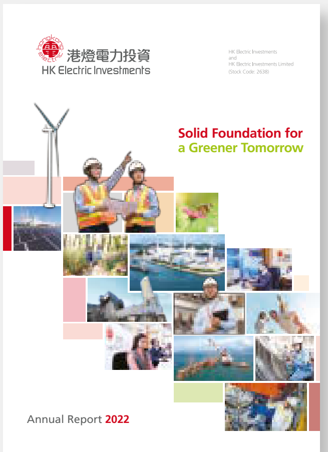
港燈電力投資
HK Electric Investments

HK Electric Investments
and
HK Electric Investments Limited
(Stock Code: 2638)

Solid Foundation for a Greener Tomorrow

Annual Report **2022**



Solid Foundation for a Greener Tomorrow

HK Electric's focus in 2022 has been to lay a strong, enduring foundation for green power supply and a zero-carbon city. The design of our annual report cover shows the numerous building blocks that come together to create this foundation: our skilled, committed staff; our excellent customer support services and our next-generation infrastructure. Just as Hong Kong's towering skyscrapers stand tall on solid and stable foundations, our green energy future will reach new heights based on the groundwork and foundation we have laid.

HK Electric Investments, constituted in January 2014, is a fixed single investment trust in Hong Kong focusing purely on the energy sector. Our Share Stapled Units, issued by the trust and HK Electric Investments Limited (collectively known as "HKEI"), are listed on the Main Board of the Hong Kong Stock Exchange. Our trust is structured to enable us to maintain a dedicated focus on delivering stable distributions to holders of our Share Stapled Units, while ensuring potential for sustainable long-term growth.

Our main operating company, HK Electric, is a power utility responsible for the generation, transmission, distribution and supply of electricity to about 586,000 customers in Hong Kong. Powering the city's economic growth since 1890 with affordable, safe and reliable electricity, HK Electric is increasing its gas-fired generation capacity and the use of renewable energy, as well as supporting the community to decarbonise to help combat climate change and contribute to Hong Kong's achieving carbon neutrality before 2050.

We are committed to continuing HK Electric's long tradition of community engagement and support for the underprivileged, and to remaining a positive and responsible member of the Hong Kong community.

With an impeccable supply reliability of over 99.999% maintained since 1997, HK Electric will continue to power Hong Kong into a smart, caring and sustainable city.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Smart Power for
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a catalyst to net zero


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Passing the torch
to the next generation

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Performance Highlights

Financials

	2022	2021
Revenue	**HK$10,793 million**	HK$11,344 million
Distributable Income	**HK$2,830 million**	HK$2,830 million
Total Distribution per SSU	**HK32.03 cents**	HK32.03 cents
Interim Distribution per SSU	**HK15.94 cents**	HK15.94 cents
Final Distribution per SSU	**HK16.09 cents**	HK16.09 cents
Total Assets	**HK$121,002 million**	HK$114,828 million
Net Debt-to-Net Total Capital Ratio	**51%**	49%
S&P Credit Rating		
HK Electric	**A-/ Stable**	A-/ Stable
HK Electric Investments Limited	**A-/ Stable**	A-/ Stable

Operations

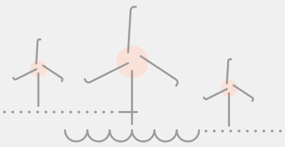
Generation

3,402MW
Generation Capacity
2021: 3,617 MW

Electricity Generation

~53% Gas-fired
2021: ~50%

~47% Coal-fired
2021: ~50%



383
(Total capacity 7.4 MW)
Number of Renewable Energy Installations under Feed-in Tariff Scheme
2021: 235 (Total capacity 4.5 MW)

~8.3GWh
Renewable Energy Certificates Subscribed by Customers
2021: ~6 GWh

Customer Services

586,000
Number of Customers
2021: 584,000

>240,000
Smart Meters Installed
2021: >120,000

9,941GWh
Units Sold
2021: 10,361 GWh

Performance Highlights

42,743
Number of Free Electric Vehicle Charging Operations
2021: 30,686

4.71
Average Customer Satisfaction Index (5-Point Scale)
2021: 4.69

Transmission & Distribution

>99.9999%
Supply Reliability
2021: >99.9999%

<0.5 minute
Unplanned Power Interruption per Customer
2021: <0.5 minute

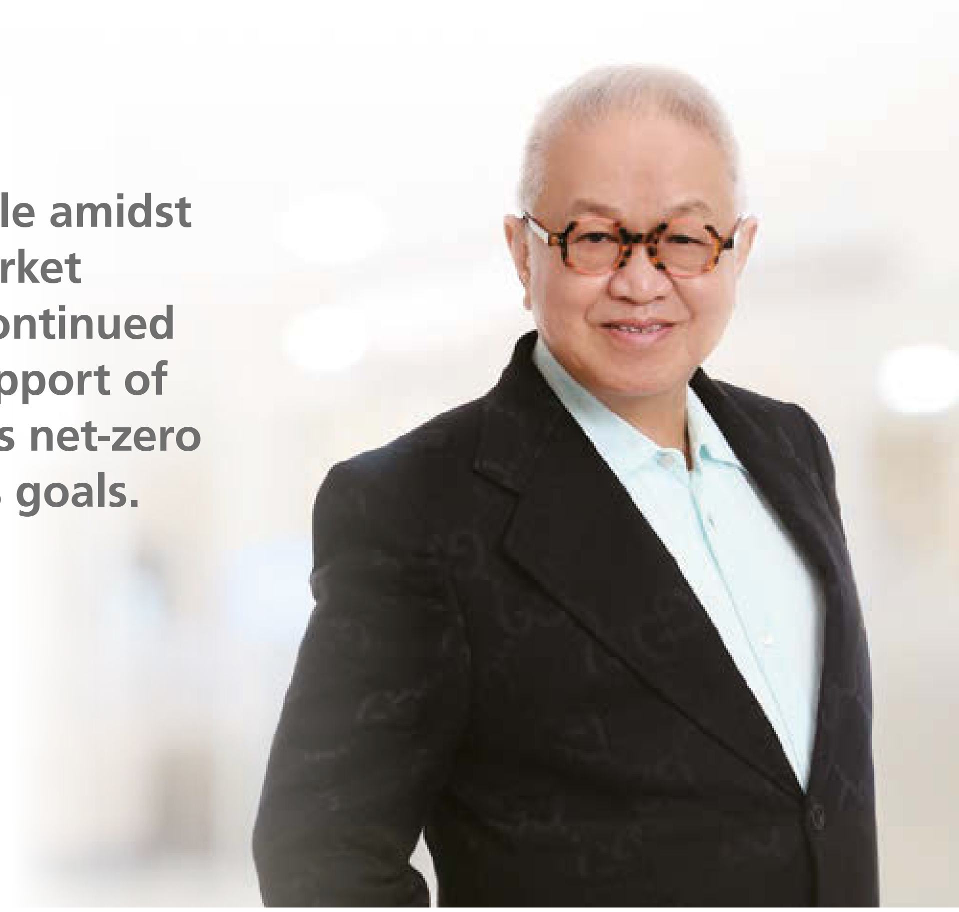
6,853 km
Network Length
2021: 6,734 km

Business Review

Delivering today while building for a green tomorrow

Chairman's Statement

We remained agile amidst unfavourable market conditions and continued to uphold our support of the Government's net-zero carbon emissions goals.



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 audited 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

Chairman's Statement

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

Long-term Development Strategy

Over our long history we have consistently supported Hong Kong's economic journey by offering safe, reliable and affordable electricity while minimising the impact of our operations on the environment as we strive to deliver sustainable growth in long-term value to our investors.

To achieve our vision to excel in the power business in Hong Kong and continue our outstanding tradition of efficiency and sustainability performance, we are guided by the following long-term strategies:

Serve Hong Kong through world-class power provision

A fail-safe supply of electricity is critical for Hong Kong's economic success. Our priority is maintaining world-class supply reliability, delivered with unrivalled customer service standards. We are also innovating, deploying technology and equipment that allow us to minimise environmental impact.

In recent years, we plan to phase out coal-fired generation by 2035 and have been increasing gas-fired generation and renewable energy in support of Clean Air Plan for Hong Kong 2035. In the long term, we look forward to working with our stakeholders to help achieve the Government's carbon neutrality vision for the city before 2050.

Sustain steady growth in our asset base

Pragmatic and long-term principles guide our investment in power generation, transmission and distribution facilities. All expenditure must support our goals of maintaining supply reliability, enhancing efficiency and customer services while conserving the environment with low-emission energy sources. These investments will enable steady growth in our asset base which in turn generates stable and growing returns to our long-term investors.

Run our business on prudent financial and efficient principles

We embrace the values of prudent financial management and maintain an optimal capital structure with strong liquidity. We strive for operational efficiency and effectiveness and rigorously manage operating costs, including fuel costs. These principles enable us to deliver sustainable returns to our investors while allowing us to provide electricity to our customers at affordable prices.

Year at a Glance

Jan – Jun

The fifth wave of COVID-19 infects around half the workforce, but vaccines, precautionary actions, and contingency measures prevent any impact on our operations or services. An employee care team provides supplies for quarantined colleagues.

We again offer "Care and Share" dining coupons – accepted at more than 200 eateries – to hard-hit caterers and underprivileged families, and defer 441 SME caterers' March to May electricity bill payments for two months.

The winning entries of the Pillar Box Design Competition, "Decarbonisation, Our New Mission", decorate nine pillar boxes with illustrations of the public's commitment to reducing Hong Kong's carbon footprint.

"CAREnJOY Go-Go-Go" brings single elders in need about 1,200 giftbags containing anti-pandemic, personal care, and hygienic items, while "At Home with Greenie", the programme's new puppet show, promotes low-carbon living, electrical safety, and community connection.

L11, the second of three new 380-MW gas-fired generating units under the current Development Plan, enters commercial operation. This new unit will enhance our gas-fired generation capability.

The Government approves HK Electric's application to vary an environmental permit for developing an offshore wind farm southwest of Lamma Island, which will allow us to use more effective wind power-generation technologies.

Year at a Glance

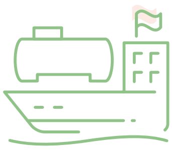
Around 670 employees support World Environment Day 2022, a month of activities – including a theme talk, a book and electric gadget recycling programme, a vegetarian lunch, and an environmental quiz – that encourage employees to go green.

We decommission and begin dismantling the historic Wong Nai Chung Gap-to-Parker 132-kV overhead power line circuit installation, consisting of 24 pylons, conductors and terminal compounds, to be completed before the end of 2023.

The company engages stakeholders through regular meetings and visits to update them on our latest developments, including progress of the capital works at LPS.

We produce two videos to encourage regular exercise among staff – "Challenging Your Mindset" and "Here We Go!" – including a quiz about physical exercise and a series of handy tips promoting healthy lifestyles.

We complete installation of the LPS pipeline and the offshore LNG terminal's jetty topside structure and equipment, for which testing works and activities are slated to enable commercial operation in mid-2023.



Year at a Glance

Jul – Dec

In its seventh year, the Green Energy Dreams Come True competition is extended to tertiary institutions for the first time, urging young people to initiate projects promoting energy efficiency, renewable and sustainable energy, and low-carbon lifestyles.

HK Electric produces and distributes "Decarbonisation ABC", an activity book that introduces low-carbon living and environmental protection to more than 50,000 kindergarten and nursery students in a fun way.

As part of its commitment to phasing out all of its coal-fired generating units by 2035, HK Electric retires L2, the third coal-fired generating unit at LPS to cease operations.

HK Electric's Smart Power EV Charging Solution supports the first infrastructure project under the Government's EV-charging at Home Subsidy Scheme to successfully enable EV charging at a private residential development in Wan Chai.

Year at a Glance

We invite guests to deliver talks on various subjects to employees including the one by Mr. Alfred SIT Wing-hang, GBS, JP – former Secretary for Innovation and Technology on "How to Drive Innovation in Corporation".

2023 tariff adjustments are announced, together with a series of relief measures and energy efficiency promotion, including a "Special Electricity Subsidy" benefitting over 45% of HK Electric's residential customers.

We partner with social welfare NGOs to give out 4,000 electric fan-packets to those in need under the "Breeze to Care" programme, encouraging the community to cope with hot weather in a more energy-efficient way.

To meet the technical manpower needs of the power-generation plants, HK Electric co-organises a Generation Trainee programme with the Employee Retraining Board, recruiting 9 trainees for a three-year intensive training.

The 2022 Belt and Road Advanced Professional Development Programme, with the theme of "Smart and Sustainable Power Systems for Green Living", attracts a record attendance of more than 300 energy professionals from 26 countries/regions.

HK Electric is granted the prestigious "Gold Award" in the manufacturing sector and the "Sustainable Business Award" from "BOCHK Corporate Environmental Leadership Awards 2021" for its support of Hong Kong's move toward carbon neutrality.

CEO's Report

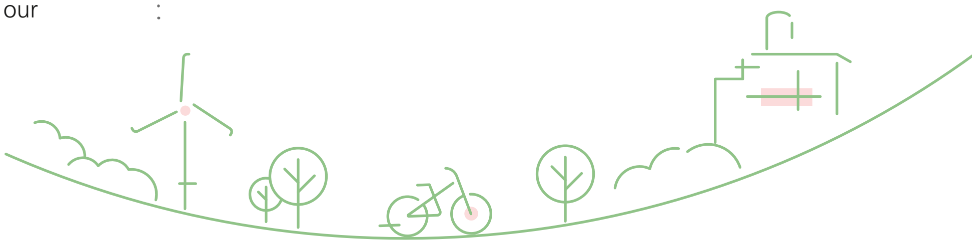
We stayed on track in the transition to a greener energy framework for Hong Kong despite large-scale macro-economic disruptions.

Wan Chi Tin
Chief Executive Officer

Building towards a greener Hong Kong

In 2022 one of our key priorities was to ensure we stayed on track in the transition to a greener energy framework for Hong Kong despite large-scale macro-economic disruptions. Notably, the commercial operations of L11, the second of three new gas-fired combined-cycle generating units included in our HK$26.6 billion 2019-2023 Development Plan, commenced in the year. This came alongside other long-term initiatives associated with this mission including the construction of an offshore liquefied natural gas (LNG) terminal, rollout of smart meters, and expanding our renewables footprint.

We also implemented a number of initiatives to fulfil our mission of providing our customers with affordable energy that is second to none in reliability. Due to unsettled geopolitical situation, prices of oil, coal and natural gas shot up during the year. It was not possible to insulate the community at large from these price increases, and hence our tariff underwent significant increases during the year. However, we were successful in minimising the tariff impact on the vulnerable and small businesses through subsidies, concessionary discounts, and the provision of free support services.



Strategic pathway to net zero

Gas-fired generation is a critical interim milestone on our journey to achieve the Government's 2050 carbon neutrality target and has been the focus of our 2019-2023 Development Plan. 2022 saw the successful commissioning of L11 and retirement of ageing generating units L2 and GT57, bringing the overall gas-fired generating capacity of Lamma Power Station (LPS) to 1,095 MW.

Construction work continued in tandem on the final capital assets under the Development Plan, which will further increase gas-fired capacity and enhance the supply reliability of LNG. These include L12, the third 380-MW gas-fired combined-cycle generating unit, and an offshore LNG terminal using Floating Storage and Regasification Unit (FSRU) technology.

Construction of the L12 main station building, administration and control building and other civil infrastructure continued. The gas turbine, steam turbine and generator were installed on the turbo block foundation inside the main station building, and work on the heat recovery steam generator was substantially completed. Despite delays caused by the severe fifth wave of COVID-19, plans are in place to launch L12 in early 2024.

We plan to systematically replace ageing 125-MW open cycle gas turbine units at LPS with new units, which are more flexible and economical to operate, to meet technical requirements such as peak-lopping and emergency operations. Demolition of the old units has already commenced, with commercial operation for new units scheduled successively from 2025 onwards.

During the year, we moved into the final stages of constructing an offshore LNG terminal, which will enhance the security of our gas supply to support the planned increase in gas-fired generation. Onshore modification work inside the gas receiving station of LPS and an 18-km subsea gas pipeline connection with the terminal were completed. Commissioning activities of the equipment on the terminal have begun and final performance tests will take place in the second quarter of 2023. Commercial launch has been scheduled for mid-2023.

Gas-fired generation is only an interim measure in our journey to achieve carbon neutrality. Increasing the contribution of renewable energy continues to form an integral part of our long-term decarbonisation plan and one of the initiatives we are considering among others is the development of an offshore wind farm in Hong Kong waters.

The L12 gas turbine is mounted onto its base at LPS. The unit is scheduled for commissioning by early 2024.

A greener Hong Kong can only be achieved with the collaboration of its citizens in energy efficiency, and the widespread deployment of smart meters is a catalyst in this process. Despite delays caused by prevailing social distancing measures, we achieved our target of deploying 240,000 smart meters by the end of 2022. We commenced with planning for a wireless network to support two-way communication with more than 377,000 meters and site surveys were completed.

As we approach the final stages of the 2019-2023 Development Plan, we have begun to engage with the Government to plan for the next phase of projects. We are working to optimise the 2024-2028 Development Plan with initiatives to support Hong Kong's decarbonisation journey.

> Various aspects of the projects were affected by the pandemic, especially when it came to dispatch of technical advisors to Hong Kong from overseas. Our business partners including Mitsubishi Heavy Industry and Taihei Dengyo Kaisha, as well as our in-house project and operations team, worked together to overcome these unprecedented challenges and commission the two units on schedule.

David Lee
Senior Project Engineer

Capital works kept on track to power a Greener Hong Kong

Contributing to national and global efforts in combating climate change, Hong Kong has pledged to halve total carbon emissions before 2035 as compared with 2005 base year and achieve net zero before 2050. Gas-fired power generation is a critical transitional phase in our journey to net-zero generation in the future.

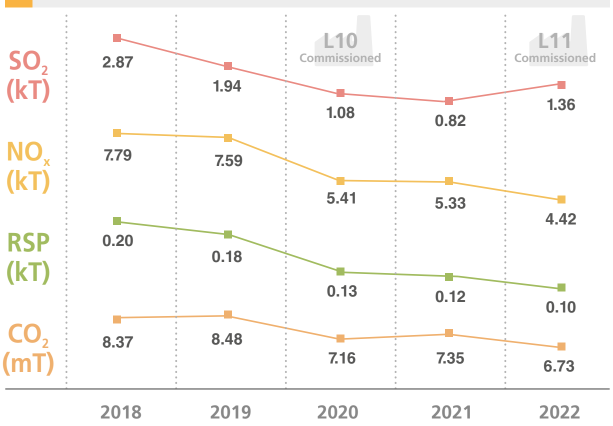
Over the past five years, one of our biggest achievements has been maintaining the momentum of our capital works at Lamma Power Station (LPS) to move us confidently into a new era of low-emissions generation. Coinciding with the devastating COVID-19 pandemic, the plan of building three new gas-fired generating units needed to progress despite prolonged travel restrictions and operating pressures.

We are also on track to launch the third unit along with an offshore liquefied natural gas (LNG) terminal using Floating Storage and Regasification Unit (FSRU) technology amidst these challenges and achievements.

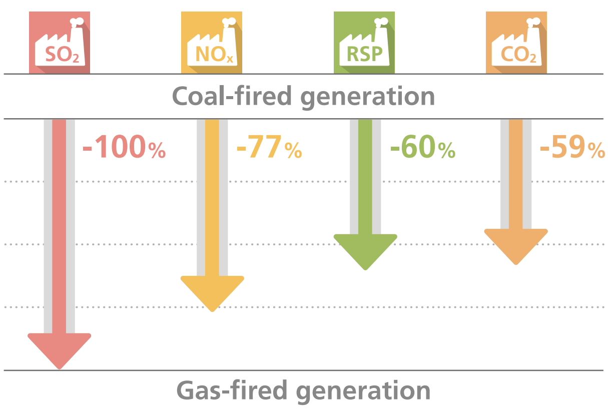
Low emissions by design

The new units have a higher capacity and are more efficient than the older coal-fired and gas-fired units at LPS. They also produce 59% less CO_2 emission per unit of electricity generated when compared to coal-fired units. They are all equipped with Selective Catalytic Reduction and Urea-to-Ammonia Conversion systems to achieve extremely low nitrogen oxides emission level of 5mg/Nm^3.

Emissions reduction 2018 to 2022



Emissions of gas-fired generation vs coal-fired generation (per unit of electricity)



Construction works of three gas-fired units – a timeline

- Power Train Lifting in April 2018
- HRSG Drum Lifting in August 2018
- Unit Synchronisation in October 2019
- Commissioned in February 2020

- Power Train Lifting in September 2020
- HRSG Drum Lifting in November 2020
- Unit Synchronisation in November 2021
- Commissioned in May 2022

- Power Train Lifting in July 2022
- HRSG Drum Lifting in August 2022
- HRSG Hydrostatic Test completed in January 2023
- Expected to launch in early 2024

▲ General view of L10

▲ Shop assembly of L10 gas turbine

▲ L11 steam drum lifting

▲ Site assembly of L12 steam turbine

Offshore LNG terminal for supply reliability

We have to ensure a reliable supply of natural gas to maintain supply reliability for an increasing gas-fired portfolio. Importing LNG by tanker allows us to source gas from anywhere – but facilities to store huge quantities of LNG for use have to be in place. Storage and regasification technology makes this process much more cost-effective. In this process, natural gas is cooled to approximately -160°C and liquefied, reducing it down to 1/600 of its original volume for easy transportation. The LNG can then be transported from anywhere on a special ship. Once it arrives in Hong Kong, it needs to be stored, converted back into gas, and delivered to the power station for generation.

The critical piece of infrastructure enabling this is a terminal to receive and store the gas. Given the scarcity of land in Hong Kong, we decided to construct an LNG terminal in Hong Kong waters, using FSRU technology, in partnership with our counterpart, CLP Power. This allowed us to achieve quicker construction times, reduced capital costs, and lower environmental impact, without compromising the terminal's performance or operating cost.

A challenging logistical task

To minimise potential environmental impact during the construction, piling works for construction of the terminal's jetty were only conducted in the day and no piling works could be carried out from December

▲ Construction in progress on the jetty of the offshore LNG terminal

“To construct the offshore LNG terminal on time, we have to deploy a more flexible and pragmatic construction method: using pre-fabricated modules for the sub-structure and topsides. We could not have overcome the myriad of challenges at every stage: from design and construction to commissioning, had it not been for the support of experts including our consultants, government authorities, and contractors.”

Sue Chan
Project Engineer

CASE STORY

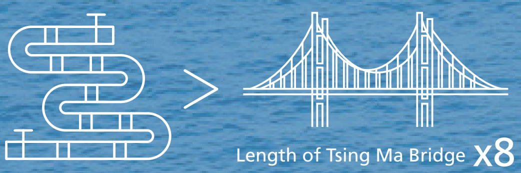
to May, the period with the peak appearance season of Finless Porpoise. These constraints, plus those imposed by the pandemic over the past three years, meant the project management team had a very complicated task to ensure all the construction works could be completed on time.

Despite these challenges, installation of the topside structure and equipment of the terminal, as well as the LPS subsea pipeline, were completed in 2022. Testing and commissioning activities are in progress for commercial operation in mid-2023. Once accomplished, the terminal will receive and store LNG from carrier ships, warms it up for regasification, and sends it out as high-pressure natural gas to LPS via a subsea pipeline.

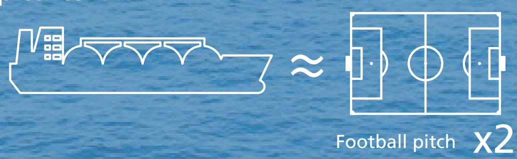
▲ The FSRU vessel, which will be renamed Bauhinia Spirit, features a specially designed logo.

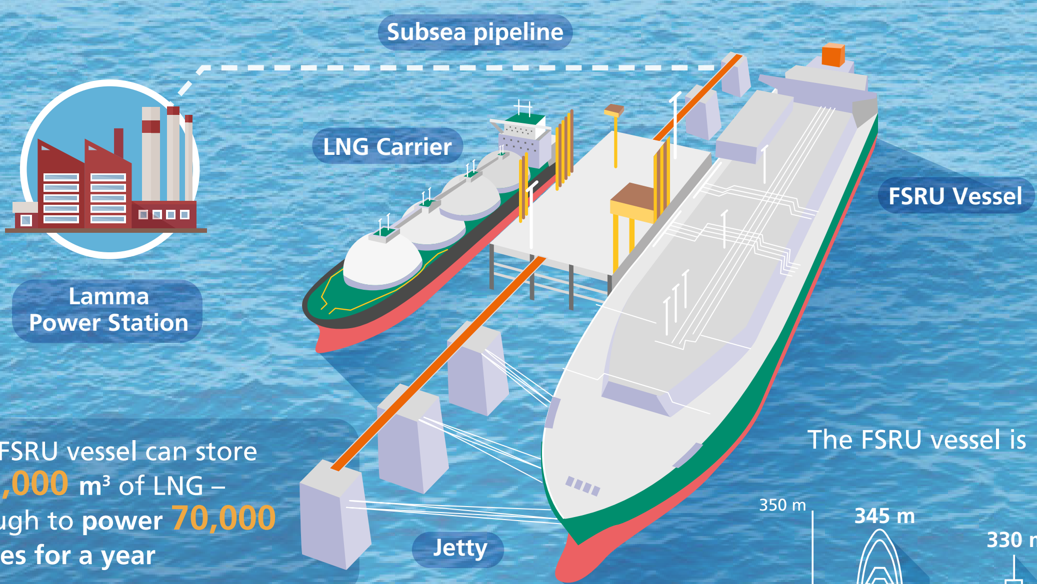
Did you know that...

The total length of the subsea pipeline is around **18 km**. It is made up of around **1,500 sections of line pipes**



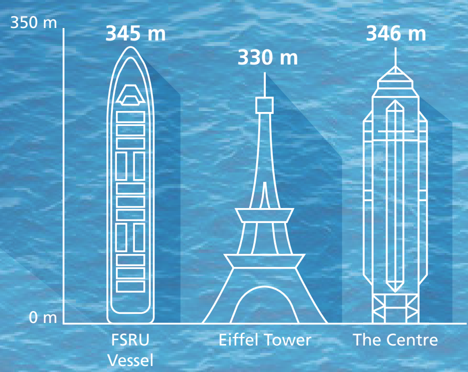
The offshore LNG terminal has a building footprint of around **13,000 m²**, which is about the same size as two football pitches





The FSRU vessel can store **263,000 m³** of LNG – enough to **power 70,000 homes for a year**

The FSRU vessel is **345 m** long



The regasification capacity of the FSRU vessel is **800 million standard cubic feet per day**

CEO's Report

More than 240,000 smart meters have been installed to allow customers to optimise their electricity usage.

Our proactive network maintenance regime underpins our world-leading reliability performance.

The rooftop solar power system at Lei Tung Estate feeds power into the grid under our Feed-in Tariff Scheme.

Service and operations excellence

Our initiatives to transform our operations were implemented against the backdrop of continued service and operational excellence, while keeping staff, customers as well as our contractors safe from COVID-19.

We served about 586,000 customers on Hong Kong and Lamma Islands during the year. HK Electric sold a total of 9,941 GWh of electricity (2021: 10,361 GWh) due to lower demand in response to the pandemic and energy-saving measures undertaken by customers. Full operations of L10 and L11, and the retirement of two ageing generating units further increased the proportion of gas in our fuel mix to around 53%, thereby achieving a slight decrease in carbon emission compared with 2021. Our 1.2-MW solar power systems and 0.8-MW wind turbine contributed 1.2 GWh and 0.9 GWh of green electricity respectively in 2022.

Our Feed-in Tariff Scheme continued to receive positive responses from across the community in its fourth year of operation. In 2022, about 150 new customer-side renewable energy systems were connected to the grid, bringing the total capacity and annual output of grid-connected customers' renewables to about 7.4 MW and over 6.3 GWh respectively.

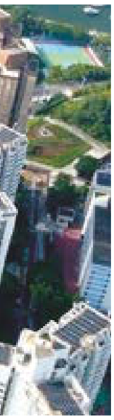
Maintaining our supply standards

An important focus of our efforts throughout the year was keeping our pledged standards of reliability, affordability and emissions, despite extreme unpredictability in the supply and price of fuels. Following a ban on coal exports from Indonesia in the beginning of 2022, we responded by quickly ramping up gas-fired generation through various practical means such as deferring an overhaul of L10 and increasing our storage of ultra-low sulphur diesel. Despite the challenges caused by the ban and the ongoing geopolitical tensions, we were able to maintain our supply reliability and meet the statutory emission caps by adjusting our operations.

During the year, the fifth wave of the COVID-19 pandemic severely affected everyday life in Hong Kong and inevitably our operations. We suffered from a severe shortage of manpower in February 2022 due to a large number of employees falling unwell, in line with a surge in cases in the community. We implemented a number of measures to keep staff and contractors safe while maintaining service quality, including agile working practices such as adjusting shift hours and expanding remote working, automatic disinfection of various areas of our Head Office, and touchless lift buttons. We also imposed strict vaccination requirements with pass

Operation Review

Advanced IT systems contribute to our safety and reliability track record.



arrangements at construction sites. A committee chaired by the Operations Director with members from the heads of business units met regularly to adjust the precautionary measures.

We continued with our proactive network maintenance programme, underpinned by a range of real-time fault detection and diagnostics systems, despite the restrictions imposed due to COVID-19. We reinforced our high-voltage and low-voltage networks and formulated processes to restore supply within the shortest possible time following service interruptions, achieving an average grid supply restoration time of just 53.71 minutes.

Ongoing network maintenance works included the replacement of 132-kV gas-insulated switchgear at the North Point Switching Station and the erection of two new transformers at Heung Yip Road Zone Substation. We used the latest technologies to strengthen the performance of our transmission and distribution network to complement these efforts. These included sensors and infrared cameras to detect hot spots in our substations and an innovative artificial intelligence engine and testing methods to assess cable condition, improving network stability. Overall, we achieved a supply reliability rating of over 99.9999% for the third consecutive year, which meant that average unplanned power interruption of less than 0.5 minute was experienced by customers in 2022.

Advanced technology, including an Energy Management System and a Distribution Management System with specialist smart grid features, controls every aspect of our operations and ensures service delivery. The physical and cybersecurity of our infrastructure and premises is an integral part of our system maintenance strategy. We regularly stress-tested our systems against cyber attacks. To improve the system's resilience, a new Security Operations Centre with the capabilities of effectively monitoring all attack vectors round-the-clock was opened, alongside a custom-developed software platform to monitor and manage threats and attacks.

HK Electric is included in the Hong Kong Corporate Innovation Index 2022 in recognition of our efforts in this area.

Promoting and rewarding innovation

Systematically promoting innovation and nurturing an innovation-friendly culture has allowed us to improve operating efficiencies in many areas and the "HK Electric Innovation Award" was launched to reward initiatives in the area. The 38 entries received for the award were just the tip of the iceberg: employees of all backgrounds launched more than 190 mobile or web-based apps to make their jobs more productive, which are being used by over 2,100 colleagues, contractors, and partners. We embraced robotic process automation technologies to minimise time wasted on repetitive tasks: 30 software robots have been deployed across our systems with over 40 automated business processes spanning across different functions.

We are proud to have been named one of the top 20 constituent companies in the prestigious Hong Kong Corporate Innovation Index 2022. Supporting the Hong Kong Government's mission to develop Hong Kong into an innovation hub, the Index recognises companies with an innovation culture, enhanced innovation capabilities and achievements in technology adoption.

CEO's Report

Our range of digital and mobile channels make our services accessible to our customers, anytime, anywhere.

It has been validated and approved by the Science Based Targets initiative (SBTi).

Additionally, we also continued our commitment to other Government initiatives such as the Energy Saving and 4T Charter by setting time-bound energy saving targets, publishing our results, and encouraging staff to adopt the same mindset. Our environmental and energy management systems are aligned with ISO 14001 and ISO 50001 requirements.

Putting customers first

Excellent customer service standards are essential for us to serve as the energy partner for a global financial, technology and business hub like Hong Kong, and we once again achieved all our pledged customer service standards in 2022. Our Customer Emergency Services Centre provides 24-hour emergency telephone call and SMS services to our customers supported by an integrated platform that shares call and job records in real time. As a result, the team was able to handle calls promptly and provide end-to-end support. After-service surveys indicated that customer satisfaction stood at 4.71 out of 5. Our efforts in pursuit of service excellence were well appreciated and HK Electric received 1,961 commendations in 2022, and just 6 complaints that were all followed up immediately. Our complaints handling policy is published online, and a stakeholder satisfaction steering committee monitors complaint trends and issues.

We have built an agile workforce that can deliver services from office or remotely to maintain our service standards despite COVID-19 restrictions. We enhanced the HK Electric App with support for multiple login methods to make it even more convenient for customers to manage their accounts autonomously. Faster Payment System and AlipayHK were integrated into the app, allowing customers to settle their bills using their preferred methods.

Operating with positive social and environmental impact

In addition to working towards net-zero electricity generation, we also collaborate with the Government to support its action plan, strategies and roadmap on energy saving and green buildings, and green transport. We continue to support a science-based approach to decarbonisation and have updated our science-based carbon reduction target and committed to reducing 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.

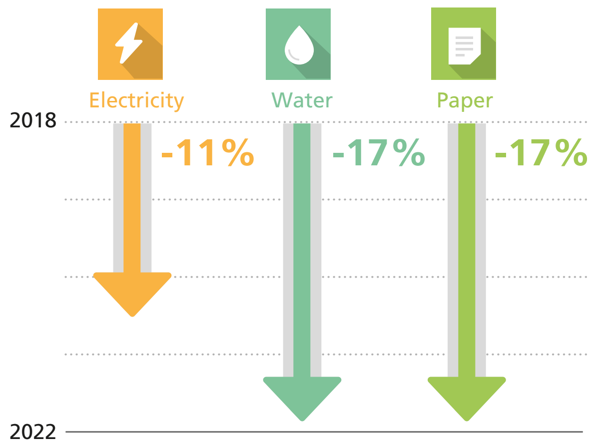
Minimising our environmental footprint

In pursuit of 4R principles (reduce, reuse, recycle and recover) to ensure minimum waste, we have savings targets for the consumption of key resources. In 2022 our consumption of electricity, raw water and paper in office premises was 5.3%, 6.5% and 9.6%, lower than in 2021. We separated waste produced to facilitate recycling, reducing waste sent to landfill by 43%.

In addition to recycling the by-products of generation like pulverised fly ash and gypsum, LPS was able to reuse more waste products. For example, 4,800 litres of retired oil was reused to lubricate the chains of coal unloaders in 2022. About 89,000 m^3 of rainwater and plant processing water was reused, helping conserve the city's water. More than 16,000 kWh of electricity was saved at the station by switching to LED lighting. Smart energy meters have been installed throughout the station to help monitor and optimise energy consumption in a more granular manner.

A key parameter for LPS is very good environmental performance. All the three key emission parameters, viz. sulphur dioxide (SO_2), nitrogen oxides (NO_x), and respirable suspended particulates (RSP), were kept below statutory emission caps despite the challenges in sourcing sufficient natural gas and suitable coal in the year.

Reduction in electricity, water and paper consumption 2022 over 2018



Carbon audits are conducted regularly to ensure that our main office buildings produce minimum emissions, and pilot retro-commissioning projects were also conducted to evaluate different energy saving opportunities for selected buildings. Indoor air quality was also a focus across our office buildings and we retained positive ratings in this regard.

Free energy audits form part of the services provided by the Smart Power Building Fund.

The Smart to Care scheme sponsors smart walking sticks to make getting around easier for the elderly.

