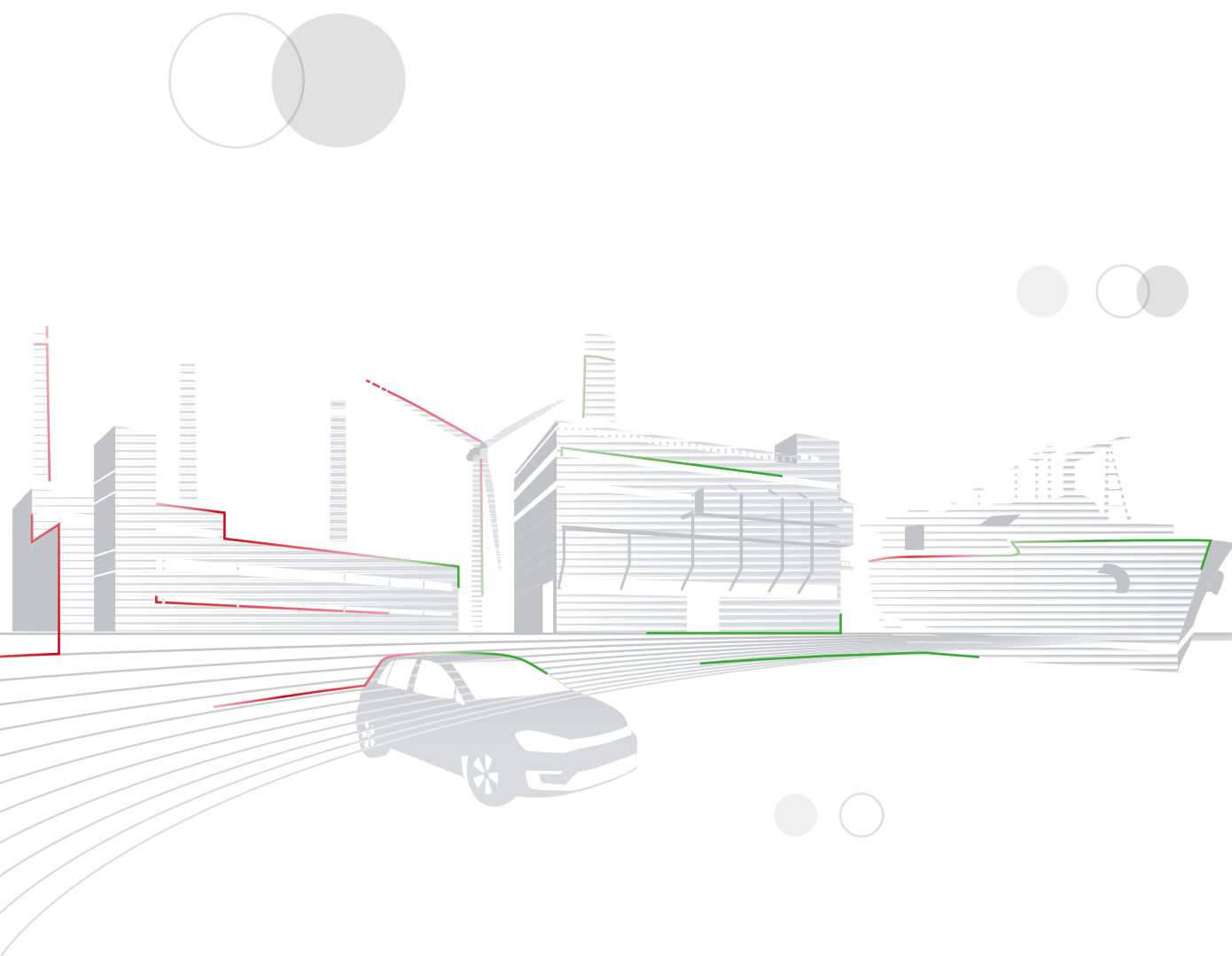




港燈電力投資  
HK Electric Investments

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



# Crossing Frontiers Towards a Greener Future

Annual Report **2023**





# Supporting Hong Kong's Energy Transition

Increasing  
Gas-fired Generation



Building  
Climate Resilience

Working with  
stakeholders to help achieve  
**Carbon Neutrality**  
before 2050

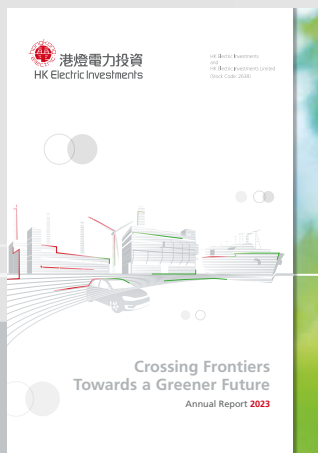


**HK Electric Investments**, constituted in January 2014, is a fixed single investment trust in Hong Kong focusing purely on the energy sector. Our Share Stapled Units, issued by the trust and HK Electric Investments Limited (collectively known as “HKEI”), are listed on the Main Board of the Hong Kong 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 more than 589,000 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 as we help Hong Kong achieve 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 a world-class supply reliability of over 99.999% maintained since 1997, HK Electric will continue to power Hong Kong into a smart, caring and sustainable city.



## Crossing Frontiers Towards a Greener Future

HK Electric’s focus in 2023 has been to progress its migration strategy for a greener Hong Kong. The design of our annual report cover presents this theme with clear lines denoting how our power supply has evolved from being reliable to being sustainable. We have concluded the 2019 - 2023 Development Plan with the successful completion of major infrastructure that will take us to the next frontier of our decarbonisation journey. Displaying the same vision and commitment, we are moving closer to a green energy era in the years to come.

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# Performance Highlights

## FINANCIALS

	2023	2022
<b>Revenue</b>	<b>HK\$11,406 million</b>	HK\$10,793 million
<b>Distributable Income</b>	<b>HK\$2,830 million</b>	HK\$2,830 million
<b>Total Distribution per SSU</b>	<b>HK32.03 cents</b>	HK32.03 cents
Interim Distribution per SSU	<b>HK15.94 cents</b>	HK15.94 cents
Final Distribution per SSU	<b>HK16.09 cents</b>	HK16.09 cents
<b>Total Assets</b>	<b>HK\$118,540 million</b>	HK\$121,002 million
<b>Net Debt-to-Net Total Capital Ratio</b>	<b>51%</b>	51%
<b>S&amp;P Credit Rating</b>		
HK Electric	<b>A-/ Stable</b>	A-/ Stable
HK Electric Investments Limited	<b>A-/ Stable</b>	A-/ Stable

## OPERATIONS

### Generation

**3,403<sub>MW</sub>**

**Generation Capacity**

2022: 3,402 MW

**Electricity Generation**

**~56%**

**Gas-fired**  
2022: ~53%

**~44%**

**Coal-fired**  
2022: ~47%

**543**

**(Total capacity 10.8 MW)**

**Number of Renewable Energy Installations under Feed-in Tariff Scheme**

2022: 383 (Total capacity 7.4 MW)

**~9.1<sub>GWh</sub>**

**Renewable Energy Certificates Subscribed by Customers**

2022: ~8.3 GWh

### Customer Services

**589,000**

**Number of Customers**

2022: 586,000

**>360,000**

**Smart Meters Installed**

2022: >240,000

**10,040<sub>GWh</sub>**

**Units Sold**

2022: 9,941 GWh

**47,452**

**Number of Free Electric Vehicle Charging Operations**

2022: 42,743

**4.72**

**Average Customer Satisfaction Index (5-Point Scale)**

2022: 4.71

### Transmission & Distribution

**\* >99.999%**

**(\*\* >99.9999%)**

**Supply Reliability**

2022: >99.9999%

**\* 3.4 minutes**

**(\*\* <0.5minute)**

**Unplanned Power Interruption per Customer**

2022: <0.5 minute

\* Including a power interruption on 19 April 2023 which is classified as a major event day.

\*\* A figure excluding the incident on 19 April 2023 as per international standard.

**6,969<sub>km</sub>**

**Network Length**

2022: 6,853 km









# Business Review

Delivering on  
all Operating Parameters



# Chairman's Statement



**We are committed to building the infrastructure needed to support Hong Kong's development and decarbonisation efforts.**

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 audited 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.



## Chairman's Statement

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

# 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

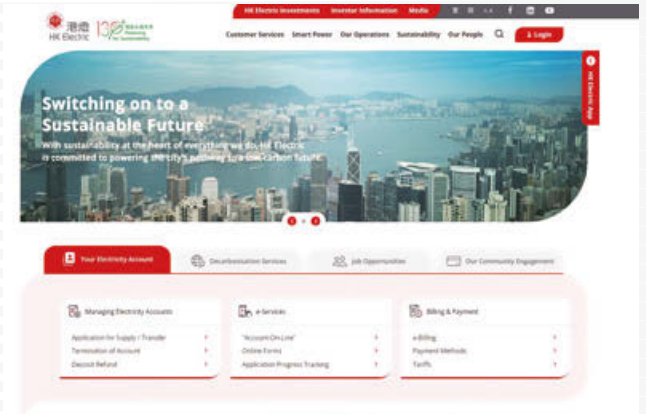


- HK Electric allocates HK\$95 million to support the needy and promote energy saving, providing a "Special Electricity Subsidy" for low-consumption households and "Care and Share" dining coupons to 50,000 underprivileged families.

- We collaborate with the Centre for Advances in Reliability and Safety to study the deployment of AI technologies in formulating inspection and maintenance plans to enhance inspection efficiency and accuracy of our distribution cables.



- The first Self-learning Video Contest for employees is organised to cultivate self-directed learning and knowledge transfer, covering subjects including customer services, data privacy, operation procedures, and legal and regulatory compliance.



- Our corporate website takes on a new look, featuring a modern design with a clearly defined information architecture to allow quick and user-friendly navigation.



- We host a three-day "Happy Green Fair" to celebrate the 20th anniversary of Happy Green Campaign and to launch green education activities under the theme of "Be Chill. Be Carbon Neutral", attracting around 3,000 members of the public to visit and take part in various activities.



- Our Floating Storage and Regasification Unit vessel successfully berths in Hong Kong waters at the new offshore liquefied natural gas terminal, which goes into commercial operation in July 2023. The terminal not only strengthens the company’s supply reliability but also its ability to source competitively-priced gas.



- The Annual General Meeting is held in May where the Chairman and Executive Directors communicate with our SSU holders about the Group’s performance and latest development.



- Echoing the United Nations’ theme, “Decade of Healthy Ageing”, HK Electric rolls out a grant programme that empowers retirees to realise their dream projects while contributing to society.

- In response to the power interruption in April, we submit an investigation report to the Government and implement 21 improvement measures and risk assessments, as well as strengthen staff training, to improve our operations and ensure a reliable supply of electricity.

- HK Electric offers customers a Special Fuel Rebate in May to freeze the Fuel Clause Charge payable at the April level. The Fuel Clause Charge starts dropping from June, ending the year 44% lower than that at the beginning of the year.



- Our series of health and safety training and campaigns, including “Life First 2023 – Walk the Talk” and “Distribution of Lo Pan Rice”, promotes occupational health and safety awareness among employees and contractors.



- To support World Environment Day 2023, we host a green campaign featuring a “Clean Plate Challenge” to encourage staff to reduce food waste and use resources in environmentally friendly ways. The event attracts around 800 employees to participate.





# Year at a Glance

## Jul – Dec

- The opening ceremony for the Hong Kong offshore LNG terminal is officiated by the Chief Executive of the HKSAR, the Honourable John KC Lee (second from left) and Secretary for Environment and Ecology, the Honourable Tse Chin-wan (right), accompanied by CK Hutchison Holdings Chairman, Mr. Victor TK Li (left) and CLP Holdings Chairman, the Honourable Sir Michael Kadoorie (second from right).



- "Fun & Joy" a new initiative under the "CAREnJOY for the Elderly" programme, offers outings that encourage single elders to reconnect with their communities after the pandemic. The debut event draws about 300 elders to watch a movie at Cyberport.

- Following the retirement of Mr. Wan Chi-tin, Mr. Cheng Cho-ying Francis is appointed by the Board as Chief Executive Officer of the Group, with effect from 1 July 2023.

- HK Electric introduces a new green mobile electricity supply system, comprising an energy storage truck and a power changeover truck to provide customers with reliable and emission-free power during emergencies.



- Following the attack of super typhoon Saola, our engineers bring various equipment to Nga Choy Hang Tsuen to cut off fallen tree trunks and climb up the poles to restore power supply.



- L12, our third gas-fired combined-cycle generating unit under the 2019 - 2023 Development Plan, completes synchronisation in September for commercial operation in early 2024. The unit will further augment our gas-fired generation capacity.





- Our activity book “Decarbonisation ABC” wins the Gold Award in the “Corporate Sustainability” category at the 5th Hong Kong Public Relations Awards 2023 for its effectiveness and creativity in promoting green practices among young children.

- HK Electric hosts its first innovation conference, “Innovating Beyond Boundaries”, bringing together professionals from different sectors to share experiences in innovation, accompanied by the release of an inaugural innovation report. The conference is attended by more than 300 participants.



- We participate in an emergency drill with the Hong Kong Police Force and a number of other government departments to enhance communication and emergency preparedness in power interruption incidents.



- HK Electric signs a cooperation agreement with State Grid NARI to explore opportunities for optimising power grid operations and plan for the future import of zero-carbon energy from the Mainland.



- HK Electric and the Government conclude the 2023 interim review of the current Scheme of Control Agreement. At the same time, the Government approves HK Electric’s 2024 - 2028 Development Plan, covering HK\$22 billion capital investments, and 2024 tariff adjustment, which brings the January 2024 Net Tariff 16% lower than that of January 2023.

- We participate in the 2023 Greater Bay Area Talent Recruitment Fair and the Sun Yat-Sen University Campus Job Fair to solicit talent from the Mainland.



- HK Electric becomes the energy partner of the FIA World Rallycross Championship Hong Kong, China – Season Finale 2023, and joins hands with the organiser to make the race an exciting and low-carbon event.



# CEO's Report

**2023 saw us support Hong Kong's emergence from the slow economic recovery and progress our energy transition through a range of initiatives.**

**Cheng Cho Ying, Francis**  
Chief Executive Officer



On behalf of HKEI, I would at the outset like to express my gratitude to Mr. Wan Chi-tin, who retired from his position as Chief Executive Officer of HKEI and Managing Director of HK Electric on 1 July 2023 after his long service with the company. With his vision and under his leadership, the Group has been among the best in power utilities of the world in customer service and reliability and began its transformation to a green energy provider.

As Mr. Wan's successor I will strive to build upon his achievements and deliver HK Electric's zero-carbon transition while assuring sustainable success for all stakeholders, with the support and collaboration of my team.

## **Progressing Hong Kong's energy transition vision**

In 2023, our priorities were to progress on our green energy strategy and support Hong Kong's emergence from the slow economic recovery following COVID-19 by delivering reliable, safe and affordable power.

2023 marked a milestone in HK Electric's evolution towards greener energy with the completion of our 2019 - 2023 Development Plan. The Plan saw us invest HK\$26.6 billion to increase gas-fired generation capabilities. With three more new 380-MW gas-fired combined-cycle generating units, we can increase the proportion of gas-fired electricity we generate to around 70% starting from 2024. The launch of Hong Kong's first offshore liquefied natural gas (LNG) terminal in July 2023 created a major asset in our gas-fired generation regime, providing us with the ability to source LNG from anywhere in the world.



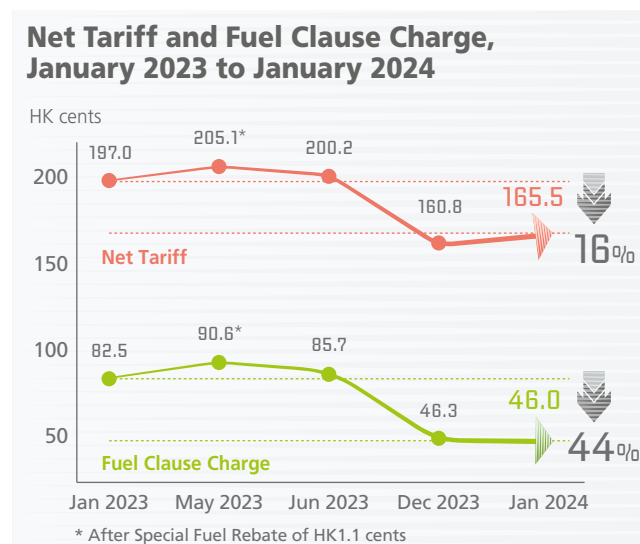
The infrastructure built in the last five years has enabled us to reduce our emissions of carbon by 21% compared to that in 2018.

We will continue with our clean energy transition while investing to assure the highest standards of supply reliability under our new 2024 - 2028 Development Plan. During this period, we will invest HK\$22 billion to strengthen our emissions reduction capabilities, replace ageing oil-fired generating units, reinforce the power grid to ensure power supply reliability, and improve system resilience against extreme weather events.

2023 witnessed a slower-than-expected economic recovery from COVID-19. Fuel prices were lower than historic highs, but persisted above normal levels. Our priority was to provide affordable electricity to support underprivileged customers and small businesses during this period. We offered low-consumption residential customers a Special Electricity Subsidy of HK9.5 cents per unit to ease financial hardship, and in May 2023 provided a Special Fuel Rebate of HK1.1 cents per unit for all customers, mitigating the impact of increased fuel prices.

The capital investment arising from the upgrading and strengthening work of the power infrastructure, together with rising operating costs, put pressure on the Basic Tariff. In 2024, the Basic Tariff has increased by HK5 cents to HK119.5 cents per unit of electricity. Though more natural gas is expected to be used in 2024, the easing of international fuel prices will result in a

reduction of the Fuel Clause Charge (FCC), which in January 2024 was HK46 cents per unit of electricity, 44% lower than that of January 2023. This substantial reduction in the FCC meant that Net Tariff for January 2024 was HK165.5 cents per unit of electricity, down by 16% year-on-year.



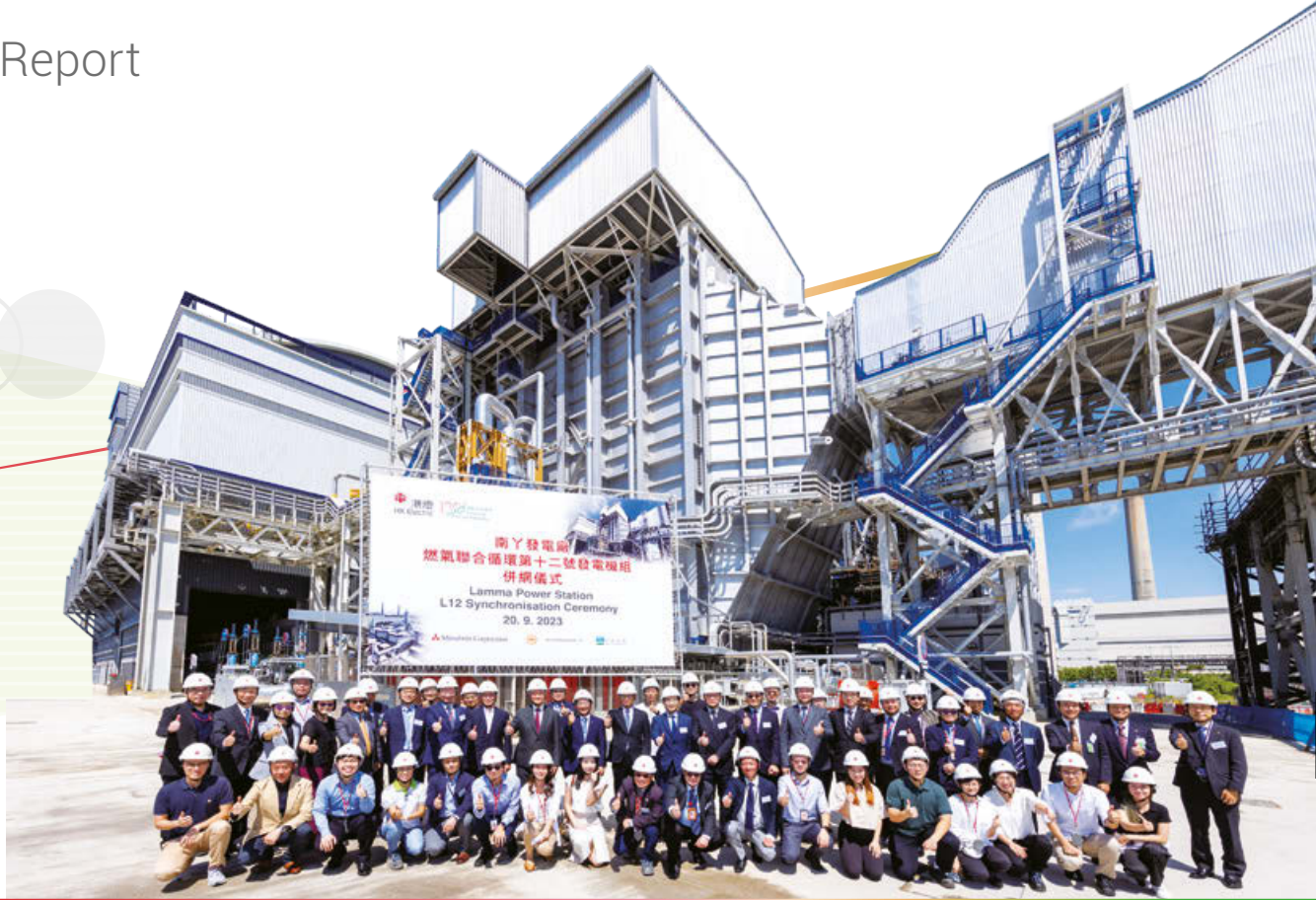
In 2023, our 15-year Scheme of Control Agreement (SCA) underwent its initial interim review. We collaborated closely with the Government to agree on SCA modifications, introducing a Special Tariff Relief Mechanism for energy crises and a penalty scheme for large-scale electricity interruptions. Transparency in information disclosure to the public will also be enhanced.



- Three new 380-MW gas-fired combined-cycle generating units at Lamma Power Station help HK Electric reduce its carbon emissions.



# CEO's Report



● HK Electric management and engineers take part in the Synchronisation Ceremony for L12, the third and final 380-MW gas-fired unit under 2019 - 2023 Development Plan.

