

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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2022 ANNUAL RESULTS

CHAIRMAN'S STATEMENT

2022 was a key year for HK Electric Investments (HKEI), and its wholly owned subsidiary HK Electric. We progressed major initiatives in our decarbonisation strategy while maintaining a world-leading reliability rating of over 99.9999% for the third consecutive year. A notable milestone was the launch of a new gas-fired combined-cycle generating unit, L11, which enabled us to generate over half of our electricity from natural gas.

This performance comes during a year that was characterised by a high degree of uncertainty in Hong Kong and the global macro-economic environment. Restrictions to control the spread of COVID-19 continued to affect everyday life and business activities across Hong Kong, which in turn exerted downward pressure on demand for electricity. Our supply chain was impacted by inflationary pressures and disruption caused by the prolonged effects of the pandemic and ongoing global geopolitical tensions, most notably in the form of an unprecedented scarcity in the fuel supply, which significantly drove up prices of natural gas and coal in the past two years.

We leveraged our diversified supplier base and longstanding experience to overcome this tight supply and maintain our excellent services to all our customers. We continued to prioritise essential investments in the network and technology to assure efficiency and reliability. At the same time, we pressed ahead with construction of three key initiatives for the final phase of our 2019-2023 Development Plan: the third new gas-fired combined-cycle generating unit, L12; an offshore liquefied natural gas (LNG) terminal that will enable us to receive natural gas from more diverse sources; and the rollout of smart meters across our customer base.

To soften the impact of the economic downturn on our customers, we froze the basic tariff and offered a special rebate of one cent per unit of electricity in 2022. In addition, we supported the new round of electricity charges subsidy from the Government, which offers a total of HK\$1,000 to each eligible residential account from June 2022.

Financial results and distributions

For the year ended 31 December 2022, HKEI's EBITDA was HK\$7,599 million (2021: HK\$7,954 million) and profits attributable to holders of Share Stapled Units (SSU) was HK\$2,954 million (2021: HK\$2,933 million).

The Board of the Trustee-Manager has declared a final distribution by the Trust of HK16.09 cents (2021: HK16.09 cents) per SSU, payable on 12 April 2023 to SSU holders whose names appear on the Share Stapled Units Register on 29 March 2023. Together with the interim distribution of HK15.94 cents (2021: HK15.94 cents) per SSU, this amounts to a total distribution of HK32.03 cents (2021: HK32.03 cents) per SSU for the year.

2019-2023 Development Plan nears completion

The 2019-2023 Development Plan has formed an important component of our phased approach to achieving zero-carbon operations. Its scope includes the replacement of ageing generating units with three 380-MW gas-fired combined-cycle generating units. Despite travel restrictions and supply chain disruptions, we successfully launched the second unit, L11, on schedule in 2022.

The third gas-fired generating unit, L12, moved into the final phase of construction aiming at commercial operation in early 2024. We have substantially completed civil construction of the main station and administration and control buildings, the chimney concrete windshield, cable bridge, and other major structures. The entire power train – comprising the gas turbine, steam turbine, and generator – was installed on the turbo block foundation, followed by alignment work, piping installation, and assembly of the heat recovery steam generator. We made remarkable progress in 2022 and expect to complete testing and commissioning of these works by the end of 2023.

Commercial launch of the offshore LNG terminal based on Floating Storage and Regasification Unit (FSRU) technology has been rescheduled to mid-2023. Commissioning of the equipment on the terminal began in mid-2022. Construction of new gas facilities inside the gas-receiving station at Lamma Power Station (LPS), and a subsea pipe connecting LPS to the terminal, were completed during the year.

Another project under the Development Plan was the rollout of smart meters. We were able to overcome logistical challenges and achieve by the end of 2022 the cumulative target of deploying more than 240,000 smart meters, which account for over 40% of our entire customer base, along with the communication network and other equipment to support data collection.

Focus on long-term green evolution

HK Electric remained agile amidst unfavourable market conditions and continues to uphold our strategic focus in support of the Government's net-zero carbon emissions goals.