Promoting energy efficiency

With the aspiration to help Hong Kong residents and building owners to adopt a smarter style of using energy to create a greener environment, we offer technical and funding support to promote energy efficiency and conservation under the "Smart Power" brand. We processed over 2,500 enquiries across its funds and schemes in 2022, investing over HK$63 million into commercial and residential projects. These prioritised disadvantaged members of society as well as buildings lacking financial resources and technical expertise.

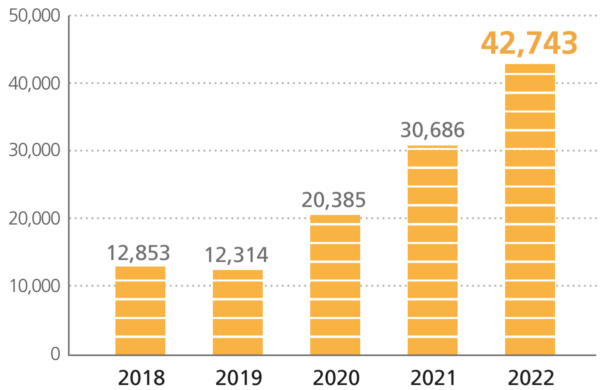
Our Smart Power Care Fund provides financial assistance to disadvantaged households, non-residential customers and SMEs, enabling them to adopt a low-carbon lifestyle, improve their living environments, and understand electrical safety. For the third year in a row, it funded the distribution of 50,000 vouchers with a value of HK$200 each to low-consumption or underprivileged residential customers for use at eateries. It provided a subsidy of HK$1,000 yearly on electricity expenses to tenants of sub-divided units. Under the Smart to Care Subsidy Programme, we helped over 10 organisations in the welfare sector to enhance the homes of the elderly and disabled for increased energy efficiency, safety, comfort, and convenience through gerontechnology and smart technology.

The Smart Power Building Fund distributed about HK$31 million in funding for energy improvement projects to be implemented in 127 buildings. Projects completed in 2022 saved about 2.4 GWh of energy annually.

Green transport

As a long-term supporter for electric transportation as a means to reduce vehicular emissions, we progressed with a broad range of initiatives to promote the use of electric vehicles (EV).

Free charging operations provided by our EV charging stations 2018 to 2022



Our own fleet comprised 174 EVs and one electric bus. We provided 12 free EV charging stations across Hong Kong Island, which were used 42,743 times by the public in 2022. We also provided advisory services and technical support to the Government and public transport operators to install charging facilities at various locations on Hong Kong Island. We were proud to support The Conservancy Association with technical consultancy in launching Hong Kong's first Green Rehabilitation Bus Pilot Scheme.

Under the free Smart Power EV Charging Solution, we helped 428 private residential buildings to apply for the Government subsidy to set up their own EV charging facilities. The first private residential development in Hong Kong with EV charging infrastructure under the subsidy scheme was completed in November 2022. We also provided technical consultancy to 58 car parks regarding the setting up of their own EV charging facilities.

Our EV fleet helps cut our carbon footprint.

To us, "Putting customers first" is not just a slogan. It is a deeply-rooted commitment which means we not only fulfil our promises – and surpass them – but that we go one step beyond.

More than 380,000 customers reach out to us every year with questions, asking for support, and dealing with emergencies. Our goal is that every moment of customers' interaction with us will be a positive one.

CASE STORY

Putting our customers first

A framework to achieve our best

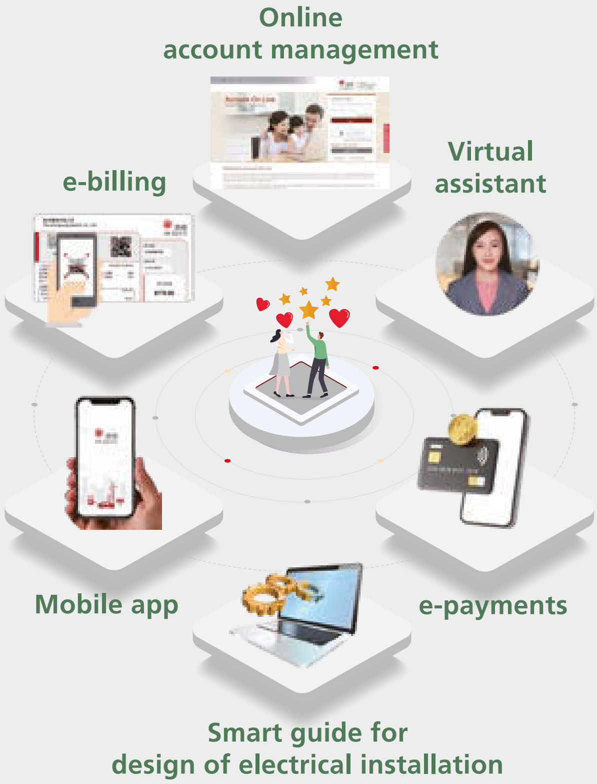
We have a comprehensive set of 18 performance pledges that set the baseline for all our customer interactions to ensure we leave no stone unturned. These range from how quickly we answer calls to the emergency service centre, to how promptly our engineers respond to emergencies. We have consistently achieved or surpassed the goals we set for ourselves every year.

Supporting clients throughout the life cycle

Our support starts the moment a customer embarks on their journey with us: we ensure a great onboarding experience for connection to our electricity supply, with an electrical installation inspection in a 1.5-hour time slot followed by immediate connection upon satisfactory inspection. We also advise on technical issues for customers with special needs, and our Enterprise Advisor Service offers support to new business start-ups.

With the restrictions created by the COVID-19 pandemic, we recognised that it was more important than ever to provide support and service to all our customers during this difficult time. We re-engineered our systems and setup to ensure our teams could speak to and support customers while following all social distancing guidelines. More e-services are made available online and via mobile apps to support customers beyond physical boundaries and at their convenience.

Anytime, anywhere support with an omnichannel approach



HK Electric was among the first public utilities in Hong Kong to introduce a formal set of service standards and set up a Customer Liaison Group: **around 30 years ago!**

Met or surpassed all **18** customer service pledges

Achieved an average customer satisfaction index **4.71** out of 5

Our customer service performance in 2022

Received **1,961** written commendations and 6 complaints

Were named Quality Service Retailer of the Year - Retail (Services) from the HKRMA for the **12th** year running

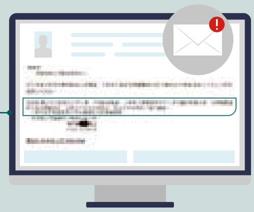
Received the Excellent Service Retailer of the Year - Flagship Stores from the HKRMA for the **5th** year running

But our passion to serve goes beyond just service standards and digital channels. We treasure and approach every interaction with care, respect and humbleness – not hesitating to go the extra mile for our customers.

Helping remote customers in extreme weather

At 9 pm on 8 June, following a Red Rainstorm Warning, severe flooding, and landslides, Lo So Shing village on Lamma Island lost electricity supply. While motor transport was not available on the island at that time, our committed engineers braved the torrential rain and extreme weather, proceeding on foot with their tools to carry out an inspection and arrange for repairs.

The customer said **"The experienced engineers quickly carried out emergency repairs when it was safe to do so during the heavy rain. All the villagers are very grateful to your company for your service in remote areas."**



Service from the heart

An elderly and frail customer needed a backup power supply to ensure his critical medical auxiliary equipment kept functioning. Even though backup supply could not be provided, the customer liaison and engineering team, led by Kwok Man Lung, Engineer of Transmission and Distribution Division, worked together to loan a portable power bank to keep the medical aids in normal operation at all times. **"The problem has not only been solved quickly and properly,"** remarked daughter of the customer. **"Mr. Kwok's enthusiastic and caring work attitude has removed my big worry. I am really grateful for his help!"**

Customer Services Executives, Icy Tse and Katherine Chui, worked together to offer priority assistance to a visually impaired gentleman at the Customer Centre. To the two executives, this was just part of the day's work. **"The customer told us we had brightened his day as we had not only served his needs but also escorted him to leave safely,"** they remarked.

CEO's Report

We seek to embody a responsible, ethical approach across all our business activities: from our major, strategic initiatives to the smallest everyday activities. Our efforts in this regard have four focus areas:

We preserve the environment and our heritage in partnership with the community.

We provide a rewarding and safe work environment.

We support communities and groups where we can have real impact.

We embody transparency and inclusiveness in our activities.

Building a greener, more equitable Hong Kong

In 2022, Hong Kong faced socio-economic pressures due to the fifth wave of the COVID-19 pandemic, cutting its economic growth forecast in the context of increasing global interest rates and slowing demand. We are deeply conscious of the important role we play in helping address challenges such as fuel poverty, as well as broader systemic issues such as climate change.

We responded by enhancing the support we offer to the vulnerable, especially the elderly. Through a combination of community services, donations, and sponsorships, we strive to create positive impacts. We also remained focused on our goal to help Hong Kong evolve into a smart, sustainable city by educating the community on wise energy use and environmental preservation.

Conserving the environment and our heritage

At a strategic level, our environmental goals are aligned with "Hong Kong's Climate Action Plan 2050" published by the Government, which sets targets to reduce Hong Kong's carbon emissions by 50% (as compared to the 2005 level) before 2035, with an aim of carbon neutrality before 2050. Our business operations are particularly geared towards the aspects of the plan covering net-zero electricity generation, energy saving and green buildings, and green transport. We liaise closely with the Government to align our goals, processes, and business planning with the broader mandate on carbon neutrality.

Our green initiatives win us BOCHK's "Sustainable Business Award".

Promoting a green business culture

In 2022, we joined the Asian Corporate Coalition for Climate Change Resilience as a steering committee member to support strategic actions on climate resilience. We also continued to support wider industry decarbonisation initiatives such as the Government's "Carbon Neutrality Partnership", the Business Environment Council's "Low Carbon Charter", and the Hong Kong Green Building Council's "Advancing Net Zero" programme.

We were honoured to receive the prestigious "Gold Award" in the manufacturing sector and the "Sustainable Business Award" at the "BOCHK Corporate Environmental Leadership Awards 2021" organised by the Federation of Hong Kong Industries. These awards recognised our performance and contributions in resource conservation, environmental protection, green energy, promotion of decarbonisation, and support for Hong Kong's carbon neutrality target.

CEO's Report

Saving the planet

Prize winners and Happy Green Ambassadors were recognised for their efforts in promoting decarbonisation.

Green education can be fun – a new interactive drama, "Decarbonisation by All" – is highly popular with schools.

Apart from integrating environmental considerations into all our activities, we have made it our mission to support the conservation of Hong Kong's precious ecosystem and heritage and educate the community to do the same.

Encouraging green living

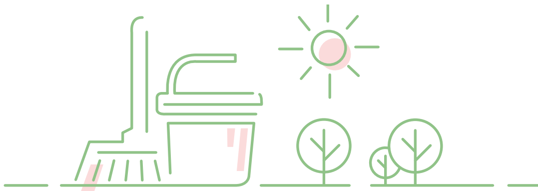
The Happy Green Campaign remains our anchor programme to promote energy efficiency and conservation, renewable energy, and low-carbon living among the public across all ages. Continuing to build on the theme of "Decarbonisation, Our New Mission", the campaign sought to capture the creativity and imagination of all generations and educate them on why and how to make green choices.

"Decarbonisation ABC", an activity book created in collaboration with a renowned local illustrator, introduced the idea of reducing carbon footprint to very young children in a colourful and fun way. The book was distributed to more than 50,000 kindergarten and nursery students, supplemented by videos and about 10 workshops for parents, teachers, schools and the public in 2022.

Our 540-strong Happy Green Schools network received materials and support to educate children attending primary and secondary schools on green living, including virtual tours to our Smart Power Gallery, eco-heritage tours, and STEAM workshops. A new interactive drama, "Decarbonisation by All", was launched and proved popular, with 24 shows staged at schools between September and December. 55 Happy Green Ambassadors nominated by secondary schools received training to spread decarbonisation messages on campus.

"Decarbonisation ABC" activity books distributed to kindergarten kids start environmental ideas early.

Sustainability Review



The Green Energy Dreams Come True competition is extended to tertiary students and proved very popular.

Our volunteers support "International Coastal Cleanup Hong Kong 2022" to keep beaches clean.

For teenagers attending secondary schools and tertiary institutions, the Green Energy Dreams Come True competition provided up to HK$50,000 of seed money to each of 17 proposals to implement projects that showcased energy efficiency, renewable energy use, and low-carbon living. Students came up with a range of creative project ideas including an innovative bus stop with solar panels and green walls that can help reduce the impacts of air pollution and mitigate the heat island effect.

The decarbonisation message hit the streets when nine decorated pillar boxes bearing visions and messages about decarbonisation were unveiled. Members of the public were encouraged to adopt low-carbon actions by taking part in the "Decarbonisation Get Set, Go!" online game. More than 320 participants shared decarbonisation tips alongside photos and videos of these pillar boxes. Throughout the year, our Happy Green Campaign engaged more than 120,000 members of the public young and old.

We are also on a mission to encourage the public to value their local eco-heritage while developing green lifestyles with our popular Green Hong Kong Green tours. During the pandemic, six interactive online tours attracted over 3,600 members of the public, and 13 tailored tours were organised for schools and NGOs. Volunteer guides received training from prominent ecologists and local historians. The programme's app offered information and advice to more than 50,000 members of the public, encouraging them to explore the routes at their own pace.

Supporting broader initiatives

Throughout May 2022, in support of World Environment Day 2022, about 670 members of our workforce went green with all aspects of their apparel, diet, living, and transport. To enthuse and motivate employees, we organised a theme talk, an environmental quiz, a vegetarian lunch, and a recycling programme for books and electric gadgets. More than 300 suggestions on best environmental practices were received. We also participated in other community initiatives such as the Business Environment Council's EnviroSeries Conference, Green Council's "Hong Kong Green Day 2022" and the "International Coastal Cleanup Hong Kong 2022".

A thematic video, "Only One World", was produced to coincide with the World Environment Day in June 2022, reminding staff and stakeholders of the importance of embedding environmental considerations into everyday activities.

Green Hong Kong Green takes school children online to learn about our eco-heritage resources.

"We appreciate HK Electric's professional team in providing single-point contact, responsive and organic electricity supply service that evolved with the project's changing needs."

Mr. Raymond Kwok
MEP and Innovation Head
Swire Properties Limited

"Avoiding the use of diesel generators is one of our decarbonisation strategies. Through its Smart Power for Construction Site service, HK Electric has successfully helped customers like us to turn strategy into action, benefitting the company, our workers and the environment."

Ms. Emma Harvey
Group Sustainability Manager
Gammon Construction Limited

CASE STORY

Smart Power for Construction Site a Catalyst to Net Zero

智能用電 smart power
建築工地 CONSTRUCTION SITE

In Hong Kong, the building and construction sector is responsible for a large percentage of carbon emissions. Diesel generators, which are commonly used at construction sites for powering construction equipment, are a key carbon emission source during construction. Reducing the use of diesel generators will not only improve the working environment and occupational health and safety for the industry, but also reduce carbon emission and contribute in the long run to the city's achieving carbon neutrality before 2050.

More than **60%** of carbon emissions in HK can be attributed to buildings

Carbon emissions from buildings can be divided into

"Operational carbon" for heating, cooling and power

"Embodied carbon" from materials and construction

15-20% of a building's lifecycle carbon footprint comes from construction and construction materials

Replacing diesel generators to decarbonise

When a building is still under construction, it is obviously not connected to the electricity network but powered by generators for electricity demands on site. These generators need to be kept in standby mode at all times during construction. This approach wastes fuel and increases operating cost, while creating high levels of emissions. One of the ways that the building and construction industry can decarbonise is by replacing these diesel generators with electricity from the grid. HK Electric's Smart Power for Construction Site (SPCS) service was launched in 2021 to provide a green solution for such scenarios.

Overcoming challenges with a comprehensive solution

It can be difficult to estimate what the actual demand for electricity will be on site, and the lead time for excavation permits to lay cables to join the grid can be long. As a result, the norm is for the application for temporary supply from the power grid to be filed only after the developer has awarded the construction contract to the main contractor.

The SPCS service revamps the whole workflow and approach. A dedicated team provides a single point of contact to streamline the process of getting grid electricity supply in a timely manner. Planning ahead with developers both before and during tendering for construction contracts, SPCS initiates the lengthy excavation permit application process well before the start of construction work and allows timely planning for the capacity needed to cope with the demand of the construction site. Our service, along with comprehensive guidelines and utilising bespoke calculators, enables the construction industry to select an optimal mix of temporary supply solutions to fit their needs.

Pioneering win-win-win construction

2023 will see the completion of the first construction project using the SPCS service. We worked with developer Swire Properties Limited, and contractor Gammon Construction Limited during the planning stages to arrange for grid electricity supply before the construction works started.

With sufficient electricity for equipment use, the project completely avoided using diesel generators. This not only reduced carbon emissions, eliminated pollution from diesel generators, and helped the project earn points towards the valued BEAM Plus certification, but also saved energy costs all along.

Since launching Smart Power for Construction Site service in April 2021, we have

conducted **34** information sessions

received **28** applications from construction sites

connected **14** sites with grid electricity supply

removed around **16,000** tonnes of embodied carbon a year

"We are very encouraged by the Smart Power for Construction Site service rolled out by HK Electric and how it has helped improve energy efficiency, air quality and the environment for the construction industry and the city at large."

Mr. Simon Ng
Chief Executive Officer
Business Environment
Council Limited

Power Up Coalition is a key initiative under BEC's "Low Carbon Charter". HK Electric is a member of the Coalition, which aims to promote zero-emission construction sites in Hong Kong.

Benefits of replacing diesel generators with grid electricity supply:

- Lowers energy costs per kWh by about 60%
- Cuts carbon emissions by more than 60%
- Reduces air and noise pollution
- Eliminates the fire and health hazards posed by burning diesel
- Provides more reliable and stable power 24x7
- Protects site operatives from exposure to harmful fumes

CEO's Report

Supporting the community

Caring for the community

Caring is one of HK Electric's core values: through a combination of community services, donations, and sponsorships, we strive to create positive impacts on the lives of those in need, especially the vulnerable and underprivileged.

"CAREnJOY Go-Go-Go" warms the hearts of senior citizens with gift bags filled with daily necessities.

Our team of volunteers remained an important vehicle for the company to extend community care. With the relaxation of social distancing requirements, the team had resumed some of its physical services by mid-2022, providing more than 1,500 service hours in areas meaningful to them. These included supporting an NGO kitchen to provide hot meals to the homeless and families in need; online tutorials for primary and secondary students; and "Run with Children" to help young cancer survivors stay physically and mentally fit during rehabilitation. A workshop was held to educate senior citizens on using the basic functions of a smart phone, in particular to present the digital vaccine record when entering premises.

Care for the elderly and vulnerable

We educated more than 360 single elders on low-carbon living and electrical safety while encouraging them to stay in touch with the community and seek help when needed. A new puppet show, "At Home with Greenie", formed part of the district-based mini-talks promoting electrical safety and efficiency among the elderly in an easy-to-remember way. We also launched the "Breeze to Care" campaign, giving out 4,000 fan packs to single elders and deprived families for use during extremely hot weather.

We reinforced our messages with "CAREnJOY Non-stop", distributing useful information via text messages on electrical safety as well as green and health tips to about 9,200 single elders, keeping them connected with society even when they had to stay home on their own during the pandemic. About 1,200 gift bags were distributed to the vulnerable elders with the fifth wave still underway.

The "Breeze to Care" campaign brings electric fans to help the underprivileged weather the hot summer.

Facilitating lifelong learning

We continued to promote active ageing through the University of 3rd Age (U3A) network, run in collaboration with the Hong Kong Council of Social Service. For 16 consecutive years, U3A has been encouraging local retirees to pursue lifelong learning, keep physically and mentally fit, and serve the community.

Under the HK Electric Centenary Trust, we provide funding to 34 U3A self-learning centres operating under 15 social service agencies throughout the territory. In 2022, these centres offered about 500 online and in-person classes, workshops and visits, providing more than 9,200 learning opportunities to local retirees.

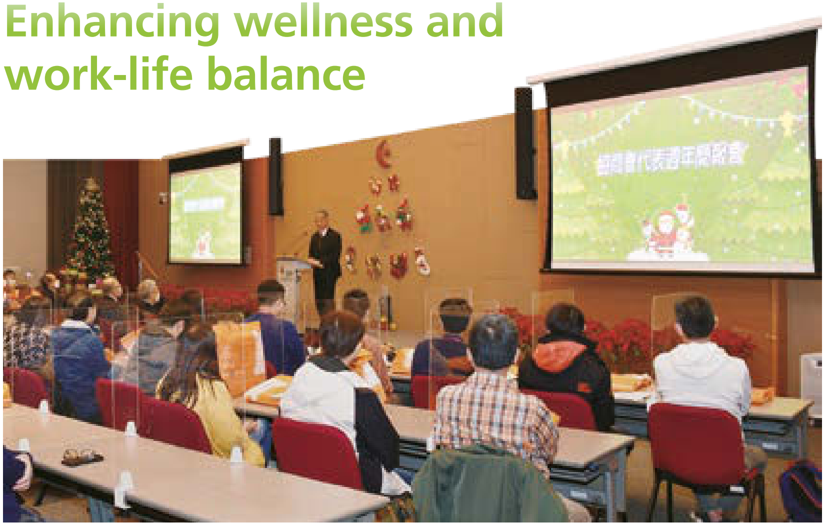
For the first time, we brought two of our flagship community initiatives together in 2022. 43 U3A students were designated Smart Power Ambassadors, joining over 50 of our young Happy Green Ambassadors for better synergy and more cross-generational exchange. Designed to enhance elders' knowledge and experience in decarbonisation and gerontechnology, the U3A students were trained on climate change, upcycling, recycling, and gerontech. They were assigned the mission of sharing what they learnt with those around them and encouraging the community to go green.

U3A students gain knowledge on hot topics like reducing plastic waste, decarbonisation and gerontechnology.

"At Home with Greenie" spreads environmental messages to elders using lovely puppets.

CEO's Report

Enhancing wellness and work-life balance



Our Joint Consultation Committee provides a channel for employees' voices.

The Generation Trainee programme in collaboration with the ERB helps young aspirants enter the industry.

Enabling rewarding careers

As an employer of 1,850 people, we seek to be an employer of choice. Female employees make up 20% of our workforce, 5.9% of whom are in senior management roles and 9.7% in engineering roles. We were not insulated from the overall employee attrition trends in Hong Kong and had a voluntary turnover rate of 7.7% in 2022, which is below the industry average for companies of our size.

A culture that values feedback

We respect our employees and treasure their opinions. Our Joint Consultation (JC) Committee, comprising more than 70 members, provides our colleagues with an opportunity to share their views with management. In 2022, we conducted six JC meetings covering a range of topics via six well-established panels with representatives from various employee groups. "Hear Your Voice", launched in 2021, has become a regular channel of communication and exchange among employees, supervisors and senior executives. These executives met 78 members of staff of different levels on a one-on-one basis or in small groups to share their thoughts about development opportunities and career aspirations in 2022. The meetings also serve the purpose of passing on experience to the young generations.

More than 60 employees joined the quarterly focus group interviews, and their opinions and suggestions were channelled to relevant parties for follow-up. Other platforms – such as subject matter briefing sessions, taskforces, hotlines, platforms on the Intranet, and our inhouse mobile app, MyHKE – also enabled effective internal communication.

Recruitment and training

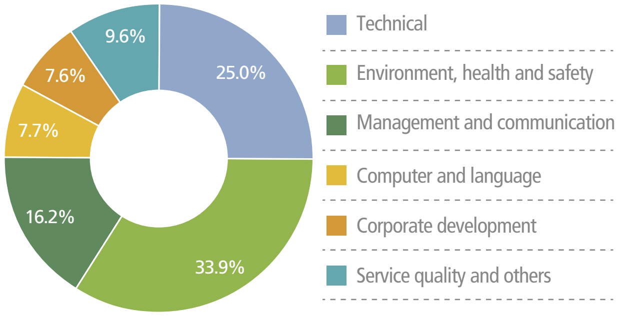
Our efforts to nurture Hong Kong's talent, especially in the field of engineering, start early. We supported the career fairs of all Hong Kong's major universities, delivering four online recruitment talks to promote our entry positions. In 2022, we recruited 13 university graduates to join our Graduate Trainee programme.

We launched a Generation Trainee programme in collaboration with the Employees Retraining Board to attract talented youth into careers in the electrical and mechanical fields. Interested candidates attended a briefing, followed by on-the-spot interviews. Nine candidates with Hong Kong Diploma of Secondary Education Examination or equivalent qualifications were employed as Generation Trainees to work in various areas including operations, materials handling and maintenance, after receiving initially 56 hours of free training on electrical and mechanical work, plus fundamental principles in the operation of generating units. In addition, we offered one industrial placement and 22 vacation trainee placements to undergraduates.

On-the-job training is an integral part of our corporate calendar. We provided a total of 46,313 hours of skill development, with each staff member receiving 25 hours of training through the year, on average. We use a four-level leadership competency framework to support the growth roadmap for our employees. Graduate Trainees and Trainee Technicians were offered various learning and development opportunities, including familiarisation sessions, sharing sessions, online workshops on career planning, email writing skills, and mentorship.

As a continuous effort to encourage physical and emotional wellness of employees and promote work-life balance, Our employees receive training in both core and soft skills every year for career and personal development.

Employee training in 2022



Total training hours **46,313**

we organised 20 classes on topics including psychosocial training, basic counselling skills, and more. A physical exercise training series advocated maintaining healthy lifestyles.

Unwavering focus on health and safety

In response to the fifth wave of the COVID-19 pandemic, our team supported colleagues under home quarantine with phone calls, delivery of test kits and daily necessities. Employees received a care package containing a pulse oximeter, washable face masks, hand sanitisers, and other supplies. In addition to our standard practice of providing the necessary protective gear, we offered employees discounted test kits and face masks to purchase for personal use. Eight videos were produced to help employees maintain physical and mental health with themes ranging from precautionary measures, case stories, and self-care tips after recovery from COVID-19 infection.

We place the utmost importance on employee health, workplace safety, and the fostering of a zero-incident culture within the organisation. In 2022, we achieved our first ever zero employee Lost-Time-Injuries for a whole year.

In addition to compliance with all statutory requirements, a comprehensive Safety Management System, Health and Safety Policy, Alcohol and Drugs Policy, and a collection of corporate-wide guidelines are in place and are strictly enforced. Following a triennial Safety Climate Index survey in 2021, we formulated action plans that became part of the company's strategic improvement plans in 2022.

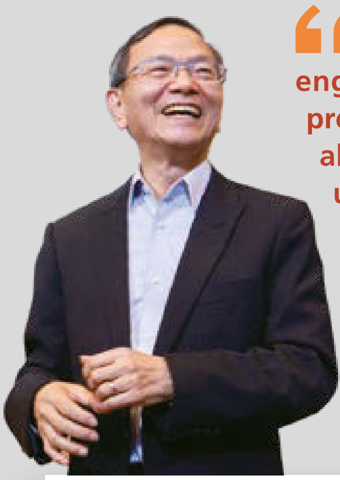
We provided incentives to drive our health and safety awareness from the bottom up through a Safety Excellent Scheme, Safe Driving Scheme, and Safety Incentive Scheme for Front Line Employees, to motivate staff to put health and safety matters into everyday practice.

In 2022, the theme of our ongoing Work Safe Behaviour programme was "Work-above-Ground", and we continued our 5S Good Housekeeping programme to enhance workplace efficiency, occupational health and safety, space utilisation and cleanliness. We also organised a Health and Safety Forum featuring speakers from the Occupational Safety and Health Council, company management, safety professionals, and contractors. These experts shared their experience on the topic "Safety is Everyone's Responsibility" with employees.

Interest classes are organised to bring fun during festivals and enhance work-life balance.

Lost Time Injury Severity Rate
0 Employee
21.34 Contractor
(per 200,000 employee-hours/contractor-hours)

Lost Time Injury Frequency Rate
0 Employee
0.3 Contractor
(per 200,000 employee-hours/contractor-hours)



"I want today's young engineers to surpass their predecessors. The Institute allows me to coach them using both my successes and mistakes."

Geoffrey Chan
Former System Operations Manager who retired in 2014 after working in HK Electric for 37 years

"I am happy to pass on my experience of 30 years at our company as I am deeply indebted to my own senior colleagues for teaching and showing me how to excel."

KC Ho
Senior Construction and Maintenance Engineer
Transmission and Distribution Division

CASE STORY

Passing the torch to the next generation

港燈 HK Electric INSTITUTE 學院

Since 2014, HK Electric Institute has been offering unique training programmes to budding engineers at HK Electric, university students and the wider industry. The courses, covering various aspects of power engineering, arm talented young engineers with the knowledge and exposure to excel in their chosen fields, and to facilitate broader exchange of expertise and experience sharing.

One of the unique features of our training programme is that we invite company veterans – retired and serving – to share their expertise through workshops, talks, and interactive sessions. These online and in-person sessions allow our history, experience and knowledge to be passed down through the generations.

In return, our lecturers enjoy engaging with the younger colleagues as it allows them to remain meaningfully in touch with this dynamic industry even after retirement.

"Not everybody has the opportunity to benefit from these HK Electric-specific learning scenarios. Every session is practical and inspirational. It's a great foundation for an engineering career."

Henry Kwok
Graduate Trainee

For the young engineers, being able to learn from those who came before them helps embed a cohesive culture and develop their confidence.

Our graduates also love interacting with these industry stalwarts, who devote their time and efforts to guide them as they progress their careers.

Extending beyond the company's roster

Alongside retired HK Electric experts and senior engineers, the Institute also regularly features notable external speakers, including senior officials from various government departments, local and overseas companies, and professors from leading institutions. Covering a wide range of topics from cybersecurity to sustainability of energy infrastructure in the face of climate change, the use of artificial intelligence, and best practices in asset management, these online, virtual or in-person classes offer invaluable insights to the next generation of technicians and engineers.

HK Electric Institute in numbers

2018-2022

3,440 Participants

560+ Lecture hours

99 Training modules provided

13,200+ Training man-hours

Encouraging self-learning at their own pace

According to the Dean of the Institute, Wilson Kwok, Head of Technical Services of HK Electric, the Institute is planning to offer 37 sets of job-specific curricula as part of an online learning platform, to help develop a self-initiated learning culture among HK Electric employees and promote knowledge sharing among different business units.

"The curricula are designed to cover specific knowledge and skills required for specific grades of engineers. With this self-service learning resources, our young engineers may build up their competences in their own time and at their own pace as they move up their career ladder, allowing more flexibility in particular to colleagues on shift duties," Wilson explained.

Engineers from countries in the Belt and Road region attend a professional development workshop.

Professionals attend an online seminar organised by our Belt and Road Advanced Professional Development Programme in Power and Energy.

Closer ties across the border

Apart from passing on HK Electric's expertise and legacy, it is also part of the Institute's wider mission to support the development of the energy industry locally, regionally and even globally. The Belt and Road Advanced Professional Development Programme in Power and Energy is jointly organised by HK Electric Institute, the State Grid of China Technology College, Hong Kong Polytechnic University and Xi'an Jiaotong University. This pioneering industry-institute training initiative has been very well received since it was launched in 2018. In 2022, altogether 10 online lectures were delivered by the four hosts, attracting a record 319 participants from 26 countries in the Belt and Road region. 2023 will mark the 10th anniversary of the Belt and Road development and this joint programme will continue to be staged in Hong Kong.

Achievements over the past 5 years

2018-2022

800+ professionals joined the Programme

10,000+ contact hours in total

CEO's Report

Engaging with stakeholders

We kept our stakeholders and the community updated about our activities through a range of communications channels, including our corporate website, the HK Electric App, YouTube channel, and Facebook page "@44KennedyRoad". Our quarterly news bulletin "HK Electric Online" and its video version, KR44 TV, continued to provide regular updates. All these online channels were enhanced during 2022 to improve their usefulness, particularly when in-person interaction was restricted. We augmented the YouTube channel with a range of videos on environmental work and customer and community services.

We published brochures detailing corporate information and our decarbonisation strategies to enhance stakeholders' understanding of our business and operations. We shared our sustainability strategies and performance through our annual Sustainability Report, which is prepared in accordance with Global Reporting Initiative's Sustainability Reporting Standards and Electric Utilities Sector Disclosures as well as the Hong Kong Exchanges and Clearing Limited's ESG Reporting Guide, with external independent assurance. As a participant in the Carbon Disclosure Project, we also continued to report on our greenhouse gas emissions, which we strive to reduce through a range of initiatives. In 2022, we updated our science-based carbon reduction target, which has been published on our corporate website and that of the SBTi.

We value engagement with our important stakeholders such as customers, whose views we collected through after-service satisfaction surveys and weekly meetings. Customer insights feed into our service enhancement strategies. Our 45-member Customer Liaison Group (CLG) serves as a formal platform for us to obtain input from our customers. We shared video updates with CLG members and, upon relaxation of social distancing restrictions, arranged a meeting and a visit to LPS to update them on capital works and other developments.

While physical visits to LPS continued to be suspended in 2022, we launched virtual tours for our shareholders, taking over 400 shareholders to visit the power station in the comfort of their homes. At the local level, we reached out to community groups, Lamma rural committees, and village representatives, and attended important community activities.

Conclusion

Our sustainability goals and strategies are intertwined with Hong Kong's aspirations to become a smart, green city that cares for everyone. We continue to actively seek long-term solutions to generate clean power, while working to care for the vulnerable and needy in the community in the best way possible. While we have come far in our sustainability journey, we understand that there is still a long way ahead. We will continue to strive to keep Hong Kong a beautiful home for generations to come.

The KR44 TV YouTube version keeps our stakeholders informed of HK Electric's latest news and developments.

Members of our Customer Liaison Group visit LPS to stay informed about the progress of our capital works.

The "HK Electric Online" quarterly news bulletin updates stakeholders on our key initiatives.

Financial Review

Financial performance

The Trust Group's revenue and audited 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 HK$ million	2021 HK$ million
Audited 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
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.

Financial Review

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

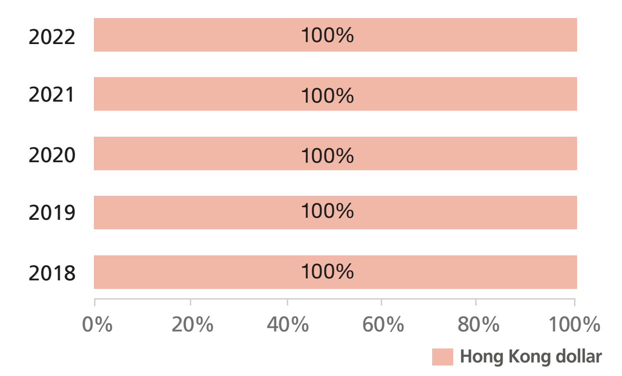
The Trust Group manages its financial risks in accordance with guidelines laid down in its treasury policy which is designed to manage the Trust Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from provision for capital expenditure to be incurred and from electricity 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.

