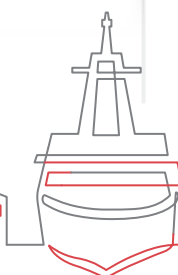
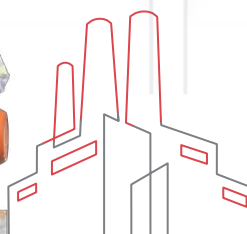
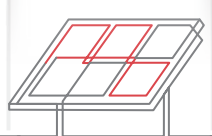
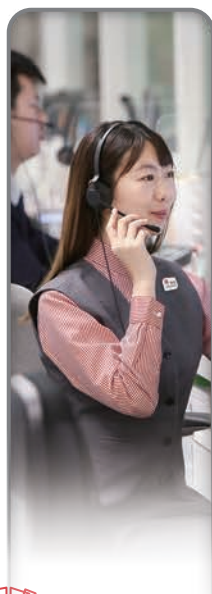




港燈電力投資
HK Electric Investments

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



A Green, Resilient Energy Vision

Annual Report **2024**

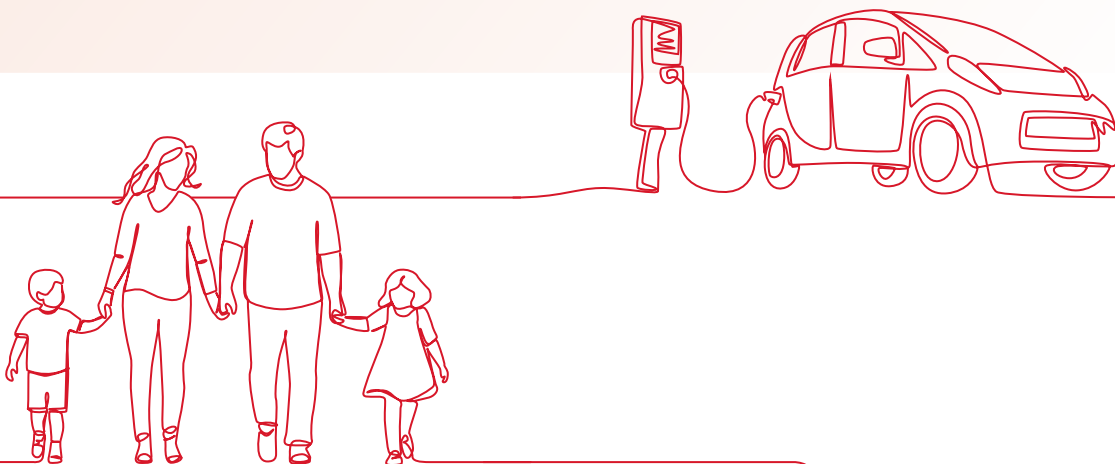


HK Electric Investments, constituted in January 2014, is a fixed single investment trust in Hong Kong focusing purely on the energy sector. Our Share Stapled Units, issued by the trust and HK Electric Investments Limited (collectively known as “HKEI”), are listed on the Main Board of the Hong Kong Stock 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 593,000 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 caring, sustainable and low-carbon city.

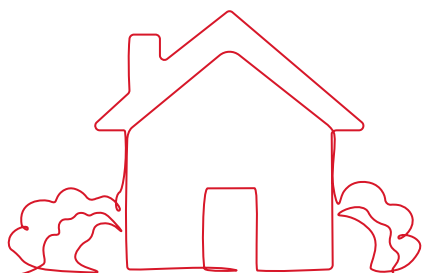


A Green, Resilient Energy Vision

The cover design for HK Electric Investments’ annual report presents the company’s cohesive, resilient green energy vision as we support the city’s wider transition to a zero-carbon community.

Our mission to energise Hong Kong is symbolised as a continuous battery-shaped line that connects our various business and sustainability initiatives. The single, unbroken line makes reference to the resilience of our operations which is integral to the social and business landscape of Hong Kong.

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Performance Highlights

Financials

	2024	2023
Revenue	HK\$12,057 million	HK\$11,406 million
Distributable Income	HK\$2,830 million	HK\$2,830 million
Total Distribution per SSU	HK32.03 cents	HK32.03 cents
Interim Distribution per SSU	HK15.94 cents	HK15.94 cents
Final Distribution per SSU	HK16.09 cents	HK16.09 cents
Total Assets	HK\$118,499 million	HK\$118,540 million
Net Debt-to-Net Total Capital Ratio	51%	51%
S&P Credit Rating HK Electric HK Electric Investments Limited	A-/ Stable A-/ Stable	A-/ Stable A-/ Stable



Operations



Generation

3,083 MW

Generation Capacity

2023: 3,403 MW

Electricity Generation

68%

Gas-fired

2023: ~56%

32%

Coal-fired

2023: ~44%

674

(Total capacity 13.4 MW)

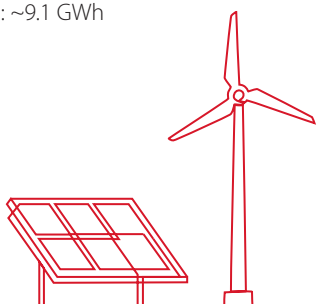
Number of Renewable Energy Installations under Feed-in Tariff Scheme

2023: 543 (Total capacity 10.8 MW)

~8.7 GWh

Renewable Energy Certificates Subscribed by Customers

2023: ~9.1 GWh



Customer Services

593,000

Number of Customers

2023: 589,000

>480,000

Smart Meters Installed

2023: >360,000

10,150 GWh

Units Sold

2023: 10,040 GWh

4.77

Average Customer Satisfaction Index (5-Point Scale)

2023: 4.72



Transmission & Distribution

>99.9999 %

Supply Reliability

2023: * >99.999% (** >99.9999%)

<0.5 minute

Unplanned Power Interruption per Customer

2023: * 3.4 minutes (** <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.

7,047 km

Network Length

2023: 6,969 km

Business Review

Ensuring resilience and climate preparedness





Chairman's Statement

2024 was a pivotal time in our strategic journey towards zero carbon.

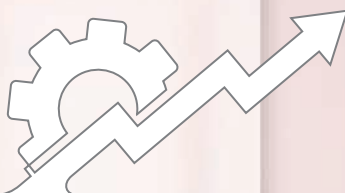


In 2024, the global energy sector continued to face the twin pressures of extreme weather and increasing sustainability demands. Against this backdrop, HK Electric Investments (HKEI), and its wholly-owned subsidiary HK Electric, focused on ensuring climate preparedness by increasing the resilience of our power infrastructure.

2024 was also a pivotal time in our long-term journey towards zero carbon. We made steady progress in aligning our operations to meet Hong Kong's wider goals to halve carbon emissions by 2035 as compared to the level in 2005 and achieve net-zero electricity generation before 2050.

The successful commissioning of L12, a 380-MW gas-fired combined-cycle generating unit in March 2024, enabled us to generate around 70% of our total output from natural gas. At the same time, we retired two ageing coal-fired units L4 and L5, in accordance with our pledge to phase out coal-fired generation by 2035. As a result of this and a number of other measures, our carbon emissions in the year were about 40% lower than those in the baseline year of 2005.

As ever, I am pleased to report that HK Electric once again achieved a world-class reliability rating of over 99.9999%, which means that our customers experienced less than 0.5 minutes of unplanned power interruption on average during the year.



Financial results and distributions

HKEI has maintained a solid financial performance. For the year ended 31 December 2024, HKEI's EBITDA was HK\$8,719 million (2023: HK\$8,033 million) and audited profits attributable to holders of Share Stapled Units (SSU) of HK\$3,111 million was comparable to that of last year (2023: HK\$3,156 million).

The Board of the Trustee-Manager has declared a final distribution by the Trust of HK16.09 cents (2023: HK16.09 cents) per SSU, payable on 23 April 2025 to SSU holders whose names appear on the Share Stapled Units Register on 10 April 2025. Together with the interim distribution of HK15.94 cents (2023: HK15.94 cents) per SSU, this amounts to a total distribution of HK32.03 cents (2023: HK32.03 cents) per SSU for the year.

2024 – 2028 Development Plan progress

The 2024 – 2028 Development Plan enables us to further reduce our emissions. With the development of L13, a new 380-MW gas-fired combined-cycle generating unit, we continue to systematically reshape our generation capabilities to support Hong Kong's long-term decarbonisation objectives. Development and foundation works for L13 progressed on schedule, with commissioning of the unit set for 2029.

Preparatory work for the site installation of three new oil-fired open-cycle gas-turbine units advanced according to plan. These units, designed with fast start-up capability, form part of our contingency setup and will be launched in phases from 2027 onwards.

Since 2020, we have been systematically rolling out smart meters across our customer base to allow customers to better manage their energy usage. At the end of 2024, around 80% of customers had been fitted with smart meters, and the associated network and IT infrastructure had been put into place. The exercise will be completed in 2025.

Augmenting resilience and climate preparedness

The increasing frequency of extreme weather events has made climate preparedness a critical strategic imperative. Our priority is to augment resilience in the face of flooding, particularly in low-lying areas. All infrastructure commenced after 2022 including new generating units and critical equipment at principal substations have their foundations built or floodproofed to withstand water level up to +7.0 metres above Principal Datum (PD) wherever practicable. For built equipment and areas where the new standard cannot be applied, we have been retrofitting anti-flooding systems, installing or upgrading a host of measures, including demountable floodgates and permanent floodwalls, and upgrades or relocation of protective devices to withstand the anticipated flooding levels under extreme weather.

Reliable green power with service excellence

In 2024, electricity sales to our 593,000 customers slightly increased to 10,150 GWh (2023: 10,040 GWh), attributable to stabilising economic activity, warmer weather and the additional leap day in February. Around 70% of the electricity generated was gas-fired, out of which more than 30% came from the offshore liquefied natural gas terminal commissioned in July 2023. Despite the increased gas consumption, there was a tariff reduction of 16% from January 2023 (HK197 cents) to January 2024 (HK165.5 cents), primarily due to the fall in fuel prices. Our investments in preventive network maintenance, round-the-clock network monitoring, and predictive diagnostics have paid off, enabling us to achieve once again a supply reliability rating of over 99.9999%. We continued to meet or surpass all 18 of our pledged customer service standards in 2024.



Chairman's Statement

Promoting energy efficiency and decarbonisation

Smart Power, our comprehensive services and engagement platform, forms the heart of our efforts to catalyse decarbonisation through renewable energy, electric transportation, energy efficiency, and conservation. A total of 135 new renewable energy systems installed by our customers were connected to the grid with Feed-in Tariffs, increasing the total capacity of grid-connected customers' renewable energy systems to over 13 MW. At the same time, we have been providing technical consultancy services to those seeking to install electric vehicle (EV) charging facilities, handling about 470 requests to assess power supply capacity by those looking to take advantage of the Government's EV-charging at Home Subsidy Scheme.

Embodying positive corporate values

We strive to operate a sustainable and responsible business, guided by our sustainability framework and policies. We support the United Nations' Sustainable Development Goals, particularly those closely aligned with our corporate strategy and business priorities, and have established targets to evaluate our contribution towards realising these goals. We continued to run our long-lasting community and education programmes to support those in need and help preserve our environment. The Happy Green Campaign in particular attracted the participation of more than 110,000 people in a wide spectrum of activities in 2024.

Outlook

After considering factors like capital expenditures and operating expenses, Basic Tariff for 2025 is HK122.9 cents per unit of electricity, an increase of HK3.4 cents compared to that of 2024. Despite persistent and escalating geopolitical tensions, Fuel Clause Charge decreased by HK1.9 cents, mitigating the increase in Basic Tariff. Consequently, Net Tariff in January 2025 increased slightly by 0.9% over January 2024 to HK167 cents per unit of electricity.