In 2022, we completed the update of our science-based carbon reduction target and committed to reduce scope 1 greenhouse gas emissions by 68.4% per unit of electricity generated by 2035 from the base year of 2019. This target aligns with the Paris Agreement and a trajectory of limiting the global average temperature rise to well below 2°C. It has been validated and approved by the Science Based Targets initiative (SBTi).

During the year, we secured variations to an existing environmental permit from the Environmental Protection Department, which will allow us to develop a wind farm with a capacity of about 150 MW in future and generate 4% of our electricity output. We have completed the requisite technical studies and submitted a feasibility study report to the Government.

We continued to encourage customers to set up their own renewables installations through our Feed-in Tariff Scheme, which connected about 150 new customer-side renewable energy systems to the grid during the year. The total capacity of grid-connected customers' renewables reached about 7.4 MW.

Our solar power systems and Lamma Winds turbine combined to generate over 2 million units of green electricity. Together with the renewable power systems of our customers, the HK Electric power system produced a total of over 8 million units of green electricity. We are also erecting PV panels on the rooftops of our substations where possible, and installing more at LPS, to boost the total renewable energy-generation capacity.

Helping to reduce roadside emissions is another aspect of our decarbonisation strategy. We do this by supporting the broader adoption of electric vehicles (EV) through the provision of convenient charging infrastructure. Apart from operating a network of free EV charging stations, we also provided technical support to the Government, public transport operators, and more than 420 residential properties to install charging infrastructure for almost 50,000 parking spaces. We were pleased to see some residents already enjoying the convenience of charging at home on their premises.

World-leading reliable energy provision

Demand for electricity during the year was affected by the dampening effect of the fifth wave of the COVID-19 pandemic on the economy and energy-saving measures undertaken by consumers. As a result, electricity sales to our 586,000 customers reduced to 9,941 GWh (2021: 10,361 GWh). We achieved service reliability of over 99.9999% for the third consecutive year, with customers experiencing less than 0.5 minute of unplanned power interruption on average during the year.

We generated more than 50% of our electricity from natural gas following the full commissioning of L11 in May 2022 and the retirement of two older units, GT57 and L2. We are committed to phasing out all coal-fired units by 2035. Despite supply scarcity of coal and natural gas, our prudent stock strategies and agile practices enabled us to maintain reliable power supply throughout the year.

We once again achieved all our pledged customer service standards, securing a score of 4.71 out of 5 in customer satisfaction. To ensure we upheld service standards despite pandemic restrictions, we optimised our Call Centre System to support hybrid work when it was necessary for our colleagues to work from home. Customers were empowered with increased convenience through digital and mobile channels.

Tariff volatility amidst tight fuel supply

2022 saw extreme uncertainty in the energy market, persistently tight supply, and high fuel prices. These factors triggered increases in the Fuel Clause Charge (FCC) – a key component of our tariff, according to an established mechanism. The FCC recorded a cumulative increase of HK52.8 cents during the year, from HK27.3 cents in January to HK80.1 cents in December – resulting in an unprecedented increase of the Net Tariff by 39% during 2022.

To support increased operating expenses as well as essential capital investment for decarbonisation initiatives in line with the Government’s emission and carbon reduction policy, the Basic Tariff for 2023 was increased by 5% to HK114.5 cents per unit of electricity.

With the above adjustment, and the expected increases in fuel prices, and the quantity of natural gas used this year, the Net Tariff for January 2023 was set at HK197 cents per unit of electricity, up by HK8.9 cents or 4.7%, compared to that of December 2022.

Community support in difficult times

The past year has been a challenging one for small businesses and the community in Hong Kong. Our Smart Power Building Fund, Smart Power Care Fund, and Smart Power Education Fund provided financial assistance and subsidies worth HK\$63 million on projects to support the underprivileged, make energy more affordable, promote energy efficiency and conservation, and strengthen education on low carbon living. About 2.5 GWh of energy was saved during the year, thanks to energy efficiency enhancement projects completed with our support in 2022.

