments in costs have led to a small tariff rebound of 1.9%. Despite this, 2018 tariff is still 16.6% below that of 2013.

Our customer base grew from 575,000 to 577,000, driven by an increase in residential customers. Though we saw extreme weather in 2017, with very high temperatures during the passage of several typhoons in the summer, a dry spring season, milder weather in the first half of 2017, widespread continual energy efficiency and conservation efforts by the community have resulted in a decline of electricity sales from 10,792 million kWh in 2016 to 10,615 million kWh.

Stable generation performance and a well-maintained transmission and distribution network enabled us to continue to meet customer demand without any difficulties.



Fabrication in progress for L10, a new gas-fired combined cycle generating unit.

RENEWING OUR GENERATION PORTFOLIO

Construction work is in full gear at Lamma Power Station (LPS), our primary generating facility, as we install two new gas-fired combined-cycle generating units, L10 and L11. With the commissioning of L10 in 2020, the proportion of gas-fired electricity will increase to 50% of the total power generated by us and further rise to 55% when L11 comes into operation in 2022.



Lamma Power Station is undergoing major construction works to increase its gas-firing generation capacity.

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Underground substructure works are largely completed and construction of structure to house the new units has commenced. Engineering design for L10 has been completed substantially and fabrication of equipment is in satisfactory progress. Design and preparation works for L11 are taking place in tandem and piling was completed in September 2017.

The security of our natural gas supply, as well as our ability to secure competitive prices, can be greatly enhanced by importing the gas via oceanic routes. To enable us to receive natural gas transported by ship in liquefied form, we have been exploring the development of an offshore liquefied natural gas (LNG) terminal in Hong Kong waters based on Floating Storage and Regasification Unit (FSRU) technology. This terminal, to be developed in partnership with CLP Power, will allow us to procure LNG directly from the international market. The Environmental Impact Assessment report for this project will soon be submitted to the Government. Subject to the necessary approvals, the project is scheduled for commissioning by end 2020 at the earliest.

In 2017, 10,980 million kWh of electricity was sent out from Lamma, with natural gas generation accounting for about 34%. Our commercial scale wind turbine, Lamma Winds, and our solar power system at LPS generated a total of 1,884 MWh, offsetting 1,570 tonnes of carbon dioxide emissions.

Performance improved at LPS with respect to plant availability and emissions performance. Plant availability

stood at 87.1% and power supply was maintained even during extreme weather events in August when a T10 typhoon signal was hoisted in Hong Kong.



An engineer at work on the L9 generating unit to ensure its safety and performance.

We worked with the Government during the year to tighten emission targets for 2022 onwards. HK Electric has to further reduce emissions of sulphur dioxide (SO₂), nitrogen oxides (NO_x) and respirable suspended particulates (RSPs) by 23%, 21% and 8% respectively as compared to the levels for 2021. While these targets are extremely demanding, we are confident that by improving our emission reduction measures and managing our fuel mix, we will be able to meet the challenge.

VIRTUOUS CIRCLE OF RENEWABLE ENERGY FOR PO TOI ISLAND



An outlying island to the south of Hong Kong, Po Toi Island, is not connected to any power grid and its small number of residents depends on diesel generators for electricity supply. To reduce emissions and provide reliable supply, we are investigating the feasibility of installing a solar power system on the island. This initiative requires the installation of not only solar panels and a generating system, but also a bank of batteries to store the energy generated. We are exploring the possibility of using retired EV batteries for this purpose, thus providing them with a second life and alleviating the disposal problem. A project on this theme won an award in June 2017 at the "International Competition on Second Life for Retired Batteries from Electric Vehicles" organised by the Environment Bureau of the Hong Kong Government.



AWARD RECOGNISES HK ELECTRIC'S COMMITMENT TO QUALITY

HK Electric was granted the Grand Award of the 2017 HKMA Quality Award in July 2017, in recognition of its commitment to developing and deploying Total Quality Management. The Hong Kong Management Association (HKMA) commended HK Electric's management team for "walking the talk" and cascading the corporate vision, mission and core values clearly to employees at all levels. It also complimented us on organisational agility and operational flexibility in adapting to changing circumstances in the strategic planning process, as well as our customer-centric approach in providing customers with a wide range of convenient and tailor-made services.