We have set aside about HK\$75 million for continuous community support, focusing on promoting carbon neutrality and energy saving in 2025 under the Smart Power Services umbrella. This includes a one-stop solution for non-profit-making NGOs and schools to improve energy efficiency and adopt renewable energy. Each eligible building can receive up to HK\$3 million subsidy for projects such as installing energy-efficient electrical equipment and appliances, applying solar photovoltaic technologies and energy-saving rooftop paints. We continued with our practice of distributing cash coupons among the underprivileged, including customers under the Concessionary Tariff Schemes and households in financial need.

Guided by the 2024 – 2028 Development Plan, we will continue to explore all avenues to reduce emissions to help the Government achieve its net-zero carbon goals including importing zero-carbon electricity and the use of green hydrogen. We will also monitor our climate resilience on an ongoing basis and progressively adapt mitigation measures as the situation evolves.

I would like to conclude by thanking the Board, our loyal SSU holders, and every one of our employees, who are the foundation of all our achievements.

Fok Kin Ning, Canning

Chairman

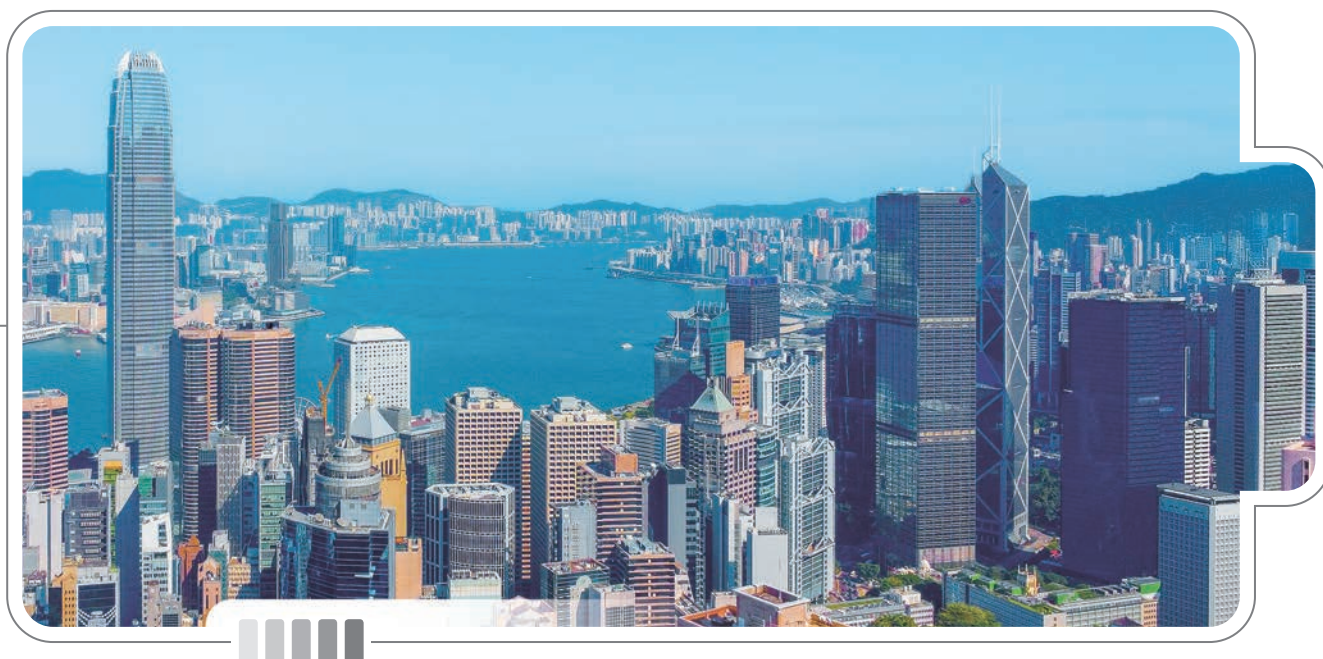
Hong Kong, 18 March 2025



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 long-standing 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

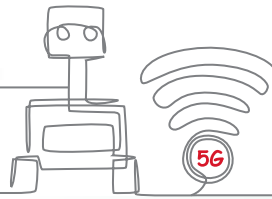
Pragmatic and long-term principles guide our investment in power generation, transmission and distribution facilities. All expenditure must support our goals of maintaining supply reliability, enhancing efficiency and customer services while conserving the environment with low-emission energy sources. 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

January – June



HK Electric upgrades its 20-year-old Cyberport cable tunnel to a “Smart Cable Tunnel”, using robots and a 5G network for round-the-clock automated monitoring. This innovation significantly improves safety and efficiency of inspection in confined spaces and wins a Silver Award in the OSH Enhancement Program Award organised by Occupational Safety & Health Council and Labour Department.

“CAREnJOY: Fun & Joy” outings continue to give the elderly more opportunities to connect with each other and engage with society. Highlights include historical tram rides, studio portraits, seeing a popular movie, and visits to revitalised heritage sites and Ocean Park. Nearly 600 seniors enjoyed these activities during the year.

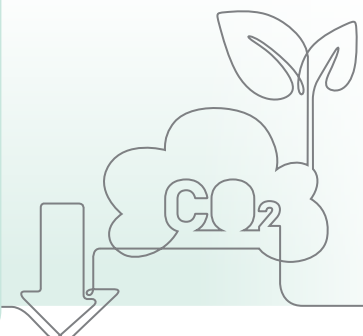


HK Electric participates in the “OSH Innovation & Technology Expo”, showcasing its innovative technology-based occupational safety and health applications, including drones for inspecting hazardous environments, remote monitoring of submarine gas pipelines, high-voltage-switchgear plug installers and virtual-reality training programmes.



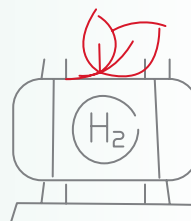
The HK Electric Volunteers Team celebrates its 20th anniversary with the “Show Me Your Love” challenge, engaging over 100 volunteers to deliver 20 acts of kindness for people and animals in need. The “Best Photos • Nostalgic Moments” contest attracts hundreds of memorable photos from the past 20 years of community care.

HK Electric signs a new contract for the construction of a new gas-fired unit, L13. Scheduled for commissioning in 2029, L13 will be the fifth gas-fired unit and is key to the company’s plan to phase out coal-fired generation by 2035.





Senior management from HK Electric visits Mitsubishi Heavy Industries' Takasago Hydrogen Park in Japan to understand how green hydrogen can be a zero-carbon energy alternative. HK Electric has been studying the introduction of green hydrogen as a sustainable energy solution to help Hong Kong achieve carbon neutrality by 2050.

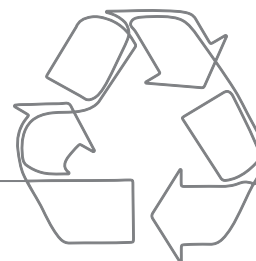


"U3A Dream+", co-organised by HK Electric and the Hong Kong Council of Social Service, funds projects initiated by retirees. Seven dream projects serve 66 community units and 9,570 people, focusing on well-being, low-carbon living, art, and conservation. The scheme wins a Silver Award in the Corporate Social Responsibility Category of the 20th China Golden Awards for Excellence in Public Relations.



HK Electric, joined by the Hong Kong Polytechnic University, Xi'an Jiaotong University and the State Grid Corporation of China, announces the extension of the Belt and Road Advanced Programme in Power and Energy to 2028. The new phase aims to enhance efficiency, drive innovation and develop solutions for power infrastructure.

In support of the United Nations' World Environment Day, HK Electric organises a one-month campaign on "Waste Management". It features a variety of activities to raise environmental awareness, including a talk, an online quiz, and games to encourage colleagues to recycle more.



Year at a Glance

July – December



Amateur designers turn discarded items into stylish outfits at the finale of the “Back in Fashion” design competition, organised by HK Electric with the support of the Technological and Higher Education Institute of Hong Kong. Held at Central Market, the event showcases 30 selected entries from over 220 submissions, promoting waste reduction and granting unwanted items a second lease of life.



HK Electric’s 52-week action planner promotes the United Nations’ Sustainable Development Goals (SDGs) with weekly sustainable actions and a 17-step aerobics programme. Created with Friends of the Earth (HK) and illustrator Lam Kin-choi, it is designed for primary and junior secondary students, with plenty of suggestions and games to integrate the SDGs into daily routines.



Six university and five secondary school teams participate in the final round of Green Energy Dreams Come True competition. The final is open to the public, offering the wider community insights into enhancing energy efficiency, harnessing renewable energy and adopting a low-carbon lifestyle.



Eight iconic styles of HK Electric’s historical streetlamps, spanning from 1890 to 1970, find their way to the Wan Chai waterfront, thanks to a programme organised by the Wan Chai District Office and the Harbourfront Commission. The replica lamps, on display until the end of July 2025, have become a nostalgic backdrop for locals and tourists to capture memorable photos.



Ninety-three students from 14 tertiary institutions and secondary schools are honoured at HK Electric Scholarship Award Ceremony 2023 – 2024. Since 1984, the company has supported outstanding students with scholarships and bursaries, recognising both academic and personal achievements.



HK Electric receives the Gold Award in the Public and Community Services sector at the 2023 Hong Kong Awards for Environmental Excellence. Affectionately known as the city's "Green Oscars", the awards recognise exceptional green management and dedication to sustainable development in Hong Kong.



Twenty talented young executives from various departments participate in a 14-day exchange programme in Beijing to gain insights into State Grid's advanced technology, management practices, and innovation initiatives.



HK Electric Managing Director, Francis C.Y. Cheng, hosts a town hall session, with around 600 employees participating both online and onsite. He updates colleagues on the company's achievements over the past few years and the challenges the company is or will be facing, and shares his vision for the future.

The virtual customer service assistant Elsie has been enhanced to utilise Natural Language Understanding to interpret customers' questions, offer suggestions, and provide additional information with an improved and more user-friendly interface.



As part of the company's stakeholder engagement programme, members of the Legislative Council are invited to visit Lamma Power Station to learn about HK Electric's decarbonisation initiatives and resilience measures against extreme weather. Topics discussed include strategies for reducing emissions and transitioning to zero-carbon electricity.



HK Electric announces a slight tariff increase of 0.9% for January 2025 compared to January 2024, while continuing to promote energy efficiency and support customers in need.

CEO's Report

**We progressed
our energy transition
while staying reliable
and affordable.**

Cheng Cho Ying, Francis

Chief Executive Officer



Performance excellence and strategic transition

In 2024, we rose to the challenge of progressing along our energy transition journey without compromising on reliability or affordability for our customers.

Our proactive network maintenance and floodproofing programme yielded a reliability rating of over 99.9999%. Our customers experienced, on average, less than 0.5 minutes of unplanned power interruption during 2024. This world-class reliability performance was complemented by affordable tariffs. Despite increased use of natural gas, we reduced tariffs in 2024. The tariffs of typical households within our supply territory remain lower than those in many international cities, including New York, London, Sydney, Tokyo, and Singapore.

In tandem with delivering strong operational performance excellence, we also achieved our goal of reducing carbon emissions in support of the Government's carbon reduction goals. Following the commissioning of L12, our latest 380-MW gas-fired combined-cycle generating unit, in March 2024, we reduced carbon emissions by approximately 40% compared to the baseline year of 2005.

We also launched various social initiatives to support the Hong Kong community in overcoming economic challenges and reducing its carbon footprint.



Consistent strategy, new chapter

We are in the process of a phased transition to reduce our carbon footprint in support of the Government's pledge to halve carbon emissions by 2035 and achieve carbon neutrality before 2050. Our 2024 – 2028 Development Plan forms the framework for this transition.

