

港燈電力投資

HK Electric Investments

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

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

與 and

港燈電力投資有限公司

HK Electric Investments Limited

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

(股份代號 Stock Code : 2638)



港燈電力投資  
HK Electric Investments

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## **2023 ANNUAL RESULTS** **CHAIRMAN'S STATEMENT**

2023 marked the successful conclusion of the 2019 - 2023 Development Plan of HK Electric Investments (HKEI), and its wholly owned subsidiary HK Electric. Under the HK\$26.6 billion blueprint, three new gas-fired generating units and a joint-venture offshore liquefied natural gas (LNG) terminal were built, enabling us to increase the proportion of electricity we generate from natural gas to around 70% from 2024 onwards and contributing to the city's carbon reduction efforts. We also operated a range of social support and energy efficiency and conservation programmes.

We received government approval to move forward with the next Development Plan covering our capital expenditure for the period 2024 - 2028. We will invest another HK\$22 billion to further improve our emissions performance, strengthen our power grid to meet the city's development while maintaining system reliability to withstand extreme weather conditions. We have made significant headway in systematically migrating our infrastructure and operations to a new era of greener energy in recent years, in support of the Hong Kong Special Administrative Region Government's Clean Air Plan for Hong Kong 2035 and Hong Kong's Climate Action Plan 2050.

2023 also witnessed the first interim review of our 15-year Scheme of Control Agreement (SCA) for 2019 - 2033, which provides a stable regulatory platform for investing in the green transition. We worked closely with the Government to agree on modifications to the SCA by introducing a new Special Tariff Relief Mechanism during times of energy crisis and a penalty scheme for large-scale interruptions of electricity supply; and enhancing transparency of information disclosure to the public.

Despite our focus on supply reliability, an unexpected power interruption after midnight on 19 April 2023 affected about 44,000 customers. Thanks to our restoration systems which worked smoothly according to design, power supply resumed within 33 to 48 minutes. We have since conducted a thorough investigation and implemented a range of improvements to fortify our systems and processes.

## **Financial results and distributions**

For the year ended 31 December 2023, HKEI's EBITDA was HK\$8,033 million (2022: HK\$7,599 million) and profits attributable to holders of Share Stapled Units (SSU) was HK\$3,156 million (2022: HK\$2,954 million).

The Board of the Trustee-Manager has declared a final distribution by the Trust of HK16.09 cents (2022: HK16.09 cents) per SSU, payable on 17 April 2024 to SSU holders whose names appear on the Share Stapled Units Register on 8 April 2024. Together with the interim distribution of HK15.94 cents (2022: HK15.94 cents) per SSU, this amounts to a total distribution of HK32.03 cents (2022: HK32.03 cents) per SSU for the year.

## **Delivering on the 2019 - 2023 Development Plan**

With the construction of L12, the latest 380-MW gas-fired generating unit, all the major capital works under the 2019 - 2023 Development Plan have been substantially completed despite large-scale disruptions following the outbreak of COVID-19. I am particularly proud of the team which worked efficiently around restrictions in the timely movement of materials and personnel, as well as social distancing on site. Over the last five years, we have constructed three new gas-fired generating units in succession – L10, L11, and L12, retiring one older and inefficient gas-fired unit and two ageing coal-fired units.

We have put in place the infrastructure needed to not only enhance the security of our gas supply but also our ability to secure competitive gas prices to support the increasing use of natural gas for electricity generation. In partnership with CLP Power Hong Kong Limited, we launched Hong Kong's first offshore LNG terminal in July 2023, with an LNG storage capacity of 263,000 m<sup>3</sup>. LNG arriving at the terminal will be stored and gasified before being delivered to Lamma Power Station via an 18-km subsea pipeline.

We have also installed more than 360,000 smart meters across our customer base along with advanced metering infrastructure. Around 60% of our customers are now fitted with smart meters so they can understand their electricity usage patterns better and adopt energy saving behaviours accordingly.

## **Moving onto the next stage of green energy**

Following government approval, we are progressing with the 2024 - 2028 Development Plan. Key capital projects include the replacement of an ageing coal-fired unit with another new gas-fired generating unit to maintain sufficient generation capacity while reducing carbon and other emissions further. To ensure reliability, we will build three oil-fired open-cycle generating units capable of fast start-up to replace four similar units which have been in service for nearly 50 years; and extend the service life of two coal-fired units to optimise our capital investments before the possible import of zero-carbon electricity into our system.

Hong Kong, like many other parts of the world, has experienced extreme weather and flooding with increasing frequency in recent years. Following super typhoons such as Hato (2017), Mangkhut (2018) and Saola (2023), September 2023 saw unprecedented rain that caused serious flooding at some substations located on hillsides where flooding had never been reported before. In the face of ever more severe weather events, we have established a task force to ensure continued reliability of all our network assets. The task force will do a complete review again, and implement projects to improve system resilience against extreme weather events including flood control and wind protection.

We will also construct new transmission and distribution substations in the Southern and Eastern districts of Hong Kong to support the city's developments. Progressive replacement of aged underground cables and facilities in our substations, and voltage upgrade will also be carried out as part of our ongoing efforts to enhance power reliability and quality.

We provided technical advisory and evaluation services to the Government, transportation industry, and property managers seeking to install electric vehicle charging infrastructure. Since the launch of the Government's EV-charging at Home Subsidy Scheme (EHSS) in 2020, we have supported around 470 private residential estates which applied to the EHSS to install EV charging infrastructure for about 53,000 carparking spaces. We also offered technical advice to around 100 non-EHSS carparks covering more than 5,000 parking spaces in 2023.

