

港燈電力投資

HK Electric Investments

(根據香港法律按日期為二零一四年一月一日的信託契約組成，其受託人為港燈電力投資管理人有限公司。)

(As constituted pursuant to a deed of trust on 1 January 2014 under the laws of Hong Kong, the trustee of which is HK Electric Investments Manager Limited.)

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港燈電力投資有限公司

HK Electric Investments Limited

(於開曼群島註冊成立的有限公司 Incorporated in the Cayman Islands with limited liability)

(股份代號 Stock Code : 2638)



港燈電力投資

HK Electric Investments

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2021 ANNUAL RESULTS **CHAIRMAN'S STATEMENT**

I am pleased to present the 2021 annual results of HK Electric Investments (HKEI), and its wholly-owned subsidiary HK Electric. During the year, we passed a key strategic milestone – we successfully synchronised a new gas-fired combined-cycle generating unit, L11, ready for commercial operations in May 2022.

This milestone comes at one of the most critical periods in our long history – as we evolve our operations to enable Hong Kong to achieve its decarbonisation goals to create a cleaner, healthier home for future generations. We continue to focus on fighting climate change while meeting energy demands through innovation that ensures excellence in every aspect of our activities. A key achievement on this front is our attainment of over 99.9999% power supply reliability – for the second year in a row – making us one of the world's most reliable electricity companies.

Through the course of the year, we successfully reduced our carbon emissions by about 26% compared to the base year of 2005. We achieved this primarily by progressively replacing coal with natural gas, which has much lower emissions, as our primary fuel for power generation. About 50% of our electricity came from natural gas in 2021, and we will steadily increase this proportion in the coming years.

Other major initiatives of the 2019-2023 Development Plan also progressed well. They include the construction of the last of three new gas-fired combined-cycle generating units, L12; an offshore liquefied natural gas (LNG) terminal that will enhance the security of gas supply; and the rollout of smart meters with the associated Advanced Metering Infrastructure. These initiatives will enable Hong Kong to transform to a low-carbon and smart city.

Electricity sales increased by 2.2% in 2021 due to increased consumption from the commercial sector as Hong Kong slowly recovered from the economic slowdown triggered by the COVID-19 pandemic during the year. Net tariffs were frozen for 2021 at HK126.4 cents per unit of electricity to enable customers – especially small caterers and underprivileged families – to bounce back.

Financial results and distributions

For the year ended 31 December 2021, HKEI's EBITDA was HK\$7,954 million (2020: HK\$7,140 million) and profits attributable to holders of Share Stapled Units (SSU) was HK\$2,933 million (2020: HK\$2,732 million).

The Board of the Trustee-Manager has declared a final distribution by the Trust of HK16.09 cents (2020: HK16.09 cents) per SSU, payable on 11 April 2022 to SSU holders whose names appear on the Share Stapled Units Register on 30 March 2022. Together with the interim distribution of HK15.94 cents (2020: HK15.94 cents) per SSU, this amounts to a total distribution of HK32.03 cents (2020: HK32.03 cents) per SSU for the year.

Capital investment to cut carbon emissions

The 2019-2023 Development Plan is our near-term pathway to reduce carbon emissions. Following 6.6-kV power receiving, gas turbine gas-in, steam blow and system restoration, we successfully synchronised L11 to the grid on schedule in November 2021. On-load tests were completed in preparation for commercial launch in May 2022.

In tandem, we moved ahead with construction activity on the main station building, chimney and circulating water intake for L12. After completing the installation of power block facilities, L12 will commence commercial operations in 2023.

The LNG terminal using Floating Storage and Regasification Unit (FSRU) technology passed key stages of its development process, including vessel design upgrade, jetty construction, pipe laying, topside structure fabrication, and hydrostatic testing. The terminal is scheduled for commissioning in 2022. To help mitigate any potential disruptions to the marine ecosystem, we have established a Marine Conservation Enhancement Fund and a Fisheries Enhancement Fund, which provided funding of approximately HK\$27 million to 19 projects in the year.

Our strategic vision is to act as a catalyst to help our customers achieve more sustainable lifestyles. One of our key initiatives in this regard is the deployment of smart meters to help individuals and businesses optimise their energy use. We have installed more than 120,000 smart meters by the end of 2021 and launched a new mobile app that allows customers with smart meters to check their electricity usage at any time. With a better understanding of their consumption patterns, customers will be able to manage electricity use more effectively.

Actions to achieve Hong Kong's climate change goals

Under Hong Kong's Climate Action Plan 2050, the Government will strive for carbon neutrality by 2050. To support this effort, we have put into place several important initiatives.

Renewables uptake in Hong Kong is showing growth, in part due to the promotion through an attractive Feed-in Tariff Scheme. Customers' renewable energy installations connected to the HK Electric grid generated a total of 3.8 GWh of electricity in 2021.

Our state-of-the-art technologies ensure emissions control – including highly efficient natural-gas-fired combined-cycle plants to reduce carbon emissions from electricity generation, selective catalytic reduction system to minimise nitrogen oxides (NOx) emissions, low NOx burners, flue gas desulphurisation, and powerful electrostatic precipitators. As a result of these measures, we kept sulphur dioxide, NOx, and respirable suspended particulates below statutory emission caps. We also engaged with the Government and agreed on more stringent emissions caps in the Technical Memorandum No. 9 published in 2021, which will come into force from 2026.

In addition, to help improve roadside air quality, and support Hong Kong's development into a low-carbon and smart city, HK Electric has been promoting the use of electric vehicles (EVs). We continued facilitating the uptake of electric transportation in Hong Kong by providing consultancy and technical support that will underpin the construction of around 50,000 EV charging points at residential carparks. We also engaged with the Government, bus and ferry companies to build charging facilities for public transport across Hong Kong Island.

We support the United Nations' Sustainable Development Goals (SDGs), focussing our efforts on three SDGs most relevant to our business, i.e. SDG 7 – Affordable and Clean Energy, SDG 9 – Industry, Innovation and Infrastructure, and SDG 13 – Climate Action. We have maintained a safe and affordable electricity supply with a world-class supply reliability. Our development plans for new gas-fired generating units and the offshore LNG terminal are also on track, enabling us to attain our emissions reduction targets. We are running various campaigns to educate the community and support our customers to go green, including the full-scale deployment of smart meters.

Excellence in service delivery

At HK Electric, we have a responsibility to ensure that our migration to cleaner energy does not compromise our core pledges of reliability and service excellence. In 2021, we served about 584,000 customers, supplying a total of 10,361 GWh (2020: 10,134 GWh) of electricity – due to increased consumption from the commercial and industrial sectors. Our customers experienced less than 0.5 minute of unplanned power interruption on average per customer over these 12 months.

Greener electricity generation is a critical component of this. Lamma Power Station delivered improved environmental performance, thanks to about 50% gas-fired electricity generation, the use of low-sulphur coal, as well as sustainable energy sources (wind and solar). We deployed the latest technologies such as sensors, advanced analytics, and robotics to sustain low carbon intensity and increase automation while upholding our high standards of safety, supply reliability, and excellent service. More than 40 innovation projects are at various stages of implementation, including battery units to supply more eco-friendly and noise-free site power for heavy machinery.