A number of extensive refurbishment projects were completed at LPS in preparation for increased gas-firing generation capacity. These included improving the existing facilities in the gas receiving station which was completed successfully in February 2017. Gas supply facilities of Units L9 and GT57 were segregated into two unitised streams and enhancements were made to increase the reliability of the fire and gas leak detection and tripping systems.

In 2017, LPS set in motion a phased retirement and replacement programme for the coal-fired generating units at LPS. With the recommended life span of a unit being 35 years, most are approaching the end of their service lives. Under the replacement programme, L1, being the oldest coal-fired generating unit commissioned in 1982 at LPS, retired in May 2017. L3, commissioned in 1983 with a capacity of 250 MW, is scheduled to retire in May 2018.

Unit L2, on the other hand, had undergone some major life-extension projects, which were completed in June 2017. The project involved replacement, optimisation and refurbishment of all the aged components of the 250-MW coal-fired unit. The success of the project means that its service life has been extended to 2022, deferring capital expenditure while maintaining LPS's generating capacity at a healthy level. Other coal-fired generating units will retire over the next decade or so and will be replaced progressively by new gas-fired combined-cycle generating units.

NETWORK UPGRADE

At HK Electric, we are committed to world-class supply reliability. In 2017, supply reliability stood at over 99.999%,

for the 21st consecutive year. Customers experienced less than one minute of unplanned power cuts on average in 2017, a record we have maintained since 2009.

Our proactive approach to network design, maintenance, upgradation and repair is the foundation of our reliability performance. We monitor our networks round-the-clock, and utilise early detection and advanced diagnostic techniques to prevent problems from occurring. Working on this principle, we attained stricter target service levels across three key customer performance indices (Average Service Availability Index, Appointment Punctuality Index, and Connection and Supply Performance Index), qualifying for the respective financial incentives under the SCA.



North Point Switching Station undergoes network security upgrades to maintain the reliability of the system.

MIGRATION TO NEW STATE-OF-THE-ART DATA CENTRES



2017 marked the launch of two new data centres at HK Electric, to support its transition into a smart and agile energy systems provider. The new centres replace four legacy ones.

Inaugurated in October 2017, the new data centres are highly robust, secure and energy efficient with embedded private-cloud computing infrastructure. There is a complete failsafe infrastructure between the two centres, ensuring system reliability. They have a life span of at least 20 years and can support non-stop operations. Relocation and migration of all IT equipment and services were completed successfully.



We successfully implemented a number of major projects across our transmission and distribution network during 2017. Network security was enhanced at the North Point Switching Station and one power transformer at the Zetland Street Zone Substation was refurbished. Fifty-seven new distribution substations were commissioned and aged network equipment was replaced or upgraded.

We continued to expand the application of advanced on-line partial discharge detection systems to monitor equipment in primary stations and cable diagnostic techniques to identify weak components in our 11-kV cable network. The systems identified 24 instances where pre-emptive action can be taken to maintain fault-free operations.

HK Electric's 24-hour System Control Centre plays a central role in maintaining our supply reliability and service

quality. During the year, the System Control Centre is commissioning a new Energy Management System and a new Distribution Management System incorporating purpose-built smart grid features that will improve automation and control of our generation, transmission and distribution networks.

Under the regular Network Reliability and Operations Review, a total of 18 workgroups assessed the full spectrum of assets and processes across HK Electric's transmission and distribution network, including computer hardware systems and Geographic Information System. Performance and compliance with legal, regulatory, environmental, health and safety requirements were also scrutinised given their importance in our operations. Over 300 specific items related to reliability, health and safety were identified as areas for enhancement.

During the year we crystallised our long-term deployment strategy with respect to smart meters and advanced metering infrastructure (AMI). A pilot project was also initiated for deploying around 3,100 smart meters in total during 2017 and 2018 to provide valuable insights into the effectiveness of AMI technology for different customer segments. This exercise will help us roll out larger deployments in the future, enabling us to modernise our operations and customer services in line with other developed markets around the world.

PHYSICAL AND CYBER SECURITY

Both physical and cyber security were a key focus during the year. A Physical Security Management System



Newly installed access control systems at Electric Tower improve site security.