## Steady transition to gas-fired generation

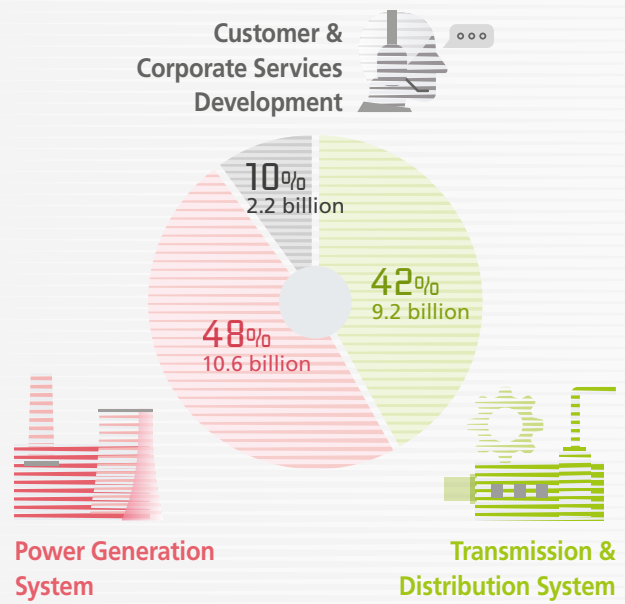
L12 was the third and final 380-MW gas-fired combined-cycle generating unit constructed under the 2019 - 2023 Development Plan. Subsequent to its successful synchronisation in September 2023 and completion of hot commissioning, performance, and reliability tests, the unit will be commissioned in early 2024. At about the same time, we retired an old coal-fired unit, L4.

Under the 2024 - 2028 Development Plan, we will invest nearly HK\$10.6 billion, amongst other things, to further augment our gas-fired generation capacity. Planned projects at Lamma Power Station (LPS) include a new gas-fired unit to replace an old coal-fired unit. Upon completion of the new gas-fired unit, we will have five gas-fired units with gas becoming dominant in our fuel mix, allowing us to help achieve the Government's interim target of halving carbon emissions before 2035 as compared with 2005. The Plan includes the construction of three oil-fired open-cycle generating units capable of fast start-up to replace four similar units to cater for contingencies, and also works to extend the service life of two coal-fired units to just before the expected zero-carbon import so as to optimise our capital expenditure while preparing for possible zero-carbon energy import.

In parallel we will invest HK\$9.2 billion to strengthen the power grid with a wide range of initiatives. These include enhancing our transmission network with the kicking-off of the development of three new zone substations to cater

for new electricity demand in the Eastern and Southern districts of Hong Kong, as well as the demand in other areas; and progressively replacing aged underground cables and facilities in substations. We will continue our evolution to a smart grid by renewing and upgrading our remote control and monitoring systems, and enhancing grid intelligence and automation.

## HK\$22 Billion Capital Investment Programme under 2024 - 2028 Development Plan





## Offshore LNG Terminal: Entering a **new energy era in Hong Kong**



Junior "engineers" from HK Electric and CLP Power perform a dance that symbolises collaboration in building a greener future.



The opening ceremony for the Hong Kong offshore LNG terminal is officiated by senior officials from the HKSAR Government, accompanied by representatives from HK Electric and CLP Power.

The commissioning of Hong Kong's first offshore liquefied natural gas (LNG) terminal in July 2023 has bolstered up the low-carbon power generation in Hong Kong, enabling us to secure our supply of clean fuel in support of the city's energy transition.

"Bauhinia Spirit", the Floating Storage and Regasification Unit (FSRU) vessel, which is connected to Lamma Power Station by means of a subsea pipeline, is the world's largest with an overall length of 345 metres and an LNG storage capacity of 263,000 m<sup>3</sup>. Restrictions and logistical constraints arising from COVID-19 meant we needed to overcome travel limitations affecting the arrival of overseas experts and shipping delays, and other issues like adverse weather. A cross-industry team of experts collaborated to ensure that the project was successfully completed.

A grand opening ceremony was held to celebrate the launch of the terminal on 21 September 2023. The ceremony was officiated by the Chief Executive of the Hong Kong Special

Administrative Region the Honourable John KC Lee and Secretary for Environment and Ecology the Honourable Tse Chin-wan, accompanied by CK Hutchison Holdings Limited Chairman Mr. Victor TK Li and CLP Holdings Chairman the Honourable Sir Michael Kadoorie.

Speaking at the ceremony, the Chief Executive highlighted the importance of a secure and stable energy supply to the smooth operation of society and economic development and paid homage to the "Bauhinia Spirit" – the united, collaborative and undaunted mindset of everyone involved in the project – which reflects the spirit of Hong Kong's people.

The offshore LNG terminal is much more than a piece of infrastructure that gives us wider and more direct access to international LNG markets. It also stands as a proud symbol of Hong Kong's engineering capabilities supporting the city's energy transition.

An LNG shipment arriving at the terminal is loaded onto the Floating Storage and Regasification Unit vessel (FSRU, right) for regasification.



**BAUHINIA  
SPIRIT**



# CEO's Report



● Rooftop photovoltaic systems at Heng Fa Chuen (left) and Nam Fung Road 275-kV Switching Station (right) increase HK Electric's solar power-generation capacity.

Another important focus is to improve system resilience in the face of increasingly frequent extreme weather events like flood control and wind protection. To address the challenges to our operations brought by climate change, we have established an internal task force to review our existing design standards, identify critical infrastructure assets and formulate measures to enhance resilience. The task force formulated a number of enhancements to our critical infrastructure, new strategies for combating climate change and reinforcements to our emergency preparedness, making reference to the Fifth Assessment Report published by the Intergovernmental Panel on Climate Change and the extreme weather events in Hong Kong in the past.

By the end of 2023, we had deployed more than 360,000 smart meters in total, covering 60% of our customer base. To support the design and deployment of the last-mile communication network, site surveys were completed for locations that would cover over 518,100 meters. The Advanced Metering Infrastructure (AMI) system was upgraded to improve performance and we analysed data received from smart meters to ensure that they were functioning normally. Under the 2024 - 2028 Development Plan, we will complete this initiative and roll out smart meters across 100% of our service area by 2025. Customers will be able to monitor and understand their own usage patterns better through a website and mobile app, and optimise their energy use as needed.



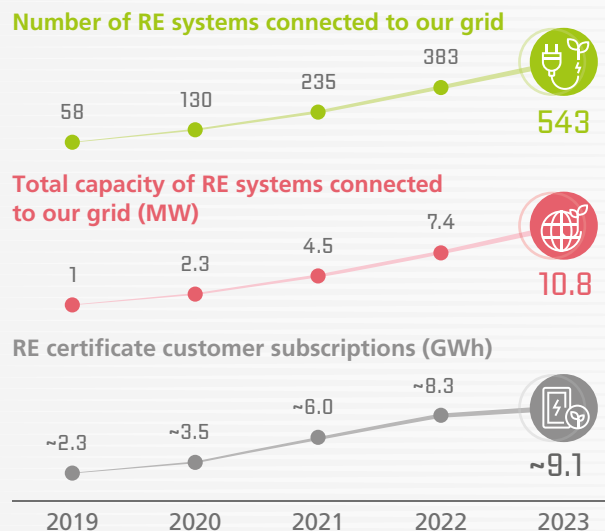
● Our engineers install smart meters to help customers understand and optimise their energy usage.

## Service and operations excellence

Reliable power supply was maintained with the new state-of-the-art gas-fired combined-cycle units and infrastructure. In 2023 we served more than 589,000 (2022: 586,000) customers on Hong Kong and Lamma Islands and sold a total of 10,040 GWh of electricity (2022: 9,941 GWh), mainly due to resumption of normal economic activity and warmer weather during the year.

About 56% of the electricity sent out in 2023 was gas-fired, and this proportion will increase further to around 70%, when L12 reaches full commercial operations. We expanded our solar power generation with a total of 1.2-MW high-efficiency monocrystalline photovoltaic panels on the roofs of HK Electric's premises and substations across Hong Kong and Lamma Islands. The total renewable energy fed into our grid by our solar power systems, our wind turbine Lamma Winds, and over 550 customer-side systems, amounted to more than 10 GWh in 2023.

### RE Systems under the Feed-in Tariff Scheme and RE Certificate Subscriptions, 2019 - 2023





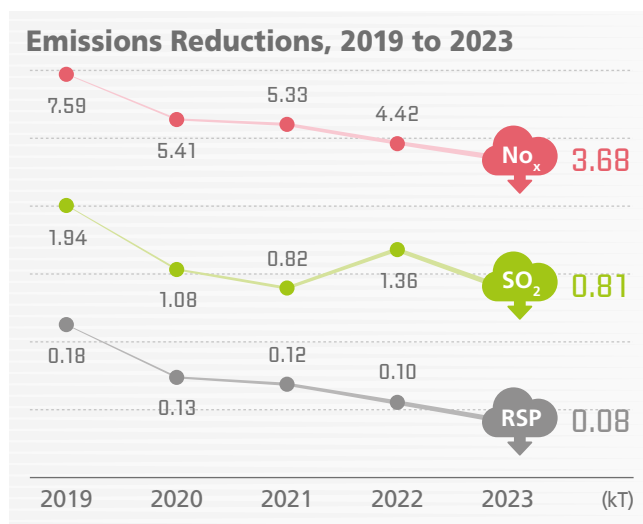


- Proactive maintenance is performed to ensure supply reliability of our transmission and distribution network.



- HK Electric's new Green Mobile Electricity Supply System provides customers with reliable and emissions-free energy during emergencies.

LPS kept emissions well below statutory caps by operating the latest pollution combating equipment including selective catalytic reduction of nitrogen oxides (NO<sub>x</sub>) emissions of gas-fired units; and low NO<sub>x</sub> burners, Flue Gas Desulphurisation plants and high-efficiency electrostatic precipitators for coal-fired units with high degrees of reliability and accuracy. Emissions of sulphur dioxide (SO<sub>2</sub>), NO<sub>x</sub> and respirable suspended particulates (RSP) were 40%, 17% and 20% respectively lower than those in 2022, and lower than the 2018 figures by 72%, 53% and 60%.



### Maintaining world-class supply standards

Despite an unexpected power interruption on 19 April 2023 affecting around 44,000 customers, we achieved a reliability rating of over 99.999% for the 27th consecutive year.

Following the incident, recommendations in seven areas were identified in our investigation report and have been implemented across the generation, transmission and distribution network. These included enhancement of documentation for updating site identification labels and

circuit diagrams; establishing improved procedures for commissioning transmission equipment; enhancement of fault ride-through capabilities of generation units and rearrangement of spare cable circuits. New guidelines were introduced and site training of engineers was enhanced.

There were two notable fire incidents in LPS in 2023, one with a plant being dismantled, another with a coal-ship unloader when it was under maintenance. Both incidents were thoroughly investigated and remedial and control measures were put in place to avoid similar incidents in future.

Elsewhere, we made satisfactory progress on the final phase of improvement works at our North Point 132-kV Switching Station, including the replacement of an aged 132-kV gas insulated switchgear (GIS) with a new compact GIS, and installation of the associated control and protection relay panels, for energisation in end 2024.

A number of projects were implemented to assure power supply during power interruptions or during large-scale and major events. These include the introduction of a green mobile electricity supply system, comprising an energy storage truck and a power changeover truck, which runs on batteries to minimise noise and exhaust gas emission when compared to diesel generators. The system can provide up to two hours of continuous power supply for more than 650 small households.

We will continue to reinforce our network and put into place abatement measures to address identified areas of vulnerability in the 2024 - 2028 Development Plan. In collaboration with NARI Group Corporation, a subsidiary of State Grid Corporation of China, we will identify further areas to optimise the operation of our power grid operations, improve remote surveillance of the whole power system with a view to achieving full automation, and plan ahead for the import of zero-carbon electricity.



# CEO's Report

## Assuring resilient power supply in Extreme Weather



● Engineers walk through bushes and water to restore power in remote areas following the outages caused by extreme weather.

### Emergency support for customers under the black rainstorm in September and October 2023



No. of employees mobilised  
to resume power services:

**146**



Length of each emergency shift/  
Longest hours of emergency work:

**12 hours / 19 hours**



No. of outdoor  
emergency works:

**20**



No. of service calls received by  
Customer Emergency Services Centre

**277**

Affected period: From **23:05 7 September 2023** to **15:40 8 September 2023**;  
and From **12:40 8 October 2023** to **11:40 9 October 2023**



● Serious flood outside a distribution substation caused by torrential rainfall during 7 and 8 September 2023.



In September 2023, Hong Kong was hit by a two-day historic torrential rainstorm that saw record-breaking rainfall of more than 1,000 mm in the month. A month later, tropical cyclone Koinu brought rainfall levels in October that were four times higher than normal. This double incident triggered extensive flooding across Hong Kong.

Flooding can cause the equipment and cables in our distribution substations to malfunction, triggering power interruptions. To prevent this, we have invested systematically in a range of anti-flooding infrastructure with back-up systems to ensure supply reliability. Cable entry points have been sealed to prevent water entry, and other enhancement works have been implemented including replacement of switchgears and installing them on stands. We have two-stage flooding alarms in place, supplemented by physical inspections under a response command centre. Thanks to these preventive measures, 19 out of 29 flooded substations functioned without power supply interruption during the September rainstorms. In the remaining 10 cases, which were mostly sites near hillsides with no flooding records, apparatus affected by flood water was promptly repaired and the supply was restored as quickly as practicable. All the substations functioned properly during the flooding in October.

Caring for our customers during emergencies is one of our foremost service priorities. Our Customer Emergency Services Centre provides 24-hour emergency telephone call and SMS services to our customers. This is supplemented by an emergency team of experienced engineering staff who provide immediate, round-the-clock assistance to customers experiencing service disruptions.

## Supporting Shek O residents by sea

During the flooding in September and October 2023, Shek O Road collapsed and was impassable, making it impossible to drive to the locations where customers had asked for emergency support. Undeterred, our teams of engineers and technicians brought the required tools and equipment with necessary sundries by boat and carried them on foot for 30 minutes to Shek O Village with the assistance of the Government's fire services personnel. After implementing emergency repairs, the team went on to Big Wave Bay Village to support the residents there, after which power supply was restored.

In anticipation of more frequent severe weather events, we had established a task force in 2018 to ensure the reliability of all our network assets. The task force oversaw the implementation of numerous projects, such as flood control and wind protection, to improve system resilience against extreme weather events. Using the experience gained in the September and October rainfalls, the task force will continue to devise improvement plans to enhance the flood resilience of our system.

A network-wide study was also implemented in 2022 to assess the risk and severity of flooding on HK Electric's facilities during extreme typhoons. The study has taken into account the projected rise in sea levels by 2100 due to climate change and increase in intensity of typhoons. Based on the study results, measures were formulated to enhance the resilience of our existing facilities against flooding and impact from overtopping waves. In addition, a new guideline had been established in 2023 covering the design of new facilities with provisions to combat climate change.

Our extensive contingency and power restoration plans outline the actions and processes to be followed for prompt and smooth recovery of our power system after disruptions caused by extreme weather. These plans are regularly reviewed and updated.

Emergency drills are always an integral part of crisis preparedness. In 2023, we participated in a large-scale exercise with EMSD, the police, emergency services departments and Hospital Authority that simulated a regional power interruption incident. The drill stress-tested our communication and reporting mechanisms, emergency mobilisation of operational staff, the communication facilities of the Field Command Centre, information broadcasting arrangements, and internal reporting channels to the management and command centres.

### Customer Emergency Services Centre



- Provides 24-hour emergency telephone call and SMS services to our customers.

### Emergency Support Team



- Provides round-the-clock assistance to customers.

### Emergency Drills



- Practice makes perfect – regular emergency drills help ensure preparedness.



# CEO's Report

## Digital transformation and innovation

In parallel with our investment in gas-fired infrastructure, we have been steadily investing in digital transformation to increase efficiency and reduce risk. We have deployed automation and robotics across LPS and our network, and use 5G and Internet-of-Things technology for various use cases. Our 24-hour System Control Centre monitors and co-ordinates our entire network through an Energy Management System and Distribution Management System.

One pioneering initiative implemented during the year was the development of a robotic inspection system inside the cable tunnel between Cyberport and Wah Fu using a hybrid 5G and Wi-Fi network, deployed in partnership with a local telecommunication operator with the aim of enhancing occupational safety and operational efficiency. The robot autonomously conducts routine and ad-hoc inspections using built-in infra-red and HD cameras and gas detectors, collecting and analysing data automatically to detect any abnormalities. In addition, the robot can also assist with pre-entry inspections before engineers enter into the confined space of the tunnel. This innovation won the Subsidy Scheme for Encouraging for Early Deployment of 5G from the Office of the Communications Authority.

- The infrared view (right) provided by the unmanned aerial vehicle helps HK Electric ensure the safety of subsea pipelines in Shenzhen waters (left).



- Our engineer pilots an unmanned aerial vehicle equipped with an infrared camera and a gas detector to survey the subsea pipeline in Shenzhen waters.

3-km subsea natural gas pipeline near the Dapeng Liquefied Natural Gas terminal in Shenzhen waters. We also used 3D laser scanning with drones to survey our coal yards, cutting down the time required for the survey, including data analysis, from seven days to just two days. These drone inspections enhance safety, reduce cost, and are more efficient than traditional methods.

As we increase our deployment of automation, robotics, and connected technologies, it becomes ever more critical to secure our mission-critical IT infrastructure from a range of increasingly sophisticated and damaging cyber-attacks. We have accorded high priority to investments in personnel, processes, and technology to uphold a robust and resilient information and cyber-security posture.

Our comprehensive Cyber Security Management Framework and Information Security Management System, underpinned by a defence-in-depth strategy, has facilitated the integration of multiple layers of cyber-security controls. These have enabled us to proactively protect our systems and customers from cyber-attacks. In 2023, we reviewed and updated our security measures to align with best practices. We tested our own defences with penetration tests and real-time simulations during annual cyber-security assessments, and implemented the improvements identified. Workshops, talks, videos, quizzes, and drills were held to elevate employees' cyber-security awareness.



- A robotic system conducts inspections inside a cable tunnel, demonstrating how we use technology to enhance occupational safety and operational efficiency.

We collaborated with the Centre for Advances in Reliability and Safety to develop a software model to

assess the health of our 11-kV cables. The tailor-developed model uses artificial intelligence technologies and historic cable testing records to predict those components of 11-kV distribution cables that may be at risk of failure.

Many of our facilities are in high risk environments and we have systematically deployed automated techniques to ensure health and safety for our engineering staff.

We use drones extensively for inspection of high-risk areas and equipment such as propellers of ferries and plant facilities at high levels. In July 2023, we deployed drones to inspect a

# Championing an Innovation Mindset



● Managing Director of HK Electric, Francis Cheng, speaks at HK Electric’s innovation conference, “Innovating Beyond Boundaries”.

● HK Electric staff actively participate in the innovation conference.



Sustainability



Innovation



Technology

Innovation is part and parcel of our business. We have had a formal innovation strategy in place since 2018, which aims to promote a culture of innovation by inspiring, informing, and supporting our teams to come up with new ways of solving problems or doing things.

The HK Electric Innovation Steering Committee sets and oversees our innovation strategy, and encourages and funds deserving projects, both large and small. The committee has so far overseen more than 200 successful implementations from across the organisation.

Celebrating and documenting our innovation successes inspires others to build upon them. A biennial awards contest and an online forum, the Inno Hub, provide platforms for these. The Hub brings a whole spectrum of contents together to inspire innovative solutions to pain points and improvements. Through it, employees can access practical information and updates on projects at various stages of development. To stimulate ideas and provide best practices for reference, the Hub depicts successful cases from within HK Electric as well as other companies.

We extended our innovation efforts in 2023 with a successful innovation conference, featuring more than 40 external guests and speakers and joined by about 300 staff. The conference, themed “Innovating Beyond Boundaries”, enabled participants to gain inspiration and share experiences from successful projects in both the public and private sectors. Speaking at the event, HK Electric’s Managing Director, Mr. Francis C.Y. Cheng, said, “Our ultimate aim is to enhance our

efficiency and productivity further in daily operations and ensure a stable and reliable power supply for our customers.”

HK Electric colleagues also shared their own success stories at the conference. Many of their projects brought different parts of the organisation together, and their collaboration achieved remarkable results. One such example was the development of condition assessment of power cables using big data analytics, which reduced cable faults by over 30% in a period of four years.

Innovation has had a positive impact across every aspect of the company’s operation. On the front line, technology innovations have helped improve customer service and supported self-service. At the same time, back-office operations have also benefited. For example, occupational safety and operational efficiency have been enhanced with smarter ways to access equipment and spare parts. Our employees have devised online platforms to facilitate and streamline ways of collaborating with NGOs to help the underprivileged, and to make possible the use of greener energy at construction sites to cut carbon emissions.

Innovation culture flourishes best when discussions and ideas flow freely. With this in mind, we have documented all the ideas and solutions of our innovation journey in the HK Electric Innovation Report 2023. You are welcome to take a look and get inspired!

Synergy



Scan the QR code to retrieve the report





# CEO's Report



- The HK Electric App offers customers easy access to their account information.

## Upholding high service standards

We continued to achieve the highest levels of customer satisfaction, meeting or surpassing all our 18 pledged service standards in 2023. Customer satisfaction index as measured through after-service surveys was 4.72 out of 5 and we received 2,100 commendations.

Customers calling our service hotline can now enjoy a more efficient and streamlined experience following an improved call-handling flow. The flow prompts customers to prepare essential information regarding account opening and other enquiries before connecting to a Customer Services Executive for processing.

We also met performance targets for appointment punctuality and connection and supply performance. SMS notifications with an estimated arrival time of the inspection staff enabled us to keep customers well informed.

The HK Electric App was further enhanced, improving the display of consumption records and making it easier to reset passwords. A series of videos was released to guide customers to use various features of the app and register for our Account-On-Line (AOL) service. We also offered incentives to customers switching to e-Bills via the AOL service in an effort to promote an environmentally-friendly and low-carbon lifestyle.

To enhance our communication with stakeholders, we revamped our corporate website in March 2023 with a new look and improved functions with more contents.

## Cutting Hong Kong's carbon footprint

To support Hong Kong's efforts to combat climate change, we have operated a range of Smart Power Services since 2019, targeted at promoting energy efficiency and conservation and encouraging the local development of renewable energy. We have invested around HK\$300 million so far to provide financial resources and technical expertise for projects to support renewables, decarbonisation, and electrification. These projects cover buildings as well as existing disadvantaged members of society.

In 2023, we handled around 2,200 enquiries from both commercial and residential sectors, with the Smart Power Care Fund, Smart Power Building Fund and Feed-in Tariff (FiT) Scheme proving especially popular. 160 new customer-side renewable energy systems were connected to the grid increasing the total capacity and annual output of

## SMART POWER SERVICES



- We work with our customer to conduct an on-site inspection for the retrofitting work of a chiller system funded by our Smart Power Building Fund.