In 2024, our initiatives under this plan focused on three key areas: reducing emissions, ensuring reliability, and enhancing resilience.

We continued to increase our gas-fired generation capacity to reduce emissions. Following the launch of three new gas-fired generating units under the 2019 – 2023 Development Plan, we began site formation and piling works for L13, a new gas-fired unit that will replace an old coal-fired unit (L6) and increase gas-fired generation further. The unit is scheduled for commissioning in 2029 and will bring our total gas-fired generation capacity to 1,855 MW, accounting for the majority of our total installed capacity. Two old coal-fired units (L4 and L5) were retired in 2024, and we aim to phase out coal-fired generation completely by 2035.

In parallel with our efforts to reduce carbon emissions, we are enhancing our generation and network infrastructure to maintain the high reliability we have been synonymous with for decades. This is particularly crucial as we face increasingly severe weather events in Hong Kong, which have become more frequent in recent years. At Lamma Power Station (LPS), we are constructing three new oil-fired open-cycle gas-turbine units capable of fast start-up to cater for emergencies, replacing four aged units.

We are expanding our network to support increased energy demand from major development projects and community initiatives particularly in the Southern and Eastern Districts of Hong Kong Island. To this end, we are currently liaising with the Government to acquire the required land for new substations in these two districts.



- HK Electric Managing Director, Francis C.Y. Cheng (3rd from left) signs the contract for the construction of gas-fired unit L13.



- Our engineers inspect the steam pipelines at the gas-fired generating units in LPS.

- LPS operates four gas-fired combined-cycle generating units, three of which were constructed under the 2019 – 2023 Development Plan.



CEO's Report



- Our engineer installing smart meters as part of a rollout programme across our customer base.

Our smart-meter rollout project, which commenced in 2020, is in the final stages of implementation, and is scheduled for completion by the end of 2025. So far, we have installed more than 480,000 meters, covering around 80% of the customer base. This initiative empowers customers to monitor and manage their electricity use more effectively. For HK Electric, the deployment of smart meters helps improve our operational efficiency through remote meter reading and enhanced visibility into our supply network. A cross-divisional taskforce has been established to promote data analytics and facilitate the sharing of related expertise.

Attaining excellence in service delivery

In 2024, we sold 10,150 GWh of electricity (2023: 10,040 GWh) to a total of 593,000 customers on Hong Kong Island and Lamma Island. The sales increase was primarily driven by warmer weather with significantly higher temperatures recorded in April, September and October, compared with the year before. Stabilising economic activities and the additional leap day in February also helped.

Following the commissioning of L12, 68% of electricity sent out from LPS was fuelled by natural gas. The solar power system at LPS, Lamma Winds, other renewable energy installations on the rooftops of HK Electric's facilities and office buildings, as well as customer systems, generated a total of over 13 GWh of renewable energy.

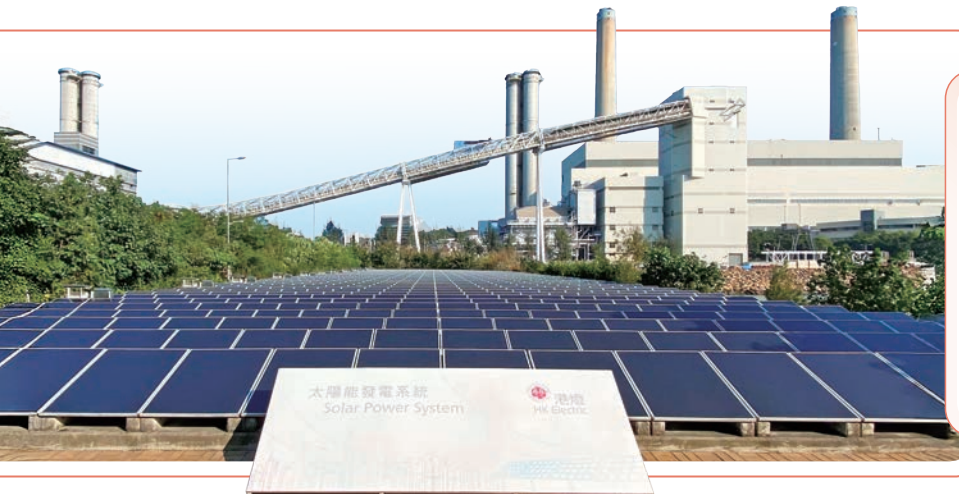
We are proud of our impeccable customer service record, achieving or surpassing all 18 of our pledged service standards for the 25th consecutive year. We attained an average customer satisfaction score of 4.77 out of 5 in after-service surveys. Customers rated us particularly high in the service attitude of our staff members.

Our strategy is to migrate customers to electronic channels by expanding our digital self-service capabilities. In 2024, we streamlined the electronic application process for relocation, saving customers time and effort. We further included WeChat Pay HK in 2024, alongside other e-payment options. The number of bill payments through these convenient platforms increased by 23% in 2024 compared to the previous year.



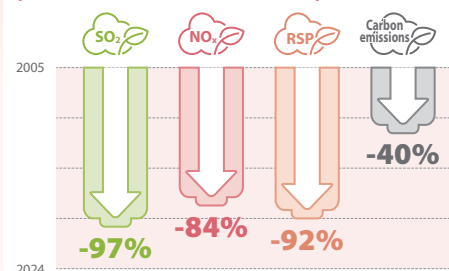
- Our customer service officer explains how the HK Electric App helps optimise energy use and facilitates payment with new channels.

The latest emissions control technologies are in place to ensure we meet stringent regulatory caps. These include Selective Catalytic Reduction plants for controlling nitrogen oxide (NO_x) emissions from gas-fired units, as well as flue gas desulphurisation plants, low NO_x burner systems, and electrostatic precipitators for coal-fired units. Overall, emissions of sulphur dioxide (SO₂), NO_x and respirable suspended particulates (RSP) from LPS remained well within statutory caps in 2024.



- The solar power system at LPS helps HK Electric reduce its operational carbon footprint.

Emissions Reductions (2024 vs 2005 Baseline Year)



- Bauhinia Spirit, anchored at the offshore LNG terminal co-built by HK Electric and CLP Power, is the world's largest Floating Storage and Regasification Unit vessel.



Another important goal was to control operating costs despite the increased use of natural gas. The offshore liquefied natural gas terminal, commissioned in July 2023, successfully completed its first full year of operations and proved to be extremely valuable. It enabled us, as envisioned, to enhance the security of supply and source natural gas at competitive prices.

As a result of the stabilisation of global fuel prices, we were able to deliver a 44% year-on-year reduction in the Fuel Clause Charge for January 2024. Net Tariff in January 2024 stood at HK165.5 cents per unit, representing a decrease of 16% from the previous year.

Future-proofing our network

Proactive network maintenance, a strategic network enhancement and expansion plan and management activities enable HK Electric to achieve once again a reliability rating of over 99.9999% in 2024. All recommendations arising from the power interruption incident of

April 2023 have been implemented in full. Key network maintenance projects implemented during the year included the installation of our first 275-kV transition joint on the LAM-RTR 1 circuit. The joint and cable sealing end, energised in October 2024, enable the network to cope with the latest oil-free transmission apparatus.

A multi-year improvement project at the North Point 132-kV Switching Station entered its final phase of energisation and testing, with a new 132-kV GIS for busbar 1 energised in October 2024. Cable replacement works for Davis – Zetland Street and Kennedy Road – Moreton Terrace 132-kV Circuits are in progress. Moreover, the rollout of a remote monitoring system for our transmission cable circuits has entered its second stage, covering most of our transmission cable circuits on Hong Kong Island. Thirty-one new distribution substations and transformer pillars were commissioned in 2024, and around 127 km of cables were installed, enhancing our ability to manage peak loads and minimise network faults.

World-class
supply reliability of

>99.9999%

in 2024

- A year-round proactive maintenance programme helps ensure supply reliability across our transmission and distribution network.



CEO's Report



- Using AI technology to identify high-risk 11-kV cables makes our proactive diagnostic testing more efficient and effective.

Additional improvements were implemented across the distribution system, including deloading heavily loaded cables, replacing weak 11-kV cables and aged distribution apparatus, and expanding the 22-kV network. Online monitoring systems were deployed, enabling 24 x 7 visibility over our power supply equipment. We also carried out proactive diagnostic tests utilising artificial intelligence (AI) technology on our 11-kV cables to identify incipient faults in advance to ensure supply reliability. As a result, test effectiveness and the 11-kV cable failure rate have improved by up to 30% compared to 2022 figures.

On the emergency preparedness side, we acquired a second mobile battery energy storage truck for our emergency supply fleet in 2024. This truck and the associated seamless changeover switch, the first of their kind in Hong Kong, give us the capability to provide uninterrupted power supply to our customers during emergencies, without any noise or emissions.



- A technician setting up and configuring IT infrastructure on servers and network equipment at our data centre.

Cyber-resilience is an essential part of our system resilience. Data loss prevention policies and incident response playbooks were published to safeguard the personal data of our customers and other stakeholders. In 2024, a tabletop drill was conducted to test the formation and response of the crisis management team to a simulated ransomware attack and personal data-breach incident. The execution of all related response plans and playbooks, together with the escalation flow between business units and management of media communication during a cybersecurity incident, were also tested. The drill was completed successfully, and areas of improvement were identified for implementation.



- Emergency mobile generators are commissioned to provide temporary power supply in the event of power interruptions.



Concerted Efforts to Further Augment Network Resilience

In recent years, Hong Kong has faced extreme weather events on a regular basis. Hourly rainfall broke the record with 158.1 mm in 2023, and more frequent and more severe tropical cyclones and typhoons occur each year. Four tropical cyclones appeared at the same time in the western North Pacific and South China Sea in November 2024, which is unprecedented, with three of them affecting Hong Kong, also the first time in November since 1946.

Our network primarily uses underground cables and is therefore protected against extreme weather, but many of our coastal substations have been impacted by flooding. Protection against flooding is a key priority.

At LPS, our recently-commissioned gas-fired generating unit L12 and unit L13 currently under construction have their foundations built to a +7.0 metres Principal Datum (PD) which is about 6 metres above the normal sea level, and meaning they are high enough to withstand even the highest forecast levels of seawater rise for a century to come. We have constructed breakwaters, flood walls of about two metres high, and flood gates at key locations to mitigate the impact of storm surges and overtopping waves.

768 substations have flood walls, gates or barriers at entrances and ventilation inlets erected, along with automatic water pumps, and support stands for major equipment. Installation of CCTV cameras and multi-stage alarm systems, as well as remote video surveillance systems for real-time monitoring of substation conditions are being put into place. We also embarked on a project to enhance network resilience by installing anti-flooding equipment inside distribution substations in the areas with high flooding hazards identified by the Civil Engineering and Development Department's study report.

Rather than relying on manual inspections, we are trialling the use of thermal cameras with AI analytic functionalities in our video surveillance system for immediate triggering of alarms if abnormal temperature changes are detected in the substations.

Multi-stage flooding alarm systems installed in

768 substations



● Flood alarm systems at existing distribution substations enhance emergency preparedness.

● The 24 x 7 Customer Emergency Services Centre is our first line of response to address enquiries round-the-clock.

We have updated our contingency plans and formulated more detailed guidelines across the company. Additional generation units and emergency mobile generators are on standby to respond promptly to changes in power demand or supply interruption.

Most importantly, our staff are well-trained, and regular drills are conducted to enhance our preparedness and capabilities in dealing with emergency situations. Our System Control Centre monitors and controls the entire power supply system round the clock, and is supported by our 24 x 7 Customer Emergency Services Centre with additional manpower mobilised during emergency situations.

Flood walls, gates or barriers installed in

741 substations



● Flood walls of about two metres high erected at key locations in LPS provide a strengthened line of defence.