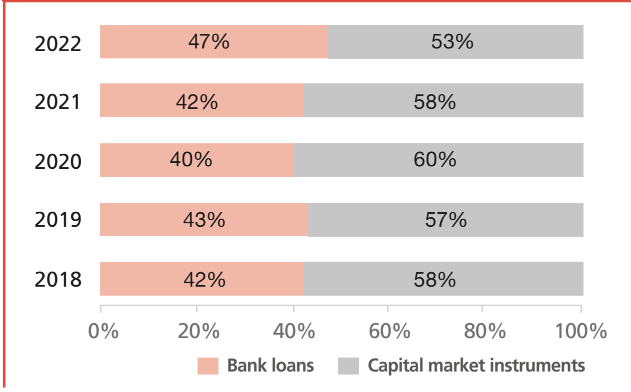
As at 31 December 2022, the net debt of the Trust Group was HK$50,887 million (2021: HK$46,592 million) with a net debt-to-net total capital ratio of 51% (2021: 49%). The Trust Group's financial profile remained strong during the year. On 10 March 2022, Standard & Poor's reaffirmed the "A-" long-term 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:

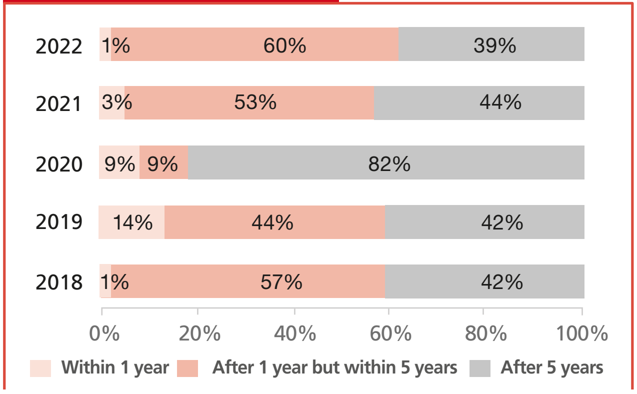
Debt Profile by Currency



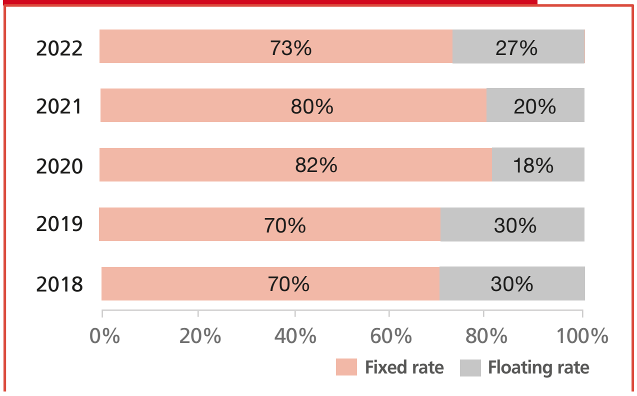
Debt Profile by Types of Borrowings



Debt Profile by Maturity



Debt Profile by Interest Rate Structure



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.

Awards Gallery

17 Awards Corporate / Community

- **2022 ARC Awards International**

  Annual Report 2021
  - Cover Photo / Design (Electric Power Company): Bronze Award

  Sustainability Report 2021
  - Infographics (Sustainability Report: Hong Kong): Bronze Award
  - Specialised Annual Reports (Sustainability Report: Hong Kong): Bronze Award
- **Caring Company Scheme 2021/22**
  - 10 Years Plus Caring Company Logo
- **The Community Chest of Hong Kong**
  - Corporate and Employee Contribution Programme 2021/22: Bronze Award
- **Happiness-at-work Promotional Scheme 2022**
  - "Happy Company 5 Year Plus" Label
- **Partner Employer Award 2022**
  - Excellent Corporation
- **Good MPF Employer 2021-22**
  - Good MPF Employer 5 Years+
  - e-Contribution Award
  - MPF Support Award
- **Age-Friendly City Appreciation Scheme 2022**
  - Gold Star Award
  - Digital Connection Special Award
- **Central Western, Southern and Islands District Co-ordinating Committee on Promotion of Volunteer Service**
  - Outstanding Corporate Volunteer
- **Construction Industry Volunteer Award Scheme 2022**
  - The Most Supportive Organisation Award
- **Randstad Employer Brand Award 2022**
  - Most Attractive Employers (Hong Kong): The 4th Place
- **HKIE MIS Industry Award 2022**
  - Innovation Award: Merit Award
- **25th Anniversary Enterprise Outstanding Contribution Awards (Public Utility)**

24 Awards Customer Service

- **HKRMA Quality Service Programme 2022**

  Corporate Category
  - 2022 Excellent Service Retailer of the Year - Flagship Store
  - 2022 Quality Service Retailer of the Year - Retail (Services) Category
- **HKRMA Quality Service Programme**

  January 2022 to March 2022
  - Service Category Leader (Retail (Services))
  - Service Industry Leader: Silver Award

  April 2022 to June 2022
  - Service Category Leader (Retail (Services))
  - Service Industry Leader: Gold Award

  July 2022 to September 2022
  - Service Category Leader (Retail (Services))
  - Service Industry Leader: Gold Award
- **Best SME's Partner Award 2022**
  - Best SME's Partner Gold Award
- **Hong Kong Star Brand Award 2022 (Enterprise)**
- **APCSC The 20th International Customer Relationship Excellence Awards**

  Corporate Category
  - Public Service of the Year 2022

  Individual Category
  - Customer Service Manager of the Year 2022 (Contact Centre - Public Utilities)
  - Customer Service Professional of the Year 2022
    - Contact Centre - Public Utilities
    - Service Centre - Public Utilities
    - Technical Centre - Public Utilities
    - Contact Centre: 2 Merit Certificates
    - Technical Centre: 2 Merit Certificates
- **Hong Kong Customer Contact Association Award 2022**

  Corporate Category
  - Mystery Customer Assessment Award (Brick-and-Mortar) Public Service and Utilities: Gold Award
  - Mystery Customer Assessment Award - Public Service and Utilities: Gold Award
  - Brick-and-Mortar Customer Centre of the Year - Public Service and Utilities: Silver Award

  Individual Category
  - Brick-and-Mortar Customer Centre Representative of the Year: Silver Award
  - Inbound Contact Centre Representative of the Year: Silver Award

Awards Gallery

15 Awards
Environmental

- **BOCHK Corporate Environmental Leadership Awards 2021**
  - Manufacturing Sector: Gold Award
  - Sustainable Business Award

- **CarbonCare® Label Scheme 2022**
  - CarbonCare® Star Label
  - CarbonCare® Label: Level 4

- **Hong Kong Green Organisation Certification**
  - Excellence Level Energywi$e Certificate: Generation Division
  - Excellence Level Energywi$e Certificate: Transmission & Distribution Division (Lee Hing Street Electric Tower)
  - Excellence Level Wastewi$e Certificate: Generation Division
  - Excellence Level Wastewi$e Certificate: Transmission & Distribution Division
- **Indoor Air Quality Certification Scheme**
  - Excellent Class Certificate: Hongkong Electric Centre
  - Excellent Class Certificate: Electric Centre (9/F Office)
  - Excellent Class Certificate: Electric Tower
  - Good Class Certificate: Electric Centre
  - Good Class Certificate: Lamma Power Station (Administration & Control Building)
  - Good Class Certificate: Lamma Power Station (New Control Building)
- **Green Office Awards Labelling Scheme and Eco-Healthy Workplace Award Labelling Scheme**
  - Green Office Label and Eco-Healthy Workplace Label

13 Awards
Quality / Health / Safety

- **The 14th Outstanding OSH Employees Award**
  - Front-line Worker Group - Organisation/Enterprise Category: Gold Award
  - Management Group - Organisation/Enterprise Category: Merit Award
- **28th Considerate Contractors Site Award Scheme**
  - Site Supervisory Company Silver Award
  - Site Supervisory Company Bronze Award
  - 2 Site Supervisory Company Merit Awards
- **Safety Quiz 2022**

  Enterprise Category
  - Cup Champion
  - Cup 1st Runner-up
  - Cup 2nd Runner-up
  - Plate Champion
  - Plate 1st Runner-up
  - Highest Accumulated Score Award
- **Eye Care GIF Design Competition 2021**
  - Open Group: 2nd Runner-up

16 Awards
Staff

- **Youth Employment and Training (YETP) Most Improved Trainees Awards 2022**
  - YETP Most Improved Trainee
- **Outstanding Registered Electrical Worker Awards Scheme 2022**
  - Gold Prize
  - Silver Prize
- **Institute of Measurement and Control Awards 2022**
  - Institute Award for Exceptional Early Career Engineers
- **HKIE Transactions 2022**
  - The HKIE Best Transactions Paper Prize 2022
- **2021 Outstanding Apprentice Award**
  - Outstanding Apprentice (Merit) Award
- **2021 Volunteer Service Appreciation Certificate**
  - 7 Bronze Awards
- **Green Run 2021**
  - Long Lasting Low Emission Award: 1st Runner-up
  - Long Lasting Low Emission Award: Team Spirit Award
  - Long Lasting Low Emission Award: Greenest Style Award

Corporate Governance

Integrity, transparency and accountability

Boards of Directors and Management Team

Boards Of Directors

Executive Directors

FOK Kin Ning, Canning
Chairman

Aged 71. Appointed to the Boards of the Trustee-Manager and the Company, and as the Chairman of the Boards since December 2013. He is also the Chairman of HK Electric, a wholly-owned subsidiary of the Company. Mr. Fok is the Chairman of Power Assets. Mr. Fok is an Executive Director and Group Co-Managing Director of CK Hutchison and the Deputy Chairman of CKI. Mr. Fok is the Chairman of Hutchison Telecommunications (Australia) Limited ("HTAL"), Hutchison Telecommunications Hong Kong Holdings Limited, Hutchison Port Holdings Management Pte. Limited ("HPHMPL") which is the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust") and TPG Telecom Limited ("TPG Telecom"), a Director of Cenovus Energy Inc. ("Cenovus Energy"), and a Deputy President Commissioner of PT Indosat Tbk. All the companies mentioned above, except the Trustee-Manager, HK Electric and HPHMPL, are listed companies, and HPH Trust is a listed business trust. Mr. Fok acts as a Director of certain substantial Holders of Share Stapled Units within the meaning of Part XV of the SFO and a Director of certain companies controlled by certain substantial Holders of Share Stapled Units. Mr. Fok holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of Chartered Accountants Australia and New Zealand.

WAN Chi Tin

WAN Chi Tin
Chief Executive Officer

Aged 72. Appointed to the Boards of the Trustee-Manager and the Company since their incorporation in September 2013 and as Chief Executive Officer of the Company since December 2013. Mr. Wan is also Managing Director of HK Electric and a Director of all of the subsidiaries of the Company. He has worked for the Power Assets Group and the Group since 1978, holding various positions including Group Managing Director and Director of Engineering (Planning & Development) of Power Assets, a listed company, and Chief Executive Officer of Powercor Australia Limited and CitiPower Pty., associate companies of the Power Assets Group in Australia. Mr. Wan acts as an Executive Director and a Director of the substantial Holders of Share Stapled Units for the purpose of Part XV of the SFO, namely Power Assets and Quickview Limited respectively. Mr. Wan holds a Bachelor of Science degree in Electrical Engineering and is also a Chartered Engineer. He is an Honorary Fellow of the Energy Institute, a Fellow of the Institution of Engineering and Technology, an Honorary Fellow of The Hong Kong Institution of Engineers and a Fellow of The Hong Kong Management Association. Mr. Wan was previously a member of the Audit Committee of The University of Hong Kong and Vice Chairman of the Engineers Registration Board of Hong Kong.

CHAN Loi Shun

Aged 60. Appointed to the Boards of the Trustee-Manager and the Company since their incorporation in September 2013. Mr. Chan is also a Director of all the subsidiaries of the Company including HK Electric. He is an Executive Director and Chief Financial Officer of CKI and an Executive Director of Power Assets. Mr. Chan joined the CK Group in January 1992. All the companies mentioned above, except the Trustee-Manager and HK Electric, are listed companies. Mr. Chan acts as a Director of a number of substantial Holders of Share Stapled Units for the purpose of Part XV of the SFO, namely CKI, Power Assets and Quickview Limited. Mr. Chan is a fellow of the HKICPA, a fellow of

Boards of Directors and Management Team

the Association of Chartered Certified Accountants and also a member of the Institute of Certified Management Accountants (Australia).

CHAN Loi Shun

CHENG Cho Ying, Francis

CHENG Cho Ying, Francis

Aged 66. Appointed to the Boards of the Trustee-Manager and the Company in December 2013. Mr. Cheng is also a Director of HK Electric and serves as its Operations Director. Mr. Cheng has worked for the Group since 1979. He holds a Bachelor's degree in Chemistry and is a Fellow of the Royal Society of Chemistry in the United Kingdom. He is also a Fellow of The Hong Kong Institution of Engineers.

WANG Yuanhang

WANG Yuanhang

Aged 47. Appointed to the Boards of the Trustee-Manager and the Company in July 2022. Mr. Wang is also a Director and the Co-General Manager (Transmission & Distribution) of HK Electric. He is a Director of State Grid International Development Limited. He previously served as Director of the Development and Strategy Department of State Grid Brazil Holding S.A., Director of Department of Overseas Operations (Operation Monitoring Center) of State Grid International Development Co., Limited and Director of Independent Power Transmission Operator S.A. in Greece. State Grid International Development Limited and State Grid International Development Co., Limited are substantial Holders of Share Stapled Units for the purpose of Part XV of the SFO. Mr. Wang holds a Bachelor Degree in Relay Protection and Automatic Telecontrol Technology from North China Electric Power University and a Master Degree in Business Administration from Shanxi University. He is also a Chartered Engineer registered by the Engineering Council in the United Kingdom.

Boards of Directors and Management Team

Non-executive Directors

LI Tzar Kuoi, Victor

Deputy Chairman of the Company Board

Aged 58. Appointed to the Boards of the Trustee-Manager and the Company, and as Deputy Chairman of the Company Board in November 2014. Mr. Li is also a Director of HK Electric and a Non-executive Director of Power Assets. He is the Chairman and Group Co-Managing Director of CK Hutchison, and the Chairman and Managing Director, and the Chairman of the Executive Committee of CK Asset Holdings Limited ("CK Asset"). Mr. Li is the Chairman of CKI and CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences"). All the companies mentioned above, except the Trustee-Manager and HK Electric, are listed companies. Mr. Li is also the Deputy Chairman of Li Ka Shing Foundation Limited and Li Ka Shing (Global) Foundation, the Member Deputy Chairman of Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. Mr. Li serves as a member of the 14th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China and a member of the Chief Executive's Council of Advisers of the Hong Kong Special Administrative Region. He is also Vice Chairman of the Hong Kong General Chamber of Commerce (the "Chamber"). Mr. Li is the Honorary Consul of Barbados in Hong Kong and is awarded the Grand Officer of the Order of the Star of Italy. He acts as a Director of certain substantial Holders of Share Stapled Units within the meaning of Part XV of the SFO, and a Director of certain companies controlled by certain substantial Holders of Share Stapled Units. Mr. Li holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and a degree of Doctor of Laws, honoris causa (LL.D.).

Fahad Hamad A H AL-MOHANNADI

Aged 67. Appointed to the Boards of the Trustee-Manager and the Company in June 2015. He is also a Director of HK Electric. Mr. Al-Mohannadi was previously the Managing Director and the General Manager of Qatar Electricity & Water Co. which is listed on the Qatar Stock Exchange until his retirement in December 2020. Mr. Al-Mohannadi holds a Bachelor's degree in Mechanical Engineering.

Ronald Joseph ARCULLI

Aged 84. Appointed to the Boards of the Trustee-Manager and the Company in December 2013. He is also a Director of HK Electric. Mr. Arculli is a practising solicitor and was a Member of the Legislative Council of Hong Kong from 1988 to 2000, representing the Real Estate and Construction functional constituency between 1991 and 2000. He was a non-official member of the Executive Council of the Hong Kong Special Administrative Region from November 2005 to June 2012, and served as Convenor from October 2011 to June 2012. He has a distinguished record of public service and has served on numerous government committees and advisory bodies. Mr. Arculli is a Non-executive Director of Sino Hotels (Holdings) Limited, Sino Land Company Limited and Tsim Sha Tsui Properties Limited. Mr. Arculli was previously an Independent Non-executive Director, and is currently the Adviser to Chair, of Hang Lung Properties Limited. He was also previously an Independent Non-executive Director of HKEX and a Non-executive Director of HKR International Limited. All the companies mentioned above, except the Trustee-Manager and HK Electric, are listed companies.

Deven Arvind KARNIK

Aged 55. Appointed to the Boards of the Trustee-Manager and the Company in June 2015. He is also a Director of HK Electric. Mr. Karnik is the Head of Infrastructure at Qatar Investment Authority ("QIA"). Prior to joining QIA in 2013, Mr. Karnik worked for about 7 years in Hong Kong where he was a Managing Director at Morgan Stanley and a Managing Director at Dresdner Kleinwort. Mr. Karnik holds a Bachelor of Commerce degree and is a member of the Institute of Chartered Accountants in England and Wales.

WANG Zijian

Aged 55. Appointed to the Boards of the Trustee-Manager and the Company in September 2022. Mr. Wang is also a Director of HK Electric. He is a Staff Representative Director, Executive Vice President, and Chairman of the Labour Union of State Grid International Development Co., Limited. He previously served as Director of Comprehensive Planning Division, and Director of Statistics Division, of Development Planning Department of State Grid Corporation of China ("State Grid"). State Grid International Development Co., Limited and State Grid are substantial Holders of Share Stapled Units for the purpose of Part XV of the SFO. Mr. Wang holds a Bachelor Degree in Economics from Xiamen University.

ZHU Guangchao

Aged 55. Appointed to the Boards of the Trustee-Manager and the Company in May 2017. Mr. Zhu is also a Director of HK Electric. He is the Vice Chief Engineer and Director General of International Cooperation Department of State Grid, a substantial Holder of Share Stapled Units for the purpose of Part XV of the SFO, Chairman of National Grid Corporation of the Philippines, and Vice Chairman of the Board of Directors of Redes Energéticas Nacionais, SGPS, S.A., a listed company and the national electric and gas grid corporation of Portugal. He previously served as Managing Director, President, Senior Vice President and Chief Executive Officer of State Grid International Development Co., Limited, Director General of International Cooperation Department of State Grid and Director of State Grid International Development Co., Limited, Deputy Director General of State Grid Representative Office in the Philippines, Chief Executive Adviser, Board Director and Deputy Chief of Project Team of National Grid Corporation of the Philippines, and Deputy Director General of Finance Department of State Grid. Mr. Zhu holds a Master Degree in Power System and Automation and a Master Degree in Business Administration.

Independent Non-executive Directors

FONG Chi Wai, Alex

Aged 66. Appointed to the Boards of the Trustee-Manager and the Company in December 2013. Dr. Fong is also a Director of HK Electric. He was CEO of the Chamber from 2006 to 2011. Prior to joining the Chamber, he served in the civil service for over 25 years, holding various senior positions in the Government of Hong Kong. He has a long record of public service providing both operational and policy-formulation expertise. Dr. Fong is an Independent Non-executive Director of TOM Group Limited ("TOM Group") and HPHMPL which is the trustee-manager of HPH Trust. Dr. Fong is an Adjunct Associate Professor at The University of Hong Kong Business School, as well as The Chinese University of Hong Kong Business School. He was previously an Independent Non-executive Director of Power Assets, a substantial Holder of Share Stapled Units for the purpose of Part XV of the SFO, and China United Venture Investment Limited (formerly known as Glory Mark Hi-Tech (Holdings) Limited). All the companies mentioned above, except the Trustee-Manager, HK Electric and HPHMPL, are listed companies, and HPH Trust is a listed business trust. Dr. Fong holds a Bachelor of Social Science degree in Business and Economics, a Master of Technology Management degree in Global Logistics Management, a Master of Science degree in Global Finance, a Doctor of Business Administration degree and a Doctor of Philosophy degree.

Boards of Directors and Management Team

KOH Poh Wah

Aged 66. Appointed to the Boards of the Trustee-Manager and the Company in May 2021. Ms. Koh is also a Director of HK Electric. She has more than 30 years of working experience in the areas of operations management, technology, financial and business re-engineering. Ms. Koh is an Independent Non-executive Director of ARA Asset Management (Fortune) Limited which is the manager of Fortune Real Estate Investment Trust, a listed real estate investment trust. Ms. Koh is also an Independent Non-executive Director of Power Assets (a listed company and a substantial Holder of Share Stapled Units for the purpose of Part XV of the SFO). Ms. Koh was previously the Regional Accountant (Alpha Asia Pacific) of Alpha International, a non-profit organisation, from 2012 to 2015 in charge of the finance functions for Alpha Asia Pacific region, Alpha Singapore and AAP Publishing Pte. Ltd. Prior to this role she was a Director with Future Positive Pte. Ltd. working extensively on information technology and business re-engineering consultancy areas. Ms. Koh also worked for American International Assurance Co. Ltd. for 15 years during the period from 1986 to 2000, with her last position as Vice President – Quality Support & Operations Management. Ms. Koh holds a Master of Science in Management Science and Operational Research, a Bachelor of Arts Degree (Honours) in Accounting, a Diploma from Institute for the Management of Information Systems (previously known as Institute of Data Processing Management, UK) and a Fellow of Life Management Institute (USA).

KWAN Kai Cheong

Aged 73. Appointed to the Boards of the Trustee-Manager and the Company in January 2015. Mr. Kwan is also a Director of HK Electric. He is Managing Director of Morrison & Company Limited, a business consultancy firm. Mr. Kwan is also the chairman of the board of G.T. Land Holdings Limited, a commercial property company in the People’s Republic of China. Mr. Kwan worked for Merrill Lynch & Co., Inc. for over 10 years during the period from 1982 to 1993, with his last position as President for its Asia Pacific region. He was formerly Joint Managing Director of Pacific Concord Holding Limited. Mr. Kwan is an Independent Non-executive Director of Greenland Hong Kong Holdings Limited, Henderson Sunlight Asset Management Limited (as manager of Sunlight Real Estate Investment Trust), Win Hanverky Holdings Limited and CK Life Sciences and a Non-executive Director of China Properties Group Limited, all being listed companies (except Sunlight Real Estate Investment Trust being a listed real estate investment trust). He was previously an Independent Non-executive Director of Beijing Energy International Holding Co., Ltd., a listed company. Mr. Kwan holds a Bachelor of Accountancy (Honours) degree and is a fellow of the HKICPA, The Institute of Chartered Accountants in Australia and The Hong Kong Institute of Directors Limited. He completed the Stanford Executive Program in 1992.

LEE Lan Yee, Francis

Aged 82. Appointed to the Boards of the Trustee-Manager and the Company in December 2013. Mr. Lee is also a Director of HK Electric. Mr. Lee was previously an Independent Non-executive Director of Power Assets, a listed company and a substantial Holder of Share Stapled Units for the purpose of Part XV of the SFO. He had served the Power Assets Group for over 40 years in various capacities and while being Director & General Manager (Engineering) from 1997 to 2008, Mr. Lee was responsible for all the engineering activities of the Power Assets Group, including the development and operation of power generation, transmission and distribution systems. He holds a Bachelor of Science degree and a Master of Science degree in Engineering. He is a Chartered Engineer and a Fellow of the Institute of Mechanical Engineers in Hong Kong and the United Kingdom.

George Colin MAGNUS

Aged 87. Appointed to the Boards of the Trustee-Manager and the Company in December 2013. Mr. Magnus is also a Director of HK Electric. He was previously the Chairman of Power Assets from 1993 to 2005, a Non-executive Director from 2005 to 2012 and an Independent Non-executive Director until January 2014. He is a Non-executive Director of CK Hutchison. He is also a Non-executive Director of CKI having served previously as Deputy Chairman of the company. He was previously Deputy Chairman and then a Non-executive Director of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited (“HWL”). All of these companies mentioned above, except the Trustee-Manager, HK Electric, Cheung Kong (Holdings) Limited and HWL, are listed companies. Mr. Magnus acts as a Director of a number of substantial Holders of Share Stapled Units for the purpose of Part XV of the SFO. He holds a Master’s degree in Economics.

Boards of Directors and Management Team

Donald Jeffrey ROBERTS

Aged 71. Appointed to the Boards of the Trustee-Manager and the Company in December 2013. He is also a Director of HK Electric. Mr. Roberts is an Independent Non-executive Director of CK Asset, Queen's Road Capital Investment Ltd., CK Life Sciences and NexGen Energy Ltd., all being listed companies. He is also an Independent Non-executive Director of Welab Bank Limited and Welab Capital Limited. Mr. Roberts joined the HWL Group in 1988 and was the Group Deputy Chief Financial Officer of HWL from 2000 until his retirement in 2011. Mr. Roberts was a Member of the Listing Committee of the Main Board and GEM of the Stock Exchange from July 2015 to July 2020. He was previously a member of the Executive Committee of The Canadian Chamber of Commerce in Hong Kong and is currently Governor of the chamber. He previously served as a Governor of the Canadian International School of Hong Kong for the periods between 1998 to 2004, and between 2006 to 2012 and was also a member on its Finance & Administration Committee. Mr. Roberts served as a member, including as the Deputy Chairman, of the Professional Conduct Committee of the HKICPA for nine years. Mr. Roberts holds a Bachelor of Commerce degree. He is a Chartered Accountant with the Chartered Professional Accountants of Canada, Alberta and British Columbia, and also a Fellow of the HKICPA.

Alternate Directors

Frank John SIXT

Aged 71. Appointed Alternate Director to Mr. Victor T K Li, the Deputy Chairman of the Company Board and Non-executive Director of the Trustee-Manager and the Company, in June 2015. He is also an Alternate Director of HK Electric. Mr. Sixt is an Executive Director, Group Finance Director and Deputy Managing Director of CK Hutchison, the Non-executive Chairman of TOM Group, an Executive Director of CKI and a Non-executive Director of TPG Telecom. He is also a Director of HTAL and Cenovus Energy, an Alternate Director of HTAL, and a Commissioner of PT Indosat Tbk. All the companies mentioned above, except the Trustee-Manager and HK Electric, are listed companies. He has almost four decades of legal, global finance and risk management experience, and possesses deep expertise in overseeing financial reporting system, risk management and internal control systems as well as sustainability issues and related risks. Mr. Sixt acts as a Director of certain substantial Holders of Share Stapled Units within the meaning of Part XV of the SFO, and a Director of certain companies controlled by certain substantial Holders of Share Stapled Units. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Québec and Ontario, Canada.

WOO Mo Fong, Susan
(alias CHOW WOO Mo Fong, Susan)

Aged 69. Appointed Alternate Director to Mr. Fok Kin Ning, Canning, the Chairman of the Boards of the Trustee-Manager and the Company, in November 2014. She is also an Alternate Director of HK Electric. Mrs. Chow was an Executive Director of the Trustee-Manager and the Company from December 2013 to November 2014 and a Director of HK Electric from January 1996 to November 2014. Mrs. Chow is a Non-executive Director of CK Hutchison, a Director of HTAL, an Independent Non-executive Director of HKEX, and an Alternate Director of CKI. All the companies mentioned above, except the Trustee-Manager and HK Electric, are listed companies. Mrs. Chow acts as a Director of certain substantial Holders of Share Stapled Units within the meaning of Part XV of the SFO, and a Director of a company controlled by certain substantial Holders of Share Stapled Units. Mrs. Chow is a qualified solicitor and holds a Bachelor's degree in Business Administration.

Management Team of the Company

CHOI Wai Man

Aged 63, General Manager (Customer Services), has been with the Group since October 1981. He has over 41 years of experience in electricity supply and customer services. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. He is a Chartered Engineer, and a Fellow of The Hong Kong Institution of Engineers and a member of The Institution of Engineering and Technology in the United Kingdom.

CHOW Fo Shing

Aged 53, General Manager (Generation), has been with the Group since September 1994. He has over 28 years of experience in electricity generation. He holds a Bachelor of Engineering degree in Mechanical Engineering and a Master of Science degree in Mechanical Engineering.

Boards of Directors and Management Team

HO Yin Piu, Bill

Aged 52, General Manager (Corporate Development), joined the Group in January 2019. He has over 27 years of experience in managing the corporate development and business operations of power utilities in Mainland China and Hong Kong. He holds a Bachelor of Engineering degree, a Master's degree in Business Administration, and a Master of Practising Accounting degree. He is a Chartered Engineer, and a member of The Hong Kong Institution of Engineers and The Institution of Engineering and Technology in the United Kingdom.

IP Sung Tai

Aged 64, General Manager (Transmission & Distribution), has been with the Group since October 1981. He has over 41 years of experience in electricity supply. He holds a Master of Science degree in Electrical Engineering. He is a Chartered Engineer and Registered Professional Engineer, and a member of The Hong Kong Institution of Engineers, The Institution of Engineering and Technology in the United Kingdom and the Institution of Engineers in Australia.

KWAN Ying Leung

Aged 62, General Manager (Projects), has been with the Group since October 1983. He has over 30 years of experience in the management and execution of power generation projects. He holds a Bachelor of Science degree in Engineering. He is a Chartered Engineer, and a member of The Hong Kong Institution of Engineers and The Institution of Mechanical Engineers in the United Kingdom.

WAN Wai Kin, Mullar

Aged 64, General Manager (Information Technology), has been with the Group since July 1993. He has over 40 years of local and overseas experience in software engineering, consulting and information technology management. He holds a Master of Science degree in Information Management. He is a member of the Hong Kong Computer Society and a Fellow of The British Computer Society.

WONG Kim Man

Aged 62, Chief Financial Officer, has been with the Group since September 2010. He has over 35 years of experience in financial management and accounting. He holds a Bachelor's and a Master's degree in Business Administration. He is also a member of the HKICPA and the American Institute of Certified Public Accountants.

WONG Yuk Keung, Arthur

Aged 65, General Manager (Group Commercial), has been with the Group since January 1982. He was engaged in the construction of Lamma Power Station upon joining the Group and subsequently worked in and was promoted to the head of the various departments in the Group Commercial Division. He holds a Bachelor of Science degree in Engineering and a Master of Science degree in Engineering and a Master's degree in Business Administration.

WU Kwok Kwong, Dennis

Aged 58, General Manager (Human Resources), joined the Group in June 2014. He has over 25 years of experience in human resources management and administration gained from organisations in both private and public sectors in Hong Kong. He holds a Master of Science degree in Training and is a Professional Member of the Hong Kong Institute of Human Resource Management and a Member of the Institute of Hospitality (UK).

YEUNG Yuk Chun, Mimi

Aged 59, General Manager (Public Affairs), has been with the Group since July 2003. She has over 36 years of experience in journalism and corporate communications. She holds a Bachelor of Arts degree and a Master's degree in Public Administration.

Trustee-Manager Secretary and Company Secretary

NG Wai Cheong, Alex

Aged 53, Group Legal Counsel and Company Secretary, has been with the Group since November 2008. He is also the Group Legal Counsel and Company Secretary of Power Assets. He has over 20 years of experience in legal, regulatory and compliance fields. Mr. Ng holds a Bachelor's degree in Science and a Bachelor's degree in Laws. He was admitted as a solicitor in Hong Kong and in England and Wales.

Combined Report of the Directors

The Boards have pleasure in submitting the annual report together with the audited consolidated financial statements of the Trust and of the Company for the year ended 31 December 2022 (the "consolidated financial statements of the Trust and of the Company").

The Trustee-Manager Board also presents the audited financial statements of the Trustee-Manager for the year ended 31 December 2022.

Principal activities

The Trust is a fixed single investment trust, with its activities being limited to investing in securities and other interests in the Company.

The principal activity of the Company is investment holding, whilst the principal activities of the Group are the generation and supply of electricity in Hong Kong Island and Lamma Island. Particulars of the Company's subsidiaries are set out in note 18 to the consolidated financial statements of the Trust and of the Company.

The Trustee-Manager, an indirect wholly-owned subsidiary of Power Assets, has a specific and limited role to administer the Trust, and is not actively engaged in running the business managed by the Trust Group.

Business review

A review of the business of Trust Group (of which the Group forms part) during the year and an indication of likely future developments in the Trust Group's business are provided in the Chairman's Statement on pages 6 to 8, CEO's Report on pages 14 to 38, Financial Review on pages 39 to 41 and Performance Highlights on pages 2 and 3.

The principal risks and uncertainties facing the Trust Group and how the Trust Group manages these risks and uncertainties are described in Risk Management and Risk Factors on pages 77 to 81.

The Trust Group's relationships with its key stakeholders, environmental policies and performance is discussed in the CEO's Report on pages 14 to 38, whilst its compliance with the relevant laws and regulations that have a significant impact on the Trust Group are included in Risk Factors on pages 79 to 81 and Combined Corporate Governance Report on pages 56 to 76.

These review and discussion form part of this Combined Report of the Directors.

Results

The results for the year ended 31 December 2022 and the financial position as at that date of the Trust Group and the Group are set out in the consolidated financial statements of the Trust and of the Company on pages 90 to 167.

The results for the year ended 31 December 2022 and the financial position as at that date of the Trustee-Manager are set out in the financial statements of the Trustee-Manager on pages 170 to 178.

Distributions and dividends

Distributable Income

Distributable income and distributable income per Share Stapled Unit are set out in note 14 to the consolidated financial statements of the Trust and of the Company.

Distribution per Share Stapled Unit

The Trustee-Manager Board has declared a final distribution by the Trust of HK16.09 cents (2021: HK16.09 cents) per Share Stapled Unit for the year ended 31 December 2022, payable on 12 April 2023 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 29 March 2023. This, together with the interim distribution of HK15.94 cents (2021: HK15.94 cents) per Share Stapled Unit, brings the total distribution to HK32.03 cents per Share Stapled Unit for the year ended 31 December 2022 (2021: HK32.03 cents).

In order to enable the Trust to pay the interim distribution and the final distribution, the Company Board declared the payments of a first interim dividend and a second interim dividend, in respect of each of the Company's ordinary shares held by the Trustee-Manager, of HK15.94 cents (2021: HK15.94 cents) and HK16.09 cents (2021: HK16.09 cents) respectively for the year ended 31 December 2022.

The Trustee-Manager Board does not recommend the payment of a dividend for the year ended 31 December 2022.

Combined Report of the Directors

Share capital and Share Stapled Units

Share Capital

Details of the share capital of the Company are set out in note 30(b) to the consolidated financial statements of the Trust and of the Company. There was no movement during the year.

Details of the share capital of the Trustee-Manager are set out in note 8 to the financial statements of the Trustee-Manager. There was no movement during the year.

Share Stapled Units

There was no movement in the number of issued Share Stapled Units, or individually units in the Trust, or ordinary shares, or preference shares of the Company, during the year.

Donations

Charitable and other donations made by the Trust Group during the year amounted to approximately HK$2 million (2021: approximately HK$2 million).

Five-year financial summary

A five-year summary of the results and of the assets and liabilities of the Trust Group and the Group is set out on page 179.

Major customers and suppliers

Sales to the five largest customers combined was less than 30% of the Trust Group's total revenue for the years ended 31 December 2022 and 2021.

Purchases from the largest supplier of revenue items for the year represented 30.6% (2021: 35%) of the Trust Group's total purchases of revenue items, and purchases from the five largest suppliers combined accounted for 84.4% (2021: 82.8%) of the Trust Group's total purchases of revenue items for the year ended 31 December 2022.

At no time during the year have the Directors, their close associates or any Holders of Share Stapled Units (which to the knowledge of the Boards own more than 5% of the number of issued Share Stapled Units) had any interest in the above major customers and suppliers.

Directors

The Directors of the Trustee-Manager and the Company in office during the year ended 31 December 2022 and up to the date of this report were Mr. Fok Kin Ning, Canning, Mr. Li Tzar Kuoi, Victor, Mr. Wan Chi Tin, Mr. Fahad Hamad A H Al-Mohannadi, Mr. Ronald Joseph Arculli, Mr. Chan Loi Shun, Mr. Chen Daobiao (resigned on 22 July 2022), Mr. Cheng Cho Ying, Francis, Mr. Duan Guangming (resigned on 9 September 2022), Dr. Fong Chi Wai, Alex, Mr. Deven Arvind Karnik, Ms. Koh Poh Wah, Mr. Kwan Kai Cheong, Mr. Lee Lan Yee, Francis, Mr. George Colin Magnus, Mr. Donald Jeffrey Roberts, Mr. Ralph Raymond Shea (retired on 18 May 2022), Mr. Wang Yuanhang (appointed on 22 July 2022), Mr. Wang Zijian (appointed on 9 September 2022) and Mr. Zhu Guangchao.