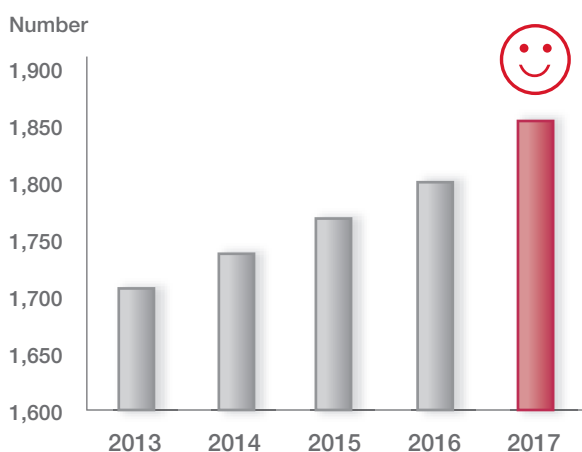
Manual was issued and a committee was set up to provide strategic direction in safeguarding our premises. Access control and surveillance systems were installed in Electric Tower, one of our most important facilities, to enhance physical security. The CCTV system at LPS is being expanded and an intruder detection system is being installed. To identify further areas for improvement, security reviews of individual business units are in progress.

We continued to invest in our IT security infrastructure, conduct employee security awareness training, and test our security incident response capability and recovery processes. Measures implemented in 2017 included simulated phishing scams to test employees' response and prompt escalation of our cyber defence at times when viral ransomware attacks occurred, talks on cyber security in collaboration with the police, and adoption of the latest protection technologies. We also engaged with an external consulting firm to test our security controls to identify and address any vulnerabilities.

EXEMPLARY CUSTOMER SERVICE

We continued to deliver quality services to our customers, achieving all 18 customer service pledges once again. The number of commendations we received from satisfied customers reached a record high.

Customer Commendations



We introduced a number of services for the convenience of our customers. Small bill balances below HK\$150 will be carried forward to the next bill and require no immediate settlement; a special promotion to celebrate HK Electric's 128th anniversary and the 20th anniversary of the HKSAR establishment was launched to encourage more customers



HK Electric and AlipayHK introduce e-wallet services for the convenience of mobile-savvy customers.

to switch to e-billing and autopay options, and e-wallet payment was introduced through our partnership with AlipayHK.

Our Customer Emergency Services Centre provides 24-hour emergency telephone call and SMS services to our customers. Dedicated electronic systems distribute customer calls efficiently to officers with real-time reporting. The average waiting time for telephone calls to the centre was 1.59 seconds in 2017, surpassing our target of nine seconds.

To keep abreast of the latest developments in customer service across different industries, HK Electric organised a Customer Services Symposium with the theme "Service Excellence Now and Beyond", where renowned speakers from other organisations were invited to share their experiences with our employees.

Another priority in 2017 was the enhancement of our relationships with enterprise customers. A streamlined relationship management strategy was adopted to engage strategic customers with a single contact point. Visits were paid to 50 corporate customers during the year.

PROMOTING THE USE OF EVs

As a major electricity supplier in Hong Kong, we are keen to support the wider use of electric vehicles (EVs) as a means to curb roadside emission. We do this through the provision of charging facilities.

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During 2017 we erected three new charging stations and upgraded four existing stations, bringing the total number of charging stations to 13. We have also extended free charging services to motorists until the end of 2018.

The widespread availability of EV charging facilities in residential and commercial buildings will be an important catalyst for increased adoption. During the year, we received 562 new enquiries and 346 applications to install EV supply infrastructure. Twenty-six AC quick chargers were put into place at various residential buildings.

At HK Electric, we continue to replace retiring vehicles with EVs wherever possible. Currently, our 114 EVs, representing 40% of our own fleet, help reduce fuel consumption by 13,949 litres. The first electric bus at LPS, introduced on 8 July 2017, carried a total of 1,066 passengers in the year.

Following its enthusiastic reception in 2016, the Hong Kong ePrix returned to the Central Harbourfront in December 2017. Once again, we were honoured to serve as the official energy partner of the event and provide safe, reliable and clean electricity supply as well as power-related technical advice.