● Demountable floodgates and auxiliary installations protect vital infrastructure from rising water levels.



● Elevated floor levels at all new substations enhance resilience against flooding during extreme weather events.

CEO's Report

Tapping the power of technology to innovate

A culture of “everyday innovation” has become part of our operation. With 7,047 km of high to low-voltage cables and generation infrastructure spanning two islands, we are actively exploring the potential of automation and utilising Internet of Things (IoT) technologies to help us improve the efficiency and effectiveness of infrastructure management.

Innovations successfully implemented include a “trackless” two-wheeled robot that runs on a 5G network to conduct inspections of a confined cable tunnel. Nicknamed “Intelligent Steward”, the robot is equipped with HD and infra-red cameras, gas detectors, temperature and humidity sensors so that engineers can remotely monitor the internal condition of the cable tunnel. This innovation has allowed us to significantly increase the frequency of inspection from a few times per year to daily.



- Our “Intelligent Steward” inspects cable tunnels with reduced risk and improved efficiency.

We secured a patent for a smart tool developed to monitor the operations of distribution switchgears. The tool alerts engineers if operating parameters exceed pre-set thresholds, for example, duration of opening or closing exceeds a few milliseconds. After successfully identifying 15 switches requiring re-lubrication during the pilot phase, the tool was further enhanced and is scheduled to be rolled out in 2025 to continuously monitor selected switchgear operations automatically.

- The HK Electric Innovation Award honours employees driving innovation and creating value for the company.



- Drones conduct underwater inspections of culverts, tanks and reservoirs, reducing risks and lowering maintenance costs.



At LPS, underwater drones have been deployed to inspect freshwater reservoirs, reducing inspection time from several days to just a few hours and eliminating the need for costly water draining and scaffolding. This technology has also been extended to clean the cooling seawater intakes of ferries, where severe blockages caused by debris like plastic bags traditionally required hiring external scuba diving teams. Equipped with a robotic arm, the underwater drone can now clear blockages and inspect mooring buoys, chains, propellers, and drive shafts more safely and quickly at a fraction of the cost of similar past operations.

Machine learning technology was employed to analyse network load trends at zone substations and to forecast system demand. In addition, an AI algorithm was developed to assist engineers in preparing contingency plans based on load and demand forecasts.

The second HK Electric Innovation Award held in 2024 recognised the efforts of our people in embracing an “innovation mindset” to enhance efficiency, safety, and effectiveness. The Award received 23 entries under two categories: digital transformation projects and innovation projects with savings and/or impact. A project focussing on enhancing drafting of substation layout design drawings and a customised louvre antenna aimed at improving the performance of Advanced Metering Infrastructure (AMI) collectors won gold awards in their respective categories.



LoRaWAN Network to Enable Automation and IoT

Automation, smart monitoring, and IoT projects rely upon a robust and powerful communication network that can transmit vital data and information between our sites and IT systems. With this in mind, we implemented a network-wide low-power wireless network using Long Range Wide Area Network (LoRaWAN) technology in December 2024.

Launched after extensive testing and training, this wireless network covering our supply area in Hong Kong and Lamma Islands now forms the communication backbone for a wide range of wireless applications, providing robust and reliable connectivity across the company.

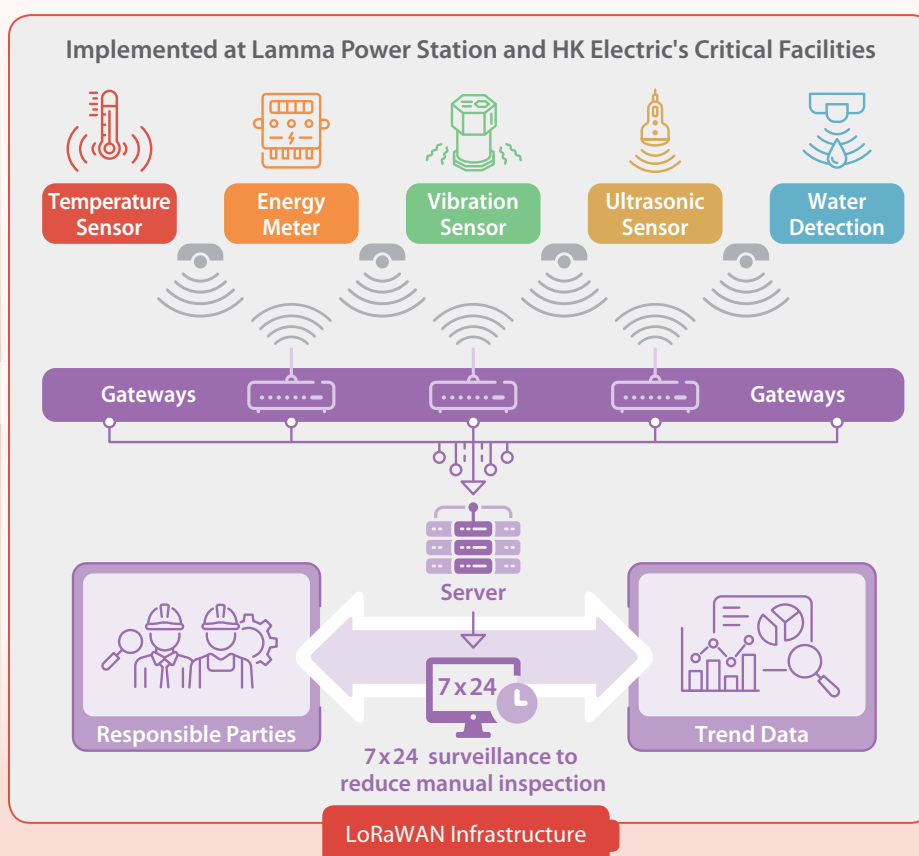
Employees can understand our capabilities, share and exchange innovative ideas of IoT applications, and access various resources related to the LoRaWAN network via a convenient portal.

They also took advantage of this network to launch a wide range of IoT applications to streamline daily operations, reduce risks, and improve our capabilities. These included

vibration sensing, early detection of hot spots of equipment in power station, remote water meter reading, monitoring of fluid-filled transmission cables and LV network performance, asset tracking, flooding monitoring, tree monitoring and air quality monitoring.

For example, in October 2024, vibration sensors connected wirelessly through the LoRaWAN network detected abnormal vibration at the bearing block of a coal conveyor pulley. This triggered an alarm and a site inspection which identified mechanical looseness and the incipient defect was immediately rectified.

The technology has simplified network monitoring, reducing costs and replacing periodic inspections with continuous, round-the-clock surveillance. Moreover, LoRaWAN sensors consume minimal power, enabling years of operation. It has also greatly enhanced our ability to maintain network reliability, and conduct proactive maintenance and data analysis.



CEO's Report



- HK Electric conducts a Smart Power Energy Audit at a Vocational Training Council campus and trains students on energy audit principles.



- The Hong Kong Convention and Exhibition Centre has installed a 600-kW ultra-fast EV charging station in its car park – powering eight chargers – with support from HK Electric.

Sustainably supporting the community

We are deeply committed to a sustainability-first mindset and strive not only to reduce our own environmental footprint but also that of the community at large. A suite of subsidies and schemes under the Smart Power Services umbrella forms the backbone of our efforts to promote energy efficiency and conservation as well as decarbonisation, assisting various sectors across Hong Kong's journey towards a zero-carbon caring city.

In 2024, our Smart Power Energy Audit and Smart Power Building Fund saw continued uptake among customer premises seeking to improve energy efficiency, receiving more than 540 applications. The Smart Power Building Fund supported 193 buildings while the Smart Power for Construction Site service assisted the connection of 19 construction projects to the grid and avoided the use of diesel generators.

The Feed-in Tariff (FiT) Scheme connected 135 new customer-side renewable installations to the grid at advantageous tariffs. The total annual output of connected FiT installations was over 11 GWh in 2024. Our Renewable Energy Certificates (RECs) helped customers offset their carbon emissions by funding renewable energy initiatives and around 8.7 GWh of RECs were sold in 2024.

We see electric transportation as a critical facet of Hong Kong's net-zero journey. Our support for electric vehicles (EVs) includes providing technical consultancy for customers seeking to install EV charging infrastructure under the Government's EV-charging at Home Subsidy Scheme (EHSS). Since its launch, we have processed about 470 EHSS installation requests and in 2024, around 40 such projects and another 19 customers' EV charging installations, including two ultra-fast charging stations, were completed as we moved away from the provision of public EV charging stations. Our own EV fleet currently includes 184 EVs and 1 electric bus, making up 56% of the total fleet.

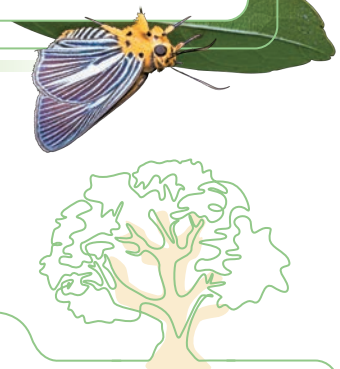
In line with the Environmental Policy, we have established a freshwater intensity target to reduce water consumption per unit of electricity sold by 7% by 2029, using 2024 as the baseline. A new brine recovery reverse osmosis process for treating wastewater helped conserve 23,793 m³ of water after being put into operation at the end of June 2024. An upgrade to the chiller unit at the Fire and Security Building of LPS was also completed, including the retrofitting of a building management system. This upgrade resulted in a 22.7% energy saving compared to 2023.

We collect electricity generation by-products, such as pulverised fly ash and gypsum, along with other in-house waste, for use in various applications. A total of 55,280 litres of turbine lube oil from the retired generating units was collected and reused in the remaining generating units.



- We provide technical consultation to the Royal Hong Kong Yacht Club for solar power adoption under the Feed-in Tariff Scheme.

The principles of community support and conservation are engrained across the Group.



WE EMBODY

transparency and
inclusiveness in our
activities

WE PRESERVE

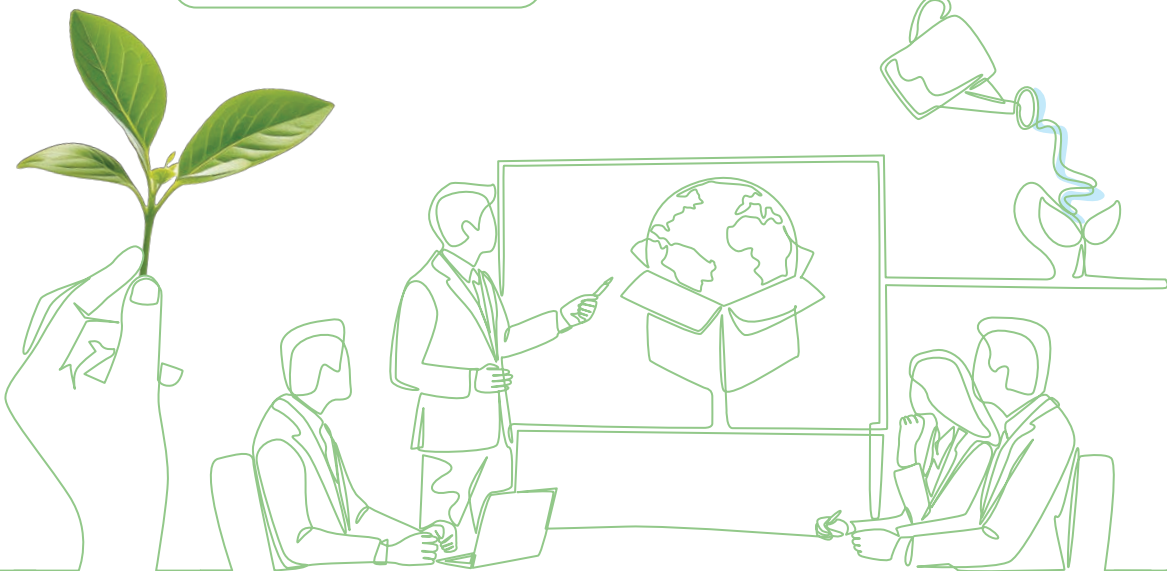
the environment and our
heritage in partnership
with the community

WE SUPPORT

communities and
groups where we can
have a real impact

WE PROVIDE

a rewarding,
safe work environment



CEO's Report

Building a sustainable energy future

Our commitment to environmental, social, and governance principles is central to our corporate strategy and long-term vision. Throughout the organisation, our people and processes strive to ensure that all our activities are aligned with our sustainability policy.