During the year, Mr. Ralph Raymond Shea resigned as a Director of the Trustee-Manager and the Company due to retirement, and each of Mr. Chen Daobiao and Mr. Duan Guangming resigned as a Director of the Trustee-Manager and the Company due to their other business commitments. All of them have no disagreement with the Boards and do not have any matters in relation to their respective resignation that should be brought to the attention of the Holders of Share Stapled Units.

During the same period, Ms. Woo Mo Fong, Susan (alias Chow Woo Mo Fong, Susan) served as the Alternate Director to Mr. Fok Kin Ning, Canning, and Mr. Frank John Sixt served as the Alternate Director to Mr. Li Tzar Kuoi, Victor.

Permitted indemnity

Pursuant to the Trust Deed the Directors of the Trustee-Manager shall be entitled to be indemnified out of the Trust property or any part thereof against any actions, costs, claims, damages, expenses, penalties or demands to which they may be put as Directors of the Trustee-Manager of the Trust, save where occasioned by the fraud, wilful default or negligence of the Directors.

The articles of association of each of the Company and the Trustee-Manager provides that every Director shall be entitled to be indemnified out of the assets of the Company or the Trustee-Manager (excluding, for the avoidance of doubt, the Trust property) respectively against any losses or liability incurred or sustained by him as a Director.

A Directors Liability Insurance is currently in place, and was in place during the year to protect the directors of the Trustee-Manager, the Company and their subsidiaries against potential costs and liabilities arising from claims brought against them.

Directors' material interest in significant transaction, arrangement and contract

No transaction, arrangement and contract of significance in relation to the Trust Group's business to which the Trustee-Manager, the Company or their parent companies, subsidiaries or fellow subsidiaries was a party, and in which a Director or his connected entity had, directly or indirectly, a material interest, subsisted at the end of the year or at any time during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Trust Group were entered into or existed during the year.

Arrangement to purchase Share Stapled Units, shares or debentures

At no time during the year was the Trustee-Manager or the Company or any of their parent companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Share Stapled Units, or shares in, or debentures of, the Trustee-Manager, the Company or any other body corporate.

Equity-linked agreements

No equity-linked agreements were entered into by the Trust Group or the Trustee-Manager during the year or subsisted at the end of the year.

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 issued Share Stapled Units during the year ended 31 December 2022.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's amended and restated articles of association and the laws of the Cayman Islands which would oblige the Company to offer new Share Stapled Units on a pro-rata basis to existing Holders of Share Stapled Units.

On behalf of the Boards of
HK Electric Investments Manager Limited
and
HK Electric Investments Limited

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

Combined Corporate Governance Report

The Boards of the Trustee-Manager and the Company present their corporate governance report for the year ended 31 December 2022.

Corporate Governance

The Boards 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 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.

Vision, Missions and Core Values

The Trust and the Company have the vision to excel in the power business in Hong Kong, and are dedicated to the missions of enhancing shareholder value, delivering excellent customer services and supply reliability, nurturing a harmonious and engaged workforce, caring for the communities the Group serves, caring for the environment in all activities of the Group and driving efficiency in the Group's operations. Guided by the four core values – pursuit of excellence, integrity, respect and trust, and caring – the Group is committed to operating its business lawfully, ethically and responsibly.

The Boards are committed to ensuring the long-term sustainability of the Group's business and have formulated the Sustainability Policy, which is published on the Company's website, to set out the sustainability approach for its operations.

Under the leadership of the Boards, the Trustee-Manager and the Company instil these vision, missions, core values and sustainability approach in our staff and stakeholders while integrating them into the Group's day-to-day operations. Information on the Trust Group's performance and the basis on which the Trustee-Manager and the Company generate value over the longer term and the strategy for delivering the above vision and missions are set out in the Chairman's Statement on pages 6 to 8, the Long-term Development Strategy on page 9 and the CEO's Report on pages 14 to 38 of the Annual Report.

Boards of Directors

Each of the Trustee-Manager Board and the Company Board, led by the Chairman and comprising the same individuals, is collectively responsible for the management and operations of the Trustee-Manager and the Company respectively. Their responsibilities include approval and monitoring of strategies and policies, approval of annual budgets and business plans, evaluation of the performance, and oversight of the management. Management, led by the Chief Executive Officer, is responsible for the day-to-day operations of the Group. The senior management of the Trust Group, comprising the Executive Directors, is accountable to the Boards, and ultimately to the Holders of Share Stapled Units.

Directors at all times have full and timely access to information of the Trust Group, including board papers and related materials. A financial summary outlining the Group's financial position and performance and containing the actual and budgeted results from different operations, with major variances explained, is sent to Directors each month for their review.

All Directors, including the Non-executive Directors and the Independent Non-executive Directors, have independent access to the management team for information on the Trust Group and unrestricted access to the advice and services of the Company Secretary on governance matters and board procedures. There is a procedure for Directors to seek independent professional advice whenever deemed necessary by them at the expense of the Trustee-Manager or the Company, as appropriate.

The Trustee-Manager and the Company have arranged insurance coverage in respect of directors' liability for all Directors.

Board Composition

The Boards currently comprise five Executive Directors, six Non-executive Directors and six Independent Non-executive Directors. The number of Independent Non-executive Directors meets the one-third requirement under the Listing Rules, among which more than one of them have appropriate professional qualifications or accounting or related financial management expertise.

The changes to the board composition during 2022 were as follows:

(1) Mr. Ralph Raymond Shea retired as an Independent Non-executive Director with effect from the conclusion of the Annual General Meeting held on 18 May 2022 (the "2022 AGM");

(2) Mr. Chen Daobiao resigned, and Mr. Wang Yuanhang was appointed, as an Executive Director both on 22 July 2022; and

(3) Mr. Duan Guangming resigned, and Mr. Wang Zijian was appointed, as a Non-executive Director both on 9 September 2022.

Biographical details of the Directors are set out in the Boards of Directors and Management Team section on pages 46 to 52 of the Annual Report. An updated list of Directors containing their biographical information is maintained on the website of the Company. The names of all Directors and their role and function are posted on the website of HKEX.

Board Committees

The Trustee-Manager Board and the Company Board are supported by the Trustee-Manager Audit Committee and the Company Audit Committee respectively, and the Company Board is additionally supported by the Nomination Committee, Remuneration Committee and Sustainability Committee. Details of these Committees are set out later in this report, and their terms of reference are published on the Company's website and the HKEX's website.

Board Proceedings

The Trustee-Manager Board and the Company Board hold meetings on a combined basis. There are four regular meetings each year at approximately quarterly intervals and additional meetings will be held when warranted. Regular meetings are scheduled during the last quarter of the preceding year providing Directors with adequate time to plan their schedules to attend. The Directors may attend meetings in person, by telephone or other electronic means or by their alternate directors in accordance with the articles of association of the Trustee-Manager and the Company. Throughout the year, the Directors also consider and approve matters by way of written resolutions, which are circulated to Directors together with explanatory briefings from the Chief Executive Officer or the Company Secretary as required. Directors are required to declare their interests, if any, in the matters to be considered by them during board meetings and in the circular resolutions.

Directors receive at least fourteen days prior written notice of a regular meeting and may propose matters for discussion to be included in the agenda. An agenda with supporting board papers is sent to the Directors no less than three days prior to a regular meeting. The Company Secretary assists the Chairman in seeing that Directors receive adequate information on each matter set out in the agenda for informed decisions and acts as co-ordinator for management in providing clarification sought by Directors.

Combined Corporate Governance Report

The minutes of Board meetings are prepared by the Company Secretary with details of the decisions reached, any concerns raised and dissenting views expressed. The draft minutes are sent to all Directors for their comments. The final minutes are kept by the Company Secretary and available for inspection by Directors. Copies are sent to Directors for their records within a reasonable time after each meeting. This arrangement also applies to meetings of the board committees.

Directors' Attendance of Meetings

Directors attend to the affairs of the Trust Group through their participation at the Boards and board committees meetings and the Annual General Meeting. In addition, the Chairman held meetings with the Independent Non-executive Directors without the presence of other Directors, to listen to their independent views on matters relating to the Group and its operations. The attendance record of the meetings during 2022 are as follows:

	Company						Trustee-Manager			
Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Sustainability Committee Meetings	Meetings between Chairman and Independent Non-executive Directors	Board Meetings	Audit Committee Meetings	Meetings between Chairman and Independent Non-executive Directors	Combined 2022 Annual General Meeting
Executive Directors										
Fok Kin Ning, Canning (Chairman)	4/4	–	1/1	–	–	2/2	4/4	–	2/2	√
Wan Chi Tin (Chief Executive Officer)	4/4	–	–	–	2/2	–	4/4	–	–	√
Chan Loi Shun	4/4	–	–	–	–	–	4/4	–	–	√
Chen Daobiao (Note 1)	2/2	–	–	–	–	–	2/2	–	–	√
Cheng Cho Ying, Francis	4/4	–	–	–	2/2	–	4/4	–	–	√
Wang Yuanhang (Note 2)	2/2	–	–	–	–	–	2/2	–	–	–
Non-executive Directors										
Victor T K Li (Deputy Chairman)	4/4	–	–	1/1	–	–	4/4	–	–	√
Fahad Hamad A H Al-Mohannadi	3/4	–	–	–	–	–	3/4	–	–	√
Ronald Joseph Arculli	3/4	4/4	–	–	–	–	3/4	4/4	–	√
Duan Guangming (Note 3)	3/3	–	–	–	–	–	3/3	–	–	√
Deven Arvind Karnik	4/4	–	–	–	–	–	4/4	–	–	√
Wang Zijian (Note 4)	1/1	–	–	–	–	–	1/1	–	–	–
Zhu Guangchao	1/4	–	–	–	–	–	1/4	–	–	x
Independent Non-executive Directors										
Fong Chi Wai, Alex	4/4	–	1/1	–	2/2	2/2	4/4	–	2/2	√
Koh Poh Wah	4/4	4/4	–	–	–	2/2	4/4	4/4	2/2	√
Kwan Kai Cheong (Note 5)	4/4	–	–	–	–	2/2	4/4	–	2/2	√
Lee Lan Yee, Francis	4/4	4/4	–	1/1	–	2/2	4/4	4/4	2/2	√
George Colin Magnus	4/4	–	–	–	–	2/2	4/4	–	2/2	√
Donald Jeffrey Roberts	4/4	4/4	1/1	–	–	2/2	4/4	4/4	2/2	√
Ralph Raymond Shea (Note 6)	1/2	–	–	1/1	–	0/1	1/2	–	0/1	x

Notes:
(1) Resigned as an Executive Director on 22 July 2022.
(2) Appointed as an Executive Director on 22 July 2022.
(3) Resigned as a Non-executive Director on 9 September 2022.
(4) Appointed as a Non-executive Director on 9 September 2022.
(5) Appointed as a member of the Nomination Committee of the Company at the conclusion of the 2022 AGM.
(6) Retired as an Independent Non-executive Director and ceased as a member of the Nomination Committee of the Company at the conclusion of the 2022 AGM.

Each Director has confirmed that he/she has made contributions to the Trust Group that are commensurate with his/her role and board responsibilities, devoted sufficient time and attention to the affairs of the Trust Group, and disclosed their offices held in other public companies and organisations and updated the Company on any subsequent changes in a timely manner.

Board Performance Evaluation

The Boards conduct regular evaluation of their performance to ensure good corporate governance and board effectiveness. As part of the evaluation process, each Director completes a questionnaire to provide his/her views on the performance of the Boards and the board committees and any suggestions for improving the board process, and the evaluation results are presented to the Boards for review.

Subsequent to the financial year end, the Boards conducted an evaluation of their performance for 2022 in the manner described above, and the results were reviewed at the Boards meeting in March 2023. The Directors considered the Boards and the board committees continued to operate effectively.

Nomination, Appointment and Re-election

Pursuant to the Trust Deed and the Company's articles of association, any director appointed by the Company Board either to fill a casual vacancy or as an addition shall also be appointed a director of the Trustee-Manager.

All Directors have been appointed on annual twelve-month basis (save for the initial period which is for a period up to 31 December in the year of appointment), subject to retirement from office by rotation and re-election at the Annual General Meeting once every three years pursuant to the Trust Deed and the articles of association of the Company. Any Director appointed to fill the casual vacancy shall hold office only until the next following general meeting and in the case of an addition, until the next Annual General Meeting, and shall be eligible for re-election at that meeting.

Directors retiring by rotation at the forthcoming Annual General Meeting are Mr. Ronald Joseph Arculli, Mr. Cheng Cho Ying, Francis, Dr. Fong Chi Wai, Alex, Mr. Lee Lan Yee, Francis, Mr. George Colin Magnus and Mr. Donald Jeffrey Roberts. Mr. Wang Yuanhang and Mr. Wang Zijian, who were appointed as Directors subsequent to the last Annual General Meeting, will also retire at the forthcoming Annual General Meeting. All the abovementioned retiring Directors offer themselves for re-election. Information relating to these Directors required to be disclosed under the Listing Rules is contained in the circular to be despatched to Holders of Share Stapled Units together with this Annual Report.

None of the Directors has a service contract which is not determinable by the Trustee-Manager or the Company within one year without payment of compensation (other than statutory compensation).

Combined Corporate Governance Report

Nomination Process

The following diagram outlines the nomination process for new appointments and re-election of Directors:

Nomination Committee

- considers candidates and existing Directors based on merit and attributes that he/she will bring to the Boards with the skills, experience, expertise and diversity of perspectives appropriate for the Group's businesses, as well as the benefits of various aspects of diversity, including gender, age, ethnicity, cultural and educational background, professional experience and qualifications and other factors that may be relevant from time to time
- makes recommendations to the Company Board on the appointment of additional, replacement or re-electing directors based on the above factors
- where an additional or replacement director is required, deploys multiple channels for identifying suitable candidates, including referral from Directors, Holders of Share Stapled Units, management, advisors and external executive search firms

Boards

New Appointment	Re-election
• consider recommendations from the Nomination Committee and approve the appointment of directors during the year	• consider recommendations from the Nomination Committee and make recommendation to Holders of Share Stapled Units for election or re-election of Directors

Holders of Share Stapled Units

- approve the election or re-election of Directors at the general meeting or Annual General Meeting
- may nominate a person other than a retiring Director to stand for election as a Director at a general meeting in accordance with article 16.5 of the Company's articles of association, the procedures for which are posted on the Company's website

Diversity

The Trustee-Manager and the Company recognise the importance of having qualified and competent Directors that possess a balance of skill set, experience, expertise and diversity of perspectives appropriate for the strategies of the Trustee-Manager and the Company, which can enhance decision-making capability and the overall effectiveness of the Boards to achieve corporate strategy as well as promote shareholder value.

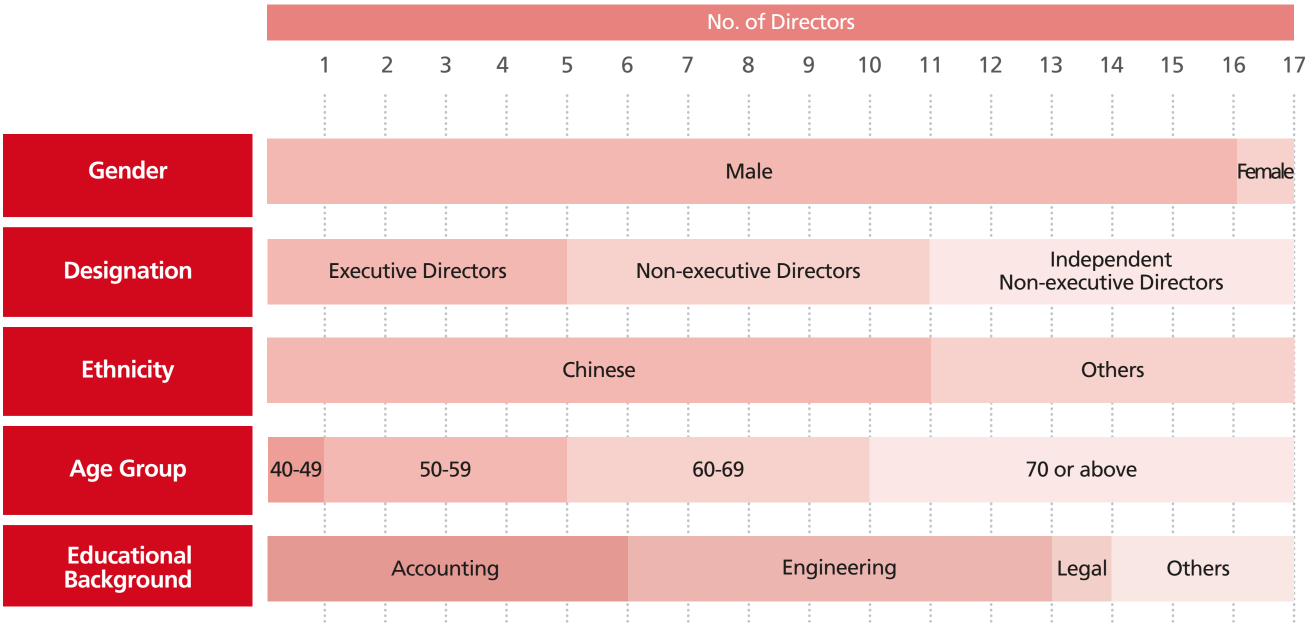
The full Boards are ultimately responsible for reviewing the structure, size, diversity profile and skills matrix of the Boards, appointment of new Directors and succession plan for Directors. They have delegated their responsibility to the Nomination Committee of the Company, and established the Director Nomination Policy and the Board Diversity Policy, which are published on the Company's website, to provide guidance on the approach and procedure for these processes. The Nomination Committee of the Company reviews the implementation of these policies and makes recommendation on any revisions as may be required to the Boards for approval to ensure its continued effectiveness.

Combined Corporate Governance Report

Currently the Boards have one female Independent Non-executive Director. They will continue to embrace gender diversity when making future board appointments but no specific targets or timelines to further enhance gender diversity have been set as they are of the view that all aspects of diversity should be considered as a whole in the selection of suitable candidates for appointment to the Boards.

The same approach to gender diversity at the board level also applies to the Group's workforce, including the senior management. As of 31 December 2022, 80% and 20% of the Group's employees were male and female respectively. The Group recognises the value of gender diversity to promote a diverse and inclusive working environment and welcomes increased female representation at all levels. However, the Group currently does not consider it appropriate to set any specific gender target for its workforce. The availability of female candidates for many of the engineering positions is currently somewhat limited, and being an equal opportunity employer, the Group also considers other relevant factors in making its decision on fitting the right person to the right position.

The diversity profile of the Boards as at 31 December 2022 is as follows:



Board Independence

The Trustee-Manager and the Company are committed to promoting strong Board independence.

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

Each Independent Non-executive Director has provided a confirmation of his/her independence (which also covers his/her immediate family members) to the Trustee-Manager and the Company for the financial year 2022 pursuant to Rule 3.13 of the Listing Rules. The Boards continue to consider them to be independent.

The Boards have put in place mechanisms to ensure independent views and inputs from Directors are available to the Boards. The Chairman holds meetings annually with Independent Non-executive Directors without the presence of other Directors to encourage them to voice out their independent views and promote an open and constructive dialogue. During the year, the Chairman had two such meetings with the Independent Non-executive Directors to discuss matters relating to the Group and its operations. In addition, all Directors, including Independent Non-executive Directors, provide valuable views and inputs to the Boards through the board performance evaluation mentioned earlier in this report. The Boards have reviewed the above mechanisms and their implementation for the financial year 2022 and considered them to be effective.

Combined Corporate Governance Report

Directors' Interests in Competing Business

None of the Directors is interested in any businesses apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business in the generation, transmission, distribution and supply of electricity in Hong Kong.

Directors' Training

The Company Secretary updates Directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements necessary in discharging their duties. The Company also arranges and provides continuous professional development training and relevant materials to Directors to help ensure they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Trust Group conducts its business and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. Directors attend external forums or briefing sessions, or complete courses organised by professional bodies on relevant topics from time to time, which count towards their continuous professional development training.

Directors have provided to the Company their records of continuous professional development training during 2022, and they have participated in the following training activities:

1. Reading materials, e-trainings and seminars on directors' duties, compliance issues for listed companies and/or legal and regulatory requirements
2. Reading materials, e-trainings and seminars on corporate governance, risk management and internal control
3. Reading materials and e-trainings on sustainability

Directors	1	2	3
Executive Directors			
Fok Kin Ning, Canning	√	√	√
Wan Chi Tin	√	√	√
Chan Loi Shun	√	√	√
Chen Daobiao *(Resigned on 22 July 2022)*	√	√	√
Cheng Cho Ying, Francis	√	√	√
Wang Yuanhang *(Appointed on 22 July 2022)*	√	√	√
Non-executive Directors			
Victor T K Li	√	√	√
Fahad Hamad A H Al-Mohannadi	√	√	√
Ronald Joseph Arculli	√	√	√
Duan Guangming *(Resigned on 9 September 2022)*	√	√	√
Deven Arvind Karnik	√	√	√
Wang Zijian *(Appointed on 9 September 2022)*	√	√	√
Zhu Guangchao	√	√	√
Independent Non-executive Directors			
Fong Chi Wai, Alex	√	√	√
Koh Poh Wah	√	√	√
Kwan Kai Cheong	√	√	√
Lee Lan Yee, Francis	√	√	√
George Colin Magnus	√	√	√
Donald Jeffrey Roberts	√	√	√
Ralph Raymond Shea *(Retired on 18 May 2022)*	N/A	N/A	N/A

For new Directors, Mr. Wang Yuanhang (an Executive Director) and Mr. Wang Zijian (a Non-executive Director), appointed during the year, the Company provided briefings and a package of orientation materials on the operations and businesses of the Group, together with information relating to duties and responsibilities of directors under statutory regulations and the Listing Rules.

Directors' Securities Transactions

The Trustee-Manager and the Company have established the Policy on Inside Information and Securities Dealing setting out the restrictions in securities dealing, and establishing preventive controls and reporting mechanism applicable to confidential or unpublished inside information in relation to the Trust Group and its securities.

As stated in the policy, the Boards have adopted the Model Code as their code of conduct regulating directors' securities transactions. In addition, senior managers, and other nominated managers and staff who, because of their respective positions in the Company, are likely to be in possession of inside information regarding the Trust Group and its securities, are also required to comply with the Model Code. Reminders are sent during the year to these individuals on prohibitions against dealing in the securities of the Trust and the Company during the "blackout period" specified in the Model Code.

All Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the year ended 31 December 2022.

Directors' Responsibility for Financial Reporting and Disclosure

Annual and Interim Reports and Financial Statements

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

Accounting Policies

The Directors consider that in preparing financial statements, the Trustee-Manager and the Company ensure statutory requirements are met, apply appropriate accounting policies that are consistently adopted, and make judgments and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

Accounting Records

The Directors are responsible for ensuring the Trustee-Manager and the Group, as appropriate, keep proper accounting records which disclose at any time the respective financial position of the Trust Group, the Group and the Trustee-Manager from which the respective financial statements of the Trust Group, the Group and the Trustee-Manager could be prepared in accordance with statutory requirements and the appropriate accounting policies.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Trust, the Trustee-Manager and the Group, as appropriate, and to prevent and detect fraud and other irregularities within the Trustee-Manager and the Trust Group.

Going Concern

The Directors consider that each of the Trustee-Manager and the Group has adequate resources to continue in operational existence for the foreseeable future and are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon each of their abilities to continue as going concerns. The financial statements of the Trust Group, the Group and the Trustee-Manager have accordingly been prepared on a going concern basis.

Disclosure

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

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer of the Company are held by separate individuals, and are subject to retirement from their directorship by rotation and re-election once every three years at the Annual General Meeting. During 2022, the Chairman of the Boards was Mr. Fok Kin Ning, Canning and the Company's Chief Executive Officer was Mr. Wan Chi Tin. The Trustee-Manager does not appoint a Chief Executive Officer due to its specific and limited role to administer the Trust.

Combined Corporate Governance Report

The Chairman and the Chief Executive Officer of the Company have distinct and separate roles as set out below:

Chairman	Chief Executive Officer
• provides leadership to, and oversees the functioning and effective running of, the Boards to ensure that each Board acts in the best interests of the Trust and the Group, as appropriate • ensures that good corporate governance practices and procedures are established • acts in an advisory capacity to the Chief Executive Officer in all matters covering the interests and management of the Group • approves board meeting agendas and ensures that meetings of the Boards are planned and conducted effectively and that all Directors are properly briefed on issues arising at board meetings • maintains an ongoing dialogue with the Independent Non-executive Directors for their independent views	• manages the businesses of the Group and assumes full accountability to the Company Board for all Group operations • attends to the formulation and successful implementation of Group policies • attends to developing strategic operating plans and ensures the maintaining of the operational performance of the Group • ensures that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action when necessary • maintains an ongoing dialogue with the Chairman and all other Directors to keep them informed of all major business development and issues

Directors' Interests and Short Positions in Share Stapled Units, Underlying Share Stapled Units and Debentures

As at 31 December 2022, the interests or short positions of the Directors and chief executives of the Trustee-Manager and the Company in the SSUs, underlying SSUs and debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Trustee-Manager and the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Share Stapled Units

Name of Director	Capacity	Nature of Interests	Number of SSUs Held	Total	Approximate % of Issued SSUs
Li Tzar Kuoi, Victor	Interest of controlled corporation	Corporate	5,170,000 (Note 1)	7,870,000	0.08%
	Beneficiary of trusts	Other	2,700,000 (Note 2)		
Fok Kin Ning, Canning	Interest of controlled corporation	Corporate	2,000,000 (Note 3)	2,000,000	0.02%
Donald Jeffrey Roberts	Interests held jointly	Other	1,398,000 (Note 4)	1,398,000	0.02%
Ronald Joseph Arculli	Interest of controlled corporation	Corporate	502	502	≈0%

Notes:

(1) Such SSUs are held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.

(2) Such SSUs are held by Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1")) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of another discretionary trust ("DT2")) holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard.

The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco. TUT1 is only interested in the SSUs by reason only of its obligation and power to hold interests in those SSUs in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the SSUs independently without any reference to Unity Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as aforesaid.

As Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT1 and DT2, and by virtue of the above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said SSUs held by TUT1 as trustee of UT1 under the SFO as a Director of the Trustee-Manager and the Company.

(3) Such SSUs are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

(4) Such SSUs are jointly held by Mr. Donald Jeffrey Roberts and his wife.

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executives of the Trustee-Manager and the Company had any interests or short positions in the SSUs, underlying SSUs or debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to the Model Code.

Audit Committees

Each of the Trustee-Manager Audit Committee and the Company Audit Committee comprises three Independent Non-executive Directors and one Non-executive Director. They are chaired by Mr. Donald Jeffrey Roberts (an Independent Non-executive Director) and the other members are Mr. Ronald Joseph Arculli (a Non-executive Director), Ms. Koh Poh Wah (an Independent Non-executive Director) and Mr. Lee Lan Yee, Francis (an Independent Non-executive Director). The Trust Deed requires that the memberships of both committees must be the same. None of the committee members is a partner or former partner of the external auditor of the Trust, the Trustee-Manager and the Company.

Responsibilities

The Audit Committees report directly to the Trustee-Manager Board and the Company Board, as appropriate, and act as the key representative body for overseeing relations with the external auditor. Their principal responsibilities are to assist the Boards in fulfilling their duties through the review and supervision of financial reporting, the review of financial information, the consideration of issues relating to external auditor and their appointment, the review and the development of corporate governance functions and risk management and internal control systems. The Company Audit Committee also oversees the Company's whistleblowing procedure. Committee members may seek independent professional advice where necessary to discharge their duties.

Combined Corporate Governance Report

Work Done

The Audit Committees held four meetings in 2022. Management are available at all of these meetings to assist with any information and resources as may be required to enable committee members to carry out their functions. During the year, members reviewed and considered matters including:

- the interim and annual results and reports, and the financial highlights;
- the risk management reports and the assessment and declarations in respect of the effectiveness of the risk management and internal control systems and the sustainability governance and management, the effectiveness of the Company's internal audit function, the internal audit plan and all internal audit reports compiled during the year;
- the corporate governance structure and compliance with the Corporate Governance Code and the Environmental, Social and Governance ("ESG") Reporting Guide;
- the continuous professional development activities (including trainings related to ESG) undertaken by Directors and senior managers, as well as the adequacy of resources, staff qualifications and trainings of the Company's accounting, internal audit, and ESG performance and reporting functions;
- the report on engagement for Holders of Share Stapled Units and investors for the half year ended 30 June 2022 for assessment of the implementation and effectiveness of the Holder of Share Stapled Units Communication Policy;
- auditor related matters (including fees, engagement, independence, re-appointment and auditor's report); and
- the Group's outstanding litigation and claims, the statistics and registers on illegal or unethical behaviour of the Group (including whistleblowing cases) and on the cyber security incident.

Representatives from KPMG, the external auditor, were invited to attend two of the meetings to discuss the 2021 audited financial statements, the 2022 audit plan and various accounting matters with the committee members.

Subsequent to the financial year end, the Audit Committees held a meeting in March 2023, at which they reviewed consolidated financial statements of the Trust and of the Company and the financial statements of the Trustee-Manager for the year ended 31 December 2022, and the Annual Report 2022; and resolved to recommend the approval of the financial statements and the re-appointment of KPMG as the external auditor of the Trust, the Trustee-Manager and the Company for 2023.

Nomination Committee

The Nomination Committee of the Company comprises three members, a majority of which are Independent Non-executive Directors. It is chaired by Mr. Lee Lan Yee, Francis (an Independent Non-executive Director), and the other members are Mr. Kwan Kai Cheong (an Independent Non-executive Director and appointed to the committee on 18 May 2022 following the retirement of Mr. Ralph Raymond Shea as an Independent Non-executive Director and his cessation as a member of the committee) and Mr. Victor T K Li (a Non-executive Director). 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.

Responsibilities

The Nomination Committee reports directly to the Company Board. Its principal responsibilities are to review the structure, size, diversity profile and skills matrix of the Company Board, to facilitate the selection and nomination process, to assess the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules, and to make recommendations to the Company Board on the appointment or re-appointment of Directors and succession planning for Directors, as guided by the process and criteria in Director Nomination Policy and Board Diversity Policy as mentioned earlier in this report. Committee members may seek independent professional advice where necessary to discharge their duties.

Work Done

The Nomination Committee held a meeting in March 2022. During the year, members performed matters including:

- reviewed the structure, size and composition of the Company Board, the implementation and effectiveness of the Board Diversity Policy;
- reviewed the independence of the Independent Non-executive Directors;
- resolved to recommend the nomination of all the retiring Directors (except Mr. Ralph Raymond Shea who did not seek re-election due to retirement) standing for re-election at the 2022 AGM; and
- considered and recommended the appointments of Mr. Wang Yuanhang as an Executive Director and Mr. Wang Zijian as a Non-executive Director to fill the vacancy following the resignations of Mr. Chen Daobiao as an Executive Director and Mr. Duan Guangming as a Non-executive Director respectively.

Remuneration Committee

The Remuneration Committee of the Company comprises three members, a majority of which are Independent Non-executive Directors. It is chaired by Mr. Donald Jeffrey Roberts (an Independent Non-executive Director), and the other members are Mr. Fok Kin Ning, Canning (the Chairman of the Company Board) and Dr. Fong Chi Wai, Alex (an Independent Non-executive Director). 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.

Responsibilities

The Remuneration Committee reports directly to the Company Board. Its principal responsibilities include the review and consideration of the Company's policy for remuneration of Directors and management team, and the determination of their individual remuneration packages.

The Company Board has adopted a Policy on Remuneration of Full Time Directors and Management Team to provide guidance on the determination of remuneration of Executive Directors and management team, with reference to the Company's performance and profitability, industry remuneration benchmarks and prevailing market conditions. Remuneration should be performance-based and, coupled with an incentive system, competitive to attract and retain talented employees. The Group's Human Resources Division assists the Remuneration Committee by providing relevant remuneration data and market conditions for the Committee's consideration. Committee members may, if considered necessary, seek independent professional advice to perform their duties. The Trust Group does not have any equity-based remuneration during the year.

Work Done

The Remuneration Committee held a meeting in December 2022. During the year and under delegated responsibility from the Company Board, members considered and approved matters including:

- the performance-based bonus payable to the full time Executive Directors and management team of the Group in respect of the 2022 financial year and their remuneration package for 2023; and
- the 2023 wage and salary review proposal for the Group's employees.

No Director or member of the management team participated in the determination of his/her own remuneration.

The emoluments paid to each Director of the Company for the 2022 financial year are shown in note 12 to the financial statements on page 117 of the Annual Report. The remuneration paid to members of the management team for the 2022 financial year is disclosed by bands in the same note.

Combined Corporate Governance Report

Sustainability Committee

The Sustainability Committee of the Company comprises three members. It is chaired by Mr. Wan Chi Tin (the Chief Executive Officer), and the other members are Mr. Cheng Cho Ying, Francis (an Executive Director) and Dr. Fong Chi Wai, Alex (an Independent Non-executive Director).

Responsibilities

The Sustainability Committee reports directly to the Company Board. Its principal responsibilities are to oversee management of, and advise the Company Board on, the development and implementation of the sustainability initiatives of the Group, review the related policies and practices, and assess and make recommendations on matters concerning the Group's sustainability development and risks.

The Group's Sustainability Management Committee, a management-level committee chaired by the Chief Executive Officer, supports the Sustainability Committee to discharge its duties and drives and coordinates the Group's sustainability efforts, and promotes understanding of sustainability within the Group. Committee members may, if considered necessary, seek any information required from management or have access to independent professional advice.

Work Done

The Sustainability Committee held two meetings in 2022. During the year, members performed matters including:

- considered the Group's sustainability objectives, strategies, risks and opportunities, priorities, initiatives, goals and performance and the update on the climate-related financial disclosures reporting planned for the Sustainability Reports; and
- reviewed the Sustainability Report 2021 and endorsed the revisions of certain sustainability and governance policies.

Subsequent to the financial year end, the Sustainability Committee at a meeting held in March 2023 reviewed and recommended for the Boards' approval the Sustainability Report 2022.

Company Secretary

The Company Secretary of the Trustee-Manager and the Company supports the Boards by ensuring good information flow within the Boards and that board policy and procedures are followed. He is responsible for advising the Boards through the Chairman and/or the Chief Executive Officer on governance matters and also facilitates induction and professional development of Directors. The Company Secretary also acts as the secretary to all board committees.

The appointment and removal of the Company Secretary is subject to approval of the Boards. Although the Company Secretary reports to the Chairman and the Chief Executive Officer, all Directors have access for his relevant advice and service. Mr. Alex Ng, the Company Secretary of the Trustee-Manager and the Company, is an employee of the Group and has knowledge of the Group's daily affairs. He has received no less than 15 hours of relevant professional training during the year to refresh his skills and knowledge.

External Auditor

Independence

KPMG, the external auditor and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance, have confirmed that they have been, for the year ended 31 December 2022, independent of the Trustee-Manager, the Trust Group and the Group in accordance with the independence requirements of the HKICPA.

Rotation of Engagement Partner

KPMG adopt a policy of rotating the engagement partner servicing their client companies every seven years in accordance with the requirements under the HKICPA's Code of Ethics for Professional Accountants. The last rotation in respect of the Group took place in the audit of the 2021 financial statements and the next rotation will take place in the audit of the 2028 financial statements.

Reporting Responsibility

The reporting responsibilities of KPMG are stated in the Independent Auditor's Reports on pages 84 to 89 and pages 168 and 169 of the Annual Report.

Remuneration

An analysis of the fees of KPMG for audit and non-audit services is shown in note 10 to the consolidated financial statements of the Trust and the Company on page 115 of the Annual Report and note 4 to the financial statements of the Trustee-Manager on page 177 of the Annual Report.