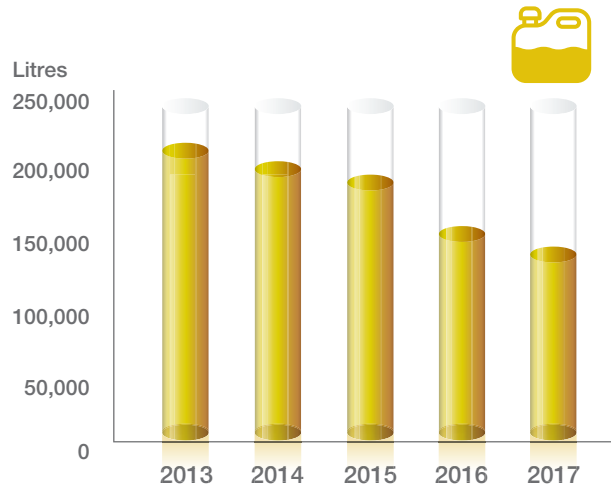


HK Electric's expanding fleet of electric vehicles help cut fuel consumption.

MINIMISING ENVIRONMENTAL IMPACT

LPS runs a comprehensive Environmental Management Programme covering water, waste, air and energy management to improve overall environmental performance.

Fuel Consumption of HK Electric Vehicle Fleet



To maintain standards of environmental performance during electricity generation, LPS continued its use of natural gas and low-sulphur coal to minimise emissions. At the same time, emission control and monitoring equipment, including flue gas desulphurisation plants, low nitrogen oxides burners, electrostatic precipitators and continuous emission monitors enabled us to keep emissions of SO₂, NO_x and RSPs below permitted levels.

Recycling of waste was actively promoted at the plant with the goal of sending minimal waste to landfill. By-products of electricity generation such as ash and gypsum were recycled for industrial use. During the year, 111,896 m³ of rainwater and plant processing water was recycled and 270 m³ of garden waste was converted to nutrient-releasing mulch with a wood chipper. A total of 13,707 kg of food waste produced by LPS canteen was processed by two food-waste decomposers. To further reduce the carbon footprint of the LPS buildings, LED lamps were retrofitted at various locations, saving more than 16,000 kWh of electricity annually.

Our transmission and distribution network achieved strong environmental performance under a strategic Environmental Management System, which is in line with ISO 14001:2015 requirements. By implementing 22 specific initiatives we have saved more than HK\$3.6 million during the year, compared with baseline figures. Energy saving measures and renewable energy are being rolled out at our station buildings, saving at least 3% annually in energy costs.



Solar panels on substations help reduce our own carbon footprint.

Both LPS and HK Electric's transmission and distribution network have been awarded the Class of Excellence Wastewi\$e Label for the 11th year in a row.

The Smart Power Fund was instituted four years ago to subsidise energy efficiency enhancement projects of ageing

residential buildings. In 2017, we raised the upper limit of the subsidy from HK\$200,000 to HK\$400,000 per application, in order to provide greater support to building owners. Twenty applications were approved during the year, bringing the total number of approved applications to 49 since the Fund's inception. These projects included upgrades to lifts' driving systems, public lighting, and air conditioners.

Under the new SCA, various initiatives will be introduced or revised to assist community efforts to increase energy efficiency or reduce emissions. A new feed-in-tariff will be made available for customers building renewable energy (RE) systems on their premises while RE certificates will be introduced for customers who are keen on supporting emission-free local RE generation. In the months ahead, we will continue to work closely with the Government to conclude the implementation details of the new SCA, while also completing all the activities associated with the current SCA.

We will maintain our twin priorities of delivering reliable and affordable power to Hong Kong residents and get ready for the low-carbon energy future ahead.

SUPPORT FOR BELT AND ROAD INITIATIVE



We are pleased to have an opportunity to take part in the Chinese Government's Belt and Road Initiative, which promotes co-operation through policy coordination, strengthened infrastructural facilities and connectivity along key routes across Asia, Europe and Africa. In 2017, HK Electric signed a Memorandum of Understanding with The Hong Kong Polytechnic University, Xi'an Jiaotong University and the State Grid Corporation of China to deliver a two-week workshop for senior executives and researchers of enterprises, government units and higher education institutions involving in electricity and energy operations of the Belt and Road countries. This cross-regional, cross-cultural university-industry collaboration workshop is the first of its kind which will take place in the Mainland and Hong Kong in April 2018. The modules designed by HK Electric

will focus on the power distribution system of a modern metropolitan city.



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A SUSTAINABLE FUTURE



We believe that Hong Kong's future is influenced by our actions of today. HKEI aims to minimise the environmental impact of our activities and serve as a force for good in our community, by operating our business in a responsible, ethical and accountable way.