In line with international consensus and industry best practices, we have pledged to support three United Nations Sustainable Development Goals (SDGs) with corresponding internal targets, and their progress is reported in our annual Sustainability Report. Having considered our latest development, we have included additional SDGs in our pledge.

### **Attaining high standards every day**

Emerging from the COVID-19 pandemic, the resumption of normal economic activities coupled with warmer weather drove up power consumption. As a result, electricity sales to a larger base of 589,000 customers reached 10,040 GWh (2022: 9,941 GWh). It is noteworthy that despite the power interruption incident in April, we were able to maintain our 27-year supply reliability record of over 99.999%.

All our pledged customer service standards were achieved, with a performance score of 4.72 out of 5 in customer satisfaction. We continue to encourage customers to use online and mobile self-service channels to cut down on paper use and optimise energy consumption.

The Feed-in Tariff Scheme continued to be popular among our customers, with 160 additional renewable energy systems connected to the HK Electric grid in 2023. Together with our own solar power system at Lamma Power Station, Lamma Winds and the smaller-scale renewable energy installations on the roof-tops of our facilities and office buildings, more than 10 million units of green electricity were generated during the year, all subscribed by our customers in the form of Renewable Energy Certificates.

Through our range of Smart Power Services, we helped more than 150 buildings roll out projects to improve energy efficiency and save costs. Support was provided to six transitional housing projects for about 250 households to purchase energy-efficient electrical appliances.

With an increasing focus on innovation, we have undergone a digital transformation across our entire operation in recent years to increase both reliability and efficiency. More than 200 projects have been implemented to introduce advanced analytics, artificial intelligence, robotics, and Internet-of-Things technologies for network management and maintenance, plant operations, and more. To protect our mission-critical systems from cyber-threats, we have also strengthened our cyber-security policies and preparedness.

Affordability remains an important part of our pledge to our customers. We adjust the Fuel Clause Charge component of our tariff on a monthly basis to reflect changes in international fuel prices with as much transparency as possible. This mechanism has been effective in allowing us to drop our tariffs in the latter half of 2023. As a result of the Fuel Clause Charge reduction and various electricity subsidies offered by the company and the Government, more than 920,000 zero monthly bills were recorded for our residential customers in 2023, accounting for about 16% of HK Electric's total residential customer bills during the year.

### **Caring for people and the environment**

Our priority as a major employer of choice in Hong Kong is to attract a new generation of engineers into the power sector. Apart from an extensive range of training schemes and development opportunities, we are also expanding our talent pool with a recruitment drive in Mainland China. We are planning our recruitment, training and retention strategies to enable our team to upgrade their skills to work with the new technologies, equipment, and methods needed for the new era of energy provision.

Our care and support extend to helping the wider community resume normality with two main priorities: helping small businesses and the underprivileged. We continued to support small caterers and restaurants with our "Care and Share" dining coupons and offered subsidies to small businesses to install energy-efficient or decarbonisation-related equipment. And with all COVID-19 restrictions lifted, we worked with our NGO partners to resume our community work, arranging home visits and outings for single elders while encouraging them to reconnect with their communities.

As a key player in Hong Kong's energy sector, we consider it our responsibility to promote energy efficiency and conservation and low-carbon lifestyle among the public and younger generation. Our well-established initiatives such as Green Hong Kong Green and the Happy Green Campaign spread eco-awareness and green messages among tens of thousands of participants over the year.

We have committed around HK\$300 million in the last five years to support the needy and various business sectors to facilitate the city's transformation into a smarter and greener Hong Kong. In the coming year, over HK\$55 million will be set aside to provide continuous support to the underprivileged as well as to promote energy efficiency and conservation and ways to cut carbon footprint.

## **Outlook**

We are cautiously optimistic about Hong Kong's economic prospects in 2024 as business and social activities slowly return to pre-pandemic levels. We are committed to building the infrastructure needed to support the city's development and its decarbonisation efforts as outlined in the new Development Plan. We will exercise stringent controls over our operations to deliver sustainable and optimal performance for stakeholders, customers and the environment.

Our Basic Tariff has to increase by HK5 cents to HK119.5 cents per unit of electricity in 2024 due to the extensive capital works planned, but the easing of international fuel prices has allowed us to reduce the Fuel Clause Charge. As a result, the Net Tariff for January 2024 was set at HK165.5 cents per unit of electricity, 16% lower than that in January 2023.

In 2024, we will increase the proportion of gas-fired electricity to about 70% of total output. The use of more natural gas will result in higher fuel costs but the offshore LNG terminal will allow us to import gas from around the world at competitive prices, to augment the ongoing long-term contracts we have in place for gas import. Given the ongoing geopolitical tensions, volatility of fuel prices is to be expected in the near term.

Going forward, our key priority is reducing carbon emissions in all our operations so as to help deliver a 50% reduction in the city's carbon footprint before 2035 compared with the 2005 level. At the same time, in support of the Government's policy direction to utilise more zero-carbon energy, we are planning ahead and studying how to import zero-carbon electricity across the border safely while maintaining network stability.

In closing, I express my gratitude to all my colleagues whose commitment and skills are vital to our success.

**Fok Kin Ning, Canning**  
Chairman  
Hong Kong, 19 March 2024

## FINANCIAL REVIEW

### Financial performance

The Trust Group's revenue and consolidated profit for the year ended 31 December 2023 were HK\$11,406 million (2022: HK\$10,793 million) and HK\$3,156 million (2022: HK\$2,954 million) respectively.

### Distribution

The Trustee-Manager Board has declared the payment of a final distribution by the Trust of HK16.09 cents (2022: 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 (2022: HK16.09 cents) per ordinary share in respect of the same period. This, together with the interim distribution of HK15.94 cents (2022: HK15.94 cents) per SSU, brings the total distribution to HK32.03 cents (2022: HK32.03 cents) per SSU for the year ended 31 December 2023.