We have structures in place to engrain the principles of conservation and community support across the Group. Our board-level Sustainability Committee sets our sustainability strategy, oversees all related initiatives, and reports to the main board on their progress. The Sustainability Management Committee, led by the CEO, takes responsibility for implementing initiatives under the strategy and promotes understanding of sustainability within the Group.

The United Nations' Sustainable Development Goals (SDGs) underpin our sustainability journey. We have pledged our support to six of them, they align closely with our corporate strategies and business priorities:

SUSTAINABLE DEVELOPMENT GOALS



We have also set our environmental goals in support of the Government's Clean Air Plan for Hong Kong 2035 and Hong Kong's Climate Action Plan 2050.

Caring for the planet

We have established a resilient pathway to reduce our carbon footprint systematically. This involves generating and providing electricity with lower carbon emissions, enabling zero-emissions transportation, and promoting the efficient use of energy across the community.

The migration to zero-carbon operations is a key process in support of Hong Kong's carbon neutrality goal. We are adopting a phased approach to this vital strategic transition, pivoting our policies to assure that we consistently deliver upon critical pledges to our customers, including reliability and affordability. The Group measures its carbon-emissions reduction performance by benchmarking against the level in 2005, the year before we introduced gas-fired generation. We have also established a mid-term reduction target that aligns with the Paris Agreement and which has been validated and approved by the Science Based Targets initiative (SBTi).

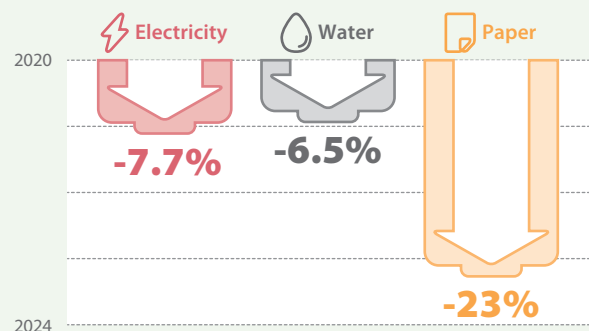
Our interim strategy has been to evolve from coal-fired to gas-fired generation. The new gas-fired units have higher efficiency and could halve carbon emissions compared to our existing coal-fired units. In 2024, 68% of the electricity sent out from LPS was generated by natural gas, and carbon emissions were around 40% lower than the level in 2005.

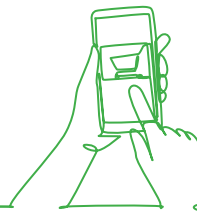
We follow the 4R principles (reduce, reuse, recover and recycle) in managing waste and continuously seek to reduce our consumption of various resources.

For example, we provide segregated waste collection facilities on every floor of our office buildings to minimise waste sent to landfill sites. Our "Pass It On" recycling platform hosted on the company's intranet encourages employees to donate and reuse to minimise wastage. Used items such as sports equipment, stationery, and kitchenware found new homes through the platform.

We have established medium-term targets for our key office premises to reduce the consumption of electricity, water and paper in 2025 compared to the baseline year 2020.

Reductions in Electricity, Water and Paper Consumption (2024 vs 2020 Baseline Year)

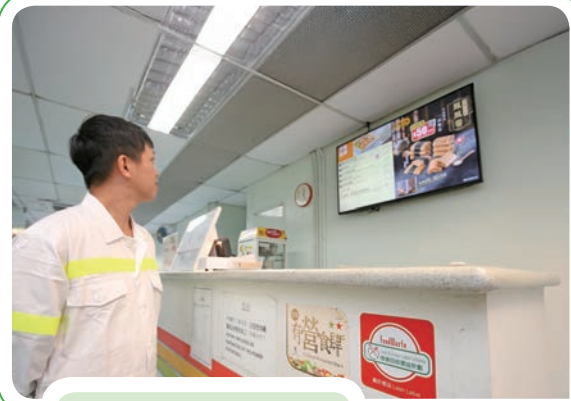




Our three staff canteens, which serve more than 1,200 meals every day, strive to be as green as possible. Initiatives such as advance meal orders and the option to request smaller portions allowed us to reduce food waste by around 175 kg in 2024 compared to 2023. Environmentally-friendly disposables have enabled the canteens to support the Government's appeal to suspend the use of single-use plastic products. In addition to receiving the FoodWaste Lean Label from the Green Council, one of our canteens was accredited with the new Diamond Class Food Wise Eateries label in 2024 for its participation in food waste recycling and two were accredited with Two-star EatSmart Restaurant label.

Helping the community save energy

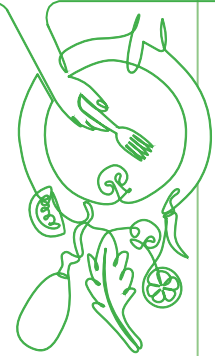
In 2024, we set aside more than HK\$55 million to enhance our decarbonisation initiatives under the Smart Power Services, providing subsidies for the public and small businesses to implement energy-saving projects and purchase energy-efficient equipment. We also operate the Smart Power Gallery in Sheung Wan to educate stakeholders about energy efficiency and low-carbon lifestyles. During the year, we conducted 100 workshops and seminars, engaging with more than 2,600 attendees, while undertaking a renovation project to refresh the Gallery and integrate new themes and interactive elements.



Food waste from our canteens was reduced by around

175 kg

in 2024 vs 2023



- Transitional housing tenants visit the Smart Power Gallery to learn more about energy efficiency and low-carbon living.



- NGO community centres organise activities for people in need with the support of the Smart Power Care Fund.



- The kitchen in TWGHs Fong Shu Chuen Social Service Building uses the more energy-efficient electric induction cookers, installed with support from HK Electric.



- HK Electric executives and guests join student ambassadors for a low-carbon picnic, supporting United Nations' SDGs actions.



- Happy Green Campaign's "Back in Fashion" catwalk finale showcases how creativity and a green mindset work together to turn trash into trend.



- Young "green fashion designers" dress up dolls with trendy new looks made from mix-and-match recycled and upcycled materials.

The Happy Green Campaign is our signature programme to educate the younger generation on energy efficiency, renewable energy and low-carbon living. Continuing with the theme of "Be Chill, Be Carbon Neutral" in 2024, a number of initiatives were designed to encourage decarbonisation and waste reduction, including the launch of an innovative action planner to promote public understanding of the United Nations' SDGs. The planner features a weekly guide, and together with a 17-step aerobics programme, encourages actions that can be taken towards a sustainable, low-carbon future. Our "Back in Fashion" design competition received more than 220 submissions of upcycled apparel from fashion design students, schools, and the general public that showcased how unwanted clothes could be given a second lease of life.

The long-running Green Energy Dreams Come True competition continued to inspire schoolgoers to create green projects. A total of eight teams each from tertiary institutions and secondary schools received seed money of up to HK\$50,000 each to turn their creative ideas into reality, ranging from a smart garden and a clay refrigerator that does not need grid connection, to games that reinforce messages of carbon neutrality.



- The University of Hong Kong's "The Future Smart Garden: OASIS" wins the tertiary category of the Green Energy Dreams Come True competition.



- Our Managing Director, Francis C.Y. Cheng (middle) welcomes guests and Happy Green Ambassadors to a guided tour of the Lo Pan Temple.



- The enhanced "West Town Story" route features the unique stonewall trees on Forbes Street, which have grown with the Western District community.

Over the year, Green Hong Kong Green (GHKG) continued with its mission to promote Hong Kong's eco-heritage and encourage a conservation mindset with both online and physical eco-tours. 2024 saw the debut of a night safari at Tai Tam Country Park. An urban route through the Western District highlighted a collection of historical landmarks and ecological treasures in the area, including unique stonewall trees and the newly-declared statutory monument Lo Pan Temple. The route revives the rich stories of the district for the public to explore, while reminding them of the importance of conservation in urban development. More than 2,800 people enjoyed our various guided tours. The GHKG app, launched in 2013, remained popular, with over 53,600 downloads by users exploring our 12 routes at their own pace.

In support of the United Nations' World Environment Day 2024, a one-month campaign themed on waste reduction and management was launched to promote awareness of recycling among staff, attracting nearly 1,000 participants. An online activity, "Find Your Recycling Point", helped employees learn the locations of recycling facilities in the community and encouraged them to practise recycling in their daily lives.

We won Gold Awards in the manufacturing sector of the BOCHK Corporate Low-Carbon Environmental Leadership Awards 2023 and the public and community services sector of the 2023 Hong Kong Awards for Environmental Excellence. The two awards recognise our performance as well as innovation in resource conservation, environmental protection, green energy use, driving decarbonisation and supporting Hong Kong's journey towards carbon neutrality.

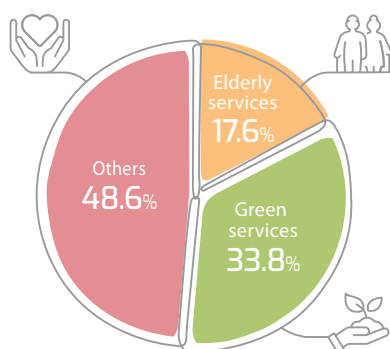
A caring neighbour within the community

Over two decades, HK Electric's team of volunteers has become a familiar sight within the Hong Kong community, delivering services to benefit the vulnerable and the environment. In 2024, the team supported 35 services, contributing more than 3,930 service hours.

Our volunteers team is committed to promoting care and inclusion in the community and, during the year, expanded its reach by partnering with five new organisations dedicated to supporting socially disadvantaged groups. These include individuals with intellectual disabilities, vulnerable girls, mental-health recovery patients, children with special learning needs, and the homeless.

Volunteer Services in 2024

(3,939 service hours)



- HK Electric's Volunteers Team celebrates its 20th anniversary at a ceremony, thanking outstanding volunteers for their services in 2023.

CEO's Report



- Nearly 300 seniors and their carers enjoy a day at the movies organised under the "CAREnJOY: Fun & Joy" initiative.

The team celebrated its 20th anniversary by rolling out a "Show Me Your Love" challenge in June 2024, encouraging and funding volunteers to implement projects they feel passionate about. All 20 selected projects were successfully implemented, benefitting more than 1,200 people. A training session on disaster prevention and relief measures was conducted to strengthen the preparedness and response capabilities of our volunteers to offer help during emergency situations.

The CAREnJOY campaign continued to help the elderly improve their quality of life through two streams of activities in 2024. Four "Fun & Joy" excursions took more than 500 elderly residents on memorable day trips, which included a tram ride across Hong Kong Island, portrait photography, a visit to a cinema for a popular movie, and getting up close and personal with nature and ecology at Ocean Park. In addition, more than 640 senior people learnt about electrical safety including tips on what to do during emergencies through talks we organised.

In 2024, we continued our collaboration with the Hong Kong Council of Social Service to run the University of 3rd Age (U3A) Network, encouraging local retirees to pursue lifelong learning, maintain physical and mental fitness, and serve the community.