HK Electric achieved all our pledged customer service standards throughout the year, with a move towards increasing the availability of self-service channels to give our customers more autonomy.

Helping hands for the community

We took advantage of the few months in 2021 when COVID-19 eased its hold on Hong Kong to resume volunteer work, spending more than 1,300 hours on activities that needed less in-person contact. The Smart Power Care Fund extended financial help to those in need, distributing HK\$10 million worth of dining coupons on top of subsidies for energy-efficient electrical appliances, tariff subsidies for those living in subdivided units, and other relief measures.

As always, we maintained our efforts towards educating the public and younger generations about responsible energy use and renewables. Our long-standing Happy Green Campaign expanded its scope to 507 schools, with more than 80,000 students and local citizens taking part in various activities organised online or offline. The Smart Power Gallery hosted 99 virtual/physical guided tours to increase environmental awareness among children, introducing topics like climate change, renewable energy, and smart cities.

In addition, we sustained our ongoing measures to keep all stakeholders safe during the COVID-19 pandemic. To help build a protective barrier against COVID-19 in the community, we have been encouraging our employees to receive vaccines through a package of incentives including group vaccination booking, vaccination leave and gift coupons. Thanks to their support, all our employees have been vaccinated except those who are medically exempt.

Outlook

Basic Tariff is frozen for 2022 and a special rebate of HK1 cent per unit of electricity is provided to help customers recover from difficult times. However, significant increases in global fuel prices, together with increased natural gas consumption, have driven an upward adjustment of the Fuel Clause Charge. As a result, the 2022 Net Tariff is increased by HK8.9 cents per unit of electricity, wholly attributable to the increase in fuel costs.

We have set aside HK\$63 million from our Smart Power Building Fund, Smart Power Care Fund and Smart Power Education Fund to provide support for the underprivileged, promote energy efficiency and conservation, and strengthen education on low carbon living to help alleviate the tariff impact on the public.

Our priority for the next 12 months is to achieve all deliverables under the 2019-2023 Development Plan on schedule, further increasing gas-fired power generation by 2023.

In alignment with Hong Kong's commitments to COP26 goals, we have pledged to evolve our business to decarbonise our entire value chain, supporting Hong Kong's zero-carbon transition under the Climate Action Plan 2050. While we target to achieve carbon neutrality in our operations before 2050 in the long term, our medium-term target is to reduce our absolute carbon emissions by more than 50% compared to the 2005 level not later than 2035. To increase the proportion of power we generate from renewables, we will proceed with our planning and design of a large-scale offshore wind farm that will produce about 4% of our electricity output when complete. We will also contribute our expertise to the ongoing government study into the use of hydrogen, an energy source which emits no carbon oxides.

The global power sector faces the challenge of green transformation which will have a long-term impact on the sector. We believe that decarbonisation and economic growth go hand in hand. As a Group, we are committed to investing in achieving carbon neutrality, a fairer and more equitable society, and pursuing the highest standards in corporate governance.

In closing, I express my heartfelt gratitude to my colleagues, the management, the Board, frontline staff and all our stakeholders whose efforts have made our achievements possible.

Fok Kin Ning, Canning
Chairman
Hong Kong, 15 March 2022

FINANCIAL REVIEW

Financial performance

The Trust Group's revenue and consolidated profit for the year ended 31 December 2021 were HK\$11,344 million (2020: HK\$10,389 million) and HK\$2,933 million (2020: HK\$2,732 million) respectively.

Distribution

The Trustee-Manager Board has declared the payment of a final distribution by the Trust of HK16.09 cents (2020: HK16.09 cents) per SSU. In order to enable the Trust to pay that distribution, the Company Board has declared the payment of a second interim dividend in lieu of a final dividend in respect of the Company's ordinary shares held by the Trustee-Manager, of HK16.09 cents (2020: HK16.09 cents) per ordinary share in respect of the same period. This, together with the interim distribution of HK15.94 cents (2020: HK15.94 cents) per SSU, brings the total distribution to HK32.03 cents (2020: HK32.03 cents) per SSU for the year ended 31 December 2021.

	2021	2020
	HK\$ million	HK\$ million
Consolidated profit attributable to SSU holders	2,933	2,732
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	5,317	4,693
(ii) (deducting)/adding		
– movement in Fuel Clause Recovery Account	(1,048)	149
– changes in working capital	108	(223)
– adjustment for employee retirement benefit schemes	22	7
– taxes paid	(448)	(488)
	(1,366)	(555)
(iii) capital expenditure payment	(4,802)	(4,850)
(iv) net finance costs	(930)	(1,121)
Distributable income	1,152	899
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed	1,678	1,931
Distributable income after adjustment of the discretionary amount	2,830	2,830

	2021	2020
	HK\$ million	HK\$ million
Interim distribution	1,408	1,408
Final distribution	1,422	1,422
Distribution amount	2,830	2,830
Distributions per SSU (see note (c) below)		
– Interim distribution per SSU	HK15.94 cents	HK15.94 cents
– Final distribution per SSU	HK16.09 cents	HK16.09 cents
Total distributions per SSU	HK32.03 cents	HK32.03 cents

In determining the distribution amount, the Company Board has taken into account the Group's financial performance achieved during the year and its stable cashflow from operations, and consider it appropriate to adjust the distributable income for the year ended 31 December 2021, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.

Notes:

- (a) Pursuant to clause 1.1 of the Trust Deed, "Adjustments" includes, but not limited to (i) transfers to/from the Tariff Stabilisation Fund and the Rate Reduction Reserve under the Scheme of Control; (ii) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (iii) impairment of goodwill/recognition of negative goodwill; (iv) material non-cash gains/losses; (v) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units; (vi) depreciation and amortisation; (vii) tax charges as shown in the consolidated statement of profit or loss; and (viii) net finance income/costs as shown in the consolidated statement of profit or loss.
- (b) The Trustee-Manager Board has confirmed, in accordance with the Trust Deed, that (i) the auditors of the Trust Group have reviewed and verified the Trustee-Manager's calculation of the above distribution entitlement per SSU and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unit holders of the Trust, the Trustee-Manager will be able to fulfill, from the Trust Property (as defined in the Trust Deed), the liabilities of the Trust as they fall due.
- (c) Interim distribution per SSU of HK15.94 cents (2020: HK15.94 cents) was calculated based on the interim distribution amount of HK\$1,408 million (2020: HK\$1,408 million) and 8,836,200,000 SSUs in issue as at 30 June 2021 (30 June 2020: 8,836,200,000 SSUs). Final distribution per SSU of HK16.09 cents (2020: HK16.09 cents) was calculated based on the final distribution amount of HK\$1,422 million (2020: HK\$1,422 million) and 8,836,200,000 SSUs in issue as at 31 December 2021 (31 December 2020: 8,836,200,000 SSUs).

Capital expenditure, liquidity and financial resources

Capital expenditure (excluding right-of-use assets but including the Trust Group's capital expenditure in the offshore LNG terminal developed by a joint venture) during the year amounted to HK\$6,001 million (2020: HK\$5,485 million), which was funded by cash from operations and external borrowings. Total external borrowings outstanding at 31 December 2021 were HK\$46,626 million (2020: HK\$44,890 million), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 31 December 2021 had undrawn committed bank facilities of HK\$6,250 million (2020: HK\$5,150 million) and bank deposits and cash of HK\$34 million (2020: HK\$52 million).