Guided by the company's Corporate Social Responsibility (CSR) policy, the CSR Committee chaired by me is responsible for providing direction and strategy for our CSR activities as well as overseeing the company's performance in this aspect. The Committee endorsed a number of revisions to the policy during the year, placing greater emphasis on "transparency", "innovation" and "engaged workplace".

STAYING CONNECTED WITH OUR STAKEHOLDERS

Consistent, transparent and timely communication with our various stakeholders is our responsibility and we use face-to-face, traditional and digital channels to stay connected with them.

We maintain an ongoing two-way interaction with community leaders including members of the District Councils and Legislative Council and other political

organisations. We kept the Lamma Island community informed of our work as well as the progress and development at Lamma Power Station (LPS). To support and offer professional inputs on district matters, four of our employees sit on six district and welfare committees under various government establishments.

HK Electric has always been a strong supporter of key engineering and green groups. During the year, we sponsored and participated in activities and symposiums organised by major stakeholder groups including the Hong Kong Institution of Engineers and many of its divisions, the Institution of Engineering and Technology Hong Kong, Occupational Safety and Health Council, World Green Organisation, Green Power and more.

Stakeholder visits to our facilities help build an understanding of our operations. More than 200 visits were organised in 2017 to different facilities, including 24 visits for more than 1,000 HKEI SSU holders and their friends to LPS as a token

of appreciation for their support. Visits to HK Electric's cable tunnel and Connaught Road Zone Substation, where solar panels had been retrofitted, were arranged for members of District Councils as well as members of the company's Customer Liaison Group (CLG); this allowed us to share the challenges of introducing distributed generation in Hong Kong with them.

HK Electric is keen to listen to customers' views, priorities and concerns through a wide range of channels including meetings of the CLG, after-service satisfaction surveys, "We Meet on Friday" sessions, and "Give-Me-5" surveys.

The Joint Consultation Committee is an important conduit for communication between employees and management. Its six panels held 20 meetings during the year. Employees were also invited to join the quarterly on-site focus groups through which they could voice their opinions or give suggestions to the company.

We published our yearly "Corporate Information" booklet to enhance stakeholders' understanding of our business and operations. The HK Electric YouTube Channel was launched in January 2017 to showcase various facets of the company online as well as tips on eco-living and electric cooking.

CARING FOR OUR PLANET

HK Electric is committed to initiatives on preserving the environment for future generations. Measures to mitigate



Customers can share their views and provide feedback at Customer Centre.

climate change and minimisation of waste to landfill are part and parcel of our green efforts.

We adopt a 4R (reduce, reuse, recover and recycle) policy to minimise the waste we generate. Our conservation efforts paid off and successfully reduced the consumption of electricity, water and paper in 2017 by 3.8%, 3.7% and 1.9% as compared to the corresponding figures in the previous year. In recognition of our efforts in reducing, reusing and recycling waste, HK Electric was named one of the Friends of EcoPark, 2017.



Visits by District Council members improve their understanding of our operations and system reliability.



SMART KITCHEN FOR GREEN CHEFS



Electric cooking emits fewer pollutants and wastes less heat than other cooking methods. During the year, HK Electric's Smart Commercial Kitchen showroom introduced chefs from Hong Kong's top restaurant chains to the latest automated kitchen equipment, showcasing their effectiveness in improving the working environment, reducing chefs' workloads and standardising food quality. We engaged with both the catering industry and customers through cooking demonstrations and events to enhance the public awareness of electric cooking. In view of our continuous efforts, about 40% of the restaurants on Hong Kong Island have been adopting a majority of electric equipment in their kitchens.

A number of initiatives were introduced to encourage employees to realise the 4R policy in their daily work. A centralised rubbish bin policy was implemented at our offices with the aim of reducing general waste and increasing recycling rate. Employees have to separate paper wastes of paper, aluminium cans and plastic from general waste before disposing them into the central bins. An intranet recycling platform, namely "Pass It On" was also established to let employees pass on their unwanted belongings which are still in good condition to their colleagues so as to give used objects a new lease of life.

Regular carbon audits of our office buildings allowed us to identify ways in which we could cut emissions further. We supported the Government's 4Ts (Target, Timeline, Transparency and Together) Charter and Energy Saving Charter 2017 to save energy in our office buildings and improve the way we enable and report energy efficiency.