HK Electric provided funding to 35 U3A self-learning centres operating under 15 social service agencies throughout the city.



- The "CAREnJOY: Fun & Joy" initiative treats another 100 single elders to a nostalgic tram ride, fostering reconnection with the community.



Over 600 courses with about 15,000 learning opportunities were offered to local retirees in 2024. A total of 81 Smart Power Ambassadors were trained to help promote energy efficiency and conservation, as well as smart ageing. Many of them joined a study tour across the border to benchmark the use of genro-technology, participating in a series of workshops and learning sessions about "Embracing Technology for Smart Ageing".

A recognition ceremony was staged in April 2024 to honour the efforts of outstanding U3A centres and leaders. The winning teams of the "U3A Dream+" scheme showcased their dream projects, which were selected for the positive impacts they had on society. The campaign took home a Silver Award in the Corporate Social Responsibility category of the 20th China Golden Awards for Excellence in Public Relations.

We also maintained the support we provided to families to help them recover from tough economic times. Cash coupons worth HK\$200 each were distributed to 10,000 families, including customers eligible for concessionary tariff schemes and households in financial need, for buying daily necessities. Since 1984, we have provided scholarships and bursaries of over HK\$18 million to more than 7,000 secondary and tertiary students with outstanding academic and personal accomplishments. In the 2023 – 2024 school year, we offered more than HK\$860,000 in awards and financial assistance to students via various scholarship programmes.



- Innovative projects to benefit the community are recognised by the "U3A Dream+" awards scheme.



- The 2023 – 2024 Scholarship Award Ceremony honours 93 students for their outstanding academic and personal achievements.

Energising

Green Social Housing

Construction sites in Hong Kong traditionally use diesel generators, which have a bigger environmental footprint. They are noisy, pose safety concerns, and create harmful emissions, while also increasing the embodied carbon footprint of any building.

HK Electric's Smart Power for Construction Site service (SPCS) helps make the construction industry more eco-friendly. It simplifies and shortens the process of connecting the site to grid-electricity at an early stage of the project so developers and contractors can avoid using diesel generators and reduce the pollution they cause.

The Government approved funding for the four-storey Everest Residence, a transitional housing project on Hong Kong Island. From the initial stages, our SPCS service ensured the site was connected to our power supply, allowing the entire construction process of about eight months to be fully powered by electricity from our grid. This reduced the project's embedded carbon and rendered the project greener.

In addition, we fully subsidised all 103 units there with energy-efficient appliances, including air-conditioners, electric water heaters, induction cookers, and range hoods. Eight solar lamps and two solar-powered mosquito zappers in the garden, also subsidised by our programme, are fully powered by renewable energy. What's more, our engineers also provided technical consultancy and support services to help residents lower carbon emissions and reduce energy costs.



- Using grid-electricity supply during construction helps Everest Residence significantly reduce embedded carbon.



Scan to watch how our one-stop Smart Power Services are empowering the transitional housing project

Our involvement in the Everest Residence project has created one of Hong Kong's pioneering green social housing projects. While improving the living conditions for residents, it also serves as an example of how eco-friendly and energy-efficient solutions can be adopted to promote a low-carbon lifestyle.



- We are proud to have helped 103 families adapt to the green social housing at Everest Residence.



- Energy-efficient appliances, such as air-conditioners and induction cookers, are installed in all units of Everest Residence.

CEO's Report



- Our volunteers distribute “Lo Pan Rice” and mooncakes to more than 200 site staff and workers during Mid-Autumn Festival.



- HK Electric shares experiences from applying “Smart Site Safety System” at Safety Conference 2024.

A great place to work

We believe in attracting and retaining skilled and motivated people by acting as a model employer, providing employment and growth opportunities fairly to all, and equipping our staff with the skills and comprehensive support they need to unleash their full potential.

A Human Resources Steering Committee, established in 2017, is responsible for providing strategic direction and oversight of all our human resources initiatives to ensure alignment with the company's goals. The committee develops and monitors policies to comply with laws and best practices, facilitates talent management and succession, and sets compensation levels.

As of the end of 2024, about 21% of our over 1,800 employees were women, and the proportion of women in senior management and engineering roles was 5.7% and 10.7% respectively. Our voluntary turnover rate stood at 7% compared to a Hong Kong-wide average of 10.9%.

Hong Kong is on a quest for talent. We have adapted our recruitment strategies to ensure that we continue to attract and retain the skilled staff essential to maintaining operational excellence and driving innovation as we seek to achieve carbon neutrality and other corporate goals.

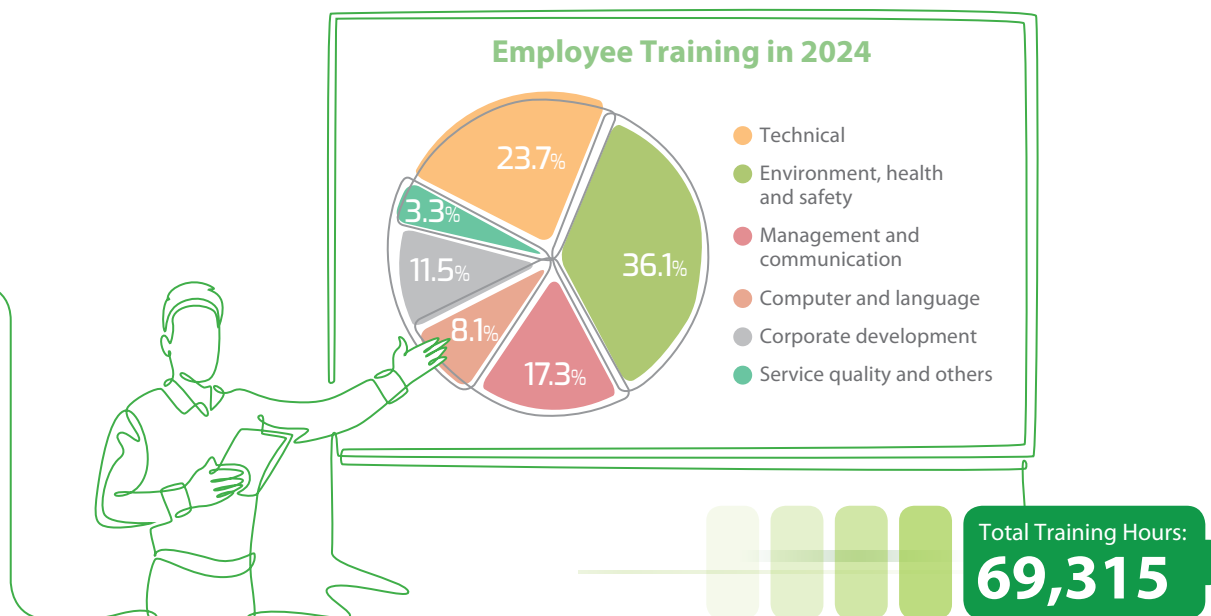
To maintain a strong talent pool, we have expanded our recruitment efforts to include candidates from Mainland China, offering competitive compensation packages to support their relocation to Hong Kong. In 2024, we successfully recruited a dozen engineering, finance, IT and logistics professionals from across the border. Our five trainee programmes, including Graduate Trainee, Trainee Technician,

Industrial Placement and Industrial Attachment Trainee, and Vacation Trainee programmes, offered opportunities to 52 students. In partnership with the Employees Retraining Board, we provided 56 hours of training on basic technical and operational knowledge to 11 candidates with general work experience. Following the training, these candidates were offered employment in roles related to generation, transmission and distribution.

The health and safety of our people is our foremost responsibility and we do our utmost to embed a safety-first mentality among both employees and contractors. In 2024, we organised various safety training sessions, including two safety webinars and the “Health and Safety Forum 2024” which were attended by over 1,000 employees and contractors. During the year, we also updated our Health and Safety Policy to further enhance clarity.

Over the years, we have invested in employee engagement with open, transparent communication across the company. A range of channels are in place to facilitate two-way dialogue. The 70-strong Joint Consultation Committee relayed employees’ needs and suggestions to the management and also helped explain company policies and practices to their constituents. A total of 33 improvement initiatives on medical benefits, education sponsorship, meal allowance, work environment and office facilities were introduced, which included the increase of maternity and paternity leave entitlements from 14 to 16 weeks and 5 to 10 days respectively.

We embraced digital communication channels, including IDEAS Click, an employee suggestion platform, and an internal mobile application (MyHKE), to provide a convenient platform for employees to share their ideas and obtain company updates and employee benefits information.



An employee communication forum, “Dialogue with Francis”, was hosted by the CEO where around 600 employees attended onsite or online. The forum covered a range of topics including the 2024 – 2028 Development Plan, the offshore LNG terminal project, the new L13 gas-fired generating unit, employee benefits and strategic initiatives to address future challenges.

In 2024, a voluntary employee wellbeing survey was conducted, receiving 1,481 responses (81.6% of eligible employees). The survey aimed to assess employees’ happiness, work stress, work-life balance, and overall engagement in the workplace. The data and results were analysed by an external agency and findings and recommendations were presented to the management for review in February 2025. Follow-up focus group meetings will be held to further examine the opinions received.

We always encourage our employees to take ownership of their learning and development. A new learning management system, i-learn, went live in May 2024 to support self-directed learning and foster an organisational learning culture. The portal offers

features such as tracking of learning progress, identification of learning needs, and pilot curricula to promote competency-based development and growth.

To improve their digital expertise, 92 contractors and secondees attended two cybersecurity training courses.

We continued our co-operation with The Hong Kong Polytechnic University, Xi’an Jiaotong University and State Grid Corporation of China (State Grid) by hosting the 7th Belt and Road Advanced Programme in Power and Energy. Themed “Low Carbon Transition: Latest Development of Green Energy”, the course attracted 26 participants from seven Belt and Road countries and regions across four continents. In addition, 20 of our young executives attended a 14-day residential programme at State Grid’s Senior Management Training Centre in Beijing. The programme was tailored to the needs of the next generation of leaders, including advanced technologies, corporate management, and Chinese culture.



- 26 participants from seven Belt and Road countries and regions attend the Graduation Ceremony of the Belt and Road Advanced Programme in Power and Energy 2024.

CEO's Report

Building Bridges through Dialogues **Hear Your Voice**

We are committed to fostering a positive work environment where employees feel empowered to communicate their views openly to management. Various employee engagement channels are in place, including online surveys, focus groups, committees, and more.

The "Hear Your Voice" initiative was introduced in 2021 to foster open dialogue, generate new ideas, and recognise emerging talents. It seeks to broaden and deepen engagement between senior management, including HK Electric's Managing Director and the Engineering Director, and young professionals through small group meetings with in-depth interaction. These sessions facilitate candid conversations to hear our young professionals' thoughts about their growth and development, career aspirations and insights on company matters.



- Lively discussions foster an engaging atmosphere during "Hear Your Voice" sessions.



- Young executives share their perspectives on personal growth, career aspirations and insights on company matters.

In 2024, 128 young professionals with high potential joined the "Hear Your Voice" meetings. To further support their growth, 20 of them were invited to present their perspectives and respond to questions from both management and their peers. Lively discussions after the presentations reinforced the connection between emerging talents and incumbent leaders, fostering a culture of mutual learning and collaboration.

In the four years since its launch, "Hear Your Voice" has become an effective platform for fostering engagement between senior executives and young professionals. The programme has continually evolved to meet the changing needs of participants, incorporating feedback from previous sessions to enhance its impact. Young professionals who have participated in the initiative have reported significant benefits, including increased confidence, expanded professional networks, and a clearer understanding of their career paths within the organisation.

The programme has become an integral part of HK Electric's commitment to developing future leaders and promoting a collaborative workplace culture. Its scope will be expanded going forward.