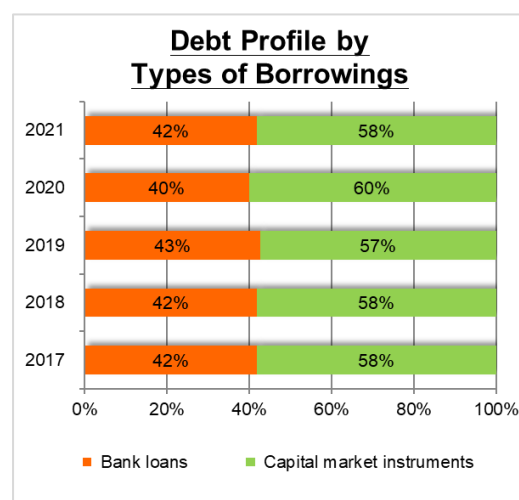
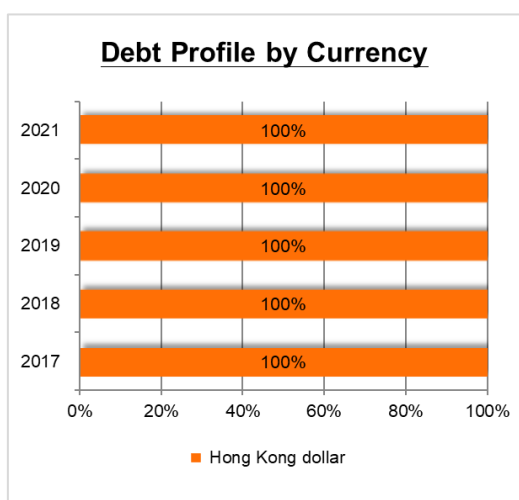
Treasury policy, financing activities, capital and debt structure

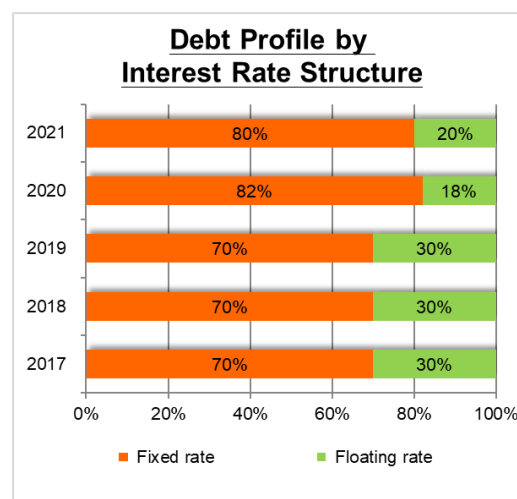
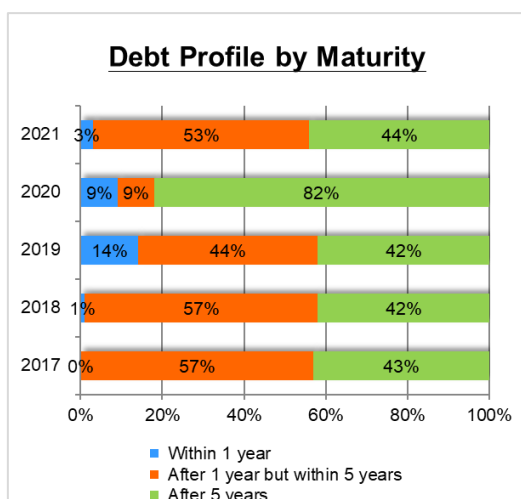
The Trust Group manages its financial risks in accordance with guidelines laid down in its treasury policy which is designed to manage the Trust Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from provision for capital expenditure to be incurred and from electricity bill collection, are placed on short term deposits denominated in Hong Kong dollars. The Trust Group aims to ensure that adequate financial resources are available for refinancing and business growth whilst maintaining a prudent capital structure.

During the year, the Trust Group concluded several 5-year term and revolving credit facilities totalling HK\$9,500 million with various financial institutions. These new credit facilities were deployed for the refinancing of maturing bank loans, funding for capital expenditure and for general corporate purposes.

As at 31 December 2021, the net debt of the Trust Group was HK\$46,592 million (2020: HK\$44,838 million) with a net debt-to-net total capital ratio of 49% (2020: 48%). The Trust Group's financial profile remained strong during the year. On 25 May 2021, Standard & Poor's reaffirmed the "A-" long-term credit rating and "Stable" outlook for the Company which had remained unchanged since September 2015, as well as the "A-" long-term credit rating of HK Electric with a stable outlook, unchanged since January 2014.

The profile of the Trust Group's external borrowings as at 31 December 2021, after taking into account forward foreign exchange contracts, cross currency and interest rate swaps, was as follows:





The Trust Group's policy is to maintain a portion of its debt at fixed interest rates taking into consideration business and operational needs. Interest rate risk is managed by either securing fixed rate borrowings or employing interest rate derivatives.

Currency and interest rate risks are actively managed in accordance with the Trust Group's treasury policy. Derivative financial instruments are used primarily for managing interest rate and foreign currency risks and not for speculative purposes. Treasury transactions are only executed with counterparties with acceptable credit ratings to control counterparty risk exposure.

The Trust Group's principal foreign currency transaction exposures arise from the import of fuel and capital equipment. Foreign currency transaction exposure is managed mainly through forward foreign exchange contracts. As at 31 December 2021, over 90% of the Trust Group's transaction exposure from the import of fuel and capital equipment was either denominated in United States dollars or hedged into Hong Kong or United States dollars. The Trust Group is also exposed to foreign currency fluctuation arising from the foreign currency borrowings. Such exposures are, where appropriate, mitigated by the use of either forward foreign exchange contracts or cross currency swaps.

The contractual notional amounts of derivative financial instruments outstanding at 31 December 2021 amounted to HK\$46,730 million (2020: HK\$39,885 million).

Charge on assets

At 31 December 2021, no assets of the Trust Group were pledged to secure its loans and banking facilities (2020: Nil).

Contingent liabilities

As at 31 December 2021, the Trust Group had no guarantee or indemnity to external parties (2020: Nil).

Employees

The Trust Group maintains a policy of pay-for-performance and the pay levels are monitored to ensure competitiveness is maintained. The Trust Group's total remuneration costs for the year ended 31 December 2021, excluding directors' emoluments, amounted to HK\$1,177 million (2020: HK\$1,178 million). As at 31 December 2021, the Trust Group employed 1,699 (2020: 1,713) permanent employees. No share option scheme is in operation.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
OF THE TRUST AND OF THE COMPANY**

For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	Note	2021 \$ million	2020 \$ million
Revenue	5	11,344	10,389
Direct costs		(5,497)	(5,334)
		5,847	5,055
Other revenue and other net income	7	49	148
Other operating costs		(1,051)	(1,063)
Operating profit		4,845	4,140
Finance costs		(800)	(971)
Profit before taxation	8	4,045	3,169
Income tax:	9		
Current		(413)	(452)
Deferred		(322)	(116)
		(735)	(568)
Profit after taxation		3,310	2,601
Scheme of Control transfers	10(b)	(377)	131
Profit for the year attributable to the holders of Share Stapled Units/ shares of the Company		2,933	2,732
Earnings per Share Stapled Unit/ share of the Company			
Basic and diluted	12	33.19 cents	30.92 cents

As explained in note 3, the consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together.