Electricity bill payment deferral implemented at the beginning of the year helped bolster 441 SME caterers facing cash flow issues. We distributed 50,000 “Care and Share” dining coupon sets once again, valued at HK\$200 each for use at more than 200 participating eateries, to encourage people to patronise these businesses.

We continued to support the vulnerable elderly through the activities under our CAREnJOY programme. At the same time, we reached out to over 125,000 people under the Happy Green Campaign and Green Hong Kong Green activities, promoting the ethos of green living.

Outlook

Our priority in the months ahead is to smoothly manage volatility in our supply chain and strive to control costs while ensuring we successfully complete all the initiatives under the Development Plan on schedule, thereby increasing gas-fired power generation and contributing to the city’s decarbonisation efforts.

To alleviate the tariff impact on small and medium enterprises and disadvantaged households, we have set aside HK\$95 million to provide a series of relief measures and promote energy efficiency in 2023. This includes a Special Electricity Subsidy benefitting over 45% of residential customers, under which those consuming not more than 300 units of electricity per month will receive a subsidy of HK9.5 cents per unit of electricity. Dining coupons for disadvantaged households, customers paying concessionary tariff as well as low-consumption residential customers will continue, as will subsidies for households in sub-divided units.

We have initiated discussions with the Government on our next Development Plan (2024-2028), where our key focus will be to implement a series of strategic initiatives to support the Government's emissions and carbon reduction policy.

Recognising that effective management of material ESG risks is critical to the long-term growth and sustainability of the Group, we have included these ESG risks in our risk management framework in order to effectively integrate considerations of those risks into every aspect of our business operations.

My personal thanks to every one of my colleagues whose dedication and skill during a volatile period enabled us to consistently pursue our vision for service excellence and decarbonisation.

Fok Kin Ning, Canning
Chairman
Hong Kong, 14 March 2023

FINANCIAL REVIEW

Financial performance

The Trust Group's revenue and consolidated profit for the year ended 31 December 2022 were HK\$10,793 million (2021: HK\$11,344 million) and HK\$2,954 million (2021: HK\$2,933 million) respectively.

Distribution

The Trustee-Manager Board has declared the payment of a final distribution by the Trust of HK16.09 cents (2021: 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 (2021: HK16.09 cents) per ordinary share in respect of the same period. This, together with the interim distribution of HK15.94 cents (2021: HK15.94 cents) per SSU, brings the total distribution to HK32.03 cents (2021: HK32.03 cents) per SSU for the year ended 31 December 2022.

	2022	2021
	HK\$ million	HK\$ million
Consolidated profit attributable to SSU holders	2,954	2,933
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	4,854	5,317
(ii) (deducting)/adding		
– movement in Fuel Clause Recovery Account	(1,640)	(1,048)
– changes in working capital	(41)	108
– adjustment for employee retirement benefit schemes	10	22
– taxes paid	(544)	(448)
	(2,215)	(1,366)
(iii) capital expenditure payment	(5,844)	(4,802)
(iv) net finance costs	(1,078)	(930)
Distributable income	(1,329)	1,152
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed	4,159	1,678
Distributable income after adjustment of the discretionary amount	2,830	2,830

	2022	2021
	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 2022, 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 (2021: HK15.94 cents) was calculated based on the interim distribution amount of HK\$1,408 million (2021: HK\$1,408 million) and 8,836,200,000 SSUs in issue as at 30 June 2022 (30 June 2021: 8,836,200,000 SSUs). Final distribution per SSU of HK16.09 cents (2021: HK16.09 cents) was calculated based on the final distribution amount of HK\$1,422 million (2021: HK\$1,422 million) and 8,836,200,000 SSUs in issue as at 31 December 2022 (31 December 2021: 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\$5,734 million (2021: HK\$6,001 million), which was funded by cash from operations and external borrowings. Total external borrowings outstanding at 31 December 2022 were HK\$51,212 million (2021: HK\$46,626 million), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 31 December 2022 had undrawn committed bank facilities of HK\$3,400 million (2021: HK\$6,250 million) and bank deposits and cash of HK\$325 million (2021: HK\$34 million).