- Our engineer checks a transformer pillar before connecting the grid supply, which is used to replace diesel generators at construction sites.





grid-connected customers' renewables to about 10.8 MW and over 8 GWh respectively. Under Smart Power for Construction Site service, we provided electricity supply from the grid in a timely fashion to 10 construction sites to help reduce carbon emissions throughout the construction life-cycle in 2023.

The free Smart Power EV Charging Solution (SPECS) service brings our long-standing support for electric transportation under the Smart Power Services umbrella. Since its launch we have helped about 470 customers to apply for Government subsidies under the EV-charging at Home Subsidy Scheme (EHSS) for installing charging-enabling infrastructure for electric vehicles (EVs) in their carparks. In 2023, EV charging-enabling infrastructure was installed at 20 carparks under the Scheme. Over the year, we also provided technical support to around 100 non-EHSS customers including operators of public carparks and petrol-filling stations to plan and install EV charging facilities.

Apart from the SPECS solution, we operated 12 free EV charging stations around Hong Kong Island, recording 47,452 charging operations in 2023. We continued to provide advisory services and technical support to private facilities, the Government, and public transport operators seeking to set up charging facilities.

Our own fleet of 179 EVs including one electric bus at LPS has helped us cut fuel consumption by more than 4,500 litres when compared with 2022.

In 2023, we maintained our efforts to save energy and reduce waste and carbon emissions in every aspect of our day-to-day operations. We achieved excellent environmental performance across our network under the Environmental and Energy

- A community-led transitional housing project in Stanley installs solar panel systems at its rooftop through our Feed-in Tariff Scheme.



Management Systems which align with the latest ISO 14001 and ISO 50001 requirements. The implementation of 21 environmental management programmes saved more than HK\$3 million year-on-year.

We reuse and recycle waste throughout our operations. By-products of electricity generation such as pulverised fly ash and gypsum are repurposed for industrial use and about 3,600 litres of retired oil was reused to lubricate the chains of coal unloaders in 2023. We also collected more than 109,000 m<sup>3</sup> of rainwater and plant processing water for reuse, reducing the amount of fresh water consumed at the LPS by 7%.

A Building Management System allows us to control and monitor the four buildings at LPS. A major retro-commissioning project on one of its buildings saw us install energy-saving measures and enhance the controls of our air-conditioning and hot water supply systems. The project led to a 20% saving in electricity consumption compared to that in 2021.

We also sought to improve the indoor air quality (IAQ) of our office buildings to ensure a healthy working environment for our staff. In 2023, Hongkong Electric Centre obtained the Excellent Class IAQ certification from the Government for the 19th consecutive year. Our other buildings like Electric Tower and the Customer Centre at Electric Centre also acquired the same certification.

- Smart Power EV Charging Solution provides technical support to customers who wish to install EV charging stations.



# CEO's Report



**Our broader mission is to care for and support the community, the environment and all our stakeholders in the best ways we can.**

**Alex Ng**  
Group Legal Counsel and  
Company Secretary



**Wong Kim Man**  
Chief Financial Officer



**Mimi Yeung**  
General Manager  
(Public Affairs)



**Dennis Wu**  
General Manager  
(Human Resources)



**Kwan Ying Leung**  
Engineering Director



**Francis Cheng**  
Chief Executive Officer



**Bill Ho**  
General Manager  
(Corporate Development)



● Sustainability Management Committee



**WE PRESERVE**

the environment  
and our heritage  
in partnership  
with the  
community

**WE SUPPORT**

communities and  
groups where we  
can have a real  
impact

**WE PROVIDE**

a rewarding,  
safe work  
environment

### Supporting a sustainable and resilient community

A responsible and ethical approach is woven into every facet of our business operations, from the biggest strategic initiative to the minutiae of daily activities. We are conscious of our responsibility to help address global challenges like climate change. To guide our efforts, we have established a comprehensive framework that delineates our focus on four key areas.

Commitment to sustainability is engrained throughout the Group. A Board-level Sustainability Committee has overall responsibility for our sustainability strategy. The Committee oversees the management of sustainability initiatives, advises the Board on their development and implementation, and communications and disclosures concerning our performance and impact. It is supported by the Sustainability Management Committee, chaired by the CEO, which drives and prioritises our sustainability efforts and promotes understanding of sustainability within the Group.



# CEO's Report

## Environmental conservation every day

The Clean Air Plan for Hong Kong 2035 and Hong Kong's Climate Action Plan 2050 form the foundation of our own climate and environmental goals. We are also committed to supporting the United Nations' Sustainable Development Goals (SDGs) and have established our own targets to address those SDGs that align most closely with our business priorities. These pertain to Affordable and Clean Energy (SDG 7); Industry, Innovation and Infrastructure (SDG 9); and Climate Action (SDG 13). In 2023 we included three more SDGs in our pledge, namely Decent Work and Economic Growth (SDG 8), Sustainable Cities and Communities (SDG 11) and Responsible Consumption and Production (SDG 12), setting new targets to quantify our progress. Our activities to meet our SDG targets are reviewed and aligned on an ongoing basis.

**SUSTAINABLE DEVELOPMENT GOALS**

- 7 AFFORDABLE AND CLEAN ENERGY**
- 8 DECENT WORK AND ECONOMIC GROWTH**
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**
- 11 SUSTAINABLE CITIES AND COMMUNITIES**
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION**
- 13 CLIMATE ACTION**

• We support the above United Nations' Sustainable Development Goals (SDG) by establishing, regularly reviewing, and augmenting our own SDG-aligned targets.

Recognising the importance of transparency regarding climate-related risks and opportunities, we publish climate-related disclosures with reference to the recommendations of the Task Force on Climate-related Financial Disclosures. In 2023, we completed a scenario analysis on the potential impacts of climate-related risks on and opportunities for our business. We will continue to monitor the physical and transition risks posed by climate change and build climate resilience into our operations to ensure supply reliability.

**2023**  
 Eliminators and composters  
 in our workplace process  
 more than  
**10,300kg**  
 of food waste.



We have established a plan to systematically cut our carbon footprint that involves the provision of net-zero electricity and electrification of transportation. Apart from this, we also run a number of initiatives to promote energy efficiency and environmental protection in the community. These include subsidies for energy-efficiency projects, a Feed-in Tariff Scheme to support customer-side renewable energy systems, timely provision of sufficient grid-electricity supply for construction sites, and provision of support to customers in adopting energy-efficient electrical equipment and appliances. Further details can be found in the Operation Review of this report.

We are committed to the Government's Energy Saving Charter and 4T Charter, setting ourselves energy-saving targets with timelines and assuring transparent reporting of our results. As a longstanding 4Rs organisation (reduce, reuse, recover and recycle), we have set a target to cut down our consumption of electricity, water and paper across our office premises by 1% to 10% in 2025 as compared to 2020.

Ahead of the implementation of the Municipal Solid Waste Charging Scheme, a recycling organisation was invited to share with our employees on waste management, providing tips on the dos and don'ts of recycling and reuse. To reduce food waste at our canteens which serve more than 400 breakfast and lunch meals every day, a system is in place by which employees at our Head Office could pre-order breakfast and lunch for a better assessment of the volume required for the day. We have also installed food-waste eliminators and a food-waste composter in our key workplaces.



• A new mobile system allows employees at Head Office to pre-order breakfast and lunch.



# Powering FIA World Rallycross to Go Green



- FIA purchases our RE Certificate to reduce their carbon footprint at the rallycross event.



- We provide the race organisers with electricity from the grid to charge the all-electric construction vehicles.



- The new Green Mobile Electricity Supply System is deployed in the race as an emission-free backup power source.



港燈 Your Energy Partner  
HK Electric

HK Electric was proud to play a role in bringing international motor racing back to Hong Kong with the FIA (Federation Internationale de l'Automobile) World Rallycross Championship Hong Kong, China – Season Finale 2023 staged at Central Harbourfront in November 2023. As the Energy Partner of the race, our priority has always been to provide safe and reliable power for this all-electric event.

But how did we manage to supply electricity to a venue that hasn't even been built and also ensure that there is enough reliable power available to charge some 20 all-electric construction vehicles and high-powered rally cars during the event?

Our Smart Power for Construction Site service was the perfect solution. We provided the organisers with electricity from the grid for erecting the race venue and charging the all-electric construction vehicles, enabling them to completely avoid

- More than 20 HK Electric Happy Green Ambassadors are treated to a special behind-the-scenes tour at the rallycross event.

the use of diesel generators during the construction phase, as well as powering the rally cars. As a result, FIA was able to reduce carbon emissions, air and noise pollution substantially.

What's more, by purchasing our Renewable Energy Certificates, FIA also supported the use of renewable energy at every stage of their event, further cutting down on their carbon footprint, making the championship a green rallycross.

Apart from powering the event with green energy, HK Electric also deployed our brand new green mobile electricity supply system, consisting of an energy storage truck and a power changeover truck, to serve as an emission-free backup power source to ensure the smooth running of the race.

On the education side, a special tour was arranged for more than 20 HK Electric Happy Green Ambassadors for a behind-the-scenes look at the event, such that they could share with others the work involved in supplying green power as well as how today's powerful electric vehicles can contribute to smart mobility.





## CEO's Report



- HK Electric supports World Environment Day by promoting the recycling of used or old books and gadgets.

- The three-day Happy Green Fair, celebrating the 20th anniversary of the Happy Green Campaign, stages a host of activities promoting carbon neutrality.

### Supporting community efforts towards cutting carbon

In addition to running our own programmes, we also support community-wide initiatives organised by the Government, green groups and other organisations in Hong Kong. In 2023, we continued to join the Government's "Carbon Neutrality Partnership", Business Environment Council's "Net-zero Carbon Charter" and Hong Kong Green Building Council's "Advancing Net Zero" programme to contribute towards Hong Kong's long-term decarbonisation efforts.

To support the United Nations' World Environment Day 2023, around 800 staff members participated in a one-month campaign themed "Beat Plastic Pollution" in May. New initiatives were injected into the 2023 campaign, including the "Clean Plate Challenge" that encouraged colleagues to minimise food waste. Participants joined the challenge by submitting a photo of their empty plates via the HK Electric app for the chance to win eco-friendly tableware.

### Promoting a green mindset

We supplement our efforts to steadily drive down the carbon footprint of all our operations by encouraging energy saving and environmental awareness within the community through a range of popular community outreach programmes.

Our anchor green education programme, Happy Green Campaign, celebrated its 20th anniversary of promoting energy efficiency and conservation with activities along the theme "Be Chill. Be Carbon Neutral" in 2023. A community fair, attended by around 3,000 people, was held in April to showcase the campaign's efforts and achievements over the past two decades.

Throughout the year, a series of activities including upcycling art exhibitions, green workshops, interactive drama, puppet shows, sharing sessions and online eco-tours was held for more than 100,000 participants.

A total of 650 schools have now joined HK Electric's "Happy Green Schools" network and participated in a range of enrichment activities throughout the year, including interactive dramas and workshops on designing virtual-reality games organised under the Happy Green Campaign. The award-winning "Decarbonisation ABC" activity book was one of the most popular learning experiences among students. The book comes with a variety of activities, including games, quizzes and a glossary of terms from A to Z, all designed to help children learn about cutting carbon in their everyday life. About 60,000 copies of the book were distributed to over 1,000 kindergartens and nurseries, while more than 60 workshops and related activities were organised for about 4,000 children.



- The award-winning "Decarbonisation ABC" activity book proves to be one of the most popular learning experiences among young children.



- Shau Kei Wan Government Secondary School’s project, “Renewpoly”, a board game and animation that raise awareness about renewable energy resources, wins the Green Energy Dreams Come True Competition.



- Adjudicators are invited to experience how the teams use art, games, and technology to promote energy saving and decarbonisation.

Our annual Green Energy Dreams Come True competition encouraged students in secondary schools and tertiary institutions to think innovatively about ways to make the community and their surroundings more eco-friendly. The winning entry, developed by Shau Kei Wan Government Secondary School, was a creative board game to raise awareness of renewable energy. A smart electricity monitoring solution for household use developed by students from three local universities was also recognised.

The Green Hong Kong Green initiative, run for more than 18 years in partnership with the Conservancy Association, continues to organise online tours of designated eco-heritage routes to engender appreciation for the city’s flora and fauna. Together with the physical tours that resumed in the latter half of the year, 31 tours were organised for over 4,200 participants in 2023.

### A power for good in the community

We are deeply conscious of our social responsibilities in the Hong Kong community where our long-standing dual focus has been on green education and care for the elderly. We are also mindful of the plight of underprivileged families and small businesses, especially those in the catering industry, and are committed to helping them recover from the lingering socio-economic impacts of the COVID-19 pandemic.

To this end we continued to extend tariff concessions to the underprivileged, offering a 60% discount for the first 200 units of electricity used. We also provided electricity subsidies as well as subsidies for carrying out rewiring works to facilitate the installation of individual tariff meters for people living in sub-divided units, for the purchase of energy-efficient home appliances by disadvantaged households, and for enabling NGOs to provide food and beverages to those in need.



- Participants in Green Hong Kong Green’s “Night Safari” eco-heritage tour explore the fascinating world of nocturnal creatures on Lamma Island.



- Participants enjoy themselves at a lunch for the elderly provided by HK Electric’s NGO Catering Subsidy under the Smart Power Care Fund.

# CEO's Report



● HK Electric volunteers make “finger hearts” to show their care for elders during a home visit under the CAREnJOY Home Sweet Home programme.

About 50,000 “Care and Share” dining coupons, each set at HK\$200, were distributed to disadvantaged households, including concessionary tariff residential customers, disadvantaged households living in sub-divided units or transitional housing, “N-have-nots households” or households with financial difficulties referred by NGOs’ or District Council members, and low-consumption residential customers, for use at over 200 participating eateries.

Following a number of years when face-to-face activities were restricted or cancelled, we resumed in-person outreach programmes and engaged with elders and the community through our team of volunteers. Over the year, the team provided more than 3,370 service hours of support across a range of activities including countryside cleaning, food preparation, charity book-sales, language tutorship and more.

In 2023, we introduced a new initiative, “Fun & Joy” under our flagship programme for the elderly, CAREnJOY. Two activities – a movie day and an outing to the city’s most popular attraction The Peak, were organised to encourage elders to come out and reconnect with their local communities. We also resumed our electrical safety talks and



● A volunteer team, led by members of senior management, performs tree-caring work on Lamma Island under the guidance of the Conservancy Association.



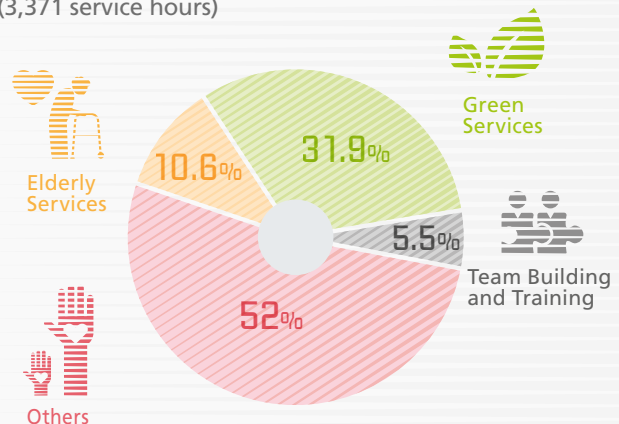
● During a radio interview, U3A leaders Candy Yip (middle) and Alice Yeung (right) share how the U3A programme enriches their social and retired life.

home visits, promoting electrical safety and energy efficiency. In all, the programme extended care and warmth to about 2,460 participants during the year.

With its core philosophy to encourage life-long learning, the University of 3rd Age (U3A), is another of our long-standing initiatives for the elderly, run in collaboration with the Hong Kong Council of Social Service.

In 2023, we funded 35 self-learning centres operating under 15 social service agencies throughout Hong Kong. In addition to supporting self-learning classes run by U3A students, a new initiative – “U3A Dream+” was launched to encourage young retirees to take up meaningful projects for social good by leveraging their own knowledge and expertise. Seven projects which reflected the theme of healthy ageing, as advocated by the United Nations, received funding. Three workshops and three thematic talks were lined up and attended by more than 330 U3A students. Over 480 courses and interest classes were also organised at the U3A centres, providing 2,910 learning places.

## Volunteering Activities in 2023 (3,371 service hours)





## Fun and joy is here again



Seeing a local superstar on the silver screen and a visit to the Peak may be ordinary weekend jaunts for many. For the elderly living alone, these become highly anticipated activities.

With the lifting of COVID restrictions in early 2023, normal life slowly resumed in Hong Kong, allowing many people, especially single elderly to go out freely and mingle with others after nearly three years of quarantine, isolation and various forms of restrictions.

With this in mind, our popular “CAREnJOY for the Elderly” programme was quick to infuse new elements to encourage the elderly to have fun, resume their social lives, and reach out and reconnect with their local communities.

In August 2023, we launched “CAREnJOY Fun & Joy” jointly with our nine elderly service partners with a debut event, inviting around 300 elders to watch a local blockbuster featuring international movie star Chow Yun-fat, at a cinema in Cyberport. Many professed that this was their first visit to see a moving picture.



- Approximately 300 seniors gather to watch a blockbuster movie as the debut event of our new “Fun & Joy” initiative.

Other activities followed, including an outing “Around The Peak in 80 minutes”, where about 70 elders enjoyed a ride on the iconic Peak Tram on a glorious sunny day in December 2023. The group drank in the beauty of the Hong Kong skyline from above, and experienced the festive atmosphere of the city getting ready for Christmas.

It was heartwarming to see 80-year-old elders bubbling over with excitement, like children on a fun day out. They took hundreds of photos, marveled at Hong Kong’s spectacular views, enjoyed snacks and tea, and many even sent postcards from there to friends and relatives. These fun-filled excursions are highly popular and over-subscribed. We plan to offer more in 2024 to bring them other memorable experiences.

At the same time, we continued our ongoing support activities in person, to help senior people manage their daily lives. These included our flagship electrical safety talks, incorporating tips on domestic electrical safety and energy efficiency, as well as resuming home visits to single elders after a hiatus of three years.



- Approximately 70 elders enjoy friendly company and scenic views aboard Hong Kong’s iconic Peak Tram.

- Participants in CAREnJOY for the Elderly’s activity “Around The Peak in 80 Minutes” pose for a photo at The Peak over Hong Kong.





# CEO's Report



- HK Electric seeks qualified recruits to expand our talent pool during the 2023 Greater Bay Area Talent Recruitment Fair in Mainland China.

## Fostering fulfilling professional paths

With a team of more than 1,830 people, we are one of the largest employers in Hong Kong. We strive to provide a supportive and inclusive work environment with a culture of open communication, ample opportunity for professional and personal development, and support of work-life balance. We also seek to build a caring environment that offers a sense of belonging. We were honoured to be named one of Hong Kong's "Happy Companies" under the 2023 "Happiness-at-Work Promotional Scheme", organised by the Promoting Happiness Index Foundation.

We offer an inclusive environment for our workforce, which comprises 20.9% of women, of whom 5.7% are in management roles and 9.7% are in engineering roles. Our voluntary turnover rate remained below the industry average for companies of our size at 6.5%.

To attract talent in an extremely competitive employment market we reached out to university students through career fairs and recruitment talks to promote our employer brand, entry-level positions, graduate trainee and management trainee programmes. Seven Graduate Trainees were recruited during the year. We also conducted outreach and engagement activities to encourage new electrical and mechanical apprentices both in Hong Kong and Mainland China to pursue careers in the industry.



- During a familiarisation visit, graduate trainees learn how HK Electric's System Control Centre supports round-the-clock supply reliability and safety.

## Creating an environment to thrive and grow

We offer every member of our team opportunities for personal and professional development in the form of training and mentorship programmes or opportunities to take on new responsibilities. On average, every staff member received around 30 hours of training over the course of the year.

Our talent development programmes are structured around a 4-level leadership competency framework. The Young Talent Development Programme (YTP) accelerated the advancement of 15 talented young individuals into successful first-line leaders in 2023. Tailor-made learning including workshops, experiential learning, action-learning projects, and mentorship was provided to them. Over the years, of the 36 employees who have completed the YTP, 29 remain with the company, and 19 have been promoted.



- Senior executives mentor first-line leaders during our Young Talent Development Programme, which bolsters skills and confidence through experiential learning and discussions.





- Our first learning management system, i-learn, is rolled out to the entire workforce to enable anytime, anywhere learning across a broad range of job-related topics.



- Speakers from the State Grid Energy Research Institute discuss recent developments in power systems and generation technology during the two-day theme talks.

During 2023, we successfully introduced our first learning management system, i-learn, to the entire workforce. This online platform enables employees to pursue learning at their convenience, regardless of time or location. Through the platform, we now provide over 60 video-based learning modules, covering a diverse range of subjects including engineering, technical operation, safety and health, cybersecurity, digital tools, code of conduct and compliance as well as a series of soft skills.

The HK Electric Institute enabled our engineers to participate in technical courses on topics including electricity ordinance and legislative requirements and system operations under the guidance of our retirees. More than 26 sessions were held in 2023 for 1,040 participants. We also participated in the Belt and Road Advanced Professional Development Programme in Power and Energy through physical lectures, seminars, exchange activities and field trips, which resumed for the first

time after the COVID-19 pandemic. 32 participants from 10 Belt and Road countries and regions attended these sessions.

More than 130 members of the team attended two theme talks by senior executives and experts from the State Grid Energy Research Institute to understand the latest developments in power systems and generation technology. The talks focussed on the latest approaches in constructing new power systems and trends in the hydrogen industry and hybrid hydrogen-electricity models in Mainland China.

We also engaged with tertiary education institutions such as Hong Kong Polytechnic University and The University of Hong Kong to provide training aligned with the needs of the company and the industry.



- Thirty-two participants join the first physical exchange programme offered after the pandemic under the Belt and Road Advanced Professional Development Programme in Power and Energy 2023.

# CEO's Report



- Company representatives help increase workers' understanding of safe workplace practices during the safety promotion campaign, "Distribution of Lo Pan Rice".

## Wellbeing and safety

The health and safety of our team is one of our foremost priorities. The "Work Safe Behaviour" programme, now in its 12th year, plays a crucial role in fostering a safety culture within our workplace. In 2023, we conducted 393 behaviour-based safety observations under the programme and implemented the necessary recommendations. Additionally, monthly safety briefings were held to enhance awareness across a range of operational topics.