- "Hear your Voice" connects young professionals with senior executives and inspires open dialogue.



- Family-friendly team activities strengthen bonding and create cherished memories.

As a continuous effort to promote employee health and well-being, interest classes, physical training courses and sports tournaments were organised with more than 2,300 participants to improve both their physical and emotional wellness, as well as maintain work-life balance. An enhanced outpatient medical benefits plan was introduced to employees and their families, extending to traditional Chinese medicine and dental benefits on top of the usual coverage.

Our Good Neighbours' Club now comprises more than 150 colleagues, well-trained in employee counselling skills so that they can provide just-in-time emotional support to colleagues in need. Eight workshops and three webinars were also held to train over 650 employees on resilience, stress management, and cultivating a positive mindset. Recreational and sports activities like the Runners' Club, games days, and family activities were enjoyed by more than 1,800 colleagues.

Trust, transparency and communication

We believe in keeping our stakeholders well informed of our sustainability priorities and the progress we are making towards them.

Our annual Sustainability Report is an important channel for communicating our sustainability strategies and performance with stakeholders. The report is prepared in accordance with the Global Reporting Initiative's Sustainability Reporting Standards and Electric Utilities Sector Disclosures as well as the ESG reporting requirements specified by HKEX. Reference is also made to Sustainability Accounting Standards Board Standards for Electric Utilities and Power Generators. External independent assurance is conducted to ensure the accuracy of the report.

We have further enhanced our climate-related disclosures with reference to the new ESG Reporting Code of HKEX, which is developed based on the international disclosure standards. We have also conducted a double-materiality assessment with specialised engagement exercises to ensure our disclosures meet stakeholders' expectations.



- Company staff browse the books on display at a reading event supported by State Grid.

Apart from formal reporting, we engaged directly with our stakeholders. Visits to LPS are a useful way to keep our stakeholders informed about our operation. More than 80 visits took place in 2024, including those for Legislative Council and district council members, professional institutes, schools and community groups. The Corporate Information Brochure and a number of corporate factsheets were updated and uploaded onto the corporate website. The quarterly news bulletin "HK Electric Online" was redesigned and, along with its video version, continued to provide updates to customers and stakeholders of the company's developments and initiatives.



- Legislators are introduced to the Solar Power System at LPS during their visit to the power plant.

Conclusion

Our mission to help achieve the city's decarbonisation goals requires a wide range of sustainability efforts to minimise both our own environmental footprint and to help the community become more energy-efficient. This will remain a primary focus in the years to come as we seek to continually better our own achievements across our operation.

Financial Review

Financial performance

The Trust Group's revenue and audited consolidated profit for the year ended 31 December 2024 were HK\$12,057 million (2023: HK\$11,406 million) and HK\$3,111 million (2023: HK\$3,156 million) respectively.

Distribution

The Trustee-Manager Board has declared the payment of a final distribution by the Trust of HK16.09 cents (2023: 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 (2023: HK16.09 cents) per ordinary share in respect of the same period. This, together with the interim distribution of HK15.94 cents (2023: HK15.94 cents) per SSU, brings the total distribution to HK32.03 cents (2023: HK32.03 cents) per SSU for the year ended 31 December 2024.

	2024 HK\$ million	2023 HK\$ million
Audited consolidated profit attributable to SSU holders	3,111	3,156
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	5,807	5,206
(ii) adding/(deducting)		
– movement in Fuel Clause Recovery Account	162	1,945
– changes in working capital	(43)	(803)
– adjustment for employee retirement benefit schemes	(16)	(18)
– taxes paid	(1,406)	(169)
	(1,303)	955
(iii) capital expenditure payment	(3,787)	(4,087)
(iv) deducting		
– debt repayment	–	(1,277)
– net finance costs	(1,499)	(1,527)
	(1,499)	(2,804)
Distributable income	2,329	2,426
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed	501	404
Distributable income after adjustment of the discretionary amount	2,830	2,830
Interim distribution	1,408	1,408
Final distribution	1,422	1,422
Distribution amount	2,830	2,830
Distributions per SSU (see note (c) below)		
– Interim distribution per SSU	HK15.94 cents	HK15.94 cents
– Final distribution per SSU	HK16.09 cents	HK16.09 cents
Total distributions per SSU	HK32.03 cents	HK32.03 cents

In determining the distribution amount, the Company Board has taken into account the Group's financial performance achieved during the year and its stable cashflow from operations, and consider it appropriate to adjust the distributable income for the year ended 31 December 2024, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.

Notes:

- (a) Pursuant to clause 1.1 of the Trust Deed, "Adjustments" includes, but not limited to (i) transfers to/from the Tariff Stabilisation Fund and the Rate Reduction Reserve under the Scheme of Control; (ii) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (iii) impairment of goodwill/recognition of negative goodwill; (iv) material non-cash gains/losses; (v) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units; (vi) depreciation and amortisation; (vii) tax charges as shown in the consolidated statement of profit or loss; and (viii) net finance income/costs as shown in the consolidated statement of profit or loss.
- (b) The Trustee-Manager Board has confirmed, in accordance with the Trust Deed, that (i) the auditors of the Trust Group have reviewed and verified the Trustee-Manager's calculation of the above distribution entitlement per SSU and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unit holders of the Trust, the Trustee-Manager will be able to fulfill, from the Trust Property (as defined in the Trust Deed), the liabilities of the Trust as they fall due.
- (c) Interim distribution per SSU of HK\$15.94 cents (2023: HK\$15.94 cents) was calculated based on the interim distribution amount of HK\$1,408 million (2023: HK\$1,408 million) and 8,836,200,000 SSUs in issue as at 30 June 2024 (30 June 2023: 8,836,200,000 SSUs). Final distribution per SSU of HK\$16.09 cents (2023: HK\$16.09 cents) was calculated based on the final distribution amount of HK\$1,422 million (2023: HK\$1,422 million) and 8,836,200,000 SSUs in issue as at 31 December 2024 (31 December 2023: 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\$3,659 million (2023: HK\$4,447 million), which was funded by cash from operations and external borrowings. Total external borrowings outstanding at 31 December 2024 were HK\$50,855 million (2023: HK\$50,206 million), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 31 December 2024 had undrawn committed bank facilities of HK\$4,850 million (2023: HK\$6,535 million) and bank deposits and cash of HK\$30 million (2023: HK\$21 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.

As at 31 December 2024, the net debt of the Trust Group was HK\$50,825 million (2023: HK\$50,185 million) with a net debt-to-net total capital ratio of 51% (2023: 51%). The Trust Group's financial profile remained strong during the year. On 17 March 2024, 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.

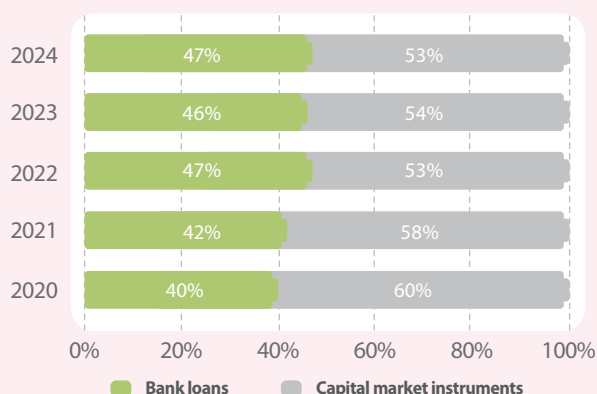
The profile of the Trust Group's external borrowings as at 31 December 2024, after taking into account forward foreign exchange contracts, cross currency and interest rate swaps, was as follows:

Debt Profile by Currency

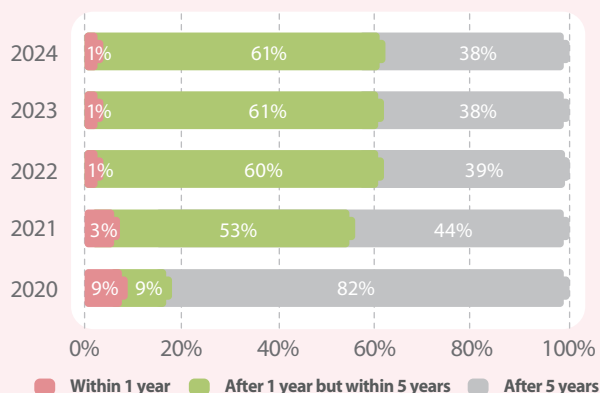


Financial Review

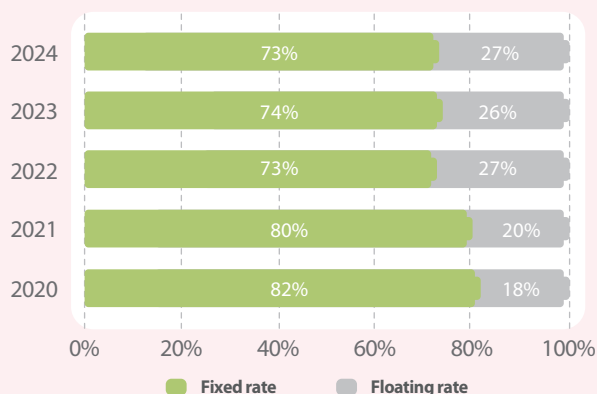
Debt Profile by Types of Borrowings



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 2024, 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 2024 amounted to HK\$49,558 million (2023: HK\$46,116 million).

Charge on assets

At 31 December 2024, no assets of the Trust Group were pledged to secure its loans and banking facilities (2023: Nil).

Contingent liabilities

As at 31 December 2024, the Trust Group had no guarantee or indemnity to external parties (2023: 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 2024, excluding directors' emoluments, amounted to HK\$1,235 million (2023: HK\$1,206 million). As at 31 December 2024, the Trust Group employed 1,649 (2023: 1,657) permanent employees. No share option scheme is in operation.

Awards Gallery



CORPORATE/COMMUNITY

27 Awards

◆ Outstanding ESG Enterprises Recognition Scheme 2024

- Prestigious ESG Accomplishment of the Year
- Outstanding ESG Environmental Performance Award
- Outstanding ESG Social Performance Award
- Outstanding ESG Corporate Governance Performance Award
- ESG Commendation Certification

◆ NEXX Sustainability and ESG Awards 2024

- Sustainability & ESG Strategy Award
- Community Education and Engagement Award

◆ 2024 ARC Awards International

Annual Report 2023

- Traditional Annual Report: Electric & Gas Services: Gold Award
- Cover Photo/Design: Electric Power Company: Gold Award
- Interior Design: Electric Power Company: Bronze Award

◆ Caring Company Scheme 2023/24

- 10 Years Plus Caring Company Logo

◆ The 20th China Golden Awards for Excellence in Public Relations

- Corporate Social Responsibility Category: Silver Award

◆ The Community Chest of Hong Kong

- Corporate and Employee Contribution Programme 2023/24: Bronze Award

◆ HKIE MIS Industry Award 2023

- Innovation Award: Bronze Award

◆ HKMA Award for Excellence in Training and Development 2024

- Award for Excellence in Training and Development: Bronze Award
- Award for Excellence in Change Management
- Award for Excellence in Innovation

◆ Happiness-at-work Promotional Scheme 2024

- "Happy Company 10 Years+" Label

◆ Good MPF Employer Award 2023 – 24

- Good MPF Employer 10 years
- e-Contribution Award
- MPF Support Award

◆ ERB Annual Award Presentation Ceremony 2023 – 24

- ERB Outstanding Employer Award

◆ Partner Employer Award 2024

- Excellent Corporation Award

◆ Construction Industry Volunteer Award Scheme 2024

- CISVP Corporate Award for Activeness: Merit Award
- Most Supportive Organisation Award