Approaching life from a green point of view

HK Electric's Smart Power Campaign encourages the city's youth to adopt low-carbon lifestyles. In recent years, the campaign has incorporated the local education sector's "life planning" theme with information and advice on what, and what not, to wear and eat, how to live smart at home, and travel in low-carbon ways. Around 90,000 participants took part in various activities held throughout 2017.

Under the campaign, more than 50 secondary school students were appointed as "Happy Green Community Ambassadors" in 2017 to spearhead low-carbon efforts on campuses. Three outstanding students were given the

unique opportunity to job shadow HK Electric's environmental engineers, gaining hands-on experience in tasks such as collecting data on emissions and measuring noise levels.

The "Green Energy Dreams Come True" competition, a highlight of the Smart Power Campaign, received an enthusiastic response once again. Technically gifted young students from secondary schools were able to breathe life into their visions of green on-campus initiatives with funding from HK Electric. Judges were impressed by projects like a playground model demonstrating the use of kinetic energy to generate electricity, a virtual reality game on renewable energy and an augmented-reality sandbox.

"Green Energy Dreams Come True" competition helps talented schoolgoers implement their green visions.





SHOWCASING HONG KONG'S HIDDEN ECO-TREASURES

Green Hong Kong Green is a long-standing environmental project organised in partnership with The Conservancy Association. Following the development of a new route about Western district in 2016, another urban eco-heritage route in Wan Chai was developed in 2017, where participants could learn more about the rich and colourful history of one of Hong Kong's earliest developed areas. It was also home to Hong Kong's first power station, commissioned by HK Electric in 1890.

Together with this new Wan Chai route, there are now 10 eco-heritage routes under the programme with eco-leaders taking people on guided tours on Saturdays or Sundays throughout the year. In 2017, 97 tours were arranged with 1,300 participants joining.



STAYING ACTIVELY INVOLVED IN THE COMMUNITY

We are committed to caring for the community in which we live and work. Our dedicated team of more than 1,200 volunteers, comprising over half of our workforce, spearheads all our community outreach activities. Volunteers took part in 83 services during the year including home visits to the elderly, mock interview sessions for school students and assisting in carnivals and sports events such as marathons, lion-dance competition and the Formula E Hong Kong ePrix. To add diversity to our volunteer services, 19 new services were introduced in 2017 for our colleagues to contribute their skills and expertise.

Through the Good Neighbour Fund, we supported projects initiated by our employees. These included home visits and



HK Electric's management demonstrates their support of World Environment Day 2017.

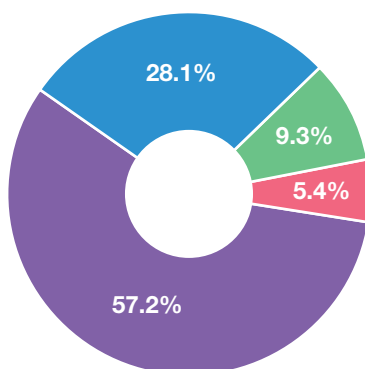
Promoting green with green groups

We participate actively in educational, awareness-raising and conservation activities organised by many of Hong Kong's green groups. We extended our support to the World Wildlife Fund and Green Sense by providing system load data to gauge the impact of their initiatives. As in previous years, our volunteers helped Green Power in their "Clean Up the World in Hong Kong" campaign by clearing up rubbish left behind by visitors to country parks, as well as "Green Power Hike" raising funds for green causes.

To mark the 44th anniversary of the United Nations' World Environment Day on 5 June 2017, about 800 employees took part in a month-long campaign that involved green choices in every aspect of our lives – like the clothes we wear, the food we eat and the way we move around.

Volunteering Activities in 2017

(2017: 5,451 service hours)



- Elderly Services
- Green Services
- Team Building and Training
- Others

FROM WASTE TO NUTRITIOUS MEALS



According to government figures, about 3,350 tons of food waste is dumped in the landfills of Hong Kong every day. The Environment Bureau has set a target of cutting food-waste disposal to landfill by 40% by the year 2022.

We believe that food-waste reduction helps raise awareness of our staff on food-waste problem. We reduced food waste at source; our employees are incentivised to pre-order meals at our canteens, so we can estimate food consumption better. We participated in numerous food-wise and food-waste reduction programmes and had obtained several awards. We also donated surplus food to Food Angel twice a week, who would distribute the food to the needies on our behalf. In 2017, 168 kg of surplus food was donated.



tea meetings to care for and learn from retired employees, and a creative workshop for the underprivileged. Videos documenting the rehabilitation of stroke patients were produced with the aim of encouraging the general public to support their reintegration into the community. In addition, student volunteers were recruited to take wedding and family photos for elderly couples and underprivileged groups.