	<b>2023</b>	2022
	<b>HK\$ million</b>	HK\$ million
Consolidated profit attributable to SSU holders	<b>3,156</b>	2,954
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	<b>5,206</b>	4,854
(ii) adding/(deducting)		
– movement in Fuel Clause Recovery Account	<b>1,945</b>	(1,640)
– changes in working capital	<b>(803)</b>	(41)
– adjustment for employee retirement benefit schemes	<b>(18)</b>	10
– taxes paid	<b>(169)</b>	(544)
	<b>955</b>	(2,215)
(iii) capital expenditure payment	<b>(4,087)</b>	(5,844)
(iv) deducting		
– debt repayment	<b>(1,277)</b>	-
– net finance costs	<b>(1,527)</b>	(1,078)
	<b>(2,804)</b>	(1,078)
Distributable income	<b>2,426</b>	(1,329)
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed	<b>404</b>	4,159
Distributable income after adjustment of the discretionary amount	<b>2,830</b>	2,830

	<b>2023</b>	2022
	<b>HK\$ million</b>	HK\$ million
Interim distribution	<b>1,408</b>	1,408
Final distribution	<b>1,422</b>	1,422
Distribution amount	<b>2,830</b>	2,830
Distributions per SSU (see note (c) below)		
– Interim distribution per SSU	<b>HK15.94 cents</b>	HK15.94 cents
– Final distribution per SSU	<b>HK16.09 cents</b>	HK16.09 cents
Total distributions per SSU	<b>HK32.03 cents</b>	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 2023, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.

Notes:

- (a) Pursuant to clause 1.1 of the Trust Deed, "Adjustments" includes, but not limited to (i) transfers to/from the Tariff Stabilisation Fund and the Rate Reduction Reserve under the Scheme of Control; (ii) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (iii) impairment of goodwill/recognition of negative goodwill; (iv) material non-cash gains/losses; (v) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units; (vi) depreciation and amortisation; (vii) tax charges as shown in the consolidated statement of profit or loss; and (viii) net finance income/costs as shown in the consolidated statement of profit or loss.
- (b) The Trustee-Manager Board has confirmed, in accordance with the Trust Deed, that (i) the auditors of the Trust Group have reviewed and verified the Trustee-Manager's calculation of the above distribution entitlement per SSU and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unit holders of the Trust, the Trustee-Manager will be able to fulfill, from the Trust Property (as defined in the Trust Deed), the liabilities of the Trust as they fall due.
- (c) Interim distribution per SSU of HK15.94 cents (2022: HK15.94 cents) was calculated based on the interim distribution amount of HK\$1,408 million (2022: HK\$1,408 million) and 8,836,200,000 SSUs in issue as at 30 June 2023 (30 June 2022: 8,836,200,000 SSUs). Final distribution per SSU of HK16.09 cents (2022: HK16.09 cents) was calculated based on the final distribution amount of HK\$1,422 million (2022: HK\$1,422 million) and 8,836,200,000 SSUs in issue as at 31 December 2023 (31 December 2022: 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\$4,447 million (2022: HK\$5,734 million), which was funded by cash from operations and external borrowings. Total external borrowings outstanding at 31 December 2023 were HK\$50,206 million (2022: HK\$51,212 million), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 31 December 2023 had undrawn committed bank facilities of HK\$6,535 million (2022: HK\$3,400 million) and bank deposits and cash of HK\$21 million (2022: HK\$325 million).

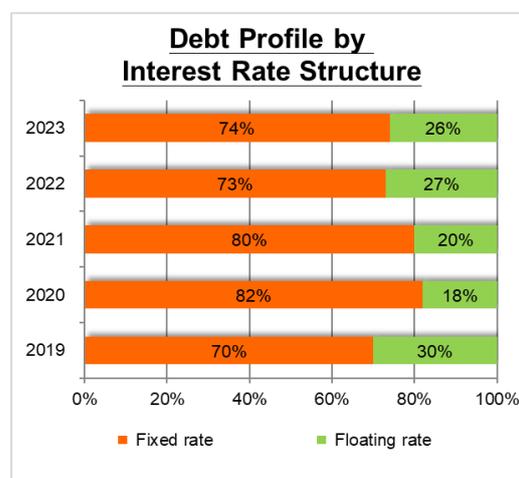
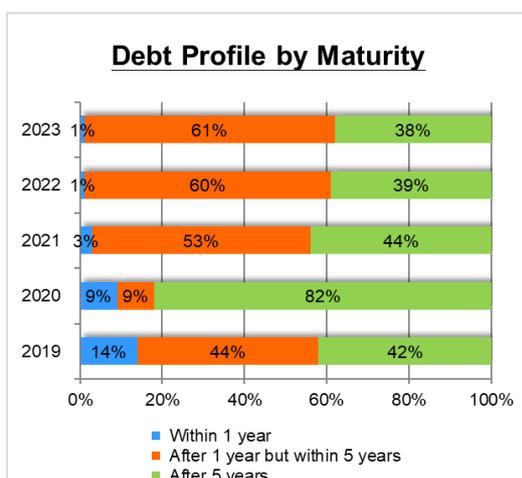
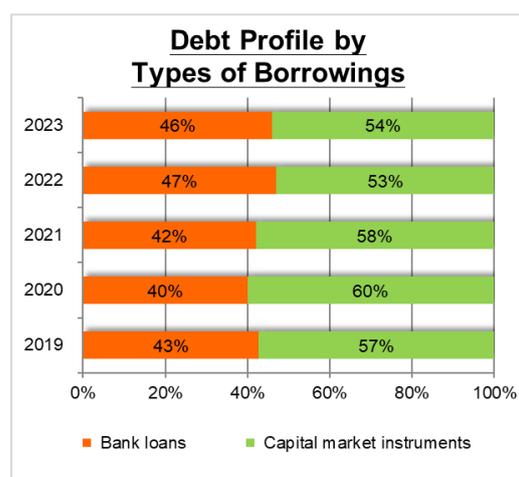
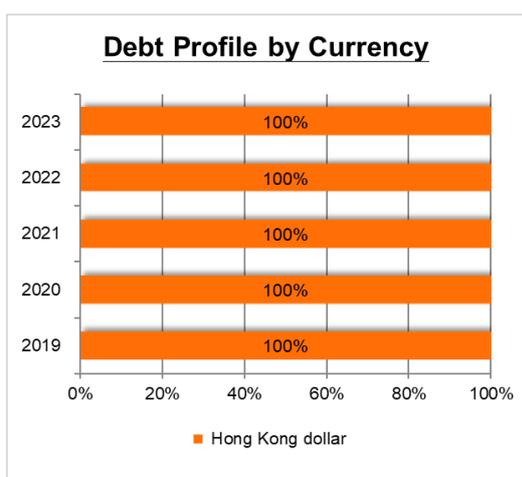
## Treasury policy, financing activities, capital and debt structure