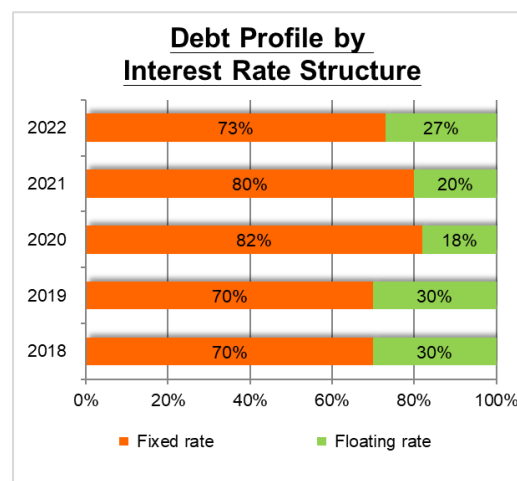
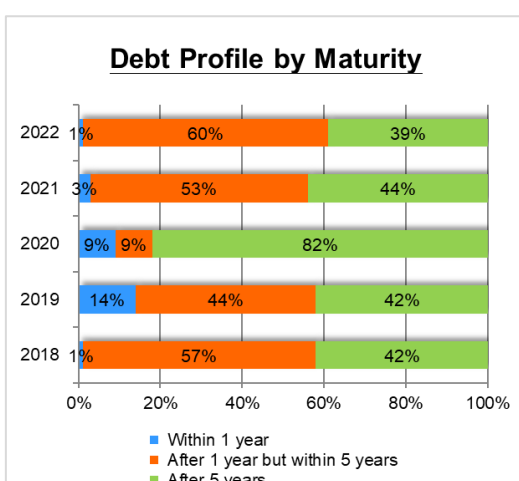
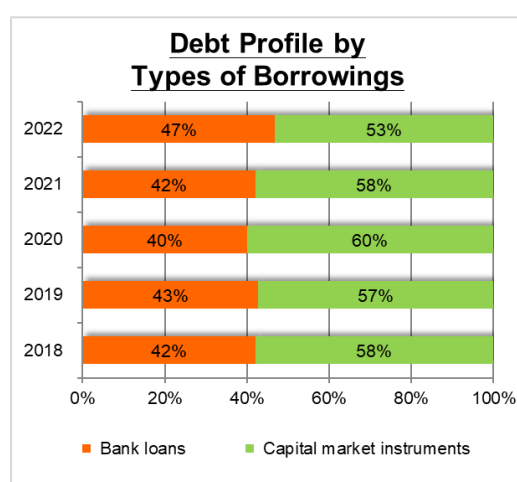
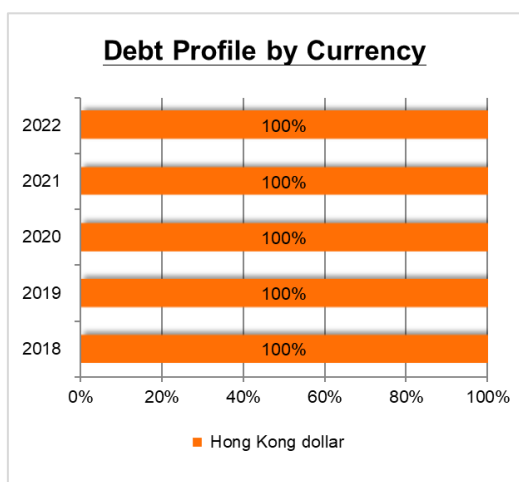
Treasury policy, financing activities, capital and debt structure

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\$5,000 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 2022, the net debt of the Trust Group was HK\$50,887 million (2021: HK\$46,592 million) with a net debt-to-net total capital ratio of 51% (2021: 49%). The Trust Group’s financial profile remained strong during the year. On 10 March 2022, 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 2022, 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 2022, 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 2022 amounted to HK\$44,900 million (2021: HK\$46,730 million).