These efforts were further augmented by a series of safety promotion campaigns including "Health and Safety Forum 2023", "Life First 2023 – Walk the Talk" and "Distribution of Lo Pan Rice Campaign" with over 1,000 staff, site members, and business partners participating.

Over the years, the number of Lost-Time-Injuries recorded in our workplaces has remained consistently low. In 2023, two employee Lost-Time-Injuries were reported. Both cases



- Employees go for a bike ride together as part of our series of interest classes.



**Lost Time Injury Frequency Rate**

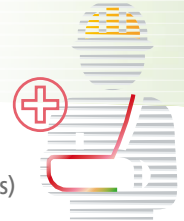
**0.11** Employee **0.71** Contractor

(per 200,000 employee-hours/contractor-hours)

**Lost Time Injury Severity Rate**

**0.17** Employee **31.4** Contractor

(per 200,000 employee-hours/contractor-hours)



were relatively minor but were studied in detail to prevent recurrences and the recommendations made were duly implemented.

Interest classes and physical training courses were organised for employees both to improve physical and emotional wellness, and to maintain work-life balance. Online interest classes such as paper craft and make-up were held for a total of 65 participants. Other interest classes such as tai chi chuan, pilates, table-tennis, badminton, basketball, soccer and lawn bowl were organised for more than 1,000 participants in 2023.

We continued our 5S Good Housekeeping programme to enhance workplace efficiency, occupational health and safety, space utilisation and cleanliness. We also offer a wide range of incentives to motivate frontline employees to put health and safety into everyday practice.



- Employees display their work from a calligraphy class focused on writing couplets to bring good luck and fortune during Chinese New Year.





- Publications keep stakeholders informed of HK Electric's work and achievements. These include annual reports, sustainability reports, corporate information brochures and the quarterly news bulletin "HK Electric Online."



- Our YouTube programme continues to produce episodes of "HK Electric Online" to keep various stakeholders abreast of the latest company developments.

## Transparency and engagement with stakeholders

We publish information to enhance stakeholders' understanding of HK Electric's business and operations in our Annual Report, Sustainability Report, and Corporate Information Brochure. The quarterly news bulletin "HK Electric Online" together with its video version – KR44 TV continues to keep customers and stakeholders informed of the company's developments and initiatives. The Group communicates with holders of Share Staped Units through the annual general meeting, held in May of every year.

To enhance our online presence, our HK Electric App, YouTube channel and the corporate Facebook page "44 Kennedy Road" were refreshed with regular posts featuring our environmental, community, health and safety initiatives and activities, as well as tips on green-living and electric cooking. Our corporate website took on a new look with enhanced content sufficiency and transparency.



All public visits to company facilities, mainly LPS, returned to normalcy. In 2023, 13 public visits were organised with more than 390 participants. Six LPS tours were also held for over 240 shareholders to enhance their understanding of our operations.

We communicate our sustainability initiatives and performance to our stakeholders through regular news and updates on our corporate website. We also publish our Sustainability Report annually 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.



- Shareholders learn about HK Electric's developments and innovations during a visit to Lamma Power Station.

## CEO's Report

We collect customers' feedback and suggestions through various channels. These include after-service satisfaction surveys and "We Meet on Friday" sessions. Customer insights are integrated into business decisions for continual service enhancement improvement. In 2023, we received five complaints, all of which were handled in accordance with our established guidelines. Complaint trends and emerging topical issues are under close monitoring by the Stakeholder Satisfaction Steering Committee.

We regularly meet with members of our 43-member Customer Liaison Group to hear their views and suggestions. This is a valuable forum for gathering ideas and comments. The Group visited one of our cable tunnels as well as our operational headquarters at Electric Tower in 2023 to learn more about how we assure a reliable, safe and clean electricity supply to Hong Kong.

We respect our employees and treasure their opinions. Our Joint Consultation (JC) Committee, established over 40 years ago, provides staff with an opportunity to voice their opinions. The company has six well-established JC panels with 70 directly elected representatives from various groups of employees. More than 60 employees were invited to join quarterly focus groups and their issues and suggestions have

been channelled to the management and relevant parties for attention, consideration or other follow-up actions. Training was provided and follow-up calls were made to 270 newly promoted frontline supervisors to help them understand and adapt to their new roles and offer any assistance if necessary.

The "Hear Your Voice" forum, launched in 2021 has become a popular channel of communication and exchange among employees, supervisors and senior executives. In 2023, members of the senior management team across the company met a total of 70 young engineers of different levels in small groups or one-on-one to understand their thoughts about personal development and career aspirations.

HK Electric was awarded the "10 years+ Caring Company Logo" by the Hong Kong Council of Social Service in recognition of its caring culture and corporate social responsibility performance.

### Conclusion

As we work alongside Hong Kong during this period of energy transition, we have pledged to fulfil our broader mission to care for and support the community, the environment and all our stakeholders the best we can.



- Our Customer Liaison Group members visit the company's Wa Fu-Bowen Tunnel, to understand how these facilities contribute to our world-class supply reliability.



# Financial Review

## Financial performance

The Trust Group's revenue and audited 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.

	2023 HK\$ million	2022 HK\$ million
Audited 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)
<b>Distributable income</b>	<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
Interim distribution	<b>1,408</b>	1,408
Final distribution	<b>1,422</b>	1,422
<b>Distribution amount</b>	<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
<b>Total distributions per SSU</b>	<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.

## 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 (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

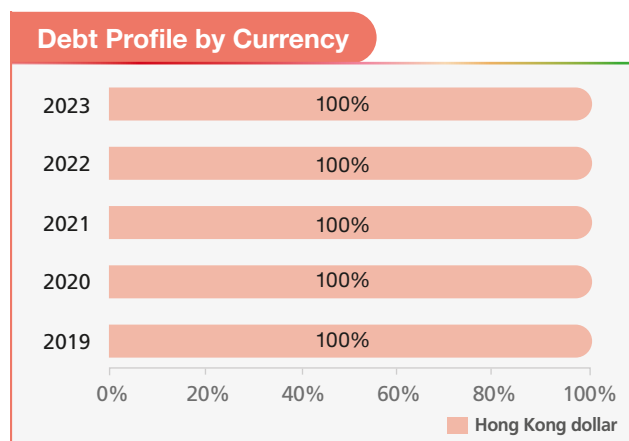
The Trust Group manages its financial risks in accordance with guidelines laid down in its treasury policy which is designed to manage the Trust Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from provision for capital expenditure to be incurred and from electricity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

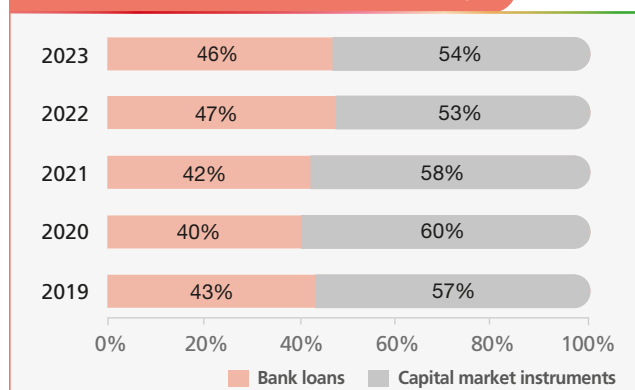
As at 31 December 2023, the net debt of the Trust Group was HK\$50,185 million (2022: HK\$50,887 million) with a net debt-to-net total capital ratio of 51% (2022: 51%). The Trust Group's financial profile remained strong during the year. On 26 March 2023, Standard & Poor's reaffirmed the "A-" long-term 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:

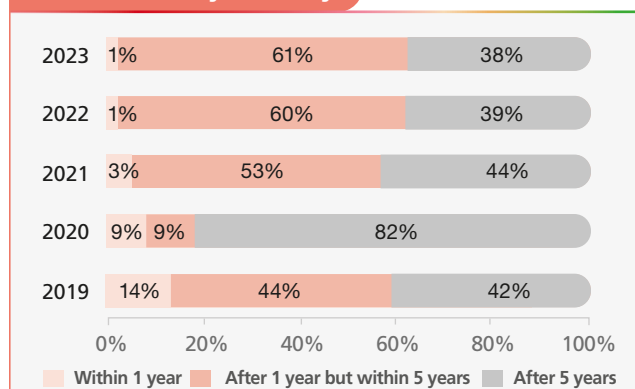




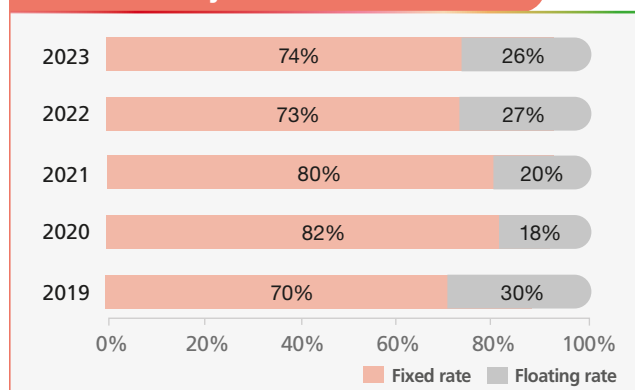
### Debt Profile by Types of Borrowings



### 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 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

As 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.

# Awards Gallery



## 17 Awards

Corporate / Community

- **2023 ARC Awards International Annual Report 2022**
  - Traditional Annual Report: Electric & Gas Services: Silver Award
  - Interior Design: Electric Power Company: Bronze Award
- **The 5th Hong Kong Public Relations Awards 2023**
  - Corporate Sustainability: Gold Award
- **Caring Company Scheme 2022/23**
  - 10 Years Plus Caring Company Logo
- **The Community Chest of Hong Kong**
  - Corporate and Employee Contribution Programme 2022/23: Bronze Award
- **Happiness-at-work Promotional Scheme 2023**
  - "Happy Company 5 Year Plus" Label

- **Good MPF Employer 2022 - 23**
  - Good MPF Employer 5 Years+
  - e-Contribution Award
  - MPF Support Award
- **ERB Manpower Developer Award Scheme**
  - Manpower Developer Award
- **Guangdong Dapeng LNG Company Ltd.**
  - Best Cooperative Phase I Gas User 2023
- **Web Accessibility Recognition Scheme 2022 - 2023**
  - Triple Gold Award
- **Privacy-Friendly Awards 2023**
  - Gold Award
- **Construction Industry Volunteer Award Scheme 2023**
  - The Most Supportive Organisation: Merit Award
- **Partner Employer Award 2023**
  - Excellent Corporation Award
  - Existing Employee Retention Award
- **Randstad Employer Brand Award 2023**
  - Most Attractive Employers (Hong Kong): Top 20

## 27 Awards

### Customer Service



- **The 21st APCSC International Customer Relationship Excellence Awards**

**Corporate Category**

  - Public Service of the Year 2023

**Individual Category**

  - Customer Service Manager of the Year 2023 (Contact Centre - Public Utilities)
  - Customer Service Team Leader of the Year 2023 (Contact Centre - Public Utilities)
  - Customer Service Professional of the Year 2023
    - Contact Centre - Public Utilities
    - Service Centre - Public Utilities
    - Technical Centre - Public Utilities
    - Contact Centre: 2 Merit Certificates
    - Technical Centre: Merit Certificate
- **HKRMA Quality Service Programme 2023**

**Corporate Category**

  - 2023 Excellent Service Retailer of the Year - Flagship Store
  - 2023 Quality Service Retailer of the Year - Retail (Services) Category
- **HKRMA Quality Service Programme January 2023 to March 2023**
  - Service Category Leader (Retail (Services))
  - Service Industry Leader: Gold Award

**April 2023 to June 2023**

  - Service Category Leader (Retail (Services))
  - Service Industry Leader: Gold Award



### July 2023 to September 2023

- Service Category Leader (Retail (Services))
- Service Industry Leader: Gold Award
- **Hong Kong Customer Contact Association Award 2023**

**Corporate Category**

  - Mystery Customer Assessment Award (Brick-and-Mortar): Best of the Best Award
  - Mystery Customer Assessment Award (Brick-and-Mortar) - Public Service and Utilities: Best-in-Class Award
  - Mystery Customer Assessment Award - Public Service and Utilities: Best-in-Class Award
  - Mystery Customer Assessment Award - Public Service and Utilities: Gold Award
  - Mystery Customer Assessment Award (Brick-and-Mortar) - Public Service and Utilities: Gold Award
  - Inbound Customer Centre of the Year - 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 Contact Professional of the Year: Gold Award
- **Best SME's Partner Award 2023**
  - Best SME's Partner Gold Award
- **Hong Kong Star Brand Award 2023 (Enterprise)**





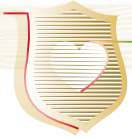
# 16 Awards

## Environmental



- **Hong Kong Green Awards 2023**
  - Sustainable Procurement Award (Large Corporation) - Supplier Collaboration and Innovation
- **BOCHK Corporate Low-Carbon Environmental Leadership Awards 2022**
  - Manufacturing Sector: Bronze Award
- **Environmental Campaign Committee**
  - Hong Kong Green Organisation
- **Hong Kong Green Organisation Certification**
  - Excellence Level Energywise Certificate: Lamma Power Station
  - Excellence Level Energywise Certificate: Transmission & Distribution Division (Electric Centre)
  - Excellence Level Wastewise Certificate: Generation Division
  - Excellence Level Wastewise Certificate: Transmission & Distribution Division

- **Indoor Air Quality Certification Scheme**
  - Excellent Class Certificate: Hongkong Electric Centre
  - 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)
- **World Green Organisation**
  - Green Office and Eco-Healthy Workplace Awards Labelling Scheme: Hongkong Electric Centre
- **FoodWaste Lean and Green Label Scheme**
  - FoodWaste Lean Label: Lamma Canteen
- **CarbonCare Label 2023**
  - Level 4: Hongkong Electric Centre
- **CarbonCare Star Label 2023**
  - Hongkong Electric Centre



# 17 Awards

## Quality / Health / Safety

- **22nd Hong Kong Occupational Safety and Health Award**
  - OSH Report Award: Gold Award
  - OSH Promotion Award: Silver Award
  - Work Safe Behaviour Award: Silver Award
  - Best Program for Work Safety and Health in Hot Weather Award: Silver Award
  - OSH Enhancement Program Award: Merit Award
  - Safety Performance Award (All Industries Category): Excellence Award
  - Safety Performance Award (All Industries Category): Outstanding Award

- **Outstanding Registered Electrical Contractors Competition 2023**
  - Merit Prize
- **The 10th Regional Safety Quiz**
  - Enterprise Category: 2nd Runner-up
  - Enterprise Category: Creative Award
- **Prevention of False Alarms Awards 2022**
  - Silver Award
- **Heart Caring Organization Award**
  - Merit Organization



# 5 Awards

## Staff

- **Youth Employment and Training Programme (YETP) Most Improved Trainees 2023**
  - YETP Most Improved Trainee
- **Construction Industry Outstanding Apprentice Awards**
  - Craftsmen Apprentices/Trainees Category: 2023 Construction Industry Outstanding Apprentice
- **The 12th IET International Conference on Advances in Power System Control, Operation and Management (APSCOM) High-quality Paper Award**
  - 2022 High-quality Paper Award
- **The Hong Kong Institution of Engineers**
  - The HKIE Outstanding Paper Award for Young Engineers/ Researchers 2023
- **2022 Outstanding Apprentice Award**
  - 2022 Merit Apprentice Award



- **29th Considerate Contractors Site Award Scheme**
  - 3 Site Supervisory Company Awards
- **Occupational Health Award 2022 - 23**
  - Joyful @ Healthy Workplace Best Practices Award: Grand Award
  - Best Presentation Award: Gold Award







# Corporate Governance

Working with Integrity,  
Transparency and Sustainability



# Boards of Directors and Management Team



## Boards of Directors

### ● Executive Directors

#### **FOK Kin Ning, Canning**

*Chairman*

Aged 72. 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 Deputy Chairman and an Executive Director, and was previously the Group Co-Managing Director, of CK Hutchison. He is the Deputy Chairman of CKI, the Chairman of Hutchison Telecommunications Hong Kong Holdings Limited and TPG Telecom Limited ("TPG Telecom"), the Executive Chairman of CK Hutchison Group Telecom Holdings Limited ("CKHGT"), and a Deputy President Commissioner of PT Indosat Tbk. He was previously the Chairman of Power Assets, Hutchison Port Holdings Management Pte. Limited ("HPHMPL") which is the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust") and Hutchison Telecommunications (Australia) Limited ("HTAL"), and a Director of Cenovus Energy Inc. ("Cenovus Energy"). All the companies mentioned above, except the Trustee-Manager, HK Electric, CKHGT 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.

#### **CHENG Cho Ying, Francis**

*Chief Executive Officer*

Aged 67. Appointed to the Boards of the Trustee-Manager and the Company since December 2013 and as Chief Executive Officer of the Company in July 2023. Mr. Cheng is also Managing Director of HK Electric and a Director of all of the subsidiaries of the Company. Mr. Cheng is an 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. Mr. Cheng has worked for the Group since 1979, previously served as the Operations Director of HK Electric. He holds a Bachelor's degree in Chemistry and is a Fellow of the Royal Society of Chemistry in the United Kingdom, and a Fellow of The Hong Kong Institution of Engineers.







### **CHAN Loi Shun**

Aged 61. 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 of 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 the Association of Chartered Certified Accountants and also a member of the Institute of Certified Management Accountants (Australia).



### **KWAN Ying Leung**

Aged 63. Appointed to the Boards of the Trustee-Manager and the Company in July 2023. Mr. Kwan is also a Director of HK Electric and serves as its Engineering Director responsible for all the engineering activities of the Group, including the development and operation of power generation, transmission and distribution systems. He has been with the Group since October 1983, and has over 30 years of experience in the management and execution of power projects. He holds a Bachelor of Science degree in Engineering. He is a Chartered Engineer, a member of The Hong Kong Institution of Engineers and a member of The Institution of Mechanical Engineers in the United Kingdom.



### **WANG Yuanhang**

Aged 48. 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 59. 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 has also been the Chairman and Group Co-Managing Director of CK Hutchison since May 2018 and was re-designated as the Chairman and Executive Director on 1 April 2024.

Mr. Li is the Chairman and Managing Director, and the Chairman of the Executive Committee of CK Asset Holdings Limited ("CK Asset"), and 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, and the Member Deputy Chairman of Li Ka Shing (Canada) Foundation. 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 68. 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 85. 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 of HKEX, an Independent Non-executive Director and Adviser to Chair of Hang Lung Properties Limited, 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 56. 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 56. 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 56. 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 67. 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. 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 67. 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 74. 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, all being listed companies (except Sunlight Real Estate Investment Trust being a listed real estate

investment trust). 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 83. 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 88. 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.



### **Donald Jeffrey ROBERTS**

Aged 72. 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 Director**

#### **Frank John SIXT**

Aged 72. 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 Co-Managing Director and Group Finance Director of CK Hutchison, the Chairman of HTAL, 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 Cenovus Energy and an Alternate Director of HTAL. Mr. Sixt was previously 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.

## **Management Team of the Company**

### **CHAN Lok Man, Norman**

Aged 53, General Manager (Projects), has been with the Group since January 1994. He has over 29 years of experience in the management and execution of power projects. He holds a Bachelor of Engineering degree in Mechanical Engineering and a Master of Philosophy degree in Management. 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.

### **CHOI Wai Man**

Aged 64, General Manager (Customer Services), has been with the Group since October 1981. He has over 42 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 54, General Manager (Generation), has been with the Group since September 1994. He has over 29 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 53, General Manager (Corporate Development), joined the Group in January 2019. He has over 30 years of experience in managing the corporate development and business operations of power utilities in Mainland China and Hong Kong. Mr. Ho is also a Director of the Business Environment Council. 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.

### **WAN Wai Kin, Mullar**

Aged 65, General Manager (Information Technology), has been with the Group since July 1993. He has over 41 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 63, 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 66, 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 59, General Manager (Human Resources), joined the Group in June 2014. He has over 30 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 Kwong Tung, Tony**

Aged 60, General Manager (Transmission & Distribution), has been with the Group since September 1987. He has over 36 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 Fellow of The Hong Kong Institution of Engineers and a member of The Institution of Engineering and Technology in the United Kingdom.

### **YEUNG Yuk Chun, Mimi**

Aged 60, General Manager (Public Affairs), has been with the Group since July 2003. She has over 37 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 54, 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 25 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 2023 (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 2023.

## 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 79 to 83.

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 81 to 83 and the Combined Corporate Governance Report on pages 56 to 78.

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

## Results

The results for the year ended 31 December 2023 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 92 to 170.

The results for the year ended 31 December 2023 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 173 to 181.

## 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 (2022: HK16.09 cents) per Share Stapled Unit for the year ended 31 December 2023, payable on 17 April 2024 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 8 April 2024. This, together with the interim distribution of HK15.94 cents (2022: 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 2023 (2022: 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 (2022: HK15.94 cents) and HK16.09 cents (2022: HK16.09 cents) respectively for the year ended 31 December 2023.

The Trustee-Manager Board does not recommend the payment of a dividend for the year ended 31 December 2023.

# 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 (2022: 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 182.

## 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 2023 and 2022.

Purchases from the largest supplier of revenue items for the year represented 43.1% (2022: 30.6%) of the Trust Group's total purchases of revenue items, and purchases from the five largest suppliers combined accounted for 74.4% (2022: 84.4%) of the Trust Group's total purchases of revenue items for the year ended 31 December 2023.

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 2023 and up to the date of this report were Mr. Fok Kin Ning, Canning, Mr. Li Tzar Kuoi, Victor, Mr. Wan Chi Tin (retired on 1 July 2023), Mr. Cheng Cho Ying, Francis, Mr. Fahad Hamad A H Al-Mohannadi, Mr. Ronald Joseph Arculli, Mr. Chan Loi Shun, Dr. Fong Chi Wai, Alex, Mr. Deven Arvind Karnik, Ms. Koh Poh Wah, Mr. Kwan Kai Cheong, Mr. Kwan Ying Leung (appointed on 1 July 2023), Mr. Lee Lan Yee, Francis, Mr. George Colin Magnus, Mr. Donald Jeffrey Roberts, Mr. Wang Yuanhang, Mr. Wang Zijian and Mr. Zhu Guangchao.

During the year, Mr. Wan Chi Tin resigned as a Director of the Trustee-Manager and the Company due to retirement.

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 ceased holding this position on 1 July 2023, and Mr. Frank John Sixt served as the Alternate Director to Mr. Li Tzar Kuoi, Victor.