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 a HK\$2,000 million 5-year term and revolving credit facility for the refinancing of maturing bank loans, funding for capital expenditure and for general corporate purposes.

As at 31 December 2023, the net debt of the Trust Group was HK\$50,185 million (2022: HK\$50,887 million) with a net debt-to-net total capital ratio of 51% (2022: 51%). The Trust Group’s financial profile remained strong during the year. On 26 March 2023, 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 2023, after taking into account forward foreign exchange contracts, cross currency and interest rate swaps, was as follows:



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

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

The Trust Group's principal foreign currency transaction exposures arise from the import of fuel and capital equipment. Foreign currency transaction exposure is managed mainly through forward foreign exchange contracts. As at 31 December 2023, 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 2023 amounted to HK\$46,116 million (2022: HK\$44,900 million).

### **Charge on assets**

At 31 December 2023, no assets of the Trust Group were pledged to secure its loans and banking facilities (2022: Nil).

### **Contingent liabilities**

As at 31 December 2023, the Trust Group had no guarantee or indemnity to external parties (2022: 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 2023, excluding directors' emoluments, amounted to HK\$1,206 million (2022: HK\$1,202 million). As at 31 December 2023, the Trust Group employed 1,657 (2022: 1,690) permanent employees. No share option scheme is in operation.

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

For the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	Note	2023 \$ million	2022 \$ million
<b>Revenue</b>	5	<b>11,406</b>	10,793
Direct costs		<u>(5,384)</u>	<u>(5,364)</u>
		<b>6,022</b>	5,429
Other revenue and other net income	7	<b>87</b>	67
Other operating costs		<u>(1,133)</u>	<u>(987)</u>
<b>Operating profit</b>		<b>4,976</b>	4,509
Finance costs		<u>(1,360)</u>	<u>(961)</u>
<b>Profit before taxation</b>	8	<b>3,616</b>	3,548
Income tax:	9		
Current		<u>(909)</u>	<u>(187)</u>
Deferred		<u>263</u>	<u>(442)</u>
		<u>(646)</u>	<u>(629)</u>
<b>Profit after taxation</b>		<b>2,970</b>	2,919
Scheme of Control transfers	10(b)	<u>186</u>	<u>35</u>
<b>Profit for the year attributable to the holders of Share Stapled Units/ shares of the Company</b>		<u><b>3,156</b></u>	<u>2,954</u>
<b>Earnings per Share Stapled Unit/ share of the Company</b>			
Basic and diluted	12	<u><b>35.72 cents</b></u>	<u>33.43 cents</u>

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

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

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

For the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	2023 \$ million	2022 \$ million
<b>Profit for the year attributable to the holders of Share Stapled Units/shares of the Company</b>	<b>3,156</b>	2,954
<b>Other comprehensive income for the year, after tax and reclassification adjustments</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Defined benefit retirement schemes:		
Remeasurement of net defined benefit asset/liability	35	39
Net deferred tax charged to other comprehensive income	(6)	(7)
	<b>29</b>	32
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	(4)	(4)
Cost of hedging – changes in fair value	5	(2)
Net deferred tax credited to other comprehensive income	-	1
	<b>1</b>	(5)
	<b>30</b>	27
<b>Items that may be reclassified subsequently to profit or loss</b>		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	(103)	1,023
Reclassification adjustments for amounts transferred to profit or loss	(269)	23
Cost of hedging – changes in fair value	(395)	(134)
Cost of hedging – reclassified to profit or loss	(63)	(63)
Net deferred tax credited/(charged) to other comprehensive income	115	(64)
	<b>(715)</b>	785
<b>Total comprehensive income for the year attributable to the holders of Share Stapled Units/shares of the Company</b>	<b>2,471</b>	3,766

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

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

At 31 December 2023

(Expressed in Hong Kong dollars)