Charge on assets

At 31 December 2022, no assets of the Trust Group were pledged to secure its loans and banking facilities (2021: Nil).

Contingent liabilities

As at 31 December 2022, the Trust Group had no guarantee or indemnity to external parties (2021: 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 2022, excluding directors' emoluments, amounted to HK\$1,202 million (2021: HK\$1,177 million). As at 31 December 2022, the Trust Group employed 1,690 (2021: 1,699) 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 2022

(Expressed in Hong Kong dollars)

	Note	2022 \$ million	2021 \$ million
Revenue	5	10,793	11,344
Direct costs		(5,364)	(5,497)
		5,429	5,847
Other revenue and other net income	7	67	49
Other operating costs		(987)	(1,051)
Operating profit		4,509	4,845
Finance costs		(961)	(800)
Profit before taxation	8	3,548	4,045
Income tax:	9		
Current		(187)	(413)
Deferred		(442)	(322)
		(629)	(735)
Profit after taxation		2,919	3,310
Scheme of Control transfers	10(b)	35	(377)
Profit for the year attributable to the holders of Share Stapled Units/ shares of the Company		2,954	2,933
Earnings per Share Stapled Unit/ share of the Company			
Basic and diluted	12	33.43 cents	33.19 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 2022

(Expressed in Hong Kong dollars)

	2022 \$ million	2021 \$ million
Profit for the year attributable to the holders of Share Stapled Units/shares of the Company	2,954	2,933
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	39	197
Net deferred tax charged to other comprehensive income	(7)	(33)
	32	164
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	(4)	(6)
Cost of hedging – changes in fair value	(2)	1
Net deferred tax credited to other comprehensive income	1	1
	(5)	(4)
	27	160
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	1,023	469
Reclassification adjustments for amounts transferred to profit or loss	23	152
Cost of hedging – changes in fair value	(134)	(141)
Cost of hedging – reclassified to profit or loss	(63)	(63)
Net deferred tax charged to other comprehensive income	(64)	(31)
	785	386
Total comprehensive income for the year attributable to the holders of Share Stapled Units/shares of the Company	3,766	3,479

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 2022

(Expressed in Hong Kong dollars)

	Note	2022 \$ million	2021 \$ million
Non-current assets			
Property, plant and equipment		73,732	71,316
Interests in leasehold land held for own use		5,228	5,424
	13	<u>78,960</u>	<u>76,740</u>
Goodwill		33,623	33,623
Interest in a joint venture		793	477
Derivative financial instruments		1,450	596
Employee retirement benefit scheme assets		882	1,045
		<u>115,708</u>	<u>112,481</u>
Current assets			
Inventories		1,446	904
Trade and other receivables	14	1,631	1,157
Fuel Clause Recovery Account	15	1,892	252
Bank deposits and cash		325	34
		<u>5,294</u>	<u>2,347</u>
Current liabilities			
Trade and other payables and contract liabilities	16	(4,821)	(4,078)
Current portion of bank loans and other interest-bearing borrowings	17	(557)	(1,233)
Current tax payable		(149)	(506)
		<u>(5,527)</u>	<u>(5,817)</u>
Net current liabilities			
		<u>(233)</u>	<u>(3,470)</u>
Total assets less current liabilities			
		<u>115,475</u>	<u>109,011</u>
Non-current liabilities			
Bank loans and other interest-bearing borrowings	17	(50,655)	(45,393)
Derivative financial instruments		(111)	(197)
Customers' deposits		(2,381)	(2,317)
Deferred tax liabilities		(10,495)	(9,982)
Employee retirement benefit scheme liabilities		(158)	(350)
Other non-current liabilities	18	(1,430)	(1,314)
		<u>(65,230)</u>	<u>(59,553)</u>
Scheme of Control Fund and Reserve			
	10(c)	(912)	(1,065)
Net assets			
		<u>49,333</u>	<u>48,393</u>
Capital and reserves			
Share capital		8	8
Reserves		49,325	48,385
Total equity			
		<u>49,333</u>	<u>48,393</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 Trust Group's and the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Trust Group's and the Group's auditor, 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. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary 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 2022 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 2022 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 2022 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 HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*
- Annual improvements to HKFRSs 2018-2020 Cycle