Each of Mr. Wan and Mrs. Chow has no disagreement with the Boards and does not have any matters in relation to his/her resignation/cessation that should be brought to the attention of the Holders of Share Stapled Units.

## 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 2023.

### **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, 19 March 2024

# Combined Corporate Governance Report

The Boards of the Trustee-Manager and the Company present their corporate governance report for the year ended 31 December 2023.



## 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 2023, 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 2023 were as follows:

- (1) Mr. Wan Chi Tin retired as an Executive Director of the Boards and the Chief Executive Officer of the Company with effect from 1 July 2023;
- (2) Mr. Cheng Cho Ying, Francis, an Executive Director of the Boards, succeeded Mr. Wan as the Chief Executive Officer of the Company on 1 July 2023;
- (3) Mr. Kwan Ying Leung was appointed as an Executive Director of the Boards on 1 July 2023; and
- (4) Mrs. Chow Woo Mo Fong, Susan ceased to act as the Alternate Director to Mr. Fok Kin Ning, the Chairman of the Boards on 1 July 2023.



# Combined Corporate Governance Report

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.

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 2023 are as follows:

Directors	Company						Trustee-Manager			Combined 2023 Annual General Meeting
	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 Directors	
<b>Executive Directors</b>										
Fok Kin Ning, Canning (Chairman)	4/4	-	1/1	-	-	2/2	4/4	-	2/2	√
Wan Chi Tin (Chief Executive Officer) <sup>(Note 1)</sup>	2/2	-	-	-	1/1	-	2/2	-	-	√
Cheng Cho Ying, Francis (Chief Executive Officer) <sup>(Note 2)</sup>	4/4	-	-	-	2/2	-	4/4	-	-	√
Chan Loi Shun	4/4	-	-	-	-	-	4/4	-	-	√
Kwan Ying Leung <sup>(Note 3)</sup>	2/2	-	-	-	1/1	-	2/2	-	-	-
Wang Yuanhang	4/4	-	-	-	-	-	4/4	-	-	√
<b>Non-executive Directors</b>										
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	4/4	3/4	-	-	-	-	4/4	3/4	-	√
Deven Arvind Karnik	4/4	-	-	-	-	-	4/4	-	-	√
Wang Zijian	4/4	-	-	-	-	-	4/4	-	-	√
Zhu Guangchao	2/4	-	-	-	-	-	2/4	-	-	√
<b>Independent Non-executive Directors</b>										
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	4/4	-	-	1/1	-	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	√

### Notes:

- (1) Retired as an Executive Director of the Boards and the Chief Executive Officer of the Company, and concurrently ceased as the Chairman of the Sustainability Committee of the Company on 1 July 2023.
- (2) Appointed as the Chief Executive Officer of the Company and the Chairman of the Sustainability Committee of the Company on 1 July 2023.
- (3) Appointed as an Executive Director of the Boards and a member of the Sustainability Committee of the Company on 1 July 2023.

# Combined Corporate Governance Report

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 2023 in the manner described above, and the results were reviewed at the Boards meeting held in March 2024. 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.

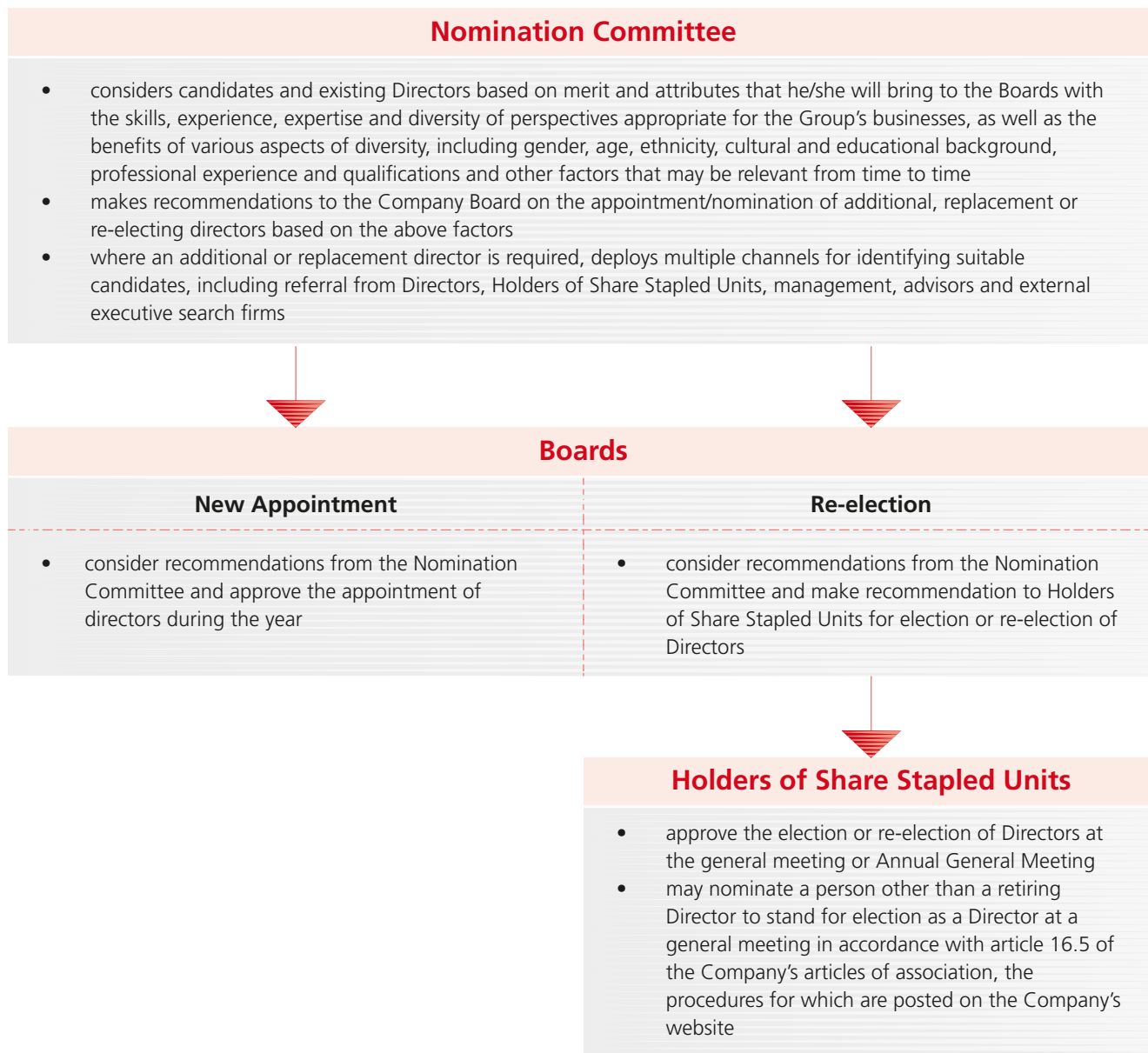
Directors retiring by rotation at the forthcoming Annual General Meeting are Mr. Victor T K Li, Mr. Fahad Hamad A H Al-Mohannadi, Mr. Chan Loi Shun, Mr. Kwan Kai Cheong and Mr. Zhu Guangchao. Mr. Kwan Ying Leung, who was appointed as a Director subsequent to the last Annual General Meeting, will also 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).



## Nomination Process

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



## 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.

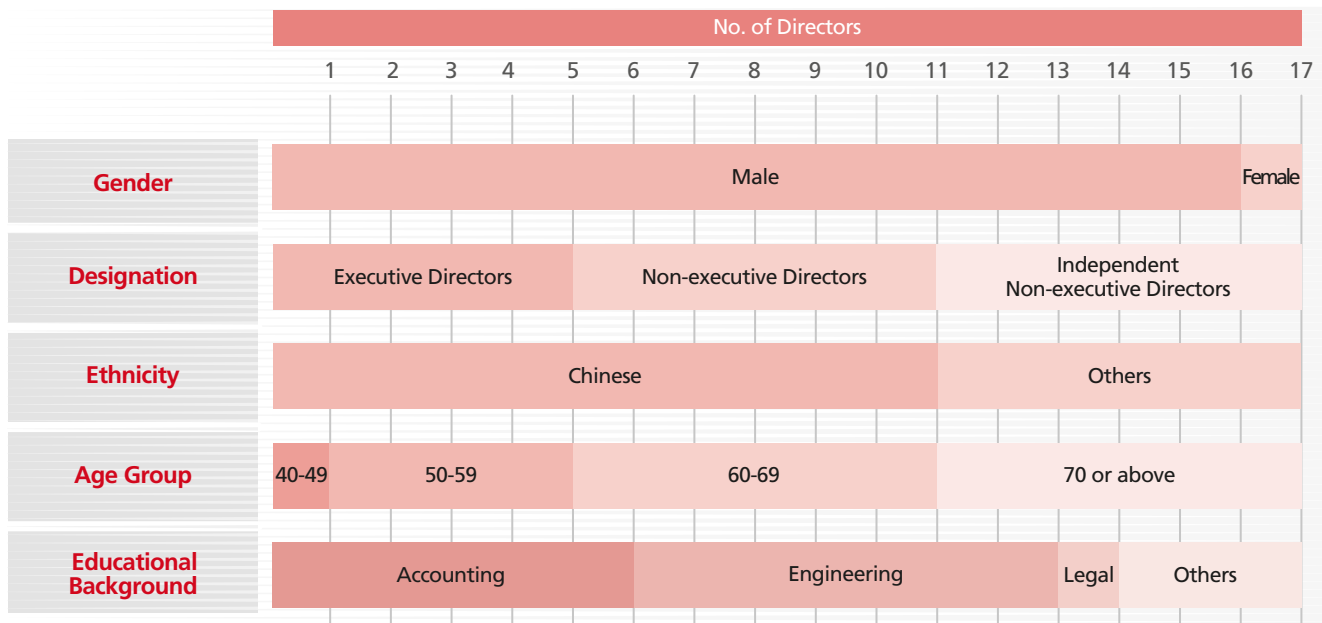
## Combined Corporate Governance Report

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 their continued effectiveness.

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 2023, 79.1% and 20.9% 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 2023 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.

Taking into consideration the confirmation of his/her independence with reference to the factors set out in Rule 3.13 of the Listing Rules (which also covers his/her immediate family members) provided by each Independent Non-executive Director to the Trustee-Manager and the Company for the financial year 2023, 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, and such mechanisms and their implementation during the financial year 2023 have been reviewed and considered effective by 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. Independent Non-executive Directors receive fixed fees for their appointments as members of the Boards and/or additional fees for sitting on each board committee, none of which are based on the performance of the Group. None of the Independent Non-executive Directors are financially dependent on the Group.

### **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' Professional Development and Induction**

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 2023, 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 on sustainability



# Combined Corporate Governance Report

Directors	1	2	3
<b>Executive Directors</b>			
Fok Kin Ning, Canning	√	√	√
Wan Chi Tin <i>(Retired on 1 July 2023)</i>	N/A	N/A	N/A
Cheng Cho Ying, Francis	√	√	√
Chan Loi Shun	√	√	√
Kwan Ying Leung <i>(Appointed on 1 July 2023)</i>	√	√	√
Wang Yuanhang	√	√	√
<b>Non-executive Directors</b>			
Victor T K Li	√	√	√
Fahad Hamad A H Al-Mohannadi	√	√	√
Ronald Joseph Arculli	√	√	√
Deven Arvind Karnik	√	√	√
Wang Zijian	√	√	√
Zhu Guangchao	√	√	√
<b>Independent Non-executive Directors</b>			
Fong Chi Wai, Alex	√	√	√
Koh Poh Wah	√	√	√
Kwan Kai Cheong	√	√	√
Lee Lan Yee, Francis	√	√	√
George Colin Magnus	√	√	√
Donald Jeffrey Roberts	√	√	√

For the new Executive Director, Mr. Kwan Ying Leung, who was appointed during the year, the Company provided him with 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. Mr. Kwan had obtained legal advice relating to director's duties and responsibilities under applicable laws and regulations on 6 June 2023 from a law firm qualified to advise on Hong Kong law pursuant to Rule 3.09D of the Listing Rules, and had confirmed that he understood his obligations as a Director of the Trustee-Manager and the Company.

## 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 2023.

## 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. The Chairman of the Boards is Mr. Fok Kin Ning, Canning and the Company's Chief Executive Officer is Mr. Cheng Cho Ying, Francis (who succeeded Mr. Wan Chi Tin as the Chief Executive Officer with effect from 1 July 2023 following Mr. Wan's retirement). 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
<ul style="list-style-type: none"> <li>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</li> <li>ensures that good corporate governance practices and procedures are established</li> <li>acts in an advisory capacity to the Chief Executive Officer in all matters covering the interests and management of the Group</li> <li>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</li> <li>maintains an ongoing dialogue with the Independent Non-executive Directors for their independent views</li> </ul>	<ul style="list-style-type: none"> <li>manages the businesses of the Group and assumes full accountability to the Company Board for all Group operations</li> <li>attends to the formulation and successful implementation of Group policies</li> <li>attends to developing strategic operating plans and ensures the maintaining of the operational performance of the Group</li> <li>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</li> <li>maintains an ongoing dialogue with the Chairman and all other Directors to keep them informed of all major business development and issues</li> </ul>

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

As at 31 December 2023, 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 2023, 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 2023. 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, the Environmental, Social and Governance (“ESG”) Risk Management Framework, 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 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 activities for Holders of Share Stapled Units and investors for assessment of the implementation and effectiveness of the Holder of Share Stapled Units Communication Policy;
- auditor related matters (including fees for audit and non-audit services, engagement, independence, re-appointment, auditor’s report and the adoption of the pre-approval policy and procedures for engaging independent auditor for non-assurance services); 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 2022 audited financial statements, the 2023 audit plan and various accounting matters with the committee members. The Audit Committees also held private sessions with representatives from KPMG and Internal Audit Department respectively without the presence of management during the year.

Subsequent to the financial year end, the Audit Committees held a meeting in March 2024, 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 2023, and the Annual Report 2023; 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 2024.

The respective terms of reference of the Trustee-Manager Audit Committee and the Company Audit Committee were amended on 19 March 2024 to align with recent changes to the Corporate Governance Code effective on 31 December 2023. The revised terms of reference of the Audit Committees are published on the Company’s website and HKEX’s website.

## 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 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 2023. 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 standing for re-election at the 2023 Annual General Meeting; and
- considered and recommended the appointments of Mr. Cheng Cho Ying, Francis as the Chief Executive Officer of the Company and Mr. Kwan Ying Leung as an Executive Director of the Boards to fill the vacancy following the retirement of Mr. Wan Chi Tin as the Chief Executive Officer and an Executive Director.

## 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.

Non-executive Directors and Independent Non-executive Directors receive fixed fees for their appointments as members of the Boards and/or additional fees for sitting on each board committee. None of such fees are based on the performance of the Group.

## Work Done

The Remuneration Committee held a meeting in December 2023. 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 2023 financial year and their remuneration package for 2024; and
- the 2024 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 2023 financial year are shown in note 12 to the financial statements on page 120 of the Annual Report. The remuneration paid to members of the management team for the 2023 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. Cheng Cho Ying, Francis (who succeeded Mr. Wan Chi Tin as the Chairman of the committee with effect from 1 July 2023 following Mr. Wan's cessation as the Chairman of the committee due to retirement), and the other members are Dr. Fong Chi Wai, Alex (an Independent Non-executive Director) and Mr. Kwan Ying Leung (appointed as an Executive Director and a member of the committee on 1 July 2023).

## 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 2023. During the year, members performed matters including:

- considered the Group's sustainability objectives, strategies, risks and opportunities, priorities, initiatives, goals and performance, the Group's strategy in improving resilience of company assets against the effects of climate change and the update on the climate-related financial disclosures reporting planned for the Sustainability Report 2023;
- reviewed the ESG Risk Management Framework and the outcome of the half-yearly review of the Group's ESG Risks; and
- reviewed the Sustainability Report 2022.

Subsequent to the financial year end, the Sustainability Committee at a meeting held in March 2024 reviewed and recommended for the Boards' approval the Sustainability Report 2023.

## 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 2023, 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 86 to 91 and pages 171 and 172 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 118 of the Annual Report and note 4 to the financial statements of the Trustee-Manager on page 180 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 2023, 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 2022 and for the half year ended 30 June 2023 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 79 to 83 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.

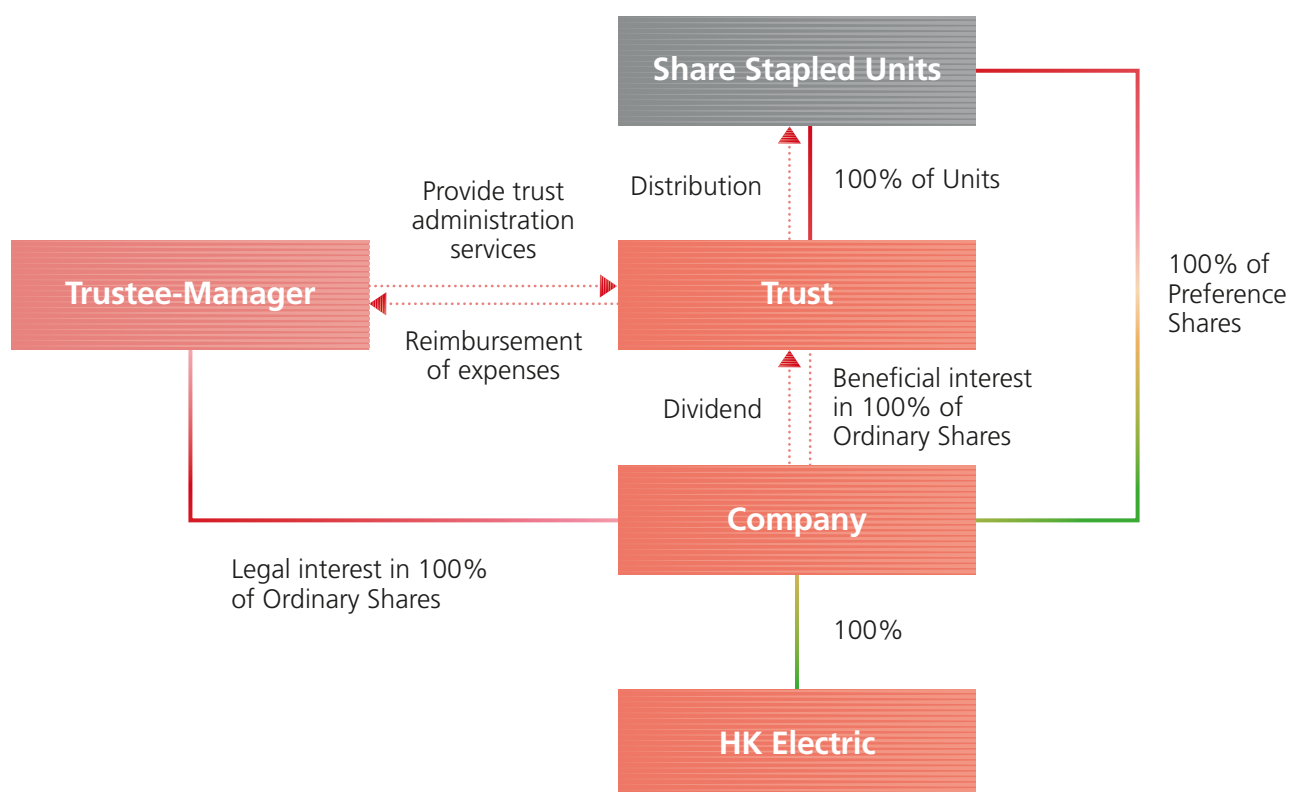
### **Whistleblowing**

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 2023, 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 2023.

### 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 187 of the Annual Report.

### Financial Calendar and Other Information

A financial calendar of the announced key dates for 2023 and 2024 and other relevant information of the Share Stapled Units are set out on page 188 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 at a meeting held in March 2024 reviewed the engagement activities for Holders of Share Stapled Units or investors conducted in 2023, and were satisfied with the implementation and effectiveness of the Holder of Share Stapled Units Communication Policy for the year ended 31 December 2023.

### 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

## 2023 Annual General Meeting

The 2023 Annual General Meeting was held as a hybrid meeting. Holders of Share Stapled Units had the option of attending, participating and voting at the meeting physically or through online access.

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 11 April 2023, more than 21 clear days (as required by the Company's articles of association) prior to the meeting.

The 2023 Annual General Meeting was attended by all Directors. 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 2022 (99.9982%);
- Election of Mr. Ronald Joseph Arculli (99.6087%), Mr. Cheng Cho Ying, Francis (99.8356%), Dr. Fong Chi Wai, Alex (99.9857%), Mr. Lee Lan Yee, Francis (99.6718%), Mr. George Colin Magnus (99.7977%), Mr. Donald Jeffrey Roberts (99.6837%), Mr. Wang Yuanhang (99.8358%) and Mr. Wang Zijian (99.8468%) 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 (99.9607%); 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 (99.9883%).

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](http://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 communications (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 or the share stapled units registrar by mail or email of any change in their choice of language (English or Chinese or both) and/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 187 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 2023 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 2023 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 2023.