	Note	2023 \$ million	2022 \$ million
<b>Non-current assets</b>			
Property, plant and equipment		74,791	73,732
Interests in leasehold land held for own use		5,033	5,228
	13	<u>79,824</u>	<u>78,960</u>
Goodwill		33,623	33,623
Interest in a joint venture		895	793
Derivative financial instruments		737	1,450
Employee retirement benefit scheme assets		968	882
		<u>116,047</u>	<u>115,708</u>
<b>Current assets</b>			
Inventories		1,003	1,446
Trade and other receivables	14	1,469	1,631
Fuel Clause Recovery Account	15	-	1,892
Bank deposits and cash		21	325
		<u>2,493</u>	<u>5,294</u>
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	16	(3,417)	(4,821)
Fuel Clause Recovery Account	15	(53)	-
Current portion of bank loans and other interest-bearing borrowings	17	(715)	(557)
Bank overdrafts – unsecured		(44)	-
Current tax payable		(889)	(149)
		<u>(5,118)</u>	<u>(5,527)</u>
<b>Net current liabilities</b>		<u>(2,625)</u>	<u>(233)</u>
<b>Total assets less current liabilities</b>		<u>113,422</u>	<u>115,475</u>
<b>Non-current liabilities</b>			
Bank loans and other interest-bearing borrowings	17	(49,447)	(50,655)
Derivative financial instruments		(181)	(111)
Customers' deposits		(2,449)	(2,381)
Deferred tax liabilities		(10,124)	(10,495)
Employee retirement benefit scheme liabilities		(191)	(158)
Other non-current liabilities	18	(1,382)	(1,430)
		<u>(63,774)</u>	<u>(65,230)</u>
<b>Scheme of Control Fund and Reserve</b>	10(c)	(670)	(912)
<b>Net assets</b>		<u>48,978</u>	<u>49,333</u>
<b>Capital and reserves</b>			
Share capital		8	8
Reserves		48,970	49,325
<b>Total equity</b>		<u>48,978</u>	<u>49,333</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
OF THE TRUST AND OF THE COMPANY**  
(Expressed in Hong Kong dollars)

**1. Review of annual results**

The annual results have been reviewed by the Audit Committees.

The figures in respect of the Trust Group's and the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Trust Group's and the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Trust Group's and the Group's draft consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

**2. General information**

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

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

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

### 3. **Basis of presentation**

Pursuant to the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The consolidated financial statements of the Trust for the year ended 31 December 2023 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 2023 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 2023 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, material accounting policies and the related explanatory information are common to the Trust and the Company. Information specific to the Company are disclosed separately in the relevant explanatory information in notes to the consolidated financial statements.

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

### 4. **Changes in accounting policies**

#### **(a) New and amended HKFRSs**

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 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to HKAS 8, *Definition of Accounting Estimates*
- Amendments to HKAS 12, *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

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.

**(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism**

In June 2022, the Government gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Groups have changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. This new HKICPA guidance does not have a material impact on the Groups’ results and financial positions for the current or prior periods.

**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:

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Sales of electricity	<b>11,321</b>	10,724
Less: concessionary discount on sales of electricity	<b>(7)</b>	(6)
	<b>11,314</b>	10,718
Electricity-related income	<b>92</b>	75
	<b>11,406</b>	10,793

## 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

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Interest income on financial assets measured at amortised cost	<b>44</b>	30
Sundry income	<b>43</b>	37
	<b>87</b>	67

## 8. Profit before taxation

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Profit before taxation is arrived at after charging:		
Depreciation		
– owned property, plant and equipment	<b>2,904</b>	2,923
– properties leased for own use	<b>1</b>	1
Amortisation of leasehold land	<b>196</b>	196
Expenses of short-term leases	<b>5</b>	5
Costs of inventories	<b>6,867</b>	8,424
Write down of inventories	<b>10</b>	23
Staff costs	<b>734</b>	746
Net loss on disposal and written off of property, plant and equipment	<b>256</b>	88
Auditor's remuneration		
– audit and audit related services	<b>5</b>	5
– non-audit services (see note below)	<b>1</b>	1

Auditor's remuneration for non-audit services amounted to \$785,000 (2022: \$860,000).

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

	2023 \$ million	2022 \$ million
<b>Current tax</b>		
Provision for Hong Kong Profits Tax for the year	909	187
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(263)	442
	<b>646</b>	<b>629</b>

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 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 2022.

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

## 10. Scheme of Control transfers

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

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

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

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Tariff Stabilisation Fund	(255)	(80)
Rate Reduction Reserve	31	13
Smart Power Care Fund		
– Provisional sum injected in current year	13	-
– Provisional sum to be injected in the following year	25	32
	<b>(186)</b>	<b>(35)</b>

A provisional sum of \$38,291,000, representing deduction of HK Electric's 2023 financial incentive (2022: \$32,348,000), was transferred from the consolidated statement of profit or loss, of which \$13,000,000 was injected into the Smart Power Care Fund in 2023 with the remaining \$25,291,000 was included in the trade and other payables and contract liabilities as at 31 December 2023 for injection into the Smart Power Care Fund in the following year.

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

\$ million	<b>Tariff Stabilisation Fund</b>	<b>Rate Reduction Reserve</b>	<b>Smart Power Care Fund</b>	<b>Total</b>
At 1 January 2022	1,050	1	14	1,065
Transfer from Rate Reduction Reserve to Tariff Stabilisation Fund (see note 1 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)
<b>At 31 December 2022 and 1 January 2023</b>	<b>872</b>	<b>13</b>	<b>27</b>	<b>912</b>
Transfer from Rate Reduction Reserve to Tariff Stabilisation Fund (see note 1 below)	13	(13)	-	-
Transfer (to)/from the consolidated statement of profit or loss	(255)	31	-	(224)
Injection for the year	-	-	45	45
Disbursement for the year (see note 2 below)	-	-	(63)	(63)
<b>At 31 December 2023</b>	<b>630</b>	<b>31</b>	<b>9</b>	<b>670</b>

Note 1 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.

Note 2 Disbursement for the year included special electricity subsidy of 9.5 cents per unit of electricity which was offered to residential customers consuming 300 units of electricity or less in a month. Total special electricity subsidy provided in 2023 amounted to \$38,881,000.