We also support the work of a number of non-governmental and charitable organisations across Hong Kong, by raising funds, promoting awareness and participating in worthy causes.

Care and concern for senior citizens

Like most developed cities, Hong Kong's population is ageing rapidly. Recognising the need and responsibility to support our senior citizens to live safely and fruitfully, care for the elderly is one of the most cherished causes at HK Electric.

We continued with our electrical inspection programme for elderly people living alone in public rental housing. During the year, our technical volunteers visited 76 elderly households and replaced sub-standard plugs and installations.

Under the CAREnJOY programme, volunteers visited 443 elderly people living alone, delivering bulky purchases such as rice or oil, and reminding them about the safe use of electricity. We also held community gatherings to share tips on good health, energy efficiency and electrical safety with close to 1,600 elderly people. With the support of all four District Councils on Hong Kong Island, nine Non-Governmental Organisations (NGOs) and two Lamma Rural Committees, CAREnJOY is now reaching out to almost every corner in our supply territory.

Learning new things, and keeping ourselves physically and mentally healthy help everyone retain an interest in life and contribute meaningfully to society. The University of the Third Age (U3A), co-founded by HK Electric and The Hong Kong Council of Social Service, has fostered this idea for more than 11 years in Hong Kong.



A performance by senior citizens at the fifth Outstanding Third Age Citizens Award cum U3A Completion Ceremony.

With 51 self-learning centres, U3A today has organised 783 courses for 14,000 participants during the year. U3A also honoured 12 outstanding retirees for their achievements at a biennial award presentation ceremony in April 2017.

A CULTURE OF HIGH ATTAINMENT

We strive to create a culture and working environment that motivates employees to develop their strengths and realise their potential so that they can serve our customers and the community to the best of their abilities.

Our recruitment policy tailored to encourage, identify and support individuals who have great potentials. We are committed to equal treatment of all candidates and employees irrespective of race, nation of origin, religion, gender, age, or any other factors. We ensure that our recruitment process adheres to equal opportunity principles. Today, women make up 17% of our 1,776 employees.

We are an employer of choice, offering competitive remuneration packages that are regularly benchmarked against comparable organisations in relevant industries. In 2017, we continued our “pay-for-performance” policy that appraises and rewards our employees on the basis of overall performance including their achievement of targets and competencies.

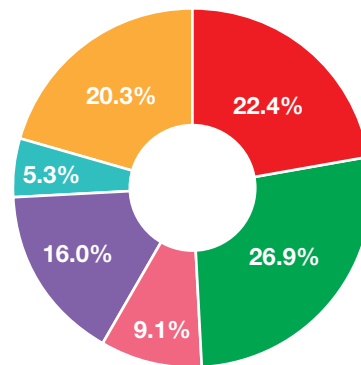
Encouraging budding engineers

To create a talent pipeline for the company, we participated in careers fairs organised by a number of institutions to help introduce young graduates to a successful career in

engineering. We also ran industrial placement and vacation trainee programmes for youngsters to gain hands-on experience in the field.

In 2017, we recruited 18 fresh graduates under our graduate trainee and trainee technician schemes, offering intensive training and orientation to kick-start their careers.

Types of Employee Training in 2017



- Technical
- Environment, Health and Safety
- Management and Communication
- Computer and Language
- Corporate Development
- Service Quality and Others

Talent development through learning

We offer a diverse range of training opportunities to our staff. In 2017, HK Electric launched a 4-level leadership competency framework to establish a roadmap for the development of our employees.

We recorded a total of 80,071 training hours in 2017, representing over 40 hours per employee. Courses covered engineering knowledge, technical skills, health and safety, environmental protection, language, and soft skills such as presentation, communication, coaching, leadership, etc.

At the same time, HK Electric Institute, established in 2014 to enable succession of advanced engineering knowledge by younger engineers, organised 22 courses taught by retired veterans, senior staff and external experts in 2017. A total of 499 participants from different business units of the company attended and a total of 2,249 training hours were recorded.



Team building is an important component of trainee programmes.