### 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 2023 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 2023, 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 2023, 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

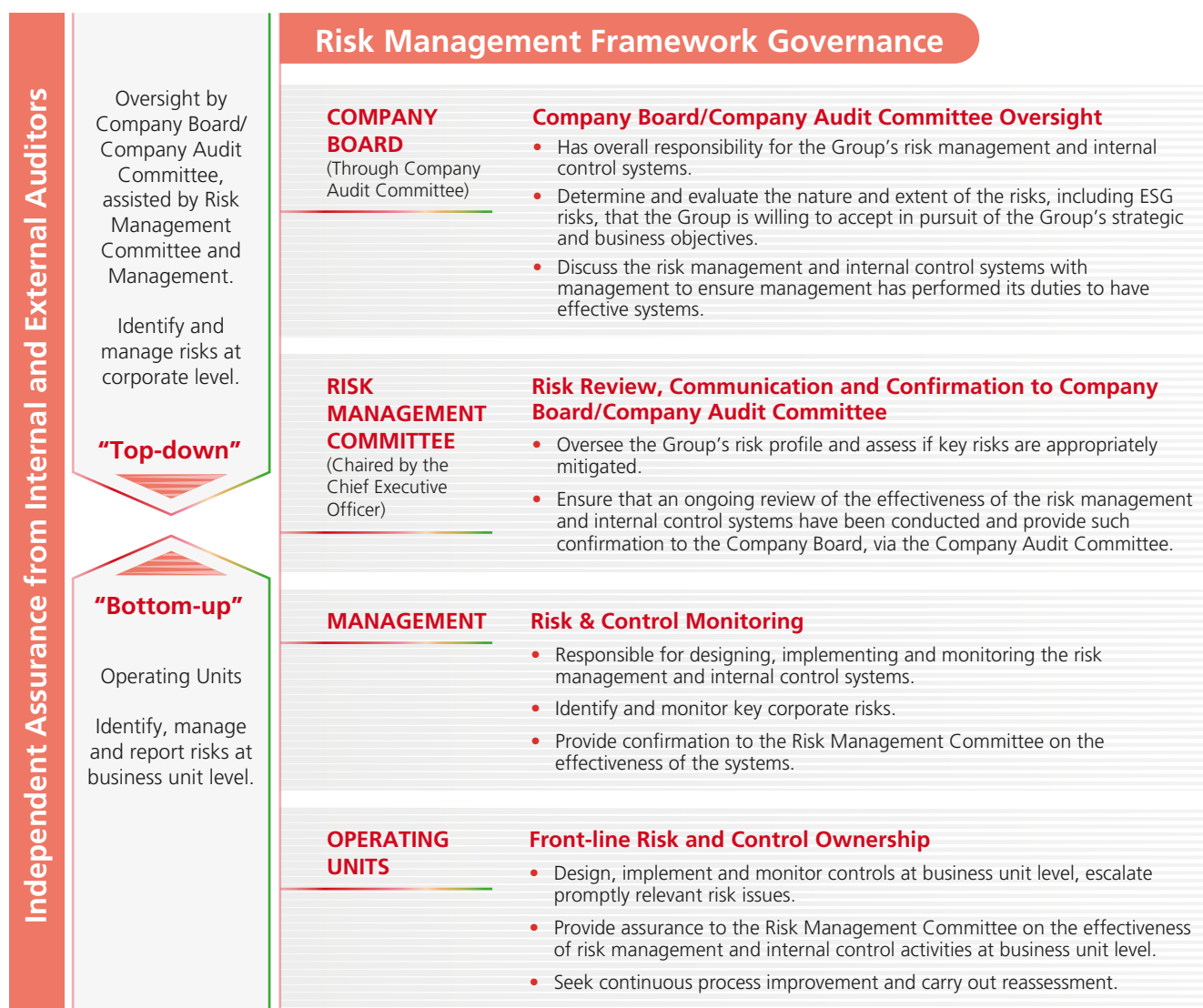
Effective risk management and internal control systems are fundamental to the achievement of our strategic objectives.

## 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

## 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 81 to 83 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

Global economic recovery remains slow. Inflation rates, prolonged periods of high interest rates, tightened financial conditions, trade protectionism, and geopolitical tensions all lead to uncertainties of the world economy. Hong Kong's economy continues to revive, albeit slowly, with the increase in inbound tourism and support of private consumption.

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 of 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 with its interest-bearing liabilities. The US Federal Reserve raised the Fed Funds Rate four times in 2023, and the Hong Kong Monetary Authority (HKMA) followed suit with four increases of its base rate. 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 operation results.

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. The SCA will be reviewed every five years. 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.

The first interim review of the SCA was completed in November 2023 with three changes which are described in earlier sections of this report. The 2024 - 2028 Development Plan of HK Electric was also approved by the Government at the same time.

## 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 (EVs), provide technical support to customers seeking to install charging infrastructure for EVs, and support environmental projects initiated by green groups and community organisations.

The Group’s Sustainability Report 2023 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, stipulates the annual emission allowances for 2026 and 2027. The Government are reviewing the ninth Technical Memorandum with the two power companies as they prepare to revise and issue the tenth.

In addition to the annual emission allowances under APCO, the Group needs to conform to the terms and conditions in the Specific Process Licence (SP-Licence) issued for APCO, as well as other applicable licenses and environmental permits. Failure to comply with these requirements could result in legal action against the Group.

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 natural gas and coal as fuel sources. Any interruption or shortage in the supply of natural gas or coal, 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, environmental performance, 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. The joint-venture development of an offshore liquefied natural gas (LNG) terminal using Floating Storage and Regasification Unit (FSRU) technology started commercial operation in July 2023. It provides the Group another source of natural gas supply and the ability to secure gas supplies at competitive prices.

### 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 events 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 of critical infrastructure and assets; upgrades its power supply and fire services equipment; undertakes regular 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 with different stakeholders 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. Continuous improvements are made to strengthen the organisation's culture, awareness, and commitment to health and safety.

In May 2023, the Government lowered the level of its infectious disease response plan in relation to COVID-19 epidemic from Emergency to Alert. Following the Government's lead, and after assessing the risks of infection within its operations, the Group lowered the response level of its own Influenza Pandemic Contingency Plan which covers COVID-19 epidemic. The Group maintains a monitoring framework and preventive measures to manage the risks of emerging public health contingencies in relation to its operations.

## 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 cyber-security risks. A robust Cyber Security Management Framework has been established with the implementation of an Information Security Management System which is based upon a defence-in-depth cyber-security management strategy with deployment of multiple layers of security controls throughout the IT landscape and integration with different cyber-security processes. This enables the Group to proactively identify, prevent, detect, respond to and recover from cyber-attacks. Resources and development efforts are focused on the three pillars of cyber-security 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

Delivering Value for  
the Long Term

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# 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 92 to 170 (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 2023, 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, comprising material accounting policy information and other explanatory information.

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 2023 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

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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).

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### 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 2023 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 2023 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.
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# 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 2023 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;
- involving our internal valuation specialists to assist us in assessing the methodology applied by management in its discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards and whether the discount rates adopted in the discounted cash flow forecasts were comparable with those of 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 HKSA's 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 HKSA's, 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

19 March 2024

# 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		<b>(5,384)</b>	(5,364)
		<b>6,022</b>	5,429
Other revenue and other net income	7	<b>87</b>	67
Other operating costs	8	<b>(1,133)</b>	(987)
<b>Operating profit</b>		<b>4,976</b>	4,509
Finance costs	9	<b>(1,360)</b>	(961)
<b>Profit before taxation</b>	10	<b>3,616</b>	3,548
Income tax:	11		
Current		<b>(909)</b>	(187)
Deferred		<b>263</b>	(442)
		<b>(646)</b>	(629)
<b>Profit after taxation</b>		<b>2,970</b>	2,919
Scheme of Control transfers	13(b)	<b>186</b>	35
<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>Earnings per Share Stapled Unit/share of the Company</b>			
Basic and diluted	15	<b>35.72 cents</b>	33.43 cents

The notes on pages 97 to 170 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 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)
	29	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
	1	(5)
	30	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)
	(715)	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

The notes on pages 97 to 170 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 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
	16	79,824	78,960
Goodwill	17	33,623	33,623
Interest in a joint venture	19	895	793
Derivative financial instruments	26	737	1,450
Employee retirement benefit scheme assets	27(a)	968	882
		116,047	115,708
<b>Current assets</b>			
Inventories	20	1,003	1,446
Trade and other receivables	21	1,469	1,631
Fuel Clause Recovery Account	22	–	1,892
Bank deposits and cash	23(a)	21	325
		2,493	5,294
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	24	(3,417)	(4,821)
Fuel Clause Recovery Account	22	(53)	–
Current portion of bank loans and other interest-bearing borrowings	25	(715)	(557)
Bank overdrafts – unsecured		(44)	–
Current tax payable	29(a)	(889)	(149)
		(5,118)	(5,527)
<b>Net current liabilities</b>		(2,625)	(233)
<b>Total assets less current liabilities</b>		113,422	115,475
<b>Non-current liabilities</b>			
Bank loans and other interest-bearing borrowings	25	(49,447)	(50,655)
Derivative financial instruments	26	(181)	(111)
Customers' deposits		(2,449)	(2,381)
Deferred tax liabilities	29(b)	(10,124)	(10,495)
Employee retirement benefit scheme liabilities	27(a)	(191)	(158)
Other non-current liabilities	28	(1,382)	(1,430)
		(63,774)	(65,230)
<b>Scheme of Control Fund and Reserve</b>	13(c)	(670)	(912)
<b>Net assets</b>		48,978	49,333
<b>Capital and reserves</b>			
Share capital	30(b)	8	8
Reserves		48,970	49,325
<b>Total equity</b>		48,978	49,333

Approved and authorised for issue by the Boards on 19 March 2024.

**Cheng Cho Ying, Francis**

Director

**Chan Loi Shun**

Director

The notes on pages 97 to 170 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 2023  
(Expressed in Hong Kong dollars)

	Attributable to holders of Share Stapled Units/shares of the Company					Total
	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)	
\$ million						
Balance at 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	–
<b>Balance at 31 December 2022 and 1 January 2023</b>	<b>8</b>	<b>47,472</b>	<b>788</b>	<b>(357)</b>	<b>1,422</b>	<b>49,333</b>
Changes in equity for 2023:						
Profit for the year	–	–	–	3,156	–	3,156
Other comprehensive income	–	–	(714)	29	–	(685)
Total comprehensive income	–	–	(714)	3,185	–	2,471
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	–
<b>Balance at 31 December 2023</b>	<b>8</b>	<b>47,472</b>	<b>78</b>	<b>(2)</b>	<b>1,422</b>	<b>48,978</b>

The notes on pages 97 to 170 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 2023  
(Expressed in Hong Kong dollars)

	Note	2023 \$ million	2022 \$ million
<b>Operating activities</b>			
Cash generated from operations	23(b)	9,460	6,157
Interest paid		(1,264)	(875)
Interest received		44	30
Hong Kong Profits Tax paid		(169)	(544)
<b>Net cash generated from operating activities</b>		<b>8,071</b>	<b>4,768</b>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment and capital stock		(3,972)	(5,528)
Capitalised interest paid		(307)	(233)
New loan to a joint venture		(115)	(316)
Loan repaid from a joint venture		13	–
<b>Net cash used in investing activities</b>		<b>(4,381)</b>	<b>(6,077)</b>
<b>Financing activities</b>			
Proceeds from bank loans	23(c)	2,500	4,873
Repayment of bank loans	23(c)	(3,477)	(500)
Redemption of medium term notes	23(c)	(300)	–
Payment of lease liabilities	23(c)	(1)	(1)
New customers' deposits	23(c)	311	306
Repayment of customers' deposits	23(c)	(243)	(242)
Distributions/dividends paid		(2,830)	(2,830)
<b>Net cash (used in)/generated from financing activities</b>		<b>(4,040)</b>	<b>1,606</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January		325	34
Effect of foreign exchange rate changes		2	(6)
<b>Cash and cash equivalents at 31 December</b>	23(a)	<b>(23)</b>	<b>325</b>

The notes on pages 97 to 170 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 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”.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3. Material 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. Material accounting policies adopted by the Groups are disclosed 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 controlled by the Groups. 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. Material accounting policies (continued)

### (d) Joint venture

A joint venture is an arrangement in which the Groups or the Company have joint control, whereby the Groups or the Company have the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). It is initially recorded at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Groups' share of the profit or loss and other comprehensive income of that investee, until the date on which joint control ceases.

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 gains arising from transactions with equity-accounted investee are eliminated against the investment to the extent of the Groups' interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

### (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 arising on acquisition of businesses is measured at cost less accumulated impairment losses 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 any accumulated 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)).
- (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.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3. Material accounting policies (continued)

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

- (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, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative period are 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. Depreciation methods, useful lives and residual values, if any, are reviewed at each reporting date and adjusted if appropriate.

## (g) Leased assets

At inception of a contract, the Groups assess whether the contract is, or contains, a lease. This is the case 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. If not capitalised, the associated lease payments are recognised in profit or loss 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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, 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 if the Groups change their assessment of whether the Groups will 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 lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification 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. Material 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, trade and other receivables and loan to a joint venture).

#### 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 between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect 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.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Groups measure loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always 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 and when measuring ECLs, the Groups consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Groups' historical experience and informed credit assessment, that includes forward-looking information.

The Groups consider a financial asset to be in default 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.

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.

### **Credit-impaired financial assets**

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 being more than 90 days past due;
- the restructuring of a loan or advance by the Groups on terms that the Groups would not consider otherwise;
- it is probable that the debtor will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

### **Write-off policy**

The gross carrying amount of a financial asset is written off 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.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3. Material accounting policies (continued)

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

#### (ii) Impairment of other non-current assets

At each reporting date, the Groups review the carrying amounts of their non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (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**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Groups have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(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 results in a benefit to the Groups, the asset recognised is limited to the present value of economic benefits available in the form of any future refunds from or reductions in future contributions to the defined benefit retirement scheme.

Remeasurements, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), are 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. Net interest expense and other expenses related to defined benefit retirement schemes are recognised in profit or loss.

**(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 the related service is provided.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3. Material accounting policies (continued)

### (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 and 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.



**(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 is also 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 is also recognised (see note 3(l)).

**(p) Derivative financial instruments**

The Groups hold derivative financial instruments to manage their foreign currency and interest rate risk exposures. Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss, except where the derivatives qualify for cash flow hedge accounting (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.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3. Material accounting policies (continued)

### (q) Hedging (continued)

#### (ii) Cash flow hedges

Where a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve within equity. The effective portion that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion 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.

When the hedged forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the amount accumulated in the hedging reserve is removed from the reserve and is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified through other comprehensive income to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss (such as when interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, hedge accounting is discontinued prospectively. When hedge accounting is discontinued, 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 future cash flows is no longer expected to occur, the amount that has been accumulated in the hedging reserve is immediately reclassified through other comprehensive income to profit or loss.

**(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.

In November 2023, the Government approved the 2024 - 2028 Development Plan covering the period from 1 January 2024 to 31 December 2028. Similar to the 2019 - 2023 Development Plan, 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.

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.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3. Material accounting policies (continued)

### (r) Revenue recognition (continued)

#### (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 using the effective interest method. The "effective interest rate" is 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. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

### (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 are generally 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 deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries and joint venture to the extent that the Groups are able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Groups. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3. Material accounting policies (continued)

### (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.

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

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

### (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> <b>\$ million</b>	2022 \$ 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> <b>\$ million</b>	2022 \$ 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. Other operating costs

	<b>2023</b> <b>\$ million</b>	2022 \$ million
Administrative expenses, government rent and rates	<b>341</b>	348
Staff costs in relation to corporate and administrative supports	<b>238</b>	234
Provisions for asset decommissioning obligation	<b>76</b>	120
Portion of depreciation and amortisation of leasehold land included in other operating costs	<b>222</b>	197
Net loss on disposal and written off of property, plant and equipment	<b>256</b>	88
	<b>1,133</b>	987

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 9. Finance costs

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Interest on borrowings and other finance costs	<b>1,761</b>	1,287
Less: interest expense and other finance costs capitalised to assets under construction	<b>(366)</b>	(293)
interest expense transferred to fuel costs	<b>(35)</b>	(33)
<b>Total interest expense arising from borrowings and other finance costs</b>	<b>1,360</b>	961

Interest expense has been capitalised at an average rate of approximately 3.3% (2022: 2.7%) per annum for assets under construction.

## 10. 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).

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

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

	2023 \$ million	2022 \$ million
<b>Current tax</b>		
Provision for Hong Kong Profits Tax for the year	909	187
<b>Deferred tax</b> (see note 29(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.

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

	2023 \$ million	2022 \$ million
Profit before taxation	3,616	3,548
Notional tax on profit before taxation, calculated at the Hong Kong Profits Tax rate (see note below)	597	585
Tax effect of non-deductible expenses	82	71
Tax effect of non-taxable income	(5)	(5)
Tax effect of recognition of previously unrecognised temporary differences	(28)	(6)
Tax effect of special rebates	–	(16)
Actual tax expense	<b>646</b>	<b>629</b>

For the year ended 31 December 2023, the notional tax is calculated at 16.5% (2022: 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 2022.

# 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

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 <sup>(16)</sup> \$ million	Retirement scheme contributions \$ million	Bonuses \$ million	2023 Total emoluments \$ million	2022 Total emoluments \$ million
<b>Executive Directors <sup>(1)</sup></b>						
Fok Kin Ning, Canning <sup>(3)</sup> <i>Chairman</i>	0.12	1.40	–	–	<b>1.52</b>	1.17
Wan Chi Tin <sup>(12)</sup> <i>Chief Executive Officer</i>	0.04	6.13	–	5.46	<b>11.63</b>	20.13
Cheng Cho Ying, Francis <sup>(5)(13)</sup> <i>Chief Executive Officer</i>	0.09	4.99	–	3.95	<b>9.03</b>	6.55
Chan Loi Shun	0.07	3.52	–	–	<b>3.59</b>	3.47
Chen Daobiao <sup>(9)</sup>	–	–	–	–	–	2.19
Kwan Ying Leung <sup>(5)(14)</sup>	0.05	2.88	0.21	1.14	<b>4.28</b>	–
Wang Yuanhang <sup>(8)</sup>	0.07	2.46	0.02	0.52	<b>3.07</b>	0.84
<b>Non-executive Directors</b>						
Victor T K Li <sup>(4)</sup> <i>Deputy Chairman to the Company Board</i>	0.09	0.57	–	–	<b>0.66</b>	0.56
Fahad Hamad A H Al-Mohannadi	0.07	–	–	–	<b>0.07</b>	0.07
Ronald Joseph Arculli <sup>(2)</sup>	0.14	0.08	–	–	<b>0.22</b>	0.20
Duan Guangming <sup>(11)</sup>	–	–	–	–	–	0.05
Deven Arvind Karnik	0.07	–	–	–	<b>0.07</b>	0.07
Wang Zijian <sup>(10)</sup>	0.07	–	–	–	<b>0.07</b>	0.02
Zhu Guangchao	0.07	–	–	–	<b>0.07</b>	0.07
<b>Independent Non-executive Directors</b>						
Fong Chi Wai, Alex <sup>(3)(5)</sup>	0.11	0.03	–	–	<b>0.14</b>	0.13
Koh Poh Wah <sup>(2)</sup>	0.14	–	–	–	<b>0.14</b>	0.14
Kwan Kai Cheong <sup>(4)</sup>	0.09	0.03	–	–	<b>0.12</b>	0.11
Lee Lan Yee, Francis <sup>(2)(4)</sup>	0.16	0.03	–	–	<b>0.19</b>	0.18
George Colin Magnus	0.07	0.04	–	–	<b>0.11</b>	0.11
Donald Jeffrey Roberts <sup>(2)(3)</sup>	0.16	0.01	–	–	<b>0.17</b>	0.17
Ralph Raymond Shea <sup>(7)</sup>	–	–	–	–	–	0.05
<b>Alternate Directors</b>						
Woo Mo Fong, Susan (alias Chow Woo Mo Fong, Susan) <sup>(15)</sup>	–	0.03	–	–	<b>0.03</b>	0.04
Frank John Sixt <sup>(6)</sup>	–	0.04	–	–	<b>0.04</b>	0.03
<b>Total for the year 2023</b>	<b>1.68</b>	<b>22.24</b>	<b>0.23</b>	<b>11.07</b>	<b>35.22</b>	
Total for the year 2022	1.71	21.53	0.01	13.10		36.35



## 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. Victor T K Li.
- (7) Retired as Independent Non-executive Director and ceased to be member of the Nomination Committee with effect from 18 May 2022.
- (8) Appointed as Executive Director with effect from 22 July 2022.
- (9) Resigned as Executive Director with effect from 22 July 2022.
- (10) Appointed as Non-executive Director with effect from 9 September 2022.
- (11) Resigned as Non-executive Director with effect from 9 September 2022.
- (12) Retired as Executive Director and Chief Executive Officer, and concurrently ceased to be the Chairman of the Sustainability Committee with effect from 1 July 2023.
- (13) Appointed as Chief Executive Officer and the Chairman of the Sustainability Committee with effect from 1 July 2023.
- (14) Appointed as Executive Director and member of the Sustainability Committee with effect from 1 July 2023.
- (15) Ceased to act as Alternate Director to Mr. Fok Kin Ning, Canning with effect from 1 July 2023.
- (16) 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 three directors (2022: two) whose total emoluments are shown above. The remuneration of the other two individuals (2022: three) who comprise the five highest paid individuals of the Groups is set out below:

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Basic salaries, allowances and other benefits	<b>7.48</b>	9.76
Retirement scheme contributions	<b>0.98</b>	1.32
Bonuses	<b>2.92</b>	3.66
	<b>11.38</b>	14.74

- (b) The total remuneration of management team, including the two individuals (2022: three) who comprise the five highest paid individuals in note (a) above is within the following bands:

	<b>2023</b>	2022
	<b>Number</b>	Number
\$1,500,001 – \$2,000,000	<b>1</b>	–
\$2,500,001 – \$3,000,000	–	1
\$3,000,001 – \$3,500,000	<b>3</b>	6
\$3,500,001 – \$4,000,000	<b>5</b>	2
\$5,000,001 – \$5,500,000	–	1
\$5,500,001 – \$6,000,000	<b>2</b>	1

# 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)

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

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Short-term employee benefits	<b>73</b>	75
Post-employment benefits	<b>3</b>	2
	<b>76</b>	77

At 31 December 2023 and 2022, 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:

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

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.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 14. Distributions/dividends

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

	2023 \$ million	2022 \$ million
Audited consolidated profit attributable to the holders of Share Stapled Units	3,156	2,954
After:		
(i) eliminating the effects of the Adjustments (see note 1 below)	5,206	4,854
(ii) adding/(deducting)		
– movement in Fuel Clause Recovery Account	1,945	(1,640)
– changes in working capital	(803)	(41)
– adjustment for employee retirement benefit schemes	(18)	10
– taxes paid	(169)	(544)
	955	(2,215)
(iii) capital expenditure payment	(4,087)	(5,844)
(iv) deducting		
– debt repayment	(1,277)	–
– net finance costs	(1,527)	(1,078)
	(2,804)	(1,078)
Distributable income	2,426	(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)	404	4,159
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 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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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 \$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.

## 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
<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.

## 17. Goodwill

### (a) Carrying amount of goodwill

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Cost		
At 1 January and 31 December	<b>33,623</b>	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 (2022: 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 7.08% (2022: 6.79%). 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% (2022: 1.0%).

There was no indication of impairment arising from review on goodwill as at 30 November 2023.