## 11. Distributions/dividends

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

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Consolidated profit attributable to the holders of Share Stapled Units	<b>3,156</b>	2,954
After:		
(i) eliminating the effects of the Adjustments (see note 1 below)	<b>5,206</b>	4,854
(ii) adding/(deducting)		
– movement in Fuel Clause Recovery Account	<b>1,945</b>	(1,640)
– changes in working capital	<b>(803)</b>	(41)
– adjustment for employee retirement benefit schemes	<b>(18)</b>	10
– taxes paid	<b>(169)</b>	(544)
	<b>955</b>	(2,215)
(iii) capital expenditure payment	<b>(4,087)</b>	(5,844)
(iv) deducting		
– debt repayment	<b>(1,277)</b>	-
– net finance costs	<b>(1,527)</b>	(1,078)
	<b>(2,804)</b>	(1,078)
Distributable income	<b>2,426</b>	(1,329)
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed (see note 4 below)	<b>404</b>	4,159
Distributable income after adjustment of the discretionary amount	<b>2,830</b>	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 2023, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.

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

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Interim distribution/first interim dividend declared and paid of 15.94 cents (2022: 15.94 cents) per Share Stapled Unit/share	<b>1,408</b>	1,408
Final distribution/second interim dividend proposed after the end of the reporting period of 16.09 cents (2022: 16.09 cents) per Share Stapled Unit/share	<b>1,422</b>	1,422
	<b>2,830</b>	2,830

For the year ended 31 December 2023, the Company Board declared the payment of a second interim dividend of 16.09 cents per ordinary share (2022: 16.09 cents per ordinary share), amounting to \$1,422 million (2022: \$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 2023, the Trustee-Manager Board declared a final distribution of 16.09 cents per Share Stapled Unit (2022: 16.09 cents per Share Stapled Unit), amounting to \$1,422 million (2022: \$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 2023 (2022: 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**

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Final distribution/second interim dividend in respect of the previous financial year, approved and paid during the year, of 16.09 cents (2022: 16.09 cents) per Share Stapled Unit/share	<b>1,422</b>	1,422

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

The calculation of basic and diluted earnings per Share Stapled Unit/share of the Company are based on the profit attributable to the holders of Share Stapled Units/ordinary shares of the Company of \$3,156 million (2022: \$2,954 million) and the weighted average of 8,836,200,000 Share Stapled Units/ordinary shares of the Company (2022: 8,836,200,000 Share Stapled Units/ordinary shares of the Company) in issue during the year.

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

\$ million	Site formation and buildings	Properties leased for own use	Plant, machinery and equipment	Fixtures, fittings and motor vehicles	Assets under construction	Sub-total	Interests in leasehold land held for own use	Total
<b>Cost</b>								
At 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)
<b>At 31 December 2022 and 1 January 2023</b>	<b>20,516</b>	<b>2</b>	<b>64,513</b>	<b>1,288</b>	<b>10,870</b>	<b>97,189</b>	<b>6,960</b>	<b>104,149</b>
Additions	-	3	73	19	4,244	4,339	1	4,340
Transfer	270	-	4,021	249	(4,540)	-	-	-
Disposals	(326)	(1)	(1,959)	(43)	-	(2,329)	-	(2,329)
<b>At 31 December 2023</b>	<b>20,460</b>	<b>4</b>	<b>66,648</b>	<b>1,513</b>	<b>10,574</b>	<b>99,199</b>	<b>6,961</b>	<b>106,160</b>
<b>Accumulated depreciation and amortisation</b>								
At 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
<b>At 31 December 2022 and 1 January 2023</b>	<b>4,615</b>	<b>1</b>	<b>18,093</b>	<b>748</b>	<b>-</b>	<b>23,457</b>	<b>1,732</b>	<b>25,189</b>
Written back on disposals	(177)	(1)	(1,836)	(43)	-	(2,057)	-	(2,057)
Charge for the year	619	1	2,253	135	-	3,008	196	3,204
<b>At 31 December 2023</b>	<b>5,057</b>	<b>1</b>	<b>18,510</b>	<b>840</b>	<b>-</b>	<b>24,408</b>	<b>1,928</b>	<b>26,336</b>
<b>Net book value</b>								
<b>At 31 December 2023</b>	<b>15,403</b>	<b>3</b>	<b>48,138</b>	<b>673</b>	<b>10,574</b>	<b>74,791</b>	<b>5,033</b>	<b>79,824</b>
At 31 December 2022	15,901	1	46,420	540	10,870	73,732	5,228	78,960

The above are mainly electricity-related property, plant and equipment in respect of which financing costs capitalised during the year amounted to \$366 million (2022: \$293 million).

Depreciation charges for the year included \$103 million (2022: \$85 million), relating to assets utilised in development activities, which have been capitalised.

#### 14. Trade and other receivables

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Trade debtors, net of loss allowance (see notes (a) below)	<b>724</b>	811
Other receivables (see note below)	<b>651</b>	729
	<b>1,375</b>	1,540
Derivative financial instruments	<b>1</b>	1
Deposits and prepayments	<b>93</b>	90
	<b>1,469</b>	1,631

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 \$489 million (2022: \$579 million) to be received from electricity customers.

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

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

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Current and within 1 month	<b>664</b>	748
1 to 3 months	<b>48</b>	56
More than 3 months but less than 12 months	<b>12</b>	7
	<b>724</b>	811

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

## 15. Fuel Clause Recovery Account

HK Electric adjusts Fuel Clause Charge per unit for electricity sales on a monthly basis to reflect actual cost of fuels in a timely manner. Special Fuel Rebate of 1.1 cents per unit of electricity was offered to all our customers in May 2023 so as to freeze the Fuel Clause Charge payable in May 2023 at April 2023 level (2022: Nil).