Details of distributions/dividends payable to holders of Share Stapled Units/shares of the Company attributable to the profit for the year are set out in note 11.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
OF THE TRUST AND OF THE COMPANY**

For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	2021 \$ million	2020 \$ million
Profit for the year attributable to the holders of Share Stapled Units/shares of the Company	2,933	2,732
Other comprehensive income for the year, after tax and reclassification adjustments		
Items that will not be reclassified to profit or loss		
Defined benefit retirement schemes:		
Remeasurement of net defined benefit asset/liability	197	86
Net deferred tax charged to other comprehensive income	(33)	(14)
	164	72
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	(6)	8
Cost of hedging – changes in fair value	1	(6)
Net deferred tax credited to other comprehensive income	1	-
	(4)	2
	160	74
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	469	(173)
Reclassification adjustments for amounts transferred to profit or loss	152	17
Cost of hedging – changes in fair value	(141)	(607)
Cost of hedging – reclassified to profit or loss	(63)	(63)
Net deferred tax (charged)/credited to other comprehensive income	(31)	81
	386	(745)
Total comprehensive income for the year attributable to the holders of Share Stapled Units/shares of the Company	3,479	2,061

As explained in note 3, the consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OF THE TRUST AND OF THE COMPANY**

At 31 December 2021

(Expressed in Hong Kong dollars)

	Note	2021 \$ million	2020 \$ million
Non-current assets			
Property, plant and equipment		71,316	68,814
Interests in leasehold land held for own use		5,424	5,620
	13	<u>76,740</u>	74,434
Goodwill		33,623	33,623
Interest in a joint venture		477	278
Derivative financial instruments		596	616
Employee retirement benefit scheme assets		1,045	887
		<u>112,481</u>	<u>109,838</u>
Current assets			
Inventories		904	726
Trade and other receivables	14	1,157	951
Fuel Clause Recovery Account	15	252	-
Bank deposits and cash		34	52
		<u>2,347</u>	<u>1,729</u>
Current liabilities			
Trade and other payables and contract liabilities	16	(4,078)	(2,820)
Fuel Clause Recovery Account	15	-	(796)
Current portion of bank loans and other interest-bearing borrowings	17	(1,233)	(4,184)
Current tax payable		(506)	(541)
		<u>(5,817)</u>	<u>(8,341)</u>
Net current liabilities		<u>(3,470)</u>	<u>(6,612)</u>
Total assets less current liabilities		<u>109,011</u>	<u>103,226</u>
Non-current liabilities			
Bank loans and other interest-bearing borrowings	17	(45,393)	(40,706)
Derivative financial instruments		(197)	(697)
Customers' deposits		(2,317)	(2,268)
Deferred tax liabilities		(9,982)	(9,597)
Employee retirement benefit scheme liabilities		(350)	(367)
Other non-current liabilities	18	(1,314)	(1,122)
		<u>(59,553)</u>	<u>(54,757)</u>
Scheme of Control Fund and Reserve	10(c)	<u>(1,065)</u>	<u>(726)</u>
Net assets		<u>48,393</u>	<u>47,743</u>
Capital and reserves			
Share capital		8	8
Reserves		48,385	47,735
Total equity		<u>48,393</u>	<u>47,743</u>

As explained in note 3, the consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together.

NOTES TO THE FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

(Expressed in Hong Kong dollars)

1. Review of annual results

The annual results have been reviewed by the Audit Committees.

The figures in respect of the preliminary announcement of the Trust Group's and the Group's results for the year ended 31 December 2021 have been compared by the Trust Group's and the Group's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Trust Group's and the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

2. General information

HK Electric Investments Limited (the "Company") was incorporated in the Cayman Islands on 23 September 2013 as an exempted company with limited liability under the Companies Law 2011 (as consolidated and revised) of the Cayman Islands. The Company has established a principal place of business in Hong Kong at Hongkong Electric Centre, 44 Kennedy Road, Hong Kong. The principal activity of the Company is investment holding.

On 1 January 2014, HK Electric Investments (the "Trust") was constituted as a trust by a Hong Kong law governed Trust Deed entered into between HK Electric Investments Manager Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the Trust) and the Company. The scope of activity of the Trust as provided in the Trust Deed is limited to investing in the Company.

The Share Stapled Units structure comprises (1) a unit in the Trust; (2) a beneficial interest in a specifically identified ordinary share in the Company which is linked to the unit and held by Trustee-Manager as legal owner in its capacity as trustee-manager of the Trust; and (3) a specifically identified preference share in the Company which is "stapled" to the unit. The Share Stapled Units are jointly issued by the Trust and the Company and listed on the Main Board of the Stock Exchange.

3. Basis of presentation

Pursuant to the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The consolidated financial statements of the Trust for the year ended 31 December 2021 comprise the consolidated financial statements of the Trust, the Company and its subsidiaries (together the “Trust Group”) and the Trust Group’s interest in a joint venture. The consolidated financial statements of the Company for the year ended 31 December 2021 comprise the consolidated financial statements of the Company and its subsidiaries (together the “Group”) and the Group’s interest in a joint venture.

The Trust controls the Company and the sole activity of the Trust during the year ended 31 December 2021 was investing in the Company. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the Trust are identical to the consolidated results and financial position of the Company with the only differences being disclosures of share capital of the Company. The Directors of the Trustee-Manager and Directors of the Company believe that it is clearer to present the consolidated financial statements of the Trust and of the Company together. The consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as the “consolidated financial statements of the Trust and of the Company”.

The consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement, significant accounting policies and the related explanatory information are common to the Trust and the Company. Information specific to the Company are disclosed separately in the relevant explanatory information in notes to the consolidated financial statements.

The Trust Group and the Group are referred as the “Groups”.

4. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Groups. Of these, the following amendments to HKFRSs are relevant to the Trust’s and the Company’s consolidated financial statements:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The adoption of these amendments does not have a material impact on the Groups’ results and financial positions for the current or prior periods. The Groups have not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

5. Revenue

The principal activity of the Groups is the generation and supply of electricity to Hong Kong Island and Lamma Island. Disaggregation of revenue by type of output and services is analysed as follows:

	2021 \$ million	2020 \$ million
Sales of electricity	11,312	10,363
Less: concessionary discount on sales of electricity	(5)	(4)
	11,307	10,359
Electricity-related income	37	30
	11,344	10,389

6. Segment reporting

The Groups have one reporting segment which is the generation and supply of electricity to Hong Kong Island and Lamma Island. All segment assets are located in Hong Kong. The Groups' chief operating decision-maker reviews the consolidated results of the Groups for the purposes of resource allocation and performance assessment. Therefore, no additional reportable segment and geographical information has been presented.