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:

	2022 \$ million	2021 \$ million
Sales of electricity	10,724	11,312
Less: concessionary discount on sales of electricity	(6)	(5)
	10,718	11,307
Electricity-related income	75	37
	10,793	11,344

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

	2022 \$ million	2021 \$ million
Interest income on financial assets measured at amortised cost	30	13
Sundry income	37	36
	67	49

8. Profit before taxation

	2022	2021
	\$ million	\$ million
Profit before taxation is arrived at after charging:		
Depreciation		
– owned property, plant and equipment	2,923	2,924
– properties leased for own use	1	2
Amortisation of leasehold land	196	196
Expenses of short-term leases	5	4
Costs of inventories	8,424	4,812
Write down of inventories	23	23
Staff costs	746	735
Net loss on disposal and written off of property, plant and equipment	88	120
Auditor's remuneration		
– audit and audit related services	5	5
– non-audit services (see note below)	1	-

Auditor's remuneration for non-audit services amounted to \$860,000 (2021: \$415,000).

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

	2022	2021
	\$ million	\$ million
Current tax		
Provision for Hong Kong Profits Tax for the year	187	414
Over-provision in respect of prior years	-	(1)
	187	413
Deferred tax		
Origination and reversal of temporary differences	442	322
	629	735

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 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 2021.

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 (to)/from the consolidated statement of profit or loss represents:

	2022	2021
	\$ million	\$ million
Tariff Stabilisation Fund	(80)	344
Rate Reduction Reserve	13	1
Smart Power Care Fund		
– Provisional sum to be injected in the following year	32	32
	(35)	377

A provisional sum of \$32,348,000, representing deduction of HK Electric’s 2022 financial incentive (2021: \$31,760,000), was transferred from the statement of profit or loss and included in the trade and other payables and contract liabilities as at 31 December 2022 for injection into the Smart Power Care Fund in the following year.

During the year, adjustment of over-provision in respect of prior year of \$265,000 was made and a net amount of \$31,495,000 was injected into the Smart Power Care Fund.

- (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 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 and 1 January 2022	1,050	1	14	1,065
Transfer from Rate Reduction Reserve to Tariff Stabilisation Fund (see note below)	1	(1)	-	-
Transfer (to)/from the consolidated statement of profit or loss	(80)	13	-	(67)
Special rebates	(99)	-	-	(99)
Injection for the year	-	-	31	31
Disbursement for the year	-	-	(18)	(18)
At 31 December 2022	872	13	27	912

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:

	<u>2022</u> \$ million	<u>2021</u> \$ million
Consolidated profit attributable to the holders of Share Stapled Units	2,954	2,933
After:		
(i) eliminating the effects of the Adjustments (see note 1 below)	4,854	5,317
(ii) (deducting)/adding		
– movement in Fuel Clause Recovery Account	(1,640)	(1,048)
– changes in working capital	(41)	108
– adjustment for employee retirement benefit schemes	10	22
– taxes paid	(544)	(448)
	(2,215)	(1,366)
(iii) capital expenditure payment	(5,844)	(4,802)
(iv) net finance costs	(1,078)	(930)
Distributable income	(1,329)	1,152
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed (see note 4 below)	4,159	1,678
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 2022, 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

	2022	2021
	\$ million	\$ million
Interim distribution/first interim dividend declared and paid of 15.94 cents (2021: 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 (2021: 16.09 cents) per Share Stapled Unit/share	1,422	1,422
	2,830	2,830