Movements in the Fuel Clause Recovery Account were as follows:

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
At 1 January	<b>1,892</b>	252
Transferred to profit or loss	<b>5,401</b>	6,922
Fuel Clause Charges during the year	<b>(7,356)</b>	(5,282)
Special Fuel Rebates during the year	<b>10</b>	-
At 31 December	<b>(53)</b>	1,892

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

## 16. Trade and other payables and contract liabilities

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
<b>Trade and other payables</b>		
Creditors measured at amortised cost (see note (a) below)	<b>3,381</b>	4,718
Lease liabilities (see note 18(b))	<b>2</b>	-
Derivative financial instruments	<b>1</b>	40
	<b>3,384</b>	4,758
<b>Contract liabilities</b> (see note (b) below)	<b>33</b>	63
	<b>3,417</b>	4,821

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:**

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Due within 1 month or on demand	<b>1,353</b>	2,748
Due after 1 month but within 3 months	<b>901</b>	818
Due after 3 months but within 12 months	<b>1,127</b>	1,152
	<b>3,381</b>	4,718

**(b) Contract liabilities**

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

**17. Bank loans and other interest-bearing borrowings**

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Bank loans	<b>23,017</b>	23,987
Current portion	<b>(415)</b>	(257)
	<b>22,602</b>	23,730
Hong Kong dollar medium term notes		
Fixed rate notes (see note (a) below)	<b>8,661</b>	8,956
Zero coupon notes (see note (b) below)	<b>834</b>	806
	<b>9,495</b>	9,762
Current portion	<b>(300)</b>	(300)
	<b>9,195</b>	9,462
United States dollar medium term notes		
Fixed rate notes (see note (a) below)	<b>13,581</b>	13,565
Zero coupon notes (see note (b) below)	<b>4,069</b>	3,898
	<b>17,650</b>	17,463
Non-current portion	<b>49,447</b>	50,655

- (a) The Hong Kong dollar fixed rate notes bear interest at rates ranging from 2.4% to 4% per annum (2022: 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 (2022: 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 (2022: \$1,056 million) and accrual yield of 3.5% per annum (2022: 3.5% per annum).

The United States dollar zero coupon notes have nominal amount of US\$400 million (2022: US\$400 million) and accrual yield of 4.375% per annum (2022: 4.375% per annum). These notes embed with issuer call options allowing issuer to early redeem the notes and are callable on 12 October 2022 and annually thereafter until the penultimate year to maturity.

- (c) Some banking facilities of the Groups are subject to the fulfilment of covenants relating to certain of the Groups' statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Groups were to breach the covenants, the drawn down facilities would become payable on demand and any undrawn amount will be cancelled. The Groups regularly monitors its compliance with these covenants. As at 31 December 2023 and 2022, none of the covenants relating to drawn down facilities had been breached.

- (d) None of the non-current interest-bearing borrowings is expected to be settled within one year. All the above borrowings are unsecured.

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

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
After 1 year but within 2 years	<b>300</b>	1,300
After 2 years but within 5 years	<b>29,974</b>	29,351
After 5 years	<b>19,173</b>	20,004
	<b>49,447</b>	50,655

## 18. Other non-current liabilities

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Provisions (see note (a) below)	<b>1,381</b>	1,429
Lease liabilities (see note (b) below)	<b>1</b>	1
	<b>1,382</b>	1,430

### (a) Provisions

	<b>2023</b>
	<b>\$ million</b>
Provisions for asset decommissioning obligation	
At 1 January	<b>1,429</b>
Additional provisions made	<b>76</b>
Provisions utilised	<b>(124)</b>
At 31 December	<b>1,381</b>

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

### (b) Lease liabilities

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

	<b>2023</b>		2022	
	<b>Present value of the minimum lease payments \$ million</b>	<b>Total minimum lease payments \$ million</b>	Present value of the minimum lease payments \$ million	Total minimum lease payments \$ million
Within 1 year	<b>2</b>	<b>2</b>	-	-
After 1 year but within 2 years	<b>1</b>	<b>1</b>	1	1
	<b>3</b>	<b>3</b>	1	1
Less: total future interest expenses		-		-
Present value of lease liabilities		<b>3</b>		1

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

For the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	Note	2023 \$	2022 \$
<b>Revenue</b>		-	-
Administrative expenses		-	-
<b>Profit before taxation</b>	5	-	-
Income tax	6	-	-
<b>Profit and total comprehensive income for the year</b>		-	-

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

At 31 December 2023

(Expressed in Hong Kong dollars)

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
	<hr/>	<hr/>
<b>Current assets</b>		
Amount due from immediate holding company	<hr/> <b>1</b> <hr/>	<hr/> <b>1</b> <hr/>
<b>Net assets</b>	<hr/> <b>1</b> <hr/> <hr/>	<hr/> <b>1</b> <hr/> <hr/>
<b>Capital and reserves</b>		
Share capital	<b>1</b>	<b>1</b>
Reserves	<hr/> <b>-</b> <hr/>	<hr/> <b>-</b> <hr/>
<b>Total equity</b>	<hr/> <b>1</b> <hr/> <hr/>	<hr/> <b>1</b> <hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS  
OF HK ELECTRIC INVESTMENTS MANAGER LIMITED**  
(Expressed in Hong Kong dollars)

**1. Review of annual results**

The annual results have been reviewed by the Audit Committee.

The figures in respect of the HK Electric Investments Manager Limited's (the "Company") statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Company's draft financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

**2. General information**

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

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

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

**3. Basis of presentation**

In accordance with the Trust Deed, a distributions statement shall be included in the financial statements of the Company. As the details of the distribution has already been presented in note 11 to the consolidated financial statements of the Trust and of HK Electric Investments Limited on page 19, no distributions statement is therefore presented in these financial statements.