7. Other revenue and other net income

	2021 \$ million	2020 \$ million
Interest income on financial assets measured at amortised cost	13	15
Government grants (see note below)	-	101
Sundry income	36	32
	49	148

This represented the funding support from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government in 2020. The purpose of the funding was to provide financial support to enterprises to retain their employees. Under the terms of the grant, the Groups were required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

8. Profit before taxation

	2021	2020
	\$ million	\$ million
Profit before taxation is arrived at after charging:		
Depreciation		
– owned property, plant and equipment	2,924	2,817
– properties leased for own use	2	2
Amortisation of leasehold land	196	196
Expenses of short-term leases	4	6
Costs of inventories	4,812	3,499
Write down of inventories	23	12
Staff costs	735	740
Net loss on disposal and written off of property, plant and equipment	120	125
Auditor's remuneration		
– audit and audit related services	5	6
– non-audit services (see note below)	-	-

Auditor's remuneration for non-audit services amounted to \$415,000 (2020: \$301,000).

9. Income tax in the consolidated statement of profit or loss

	2021	2020
	\$ million	\$ million
Current tax		
Provision for Hong Kong Profits Tax for the year	414	452
Over-provision in respect of prior years	(1)	-
	413	452
Deferred tax		
Origination and reversal of temporary differences	322	116
	735	568

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Groups which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Groups are exempt from any income tax in these jurisdictions.

10. Scheme of Control transfers

- (a) The financial operations of HK Electric are governed by the Scheme of Control Agreement (“SoCA”) agreed with the Government which provides for HK Electric to earn a Permitted Return. Any excess or deficiency of the gross tariff revenue over the sum of total operating costs, Scheme of Control Net Return and Scheme of Control taxation charges is transferred to/(from) a Tariff Stabilisation Fund from/(to) the statement of profit or loss of HK Electric. When transfer from the Tariff Stabilisation Fund to the statement of profit or loss is required, the amount transferred shall not exceed the balance of the Tariff Stabilisation Fund. In addition, a charge calculated by applying the average one-month Hong Kong Interbank Offered Rate on the average balance of the Tariff Stabilisation Fund is transferred from the statement of profit or loss of HK Electric to a Rate Reduction Reserve.

Under current SoCA, a Smart Power Care Fund was established on 1 January 2019 with initial funding provided by the net closing balance as at 31 December 2018 of the Smart Power Fund, which was established pursuant to 2013 mid-term review of 2009-2018 SoCA, to promote energy efficiency and conservation, such as accelerating end-use energy efficiency through programmes designed to help residential, industrial and commercial customers, and also disadvantaged customers/groups to replace or upgrade end-use appliances to more energy-efficient electrical models. HK Electric consented to deduct an amount equal to 65% of the Energy Efficiency Incentive Amount of each year during the period from 1 January 2019 to 31 December 2033 for funding the contribution to the Smart Power Care Fund provided that there is an Energy Efficiency Incentive Amount in respect of that year.

- (b) Scheme of Control transfers from/(to) the consolidated statement of profit or loss represents:

	2021	2020
	\$ million	\$ million
Tariff Stabilisation Fund	344	(164)
Rate Reduction Reserve	1	8
Smart Power Care Fund		
– Provisional sum injected in current year	-	11
– Provisional sum to be injected in the following year	32	14
	377	(131)

In 2021, a provisional sum of \$31,760,000, representing deduction of HK Electric’s 2021 financial incentive, was transferred from the consolidated statement of profit or loss and included in the trade and other payables and contract liabilities as at 31 December 2021 for injection into the Smart Power Care Fund in the following year.

In 2020, a provisional sum of \$24,767,000, representing deduction of HK Electric’s 2020 financial incentive, was transferred from the consolidated statement of profit or loss, of which \$10,509,000 was injected into the Smart Power Care Fund with the remaining \$14,258,000 was included in the trade and other payables and contract liabilities as at 31 December 2020 for injection into the Smart Power Care Fund in 2021.

- (c) Movements in the Tariff Stabilisation Fund, Rate Reduction Reserve and Smart Power Care Fund are as follows:

\$ million	Tariff Stabilisation Fund	Rate Reduction Reserve	Smart Power Care Fund	Total
At 1 January 2020	848	14	16	878
Transfer from Rate Reduction Reserve to Tariff Stabilisation Fund (see note below)	14	(14)	-	-
Transfer (to)/from the consolidated statement of profit or loss	(164)	8	-	(156)
Injection for the year	-	-	43	43
Disbursement for the year	-	-	(39)	(39)
At 31 December 2020 and 1 January 2021	698	8	20	726
Transfer from Rate Reduction Reserve to Tariff Stabilisation Fund (see note below)	8	(8)	-	-
Transfer from the consolidated statement of profit or loss	344	1	-	345
Injection for the year	-	-	14	14
Disbursement for the year	-	-	(20)	(20)
At 31 December 2021	1,050	1	14	1,065

Pursuant to SoCA, the year-end balance of the Rate Reduction Reserve of a year has to be transferred to the Tariff Stabilisation Fund in the following year.

11. Distributions/dividends

(a) The distributable income for the year was as follows:

	2021 \$ million	2020 \$ million
Consolidated profit attributable to the holders of Share Stapled Units	2,933	2,732
After:		
(i) eliminating the effects of the Adjustments (see note 1 below)	5,317	4,693
(ii) (deducting)/adding		
– movement in Fuel Clause Recovery Account	(1,048)	149
– changes in working capital	108	(223)
– adjustment for employee retirement benefit schemes	22	7
– taxes paid	(448)	(488)
	(1,366)	(555)
(iii) capital expenditure payment	(4,802)	(4,850)
(iv) net finance costs	(930)	(1,121)
Distributable income	1,152	899
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed (see note 4 below)	1,678	1,931
Distributable income after adjustment of the discretionary amount	2,830	2,830

Note 1 Pursuant to clause 1.1 of the Trust Deed, “Adjustments” includes, but not limited to (i) transfers to/from the Tariff Stabilisation Fund and the Rate Reduction Reserve under the Scheme of Control; (ii) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (iii) impairment of goodwill/recognition of negative goodwill; (iv) material non-cash gains/losses; (v) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units; (vi) depreciation and amortisation; (vii) tax charges as shown in the consolidated statement of profit or loss; and (viii) net finance income/costs as shown in the consolidated statement of profit or loss.

Note 2 The Trust Deed requires the Trustee-Manager (on behalf of the Trust) to distribute 100% of the dividends, distributions and other amounts received by the Trustee-Manager in respect of the ordinary shares from the Company, after deduction of all amounts permitted to be deducted or paid under the Trust Deed.

Note 3 The distributions received by the Trustee-Manager from the Company will be derived from the Group Distributable Income which is referred as audited consolidated profit attributable to the holders of Share Stapled Units for the relevant financial year or distribution period, after making adjustments in respect of items as set out in the Trust Deed.

Note 4 In determining the distribution amount, the Company Board has taken into account the Group's financial performance achieved during the year and its stable cashflow from operations, and consider it appropriate to adjust the distributable income for the year ended 31 December 2021, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.