If the discount rate rose to 7.17% (2022: 7.09%), 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 2023.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 18. Investments in subsidiaries

Details of the subsidiaries at 31 December 2023 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% <sup>(1)</sup>	British Virgin Islands/ Hong Kong	Investment holding
The Hongkong Electric Company, Limited	\$2,411,600,000	100% <sup>(1)</sup>	Hong Kong	Electricity generation and supply
Hongkong Electric Finance Limited	US\$1 HK\$8,704 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% <sup>(1)</sup>	British Virgin Islands/ Hong Kong	Financing

(1) Indirectly held



## 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:

	2023 \$ million	2022 \$ million
Current assets		
Bank deposits and cash	11	25
Other current assets	114	11
	125	36
Non-current assets	4,973	2,777
Current liabilities		
Loans from shareholders	(86)	(38)
Financial liabilities	(112)	–
Trade and other payables	(223)	(171)
	(421)	(209)
Non-current liabilities		
Loans from shareholders	(2,896)	(2,604)
Non-current financial liabilities	(1,781)	–
	(4,677)	(2,604)
Net assets	–	–
Revenue	527	8
Profit for the year	–	–
Other comprehensive income	–	–
Total comprehensive income	–	–
Included in above profit:		
Depreciation and amortisation	123	–
Finance costs	124	–

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 19. Interest in a joint venture (continued)

	2023 \$ million	2022 \$ million
Groups' share of net assets	–	–
Loan to joint venture (see note below)	895	793
	<b>895</b>	<b>793</b>

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. HK Electric and HKLTL further entered into two Amendment Agreements to the SLFA respectively in 2022 and 2023 to increase the two tranches of loan facilities to \$978 million.

## 20. Inventories

	2023 \$ million	2022 \$ million
Coal, fuel oil and natural gas	692	1,158
Stores and materials (see note below)	311	288
	<b>1,003</b>	<b>1,446</b>

Included in stores and materials is capital stock of \$138 million (2022: \$137 million) which was purchased for future maintenance of capital assets.

## 21. Trade and other receivables

	2023 \$ million	2022 \$ million
Trade debtors, net of loss allowance (see notes (a) and (b) below)	724	811
Other receivables (see note below)	651	729
	<b>1,375</b>	<b>1,540</b>
Derivative financial instruments (see note 26)	1	1
Deposits and prepayments	93	90
	<b>1,469</b>	<b>1,631</b>

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.

**(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:

	<b>2023</b>			
	<b>ECL rate</b>	<b>Gross carrying amount</b>	<b>Lifetime ECLs</b>	<b>Net carrying amount</b>
	<b>%</b>	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>
Live accounts				
Provision on collective basis	<b>2</b>	<b>691</b>	<b>(13)</b>	<b>678</b>
Final accounts				
Provision on individual basis	<b>17</b>	<b>21</b>	<b>(4)</b>	<b>17</b>
Other trade debtors				
Provision on collective basis	<b>0</b>	<b>29</b>	<b>–</b>	<b>29</b>
		<b>741</b>	<b>(17)</b>	<b>724</b>

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 21. Trade and other receivables (continued)

### (b) Expected credit losses of trade debtors (continued)

	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

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:

	2023 \$ million	2022 \$ million
At 1 January	14	12
Impairment losses recognised during the year	5	3
Amounts written off during the year	(2)	(1)
At 31 December	17	14

## 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. 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:

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

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



## 23. Bank deposits and cash and other cash flow information

### (a) Bank deposits and cash comprise:

	2023 \$ million	2022 \$ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	–	252
Cash at bank and in hand	21	73
Bank overdrafts – unsecured	(44)	–
Cash and cash equivalents in the consolidated cash flow statement	(23)	325
Bank overdrafts – unsecured	44	–
Bank deposits and cash in the consolidated statement of financial position	21	325

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

	Note	2023 \$ million	2022 \$ million
Profit before taxation		3,616	3,548
Adjustments for:			
Interest income	7	(44)	(30)
Finance costs	9	1,360	961
Interest expense transferred to fuel costs	9	35	33
Depreciation	10	2,905	2,924
Amortisation of leasehold land	10	196	196
Net loss on disposal and written off of property, plant and equipment	10	256	88
Increase in provisions for asset decommissioning obligation	28(a)	76	120
Net financial instrument revaluation and exchange (gains)/losses		(2)	5
Changes in working capital:			
Decrease/(increase) in inventories		444	(549)
Decrease/(increase) in trade and other receivables		158	(372)
Movements in Fuel Clause Recovery Account		1,945	(1,640)
(Decrease)/increase in trade and other payables and contract liabilities		(1,280)	985
Increase/decrease in net employee retirement benefit assets/liabilities		(18)	10
Payment for asset decommissioning obligation expenditure	28(a)	(124)	(5)
Special rebates	13(c)	–	(99)
Smart Power Care Fund disbursement	13(c)	(63)	(18)
Cash generated from operations		9,460	6,157

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

(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:

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
<b>At 1 January 2023</b>	23,987	27,225	2,381	1	(1,289)	127	52,432
<b>Changes from financing cash flows:</b>							
Proceeds from bank loans	2,500	-	-	-	-	-	2,500
Repayment of bank loans	(3,477)	-	-	-	-	-	(3,477)
Redemption of medium term notes	-	(300)	-	-	-	-	(300)
Payment of lease liabilities	-	-	-	(1)	-	-	(1)
New customers' deposits	-	-	311	-	-	-	311
Repayment of customers' deposits	-	-	(243)	-	-	-	(243)
Total changes from financing cash flows	(977)	(300)	68	(1)	-	-	(1,210)
<b>Changes in fair value</b>	-	-	-	-	586	14	600
<b>Other changes:</b>							
Increase in lease liabilities	-	-	-	3	-	-	3
Interest on borrowings and other finance costs	7	220	-	-	-	-	227
<b>At 31 December 2023</b>	23,017	27,145	2,449	3	(703)	141	52,052

\$ 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
<b>At 1 January 2022</b>	19,612	27,014	2,317	1	(389)	187	48,742
<b>Changes from financing cash flows:</b>							
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
<b>Changes in fair value</b>	–	–	–	–	(900)	(60)	(960)
<b>Other changes:</b>							
Increase in lease liabilities	–	–	–	1	–	–	1
Interest on borrowings and other finance costs	2	211	–	–	–	–	213
<b>At 31 December 2022</b>	23,987	27,225	2,381	1	(1,289)	127	52,432

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 24. Trade and other payables and contract liabilities

	2023 \$ million	2022 \$ million
<b>Trade and other payables</b>		
Creditors measured at amortised cost (see note (a) below)	3,381	4,718
Lease liabilities (see note 28(b))	2	–
Derivative financial instruments (see note 26)	1	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:

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

### (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:

	2023 \$ million	2022 \$ million
At 1 January	63	78
Increase in contract liabilities as a result of billing in advance for performance of electricity-related services	6	48
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	(36)	(63)
At 31 December	<b>33</b>	63



## 25. 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) 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 2023 and 2022, none of the covenants relating to drawn down facilities had been breached.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 25. Bank loans and other interest-bearing borrowings (continued)

- (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:

	<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

## 26. Derivative financial instruments

	2023		2022	
	Assets \$ million	Liabilities \$ million	Assets \$ million	Liabilities \$ million
<b>Derivative financial instruments used for hedging:</b>				
Cash flow hedges:				
– Cross currency swaps	–	<b>(92)</b>	–	(41)
– Interest rate swaps	<b>602</b>	<b>(26)</b>	972	(86)
– Forward foreign exchange contracts	<b>136</b>	<b>(64)</b>	479	(8)
Fair value hedges:				
– Forward foreign exchange contracts	–	–	–	(16)
	<b>738</b>	<b>(182)</b>	1,451	(151)
Analysed as:				
Current	<b>1</b>	<b>(1)</b>	1	(40)
Non-current	<b>737</b>	<b>(181)</b>	1,450	(111)
	<b>738</b>	<b>(182)</b>	1,451	(151)

## 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 2023 was determined in accordance with HKAS 19 (2011), *Employee benefits*.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 27. Employee retirement benefits (continued)

### (a) Defined benefit retirement schemes (“the Schemes”) (continued)

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Fair value of assets of the Schemes	<b>3,085</b>	3,065
Present value of defined benefit obligations	<b>(2,308)</b>	(2,341)
	<b>777</b>	724
Represented by:		
Employee retirement benefit scheme assets	<b>968</b>	882
Employee retirement benefit scheme liabilities	<b>(191)</b>	(158)
	<b>777</b>	724

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:

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
At 1 January	<b>3,065</b>	3,816
Interest income on the Schemes’ assets	<b>109</b>	51
Return on Schemes’ assets, excluding interest income	<b>130</b>	(533)
Employer contributions paid to the Schemes	<b>32</b>	35
Employee contributions paid to the Schemes	<b>9</b>	11
Benefits paid	<b>(260)</b>	(315)
At 31 December	<b>3,085</b>	3,065

The Groups expect to contribute \$35 million to the Schemes in 2024.



(iii) Movements in the present value of defined benefit obligations of the Schemes are as follows:

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
At 1 January	<b>2,341</b>	3,121
Current service cost	<b>38</b>	52
Interest cost	<b>85</b>	44
Employee contributions paid to the Schemes	<b>9</b>	11
Actuarial losses/(gains) due to:		
– liability experience	<b>2</b>	(23)
– change in financial assumptions	<b>93</b>	(552)
– change in demographic assumptions	<b>–</b>	3
Benefits paid	<b>(260)</b>	(315)
At 31 December	<b>2,308</b>	2,341

(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:

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Current service cost	<b>38</b>	52
Net interest income on net defined benefit asset/liability	<b>(24)</b>	(7)
	<b>14</b>	45

(v) The expenses are recognised in the following line items in the consolidated statement of profit or loss:

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Direct costs	<b>8</b>	31
Other operating costs	<b>6</b>	14
	<b>14</b>	45

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 27. Employee retirement benefits (continued)

### (a) Defined benefit retirement schemes (“the Schemes”) (continued)

- (vi) The cumulative amount of actuarial gains recognised in the consolidated statement of comprehensive income is as follows:

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
At 1 January	<b>725</b>	686
Remeasurement of net defined benefit asset/liability recognised in the consolidated statement of comprehensive income during the year	<b>35</b>	39
At 31 December	<b>760</b>	725

- (vii) The major categories of assets of the Schemes are as follows:

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Hong Kong equities	<b>220</b>	259
European equities	<b>155</b>	156
North American equities	<b>517</b>	460
Asia Pacific and other equities	<b>143</b>	132
Global bonds	<b>2,005</b>	2,001
Deposits, cash and others	<b>45</b>	57
	<b>3,085</b>	3,065

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:

	<b>2023</b>	2022
Discount rate		
– The Pension Scheme	<b>3.5%</b>	4.0%
– The Defined Contribution Scheme – DB portion	<b>2.9%</b>	3.4%
Long-term salary increase rate	<b>5.0%</b>	5.0%
Future pension increase rate	<b>2.5%</b>	2.5%

## (ix) Sensitivity analysis

## (1) The Pension Scheme

	Increase/(decrease) in defined benefit obligations	
	2023 \$ million	2022 \$ million
<b>Actuarial assumptions</b>		
Discount rate		
– increase by 0.25%	(36)	(34)
– decrease by 0.25%	37	36
Pension increase rate		
– increase by 0.25%	36	35
– decrease by 0.25%	(35)	(33)
Mortality rate applied to specific age		
– set forward one year	(50)	(45)
– set backward one year	50	45

## (2) The Defined Contribution Scheme – DB Portion

	Increase/(decrease) in defined benefit obligations	
	2023 \$ million	2022 \$ million
<b>Actuarial assumptions</b>		
Discount rate		
– increase by 0.25%	(12)	(13)
– decrease by 0.25%	12	14
Interest to be credited		
– increase by 0.25%	12	14

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 2022.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 27. Employee retirement benefits (continued)

### (a) Defined benefit retirement schemes (“the Schemes”) (continued)

(x) The following table sets out the weighted average durations of the defined benefit obligations of the Schemes:

	2023	2022
The Pension Scheme	10.8 Years	10.8 Years
The Defined Contribution Scheme – DB Portion	5.1 Years	5.3 Years

### (b) Defined contribution retirement schemes

	2023 \$ million	2022 \$ million
Expenses recognised in profit or loss	77	71

Forfeited contributions of \$2,046,000 (2022: \$1,492,000) have been received during the year and no contributions (by employers on behalf of employees who leave the schemes prior to vesting fully in such contributions) were used to offset existing contributions.

## 28. Other non-current liabilities

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

### (a) Provisions

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

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:

	2023		2022	
	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	2	2	–	–
After 1 year but within 2 years	1	1	1	1
	<b>3</b>	<b>3</b>	<b>1</b>	<b>1</b>
Less: total future interest expenses		–		–
Present value of lease liabilities		<b>3</b>		<b>1</b>

**29. Income tax in the consolidated statement of financial position****(a) Current taxation in the consolidated statement of financial position**

	2023 \$ million	2022 \$ million
<b>Hong Kong Profits Tax</b>		
Provision for Hong Kong Profits Tax for the year	909	187
Balance of Profits Tax provision relating to prior year	(20)	(38)
	<b>889</b>	<b>149</b>

**(b) Deferred tax liabilities**

	2023 \$ million	2022 \$ million
Deferred tax liabilities	<b>10,124</b>	10,495



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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 29. Income tax in the consolidated statement of financial position (continued)

### (b) Deferred tax liabilities (continued)

- (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 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
<b>At 31 December 2022 and 1 January 2023</b>	<b>10,037</b>	<b>312</b>	<b>70</b>	<b>76</b>	<b>10,495</b>
Charged/(credited) to profit or loss	<b>52</b>	<b>(321)</b>	<b>3</b>	<b>3</b>	<b>(263)</b>
Charged/(credited) to other comprehensive income	–	–	<b>6</b>	<b>(115)</b>	<b>(109)</b>
Charged directly in equity	–	–	–	<b>1</b>	<b>1</b>
<b>At 31 December 2023</b>	<b>10,089</b>	<b>(9)</b>	<b>79</b>	<b>(35)</b>	<b>10,124</b>

- (ii) The Groups had no material unprovided deferred tax assets or liabilities as at 31 December 2023 and 2022.

## 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 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	–
<b>Balance at 31 December 2022 and 1 January 2023</b>	<b>8</b>	<b>47,472</b>	<b>365</b>	<b>3,864</b>	<b>1,422</b>	<b>53,131</b>
Changes in equity for 2023:						
Profit for the year	–	–	–	3,705	–	3,705
Other comprehensive income	–	–	(135)	–	–	(135)
Total comprehensive income	–	–	(135)	3,705	–	3,570
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	–
<b>Balance at 31 December 2023</b>	<b>8</b>	<b>47,472</b>	<b>230</b>	<b>4,739</b>	<b>1,422</b>	<b>53,871</b>

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 (2022: 16.09 cents) per ordinary share, amounting to \$1,422 million (2022: \$1,422 million), in lieu of a final dividend and therefore no final dividend was proposed by the Company Board.

# 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)

### (b) Share capital

#### The Company

	2023	
	Number of Shares	Nominal value \$
<b>Authorised:</b>		
<b>Ordinary shares of \$0.0005 each</b>		
At 1 January and 31 December	20,000,000,000	10,000,000
<b>Preference shares of \$0.0005 each</b>		
At 1 January and 31 December	20,000,000,000	10,000,000
<b>Issued and fully paid:</b>		
<b>Ordinary shares of \$0.0005 each</b>		
At 1 January and 31 December	8,836,200,000	4,418,100
<b>Preference shares of \$0.0005 each</b>		
At 1 January and 31 December	8,836,200,000	4,418,100
	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

**(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.

# 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)

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 2022	(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
<b>Balance at 31 December 2022 and 1 January 2023</b> (see note 3 below)	<b>757</b>	<b>609</b>	<b>1,366</b>
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	(125)	18	(107)
Reclassification adjustments for amounts transferred to profit or loss (see note 1 below)	(269)	–	(269)
Net deferred tax credited/(charged) to other comprehensive income	43	(3)	40
	(351)	15	(336)
Amounts transferred to the initial carrying amount of hedged items, net of tax (see note 2 below)	–	3	3
<b>Balance at 31 December 2023</b> (see note 3 below)	<b>406</b>	<b>627</b>	<b>1,033</b>

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.



**(2) Cost of hedging reserve**

\$ million	Foreign currency basis spread	Forward element	Total
Balance at 1 January 2022	(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
<b>Balance at 31 December 2022 and 1 January 2023</b> (see note 3 below)	<b>(42)</b>	<b>(536)</b>	<b>(578)</b>
Hedging for time-period related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	<b>33</b>	<b>(428)</b>	<b>(395)</b>
– Reclassification adjustments for amounts transferred to profit or loss (see note 1 below)	–	<b>(63)</b>	<b>(63)</b>
Hedging for transaction related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	–	<b>5</b>	<b>5</b>
– Amounts transferred to the initial carrying amount of hedged items (see note 2 below)	–	<b>1</b>	<b>1</b>
Net deferred tax (charged)/credited to other comprehensive income	<b>(5)</b>	<b>80</b>	<b>75</b>
<b>Balance at 31 December 2023</b> (see note 3 below)	<b>(14)</b>	<b>(941)</b>	<b>(955)</b>

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)

#### (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 2023, the Groups' strategy, which was unchanged from 2022, 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.

The net debt-to-net total capital ratio at 31 December 2023 and 2022 was as follows:

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Bank loans and other interest-bearing borrowings	<b>50,162</b>	51,212
Bank overdrafts – unsecured	<b>44</b>	–
Less: Bank deposits and cash	<b>(21)</b>	(325)
Net debt	<b>50,185</b>	50,887
Total equity	<b>48,978</b>	49,333
Net debt	<b>50,185</b>	50,887
Net total capital	<b>99,163</b>	100,220
Net debt-to-net total capital ratio	<b>51%</b>	51%

### 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 \$451 million of trade and other receivables at 31 December 2023 (2022: \$508 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.

# 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)

### (a) Credit risk (continued)

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.

\$ million	Note	2023			2022		
		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
<b>Financial assets</b>							
Interest rate swaps	31(f)(i)	602	(118)	484	972	(114)	858
Forward foreign exchange contracts	31(f)(i)	136	(64)	72	479	(37)	442
Total		738	(182)	556	1,451	(151)	1,300
<b>Financial liabilities</b>							
Cross currency swaps	31(f)(i)	92	(92)	-	41	(41)	-
Interest rate swaps	31(f)(i)	26	(26)	-	86	(86)	-
Forward foreign exchange contracts	31(f)(i)	64	(64)	-	24	(24)	-
Total		182	(182)	-	151	(151)	-

## (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 \$6,535 million at 31 December 2023 (2022: \$3,400 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.

\$ million	2023					Carrying amount at 31 December
	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	
<b>Non-derivative financial liabilities</b>						
Bank loans and other borrowings and interest accruals	2,680	2,251	32,364	28,578	65,873	50,390
Bank overdrafts – unsecured	44	–	–	–	44	44
Creditors and accrued charges	3,056	–	–	–	3,056	3,056
	<b>5,780</b>	<b>2,251</b>	<b>32,364</b>	<b>28,578</b>	<b>68,973</b>	<b>53,490</b>
<b>Derivative financial instruments</b>						
<b>Net settled</b>						
Interest rate swaps and related interest accruals	(394)	(395)	(439)	(80)	(1,308)	(593)
<b>Gross settled</b>						
Cross currency swaps and related interest accruals						86
– outflow	202	201	180	55	638	
– inflow	(197)	(197)	(172)	(59)	(625)	
Forward foreign exchange contracts held as cash flow hedging instruments:						(72)
– outflow	1,553	–	3,379	13,372	18,304	
– inflow	(1,551)	–	(3,510)	(14,013)	(19,074)	
Other forward foreign exchange contracts:						–
– outflow	144	–	–	–	144	
– inflow	(144)	–	–	–	(144)	



# 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 (continued)

\$ million	2022					Total	Carrying amount at 31 December
	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			
<b>Non-derivative financial liabilities</b>							
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	
<b>Derivative financial instruments</b>							
<b>Net settled</b>							
Interest rate swaps and related interest accruals	(292)	(312)	(651)	(103)	(1,358)	(900)	
<b>Gross settled</b>							
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)		

## **(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.

# 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 (continued)

#### (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).

	2023		2022	
	Weighted average interest rate %	\$ million	Weighted average interest rate %	\$ million
<b>Net fixed rate assets/(liabilities)</b>				
Deposits with banks and other financial institutions	–	–	4.06	252
Bank loans and other borrowings	2.71	(37,265)	2.72	(37,333)
		<b>(37,265)</b>		<b>(37,081)</b>
<b>Net variable rate assets/(liabilities)</b>				
Cash at bank and in hand	0.03	21	0.03	73
Bank loans and other borrowings	6.25	(12,897)	5.65	(13,879)
Bank overdrafts – unsecured	5.88	(44)	–	–
Customers' deposits	0.88	(2,449)	0.63	(2,381)
		<b>(15,369)</b>		<b>(16,187)</b>

#### (iii) Sensitivity analysis

At 31 December 2023, 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 \$116 million (2022: \$121 million). Other components of consolidated equity would have increased/decreased by approximately \$268 million (2022: \$331 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 2022.

**(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.

# 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)

#### (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.

'million (expressed in original currencies)	2023	
	USD	JPY
Bank deposits and cash	–	1
Trade and other payables and contract liabilities	(96)	(1,407)
Bank loans and other borrowings	(2,272)	–
Gross exposure arising from recognised assets and liabilities	(2,368)	(1,406)
Notional amounts of forward foreign exchange contracts designated as hedging instruments	1,340	131
Notional amounts of cross currency swaps designated as hedging instruments	950	–
Net exposure arising from recognised assets and liabilities	(78)	(1,275)
	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)



**(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.

	2023		2022	
	<b>Effect on profit after taxation and revenue reserve Increase/(decrease)</b>	<b>Effect on other components of equity Increase/(decrease)</b>	Effect on profit after taxation and revenue reserve Increase/(decrease)	Effect on other components of equity Increase/(decrease)
\$ million				
Japanese Yen	–	–	1	5

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 2022.

# 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

The following tables summarise the hedging instruments, hedged items and hedged risks of the Groups for the year ended 31 December 2023 and 2022.