Re-appointment

A resolution for re-appointment of KPMG as auditor of the Trust, the Trustee-Manager and the Company will be proposed at the forthcoming Annual General Meeting. There has been no change in auditor of the Trustee-Manager and the Company in the preceding three years.

Risk Management and Internal Control

Board Oversight

The Boards have overall responsibility for evaluating and determining the nature and extent of the risks, including ESG risks that they are willing to take in achieving corporate strategic objectives, and overseeing the risk management and internal control systems. The Audit Committees assist the Boards in reviewing the effectiveness of the risk management and internal control systems to ensure that appropriate and effective systems are in place.

The Audit Committees review all significant aspects of risk management and internal control, including financial, operational and compliance controls, the adequacy of resources, qualifications and experience, training programmes and budgets of the staff of the Company's accounting, internal audit, financial reporting, and ESG performance and reporting functions; the process by which the Trustee-Manager and the Company evaluate their control environment and their risk assessment process, and the way in which current and emerging risks are managed. The Audit Committees also review the effectiveness of the internal audit function and its annual work plans, and consider the reports of the Chief Executive Officer and an Executive Director on the effectiveness of the systems of risk management and internal control, and make their recommendation to the Boards for approval of the annual financial statements.

At the meetings held in March and July 2022, the Audit Committees reviewed the effectiveness of the risk management and internal control systems of the Trust, the Company and the Trustee-Manager for the year 2021 and for the half year ended 30 June 2022 respectively, and considered the systems effective and adequate.

Risk Management

Effective risk management is fundamental to the achievement of the corporate strategic objectives, and an enterprise risk management policy is in place to outline the framework and processes adopted by the Group and provide top-down and bottom-up approaches to identify, assess, mitigate and monitor key risks at corporate and operating unit levels in a pro-active and structured manner. These key risks include risks in topics such as climate change, fuel supply, environmental compliance, supply reliability, health and safety, cyber security, and laws and regulations which the Group considered to be key material ESG issues. More details are given in the Risk Management and Risk Factors on pages 77 to 81 of the Annual Report.

Internal Control Environment

The management encourages a risk aware and control conscious environment, setting objectives, performance targets or policies for the management of key risks including areas in strategic planning, business operations, investments, legal and regulatory compliance, expenditure control, treasury, environment, health and safety, customer service and cyber security.

There are inherent limitations in any systems of risk management and internal control and accordingly the Trustee-Manager's and the Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal Control Structure

The Trustee-Manager and the Company have a well-established organisational structure with defined levels of responsibility and authority and reporting procedures.

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

Combined Corporate Governance Report

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

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

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

The Group Legal and Company Secretarial Department, reporting to the Chief Executive Officer, is in charge of legal and company secretarial functions, overseeing, among other things, the Trust Group's compliance of the Listing Rules and other legal and regulatory requirements.

Internal Control Assessment

Regarding the Group's Internal Control System, the Chief Executive Officer and an Executive Director review the results of the self-assessment on internal controls. The assessment of the effectiveness of entity-level controls is the first tier of the internal control self-assessment. Division general managers and department heads conduct surveys on entity-level controls self-assessment with reference to five components of internal control, namely, Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. The second tier of internal control self-assessment at key business process level is also conducted to assess the effectiveness of controls over the operations within their areas of accountability and compliance with applicable laws and regulations. These assessments form part of the bases on which the Chief Executive Officer and an Executive Director formulate their opinion on risk management and internal control systems and report their results to the Audit Committees and the Boards.

The Chief Executive Officer and other Executive Directors have the responsibility of developing and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risk. The Group Finance Division, working with each division, is responsible for arranging appropriate insurance coverage for the Trustee-Manager and the Trust Group.

Internal Audit

The Internal Audit Department, reporting to the Audit Committees and an Executive Director, provides independent assurance as to the existence and effectiveness of the risk management activities and internal controls in business operations. Staff members of the department are from disciplines including accounting, engineering and information technology.

Internal Audit Department prepares its annual audit plan by using risk assessment methodology, and taking into account the scope and nature of the Group's activities and changes in operating environment. The audit plan is reviewed and approved by the Audit Committees. Its internal audit reports on the Group's operations are also reviewed and considered by the Audit Committees. The scope of work performed includes financial, operations and information technology reviews, recurring and ad hoc audits, fraud investigations, productivity efficiency reviews and laws and regulations compliance reviews. The Internal Audit Department follows up audit recommendations on implementation by operating units and the progress is reported to the Audit Committees regularly.

The Internal Audit Department facilitates the bi-annual risk management and internal control self-assessment which enables the Chief Executive Officer and an Executive Director to review the profile of the significant risks and how these risks have been identified, evaluated and managed, changes since the last assessment in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment, the scope and quality of management's ongoing monitoring of the risk management and internal control systems. The results are presented to the Audit Committees.

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

Inside Information

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

Pursuant to an agreement dated 14 January 2014 with Power Assets, the Company shares support services including the relevant financial and accounting, treasury and internal audit services with Power Assets to support risk management and internal control functions outlined above.

Code of Conduct and Anti-corruption

The Trustee-Manager and the Group recognise the need to maintain a culture of corporate ethics and anti-corruption, and place great emphasis on ethical standards and integrity in all aspects of the Group's operations.

The Group's Code of Conduct gives primary guidance in dealing with ethical issues, provides mechanisms to report unethical conduct and helps to foster a culture of honesty and accountability. All employees, and other stakeholders in certain situations, are required to adhere to the standards set out in the Code of Conduct. Guidance on specific matters are supplemented by other policies and procedures of the Group, as appropriate.

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

It is the responsibility of each Director and employee to avoid situations that may lead to or involve a conflict of interest, and make full disclosure of any dealings in case of potential or actual conflict. All Directors and employees who have access to and in control of the Trustee-Manager's and the Group's information are required to provide adequate safeguard to prevent any abuse or misuse of that information, and not to use it to secure personal advantage.

The Trustee-Manager and the Group ensure procurement of supplies and services are conducted in a manner of high ethical standards to promote fair and open competition. There are procurement and tendering procedures in place to ensure impartial selection of suppliers and contractors, and the hire of services and purchase of goods are based solely upon price, quality, suitability and need. Suppliers and contractors are expected to adhere to a high level of ethical standards as set out in the Code of Practice for Suppliers, and no corruption will be tolerated.

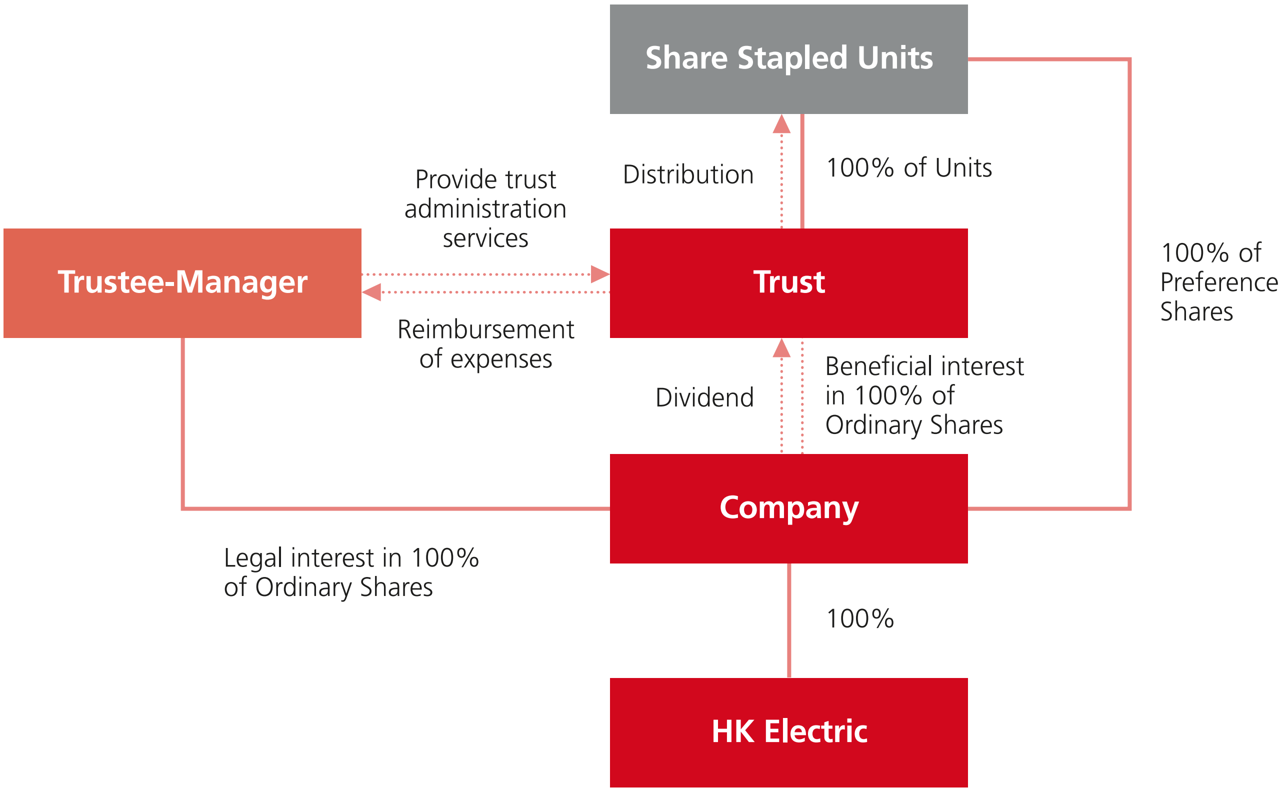
Whistleblowing

To ensure high standards of openness, probity and accountability, the whistleblowing procedures, as set out in the Code of Conduct and Whistleblowing Procedure, allow employees as well as customers, suppliers, contractors, debtors and creditors to report any suspected violation of the Code of Conduct or improprieties, misconduct or malpractice within the Group, including fraud and illegal acts. Investigations are carried out on all reported cases. The results are reported to the Company Audit Committee and the Chief Executive Officer, and disciplinary and remedial actions are taken as appropriate. During 2022, there were four reported whistleblowing cases, one of which involved breach of the Code of Conduct, and no convicted case of corruption.

Combined Corporate Governance Report

Share Stapled Units

A Share Stapled Unit is 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: (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. The structure of the Trust Group and the Share Stapled Units is as follows:



Constitutional Documents

The current versions of the Trust Deed, and the memorandum and articles of association of each of the Trustee-Manager and the Company are available on the Company's website and HKEX's website. No changes were made to any of these constitutional documents during the year ended 31 December 2022.

Public Float

According to information that is available to the Trustee-Manager and the Company and within the knowledge of the Directors, the percentage of the Share Stapled Units which are in the hands of the public exceeds 25% of the total number of issued Share Stapled Units.

Engagement of Holders of Share Stapled Units

Rights of Holders of Share Stapled Units

Distribution Policy

The Boards have adopted a distribution policy which outlines the principles of payment on distribution. The Boards have a single-minded focus on delivering stable distribution to Holders of Share Stapled Units in accordance with the stated intention contained in the Trust Deed and the Company's articles of association. The level of such distribution from time to time will depend on prevailing business conditions and the Company's capital requirements and earning performance.

Rights relating to General Meeting

Pursuant to the Company's articles of association, any two or more shareholders of the Company (or a shareholder of the Company if such shareholder is a recognised clearing house or its nominees) may requisite for the convening of an extraordinary general meeting to put forward proposals for transaction, provided that such requisitionists hold as at the date of deposit of the requisition not less than, for as long as the Trust Deed remains in force, 5% or, thereafter, one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. The requisition stating the objects of the meeting should be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong. Pursuant to the Trust Deed, the Trustee-Manager may (and the Trustee-Manager shall at the request in writing of registered holders of units of the Trust holding not less than 5% of the units (as a component of the Share Stapled Units) of the Trust for the time being in issue and outstanding) at any time convene an extraordinary general meeting of registered holders of units at such time or place in Hong Kong. Holders of Share Stapled Units can refer to the detailed requirements and procedures as set forth in the relevant sections of the Trust Deed and the articles of association of the Company when making any requisitions or proposals for transaction at the general meetings.

Registration and related matters

The Trustee-Manager and the Company handle registration matters relating to Share Stapled Units, such as transfer of Share Stapled Units, change of address, change of distribution payment instruction, issue and/or loss of Share Stapled Unit certificates and death of Holders of Share Stapled Units, through Computershare Hong Kong Investor Services Limited, the share stapled units registrar, whose contact details are set out on page 184 of the Annual Report.

Financial Calendar and Other Information

A financial calendar of the announced key dates for 2022 and 2023 and other relevant information of the Share Stapled Units are set out on page 185 of the Annual Report.

Communications with Holders of Share Stapled Units

The Trustee-Manager and the Company have established the Holder of Share Stapled Units Communication Policy, which is published on the website of the Company, to lay down the framework and put in place a range of communication channels between themselves and Holders of Share Stapled Units and investors to promote effective communication.

The Audit Committees reviewed the engagement activities for Holders of Share Stapled Units or investors conducted in 2022, and were satisfied with the implementation and effectiveness of the Holder of Share Stapled Units Communication Policy.

General Meetings

Annual General Meeting and other general meetings are the primary forums for communications with Holders of Share Stapled Units and their participation and for Directors to develop a balanced understanding of their views.

Combined Corporate Governance Report

2022 Annual General Meeting

The 2022 AGM was held as a hybrid meeting. In addition to the traditional physical attendance, Holders of Share Stapled Units had the option of attending, participating and voting at the meeting through online access. The online access option allowed Holders of Shares Stapled Units to participate in the meeting and helped to protect their health and safety against possible exposure to the COVID-19 pandemic.

The notice of meeting, the annual report and the circular containing information on the proposed resolutions were sent to Holders of Share Stapled Units on 7 April 2022, more than 21 clear days (as required by the Company's articles of association) prior to the meeting.

The 2022 AGM was attended by all Directors, other than one Non-executive Director and one Independent Non-executive Director who were not able to attend due to other commitments. The chairmen and members of all board committees as well as representatives from KPMG, the external auditor, were available at the meeting to answer questions from the Holders of Share Stapled Units, which could either be raised at the meeting venue or online. A separate resolution was proposed in respect of each substantially separate issue and voted by way of a poll, and the poll voting procedure was explained fully to Holders of Share Stapled Units at the start of the meeting. Computershare Hong Kong Investor Services Limited, the share stapled units registrar, acted as scrutineer for the poll.

All resolutions proposed at the meeting were ordinary resolutions and were passed by more than 50% of the votes, with the percentage of votes in favour set out below:

- Adoption of the audited Financial Statements of the Trust and the Company and of the Trustee-Manager, the Combined Report of the Directors, and the Independent Auditor's Reports for the year ended 31 December 2021 (99.9587%);
- Election of Mr. Fok Kin Ning, Canning (98.0837%), Mr. Chen Daobiao (99.4967%), Mr. Duan Guangming (99.2580%), Mr. Deven Arvind Karnik (99.2580%) and Ms. Koh Poh Wah (99.9270%) as Directors;
- Re-appointment of KPMG as auditor of the Trust, the Trustee-Manager and the Company and authorisation of Directors of the Trustee-Manager and the Company to fix auditor's remuneration (99.7164%); and
- Granting of a general mandate to Directors of the Trustee-Manager and the Company to issue and deal with additional Share Stapled Units not exceeding 10% of the total number of Share Stapled Units in issue (99.9982%).

The poll results, including the number of Share Stapled Units voted for and against each resolution, were announced to the meeting on its conclusion and subsequently posted on the Company's and HKEX's websites on the same day.

Financial and Other Reporting

The Trustee-Manager and the Company report operating results for the first half of the financial year and the full financial year and produce interim and annual reports, and from time to time communicate other information with Holders of Share Stapled Units by way of announcement or circular, in accordance with the requirements of the Listing Rules and applicable laws. They also publish sustainability report for the full financial year to report on the Group's approach, commitments and strategy to sustainability, key achievements with regard to the Group's sustainability performance during the year and plans and targets for the future.

Corporate Website

The Company's corporate website at www.hkei.hk is an information platform to facilitate communications with Holders of Share Stapled Units, the investor community and other stakeholders. It contains a wide range of information including financial results, annual and interim reports, sustainability reports, notices, announcements and circulars, press releases and other corporate publications. An e-subscription service is available to enable subscribers to register and receive notification when financial and sustainability reports and Listing Rules announcements are posted.

Holders of Share Stapled Units may, as a standing or an ad hoc instruction, elect to receive certain corporate communication (such as the notices of general meetings and accompanying papers, circulars, annual reports and interim reports) by post. In the absence of any such instructions, they will receive a notification letter informing them of the release of the documents on the Company's and HKEX's websites, but may at any time notify the Company by mail or email of any change in their choice of language (English or Chinese or both) or means of receiving (printed version or access through the Company's website) corporate communications. Holders of Share Stapled Units are encouraged to access corporate communications through the Company's website to support the environment and reduce paper consumption.

Investor Relations

All Holders of Share Stapled Units may put enquiries to the Boards at general meetings, whether they attend the meetings physically or through online access, and at other times by writing to the Company for the attention of an Executive Director, the Chief Financial Officer, the Group Treasurer or the Company Secretary, whose contact channels are set out on page 184 of the Annual Report.

To facilitate communication with Holders of Share Stapled Units and the investment community and solicit their views, meetings, briefings and roadshows with investors and analysts are held from time to time, as appropriate.

Conflict of Interest

The Trustee-Manager and the Company have implemented certain measures to deal with potential conflict of interest issue between (1) the Trust; and (2) any unitholder holding 30% or more of the units in issue, or any Director or shareholder of the Trustee-Manager holding 30% or more of the issued shares in the Trustee-Manager. Under the Company's articles of association, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the board which it has determined to be material, the matter should be dealt with by a physical board meeting instead of a circulating written resolution and independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting. Further, pursuant to the Trust Deed and the Trustee-Manager's articles of association, a Director of the Trustee-Manager must give priority to the interest of all the registered holders of units as a whole over the interest of the Company in the event of a conflict between the interest of all the registered holders of units as a whole and the interest of the Company.

A committee, comprising all Independent Non-executive Directors, has reviewed compliance by Power Assets in 2022 of the terms of a non-competition deed dated 14 January 2014. Pursuant to the deed, Power Assets agreed, save for certain exceptions, not to, and to procure its members not to, carry on, or be engaged in or interested in the business of generation, transmission, distribution and supply of electricity in Hong Kong. Taking into consideration the 2022 written compliance confirmation from Power Assets and all other relevant factors, the committee is of the view that Power Assets complied with the terms of the above non-competition deed during 2022.

Disclosure under the Trust Deed

Pursuant to the Trust Deed, the Trustee-Manager Board confirms that:

(i) Any charges paid and payable out of the trust property of the Trust to the Trustee-Manager for the year ended 31 December 2022 are in accordance with the Trust Deed;

(ii) The connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or obtained from independent third parties, with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Holders of Share Stapled Units as a whole; and

(iii) It is not aware of any violation of duties of the Trustee-Manager which would have a material adverse effect on the business of the Trust or on the interests of all Holders of Share Stapled Units as a whole.

Combined Corporate Governance Report

Interests and Short Positions of Holders of Share Stapled Units

As at 31 December 2022, Holders of Share Stapled Units (other than Directors or chief executives of the Trustee-Manager and the Company) who had interests or short positions in the SSUs or underlying SSUs of the Trust and the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange were as follows:

Substantial Holders of Share Stapled Units

Long Positions in Share Stapled Units

Name	Capacity	Number of SSUs Held		Approximate % of Issued SSUs
Power Assets Holdings Limited	Interest of controlled corporation	2,948,966,418	(Note 1)	33.37%
Hyford Limited	Interest of controlled corporations	2,948,966,418	(Notes 1 and 2)	33.37%
Cheung Kong Infrastructure (BVI) Limited	Interest of controlled corporations	2,948,966,418	(Note 2)	33.37%
CK Infrastructure Holdings Limited	Interest of controlled corporations	2,948,966,418	(Note 2)	33.37%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	2,948,966,418	(Note 3)	33.37%
CK Hutchison Global Investments Limited	Interest of controlled corporations	2,948,966,418	(Note 3)	33.37%
CK Hutchison Holdings Limited	Interest of controlled corporations	2,948,966,418	(Note 3)	33.37%
State Grid Corporation of China	Interest of controlled corporations	1,855,602,000	(Note 4)	21.00%
State Grid International Development Co., Limited	Interest of controlled corporation	1,855,602,000	(Note 4)	21.00%
State Grid International Development Limited	Beneficial owner	1,855,602,000	(Note 4)	21.00%
Qatar Investment Authority	Interest of controlled corporation	1,758,403,800		19.90%

Notes:

(1) Power Assets is deemed to be interested in 2,948,966,418 SSUs which are beneficially owned by its direct wholly-owned subsidiary, Quickview Limited. Hyford Limited ("Hyford") is deemed to be interested in 2,948,966,418 SSUs which interests are duplicated in the 2,948,966,418 SSUs in which Power Assets is interested, as Hyford is entitled to exercise or control the exercise of more than one-third of the issued shares of Power Assets through its direct and indirect wholly-owned subsidiaries.

(2) CKI is deemed to be interested in the 2,948,966,418 SSUs as referred to in Note (1) above as it holds more than one-third of the issued share capital of Cheung Kong Infrastructure (BVI) Limited, which holds more than one-third of the issued share capital of Hyford. Its interests are duplicated in the interest of CK Hutchison in HKEI described in Note (3) below.

(3) CK Hutchison is deemed to be interested in the 2,948,966,418 SSUs as referred to in Note (2) above as it holds more than one-third of the issued voting shares of CK Hutchison Global Investments Limited ("CKHGI"). Certain subsidiaries of CKHGI hold more than one-third of the issued voting shares of Hutchison Infrastructure Holdings Limited which in turn holds more than one-third of the issued share capital of CKI.

(4) State Grid International Development Limited is a direct wholly-owned subsidiary of State Grid International Development Co., Limited and an indirect wholly-owned subsidiary of State Grid Corporation of China ("State Grid"), and the interests of State Grid International Development Limited and State Grid International Development Co., Limited of 1,855,602,000 SSUs each are duplicated in the 1,855,602,000 SSUs held by State Grid.

Save as disclosed above, as at 31 December 2022, there was no other person (other than Directors or chief executives of the Trustee-Manager and the Company) who had interests or short positions in the SSUs or underlying SSUs of the Trust and the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange.

Risk Management

Effective risk management and internal control systems are fundamental to the achievement of our strategic objectives.

Risk management framework

The Group has in place an Enterprise Risk Management (ERM) framework to effectively identify, assess, mitigate and monitor key business, financial, operational and compliance risks. The framework enables us to adopt a proactive and structured approach to identifying and managing risks across the organisation, with on-going monitoring and review in place.

Governance and oversight

The Group is committed to fostering a risk aware and control conscious environment. Responsibility for risk management resides at all levels within the organisation. The Company Board, through the Company Audit Committee, oversees the overall management of risks. The Risk Management Committee, supported by Internal Audit, assists the Company Board and Company Audit Committee to review and monitor key risks of the Group. Management is responsible for identifying and assessing risks of strategic nature. Operating units are responsible for the identification and management of risks in their activities. The top-down and bottom-up approaches complement each other and enable us to identify and manage the Group's key risks in an effective manner, including material emerging risks at corporate and business unit levels.

Risk Management Framework Governance

Independent Assurance from Internal and External Auditors

Oversight by Company Board/ Company Audit Committee Assisted by Risk Management Committee and Management

Identify and Manage Risks at Corporate Level

"Top-down"

"Bottom-up"

Operating Units

Identify, Manage and Report Risks at Business Unit Level

COMPANY BOARD
(Through Company Audit Committee)

Company Board/Company Audit Committee Oversight
- Has overall responsibility for the Group's risk management and internal control systems
- Determine and evaluate the nature and extent of the risks including ESG risks, that the Group is willing to accept in pursuit of the Group's strategic and business objectives
- Discuss the risk management and internal control systems with management to ensure management has performed its duty to have effective systems

RISK MANAGEMENT COMMITTEE
(Chaired by the Chief Executive Officer)

Risk Review, Communication and Confirmation to Company Board/Company Audit Committee
- Oversee the Group's risk profile and assess if key risks are appropriately mitigated
- Ensure that an ongoing review of the effectiveness of the risk management and internal control systems have been conducted and provide such confirmation to the Company Board, via the Company Audit Committee

MANAGEMENT

Risk & Control Monitoring
- Responsible for designing, implementing and monitoring the risk management and internal control systems
- Identify and monitor key corporate risks
- Provide confirmation to the Risk Management Committee on the effectiveness of the systems

OPERATING UNITS

Front-line Risk and Control Ownership
- Design, implement and monitor controls at business unit level, escalate promptly on relevant risk issues
- Provide assurance to the Risk Management Committee on the effectiveness of risk management and internal control activities at business unit level
- Seek continuous process improvement and reassessment

Risk Management

Risk management process

The risk management process is integrated into our day-to-day activities and is an ongoing process involving all parts of the Group from the Company Board down to individual employees.

The risk identification process takes into account internal and external factors. These include economic, political, social, technological, environmental, laws and regulations, Group strategy, as well as our stakeholders' expectations in these aspects. Risks are grouped into different categories to facilitate analysis. Each risk identified is analysed on the basis of likelihood and impact in accordance with the risk appetite set by the Company Board.

Action plans are in place to manage risks. The risk assessment process also includes a review of the control mechanisms for each risk and a rating of the effectiveness of each control.

The Group compiles a risk register which is updated and monitored on an ongoing basis, taking into account emerging risks which may have a material impact on the Group.

A risk management report that highlights key corporate and business level risks and action plans is reviewed by the Risk Management Committee half-yearly. A register of top corporate risks is presented to the Company Audit Committee for reporting to the Company Board. Significant changes in key risks on a day-to-day basis are handled as they arise and reported to management.

Fundamental to achieving our business goals is how we can effectively manage existing and emerging risks in different economic, social and political environments. A description of the Group's risk factors is shown on pages 79 to 81 of this Annual Report. The Group works to continually improve its risk management framework in order to keep pace with the changing business environment.

Risk Factors

Risks and uncertainties can affect the Group's business, financial condition, operating results or growth prospects, leading to a divergence from expected or historical results. Key risk factors affecting the Group are outlined below. In dealing with these, the Group remains in touch with its stakeholders with the aim of understanding and addressing their concerns.

These factors are not exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could become material in the future.

Global and Hong Kong economic environment

The global economic recovery continues after the COVID-19 pandemic is brought under control. However, high inflation rates and commodity prices, tightened financial conditions, supply chain bottlenecks, trade protectionism, and geopolitical tensions continue to pose downside risks to the world economy. Hong Kong's economic outlook shows improvement with the increase in inbound tourists and return to normalcy for businesses and the community.

The prevailing global uncertainty has affected the business of customers or potential customers which may lead to a lower demand for electricity and related services in Hong Kong. This may adversely affect the Group's financial position, potential income, asset value and liabilities.

To address uncertainty in the global and Hong Kong economies, the Group pursues prudent and pragmatic strategies in financial management and capital investment. The Group also strives for efficiency and cost effectiveness in all aspects of its operations to enhance its financial performance.

Interest rates and currency markets

The Group is exposed to interest rate risk primarily on its interest-bearing liabilities. The US Federal Reserve has raised interest rates seven times in 2022, representing a 4.25% increase. Hong Kong has followed suit to increase its interest rates, and the US Federal Reserve has indicated that more hikes are on the way in 2023. The Group is also exposed to currency risk that mainly arises from the import of fuel and capital equipment. Volatility in interest rates and currency markets may adversely affect the Group's financial conditions and results of operations.

The Group's treasury policy guides the measures it undertakes to manage these exposures. Details of the Group's current practices to manage interest rate and currency risks are in the Financial Review on pages 39 to 41.

Electricity market

The operations of the Group's electricity business in Hong Kong are subject to the Scheme of Control Agreement (SCA) with the Government, which provides for a permitted level of earnings based principally on average net fixed assets for electricity-related operations.

The current SCA commenced on 1 January 2019, with a term of 15 years from 2019 to 2033. While the SCA is providing the necessary stability in the areas of financial and service regulation, the Government's strategies and policies on air quality, electricity sector decarbonisation for climate change mitigation, energy efficiency and conservation, and electricity market competition are among the factors affecting the Group's results and growth in the medium to long term.

The Group has established a mechanism to review these factors on a regular basis and continuously engages in discussions with the Environment and Ecology Bureau as well as various stakeholders on electricity market and regulatory issues.

Climate Change

The impacts of climate change are global in scope, affecting many countries and regions. Climate change may increase the frequency and intensity of extreme weather events, such as super typhoons, floods, severe rainstorms, extreme temperatures, and other natural catastrophes. It could disrupt supply chains, interrupt business operations, and cause financial and physical damages. In October 2021, the Government published "Hong Kong's Climate Action Plan 2050", outlining the strategies for combating climate change. This Plan sets medium to long-term targets for reducing Hong Kong's carbon emissions by 50% before 2035 (as compared to the 2005 level) and ultimately achieving carbon neutrality before 2050. As a major utility in Hong Kong, the Group is subject to physical and transition risks posed by climate change.

Risk Factors

The Group mitigates the physical risks by continuing to build climate resilience into its power infrastructure, as mentioned in the "Reliability of Supply" risk factor below. To address the risks related to the transition to low-carbon electricity supply, the Group has pledged full support for the Government's carbon reduction targets. It is pursuing various decarbonisation initiatives, and has updated its own science-based carbon reduction target. These include, but are not limited to, decarbonising our generation portfolio through coal-to-gas power generation transition and renewable energy (RE), and exploring the use of other potential zero-carbon energy technologies and innovative generation solutions. We also implement recycling practices to reduce wastes and discharges from our operations, advance energy efficiency and RE through funding schemes and educational activities, champion the adoption of electric vehicles, and support environmental projects initiated by green groups and community organisations.

The Group's Sustainability Report 2022 offers more detailed discussions on how the Group manages climate-related challenges and opportunities with respect to the recommendations of the Task Force on Climate-related Financial Disclosures.

Environmental compliance

In 2008, the Government promulgated annual emission allowances for the power sector (including those for Lamma Power Station) for 2010 and beyond through the Technical Memorandum for Allocation of Emission Allowances in respect of Specified Licences under the Air Pollution Control Ordinance (APCO). So far, nine Technical Memoranda have been issued. The latest one, issued in 2021, further tightened the annual emission allowances for 2026 and onwards.

Failure to comply with these requirements could result in legal action against the Group under the APCO.

The Group has in place Environmental Management Systems with monitoring and reporting mechanisms run by dedicated teams to ensure compliance with relevant environmental regulations, address public concerns and closely monitor and control the emission of pollutants from the power plant.

Fuel supply

Our generating units in Lamma Power Station mainly rely on coal and natural gas as fuel sources. Any interruption or shortage in the supply of coal or natural gas, or substandard fuel quality may result in significant disruption to the operations of our generating units. This could have an adverse effect on the reliability of electricity supply, fulfilment of our fuel mix target, business, financial condition as well as the reputation of the Group. Fuel price volatility also poses a financial risk to the Group.

The Group has a fuel supply strategy and fuel quality control system in place to maintain reliable fuel supply and sufficient stock of appropriate quality to meet its generation requirements. To secure gas supplies at competitive prices, the joint-venture development of an offshore Liquefied Natural Gas (LNG) terminal using Floating Storage and Regasification Unit (FSRU) technology is underway, which is scheduled for commercial operation in mid-2023.

Reliability of supply

The Group can be exposed to risks in relation to electricity supply interruptions. Extensive damage in generation or network facilities caused by severe earthquake, storm, flood, landslide, extreme weather phenomenon due to climate change, fire, sabotage, terrorist attack, damages, failure of critical information and control systems that support the power system or any other unplanned event could lead to a prolonged and extensive power outage.

The loss of cash flow resulting from supply interruption, and the cost of recovery from damage to network and generation assets could be considerable. Such an incident could damage customer goodwill and lead to claims and litigation. Substantial increases in the number or duration of supply interruptions could result in increases in the costs associated with the operation of the Group's supply networks, which could have an adverse effect on the business, financial condition and efficiency of operations as well as the reputation of the Group.

The Group conducts thorough risk assessments including the emerging risk of climate change, public health contingencies, physical security and cybersecurity, and fire risk within critical power system facilities; adopts resilient designs; performs reliability-centred maintenance and condition monitoring; upgrades its power supply and fire services equipment; undertakes reliability reviews; provides comprehensive training to operational employees; and deploys sophisticated information technology control and asset management systems. It also conducts drills on contingency plans on a regular basis to ensure supply reliability is maintained at a high standard.

Health and safety

The nature of the Group's operations exposes it to a range of health and safety risks.

Major health and safety incidents resulting in fatalities, injuries or ill health to members of the public or employees, or damage to the Group's properties, could have significant consequences. These may include widespread distress and harm or significant disruption to the Group's operations, and could result in regulatory action, legal liability, material costs and damage to the Group's reputation.

The Group has in place a Health and Safety Management System to manage its exposure and protect its employees, customers, contractors, visitors and the public by conducting its business in a safe and socially responsible manner. Operational activities also undergo risk assessment to mitigate or eliminate potential health and safety hazards, including those arising from climate change. Sustainable improvements are made to strengthen the organisation's culture, awareness, and commitment to health and safety.

With the COVID-19 pandemic ongoing, the Group maintains an emergency response level for its Influenza Pandemic Contingency Plan and has continually reviewed and implemented preventive and control measures in its operations with an aim to reduce the risk of infection to employees, contractors, visitors, customers, and members of the public. The Group also joins the effort to support the Government's COVID-19 vaccination programme and closely reviews the coordination of vaccinations and regular COVID-19 tests.

Cybersecurity

The Group's critical utility and information assets are exposed to attack, damage or unauthorised access in the cyber world. The fact that cyber-attacks occur with greater frequency and intensity around the world has increased the risk posed by cybercrime to the Group. Failure to protect the Group's critical utility and information assets from targeted or non-targeted cyber-attacks can result in reputational damage, financial loss and disruptions in operations.

The Group has taken a risk-based and integrated approach to combating cybersecurity risks. A robust Cyber Security Management Framework has been established with the implementation of an Information Security Management System which is based upon a defense-in-depth cybersecurity management strategy with deployment of multiple layers of security controls throughout the IT landscape and integration with different cybersecurity processes. This enables the Group to proactively identify, prevent, detect, respond to and recover from cybersecurity attacks. Resources and development efforts are focused on the three pillars of cybersecurity management, namely people, process and technology, to ensure the confidentiality, integrity and availability of corporate information assets and critical infrastructure.

Laws and regulations

The Group's main operating company, HK Electric, engages in the generation, transmission, distribution and supply of electricity to Hong Kong Island and Lamma Island, and is subject to strict compliance with Hong Kong laws and regulations relating to, amongst other things, development, construction, licensing and operation of our power facilities. It must comply with the conditions contained in its operational and construction licences and permits. Changes in laws and regulations may also cause it to incur additional capital and operating expenses or other obligations or liabilities in order to comply with such changes. Failure to comply with the applicable laws and regulations and relevant changes could expose the Group to prosecution and litigation and result in fines, sanctions, criminal penalties and/or the suspension, revocation or non-renewal of licences or permits, or may possibly have material and adverse impact on its business, financial condition and operating results.

The Compliance Committee, chaired by the Chief Executive Officer, is responsible for overseeing the Group's compliance functions. A Compliance Framework is in place to manage its compliance obligations under a consistent and structured approach across the Group. As part of the Framework, a Regulatory Compliance and Monitoring Programme with designated responsible parties has been implemented to proactively monitor the Group's compliance obligations and status as well as any changes in laws and regulations and their implications.