For the year ended 31 December 2022, the Company Board declared the payment of a second interim dividend of 16.09 cents per ordinary share (2021: 16.09 cents per ordinary share), amounting to \$1,422 million (2021: \$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 2022, the Trustee-Manager Board declared a final distribution of 16.09 cents per Share Stapled Unit (2021: 16.09 cents per Share Stapled Unit), amounting to \$1,422 million (2021: \$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 2022 (2021: 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**

	2022	2021
	\$ million	\$ million
Final distribution/second interim dividend in respect of the previous financial year, approved and paid during the year, of 16.09 cents (2021: 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 \$2,954 million (2021: \$2,933 million) and the weighted average of 8,836,200,000 Share Stapled Units/ordinary shares of the Company (2021: 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 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 and 1 January 2022	18,620	2	60,298	1,157	11,925	92,002	6,960	98,962
Additions	-	1	41	17	5,472	5,531	-	5,531
Transfer	1,903	-	4,501	123	(6,527)	-	-	-
Disposals	(7)	(1)	(327)	(9)	-	(344)	-	(344)
At 31 December 2022	20,516	2	64,513	1,288	10,870	97,189	6,960	104,149
Accumulated depreciation and amortisation								
At 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 and 1 January 2022	4,055	1	15,991	639	-	20,686	1,536	22,222
Written back on disposals	(3)	(1)	(225)	(9)	-	(238)	-	(238)
Charge for the year	563	1	2,327	118	-	3,009	196	3,205
At 31 December 2022	4,615	1	18,093	748	-	23,457	1,732	25,189
Net book value								
At 31 December 2022	15,901	1	46,420	540	10,870	73,732	5,228	78,960
At 31 December 2021	14,565	1	44,307	518	11,925	71,316	5,424	76,740

The above are mainly electricity-related property, plant and equipment in respect of which financing costs capitalised during the year amounted to \$293 million (2021: \$271 million).

Depreciation charges for the year included \$85 million (2021: \$80 million), relating to assets utilised in development activities, which have been capitalised.

14. Trade and other receivables

	2022 \$ million	2021 \$ million
Trade debtors, net of loss allowance (see notes (a) below)	811	611
Other receivables (see note below)	729	457
	1,540	1,068
Derivative financial instruments	1	4
Deposits and prepayments	90	85
	1,631	1,157

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 \$579 million (2021: \$407 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:

	2022 \$ million	2021 \$ million
Current and within 1 month	748	580
1 to 3 months	56	30
More than 3 months but less than 12 months	7	1
	811	611

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:

	2022 \$ million	2021 \$ million
At 1 January	252	(796)
Transferred to profit or loss	6,922	3,122
Fuel Clause Charges during the year	<u>(5,282)</u>	<u>(2,074)</u>
At 31 December	<u><u>1,892</u></u>	<u><u>252</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

	2022 \$ million	2021 \$ million
Trade and other payables		
Creditors measured at amortised cost (see note (a) below)	4,718	3,970
Lease liabilities (see note 18(b))	-	1
Derivative financial instruments	<u>40</u>	<u>29</u>
	<u>4,758</u>	<u>4,000</u>
Contract liabilities (see note (b) below)	<u>63</u>	<u>78</u>
	<u><u>4,821</u></u>	<u><u>4,078</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:

	2022 \$ million	2021 \$ million
Due within 1 month or on demand	2,748	2,020
Due after 1 month but within 3 months	818	770
Due after 3 months but within 12 months	<u>1,152</u>	<u>1,180</u>
	<u><u>4,718</u></u>	<u><u>3,970</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

	2022	2021
	\$ million	\$ million
Bank loans	23,987	19,612
Current portion	(257)	(1,233)
	23,730	18,379
Hong Kong dollar medium term notes		
Fixed rate notes (see note (a) below)	8,956	8,952
Zero coupon notes (see note (b) below)	806	779
	9,762	9,731
Current portion	(300)	-
	9,462	9,731
United States dollar medium term notes		
Fixed rate notes (see note (a) below)	13,565	13,549
Zero coupon notes (see note (b) below)	3,898	3,734
	17,463	17,283
Non-current portion	50,655	45,393

(a) The Hong Kong dollar fixed rate notes bear interest at rates ranging from 2.4% to 4% per annum (2021: 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 (2021: 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 (2021: \$1,056 million) and accrual yield of 3.5% per annum (2021: 3.5% per annum).