#### (i) Cash flow hedges

		2023								
		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 2026 to 2035	2.09%	27,668	602	-	(118)	-	(125)	125	-
(2) For hedging currency risk of committed and forecast transactions										
Forward foreign exchange contracts	Ranging from 2024 to 2032	See note below	8,493	34	1	(40)	(1)	5	(5)	-
(3) For hedging currency risk of foreign currency borrowings										
Forward foreign exchange contracts	Ranging from 2027 to 2032	See note below	9,811	101	-	(23)	-	13	(13)	-

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)

#### (ii) Fair value hedges

		2023								
		Carrying amount included in						Changes in fair value used for calculating hedge ineffectiveness		
Hedging instruments	Maturity date	Weighted average variable swap rates/contract rates	Notional amount \$ 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
Forward foreign exchange contracts	2024	See note below	144	-	-	-	-	-	-	-

2023			
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
Financial liabilities	(145)	-	Trade and other payables and contract liabilities

		2022								
		Carrying amount included in						Changes in fair value used for calculating hedge ineffectiveness		
Hedging instruments	Maturity date	Weighted average variable swap rates/contract rates	Notional amount \$ 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
Forward foreign exchange contracts	2023	See note below	302	-	-	-	(16)	(8)	8	-

2022			
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
Financial liabilities	(286)	16	Trade and other payables and contract liabilities

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:

	2023	2022
Weighted average contract rates		
USD: HKD	<b>7.4867</b>	7.4620
JPY: HKD	<b>0.0543</b>	0.0703
GBP: HKD	–	8.9438
EUR: HKD	<b>8.5846</b>	8.9349
JPY: USD	<b>118.1725</b>	102.0011
GBP: USD	–	1.3338

#### (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	2023 \$ million	2022 \$ million
<b>Financial assets</b>			
Derivative financial instruments:			
– Interest rate swaps	31(a)	<b>602</b>	972
– Forward foreign exchange contracts	31(a)	<b>136</b>	479
		<b>738</b>	1,451
<b>Financial liabilities</b>			
Derivative financial instruments:			
– Cross currency swaps	31(a)	<b>92</b>	41
– Interest rate swaps	31(a)	<b>26</b>	86
– Forward foreign exchange contracts	31(a)	<b>64</b>	24
		<b>182</b>	151



# 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)

### (f) Fair value measurement (continued)

#### (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 2023 and 2022.

#### (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:

	<b>2023</b>	2022
	<b>\$ million</b>	\$ million
Contracted for:		
Capital expenditure for property, plant and equipment	<b>5,832</b>	6,702
Authorised but not contracted for:		
Capital expenditure for property, plant and equipment	<b>21,073</b>	10,412

- (b) At 31 December 2023, the Groups' share of capital commitments of a joint venture was \$31 million (2022: \$59 million).

At 31 December 2023, the Groups' share of the lease and other commitments of a joint venture approximated to \$700 million (2022: \$1,627 million).

## 33. Contingent liabilities

At 31 December 2023, the Groups had no guarantee or indemnity to external parties (2022: Nil).

### 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 \$45 million (2022: \$43 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 2023, the total outstanding balance receivable from Power Assets group was \$6 million (2022: \$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 2023 are disclosed in note 19.
- (ii) Interest income received/receivable from HKLTL in respect of the Shareholder Loan Facility amounted to \$36 million (2022: \$27 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 2023, HKLTL reimbursed related costs of \$12 million (2022: \$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 \$184 million (2022: \$3 million) and \$35 million (2022: \$1 million) respectively.
- (v) Under a Secondment Agreement and a Master Service Agreement entered into between HK Electric and HKLTL, HK Electric will provide certain corporate support services to HKLTL. In 2023, service fees of \$8 million (2022: \$1 million) 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.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 35. Statement of financial position of the Company

	Note	2023 \$ million	2022 \$ million
<b>Non-current assets</b>			
Investments in subsidiaries		62,349	61,463
Derivative financial instruments		241	408
		<b>62,590</b>	61,871
<b>Current assets</b>			
Trade and other receivables		63	60
Bank deposits and cash		1	1
		<b>64</b>	61
<b>Current liabilities</b>			
Trade and other payables		(92)	(95)
<b>Net current liabilities</b>			
		<b>(28)</b>	(34)
<b>Total assets less current liabilities</b>			
		<b>62,562</b>	61,837
<b>Non-current liabilities</b>			
Bank loans		(8,681)	(8,673)
Derivative financial instruments		(10)	(33)
		<b>(8,691)</b>	(8,706)
<b>Net assets</b>			
		<b>53,871</b>	53,131
<b>Capital and reserves</b>			
Share capital	30(a)	8	8
Reserves		53,863	53,123
<b>Total equity</b>			
		<b>53,871</b>	53,131

Approved and authorised for issue by the Boards on 19 March 2024.

**Cheng Cho Ying, Francis**  
Director

**Chan Loi Shun**  
Director

### 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 2023 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. 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 2023.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

## 38. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

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 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Groups.

	<b>Effective for accounting periods beginning on or after</b>
• Amendments to HKAS 1, <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
• Amendments to HKAS 1, <i>Non-current Liabilities with Covenants</i>	1 January 2024
• Amendments to HKAS 21, <i>Lack of Exchangeability</i>	1 January 2025

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.





# 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 173 to 181, which comprise the statement of financial position as at 31 December 2023, 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, comprising material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 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 ("HKSA") 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.

# Independent Auditor's Report

## 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 HKSA's 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 HKSA's, 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

19 March 2024

# 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>	4	–	–
Income tax	5	–	–
<b>Profit and total comprehensive income for the year</b>		–	–

The notes on pages 177 to 181 form part of these financial statements.

# Statement of Financial Position of HK Electric Investments Manager Limited

At 31 December 2023  
(Expressed in Hong Kong dollars)

	Note	2023 \$	2022 \$
<b>Current assets</b>			
Amount due from immediate holding company	7	1	1
<b>Net assets</b>			
<b>Capital and reserves</b>			
Share capital	8	1	1
Reserves		–	–
<b>Total equity</b>		<b>1</b>	<b>1</b>

Approved and authorised for issue by the Board of Directors on 19 March 2024.

**Cheng Cho Ying, Francis**  
Director

**Chan Loi Shun**  
Director

The notes on pages 177 to 181 form part of these financial statements.

# Statement of Changes in Equity of HK Electric Investments Manager Limited

For the year ended 31 December 2023  
(Expressed in Hong Kong dollars)

	Share capital	Reserves	Total
	\$	\$	\$
Balance at 1 January 2022	1	–	1
Changes in equity for 2022:			
Profit and total comprehensive income for the year	–	–	–
<b>Balance at 31 December 2022 and 1 January 2023</b>	<b>1</b>	<b>–</b>	<b>1</b>
Changes in equity for 2023:			
Profit and total comprehensive income for the year	–	–	–
<b>Balance at 31 December 2023</b>	<b>1</b>	<b>–</b>	<b>1</b>



# Cash Flow Statement of HK Electric Investments Manager Limited

For the year ended 31 December 2023  
(Expressed in Hong Kong dollars)

	2023 \$	2022 \$
<b>Operating activities</b>		
Net cash generated from operating activities	–	–
<b>Investing activities</b>		
Net cash used in investing activities	–	–
<b>Financing activities</b>		
Net cash used in financing activities	–	–
<b>Net change in cash and cash equivalents</b>	–	–
Cash and cash equivalents at 1 January	–	–
<b>Cash and cash equivalents at 31 December</b>	–	–

The notes on pages 177 to 181 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. Material 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. Material accounting policies adopted by the Company are disclosed 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.

# Notes to the Financial Statements of HK Electric Investments Manager Limited

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2. Material accounting policies (continued)

### (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 124, 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.

**(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.

# Notes to the Financial Statements of HK Electric Investments Manager Limited

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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 \$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.

## 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

	2023		2022	
	Number of shares	\$	Number of shares	\$
<b>Ordinary shares, issued and fully paid:</b>				
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.



## 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 2023, 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 2023

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 2023 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	2023	2022	2021	2020	2019
Revenue	<b>11,406</b>	10,793	11,344	10,389	10,739
Operating profit	<b>4,976</b>	4,509	4,845	4,140	4,213
Finance costs	<b>(1,360)</b>	(961)	(800)	(971)	(1,004)
Profit before taxation	<b>3,616</b>	3,548	4,045	3,169	3,209
Income tax	<b>(646)</b>	(629)	(735)	(568)	(614)
Profit after taxation	<b>2,970</b>	2,919	3,310	2,601	2,595
Scheme of Control transfers	<b>186</b>	35	(377)	131	(268)
Profit for the year attributable to the holders of Share Stapled Units/shares of the Company	<b>3,156</b>	2,954	2,933	2,732	2,327

## Consolidated Statement of Financial Position

\$ million	2023	2022	2021	2020	2019
Property, plant and equipment and interests in leasehold land	<b>79,824</b>	78,960	76,740	74,434	72,416
Goodwill	<b>33,623</b>	33,623	33,623	33,623	33,623
Other non-current assets	<b>2,600</b>	3,125	2,118	1,781	1,500
Net current liabilities	<b>(2,625)</b>	(233)	(3,470)	(6,612)	(8,069)
Total assets less current liabilities	<b>113,422</b>	115,475	109,011	103,226	99,470
Non-current liabilities	<b>(63,774)</b>	(65,230)	(59,553)	(54,757)	(50,120)
Scheme of Control Fund and Reserve	<b>(670)</b>	(912)	(1,065)	(726)	(878)
Net assets	<b>48,978</b>	49,333	48,393	47,743	48,472
Share capital	<b>8</b>	8	8	8	8
Reserves	<b>48,970</b>	49,325	48,385	47,735	48,464
Total equity	<b>48,978</b>	49,333	48,393	47,743	48,472

# 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 2023 and 2022. 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	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Sales of electricity	<b>11,321</b>	10,724	11,312	10,363	10,694	11,541	11,621	11,373	11,165	11,165
Transfer from Fuel Clause Recovery Account	<b>5,401</b>	6,922	3,122	1,823	2,051	2,696	1,904	1,206	1,861	2,994
Other Scheme of Control revenue	<b>131</b>	111	73	162	77	115	93	79	74	63
<b>Gross tariff revenue</b>	<b>16,853</b>	17,757	14,507	12,348	12,822	14,352	13,618	12,658	13,100	14,222
Fuel costs	<b>(6,891)</b>	(8,420)	(4,778)	(3,453)	(3,842)	(4,530)	(3,785)	(3,105)	(3,697)	(4,818)
Operating costs	<b>(1,704)</b>	(1,702)	(1,735)	(1,697)	(1,723)	(1,656)	(1,592)	(1,460)	(1,277)	(1,143)
Interest	<b>(1,024)</b>	(722)	(621)	(778)	(764)	(779)	(719)	(811)	(838)	(789)
Depreciation and amortisation	<b>(2,497)</b>	(2,543)	(2,530)	(2,414)	(2,342)	(2,355)	(2,210)	(2,127)	(2,054)	(1,988)
<b>Net revenue before taxation</b>	<b>4,737</b>	4,370	4,843	4,006	4,151	5,032	5,312	5,155	5,234	5,484
Scheme of Control taxation	<b>(1,113)</b>	(459)	(670)	(695)	(688)	(557)	(698)	(1,209)	(1,140)	(1,009)
<b>Net revenue after taxation</b>	<b>3,624</b>	3,911	4,173	3,311	3,463	4,475	4,614	3,946	4,094	4,475
Interest on borrowed capital	<b>1,328</b>	1,017	926	1,018	1,043	983	873	821	729	690
Interest on incremental customers' deposit	<b>10</b>	1	-	-	1	-	-	-	-	-
<b>Scheme of Control net revenue</b>	<b>4,962</b>	4,929	5,099	4,329	4,507	5,458	5,487	4,767	4,823	5,165
Transfer from/(to) Tariff Stabilisation Fund	<b>255</b>	80	(344)	164	(222)	(303)	(291)	181	84	(249)
<b>Permitted Return</b>	<b>5,217</b>	5,009	4,755	4,493	4,285	5,155	5,196	4,948	4,907	4,916
Interest on borrowed capital	<b>(1,328)</b>	(1,017)	(926)	(1,018)	(1,043)	(983)	(873)	(821)	(729)	(690)
Interest on incremental customers' deposit	<b>(10)</b>	(1)	-	-	(1)	-	-	-	-	-
Transfer to Smart Power Care Fund/ Smart Power Fund	<b>(38)</b>	(32)	(32)	(25)	(32)	-	(5)	(5)	(5)	(10)
Transfer to Rate Reduction Reserve	<b>(31)</b>	(13)	(1)	(8)	(14)	(6)	(1)	(1)	(1)	-
<b>Net Return</b>	<b>3,810</b>	3,946	3,796	3,442	3,195	4,166	4,317	4,121	4,172	4,216

# The Hongkong Electric Company, Limited

## Ten-Year Statement of Financial Position

At 31 December

HK\$ million	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Non-current assets</b>										
Property, plant and equipment and interests in leasehold land	<b>63,784</b>	62,162	59,355	56,437	53,791	51,753	50,494	49,971	49,482	49,198
Interest in a joint venture	<b>895</b>	793	477	278	42	–	–	–	–	–
Employee retirement benefit scheme assets	<b>968</b>	882	1,045	887	809	593	648	454	580	668
Derivative financial instruments	<b>496</b>	1,042	596	616	641	539	784	1,034	314	352
	<b>66,143</b>	64,879	61,473	58,218	55,283	52,885	51,926	51,459	50,376	50,218
<b>Current assets</b>										
Coal, fuel oil and natural gas	<b>692</b>	1,158	620	430	522	675	671	624	525	572
Stores and materials	<b>311</b>	288	284	296	297	314	340	361	357	361
Trade and other receivables	<b>1,407</b>	1,571	1,147	931	1,056	1,024	1,065	1,218	1,155	1,129
Fuel Clause Recovery Account	<b>–</b>	1,892	252	–	–	–	–	–	–	–
Bank deposits and cash	<b>20</b>	324	33	51	297	33	1,658	310	6,155	4,629
	<b>2,430</b>	5,233	2,336	1,708	2,172	2,046	3,734	2,513	8,192	6,691
<b>Current liabilities</b>										
Bank loans and other borrowings	<b>(715)</b>	(557)	(1,233)	(1,486)	(6,010)	(440)	–	(335)	(900)	(520)
Fuel Clause Recovery Account	<b>(53)</b>	–	–	(796)	(647)	(855)	(2,771)	(4,088)	(2,283)	(631)
Trade and other payables and contract liabilities	<b>(9,617)</b>	(10,132)	(8,883)	(7,107)	(6,940)	(6,607)	(6,626)	(6,263)	(5,519)	(4,740)
Bank overdrafts – unsecured	<b>(44)</b>	–	–	–	(33)	–	–	–	–	–
Current taxation	<b>(889)</b>	(149)	(506)	(541)	(577)	(137)	(214)	(351)	(360)	(219)
	<b>(11,318)</b>	(10,838)	(10,622)	(9,930)	(14,207)	(8,039)	(9,611)	(11,037)	(9,062)	(6,110)
<b>Net current assets/(liabilities)</b>	<b>(8,888)</b>	(5,605)	(8,286)	(8,222)	(12,035)	(5,993)	(5,877)	(8,524)	(870)	581
<b>Total assets less current liabilities</b>	<b>57,255</b>	59,274	53,187	49,996	43,248	46,892	46,049	42,935	49,506	50,799
<b>Non-current liabilities</b>										
Bank loans and other borrowings	<b>(40,766)</b>	(41,982)	(36,729)	(34,708)	(28,319)	(32,855)	(32,714)	(30,700)	(37,646)	(38,703)
Derivative financial instruments	<b>(171)</b>	(78)	(102)	(370)	(14)	(411)	(184)	(73)	(168)	(63)
Customers' deposits	<b>(2,449)</b>	(2,381)	(2,317)	(2,268)	(2,241)	(2,195)	(2,130)	(2,057)	(2,001)	(1,937)
Deferred tax liabilities	<b>(7,478)</b>	(7,723)	(7,113)	(6,628)	(6,467)	(6,168)	(5,848)	(5,595)	(5,698)	(5,927)
Employee retirement benefit scheme liabilities	<b>(191)</b>	(158)	(350)	(367)	(368)	(393)	(288)	(406)	(587)	(499)
Other non-current liabilities	<b>(1,382)</b>	(1,430)	(1,314)	(1,122)	(955)	(747)	(503)	–	–	–
	<b>(52,437)</b>	(53,752)	(47,925)	(45,463)	(38,364)	(42,769)	(41,667)	(38,831)	(46,100)	(47,129)
<b>Tariff Stabilisation Fund</b> (note 1)	<b>(630)</b>	(872)	(1,050)	(698)	(848)	(620)	(316)	(24)	(204)	(288)
<b>Rate Reduction Reserve</b> (note 2)	<b>(31)</b>	(13)	(1)	(8)	(14)	(6)	(1)	(1)	(1)	–
<b>Smart Power Care Fund/Smart Power Fund</b> (note 3)	<b>(9)</b>	(27)	(14)	(20)	(16)	(22)	(18)	(14)	(10)	(5)
<b>Net assets</b>	<b>4,148</b>	4,610	4,197	3,807	4,006	3,475	4,047	4,065	3,191	3,377
<b>Capital and reserves</b>										
Share capital	<b>2,411</b>	2,411	2,411	2,411	2,411	2,411	2,411	2,411	2,411	2,411
Reserves	<b>1,868</b>	1,756	1,666	1,427	1,259	1,125	1,326	1,057	921	1,002
Hedging reserve	<b>(131)</b>	443	120	(31)	336	(61)	310	597	(141)	(36)
<b>Total equity</b>	<b>4,148</b>	4,610	4,197	3,807	4,006	3,475	4,047	4,065	3,191	3,377

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.
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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Units sold (millions of kWh)</b>										
Commercial	<b>7,369</b>	7,149	7,409	7,178	7,751	7,766	7,824	7,893	8,012	8,015
Residential	<b>2,384</b>	2,505	2,659	2,667	2,475	2,466	2,485	2,584	2,541	2,610
Industrial	<b>287</b>	287	293	289	293	305	306	315	326	330
Total (millions of kWh)	<b>10,040</b>	9,941	10,361	10,134	10,519	10,537	10,615	10,792	10,879	10,955
Annual increase/(decrease) (%)	<b>1.0</b>	(4.0)	2.2	(3.7)	(0.2)	(0.7)	(1.6)	(0.8)	(0.7)	1.7
<b>Average Net Tariff per Tariff Review (HK cents per kWh)</b>										
Basic Tariff	<b>114.5</b>	109.0	109.0	102.0	101.3	109.1	108.9	105.5	102.6	101.8
Special Rent & Rates Rebate	–	–	–	(0.4)	(2.3)	(4.0)	(4.0)	–	–	–
Special Rebate	–	(1.0)	–	–	–	–	–	–	–	–
Net Basic Tariff	<b>114.5</b>	108.0	109.0	101.6	99.0	105.1	104.9	105.5	102.6	101.8
Fuel Clause Charge	<b>82.5</b>	27.3	17.4	24.8	23.4	23.4	23.4	27.9	32.3	33.1
Special Fuel Rebate	–	–	–	–	(2.3)	(16.0)	(17.9)	–	–	–
Net Tariff (HK cents per kWh)	<b>197.0</b>	135.3	126.4	126.4	120.1	112.5	110.4	133.4	134.9	134.9
<b>Number of customers (000's)</b>	<b>589</b>	586	584	583	581	579	577	575	572	570
<b>Installed capacity (MW)</b>										
Gas turbines and standby units	<b>555</b>	555	555	555	555	555	555	555	555	555
Coal-fired units	<b>1,750</b>	1,750	2,000	2,000	2,000	2,000	2,250	2,500	2,500	2,500
Gas-fired combined-cycle units (note 1)	<b>1,095</b>	1,095	1,060	1,060	680	680	680	680	680	680
Wind turbine and solar power systems (note 2)	<b>3</b>	2	2	2	2	2	2	2	2	2
Total (MW)	<b>3,403</b>	3,402	3,617	3,617	3,237	3,237	3,487	3,737	3,737	3,737
<b>System maximum demand (MW)</b>	<b>2,269</b>	2,384	2,384	2,336	2,395	2,376	2,513	2,428	2,427	2,460
Annual (decrease)/increase (%)	<b>(4.8)</b>	–	2.1	(2.5)	0.8	(5.5)	3.5	0.0	(1.3)	0.3
<b>Annual load factor (%)</b>	<b>55.9</b>	52.8	55.1	55.0	56.4	56.8	54.0	56.7	57.3	56.9
<b>Thermal efficiency (%)</b>	<b>39.3</b>	38.9	37.6	37.6	35.5	35.6	35.9	35.9	36.2	36.1
<b>Plant availability (%)</b>	<b>89.4</b>	86.6	89.0	89.5	90.9	90.7	87.1	85.6	85.5	88.4
<b>Number of switching stations</b>	<b>24</b>	24	24	24	24	24	24	24	24	24
<b>Number of zone substations</b>	<b>27</b>	27	27	27	27	27	27	27	27	27
<b>Number of customer substations</b>	<b>4,012</b>	3,977	3,962	3,944	3,920	3,912	3,889	3,848	3,818	3,793
<b>Number of employees</b>	<b>1,657</b>	1,690	1,699	1,713	1,770	1,763	1,776	1,790	1,801	1,814
<b>Capital expenditure (HK\$ million) (note 3)</b>	<b>4,447</b>	5,734	6,001	5,485	4,620	3,695	2,929	2,799	2,516	2,252

### Notes:

- 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.
- The 800-kW wind turbine was commissioned in 2005. The 550-kW solar power system at Lamma Power Station was commissioned in 2010 and was expanded to 1.4 MW in 2023. Together with other solar power systems installed at company's premises and substations, the total capacity reached 2.4 MW.
- 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*)  
 CHENG Cho Ying, Francis (*Chief Executive Officer*)  
 CHAN Loi Shun  
 KWAN Ying Leung  
 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  
 Deven Arvind KARNIK  
 WANG Zijian  
 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

CHENG Cho Ying, Francis (*Chairman*)  
 FONG Chi Wai, Alex  
 KWAN Ying Leung

### 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.

## 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) Depository

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	1 August 2023
Annual Results Announcement	19 March 2024
Ex-distribution Date	5 April 2024
Record Date for Final Distribution	8 April 2024
Distribution per Share Stapled Unit	
Interim : HK15.94 cents	25 August 2023
Final : HK16.09 cents	17 April 2024
Closure of Registers	17 May 2024 to 22 May 2024
– Annual General Meeting	(both days inclusive)
Annual General Meeting	22 May 2024

## Share Stapled Unit Information

Board Lot	500 Share Stapled Units
Market Capitalisation as at 31 December 2023	HK\$41,619 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:

<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
"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 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
"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

# Glossary

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 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
"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: <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
"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 is available 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](http://www.hkei.hk) and the HKEXnews website at [www.hkexnews.hk](http://www.hkexnews.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 at [mail@hkei.hk](mailto:mail@hkei.hk).



港燈電力投資

HK Electric Investments