Financial Statements

Sustainable growth
in long-term value

KPMG

Independent Auditor's Report

To the Holders of Share Stapled Units of HK Electric Investments and HK Electric Investments Limited

(HK Electric Investments is a trust constituted under the laws of Hong Kong; HK Electric Investments Limited is incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of HK Electric Investments (the "Trust"), HK Electric Investments Limited (the "Company") and its subsidiaries (together the "Trust Group") and of the Company and its subsidiaries (the "Group") set out on pages 90 to 167 (together referred to as the "consolidated financial statements of the Trust and of the Company"). As explained in note 2 to the consolidated financial statements of the Trust and of the Company, the consolidated financial statements of the Trust and of the Company together comprise the consolidated statement of financial position of the Trust Group and of the Group as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Trust Group and of the Group for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Trust and of the Company give a true and fair view of the consolidated financial position of the Trust Group and of the Group as at 31 December 2022 and of the Trust Group's and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Trust Group and of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements of the Trust and of the Company in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the Trust and of the Company of the current period. These matters were addressed in the context of our audit of the consolidated financial statements of the Trust and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Existence and accuracy of property, plant and equipment

Refer to note 16 to the consolidated financial statements of the Trust and of the Company and the accounting policies 3(f), (g) and (h)(ii).

The key audit matter

A wholly owned subsidiary of the Company, The Hongkong Electric Company, Limited ("HK Electric"), is engaged in the generation, transmission and distribution of electricity in Hong Kong (the "Hong Kong electricity business"), which requires substantial capital investment in property, plant and equipment.

The Scheme of Control Agreement entered into by HK Electric and the Government of the HKSAR provides for HK Electric to earn a permitted return calculated based on 8% of average net fixed assets. The Development Plan under the Scheme of Control Agreement governs HK Electric's capital expenditure on the Hong Kong electricity business over the Scheme of Control Agreement period.

HK Electric's property, plant and equipment is specialised in nature and certain items are self-constructed. The cost of self-constructed property, plant and equipment comprises, inter alia, the costs of materials and direct labour, overheads capitalised and borrowing costs. The Directors have implemented internal controls over the capitalisation of costs in property, plant and equipment.

We identified assessing the existence and accuracy of property, plant and equipment as a key audit matter because property, plant and equipment is the most significant asset of the Trust Group and the Group and is critical to the operations of Hong Kong electricity business and because, due to the terms and conditions of the Scheme of Control Agreement, property, plant and equipment is a key focus of management and the users of the consolidated financial statements of the Trust and of the Company.

How the matter was addressed in our audit

Our audit procedures to assess the existence and accuracy of property, plant and equipment included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the existence and accuracy of property, plant and equipment;

- assessing the Trust Group's and the Group's capitalisation policy for expenditure relating to property, plant and equipment with reference to the requirements of the prevailing accounting standards;

- selecting a sample items of property, plant and equipment acquired and capitalised during the year ended 31 December 2022 and inspecting relevant underlying documentation to assess whether these items met the criteria for capitalisation with reference to the requirements of the prevailing accounting standards and to evaluate the date on which costs were capitalised;

- assessing whether the additions to property, plant and equipment for the year ended 31 December 2022 were consistent with the Development Plan agreed between HK Electric and the Government of the HKSAR which governs the level of capital expenditure over a period of time;

- forming an expectation of the value of costs capitalised for the current year based on the prior year's capitalisation ratio and the level of capital work undertaken during the current year, comparing our expectation with the actual costs capitalised for the current year and discussing with management the nature of and reasons for any significant variances; and

- physically inspecting a sample of additions to property, plant and equipment during the current year.

Independent Auditor's Report

Assessment of potential impairment of goodwill relating to the Hong Kong electricity business

Refer to note 17 to the consolidated financial statements of the Trust and of the Company and the accounting policies 3(e) and (h)(ii).

The key audit matter

The Company acquired the Hong Kong electricity business operated by HK Electric from Power Assets Holdings Limited in 2014. The goodwill arising on this acquisition amounted to HK$33.6 billion.

Management assessed goodwill for potential impairment as at 30 November 2022 by comparing the carrying amount of the cash-generating unit to which goodwill has been allocated with the recoverable amount determined by assessing the value-in-use ("VIU") by preparing a discounted cash flow forecast. Preparing a discounted cash flow forecast involves the exercise of significant management judgement, in particular in forecasting revenue growth and operating profit and in determining an appropriate discount rate.

We identified the assessment of potential impairment of goodwill relating to the Hong Kong electricity business as a key audit matter because the carrying value of the goodwill is material to the consolidated financial statements of the Trust and of the Company and also because management's assessment of the value of the future cash flows expected to be derived from the Hong Kong electricity business involves certain critical judgements in respect of the assumptions made which are inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of goodwill relating to the Hong Kong electricity business included the following:

- evaluating management's cash flow forecast by comparing the assumptions adopted by management with our understanding of the Hong Kong electricity business and by comparing key assumptions and estimates with relevant underlying documentation, which included comparing future revenue growth and operating profit with the Development Plan agreed between HK Electric with the Government of the HKSAR and comparing components of the discount rate with market data;

- evaluating management's rationale for adopting cash flow projections over a period greater than five years with reference to the guidance in the prevailing accounting standards;

- engaging our internal valuation specialists to assess whether the discount rate applied in the cash flow forecast was within the range adopted by other companies in the same industry;

- performing sensitivity analyses on the discount rate and terminal growth rate applied and the assumptions for revenue adopted by management in the cash flow forecast to assess the impact of changes in these key assumption on the conclusion reached in management's impairment assessment and considering whether there were any indicators of management bias in the assumption adopted; and

- comparing the actual results for the current year with management's forecasts for the previous year in order to assess the historical accuracy of the management's forecasting process.

Information other than the consolidated financial statements and auditor’s report thereon

The Directors of HK Electric Investments Manager Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the Trust) and the Directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements of the Trust and of the Company and our auditor’s report thereon.

Our opinion on the consolidated financial statements of the Trust and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements of the Trust and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements of the Trust and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors of the Trustee-Manager and the Directors of the Company are responsible for the preparation of the consolidated financial statements of the Trust and of the Company that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements of the Trust and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements of the Trust and of the Company, the Directors are responsible for assessing the Trust Group’s and the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Trust Group and the Group or to cease operations or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committees of the Trustee-Manager and of the Company in discharging their responsibilities for overseeing the Trust Group’s and the Group’s financial reporting process.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Trust and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements of the Trust and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Group's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust Group's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements of the Trust and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust Group and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements of the Trust and of the Company, including the disclosures, and whether the consolidated financial statements of the Trust and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust Group and the Group to express an opinion on the consolidated financial statements of the Trust and of the Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committees of the Trustee-Manager and of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committees of the Trustee-Manager and of the Company with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committees of the Trustee-Manager and of the Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the Trust and of the Company of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Wai Shun, Wilson.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

14 March 2023

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	8	**(987)**	(1,051)
Operating profit		**4,509**	4,845
Finance costs	9	**(961)**	(800)
Profit before taxation	10	**3,548**	4,045
Income tax:	11		
Current		**(187)**	(413)
Deferred		**(442)**	(322)
		(629)	(735)
Profit after taxation		**2,919**	3,310
Scheme of Control transfers	13(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	15	**33.43 cents**	33.19 cents

The notes on pages 95 to 167 form part of these consolidated financial statements.

As explained in note 2, 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 14.

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

The notes on pages 95 to 167 form part of these consolidated financial statements.

As explained in note 2, 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
	16	**78,960**	76,740
Goodwill	17	**33,623**	33,623
Interest in a joint venture	19	**793**	477
Derivative financial instruments	26	**1,450**	596
Employee retirement benefit scheme assets	27(a)	**882**	1,045
		115,708	112,481
Current assets			
Inventories	20	**1,446**	904
Trade and other receivables	21	**1,631**	1,157
Fuel Clause Recovery Account	22	**1,892**	252
Bank deposits and cash	23(a)	**325**	34
		5,294	2,347
Current liabilities			
Trade and other payables and contract liabilities	24	**(4,821)**	(4,078)
Current portion of bank loans and other interest-bearing borrowings	25	**(557)**	(1,233)
Current tax payable	29(a)	**(149)**	(506)
		(5,527)	(5,817)
Net current liabilities		**(233)**	(3,470)
Total assets less current liabilities		**115,475**	109,011
Non-current liabilities			
Bank loans and other interest-bearing borrowings	25	**(50,655)**	(45,393)
Derivative financial instruments	26	**(111)**	(197)
Customers' deposits		**(2,381)**	(2,317)
Deferred tax liabilities	29(b)	**(10,495)**	(9,982)
Employee retirement benefit scheme liabilities	27(a)	**(158)**	(350)
Other non-current liabilities	28	**(1,430)**	(1,314)
		(65,230)	(59,553)
Scheme of Control Fund and Reserve	13(c)	**(912)**	(1,065)
Net assets		**49,333**	48,393
Capital and reserves			
Share capital	30(b)	**8**	8
Reserves		**49,325**	48,385
Total equity		**49,333**	48,393

Approved and authorised for issue by the Boards on 14 March 2023.

Wan Chi Tin
Director

Chan Loi Shun
Director

The notes on pages 95 to 167 form part of these consolidated financial statements.
As explained in note 2, the consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together.

Consolidated Statement of Changes in Equity of the Trust and of the Company

For the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Attributable to holders of Share Stapled Units/shares of the Company					
$ million	Share capital (note 30(b))	Share premium (note 30(c))	Hedging reserve (note 30(d)(i))	Revenue reserve (note 30(d)(ii))	Proposed/ declared distribution/ dividend (note 14)	Total
Balance at 1 January 2021	8	47,472	(379)	(780)	1,422	47,743
Changes in equity for 2021:						
Profit for the year	–	–	–	2,933	–	2,933
Other comprehensive income	–	–	382	164	–	546
Total comprehensive income	–	–	382	3,097	–	3,479
Amounts transferred to the initial carrying amount of hedged items, net of tax	–	–	1	–	–	1
Final distribution/second interim dividend in respect of previous year approved and paid (see note 14(c))	–	–	–	–	(1,422)	(1,422)
Interim distribution/first interim dividend paid (see note 14(b))	–	–	–	(1,408)	–	(1,408)
Proposed final distribution/second interim dividend (see note 14(b))	–	–	–	(1,422)	1,422	–
Balance at 31 December 2021 and 1 January 2022	**8**	**47,472**	**4**	**(513)**	**1,422**	**48,393**
Changes in equity for 2022:						
Profit for the year	**–**	**–**	**–**	**2,954**	**–**	**2,954**
Other comprehensive income	**–**	**–**	**780**	**32**	**–**	**812**
Total comprehensive income	**–**	**–**	**780**	**2,986**	**–**	**3,766**
Amounts transferred to the initial carrying amount of hedged items, net of tax	**–**	**–**	**4**	**–**	**–**	**4**
Final distribution/second interim dividend in respect of previous year approved and paid (see note 14(c))	**–**	**–**	**–**	**–**	**(1,422)**	**(1,422)**
Interim distribution/first interim dividend paid (see note 14(b))	**–**	**–**	**–**	**(1,408)**	**–**	**(1,408)**
Proposed final distribution/second interim dividend (see note 14(b))	**–**	**–**	**–**	**(1,422)**	**1,422**	**–**
Balance at 31 December 2022	**8**	**47,472**	**788**	**(357)**	**1,422**	**49,333**

The notes on pages 95 to 167 form part of these consolidated financial statements.
As explained in note 2, the consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together.

Consolidated Cash Flow Statement of the Trust and of the Company

For the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	2022 $ million	2021 $ million
Operating activities			
Cash generated from operations	23(b)	**6,157**	7,344
Interest paid		**(875)**	(720)
Interest received		**30**	13
Hong Kong Profits Tax paid		**(544)**	(448)
Net cash generated from operating activities		**4,768**	6,189
Investing activities			
Payment for the purchase of property, plant and equipment and capital stock		**(5,528)**	(4,603)
Capitalised interest paid		**(233)**	(223)
New loan to a joint venture		**(316)**	(199)
Net cash used in investing activities		**(6,077)**	(5,025)
Financing activities			
Proceeds from bank loans	23(c)	**4,873**	16,048
Repayment of bank loans	23(c)	**(500)**	(14,450)
Payment of lease liabilities	23(c)	**(1)**	(2)
New customers’ deposits	23(c)	**306**	327
Repayment of customers’ deposits	23(c)	**(242)**	(278)
Distributions/dividends paid		**(2,830)**	(2,830)
Net cash generated from/(used in) financing activities		**1,606**	(1,185)
Net increase/(decrease) in cash and cash equivalents		**297**	(21)
Cash and cash equivalents at 1 January		**34**	52
Effect of foreign exchange rate changes		**(6)**	3
Cash and cash equivalents at 31 December	23(a)	**325**	34

The notes on pages 95 to 167 form part of these consolidated financial statements.

As explained in note 2, 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 unless otherwise indicated)

1. 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 of Hong Kong Limited (the "Stock Exchange").

2. 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".

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Groups are set out below.

The HKICPA has issued a number of amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Groups. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Groups for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 37.

(c) Subsidiaries

Subsidiaries are entities over which the Groups have control. The Groups control an entity when the Groups are exposed, or have the rights, to variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. When assessing whether the Groups have power, only substantive rights (held by the Groups or other parties) are considered.

Investments in subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Groups' interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Groups lose control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in a joint venture or an associate.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 3(h)(ii)).

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(d) Joint venture

A joint venture is an arrangement whereby the Groups or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Groups' share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Groups' equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Groups' share of the investee's net assets and any impairment loss relating to the investment (see note 3(h)(ii)). At each reporting date, the Groups assess whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Groups' share of the post-acquisition, post-tax results of the investee and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Groups' share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Groups' share of losses exceeds their interest in the joint venture, the Groups' interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Groups have incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Groups' interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Groups' net investment in the joint venture (after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 3(h)(i)).

Unrealised profits and losses resulting from transactions between the Groups and their joint venture are eliminated to the extent of the Groups' interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, when the Groups cease to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(e) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 3(h)(ii)).

(f) Property, plant and equipment, interests in leasehold land and depreciation and amortisation

(i) Property, plant and equipment including right-of-use assets arising from leases over leasehold properties where the Groups are not registered owner of the property interest, other than assets under construction, are stated at cost less accumulated depreciation (see note 3(f)(viii)) and impairment losses (see note 3(h)(ii)).

(ii) Assets under construction are stated at cost less impairment losses (see note 3(h)(ii)), and are not depreciated. Assets under construction are transferred to appropriate class of property, plant and equipment when completed and ready for use.

(iii) The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads and borrowing costs (see note 3(v)).

(iv) Subsequent expenditure to replace a component of an item of property, plant and equipment that is accounted for separately, or to improve its operational performance is included in the item's carrying amount or recognised as a separate item as appropriate when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Groups and the cost of the item can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(v) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(vi) Leasehold land held for own use is stated at cost less accumulated amortisation (see note 3(f)(vii)) and impairment losses (see note 3(h)(ii)).

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(f) Property, plant and equipment, interests in leasehold land and depreciation and amortisation (continued)

(vii) The cost of acquiring interests in leasehold land is amortised on a straight-line basis over the shorter of the estimated useful lives of the leased assets and the unexpired lease term.

(viii) Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Years
Cable tunnels	100
Buildings	60
Ash lagoon and gas pipeline	60
Transmission and distribution equipment, overhead lines and cables	60
Generating plant and machinery	35
Gas turbines and gas turbine combined cycle	30
Mechanical meters	30
Photovoltaic systems	25
Wind turbines	20
Electronic meters, microwave and optical fibre equipment and trunk radio systems	15
Furniture and fixtures, sundry plant and equipment	10
Computers	5 to 10
Motor vehicles and marine craft	5 to 6
Workshop tools and office equipment	5
Properties leased for own use	Shorter of the unexpired term of lease and the properties' estimated useful life

Immovable assets are amortised on a straight-line basis over the unexpired lease terms of the land on which the immovable assets are situated if the unexpired lease terms of the land are shorter than the estimated useful lives of the immovable assets.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the property, plant and equipment is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Leased assets

At inception of a contract, the Groups assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

At the lease commencement date, the Groups recognise a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Groups enter into a lease in respect of a low-value asset, the Groups decide whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 3(f) and (h)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Groups' estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Groups will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

The current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within 12 months after the reporting period.

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Groups recognise a loss allowance for ECLs on the financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables). Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Groups in accordance with the contract and the cash flows that the Groups expect to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– trade and other receivables and fixed rate financial assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Groups are exposed to credit risk.

In measuring ECLs, the Groups take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Groups' historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Groups recognise a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Groups compare the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Groups consider that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Groups in full, without recourse by the Groups to actions such as realising security (if any is held); or (ii) the receivables are 90 days past due and the debtor does not respond to the Groups' collection activities as historical experience indicates that receivables meet those criteria are generally not recoverable. The Groups consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Groups.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Groups recognise an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 3(r)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Groups assess whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Groups determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets and interests in leasehold land;

– goodwill; and

– investments in subsidiaries and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(h) Credit losses and impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Groups are required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Groups apply the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 3(h)(i) and 3(h)(ii)).

Impairment loss recognised in an interim period in respect of goodwill is not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(j) Retirement scheme obligations

(i) Defined benefit retirement scheme obligations

The Groups' net obligation in respect of defined benefit retirement schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any scheme assets is deducted. The discount rate is the yield at the end of the reporting period on Hong Kong Special Administrative Region Government Exchange Fund Notes that have maturity dates approximating the terms of the Groups' obligations. The calculation is performed by a qualified actuary using the "Projected Unit Credit Method".

Where the calculation of the Groups' net obligation results in a negative amount, the asset recognised is limited to the present value of any future refunds from or reductions in future contributions to the defined benefit retirement scheme.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in the revenue reserve and will not be reclassified to profit or loss.

The Groups determine the net interest expense or income for the period on the net defined benefit liability or asset by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability or asset, taking into account any changes in the net defined liabilities or assets during the year as a result of contributions and benefit payments.

(ii) Contributions to defined contribution retirement schemes

Obligations for contributions to defined contribution retirement schemes, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as incurred.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Coal, stores, fuel oil and natural gas are valued at cost measured on a weighted average basis.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories recognised as an expense includes the write-off and all losses of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(l) Trade and other receivables

A receivable is recognised when the Groups have an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 3(h)(i)).

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Groups' accounting policy for borrowing costs (see note 3(v)).

A call option embedded in a host debt instrument is closely related to and not separated from the host debt instrument if the option's exercise price is approximately equal on each exercise date to the amortised cost of the host debt instrument.

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(n) Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Groups recognise the related revenue (see note 3(r)). A contract liability would also be recognised if the Groups have an unconditional right to receive non-refundable consideration before the Groups recognise the related revenue. In such cases, a corresponding receivable would also be recognised (see note 3(l)).

(p) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 3(q)).

(q) Hedging

The Groups designate certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and variable rate borrowings (cash flow hedges), or as hedging instruments to hedge changes in the fair value of a recognised asset or liability (fair value hedges).

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, along with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

(ii) Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

Forward element of forward foreign currency contracts and foreign currency basis spread of financial instruments may be separated and excluded from the designated hedging instruments. If the Groups exclude the forward element of a forward foreign exchange contract or the foreign currency basis spread of a financial instrument (the "excluded elements") from the designation of a hedging instrument, then the excluded elements may be separately accounted for as a cost of hedging. The fair value changes of the excluded elements are recognised in a separate component of equity to the extent that it relates to the hedged items.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity and included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserves is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

(r) Revenue recognition

(i) Regulation of earnings under the Scheme of Control Agreement

The earnings of the Groups' major subsidiary, HK Electric, are regulated by the HKSAR Government (the "Government") under a Scheme of Control Agreement ("SoCA") which provides for a permitted level of earnings based principally on a return on HK Electric's capital investment in electricity generation, transmission and distribution assets (the "Permitted Return"). The SoCA also provides for performance based incentives and penalties which encourage customer service quality, energy efficiency, demand response reduction and renewable energy development. The Net Return of HK Electric under the SoCA is determined by deducting from the Permitted Return interest and excess capacity adjustments, if any, and adjusting for the abovementioned incentives and penalties. HK Electric is required to submit detailed Development Plans for approval by the Government which project the key determinants of the Net Return to which HK Electric will be entitled over the Development Plan period.

The Government has approved the 2019-2023 Development Plan covering the period from 1 January 2019 to 31 December 2023. No further Government approval is required during this period unless a need for significant Basic Tariff increases, over and above those set out in the Development Plan, is identified during the Annual Tariff Review conducted with the Government under the terms of the SoCA.

(ii) Fuel Clause Recovery Account

Under the SoCA, any difference between the standard cost of fuel, as agreed with the Government, and the actual cost of fuel consumed is transferred to the Fuel Clause Recovery Account ("Fuel Cost Account Adjustments").

Fuel Clause Charges (or Rebates) are charged (or given) to customers by adding to (or deducting from) the Basic Tariff to produce a Net Tariff payable by customers and are credited (or debited) to the Fuel Clause Recovery Account.

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(r) Revenue recognition (continued)

(ii) Fuel Clause Recovery Account (continued)

The balance on the Fuel Clause Recovery Account at the end of a financial year represents the difference between Fuel Clause Charges (or Rebates) and Fuel Cost Account Adjustments during the year, together with any balance brought forward from the prior year and interest thereon based on prevailing market interest rates.

(iii) Income recognition

Income is classified by the Groups as revenue when it arises from the sale of electricity, the provision of services or the use by others of the Groups' assets under leases in the ordinary course of the Groups' business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Groups are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue is after deduction of any trade discounts.

Further details of the Groups' revenue and other income recognition policies are as follows:

(1) Electricity income is recognised based on the actual and accrued units of electricity consumed by customers during the year at the Basic Tariff, which is the unit charge agreed with the Government during the Annual Tariff Review for each financial year.

(2) Electricity-related income is recognised when the related services are rendered.

(3) Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 3(h)(i)).

(4) Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Groups will comply with the conditions attaching to them. Grants that compensate the Groups for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates, or at contract rates if foreign currencies are hedged by forward foreign exchange contracts. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period.

Exchange gains and losses in respect of assets under construction are, up to the date of commissioning, incorporated in the cost of the assets. All other exchange differences are dealt with in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Groups initially recognised such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Groups' cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 3(h)(i).

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(u) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Provisions and contingent liabilities

Provisions are recognised when the Groups or the Company have a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) Related parties

(i) A person, or a close member of that person's family, is related to the Groups if that person:

(1) has control or joint control over the Groups;

(2) has significant influence over the Groups; or

(3) is a member of the key management personnel of the Groups.

(ii) An entity is related to the Groups if any of the following conditions applies:

(1) The entity and the Groups are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is a joint venture or an associate of the other entity (or a joint venture or an associate of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Groups or an entity related to the Groups.

(6) The entity is controlled or jointly controlled by a person identified in note 3(x)(i).

(7) A person identified in note 3(x)(i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides a key management personnel services to the Groups.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker of the Groups for the purposes of resource allocation and performance assessment.

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

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. Other operating costs

	2022 $ million	2021 $ million
Administrative expenses, government rent and rates	**348**	312
Staff costs in relation to corporate and administrative supports	**234**	229
Provisions for asset decommissioning obligation	**120**	194
Portion of depreciation and amortisation of leasehold land included in other operating costs	**197**	196
Net loss on disposal and written off of property, plant and equipment	**88**	120
	987	1,051

9. Finance costs

	2022 $ million	2021 $ million
Interest on borrowings and other finance costs	**1,287**	1,085
Less: interest expense and other finance costs capitalised to assets under construction	**(293)**	(271)
interest expense transferred to fuel costs	**(33)**	(14)
Total interest expense arising from borrowings and other finance costs	**961**	800

Interest expense has been capitalised at an average rate of approximately 2.7% (2021: 2.5%) per annum for assets under construction.

10. Profit before taxation

	2022 $ million	2021 $ 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).

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(a) Taxation in the consolidated statement of profit or loss represents:

	2022 **$ million**	2021 $ 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 (see note 29(b))		
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.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2022 **$ million**	2021 $ million
Profit before taxation	**3,548**	4,045
Notional tax on profit before taxation, calculated at the Hong Kong Profits Tax rate (see note below)	**585**	667
Tax effect of non-deductible expenses	**71**	75
Tax effect of non-taxable income	**(5)**	(3)
Tax effect of recognition of previously unrecognised temporary differences	**(6)**	(3)
Tax effect of special rebates	**(16)**	–
Over-provision in respect of prior years	**–**	(1)
Actual tax expense	**629**	735

For the year ended 31 December 2022, the notional tax is calculated at 16.5% (2021: 16.5%), except for one subsidiary of the Groups which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, tax on the first $2 million of profits is calculated at 8.25% and tax on the remaining profits is calculated at 16.5%. The notional tax of this subsidiary is calculated at the same basis as 2021.

12. Directors' emoluments and management team remuneration

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the Directors of the Company are as follows:

Name of Directors	Fees $ million	Basic salaries, allowances and other benefits [13] $ million	Retirement scheme contributions $ million	Bonuses $ million	2022 Total emoluments $ million	2021 Total emoluments $ million
Executive Directors [1]						
Fok Kin Ning, Canning [3]						
Chairman	0.12	1.05	–	–	**1.17**	1.01
Wan Chi Tin [5]						
Chief Executive Officer	0.09	9.49	–	10.55	**20.13**	19.02
Chan Loi Shun	0.07	3.40	–	–	**3.47**	3.39
Chen Daobiao [10]	0.04	1.82	0.01	0.32	**2.19**	3.65
Cheng Cho Ying, Francis [5]	0.09	4.43	–	2.03	**6.55**	6.26
Wang Yuanhang [9]	0.03	0.61	–	0.20	**0.84**	–
Non-executive Directors						
Victor T K Li [4]						
Deputy Chairman to the Company Board	0.09	0.47	–	–	**0.56**	0.46
Fahad Hamad A H Al-Mohannadi	0.07	–	–	–	**0.07**	0.07
Ronald Joseph Arculli [2]	0.14	0.06	–	–	**0.20**	0.20
Duan Guangming [12]	0.05	–	–	–	**0.05**	0.07
Deven Arvind Karnik	0.07	–	–	–	**0.07**	0.07
Wang Zijian [11]	0.02	–	–	–	**0.02**	–
Zhu Guangchao	0.07	–	–	–	**0.07**	0.07
Independent Non-executive Directors						
Fong Chi Wai, Alex [3] [5]	0.11	0.02	–	–	**0.13**	0.12
Koh Poh Wah [2]	0.14	–	–	–	**0.14**	0.09
Kwan Kai Cheong [4]	0.08	0.03	–	–	**0.11**	0.09
Lee Lan Yee, Francis [2] [4]	0.16	0.02	–	–	**0.18**	0.18
George Colin Magnus	0.07	0.04	–	–	**0.11**	0.09
Donald Jeffrey Roberts [2] [3]	0.16	0.01	–	–	**0.17**	0.17
Ralph Raymond Shea [8]	0.04	0.01	–	–	**0.05**	0.12
Alternate Directors						
Woo Mo Fong, Susan						
(alias Chow Woo Mo Fong, Susan) [6]	–	0.04	–	–	**0.04**	0.07
Frank John Sixt [7]	–	0.03	–	–	**0.03**	0.03
Total for the year 2022	**1.71**	**21.53**	**0.01**	**13.10**	**36.35**	
Total for the year 2021	1.70	21.01	0.03	12.49		35.23

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

12. Directors' emoluments and management team remuneration (continued)

Notes:

(1) Senior management of the Groups comprise all Executive Directors.
(2) Member of the Trustee-Manager Audit Committee and the Company Audit Committee.
(3) Member of the Remuneration Committee.
(4) Member of the Nomination Committee.
(5) Member of the Sustainability Committee.
(6) An Alternate Director to Mr. Fok Kin Ning, Canning.
(7) An Alternate Director to Mr. Victor T K Li.
(8) Retired as Independent Non-executive Director and ceased to be member of the Nomination Committee with effect from 18 May 2022.
(9) Appointed as Executive Director with effect from 22 July 2022.
(10) Resigned as Executive Director with effect from 22 July 2022.
(11) Appointed as Non-executive Director with effect from 9 September 2022.
(12) Resigned as Non-executive Director with effect from 9 September 2022.
(13) Other benefits include electricity allowances to Directors for residential use. For Directors who are employees of the Groups, other benefits also include insurance and medical benefits entitled by the employees of the Groups.

(a) The five highest paid individuals of the Groups included two directors (2021: three) whose total emoluments are shown above. The remuneration of the other three individuals (2021: two) who comprise the five highest paid individuals of the Groups is set out below:

	2022 $ million	2021 $ million
Basic salaries, allowances and other benefits	**9.76**	6.95
Retirement scheme contributions	**1.32**	0.91
Bonuses	**3.66**	2.69
	14.74	10.55

(b) The total remuneration of management team, including the three individuals (2021: two) who comprise the five highest paid individuals in note (a) above is within the following bands:

	2022 Number	2021 Number
$2,500,001 – $3,000,000	**1**	2
$3,000,001 – $3,500,000	**6**	5
$3,500,001 – $4,000,000	**2**	2
$5,000,001 – $5,500,000	**1**	2
$5,500,001 – $6,000,000	**1**	–

(c) The remuneration of Directors and management team is as follows:

	2022 $ million	2021 $ million
Short-term employee benefits	**75**	72
Post-employment benefits	**2**	2
	77	74

At 31 December 2022 and 2021, there was no amount due from Directors and management team.

13. Scheme of Control transfers

(a) The financial operations of HK Electric are governed by the SoCA agreed with the Government which provides for HK Electric to earn a Permitted Return (see note 3(r)(i)). 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 **$ million**	2021 $ 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 the HK Electric's 2022 financial incentive (2021: $31,760,000), 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 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.

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

13. Scheme of Control transfers (continued)

(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.

14. Distributions/dividends

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

	2022 $ million	2021 $ million
Audited 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.

Notes to the Financial Statements of the Trust and of the Company

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14. Distributions/dividends (continued)

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

	2022 **$ million**	2021 $ 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 **$ million**	2021 $ 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

15. 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.

16. 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.

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

17. Goodwill

(a) Carrying amount of goodwill

	2022 **$ million**	2021 $ million
Cost		
At 1 January and 31 December	**33,623**	33,623

(b) Impairment test for goodwill

HK Electric is the Groups' only cash-generating unit ("CGU") to which the goodwill has been allocated.

In the case of triggering events and at least annually, the Groups test whether the goodwill has suffered any impairment. Recoverable amount of the CGU, to which the goodwill has been allocated, was determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 16-year period (2021: 16-year period). Projections for a period of greater than five years have been used on the basis that a longer projection period represents the long-lived nature of generation, transmission and distribution assets and a more appropriate reflection of future cash flows of HK Electric under the regulatory regime. The cash flow projections are discounted using a pre-tax discount rate of 6.79% (2021: 5.99%). The discount rate used reflects specific risks relating to the relevant CGU. Cash flows beyond the 16-year period are extrapolated using the terminal growth rate of 1.0% (2021: 1.0%).

There was no indication of impairment arising from review on goodwill as at 30 November 2022.

If the discount rate rose to 7.09% (2021: 7.17%), the recoverable amount of the CGU would be approximately equal to its carrying amount. Except this, any reasonably possible changes in the other key assumptions used in the value-in-use calculation would not affect management's view on impairment test result as at 30 November 2022.

18. Investments in subsidiaries

Details of the subsidiaries at 31 December 2022 are as follows:

Name of subsidiary	Issued share capital and debt securities	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
Century Rank Limited	US$1	100%	British Virgin Islands/ Hong Kong	Investment holding
Treasure Business Limited	US$1	100% (1)	British Virgin Islands/ Hong Kong	Investment holding
The Hongkong Electric Company, Limited	$2,411,600,000	100% (1)	Hong Kong	Electricity generation and supply
Hongkong Electric Finance Limited	US$1 HK$9,004 million Hong Kong dollar fixed rate notes US$1,750 million United States dollar fixed rate notes HK$1,056 million Hong Kong dollar zero coupon notes US$400 million United States dollar callable zero coupon notes (see note 25)	100% (1)	British Virgin Islands/ Hong Kong	Financing

(1) Indirectly held

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19. Interest in a joint venture

Details of the Groups' interest in a joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Issued share capital	Groups' effective interest	Place of incorporation/ operation	Principal activity
Hong Kong LNG Terminal Limited ("HKLTL")	$10	30%	Hong Kong	Develop, construct, operate, maintain and own a liquefied natural gas (LNG) terminal in Hong Kong and providing related services

HKLTL is jointly owned by HK Electric and Castle Peak Power Company Limited ("CAPCO") for the development of an LNG terminal in Hong Kong. HKLTL is a joint venture of HK Electric and CAPCO as its significant operational and financial decisions require unanimous consent of both shareholders.

HKLTL, the only joint venture in which the Groups participate, is an unlisted corporate entity whose quoted market price is not available.

Summarised financial information below represents amounts shown in HKLTL's financial statements prepared in accordance with HKFRSs and the Groups' share of results and net assets:

	2022 $ million	2021 $ million
Current assets		
Bank deposits and cash	**25**	1
Other current assets	**11**	1
	36	2
Non-current assets	**2,777**	2,105
Current liabilities		
Loans from shareholders	**(38)**	–
Other current liabilities	**(171)**	(517)
	(209)	(517)
Non-current liabilities		
Loans from shareholders	**(2,604)**	(1,590)
Net assets	**–**	–
Revenue	**8**	1
Profit for the year	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**–**	–

	2022 $ million	2021 $ million
Groups' share of net assets	**–**	–
Loan to joint venture (see note below)	**793**	477
	793	477

HK Electric entered into a Shareholder Loan Facility Agreement ("SLFA") in 2019 with HKLTL under which two tranches of loan facilities totalling $699 million are provided by HK Electric to finance HKLTL's obtaining the land lease and construction of the jetty for the LNG terminal. Both tranches of loans are unsecured and interest-bearing with the rates benchmarked with market rates. In 2022, HK Electric and HKLTL further entered into an Amendment Agreement to the SLFA to increase the two tranches of loan facilities to $920 million.

20. Inventories

	2022 $ million	2021 $ million
Coal, fuel oil and natural gas	**1,158**	620
Stores and materials (see note below)	**288**	284
	1,446	904

Included in stores and materials is capital stock of $137 million (2021: $144 million) which was purchased for future maintenance of capital assets.

21. Trade and other receivables

	2022 $ million	2021 $ million
Trade debtors, net of loss allowance (see notes (a) and (b) below)	**811**	611
Other receivables (see note below)	**729**	457
	1,540	1,068
Derivative financial instruments (see note 26)	**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.

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(Expressed in Hong Kong dollars unless otherwise indicated)

21. Trade and other receivables (continued)

(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.

(b) Expected credit losses of trade debtors

The Groups measure loss allowances for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Groups determine the provision for ECLs by grouping together trade debtors with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic environment. For trade debtors relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

The Groups classify trade debtors by nature of customer accounts namely live accounts and final accounts. The following table provides information about the Groups' exposure to credit risk and ECLs for trade debtors:

	2022			
	ECL rate %	**Gross carrying amount $ million**	**Lifetime ECLs $ million**	**Net carrying amount $ million**
Live accounts				
Provision on collective basis	**2**	**789**	**(12)**	**777**
Final accounts				
Provision on individual basis	**14**	**12**	**(2)**	**10**
Other trade debtors				
Provision on collective basis	**0**	**24**	**–**	**24**
		825	**(14)**	**811**

	2021			
	ECL rate %	Gross carrying amount $ million	Lifetime ECLs $ million	Net carrying amount $ million
Live accounts				
Provision on collective basis	2	593	(11)	582
Final accounts				
Provision on individual basis	9	8	(1)	7
Other trade debtors				
Provision on collective basis	0	22	–	22
		623	(12)	611

HK Electric obtained collateral in the form of security deposits or bank guarantees from customers (see note 31(a)).