The United States dollar zero coupon notes have nominal amount of US\$400 million (2021: US\$400 million) and accrual yield of 4.375% per annum (2021: 4.375% per annum). These notes embed with issuer call options allowing issuer to early redeem the notes and 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 2022 and 2021, 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:

	2022	2021
	\$ million	\$ million
After 1 year but within 2 years	1,300	299
After 2 years but within 5 years	29,351	24,294
After 5 years	20,004	20,800
	50,655	45,393

18. Other non-current liabilities

	2022	2021
	\$ million	\$ million
Provisions (see note (a) below)	1,429	1,314
Lease liabilities (see note (b) below)	1	-
	1,430	1,314

(a) Provisions

	2022
	\$ million
Provisions for asset decommissioning obligation	
At 1 January	1,314
Additional provisions made	120
Provisions utilised	(5)
At 31 December	1,429

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:

	2022		2021	
	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
After 1 year but within 2 years	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Less: total future interest expenses		-		-
Present value of lease liabilities		<u>1</u>		<u>1</u>

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

For the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	Note	2022 \$	2021 \$
Revenue		-	-
Administrative expenses		-	-
Profit before taxation	5	-	-
Income tax	6	-	-
Profit and total comprehensive income for the year		-	-

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

At 31 December 2022

(Expressed in Hong Kong dollars)

	2022	2021
	<u>\$</u>	<u>\$</u>
Current assets		
Amount due from immediate holding company	<u>1</u>	<u>1</u>
Net assets	<u><u>1</u></u>	<u><u>1</u></u>
Capital and reserves		
Share capital	1	1
Reserves	<u>-</u>	<u>-</u>
Total equity	<u><u>1</u></u>	<u><u>1</u></u>

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 HK Electric Investments Manager Limited's (the "Company") statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Company's draft financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary 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 19, no distributions statement is therefore presented in these financial statements.

The financial information relating to the years ended 31 December 2022 and 2021 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 2021 have been delivered to the Registrar of Companies and the Company's financial statements for the year ended 31 December 2022 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 2021. 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 2022 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 \$60,000 (2021: \$57,000) and all other expenses of the Company which were incurred for the administering of the Trust of \$752,564 (2021: \$440,497) 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 2022 of HK16.09 cents per Share Stapled Unit. The final distribution will be payable on Wednesday, 12 April 2023 to Holders of Share Stapled Units whose names appear in the Share Stapled Units Register at the close of business on Wednesday, 29 March 2023, 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, 29 March 2023.

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, 17 May 2023 (or any adjournment thereof), the Registers will be closed from Friday, 12 May 2023 to Wednesday, 17 May 2023, 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, 11 May 2023.

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 2022.

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, managed by the Trustee-Manager, 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 2022, except as stated and explained hereunder.

The Trustee-Manager does not have a remuneration committee as the Directors of the Trustee-Manager, in such capacity, are not entitled to any remuneration. In addition, the Trustee-Manager does not have a nomination committee as the Trust Deed and the Trustee-Manager's articles of association require the directors of the Company and the Trustee-Manager comprise the same individuals, and the requirement to establish a nomination committee is hence considered irrelevant to the Trustee-Manager.

The Trustee-Manager Audit Committee and the Company Audit Committee, and the Nomination Committee and Remuneration Committee of the Company, 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 2022.

Annual General Meeting

The Annual General Meeting will be held on Wednesday, 17 May 2023. 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. CHENG Cho Ying, Francis and Mr. WANG Yuanhang
- 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. Deven Arvind KARNIK, Mr. WANG Zijian 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 and Mr. Donald Jeffrey ROBERTS

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