(b) Distributions/dividends payable to holders of Share Stapled Units/shares of the Company attributable to the year

	2021	2020
	\$ million	\$ million
Interim distribution/first interim dividend declared and paid of 15.94 cents (2020: 15.94 cents) per Share Stapled Unit/share	1,408	1,408
Final distribution/second interim dividend proposed after the end of the reporting period of 16.09 cents (2020: 16.09 cents) per Share Stapled Unit/share	1,422	1,422
	2,830	2,830

For the year ended 31 December 2021, the Company Board declared the payment of a second interim dividend of 16.09 cents per ordinary share (2020: 16.09 cents per ordinary share), amounting to \$1,422 million (2020: \$1,422 million), in lieu of a final dividend after the end of the reporting period and therefore no final dividend was proposed by the Company Board.

For the year ended 31 December 2021, the Trustee-Manager Board declared a final distribution of 16.09 cents per Share Stapled Unit (2020: 16.09 cents per Share Stapled Unit), amounting to \$1,422 million (2020: \$1,422 million), after the end of the reporting period.

The final distribution/second interim dividend declared after the end of the reporting period is based on the number of Shares Stapled Units/ordinary shares of the Company of 8,836,200,000 as at 31 December 2021 (2020: 8,836,200,000). The final distribution/second interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(c) **Distributions/dividends payable to holders of Share Stapled Units/shares of the Company attributable to the previous financial year, approved and paid during the year**

	2021	2020
	\$ million	\$ million
Final distribution/second interim dividend in respect of the previous financial year, approved and paid during the year, of 16.09 cents (2020: 16.09 cents) per Share Stapled Unit/share	1,422	1,422

12. Earnings per Share Stapled Unit/share of the Company

The calculation of basic and diluted earnings per Share Stapled Unit/share of the Company are based on the profit attributable to the holders of Share Stapled Units/ordinary shares of the Company of \$2,933 million (2020: \$2,732 million) and the weighted average of 8,836,200,000 Share Stapled Units/ordinary shares of the Company (2020: 8,836,200,000 Share Stapled Units/ordinary shares of the Company) in issue during the year.

13. Property, plant and equipment and interests in leasehold land

\$ million	Site formation and buildings	Properties leased for own use	Plant, machinery and equipment	Fixtures, fittings and motor vehicles	Assets under construction	Sub-total	Interests in leasehold land held for own use	Total
Cost								
At 1 January 2020	16,811	4	54,434	956	9,759	81,964	6,959	88,923
Additions	-	2	94	31	5,130	5,257	1	5,258
Transfer	1,436	-	3,804	62	(5,302)	-	-	-
Disposals	(12)	(3)	(447)	(25)	-	(487)	-	(487)
At 31 December 2020 and 1 January 2021	18,235	3	57,885	1,024	9,587	86,734	6,960	93,694
Additions	-	1	92	28	5,528	5,649	-	5,649
Transfer	406	-	2,653	131	(3,190)	-	-	-
Disposals	(21)	(2)	(332)	(26)	-	(381)	-	(381)
At 31 December 2021	18,620	2	60,298	1,157	11,925	92,002	6,960	98,962
Accumulated depreciation and amortisation								
At 1 January 2020	3,012	2	11,893	456	-	15,363	1,144	16,507
Written back on disposals	(4)	(3)	(307)	(25)	-	(339)	-	(339)
Charge for the year	525	2	2,260	109	-	2,896	196	3,092
At 31 December 2020 and 1 January 2021	3,533	1	13,846	540	-	17,920	1,340	19,260
Written back on disposals	(10)	(2)	(203)	(25)	-	(240)	-	(240)
Charge for the year	532	2	2,348	124	-	3,006	196	3,202
At 31 December 2021	4,055	1	15,991	639	-	20,686	1,536	22,222
Net book value								
At 31 December 2021	14,565	1	44,307	518	11,925	71,316	5,424	76,740
At 31 December 2020	14,702	2	44,039	484	9,587	68,814	5,620	74,434

The above are mainly electricity-related property, plant and equipment in respect of which financing costs capitalised during the year amounted to \$271 million (2020: \$250 million).

Depreciation charges for the year included \$80 million (2020: \$77 million), relating to assets utilised in development activities, which have been capitalised.

14. Trade and other receivables

	2021	2020
	\$ million	\$ million
Trade debtors, net of loss allowance (see notes (a) below)	611	470
Other receivables (see note below)	457	358
	1,068	828
Derivative financial instruments	4	3
Deposits and prepayments	85	120
	1,157	951

All of the trade and other receivables are expected to be recovered within one year.

Other receivables of the Groups include unbilled electricity charges of \$407 million (2020: \$312 million) to be received from electricity customers.

(a) **Ageing analysis of trade debtors**

The ageing analysis of trade debtors based on invoice date, which are neither individually nor collectively considered to be impaired, is as follows:

	2021	2020
	\$ million	\$ million
Current and within 1 month	580	451
1 to 3 months	30	19
More than 3 months but less than 12 months	1	-
	611	470

Electricity bills issued to residential, small industrial, commercial and miscellaneous customers for electricity supplies are due upon presentation whereas maximum demand customers are allowed a credit period of 16 working days. If settlements by maximum demand customers are received after the credit period, a surcharge of 5% can be added to the electricity bills.

15. Fuel Clause Recovery Account

HK Electric adjusts Fuel Clause Charge per unit for electricity sales on a monthly basis to reflect actual cost of fuels in a timely manner.

Movements in the Fuel Clause Recovery Account were as follows:

	2021 \$ million	2020 \$ million
At 1 January	(796)	(647)
Transferred to profit or loss	3,122	1,823
Fuel Clause Charges during the year	<u>(2,074)</u>	<u>(1,972)</u>
At 31 December	<u><u>252</u></u>	<u><u>(796)</u></u>

This account, inclusive of interest, has been and will continue to be used to stabilise electricity tariffs.

16. Trade and other payables and contract liabilities

	2021 \$ million	2020 \$ million
Trade and other payables		
Creditors measured at amortised cost (see note (a) below)	3,970	2,794
Lease liabilities (see note 18(b))	1	1
Derivative financial instruments	<u>29</u>	<u>3</u>
	<u>4,000</u>	<u>2,798</u>
Contract liabilities (see note (b) below)	<u>78</u>	<u>22</u>
	<u><u>4,078</u></u>	<u><u>2,820</u></u>

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

(a) Creditors' ageing is analysed as follows:

	2021 \$ million	2020 \$ million
Due within 1 month or on demand	2,020	1,189
Due after 1 month but within 3 months	770	616
Due after 3 months but within 12 months	<u>1,180</u>	<u>989</u>
	<u><u>3,970</u></u>	<u><u>2,794</u></u>

(b) Contract liabilities

The contract liabilities relate to the advance consideration received from customers for electricity-related services, which consists mainly of (1) permanent supply service, primarily associated with the supply of electricity to customer substations for large new developments and to small new developments without customer substation provisions, and (2) site service primarily associated with the temporary supply of electricity to construction sites or special functions, for which revenue is recognised upon completion of the electricity-related services.