Movement in the loss allowance account in respect of trade debtors during the year is as follows:

	2022 $ million	2021 $ million
At 1 January	**12**	11
Impairment losses recognised during the year	**3**	2
Amounts written off during the year	**(1)**	(1)
At 31 December	**14**	12

22. 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	**(5,282)**	(2,074)
At 31 December	**1,892**	252

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

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23. Bank deposits and cash and other cash flow information

(a) Bank deposits and cash comprise:

	2022 $ million	2021 $ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	**252**	–
Cash at bank and in hand	**73**	34
	325	34

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2022 $ million	2021 $ million
Profit before taxation		**3,548**	4,045
Adjustments for:			
Interest income	7	**(30)**	(13)
Finance costs	9	**961**	800
Interest expense transferred to fuel costs	9	**33**	14
Depreciation	10	**2,924**	2,926
Amortisation of leasehold land	10	**196**	196
Net loss on disposal and written off of property, plant and equipment	10	**88**	120
Increase in provisions for asset decommissioning obligation	28(a)	**120**	194
Net financial instrument revaluation and exchange losses/(gains)		**5**	(2)
Changes in working capital:			
Increase in inventories		**(549)**	(192)
Increase in trade and other receivables		**(372)**	(257)
Movements in Fuel Clause Recovery Account		**(1,640)**	(1,048)
Increase in trade and other payables and contract liabilities		**985**	560
Increase/decrease in net employee retirement benefit assets/liabilities		**10**	22
Payment for asset decommissioning obligation expenditure	28(a)	**(5)**	(1)
Special rebates	13(c)	**(99)**	–
Smart Power Care Fund disbursement	13(c)	**(18)**	(20)
Cash generated from operations		**6,157**	7,344

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Groups' liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Groups' consolidated cash flow statement as cash flows from financing activities.

$ million	Bank loans (note 25)	Medium term notes (note 25)	Customers' deposits	Lease liabilities (note 28(b))	Derivative financial instrument held to hedge borrowings (assets)	Derivative financial instrument held to hedge borrowings (liabilities)	Total
At 1 January 2022	**19,612**	**27,014**	**2,317**	**1**	**(389)**	**187**	**48,742**
Changes from financing cash flows:							
Proceeds from bank loans	**4,873**	**–**	**–**	**–**	**–**	**–**	**4,873**
Repayment of bank loans	**(500)**	**–**	**–**	**–**	**–**	**–**	**(500)**
Payment of lease liabilities	**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**
New customers' deposits	**–**	**–**	**306**	**–**	**–**	**–**	**306**
Repayment of customers' deposits	**–**	**–**	**(242)**	**–**	**–**	**–**	**(242)**
Total changes from financing cash flows	**4,373**	**–**	**64**	**(1)**	**–**	**–**	**4,436**
Changes in fair value	**–**	**–**	**–**	**–**	**(900)**	**(60)**	**(960)**
Other changes:							
Increase in lease liabilities	**–**	**–**	**–**	**1**	**–**	**–**	**1**
Interest on borrowings and other finance costs	**2**	**211**	**–**	**–**	**–**	**–**	**213**
At 31 December 2022	**23,987**	**27,225**	**2,381**	**1**	**(1,289)**	**127**	**52,432**

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(Expressed in Hong Kong dollars unless otherwise indicated)

23. Bank deposits and cash and other cash flow information (continued)

(c) Reconciliation of liabilities arising from financing activities: (continued)

$ million	Bank loans (note 25)	Medium term notes (note 25)	Customers' deposits	Lease liabilities (note 28(b))	Derivative financial instrument held to hedge borrowings (assets)	Derivative financial instrument held to hedge borrowings (liabilities)	Total
At 1 January 2021	18,080	26,810	2,268	2	(392)	685	47,453
Changes from financing cash flows:							
Proceeds from bank loans	16,048	–	–	–	–	–	16,048
Repayment of bank loans	(14,450)	–	–	–	–	–	(14,450)
Payment of lease liabilities	–	–	–	(2)	–	–	(2)
New customers' deposits	–	–	327	–	–	–	327
Repayment of customers' deposits	–	–	(278)	–	–	–	(278)
Total changes from financing cash flows	1,598	–	49	(2)	–	–	1,645
Changes in fair value	–	–	–	–	3	(498)	(495)
Other changes:							
Increase in lease liabilities	–	–	–	1	–	–	1
Interest on borrowings and other finance costs	(66)	204	–	–	–	–	138
At 31 December 2021	19,612	27,014	2,317	1	(389)	187	48,742

24. 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 28(b))	**–**	1
Derivative financial instruments (see note 26)	**40**	29
	4,758	4,000
Contract liabilities (see note (b) below)	**63**	78
	4,821	4,078

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	**1,152**	1,180
	4,718	3,970

(b) Contract liabilities

(i) 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.

(ii) Movements in contract liabilities during the year is as follows:

	2022 $ million	2021 $ million
At 1 January	**78**	22
Increase in contract liabilities as a result of billing in advance for performance of electricity-related services	**48**	64
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(63)**	(8)
At 31 December	**63**	78

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25. Bank loans and other interest-bearing borrowings

	2022 $ million	2021 $ 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) Details of the issuer of the Hong Kong dollar and United States dollar medium term notes are set out in note 18.

(d) 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. Further details of the Groups' management of liquidity risk are set out in note 31(b). As at 31 December 2022 and 2021, none of the covenants relating to drawn down facilities had been breached.

(e) 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 **$ million**	2021 $ 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

26. Derivative financial instruments

	2022		2021	
	Assets **$ million**	**Liabilities** **$ million**	Assets $ million	Liabilities $ million
Derivative financial instruments used for hedging:				
Cash flow hedges:				
– Cross currency swaps	**–**	**(41)**	–	(37)
– Interest rate swaps	**972**	**(86)**	15	(150)
– Forward foreign exchange contracts	**479**	**(8)**	585	(9)
Fair value hedges:				
– Forward foreign exchange contracts	**–**	**(16)**	–	(30)
	1,451	**(151)**	600	(226)
Analysed as:				
Current	**1**	**(40)**	4	(29)
Non-current	**1,450**	**(111)**	596	(197)
	1,451	**(151)**	600	(226)

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27. Employee retirement benefits

The Groups offer three retirement schemes which together cover all permanent staff.

One of the schemes (the "Pension Scheme") provides pension benefits based on the employee's final basic salary and length of service. This scheme is accounted for as a defined benefit retirement scheme.

Another scheme is defined contribution in nature (the "Defined Contribution Scheme") and offers its members various investment funds in which they can invest. One of the investment funds provides a guaranteed return and is thus defined benefit in nature; the part of the Defined Contribution Scheme in respect of this investment fund is accounted for as a defined benefit retirement scheme ("Defined Contribution Scheme – DB Portion"). In respect of other investment funds which do not offer a guaranteed return, the scheme is accounted for as a defined contribution retirement scheme ("Defined Contribution Scheme – DC Portion") (see note 27(b)).

Both the Pension Scheme and the Defined Contribution Scheme are established under trust and are registered under the Hong Kong Occupational Retirement Schemes Ordinance. The assets of the schemes are held independently of the Groups' assets in separate trustee administered funds. The responsibility for the governance of the schemes – including investment and contribution decisions – lies with the independent trustees in accordance with the trust deeds of the schemes.

Since the introduction of the Mandatory Provident Fund System in Hong Kong in December 2000, both the Pension Scheme and the Defined Contribution Scheme have been closed to new entrants and all new recruits are enrolled in a master trust Mandatory Provident Fund Scheme (the "MPF Scheme") operated by an independent service provider under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The MPF Scheme is a defined contribution retirement scheme with the employer and its employees each contributing to the scheme in accordance with the relevant scheme rules. The MPF Scheme rules provide for voluntary contributions to be made by the employer calculated as a percentage of the employees' basic salaries.

(a) Defined benefit retirement schemes ("the Schemes")

The funding policy in respect of the Pension Scheme is based on valuations prepared periodically by independent professionally qualified actuaries at Willis Towers Watson Hong Kong Limited. The policy for employer's contributions is to fund the scheme in accordance with the actuary's recommendations on an on-going basis. The principal actuarial assumptions used include discount rate, long term salary increase rate and future pension increase rate which are disclosed in note 27(a)(viii) together with appropriate provisions for mortality rates, turnover and adjustments to reflect the short-term market expectation of salary increases. The most recent actuarial valuation of the Pension Scheme was carried out by the appointed actuary, represented by Ms. Wing Lui, FSA, as at 1 January 2021. The valuation revealed that the assets of the Pension Scheme were sufficient to cover the aggregate vested liabilities as at the valuation date.

Both defined benefit retirement schemes expose the Groups to investment risk, interest rate risk and salary risk while the Pension Scheme also exposes the Groups to risks of longevity and inflation.

The retirement scheme expense/income recognised in profit or loss for the year ended 31 December 2022 was determined in accordance with HKAS 19 (2011), *Employee benefits*.

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2022 $ million	2021 $ million
Fair value of assets of the Schemes	**3,065**	3,816
Present value of defined benefit obligations	**(2,341)**	(3,121)
	724	695
Represented by:		
Employee retirement benefit scheme assets	**882**	1,045
Employee retirement benefit scheme liabilities	**(158)**	(350)
	724	695

A portion of the above asset/liability is expected to be realised/settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next 12 months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

(ii) Movements in fair value of plan assets of the Schemes are as follows:

	2022 $ million	2021 $ million
At 1 January	**3,816**	3,921
Interest income on the Schemes' assets	**51**	24
Return on Schemes' assets, excluding interest income	**(533)**	117
Employer contributions paid to the Schemes	**35**	38
Employee contributions paid to the Schemes	**11**	11
Benefits paid	**(315)**	(288)
Transfer out	**–**	(7)
At 31 December	**3,065**	3,816

The Groups expect to contribute $38 million to the Schemes in 2023.

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27. Employee retirement benefits (continued)

(a) Defined benefit retirement schemes ("the Schemes") (continued)

(iii) Movements in the present value of defined benefit obligations of the Schemes are as follows:

	2022 **$ million**	2021 $ million
At 1 January	**3,121**	3,401
Current service cost	**52**	60
Interest cost	**44**	24
Employee contributions paid to the Schemes	**11**	11
Actuarial (gains)/losses due to:		
– liability experience	**(23)**	(18)
– change in financial assumptions	**(552)**	(97)
– change in demographic assumptions	**3**	35
Benefits paid	**(315)**	(288)
Transfer out	**–**	(7)
At 31 December	**2,341**	3,121

(iv) The expenses recognised in the consolidated statement of profit or loss, prior to any capitalisation of employment costs attributable to additions of property, plant and equipment, is as follows:

	2022 **$ million**	2021 $ million
Current service cost	**52**	60
Net interest income on net defined benefit asset/liability	**(7)**	–
	45	60

(v) The expenses are recognised in the following line items in the consolidated statement of profit or loss:

	2022 **$ million**	2021 $ million
Direct costs	**31**	41
Other operating costs	**14**	19
	45	60

(vi) The cumulative amount of actuarial gains recognised in the consolidated statement of comprehensive income is as follows:

	2022 **$ million**	2021 $ million
At 1 January	**686**	489
Remeasurement of net defined benefit asset/liability recognised in the consolidated statement of comprehensive income during the year	**39**	197
At 31 December	**725**	686

(vii) The major categories of assets of the Schemes are as follows:

	2022 **$ million**	2021 $ million
Hong Kong equities	**259**	308
European equities	**156**	205
North American equities	**460**	606
Asia Pacific and other equities	**132**	192
Global bonds	**2,001**	2,401
Deposits, cash and others	**57**	104
	3,065	3,816

Strategic investment decisions are taken with respect to the risk and return profiles.

(viii) The principal actuarial assumptions used as at 31 December are as follows:

	2022	2021
Discount rate		
– The Pension Scheme	**4.0%**	1.6%
– The Defined Contribution Scheme – DB portion	**3.4%**	1.2%
Long-term salary increase rate	**5.0%**	5.0%
Future pension increase rate	**2.5%**	2.5%

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27. Employee retirement benefits (continued)

(a) Defined benefit retirement schemes ("the Schemes") (continued)

(ix) Sensitivity analysis

(1) The Pension Scheme

	Increase/(decrease) in defined benefit obligations	
	2022	2021
	$ million	$ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**(34)**	(56)
– decrease by 0.25%	**36**	59
Pension increase rate		
– increase by 0.25%	**35**	56
– decrease by 0.25%	**(33)**	(54)
Mortality rate applied to specific age		
– set forward one year	**(45)**	(74)
– set backward one year	**45**	75

(2) The Defined Contribution Scheme – DB Portion

	Increase/(decrease) in defined benefit obligations	
	2022	2021
	$ million	$ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**(13)**	(20)
– decrease by 0.25%	**14**	21
Interest to be credited		
– increase by 0.25%	**14**	20

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised within the consolidated statement of financial position. The analysis has been performed on the same basis as for 2021.

(x) The following table sets out the weighted average durations of the defined benefit obligations of the Schemes:

	2022	2021
The Pension Scheme	**10.8 Years**	12.9 Years
The Defined Contribution Scheme – DB Portion	**5.3 Years**	6.0 Years

(b) Defined contribution retirement schemes

	2022 $ million	2021 $ million
Expenses recognised in profit or loss	**71**	66

Forfeited contributions of $1,492,000 (2021: $1,857,000) have been received during the year.

28. Other non-current liabilities

	2022 $ million	2021 $ 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.

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

28. Other non-current liabilities (continued)

(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	**1**	**1**	–	–
	1	**1**	1	1
Less: total future interest expenses		**–**		–
Present value of lease liabilities		**1**		1

29. Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position

	2022 $ million	2021 $ million
Hong Kong Profits Tax		
Provision for Hong Kong Profits Tax for the year	**187**	414
Balance of Profits Tax provision relating to prior year	**(38)**	92
	149	506

(b) Deferred tax liabilities

	2022 $ million	2021 $ million
Deferred tax liabilities	**10,495**	9,982

(i) The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

$ million	Depreciation allowances in excess of the related depreciation	Fuel Clause Recovery Account	Defined benefit retirement schemes	Others	Total
At 1 January 2021	9,709	(131)	36	(17)	9,597
Charged/(credited) to profit or loss	152	173	(4)	1	322
Charged to other comprehensive income	–	–	33	30	63
At 31 December 2021 and 1 January 2022	**9,861**	**42**	**65**	**14**	**9,982**
Charged/(credited) to profit or loss	**176**	**270**	**(2)**	**(2)**	**442**
Charged to other comprehensive income	**–**	**–**	**7**	**63**	**70**
Charged directly in equity	**–**	**–**	**–**	**1**	**1**
At 31 December 2022	**10,037**	**312**	**70**	**76**	**10,495**

(ii) The Groups had no material unprovided deferred tax assets or liabilities as at 31 December 2022 and 2021.

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

30. Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Groups' consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

$ million	Share capital (note 30(b))	Share premium (note 30(c))	Hedging reserve (note 30(d)(i))	Revenue reserve (note 30(d)(ii))	Proposed/ declared dividend (note 14)	Total
Balance at 1 January 2021	8	47,472	(327)	2,768	1,422	51,343
Changes in equity for 2021:						
Profit for the year	–	–	–	3,369	–	3,369
Other comprehensive income	–	–	232	–	–	232
Total comprehensive income	–	–	232	3,369	–	3,601
Second interim dividend in respect of previous year approved and paid (see note 14(c))	–	–	–	–	(1,422)	(1,422)
First interim dividend paid (see note 14(b))	–	–	–	(1,408)	–	(1,408)
Proposed second interim dividend (see note 14(b))	–	–	–	(1,422)	1,422	–
Balance at 31 December 2021 and 1 January 2022	**8**	**47,472**	**(95)**	**3,307**	**1,422**	**52,114**
Changes in equity for 2022:						
Profit for the year	**–**	**–**	**–**	**3,387**	**–**	**3,387**
Other comprehensive income	**–**	**–**	**460**	**–**	**–**	**460**
Total comprehensive income	**–**	**–**	**460**	**3,387**	**–**	**3,847**
Second interim dividend in respect of previous year approved and paid (see note 14(c))	**–**	**–**	**–**	**–**	**(1,422)**	**(1,422)**
First interim dividend paid (see note 14(b))	**–**	**–**	**–**	**(1,408)**	**–**	**(1,408)**
Proposed second interim dividend (see note 14(b))	**–**	**–**	**–**	**(1,422)**	**1,422**	**–**
Balance at 31 December 2022	**8**	**47,472**	**365**	**3,864**	**1,422**	**53,131**

All of the Company's share premium and revenue reserve is available for distribution. The Company Board declared the payment of a second interim dividend of 16.09 cents (2021: 16.09 cents) per ordinary share, amounting to $1,422 million (2021: $1,422 million), in lieu of a final dividend and therefore no final dividend was proposed by the Company Board.

(b) Share capital

The Company

	2022	
	Number of Shares	**Nominal value $**
Authorised:		
Ordinary shares of $0.0005 each		
At 1 January and 31 December	**20,000,000,000**	**10,000,000**
Preference shares of $0.0005 each		
At 1 January and 31 December	**20,000,000,000**	**10,000,000**
Issued and fully paid:		
Ordinary shares of $0.0005 each		
At 1 January and 31 December	**8,836,200,000**	**4,418,100**
Preference shares of $0.0005 each		
At 1 January and 31 December	**8,836,200,000**	**4,418,100**

	2021	
	Number of Shares	Nominal value $
Authorised:		
Ordinary shares of $0.0005 each		
At 1 January and 31 December	20,000,000,000	10,000,000
Preference shares of $0.0005 each		
At 1 January and 31 December	20,000,000,000	10,000,000
Issued and fully paid:		
Ordinary shares of $0.0005 each		
At 1 January and 31 December	8,836,200,000	4,418,100
Preference shares of $0.0005 each		
At 1 January and 31 December	8,836,200,000	4,418,100

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

30. Capital, reserves and dividends (continued)

(c) Share premium

Share premium represents the excess of Share Stapled Unit issuing price over the nominal values of ordinary and preference shares, after deducting underwriting commissions and listing expenses pursuant to global offering that have been charged to equity. The application of share premium is governed by Section 34 of Cayman Companies Law and the provisions of Company's amended and restated Memorandum and Articles of Association.

(d) Nature and purpose of reserves

(i) Hedging reserve

The hedging reserve includes cash flow hedge reserve and cost of hedging reserve. The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges (net of any deferred tax effect) pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 3(q)(ii). Under HKFRS 9, *Financial Instruments*, if the Groups exclude the forward element of forward contracts and the foreign currency basis spread of financial instruments (the "excluded elements") from the designation of the hedging instruments, then the excluded elements may be separately accounted for as cost of hedging. The fair value changes of the excluded elements are recognised in a separate component of equity as cost of hedging reserve to the extent that it relates to the hedged items.

The following tables provide a reconciliation of the components in hedging reserve and an analysis of other comprehensive income by risk category that arises from hedge accounting:

(1) Cash flow hedge reserve

$ million	Interest rate risk	Currency risk	Total
Balance at 1 January 2021	(657)	528	(129)
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	371	92	463
Reclassification adjustments for amounts transferred to profit or loss (see note 1 below)	152	–	152
Net deferred tax charged to other comprehensive income	(49)	(15)	(64)
	474	77	551
Amounts transferred to the initial carrying amount of hedged items, net of tax (see note 2 below)	–	(5)	(5)
Balance at 31 December 2021 and 1 January 2022 (see note 3 below)	**(183)**	**600**	**417**
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	**1,012**	**7**	**1,019**
Reclassification adjustments for amounts transferred to profit or loss (see note 1 below)	**23**	**–**	**23**
Net deferred tax charged to other comprehensive income	**(95)**	**(1)**	**(96)**
	940	**6**	**946**
Amounts transferred to the initial carrying amount of hedged items, net of tax (see note 2 below)	**–**	**3**	**3**
Balance at 31 December 2022 (see note 3 below)	**757**	**609**	**1,366**

Note 1 Amounts reclassified to profit or loss are recognised in the "Finance costs" line item in the consolidated statement of profit or loss.

Note 2 Amounts transferred to the initial carrying amount of hedged items are recognised in the "Property, plant and equipment" or "Inventories" line items in the consolidated statement of financial position.

Note 3 The entire balance relates to continuing hedges.

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

30. Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves (continued)

(i) Hedging reserve (continued)

(2) Cost of hedging reserve

$ million	Foreign currency basis spread	Forward element	Total
Balance at 1 January 2021	(18)	(232)	(250)
Hedging for time-period related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	(9)	(132)	(141)
– Reclassification adjustments for amounts transferred to profit or loss (see note 1 below)	–	(63)	(63)
Hedging for transaction related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	–	1	1
– Amounts transferred to the initial carrying amount of hedged items (see note 2 below)	–	6	6
Net deferred tax credited to other comprehensive income	2	32	34
Balance at 31 December 2021 and 1 January 2022 (see note 3 below)	**(25)**	**(388)**	**(413)**
Hedging for time-period related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	**(20)**	**(114)**	**(134)**
– Reclassification adjustments for amounts transferred to profit or loss (see note 1 below)	**–**	**(63)**	**(63)**
Hedging for transaction related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	**–**	**(2)**	**(2)**
– Amounts transferred to the initial carrying amount of hedged items (see note 2 below)	**–**	**1**	**1**
Net deferred tax credited to other comprehensive income	**3**	**30**	**33**
Balance at 31 December 2022 (see note 3 below)	**(42)**	**(536)**	**(578)**

Note 1 Amounts reclassified to profit or loss are recognised in the "Finance costs" line item in the consolidated statement of profit or loss.

Note 2 Amounts transferred to the initial carrying amount of hedged items are recognised in the "Property, plant and equipment" or "Inventories" line items in the consolidated statement of financial position.

Note 3 The entire balance relates to continuing hedges.

(ii) Revenue reserve

The revenue reserve comprises the accumulated profits retained by the Company and its subsidiaries and accumulated actuarial gains/losses on remeasurement of net defined benefit asset/liability of HK Electric.

(e) Capital management

The Groups' primary objectives when managing capital are:

- to safeguard the Groups' ability to continue as a going concern, so that the Groups can continue to provide returns for holders of Share Stapled Units and benefits for other stakeholders;
- to provide returns to holders of Share Stapled Units by securing access to finance at a reasonable cost;
- to support the Groups' stability and future growth; and
- to provide capital for the purpose of strengthening the Groups' risk management capability.

The Groups actively and regularly review and manage the capital structure, taking into consideration the future capital requirements of the Groups and capital efficiency, forecast profitability, forecast operating cash flows, forecast capital expenditure and projected investment opportunities.

The Groups monitor the capital structure on the basis of a net debt-to-net total capital ratio. For this purpose the Groups define net debt as interest-bearing borrowings (as shown in the consolidated statement of financial position) less bank deposits and cash. Net total capital includes net debt and equity which comprises all components of equity (as shown in the consolidated statement of financial position).

During 2022, the Groups' strategy, which was unchanged from 2021, was to control the Groups' level of debt in order to secure access to finance at a reasonable cost. In order to maintain or adjust the level of debt, the Groups may adjust the amount of distributions paid to holders of Share Stapled Units in accordance with the Trust Deed, issue new Share Stapled Units, raise new debt financing or sell assets to reduce debt.

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

30. Capital, reserves and dividends (continued)

(e) Capital management (continued)

The net debt-to-net total capital ratio at 31 December 2022 and 2021 was as follows:

	2022	2021
	$ million	$ million
Bank loans and other interest-bearing borrowings	**51,212**	46,626
Less: Bank deposits and cash	**(325)**	(34)
Net debt	**50,887**	46,592
Total equity	**49,333**	48,393
Net debt	**50,887**	46,592
Net total capital	**100,220**	94,985
Net debt-to-net total capital ratio	**51%**	49%

31. Financial risk management and fair values of financial instruments

The Groups are exposed to credit, liquidity, interest rate and currency risks in the normal course of its business. In accordance with the Groups' treasury policy, derivative financial instruments are only used to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Groups do not hold or issue derivative financial instruments for trading or speculative purposes.

(a) Credit risk

The Groups' credit risk is primarily attributable to trade and other receivables relating to electricity customers, bank deposits and over-the-counter derivative financial instruments entered into for hedging purposes. The Groups have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables relating to electricity customers, HK Electric obtains collateral in the form of security deposits or bank guarantees from customers in accordance with the Supply Rules. The collateral covered $508 million of trade and other receivables at 31 December 2022 (2021: $399 million). The credit policy is set out in note 21.

The Groups have defined minimum credit rating requirements and transaction limits for counterparties when dealing in financial derivatives or placing deposits to minimise credit exposure. The Groups do not expect any counterparty to fail to meet its obligations.

The Groups have no significant concentrations of credit risk in respect of trade and other receivables relating to electricity customers, as the five largest customers combined did not exceed 30% of the Groups' total revenue.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position.

Further quantitative disclosures in respect of the Groups' exposure to credit risk arising from trade and other receivables are set out in note 21.

Offsetting financial assets and financial liabilities

The Groups' derivative transactions are executed with financial institutions and governed by either International Swaps and Derivatives Association Master Agreements ("ISDA") or the general terms and conditions of these financial institutions, with a conditional right of set off under certain circumstances that would result in all outstanding transactions being terminated and net settled.

As these financial institutions currently have no legal enforceable right to set off the recognised amounts and the Groups do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously, all such financial instruments are recorded on gross basis at the end of the reporting period.

The following table presents the recognised financial instruments that are subject to enforceable master netting arrangements but are not offset at the end of the reporting period.

		2022			2021		
$ million	Note	**Gross amounts of financial instruments in the consolidated statement of financial position**	**Related financial instruments that are not offset**	**Net amount**	Gross amounts of financial instruments in the consolidated statement of financial position	Related financial instruments that are not offset	Net amount
Financial assets							
Interest rate swaps	31(f)(i)	**972**	**(114)**	**858**	15	(15)	–
Forward foreign exchange contracts	31(f)(i)	**479**	**(37)**	**442**	585	(180)	405
Total		**1,451**	**(151)**	**1,300**	600	(195)	405
Financial liabilities							
Cross currency swaps	31(f)(i)	**41**	**(41)**	**–**	37	(26)	11
Interest rate swaps	31(f)(i)	**86**	**(86)**	**–**	150	(130)	20
Forward foreign exchange contracts	31(f)(i)	**24**	**(24)**	**–**	39	(39)	–
Total		**151**	**(151)**	**–**	226	(195)	31

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

31. Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk

The Groups operate a central cash management system in order to achieve a better control of risk and minimise the costs of funds. The Groups' policy is to regularly monitor current and expected liquidity requirements and compliance with loan covenants, to ensure that the Groups maintain sufficient reserves of cash and adequate committed lines of funding to meet liquidity requirements in the short and longer term. The Groups had undrawn committed bank facilities of $3,400 million at 31 December 2022 (2021: $6,250 million).

The following tables show the remaining contractual maturities at the end of the reporting period of the Groups' non-derivative financial liabilities and derivative financial instruments, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Groups can be required to pay.

	2022					
	Contractual undiscounted cash outflows/(inflows)					
$ million	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
Non-derivative financial liabilities						
Bank loans and other borrowings and interest accruals	2,389	3,075	32,851	29,991	68,306	51,426
Creditors and accrued charges	4,445	–	–	–	4,445	4,445
	6,834	3,075	32,851	29,991	72,751	55,871
Derivative financial instruments						
Net settled						
Interest rate swaps and related interest accruals	(292)	(312)	(651)	(103)	(1,358)	(900)
Gross settled						
Cross currency swaps and related interest accruals						35
– outflow	202	202	349	87	840	
– inflow	(197)	(197)	(340)	(88)	(822)	
Forward foreign exchange contracts held as cash flow hedging instruments:						(471)
– outflow	176	4	3,378	13,372	16,930	
– inflow	(171)	(3)	(3,510)	(14,013)	(17,697)	
Other forward foreign exchange contracts:						16
– outflow	302	–	–	–	302	
– inflow	(287)	–	–	–	(287)	

$ million	2021 Contractual undiscounted cash outflows/(inflows) Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
Non-derivative financial liabilities						
Bank loans and other borrowings and interest accruals	2,014	1,072	26,446	31,384	60,916	46,773
Creditors and accrued charges	3,846	–	–	–	3,846	3,846
	5,860	1,072	26,446	31,384	64,762	50,619
Derivative financial instruments						
Net settled						
Interest rate swaps and related interest accruals	139	138	395	66	738	155
Gross settled						
Cross currency swaps and related interest accruals						30
– outflow	202	201	520	119	1,042	
– inflow	(197)	(197)	(509)	(117)	(1,020)	
Forward foreign exchange contracts held as cash flow hedging instruments:						(576)
– outflow	1,379	141	4	16,750	18,274	
– inflow	(1,378)	(140)	(3)	(17,523)	(19,044)	
Other forward foreign exchange contracts:						30
– outflow	733	54	–	–	787	
– inflow	(713)	(46)	–	–	(759)	

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

31. Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk

The Groups are exposed to interest rate risk on its interest-bearing assets and liabilities. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Groups' interest rate risk arises primarily from long-term external borrowings.

(i) Hedges of interest rate risk

The Groups' policy is to maintain a balanced combination of fixed and variable rate borrowings to reduce its interest rate risk exposure. The Groups also use cross currency swaps and interest rate swaps to manage the exposure in accordance with the Groups' treasury policy.

The Groups classify cross currency swaps and interest rate swaps as cash flow or fair value hedges and states them at fair value in accordance with the policy set out in note 3(q). Foreign currency basis spread of cross currency swaps are excluded from the designation of the hedging instrument and are separately accounted for as a cost of hedging, which is recognised in equity in a cost of hedging reserve.

The Groups seek to hedge the benchmark interest rate component only and apply a hedge ratio of 1:1. The existence of an economic relationship between the cross currency swaps/interest rate swaps and the fixed and variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the borrowings.

The hedge ineffectiveness in these hedging relationships can arise from:

– the effect of the counterparty and the Groups' own credit risk on the fair value of the swaps; and

– differences in repricing dates between the swaps and the borrowings.

(ii) Interest rate profile

The following table details the interest rate profile of the Groups' net interest-bearing assets and liabilities at the end of the reporting period, after taking into account the effect of cross currency swaps and interest rate swaps designated as cash flow or fair value hedging instruments (see (i) above).

	2022		2021	
	Weighted average interest rate %	**$ million**	Weighted average interest rate %	$ million
Net fixed rate assets/(liabilities)				
Deposits with banks and other financial institutions	**4.06**	**252**	–	–
Bank loans and other borrowings	**2.72**	**(37,333)**	2.74	(37,108)
		(37,081)		(37,108)
Net variable rate assets/(liabilities)				
Cash at bank and in hand	**0.03**	**73**	0.03	34
Bank loans and other borrowings	**5.65**	**(13,879)**	0.94	(9,518)
Customers' deposits	**0.63**	**(2,381)**	*	(2,317)
		(16,187)		(11,801)

* Less than 0.01%

(iii) Sensitivity analysis

At 31 December 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Groups' profit after taxation and revenue reserve by approximately $121 million (2021: $92 million). Other components of consolidated equity would have increased/decreased by approximately $331 million (2021: $460 million) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis has been performed on the same basis as for 2021.

Notes to the Financial Statements of the Trust and of the Company

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31. Financial risk management and fair values of financial instruments (continued)

(d) Currency risk

The Groups are exposed to currency risk primarily through purchases and borrowings that are denominated in a currency other than the functional currency of the Groups. The currencies giving rise to this risk are primarily United States dollars and Japanese Yen.

(i) Hedges of currency risk

The Groups' policy is to hedge 100% of their foreign currency borrowings and to hedge their estimated foreign currency exposures in respect of forecast purchases in accordance with their treasury policy. The Groups use forward foreign exchange contracts and cross currency swaps to manage currency risk and classify as cash flow or fair value hedges and states them at fair value in accordance with the policy set out in note 3(q). The Groups designate the spot element of forward foreign exchange contracts to hedge the Groups' currency risk. The forward elements of forward exchange contracts are excluded from the designation of the hedging instrument and are separately accounted for as a cost of hedging, which is recognised in equity in a cost of hedging reserve. The Groups' policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The Groups apply a hedge ratio of 1:1 and determine the existence of an economic relationship between the forward exchange contracts and the committed and forecast transactions/foreign currency borrowings based on their currency amounts and the timing of their respective cash flows.

The hedge ineffectiveness in these hedging relationships can arise from:

– the effect of the counterparty's and the Groups' own credit risk on the fair value of the forward foreign exchange contracts; and

– changes in the timing of the hedged transactions.

The Groups' borrowings are either hedged into Hong Kong dollars by ways of forward foreign exchange contracts and cross currency swaps or denominated in Hong Kong dollars. Given this, the management does not expect that there would be any significant currency risk associated with the Groups' borrowings.

(ii) Exposure to currency risk

The following table details the Groups' exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the Groups.

	2022	
'million (expressed in original currencies)	**USD**	**JPY**
Bank deposits and cash	**32**	**2**
Trade and other payables and contract liabilities	**(189)**	**(1,126)**
Bank loans and other borrowings	**(2,250)**	**–**
Gross exposure arising from recognised assets and liabilities	**(2,407)**	**(1,124)**
Notional amounts of forward foreign exchange contracts designated as hedging instruments	**1,329**	**986**
Notional amounts of cross currency swaps designated as hedging instruments	**950**	**–**
Net exposure arising from recognised assets and liabilities	**(128)**	**(138)**

	2021	
'million (expressed in original currencies)	USD	JPY
Bank deposits and cash	–	24
Trade and other payables and contract liabilities	(161)	(3,478)
Bank loans and other borrowings	(2,229)	–
Gross exposure arising from recognised assets and liabilities	(2,390)	(3,454)
Notional amounts of forward foreign exchange contracts designated as hedging instruments	1,347	3,251
Notional amounts of cross currency swaps designated as hedging instruments	950	–
Net exposure arising from recognised assets and liabilities	(93)	(203)

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

31. Financial risk management and fair values of financial instruments (continued)

(d) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates that a 10 percent strengthening in the following currency against Hong Kong dollars at the end of the reporting period would have increased/(decreased) the Groups' profit after taxation (and revenue reserve) and other components of consolidated equity.

	2022		2021	
$ million	**Effect on profit after taxation and revenue reserve Increase/ (decrease)**	**Effect on other components of equity Increase/ (decrease)**	Effect on profit after taxation and revenue reserve Increase/ (decrease)	Effect on other components of equity Increase/ (decrease)
Japanese Yen	**1**	**5**	(1)	13

A 10 percent weakening in the above currency against Hong Kong dollars at the end of the reporting period would have had an equal but opposite effect on the Groups' profit after taxation (and revenue reserve) and other components of consolidated equity.

This sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Groups which expose the Groups to currency risk at the end of the reporting period, and that all other variables, in particular interest rates, remain constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The analysis has been performed on the same basis as for 2021.

(e) Hedge accounting

The following tables summarise the hedging instruments, hedged items and hedged risks of the Groups for the year ended 31 December 2022 and 2021.