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of annual results does not constitute the Company's statutory annual financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company's financial statements together with the consolidated financial statements of the Trust and of HK Electric Investments Limited for the year ended 31 December 2022 have been delivered to the Registrar of Companies and the Company's financial statements for the year ended 31 December 2023 will be delivered to the Registrar of Companies in due course.

The Company's auditor has reported on the financial statements of the Company for the year ended 31 December 2022. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance. The financial statements for the year ended 31 December 2023 have yet to be reported on by the Company's auditor.

#### **4. Changes in accounting policies**

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

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

#### **5. Profit before taxation**

Auditor's remuneration of \$62,000 (2022: \$60,000) and all other expenses of the Company which were incurred for the administering of the Trust of \$762,985 (2022: \$752,564) for the year have been borne by HK Electric Investments Limited, which has waived its right of recovery thereof.

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

#### **6. Income tax**

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

## **OTHER INFORMATION**

### **Final distribution and closure of Registers**

The Trustee-Manager Board has declared a final distribution by the Trust for 2023 of HK16.09 cents per Share Stapled Unit. The final distribution will be payable on Wednesday, 17 April 2024 to Holders of Share Stapled Units whose names appear in the Share Stapled Units Register at the close of business on Monday, 8 April 2024, being the record date for determination of entitlement to the final distribution. To qualify for the final distribution, all transfers accompanied by the relevant Share Stapled Unit certificates should be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Monday, 8 April 2024.

For the purpose of ascertaining Holders of Share Stapled Units who are entitled to attend and vote at the Annual General Meeting to be held on Wednesday, 22 May 2024 (or any adjournment thereof), the Registers will be closed from Friday, 17 May 2024 to Wednesday, 22 May 2024, both days inclusive, during which no transfer of Share Stapled Units will be registered. In order to qualify for the right to attend and vote at the meeting (or any adjournment thereof), all transfers accompanied by the relevant Share Stapled Unit certificates should be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Thursday, 16 May 2024.

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

### **Purchase, sale or redemption of Share Stapled Units**

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

None of the Trust, the Trustee-Manager, the Company nor any of their subsidiaries purchased, sold or redeemed any of the issued Share Stapled Units during the year ended 31 December 2023.

### **Corporate governance**

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

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

The Trust and the Company have complied with the applicable code provisions in the Corporate Governance Code throughout the year ended 31 December 2023, except as stated and explained hereunder.

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

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

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

### **Model Code for securities transactions by Directors**

The Boards have adopted the Model Code as their code of conduct regulating directors' securities transactions. All Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the year ended 31 December 2023.

### **Annual General Meeting**

The Annual General Meeting will be held on Wednesday, 22 May 2024. Notice of the Annual General Meeting will be published and issued to Holders of Share Stapled Units in due course.

## **Boards composition**

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

- Executive Directors : Mr. FOK Kin Ning, Canning (Chairman), Mr. CHENG Cho Ying, Francis (Chief Executive Officer), Mr. CHAN Loi Shun, Mr. KWAN Ying Leung and Mr. WANG Yuanhang
- Non-executive Directors : Mr. LI Tzar Kuoi, Victor (Deputy Chairman) (Mr. Frank John SIXT as his alternate), Mr. Fahad Hamad A H AL-MOHANNADI, Mr. Ronald Joseph ARCULLI, Mr. Deven Arvind KARNIK, Mr. WANG Zijian and Mr. ZHU Guangchao
- Independent Non-executive Directors : Dr. FONG Chi Wai, Alex, Ms. KOH Poh Wah, Mr. KWAN Kai Cheong, Mr. LEE Lan Yee, Francis, Mr. George Colin MAGNUS and Mr. Donald Jeffrey ROBERTS

## **GLOSSARY**

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

<b>Term(s)</b>	<b>Definition</b>
“Annual General Meeting”	The annual general meeting of unitholders of the Trust and shareholders of the Company, as convened by the Trustee-Manager and the Company held on a combined basis as a single meeting characterised as the annual general meeting of Holders of Share Stapled Units
“Boards” or “Boards of Directors”	Trustee-Manager Board and Company Board
“Company”	HK Electric Investments Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 23 September 2013
“Company Audit Committee”	Audit committee of the Company
“Company Board”	Board of directors of the Company
“Corporate Governance Code”	Corporate Governance Code set out in Appendix C1 of the Listing Rules
“Government”	HKSAR Government
“Group”	The Company and its subsidiaries
“HK Electric”	The Hongkong Electric Company, Limited, a company incorporated in Hong Kong with limited liability on 24 January 1889 and an indirect wholly-owned subsidiary of the Company
“HKASs”	Hong Kong Accounting Standards
“HKEI”	The Trust and the Company
“HKFRSs”	A collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA

<b>Term(s)</b>	<b>Definition</b>
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Holder(s) of Share Stapled Units” or “SSU holder(s)”	Person(s) who holds Share Stapled Units issued by HKEI
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules
“Power Assets”	Power Assets Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6)
“Registers”	The Share Stapled Units Register, the Units Register, the Principal and Hong Kong Branch Registers of Members and the Register of Beneficial Interests
“Share Stapled Unit(s)” or “SSU(s)”	Share Stapled Unit(s) jointly issued by the Trust and the Company, with each Share Stapled Unit being the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others: <ul style="list-style-type: none"> <li>(a) a unit in the Trust;</li> <li>(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</li> <li>(c) a specifically identified preference share of the Company stapled to the unit.</li> </ul>
“Share Stapled Units Register”	The register of registered Holders of Share Stapled Units

<b>Term(s)</b>	<b>Definition</b>
“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