17. Bank loans and other interest-bearing borrowings

	2021	2020
	\$ million	\$ million
Bank loans	19,612	18,080
Current portion	(1,233)	(4,184)
	18,379	13,896
Hong Kong dollar medium term notes		
Fixed rate notes (see note (a) below)	8,952	8,946
Zero coupon notes (see note (b) below)	779	752
	9,731	9,698
United States dollar medium term notes		
Fixed rate notes (see note (a) below)	13,549	13,534
Zero coupon notes (see note (b) below)	3,734	3,578
	17,283	17,112
Non-current portion	45,393	40,706

- (a) The Hong Kong dollar fixed rate notes bear interest at rates ranging from 2.4% to 4% per annum (2020: 2.4% to 4% per annum).

The United States dollar fixed rate notes bear interest at rates ranging from 1.875% to 2.875% per annum (2020: 1.875% to 2.875% per annum).

- (b) The Hong Kong dollar zero coupon notes which were issued at discount have nominal amount of \$1,056 million (2020: \$1,056 million) and accrual yield of 3.5% per annum (2020: 3.5% per annum).

The United States dollar zero coupon notes embed with issuer call options allowing issuer to early redeem the notes. In 2020, the Groups exercised the issuer call options and redeemed US\$250 million of these notes.

As at 31 December 2021, the United States dollar zero coupon notes have nominal amount of US\$400 million (2020: US\$400 million) and accrual yield of 4.375% per annum (2020: 4.375% per annum). They are callable on 12 October 2022 and annually thereafter until the penultimate year to maturity.

- (c) Some banking facilities of the Groups are subject to the fulfilment of covenants relating to certain of the Groups' statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Groups were to breach the covenants, the drawn down facilities would become payable on demand and any undrawn amount will be cancelled. The Groups regularly monitors its compliance with these covenants. As at 31 December 2021 and 2020, none of the covenants relating to drawn down facilities had been breached.
- (d) None of the non-current interest-bearing borrowings is expected to be settled within one year. All the above borrowings are unsecured.

The non-current interest-bearing borrowings are repayable as follows:

	2021	2020
	\$ million	\$ million
After 1 year but within 2 years	299	2,500
After 2 years but within 5 years	24,294	1,298
After 5 years	20,800	36,908
	45,393	40,706

18. Other non-current liabilities

	2021	2020
	\$ million	\$ million
Provisions (see note (a) below)	1,314	1,121
Lease liabilities (see note (b) below)	-	1
	1,314	1,122

(a) Provisions

	2021
	\$ million
Provisions for asset decommissioning obligation	
At 1 January	1,121
Additional provisions made	194
Provisions utilised	(1)
At 31 December	1,314

Under SoCA, provision which represents the best estimation of expenditure required to settle asset decommissioning obligation has to be made to the extent that HK Electric incurs an obligation for the costs of dismantling and removing property, plant and equipment and restoring the sites on which they are located either when the assets are acquired or as a consequence of having used them during a particular period for electricity-related activities.

(b) Lease liabilities

The following table shows the remaining contractual maturities of the Groups' lease liabilities at the end of the current and previous reporting periods:

	2021		2020	
	Present value of the minimum lease payments \$ million	Total minimum lease payments \$ million	Present value of the minimum lease payments \$ million	Total minimum lease payments \$ million
Within 1 year	1	1	1	1
After 1 year but within 2 years	-	-	1	1
	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>
Less: total future interest expenses		-		-
Present value of lease liabilities		<u><u>1</u></u>		<u><u>2</u></u>

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
OF HK ELECTRIC INVESTMENTS MANAGER LIMITED**

For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	Note	2021	2020
		<u>\$</u>	<u>\$</u>
Revenue		-	-
Administrative expenses		<u>-</u>	<u>-</u>
Profit before taxation	5	-	-
Income tax	6	<u>-</u>	<u>-</u>
Profit and total comprehensive income for the year		<u><u>-</u></u>	<u><u>-</u></u>

**STATEMENT OF FINANCIAL POSITION
OF HK ELECTRIC INVESTMENTS MANAGER LIMITED**

At 31 December 2021

(Expressed in Hong Kong dollars)

	2021	2020
	\$	\$
	<hr/>	<hr/>
Current assets		
Amount due from immediate holding company	<hr/> 1 <hr/>	<hr/> 1 <hr/>
Net assets	<hr/> 1 <hr/> <hr/>	<hr/> 1 <hr/> <hr/>
Capital and reserves		
Share capital	1	1
Reserves	<hr/> - <hr/>	<hr/> - <hr/>
Total equity	<hr/> 1 <hr/> <hr/>	<hr/> 1 <hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS OF HK ELECTRIC INVESTMENTS MANAGER LIMITED

(Expressed in Hong Kong dollars)

1. Review of annual results

The annual results have been reviewed by the Audit Committee.

The figures in respect of the preliminary announcement of the HK Electric Investments Manager Limited's (the "Company") results for the year ended 31 December 2021 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Company's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

2. General information

The Company was incorporated in Hong Kong under the Hong Kong Companies Ordinance on 25 September 2013 and is an indirect wholly-owned subsidiary of Power Assets, which is incorporated in Hong Kong with its shares listed on the Stock Exchange and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States. The address of the registered office and the principal place of business of the Company is Hongkong Electric Centre, 44 Kennedy Road, Hong Kong.

The principal activity of the Company is administering HK Electric Investments (the "Trust"), in its capacity as trustee-manager of the Trust. The Trust was constituted as a trust on 1 January 2014 by a Hong Kong law governed Trust Deed entered into between the Company, as the trustee-manager of the Trust, and HK Electric Investments Limited.

The costs and expenses of administering the Trust may be deducted from all property and rights of any kind whatsoever which are held on trust for the registered holders of units of the Trust but, commensurate with its specific and limited role, the Company will not receive any fee for administering the Trust.

3. Basis of presentation

In accordance with the Trust Deed, a distributions statement shall be included in the financial statements of the Company. As the details of the distribution has already been presented in note 11 to the consolidated financial statements of the Trust and of HK Electric Investments Limited on page 20, no distributions statement is therefore presented in these financial statements.

The financial information relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of annual results does not constitute the Company's statutory annual financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company's financial statements together with the consolidated financial statements of the Trust and of HK Electric Investments Limited for the year ended 31 December 2020 have been delivered to the Registrar of Companies and the Company's financial statements for the year ended 31 December 2021 will be delivered to the Registrar of Companies in due course.

The Company's auditor has reported on the financial statements of the Company for the year ended 31 December 2020. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance. The financial statements for the year ended 31 December 2021 have yet to be reported on by the Company's auditor.

4. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Company. The adoption of these amendments to HKFRSs has no material impact on the Company's financial statements.

The Company has not applied any new standard, amendment or interpretation that is not effective for the current accounting period.

5. Profit before taxation

Auditor's remuneration of \$57,000 (2020: \$57,000) and all other expenses of the Company which were incurred for the administering of the Trust of \$440,497 (2020: \$367,274) for the year have been borne by HK Electric Investments Limited, which has waived its right of recovery thereof.

Except for the above, the Company did not incur any administrative expenses during the current and prior years.

6. Income tax

No provision for Hong Kong Profits Tax has been made in the financial statements for the current and prior years as the Company did not have any assessable profits.