(i) Cash flow hedges

	2022									
				Carrying amount of hedging instruments included in				Changes in fair value used for calculating hedge ineffectiveness		
Hedging instruments	Maturity date	Weighted average fixed swap rates/ contract rates	Notional amount of hedging instruments $ million	Derivative financial instruments under non-current assets $ million	Trade and other receivables $ million	Derivative financial instruments under non-current liabilities $ million	Trade and other payables and contract liabilities $ million	Hedging instruments $ million	Hedged items $ million	Hedge ineffectiveness recognised in profit or loss $ million
(1) For hedging currency risk of foreign currency borrowings and interest rate risk of variable rate borrowings										
Cross currency swaps and interest rate swaps	Ranging from 2023 to 2035	2.09%	27,668	972	-	(110)	(17)	1,012	(1,012)	-
(2) For hedging currency risk of committed and forecast transactions										
Forward foreign exchange contracts	Ranging from 2023 to 2032	See note below	7,284	161	1	(1)	(7)	-	-	-
(3) For hedging currency risk of foreign currency borrowings										
Forward foreign exchange contracts	Ranging from 2027 to 2032	See note below	9,646	317	-	-	-	7	(7)	-

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

31. Financial risk management and fair values of financial instruments (continued)

(e) Hedge accounting (continued)

(i) Cash flow hedges (continued)

				2021						
				Carrying amount of hedging instruments included in				Changes in fair value used for calculating hedge ineffectiveness		
Hedging instruments	Maturity date	Weighted average fixed swap rates/ contract rates	Notional amount of hedging instruments $ million	Derivative financial instruments under non-current assets $ million	Trade and other receivables $ million	Derivative financial instruments under non-current liabilities $ million	Trade and other payables and contract liabilities $ million	Hedging instruments $ million	Hedged items $ million	Hedge ineffectiveness recognised in profit or loss $ million
(1) For hedging currency risk of foreign currency borrowings and interest rate risk of variable rate borrowings										
Cross currency swaps and interest rate swaps	Ranging from 2022 to 2035	2.08%	27,668	15	–	(187)	–	371	(371)	–
(2) For hedging currency risk of committed and forecast transactions										
Forward foreign exchange contracts	Ranging from 2022 to 2032	See note below	8,786	207	4	(2)	(7)	36	(36)	–
(3) For hedging currency risk of foreign currency borrowings										
Forward foreign exchange contracts	Ranging from 2027 to 2032	See note below	9,489	374	–	–	–	56	(56)	–

(ii) Fair value hedges

Hedging instruments	Maturity date	Weighted average variable swap rates/ contract rates	Notional amount $ million	Carrying amount included in: Derivative financial instruments under non-current assets $ million	Carrying amount included in: Trade and other receivables $ million	Carrying amount included in: Derivative financial instruments under non-current liabilities $ million	Carrying amount included in: Trade and other payables and contract liabilities $ million	Changes in fair value used for calculating hedge ineffectiveness: Hedging instruments $ million	Changes in fair value used for calculating hedge ineffectiveness: Hedged items $ million	Hedge ineffectiveness recognised in profit or loss $ million
2022										
Forward foreign exchange contracts	2023	See note below	302	-	-	-	(16)	(8)	8	-
2021										
Forward foreign exchange contracts	Ranging from 2022 to 2023	See note below	787	-	-	(8)	(22)	(20)	20	-

Hedged items	Carrying amount of hedged items (including accumulated fair value hedge adjustments) $ million	Accumulated fair value hedge adjustments of hedged items $ million	Line item in the consolidated statement of financial position in which the hedged items are included
2022			
Financial liabilities	(286)	16	Trade and other payables and contract liabilities
2021			
Financial liabilities	(759)	30	Trade and other payables and contract liabilities

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

31. Financial risk management and fair values of financial instruments (continued)

(e) Hedge accounting (continued)

(ii) Fair value hedges (continued)

Note: The following table provides information on the weighted average contract rates of outstanding forward foreign exchange contracts at the end of the reporting period:

	2022	2021
Weighted average contract rates		
USD:HKD	**7.4620**	7.4875
JPY:HKD	**0.0703**	0.0752
GBP:HKD	**8.9438**	10.2134
EUR:HKD	**8.9349**	9.5059
JPY:USD	**102.0011**	107.0041
GBP:USD	**1.3338**	1.3345

(f) Fair value measurement

The following table presents the fair value of the Groups' financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13: *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical financial assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data is not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

(i) Recurring fair value measurements

		Level 2	
	Note	**2022 $ million**	2021 $ million
Financial assets			
Derivative financial instruments:			
– Interest rate swaps	31(a)	**972**	15
– Forward foreign exchange contracts	31(a)	**479**	585
		1,451	600
Financial liabilities			
Derivative financial instruments:			
– Cross currency swaps	31(a)	**41**	37
– Interest rate swaps	31(a)	**86**	150
– Forward foreign exchange contracts	31(a)	**24**	39
		151	226

(ii) Fair values of financial assets and liabilities carried at other than fair value

Trade and other receivables, trade and other payables and contract liabilities, and also external borrowings are carried at cost or amortised cost which are not materially different from their fair values as at 31 December 2022 and 2021.

(iii) Valuation techniques and inputs in Level 2 fair value measurements

The fair values of forward foreign exchange contracts are determined using forward exchange market rates at the end of the reporting period. The fair values of cross currency swaps and interest rate swaps are determined by discounting the future cash flows of the contracts at the current market interest rates.

32. Commitments

(a) The Groups' capital commitments outstanding at 31 December and not provided for in the financial statements were as follows:

	2022 **$ million**	2021 $ million
Contracted for:		
Capital expenditure for property, plant and equipment	**6,702**	5,840
Authorised but not contracted for:		
Capital expenditure for property, plant and equipment	**10,412**	13,111

(b) At 31 December 2022, the Groups' share of capital commitments of a joint venture was $59 million (2021: $141 million).

At 31 December 2022, the Groups' share of the lease and other commitments of a joint venture approximated to $1,627 million (2021: $1,628 million).

33. Contingent liabilities

At 31 December 2022, the Groups had no guarantee or indemnity to external parties (2021: Nil).

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

34. Material related party transactions

The Groups had the following material transactions with related parties during the year:

(a) Holder of Share Stapled Units

Support service charge recovered from Power Assets group

Other operating costs included support service charge recovered from Power Assets group amounting to $43 million (2021: $42 million) for provision of the support services and office facilities to Power Assets group. The support service charge was based on the total costs incurred in the provision or procurement of the provision of the services and facilities and allocated to Power Assets group on a fair and equitable basis, taking into account the time spent by the relevant personnel when providing such services.

At 31 December 2022, the total outstanding balance receivable from Power Assets group was $4 million (2021: $4 million).

(b) Joint venture

(i) The details of Shareholder Loan Facility provided to HKLTL by the Groups and the outstanding loan balance as at 31 December 2022 are disclosed in note 19.

(ii) Interest income received/receivable from HKLTL in respect of the Shareholder Loan Facility amounted to $27 million (2021: $13 million).

(iii) Under a Joint Development Agreement entered into between HK Electric, CAPCO and HKLTL for the development of LNG terminal, HK Electric and CAPCO will perform project management and provide supports to HKLTL in the development and construction of the LNG terminal. In 2022, HKLTL reimbursed related costs of $11 million (2021: $11 million) to HK Electric.

(iv) Under a Terminal Use Agreement entered into between HK Electric, CAPCO and HKLTL, Operational Service Charges and Facility Service Charges were recovered by HKLTL amounted to $2,672,000 (2021: Nil) and $507,000 (2021: $339,000) respectively.

(v) Under a Master Services Agreement entered into between HK Electric and HKLTL, HK Electric will provide certain corporate support services to HKLTL. In 2022, service fees of $575,000 (2021: Nil) were charged to HKLTL.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Groups are disclosed in note 12.

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of note 34(a) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, the transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

35. Statement of financial position of the Company

	Note	2022 $ million	2021 $ million
Non-current assets			
Investments in subsidiaries		**61,463**	60,882
Derivative financial instruments		**408**	–
		61,871	60,882
Current assets			
Trade and other receivables		**60**	12
Bank deposits and cash		**1**	1
		61	13
Current liabilities			
Trade and other payables		**(95)**	(22)
Net current liabilities		**(34)**	(9)
Total assets less current liabilities		**61,837**	60,873
Non-current liabilities			
Bank loans		**(8,673)**	(8,664)
Derivative financial instruments		**(33)**	(95)
		(8,706)	(8,759)
Net assets		**53,131**	52,114
Capital and reserves	30(a)		
Share capital		**8**	8
Reserves		**53,123**	52,106
Total equity		**53,131**	52,114

Approved and authorised for issue by the Boards on 14 March 2023.

Wan Chi Tin
Director

Chan Loi Shun
Director

Notes to the Financial Statements of the Trust and of the Company

(Expressed in Hong Kong dollars unless otherwise indicated)

36. Substantial holders of Share Stapled Units of the Trust Group

The Share Stapled Units of the Trust Group are listed on the Main Board of the Stock Exchange and are widely held by the public. Power Assets, State Grid Corporation of China and Qatar Investment Authority hold approximately 33.37%, 21.00% and 19.90% of the issued Share Stapled Units respectively as at 31 December 2022 and are considered substantial holders of Share Stapled Units of the Trust Group.

37. Critical accounting judgements and estimates

The methods, estimates and judgements the Directors used in applying the Groups' accounting policies have a significant impact on the Groups' financial position and operating results. Some of the accounting policies require the Groups to apply estimates and judgements on matters that are inherently uncertain. In addition to notes 27 and 31 which contain information about the assumptions and their risk factors relating to valuation of defined benefit retirement scheme assets and liabilities and financial instruments, certain critical accounting judgements in applying the Groups' accounting policies are described below.

(a) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives after taking into account the estimated residual value. The Groups review annually the useful life of an asset and its residual value, if any. Interests in leasehold land are amortised on a straight-line basis over the shorter of the estimated useful lives of the leased assets and the unexpired lease term. Both the period and methods of amortisation are reviewed annually. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(b) Impairment

The Groups review at the end of each reporting period to identify any indication that the Groups' property, plant and equipment and interests in leasehold land may be impaired and test annually whether goodwill has suffered any impairment in accordance with the accounting policy (see note 3(h)(ii)).

In considering the impairment losses that may be required for the property, plant and equipment, interests in leasehold land and goodwill of the Groups, their recoverable amounts need to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate the fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets or CGU to which the goodwill has been allocated are discounted to their present value, which requires significant judgement. The Groups use all readily available information in determining an amount that is a reasonable approximation of the recoverable amount.

Any increase or decrease in impairment losses, recognised as set out above, would affect the net profit in future years.

See note 17 for key assumptions used in goodwill impairment test for the year ended 31 December 2022.

38. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments to HKFRSs which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Groups.

	Effective for accounting periods beginning on or after
• Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
• Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
• Amendments to HKAS 8, *Definition of Accounting Estimates*	1 January 2023
• Amendments to HKAS 12, *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*	1 January 2023

The Groups are in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of the above is unlikely to have a significant impact on the Groups' results of operations and financial position.

KPMG

Independent Auditor's Report

To the Sole Member of HK Electric Investments Manager Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of HK Electric Investments Manager Limited (the "Company") set out on pages 170 to 178, which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The Directors of the Company (in its capacity as the trustee-manager of HK Electric Investments) and of HK Electric Investments Limited are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

14 March 2023

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	4	**–**	–
Income tax	5	**–**	–
Profit and total comprehensive income for the year		**–**	–

The notes on pages 174 to 178 form part of these financial statements.

Statement of Financial Position of HK Electric Investments Manager Limited

At 31 December 2022
(Expressed in Hong Kong dollars)

	Note	2022 $	2021 $
Current assets			
Amount due from immediate holding company	7	**1**	1
Net assets		**1**	1
Capital and reserves			
Share capital	8	**1**	1
Reserves		**–**	–
Total equity		**1**	1

Approved and authorised for issue by the Board of Directors on 14 March 2023.

Wan Chi Tin
Director

Chan Loi Shun
Director

The notes on pages 174 to 178 form part of these financial statements.

Statement of Changes in Equity of HK Electric Investments Manager Limited

For the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Share capital $	Reserves $	Total $
Balance at 1 January 2021	1	–	1
Changes in equity for 2021:			
Profit and total comprehensive income for the year	–	–	–
Balance at 31 December 2021 and 1 January 2022	**1**	**–**	**1**
Changes in equity for 2022:			
Profit and total comprehensive income for the year	**–**	**–**	**–**
Balance at 31 December 2022	**1**	**–**	**1**

The notes on pages 174 to 178 form part of these financial statements.

Cash Flow Statement of HK Electric Investments Manager Limited

For the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	2022 **$**	2021 $
Operating activities		
Net cash generated from operating activities	**–**	–
Investing activities		
Net cash used in investing activities	**–**	–
Financing activities		
Net cash used in financing activities	**–**	–
Net change in cash and cash equivalents	**–**	–
Cash and cash equivalents at 1 January	**–**	–
Cash and cash equivalents at 31 December	**–**	–

The notes on pages 174 to 178 form part of these financial statements.

Notes to the Financial Statements of HK Electric Investments Manager Limited

(Expressed in Hong Kong dollars unless otherwise indicated)

1. General information

HK Electric Investments Manager Limited (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 of Hong Kong Limited 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.

2. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company is set out below.

The HKICPA has issued a number of amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation and presentation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Trust Deed requires the Company (on behalf of the Trust) to distribute 100% of the dividends, distributions and other amounts received in respect of the ordinary shares from HK Electric Investments Limited, after deduction of all amounts permitted to be deducted or paid under the Trust Deed.

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 14 to the consolidated financial statements of the Trust and of HK Electric Investments Limited on page 121, no distributions statement is therefore presented in these financial statements.

(c) Cash flow statement

The Company did not have any cash flows during the current and prior years nor did it have any cash or cash equivalents at any point throughout the current and prior years.

Notes to the Financial Statements of HK Electric Investments Manager Limited

(Expressed in Hong Kong dollars unless otherwise indicated)

2. Significant accounting policies (continued)

(d) Related parties

(i) A person or a close member of that person's family is related to the Company if that person:

(1) has control or joint control over the Company;

(2) has significant influence over the Company; or

(3) is a member of the key management personnel of the Company or the Company's parent.

(ii) An entity is related to the Company if any of the following conditions apply:

(1) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is a joint venture or an associate of the other entity (or a joint venture or an associate of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

(6) The entity is controlled or jointly controlled by a person identified in note 2(d)(i).

(7) A person identified in note 2(d)(i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. 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.

4. 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.

5. 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.

6. Directors' emoluments

No directors' emoluments is disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, as no fees or other emoluments were paid to the Directors during the current and prior years.

7. Amount due from immediate holding company

Amount due from immediate holding company is unsecured, interest-free and repayable on demand.

8. Share capital

	2022		2021	
	Number of shares	**$**	Number of shares	$
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**1**	**1**	1	1

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

Notes to the Financial Statements of HK Electric Investments Manager Limited

(Expressed in Hong Kong dollars unless otherwise indicated)

9. Capital management

The primary objectives of the Company when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for the sole member and benefits for other stakeholders. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Company defines "capital" as including all components of equity. The Company actively and regularly reviews and manages its capital structure to support its future capital requirements and operations. The Company has a specific and limited role to administer the Trust. All its capital requirements are fully supported by the ultimate holding company.

The Company was not subject to externally imposed capital requirements during the current and prior years.

10. Immediate and ultimate controlling parties

At 31 December 2022, the Directors consider the immediate and ultimate holding companies of the Company to be Sure Grade Limited and Power Assets which are incorporated in the British Virgin Islands and Hong Kong, respectively. Power Assets produces financial statements available for public use.

11. Financial risk management

The Company was not exposed to any significant credit, liquidity, interest rate and currency risks in the normal course of its business during the current and prior years.

12. Material related party transactions

Except for the transactions and balances disclosed elsewhere in the financial statements, the Company did not enter into material related party transactions.

13. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments to HKFRSs which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements.

The Company is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

Five-Year Financial Summary of the Groups

(Expressed in Hong Kong dollars)

Consolidated Statement of Profit or Loss

$ million	2022	2021	2020	2019	2018
Revenue	**10,793**	11,344	10,389	10,739	11,612
Operating profit	**4,509**	4,845	4,140	4,213	5,086
Finance costs	**(961)**	(800)	(971)	(1,004)	(967)
Profit before taxation	**3,548**	4,045	3,169	3,209	4,119
Income tax	**(629)**	(735)	(568)	(614)	(759)
Profit after taxation	**2,919**	3,310	2,601	2,595	3,360
Scheme of Control transfers	**35**	(377)	131	(268)	(309)
Profit for the year attributable to the holders of Share Stapled Units/shares of the Company	**2,954**	2,933	2,732	2,327	3,051

Consolidated Statement of Financial Position

$ million	2022	2021	2020	2019	2018
Property, plant and equipment and interests in leasehold land	**78,960**	76,740	74,434	72,416	71,059
Goodwill	**33,623**	33,623	33,623	33,623	33,623
Other non-current assets	**3,125**	2,118	1,781	1,500	1,161
Net current liabilities	**(233)**	(3,470)	(6,612)	(8,069)	(1,828)
Total assets less current liabilities	**115,475**	109,011	103,226	99,470	104,015
Non-current liabilities	**(65,230)**	(59,553)	(54,757)	(50,120)	(54,624)
Scheme of Control Fund and Reserve	**(912)**	(1,065)	(726)	(878)	(648)
Net assets	**49,333**	48,393	47,743	48,472	48,743
Share capital	**8**	8	8	8	8
Reserves	**49,325**	48,385	47,735	48,464	48,735
Total equity	**49,333**	48,393	47,743	48,472	48,743

The Hongkong Electric Company, Limited Ten-Year Scheme of Control Statement

(a) Scheme of Control

The activities of HK Electric are subject to a Scheme of Control Agreement ("SoCA") agreed with the Government with a term of 15 years from 1 January 2019 to 31 December 2033.

The SoCA provides for HK Electric to earn a Permitted Return of 8% of average net fixed assets. The Permitted Return is determined after any excess capacity adjustment, in accordance with the Annex to the SoCA. No excess capacity adjustment was made in 2022 and 2021. 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 calculating the Scheme of Control net revenue, interest relating to the acquisition of fixed assets (whether it has been charged to revenue or capitalised) up to 7% per annum, is added to, and a tax adjustment is made against, net revenue after taxation. In addition, each year a charge calculated by applying the average of 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.

(b) Ten-Year Scheme of Control Statement for the year ended 31 December

HK$ million	**2022**	2021	2020	2019	2018	2017	2016	2015	2014	2013
Sales of electricity	**10,724**	11,312	10,363	10,694	11,541	11,621	11,373	11,165	11,165	10,176
Transfer from Fuel Clause Recovery Account	**6,922**	3,122	1,823	2,051	2,696	1,904	1,206	1,861	2,994	3,510
Other Scheme of Control revenue	**111**	73	162	77	115	93	79	74	63	67
Gross tariff revenue	**17,757**	14,507	12,348	12,822	14,352	13,618	12,658	13,100	14,222	13,753
Fuel costs	**(8,420)**	(4,778)	(3,453)	(3,842)	(4,530)	(3,785)	(3,105)	(3,697)	(4,818)	(5,271)
Operating costs	**(1,702)**	(1,735)	(1,697)	(1,723)	(1,656)	(1,592)	(1,460)	(1,277)	(1,143)	(995)
Interest	**(722)**	(621)	(778)	(764)	(779)	(719)	(811)	(838)	(789)	(285)
Depreciation and amortisation	**(2,543)**	(2,530)	(2,414)	(2,342)	(2,355)	(2,210)	(2,127)	(2,054)	(1,988)	(1,982)
Net revenue before taxation	**4,370**	4,843	4,006	4,151	5,032	5,312	5,155	5,234	5,484	5,220
Scheme of Control taxation	**(459)**	(670)	(695)	(688)	(557)	(698)	(1,209)	(1,140)	(1,009)	(988)
Net revenue after taxation	**3,911**	4,173	3,311	3,463	4,475	4,614	3,946	4,094	4,475	4,232
Interest on borrowed capital	**1,017**	926	1,018	1,043	983	873	821	729	690	288
Interest on incremental customers' deposit	**1**	–	–	1	–	–	–	–	–	–
Scheme of Control net revenue	**4,929**	5,099	4,329	4,507	5,458	5,487	4,767	4,823	5,165	4,520
Transfer from/(to) Tariff Stabilisation Fund	**80**	(344)	164	(222)	(303)	(291)	181	84	(249)	389
Permitted Return	**5,009**	4,755	4,493	4,285	5,155	5,196	4,948	4,907	4,916	4,909
Interest on borrowed capital	**(1,017)**	(926)	(1,018)	(1,043)	(983)	(873)	(821)	(729)	(690)	(288)
Interest on incremental customers' deposit	**(1)**	–	–	(1)	–	–	–	–	–	–
Transfer to Smart Power Care Fund/ Smart Power Fund	**(32)**	(32)	(25)	(32)	–	(5)	(5)	(5)	(10)	–
Transfer to Rate Reduction Reserve	**(13)**	(1)	(8)	(14)	(6)	(1)	(1)	(1)	–	(1)
Net Return	**3,946**	3,796	3,442	3,195	4,166	4,317	4,121	4,172	4,216	4,620

The Hongkong Electric Company, Limited
Ten-Year Statement of Financial Position

At 31 December

HK$ million	**2022**	2021	2020	2019	2018	2017	2016	2015	2014	2013
Non-current assets										
Property, plant and equipment and interests in leasehold land	**62,162**	59,355	56,437	53,791	51,753	50,494	49,971	49,482	49,198	49,137
Interest in a joint venture	**793**	477	278	42	–	–	–	–	–	–
Employee retirement benefit scheme assets	**882**	1,045	887	809	593	648	454	580	668	615
Derivative financial instruments	**1,042**	596	616	641	539	784	1,034	314	352	241
	64,879	61,473	58,218	55,283	52,885	51,926	51,459	50,376	50,218	49,993
Current assets										
Coal, fuel oil and natural gas	**1,158**	620	430	522	675	671	624	525	572	592
Stores and materials	**288**	284	296	297	314	340	361	357	361	356
Trade and other receivables	**1,571**	1,147	931	1,056	1,024	1,065	1,218	1,155	1,129	1,104
Fuel Clause Recovery Account	**1,892**	252	–	–	–	–	–	–	–	1
Bank deposits and cash	**324**	33	51	297	33	1,658	310	6,155	4,629	1,060
	5,233	2,336	1,708	2,172	2,046	3,734	2,513	8,192	6,691	3,113
Current liabilities										
Bank loans and other borrowings	**(557)**	(1,233)	(1,486)	(6,010)	(440)	–	(335)	(900)	(520)	(503)
Fuel Clause Recovery Account	**–**	–	(796)	(647)	(855)	(2,771)	(4,088)	(2,283)	(631)	–
Trade and other payables and contract liabilities	**(10,132)**	(8,883)	(7,107)	(6,940)	(6,607)	(6,626)	(6,263)	(5,519)	(4,740)	(2,081)
Bank overdrafts – unsecured	**–**	–	–	(33)	–	–	–	–	–	–
Current taxation	**(149)**	(506)	(541)	(577)	(137)	(214)	(351)	(360)	(219)	(340)
	(10,838)	(10,622)	(9,930)	(14,207)	(8,039)	(9,611)	(11,037)	(9,062)	(6,110)	(2,924)
Net current assets/(liabilities)	**(5,605)**	(8,286)	(8,222)	(12,035)	(5,993)	(5,877)	(8,524)	(870)	581	189
Total assets less current liabilities	**59,274**	53,187	49,996	43,248	46,892	46,049	42,935	49,506	50,799	50,182
Non-current liabilities										
Bank loans and other borrowings	**(41,982)**	(36,729)	(34,708)	(28,319)	(32,855)	(32,714)	(30,700)	(37,646)	(38,703)	(29,574)
Derivative financial instruments	**(78)**	(102)	(370)	(14)	(411)	(184)	(73)	(168)	(63)	–
Customers' deposits	**(2,381)**	(2,317)	(2,268)	(2,241)	(2,195)	(2,130)	(2,057)	(2,001)	(1,937)	(1,900)
Deferred tax liabilities	**(7,723)**	(7,113)	(6,628)	(6,467)	(6,168)	(5,848)	(5,595)	(5,698)	(5,927)	(5,955)
Employee retirement benefit scheme liabilities	**(158)**	(350)	(367)	(368)	(393)	(288)	(406)	(587)	(499)	(443)
Other non-current liabilities	**(1,430)**	(1,314)	(1,122)	(955)	(747)	(503)	–	–	–	–
	(53,752)	(47,925)	(45,463)	(38,364)	(42,769)	(41,667)	(38,831)	(46,100)	(47,129)	(37,872)
Tariff Stabilisation Fund (note 1)	**(872)**	(1,050)	(698)	(848)	(620)	(316)	(24)	(204)	(288)	(36)
Rate Reduction Reserve (note 2)	**(13)**	(1)	(8)	(14)	(6)	(1)	(1)	(1)	–	(3)
Smart Power Care Fund/Smart Power Fund (note 3)	**(27)**	(14)	(20)	(16)	(22)	(18)	(14)	(10)	(5)	–
Net assets	**4,610**	4,197	3,807	4,006	3,475	4,047	4,065	3,191	3,377	12,271
Capital and reserves										
Share capital	**2,411**	2,411	2,411	2,411	2,411	2,411	2,411	2,411	2,411	2,411
Reserves	**1,756**	1,666	1,427	1,259	1,125	1,326	1,057	921	1,002	1,000
Hedging reserves	**443**	120	(31)	336	(61)	310	597	(141)	(36)	15
	4,610	4,197	3,807	4,006	3,475	4,047	4,065	3,191	3,377	3,426
Loan capital	**–**	–	–	–	–	–	–	–	–	8,845
Total equity	**4,610**	4,197	3,807	4,006	3,475	4,047	4,065	3,191	3,377	12,271

Notes:

1. The Tariff Stabilisation Fund is not part of shareholders' funds.
2. Pursuant to Scheme of Control, the year-end balance of the reserve of a year has to be transferred to the Tariff Stabilisation Fund in the following year starting from end 2013.
3. Pursuant to 2013 mid-term review of 2009-2018 Scheme of Control Agreement ("SoCA"), a Smart Power Fund was established in June 2014 to support the carrying out of improvement works to upgrade the energy efficiency performance of building services installations for communal use of non-commercial buildings. Under current SoCA, a Smart Power Care Fund has to be established no later than 1 January 2019 with initial funding provided by the net closing balance of the Smart Power Fund to promote energy efficiency and conservation.

The Hongkong Electric Company, Limited Ten-Year Operating Statistics

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Units sold (millions of kWh)										
Commercial	**7,149**	7,409	7,178	7,751	7,766	7,824	7,893	8,012	8,015	8,011
Residential	**2,505**	2,659	2,667	2,475	2,466	2,485	2,584	2,541	2,610	2,437
Industrial	**287**	293	289	293	305	306	315	326	330	325
Total (millions of kWh)	**9,941**	10,361	10,134	10,519	10,537	10,615	10,792	10,879	10,955	10,773
Annual (decrease)/increase (%)	**(4.0)**	2.2	(3.7)	(0.2)	(0.7)	(1.6)	(0.8)	(0.7)	1.7	(2.4)
Average Net Tariff per Tariff Review (HK cents per kWh)										
Basic Tariff	**109.0**	109.0	102.0	101.3	109.1	108.9	105.5	102.6	101.8	94.7
Special Rent & Rates Rebate	**–**	–	(0.4)	(2.3)	(4.0)	(4.0)	–	–	–	–
Special Rebate	**(1.0)**	–	–	–	–	–	–	–	–	–
Net Basic Tariff	**108.0**	109.0	101.6	99.0	105.1	104.9	105.5	102.6	101.8	94.7
Fuel Clause Charge	**27.3**	17.4	24.8	23.4	23.4	23.4	27.9	32.3	33.1	40.2
Special Fuel Rebate	**–**	–	–	(2.3)	(16.0)	(17.9)	–	–	–	–
Net Tariff (HK cents per kWh)	**135.3**	126.4	126.4	120.1	112.5	110.4	133.4	134.9	134.9	134.9
Number of customers (000's)	**586**	584	583	581	579	577	575	572	570	569
Installed capacity (MW)										
Gas turbines and standby units	**555**	555	555	555	555	555	555	555	555	555
Coal-fired units	**1,750**	2,000	2,000	2,000	2,000	2,250	2,500	2,500	2,500	2,500
Gas-fired combined-cycle units (note 1)	**1,095**	1,060	1,060	680	680	680	680	680	680	680
Wind turbine and photovoltaic system (note 2)	**2**	2	2	2	2	2	2	2	2	2
Total (MW)	**3,402**	3,617	3,617	3,237	3,237	3,487	3,737	3,737	3,737	3,737
System maximum demand (MW)	**2,384**	2,384	2,336	2,395	2,376	2,513	2,428	2,427	2,460	2,453
Annual increase/(decrease) (%)	**–**	2.1	(2.5)	0.8	(5.5)	3.5	0.0	(1.3)	0.3	(1.6)
Annual load factor (%)	**52.8**	55.1	55.0	56.4	56.8	54.0	56.7	57.3	56.9	56.1
Thermal efficiency (%)	**38.9**	37.6	37.6	35.5	35.6	35.9	35.9	36.2	36.1	36.3
Plant availability (%)	**86.6**	89.0	89.5	90.9	90.7	87.1	85.6	85.5	88.4	85.7
Number of switching stations	**24**	24	24	24	24	24	24	24	24	24
Number of zone substations	**27**	27	27	27	27	27	27	27	27	27
Number of customer substations	**3,977**	3,962	3,944	3,920	3,912	3,889	3,848	3,818	3,793	3,776
Number of employees	**1,690**	1,699	1,713	1,770	1,763	1,776	1,790	1,801	1,814	1,826
Capital expenditure (HK$ million) (note 3)	**5,734**	6,001	5,485	4,620	3,695	2,929	2,799	2,516	2,252	1,973

Notes:

1. To achieve Hong Kong's fuel mix target of around 50% gas generation from 2020, HK Electric built a new gas-fired unit L10 and deferred the retirement of an old gas-fired unit GT57 to 2022 when another new gas-fired unit L11 came into operation. This was an interim measure to achieve government objective. The installed capacity in 2020 and 2021 without GT57 would otherwise be 3,272 MW.
2. The 800-kW wind turbine was commissioned in 2005. The 550-kW thin film photovoltaic system at Lamma Power Station was commissioned in 2010 and was expanded to 1 MW in March 2013. The system was further increased to 1.1 MW in 2021 due to replacement of aged panels with ones of larger capacity. Together with other solar power systems installed at company's substations, the total capacity reached 1.2 MW in 2022.
3. These are capital expenditures solely for electricity-related property, plant and equipment. The capital expenditures exclude additions of right-of-use assets and include capital expenditures of the offshore LNG terminal developed by a joint venture.

Corporate Information

HK Electric Investments Manager Limited（港燈電力投資管理人有限公司）

(Incorporated in Hong Kong with limited liability, the trustee-manager of HK Electric Investments)

and

HK Electric Investments Limited（港燈電力投資有限公司）

(Incorporated in the Cayman Islands with limited liability)

Board of Directors

Executive Directors

FOK Kin Ning, Canning *(Chairman)*
(WOO Mo Fong, Susan (alias CHOW WOO Mo Fong, Susan) as his alternate)
WAN Chi Tin *(Chief Executive Officer)*
CHAN Loi Shun
CHENG Cho Ying, Francis
WANG Yuanhang

Non-executive Directors

LI Tzar Kuoi, Victor *(Deputy Chairman)*
(Frank John SIXT as his alternate)
Fahad Hamad A H AL-MOHANNADI
Ronald Joseph ARCULLI
DUAN Guangming
(Resigned on 9 September 2022)
Deven Arvind KARNIK
WANG Zijian
(Appointed on 9 September 2022)
ZHU Guangchao

Independent Non-executive Directors

FONG Chi Wai, Alex
KOH Poh Wah
KWAN Kai Cheong
LEE Lan Yee, Francis
George Colin MAGNUS
Donald Jeffrey ROBERTS

Trustee-Manager Audit Committee

Donald Jeffrey ROBERTS *(Chairman)*
Ronald Joseph ARCULLI
KOH Poh Wah
LEE Lan Yee, Francis

Company Audit Committee

Donald Jeffrey ROBERTS *(Chairman)*
Ronald Joseph ARCULLI
KOH Poh Wah
LEE Lan Yee, Francis

Remuneration Committee

Donald Jeffrey ROBERTS *(Chairman)*
FOK Kin Ning, Canning
FONG Chi Wai, Alex

Nomination Committee

LEE Lan Yee, Francis *(Chairman)*
KWAN Kai Cheong
LI Tzar Kuoi, Victor

Sustainability Committee

WAN Chi Tin *(Chairman)*
CHENG Cho Ying, Francis
FONG Chi Wai, Alex

Company Secretary

Alex NG

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Mizuho Bank, Ltd.
MUFG Bank, Ltd.

Corporate Information

Auditor

KPMG

Company Website

www.hkei.hk

Trustee-Manager Registered Office

44 Kennedy Road, Hong Kong

Company Registered Office

Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman, KY1-1111,
Cayman Islands

Company Head Office and Principal Place of Business in Hong Kong

44 Kennedy Road, Hong Kong
Telephone: (852) 2843 3111
Facsimile: (852) 2810 0506
Email: mail@hkei.hk

Share Stapled Units Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong
Website: www.computershare.com/hk/contact

Principal Share Registrar

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman, KY1-1111,
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong
Website: www.computershare.com/hk/contact

ADR (Level 1 Programme) Depositary

Deutsche Bank Trust Company Americas
1 Columbus Circle, New York, NY 10019
Website: www.adr.db.com
Email: adr@db.com

Investor Relations

For institutional investors, please contact:
CHAN Loi Shun *(Executive Director)*,
WONG Kim Man *(Chief Financial Officer)* or
Vincent CHOW *(Group Treasurer)*

For other investors, please contact:
Alex NG *(Company Secretary)*

Email: mail@hkei.hk
Telephone: (852) 2843 3111
Facsimile: (852) 2810 0506
Postal Address: G.P.O. Box 915, Hong Kong
Address: 44 Kennedy Road, Hong Kong

Financial Calendar and Share Stapled Unit Information

Financial Calendar

Interim Results Announcement	2 August 2022
Annual Results Announcement	14 March 2023
Ex-distribution Date	28 March 2023
Record Date for Final Distribution	29 March 2023
Distribution per Share Stapled Unit	
Interim : HK15.94 cents	26 August 2022
Final : HK16.09 cents	12 April 2023
Closure of Registers – Annual General Meeting	12 May 2023 to 17 May 2023 (both days inclusive)
Annual General Meeting	17 May 2023

Share Stapled Unit Information

Board Lot	500 Share Stapled Units
Market Capitalisation as at 31 December 2022	HK$45,683 million
Share Stapled Unit to American Depositary Share Ratio	10:1

Stock Codes

The Stock Exchange of Hong Kong Limited	2638
Bloomberg	2638 HK
Refinitiv	2638.HK
ADR Ticker Symbol	HKVTY
CUSIP Number	40422B101

Glossary

In this Annual Report, 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
"CK Hutchison"	CK Hutchison Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1)
"CKI"	CK Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1038)
"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
"HKEX"	Hong Kong Exchanges and Clearing Limited
"HKFRSs"	A collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA
"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

Term(s)	Definition
"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
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"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: (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
"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

This Annual Report has been printed in both the English and Chinese languages. If Holders of Share Stapled Units who have received an English copy of this Annual Report wish to obtain a Chinese copy, or vice versa, they may request for it by writing to the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

This Annual Report has been posted in both the English and Chinese languages on the Company's website at www.hkei.hk. If, for any reason, Holders of Share Stapled Units who have chosen (or are deemed to have consented) to receive corporate communications through the Company's website have difficulty in gaining access to the Annual Report, they may request that a printed copy of this Annual Report be sent to them free of charge by mail.

Holders of Share Stapled Units may at any time change their choice of language of all future corporate communications, or choose to receive all future corporate communications either in printed form or through the Company's website, by writing to the Company at 44 Kennedy Road, Hong Kong or to the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited at the address above-mentioned or by emailing to the Company's email address at mail@hkei.hk.

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