CYBER SECURITY TRAINING



With information technology becoming an indispensable part of our daily lives, our activities are exposed to increasing cyber security threats. A seminar was held for nearly 390 employees in July 2017 to share the recent trends of technology crime, activities vulnerable to cyber-attacks and necessary preventive measures so as to strengthen employees' awareness of cyber security. A speaker from the Cyber Security and Technology Crime Bureau under the Hong Kong Police Force provided an update on technology crimes and HK Electric's IT experts spoke about how employees should help safeguard the company from cyber-attacks.



EMPLOYEE HEALTH, SAFETY AND WELLNESS

As a heavy industry, we take employees' health and workplace safety seriously and always strive to foster a good health and safety culture. Apart from compliance with all statutory requirements, a comprehensive and accredited Safety Management System, Safety Rules, Health and Safety Policy, and Alcohol and Drugs Policy are in place and are strictly enforced. We incentivise employees to participate in activities to promote health and safety and strive to achieve incident-free operations.

We continued our Work Safe Behaviour programmes to identify and improve working processes to ensure safe performance. Internal and external safety audits and inspections were conducted to identify strengths and opportunities for improvement.

Near Miss Incident Reporting and subsequent investigations can help avert accidents, injuries or even fatalities. We launched a mobile app during the year to provide a convenient online platform for our employees to report such cases promptly to safety officers or administrators for follow-up. Employees were informed about the importance of Near Miss Incident Reporting and an incentive scheme was introduced to promote it.



Promoting employee fitness at work.

Sound minds in sound bodies

It's our duty to care for the well-being of our employees. To ensure a healthy working environment, continuous efforts were made to improve the Indoor Air Quality (IAQ) of our office buildings. In 2017, our Hongkong Electric Centre, Customer Centre and Electric Tower – obtained the Excellent Class IAQ certification from the Government's IAQ Certification Scheme. The Hongkong Electric Centre received the award for the 13th consecutive year.

With "health and happiness" as our theme for 2017, we organised health talks, seminars and fitness courses for our employees to promote physical and emotional wellness and work-life balance. In 2017, we continued to encourage employees to organise group recreational activities with support from our Employee Recreational Subsidy Scheme.

To improve the work-life balance of our warehousemen by reducing the after-office-hours call-out service, we adopted the radio frequency identification (RFID) technology to establish an unmanned Call-out Buffer Store in our Electric Centre located at North Point. This Call-out Buffer Store is a self-service store which allows our emergency service team to pick and withdraw the emergency spares by themselves after office hours without calling our warehousemen.

Information, tools, resources and training on counselling skills were provided to enable employees to support co-workers facing emotional issues. The Good Neighbours' Club was formed, with around 100 employees joining the Club on a voluntary basis as Good Neighbours. The Club aims to enable their continuous learning and sharing of resources on provision of emotional support to the people around them.

To promote physical and mental well-being in the workplace, we joined the Joyful@Healthy Workplace programme organised by the Department of Health and the Occupational Safety and Health Council in 2016, winning an Excellence Award in the Enterprise/Organisation Category of the Joyful@Healthy Workplace Best Practices Award in 2017.



Group activities help employees support each other, promoting mental well-being in the workplace.

SUSTAINABILITY PERFORMANCE AND DISCLOSURE

HK Electric implements proactive business strategies to combat climate change and enhance transparency in information disclosure. As a participant in the Carbon Disclosure Project, HK Electric prepares annual reports on greenhouse gas emissions and emissions reduction efforts.



HK Electric's Sustainability Report is part of our commitment to transparency and corporate citizenship.

In addition to being a long-term recipient of the Caring Company Logo, HK Electric also became one of the only nine companies in Hong Kong to obtain the Business for Sustainability Logo, newly introduced by the Hong Kong Council of Social Service under its Caring Company Scheme. This recognises businesses that integrate CSR considerations into their day-to-day operations.

To share our work and performance as a responsible corporate citizen, HKEI publishes a sustainability report along with its annual report. The 2016 Sustainability Report published in March 2017 was prepared in accordance with GRI's Sustainability Reporting Standards and Electric Utilities Sector Disclosures as well as Hong Kong Stock Exchange's ESG Reporting Guide, with external independent assurance.

We thank our employees and stakeholders for their unwavering passion and support as these are crucial for our progress. We continue to seek opportunities to effect positive change both within our own operations and in the community.

Wan Chi Tin

Chief Executive Officer

Hong Kong, 13 March 2018