OTHER INFORMATION

Final distribution and closure of Registers

The Trustee-Manager Board has declared a final distribution by the Trust for 2021 of HK16.09 cents per Share Stapled Unit. The final distribution will be payable on Monday, 11 April 2022 to Holders of Share Stapled Units whose names appear in the Share Stapled Units Register at the close of business on Wednesday, 30 March 2022, being the record date for determination of entitlement to the final distribution. To qualify for the final distribution, all transfers accompanied by the relevant Share Stapled Unit certificates should be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Wednesday, 30 March 2022.

For the purpose of ascertaining Holders of Share Stapled Units who are entitled to attend and vote at the Annual General Meeting to be held on Wednesday, 18 May 2022 (or any adjournment thereof), the Registers will be closed from Friday, 13 May 2022 to Wednesday, 18 May 2022, both days inclusive, during which no transfer of Share Stapled Units will be registered. In order to qualify for the right to attend and vote at the meeting (or any adjournment thereof), all transfers accompanied by the relevant Share Stapled Unit certificates should be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Thursday, 12 May 2022.

The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Purchase, sale or redemption of Share Stapled Units

Pursuant to the Trust Deed, the Holders of Share Stapled Units have no right to demand for repurchase or redemption of their Share Stapled Units. Unless and until expressly permitted to do so by the relevant codes and guidelines issued by the Securities and Futures Commission from time to time, the Trustee-Manager shall not repurchase or redeem any Share Stapled Units on behalf of the Trust.

None of the Trust, the Trustee-Manager, the Company nor any of their subsidiaries purchased, sold or redeemed any of the issued Share Stapled Units during the year ended 31 December 2021.

Corporate governance

The Trustee-Manager and the Company are committed to maintaining high standards of corporate governance, and recognise that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of the Trustee-Manager and the Trust Group, and the ability to attract investment, protect the rights of Holders of Share Stapled Units and other stakeholders, and enhance the value of the Share Stapled Units. The corporate governance practices of the Trustee-Manager and the Trust Group are designed to achieve these objectives and are maintained through a framework of processes, policies and guidelines.

The Trust and the Company are both listed on the Main Board of the Stock Exchange, and are subject to the provisions of the Listing Rules. Pursuant to the Trust Deed, each of the Trustee-Manager and the Company is responsible for its compliance with the Listing Rules and other relevant laws and regulations, and will co-operate with each other to ensure compliance of the Listing Rules obligations and to co-ordinate disclosure to the Stock Exchange.

The Trust and the Company have complied with the applicable code provisions in the Corporate Governance Code throughout the year ended 31 December 2021.

The Audit Committees, Nomination Committee and Remuneration Committee, all chaired by an Independent Non-executive Director, support the Boards in providing independent oversight in their respective areas of responsibilities. The Sustainability Committee oversees management of, and advises the Company Board on, the development and implementation of the sustainability initiatives of the Group.

The Trust Group is committed to achieving and maintaining standards of openness, probity and accountability. In line with this commitment and in compliance with the Corporate Governance Code, the Audit Committees have reviewed the procedures for reporting possible improprieties in financial reporting, internal control or other matters. In addition, the Trustee-Manager and the Company have established the Policy on Inside Information and Securities Dealing for compliance by all employees of the Group.

Model Code for Securities Transactions by Directors

The Boards have adopted the Model Code as their code of conduct regulating directors' securities transactions. All Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the year ended 31 December 2021.

Annual General Meeting

The Annual General Meeting will be held on Wednesday, 18 May 2022. Notice of the Annual General Meeting will be published and issued to Holders of Share Stapled Units in due course.

Boards composition

As at the date of this announcement, the Directors are:

Executive Directors : Mr. FOK Kin Ning, Canning (Chairman) (Mrs. CHOW WOO Mo Fong, Susan as his alternate), Mr. WAN Chi Tin (Chief Executive Officer), Mr. CHAN Loi Shun, Mr. CHEN Daobiao and Mr. CHENG Cho Ying, Francis

Non-executive Directors : Mr. LI Tzar Kuoi, Victor (Deputy Chairman) (Mr. Frank John SIXT as his alternate), Mr. Fahad Hamad A H AL-MOHANNADI, Mr. Ronald Joseph ARCULLI, Mr. DUAN Guangming, Mr. Deven Arvind KARNIK and Mr. ZHU Guangchao

Independent Non-executive Directors : Dr. FONG Chi Wai, Alex, Ms. KOH Poh Wah, Mr. KWAN Kai Cheong, Mr. LEE Lan Yee, Francis, Mr. George Colin MAGNUS, Mr. Donald Jeffrey ROBERTS and Mr. Ralph Raymond SHEA

GLOSSARY

In this annual results announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

Term(s)	Definition
“Annual General Meeting”	The annual general meeting of unitholders of the Trust and shareholders of the Company, as convened by the Trustee-Manager and the Company held on a combined basis as a single meeting characterised as the annual general meeting of Holders of Share Stapled Units
“Boards” or “Boards of Directors”	Trustee-Manager Board and Company Board
“Company”	HK Electric Investments Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 23 September 2013
“Company Audit Committee”	Audit committee of the Company
“Company Board”	Board of directors of the Company
“Corporate Governance Code”	Corporate Governance Code set out in Appendix 14 of the Listing Rules
“Government”	HKSAR Government
“Group”	The Company and its subsidiaries
“HK Electric”	The Hongkong Electric Company, Limited, a company incorporated in Hong Kong with limited liability on 24 January 1889 and an indirect wholly-owned subsidiary of the Company
“HKASs”	Hong Kong Accounting Standards
“HKEI”	The Trust and the Company
“HKFRSs”	A collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA

Term(s)	Definition
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Holder(s) of Share Stapled Units” or “SSU holder(s)”	Person(s) who holds Share Stapled Units issued by HKEI
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Power Assets”	Power Assets Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6)
“Registers”	The Share Stapled Units Register, the Units Register, the Principal and Hong Kong Branch Registers of Members and the Register of Beneficial Interests
“Share Stapled Unit(s)” or “SSU(s)”	Share Stapled Unit(s) jointly issued by the Trust and the Company, with each Share Stapled Unit being the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others: <ul style="list-style-type: none"> (a) a unit in the Trust; (b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of the Trust); and (c) a specifically identified preference share of the Company stapled to the unit.
“Share Stapled Units Register”	The register of registered Holders of Share Stapled Units

Term(s)	Definition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	HK Electric Investments, as constituted pursuant to the Trust Deed under the Laws of Hong Kong
“Trust Deed”	The trust deed dated 1 January 2014 constituting the Trust, entered into between the Trustee-Manager and the Company and as amended by the deed of amendment dated 13 May 2020
“Trust Group”	The Trust and the Group
“Trustee-Manager”	HK Electric Investments Manager Limited, a company incorporated in Hong Kong with limited liability on 25 September 2013 and an indirect wholly-owned subsidiary of Power Assets, in its capacity as trustee-manager of the Trust
“Trustee-Manager Audit Committee”	Audit committee of the Trustee-Manager
“Trustee-Manager Board”	Board of directors of the Trustee-Manager