◆ 2024 Hong Kong International ESG Annual Awards

- Best Action in Energy Conservation and Decarbonisation Award

◆ Best Corporate Governance and ESG Awards 2024

- ESG Award: Special Mention



Awards Gallery

CUSTOMER SERVICE 30 Awards



◆ The 22nd International APCSC Customer Relationship Excellence Awards

Corporate Category

- Public Service of the Year 2024

Individual Category

- Customer Service Team Leader of the Year 2024 (Contact Centre - Public Utilities)
- Customer Service Professional of the Year 2024
 - Contact Centre - Public Utilities
 - Service Centre - Public Utilities
 - Technical Centre - Public Utilities
 - Contact Centre - Public Utilities: 2 Merit Certificates
 - Technical Centre - Public Utilities: 2 Merit Certificates

◆ HKRMA Quality Service Programme 2024

Corporate Category

- Quality Service Retailer of the Year of Flagship Stores: Gold Award
- Quality Service Retailer of the Year - Retail (Services) Category

◆ HKRMA Quality Service Programme

October 2023 to December 2023

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

January 2024 to March 2024

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

April 2024 to June 2024

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

July 2024 to September 2024

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



◆ Hong Kong Customer Contact Association Award 2024

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 (Brick-and-Mortar) - Public Service and Utilities: Gold Award
- Mystery Customer Assessment Award - Public Service and Utilities: 2 Gold Awards
- Customer Experience Initiative of the Year: Gold Award
- Best Customer Centre in Technology Application: Silver Award

Individual Category

- Brick-and-mortar Customer Contact Professional of the Year: Silver Award
- Digital Transformation Champion of the Year: Bronze Award

◆ Best SME's Partner Award 2024

- Best SME's Partner Gold Award

◆ Hong Kong Star Brand Award 2024 (Enterprise)



ENVIRONMENTAL 15 Awards



◆ 2023 Hong Kong Awards for Environmental Excellence

- Public and Community Services Sector: Gold Award

◆ BOCHK Corporate Low-Carbon Environmental Leadership Awards 2023

- Manufacturing Sector: Gold Award



◆ Hong Kong Green Organisation Certification

- Excellent Level Energywise Certificate: Transmission & Distribution Division (Electric Tower)
- Excellent Level Wastewise Certificate: Generation Division
- Excellent Level Wastewise Certificate: Transmission & Distribution Division (Electric Tower)

◆ Indoor Air Quality Certification Scheme

- Excellent Class Certificate: Hongkong Electric Centre
- Excellent Class Certificate: Electric Centre (9/F Office)
- Excellent Class Certificate: Electric Tower
- Good Class Certificate: Electric Centre
- Good Class Certificate: Lamma Power Station (Administration & Control Building)
- Good Class Certificate: Lamma Power Station (New Control Building)

◆ World Green Organisation

- Green Office Label and Eco-Healthy Workplace Label

◆ CarbonCare® Label Scheme 2024

- CarbonCare® Star Label
- CarbonCare® Label: Level 4

◆ Food Wise Eateries Scheme

- Diamond Class

QUALITY / HEALTH / SAFETY

13 Awards



◆ The 23rd Hong Kong Occupational Safety and Health Award

- OSH Report Award: Gold Award
- OSH Promotion Award: Gold Award
- OSH Enhancement Program Award: Silver Award
- Safety Climate Index Survey Best Practices Award: Silver Award
- Best OSH Performance Award: Silver Award
- Safety Culture Award: Bronze Award
- Safety Performance Award (All Industries Category): 2 Excellence Awards



◆ The 19th Occupational Health Award

- Joyful @ Healthy Workplace Best Practices Award (Enterprise/Organisation Category): Grand Award
- Joyful @ Healthy Workplace
 - Healthy Eating Promotion: Distinction
 - Mental Health Promotion: Distinction
 - Physical Activity Promotion: Distinction



◆ The 16th Outstanding Occupational Safety & Health Employee Award

- Management - Organisation/Enterprise Category: Merit Award

STAFF 42 Awards



◆ Inter-Hong Lawn Bowls Tournament

- Champion

◆ 2023 Outstanding Apprentice Award

- Sir Edward Youde Memorial Outstanding Apprentice Award

◆ HKCT School of Vocational Training Outstanding Trainee Award 2024

- Outstanding Trainee

◆ The HKIE Professional Volunteer Service Accreditation Programme

- Grand Leadership Award
- Silver Award

◆ 2023 Volunteer Service Appreciation Certificate

- 3 Gold Awards
- 11 Silver Awards
- 23 Bronze Awards

Corporate Governance

Transparency, Integrity and
Sustainability at Our Core





Boards of Directors and Management Team

Boards of Directors

Executive Directors

FOK Kin Ning, Canning

Chairman

Aged 73. 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.

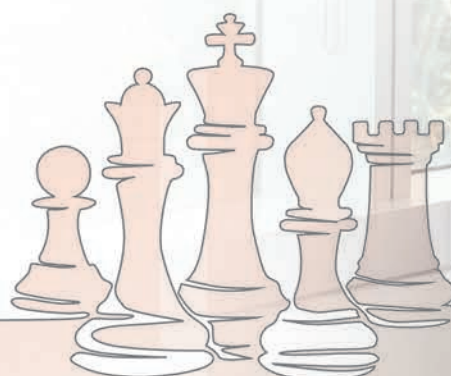
CHENG Cho Ying, Francis

Chief Executive Officer

Aged 68. 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 62. 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 64. 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 49. 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.



From left to right: CHAN Loi Shun; KWAN Ying Leung; CHENG Cho Ying, Francis; WANG Yuanhang

Boards of Directors and Management Team

Non-executive Directors

LI Tzar Kuoi, Victor

Deputy Chairman of the Company Board

Aged 60. 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. Mr. Li is the Chairman and Executive Director of CK Hutchison, 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 69. 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 86. 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, 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 57. 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 57. 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 57. 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 Vice President 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 Vice Chief Engineer and Director General of International Cooperation Department of State Grid, 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's 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 68. 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 Professor at The University of Hong Kong Business School and City University of Hong Kong College of Business, as well as an Adjunct Associate Professor at 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.

KOH Poh Wah

Aged 68. 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 ESR Asset Management (Fortune) Limited (formerly known as 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 75. 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 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 and the chairman of the board of G.T. Land Holdings 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. He completed the Stanford Executive Program in 1992.

Boards of Directors and Management Team

LEE Lan Yee, Francis

Aged 84. 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 89. Appointed to the Boards of the Trustee-Manager and the Company in December 2013. Mr. Magnus is also a Director of HK Electric. He is 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"). Mr. Magnus 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 was a Non-executive Director of CK Hutchison from January 2015 until his retirement in March 2025. 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 73. 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 CKA, Queen's Road Capital Investment Ltd. and CK Life Sciences, all being listed companies. He is also an Independent Non-executive Director of Welab Bank Limited and Welab Capital Limited. Mr. Roberts joined HWL 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 73. 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 over 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 54, General Manager (Projects), has been with the Group since January 1994. He has over 30 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 65, General Manager (Customer Services), has been with the Group since October 1981. He has over 43 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 55, General Manager (Generation), has been with the Group since September 1994. He has over 30 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.

HO Yin Piu, Bill

Aged 54, 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, The Institution of Engineering and Technology in the United Kingdom and The Hong Kong Institute of Directors.

SO Hin Lun, Alan

Aged 56, Acting General Manager (Group Commercial), has been with the Group since September 1991. He has over 33 years of experience in managing power projects and procurement activities. He holds a Bachelor of Science degree and a Master of Science degree both in Mechanical Engineering.

WAN Wai Kin, Mullar

Aged 66, General Manager (Information Technology), has been with the Group since July 1993. He has over 42 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 64, 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.

WU Kwok Kwong, Dennis

Aged 60, 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 61, General Manager (Transmission & Distribution), has been with the Group since September 1987. He has over 37 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 61, General Manager (Public Affairs), has been with the Group since July 2003. She has over 38 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 55, 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 2024 (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 2024.

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 33, Financial Review on pages 34 to 36 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 72 to 77.

The Trust Group's relationships with its key stakeholders, environmental policies and performance is discussed in the CEO's Report on pages 14 to 33, 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 74 to 77 and the Combined Corporate Governance Report on pages 51 to 71.

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

Results

The results for the year ended 31 December 2024 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 86 to 163.

The results for the year ended 31 December 2024 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 166 to 174.

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 (2023: HK16.09 cents) per Share Stapled Unit for the year ended 31 December 2024, payable on 23 April 2025 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 10 April 2025. This, together with the interim distribution of HK15.94 cents (2023: 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 2024 (2023: 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 (2023: HK15.94 cents) and HK16.09 cents (2023: HK16.09 cents) respectively for the year ended 31 December 2024.

The Trustee-Manager Board does not recommend the payment of a dividend for the year ended 31 December 2024.

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 (2023: 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 175.

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 2024 and 2023.

Purchases from the largest supplier of revenue items for the year represented 33.2% (2023: 43.1%) of the Trust Group's total purchases of revenue items, and purchases from the five largest suppliers combined accounted for 79.8% (2023: 74.4%) of the Trust Group's total purchases of revenue items for the year ended 31 December 2024.

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 2024 and up to the date of this report were Mr. Fok Kin Ning, Canning, Mr. Li Tzar Kuoi, Victor, 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, 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 same period, Mr. Frank John Sixt served as the Alternate Director to Mr. Li Tzar Kuoi, Victor.

Permitted indemnity

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

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

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

Directors' material interest in significant transaction, arrangement and contract

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

Combined Report of the Directors

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 2024.

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, 18 March 2025

Combined Corporate Governance Report



The Boards of the Trustee-Manager and the Company present their corporate governance report for the year ended 31 December 2024.

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 2024, 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



Combined Corporate Governance Report

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 33 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.

Biographical details of the Directors are set out in the Boards of Directors and Management Team section on pages 42 to 47 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 2024 are as follows:

Directors	Company						Trustee-Manager			Combined 2024 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 Non-executive Directors	
Executive Directors										
Fok Kin Ning, Canning (Chairman)	4/4	–	1/1	–	–	2/2	4/4	–	2/2	√
Cheng Cho Ying, Francis (Chief Executive Officer)	4/4	–	–	–	2/2	–	4/4	–	–	√
Chan Loi Shun	4/4	–	–	–	–	–	4/4	–	–	√
Kwan Ying Leung	4/4	–	–	–	2/2	–	4/4	–	–	√
Wang Yuanhang	4/4	–	–	–	–	–	4/4	–	–	√
Non-executive Directors										
Victor T K Li (Deputy Chairman)	4/4	–	–	1/1	–	–	4/4	–	–	√
Fahad Hamad A H Al-Mohannadi	3/4	–	–	–	–	–	3/4	–	–	√
Ronald Joseph Arculli	4/4	2/4	–	–	–	–	4/4	2/4	–	√
Deven Arvind Karnik	4/4	–	–	–	–	–	4/4	–	–	√
Wang Zijian	3/4	–	–	–	–	–	3/4	–	–	√
Zhu Guangchao	4/4	–	–	–	–	–	4/4	–	–	√
Independent Non-executive Directors										
Fong Chi Wai, Alex	4/4	–	1/1	–	2/2	2/2	4/4	–	2/2	√
Koh Poh Wah	4/4	4/4	–	–	–	2/2	4/4	4/4	2/2	√
Kwan Kai Cheong	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	√

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, supported by the Nomination Committee of the Company, conduct regular evaluation of their performance to ensure good corporate governance and board effectiveness. As part of the annual 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 Nomination Committee and the Boards for review internally.

Subsequent to the financial year end, the Boards conducted an evaluation of their performance for 2024 in the manner described above, and the results were reviewed at the Nomination Committee and the Boards meetings held in March 2025. 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.

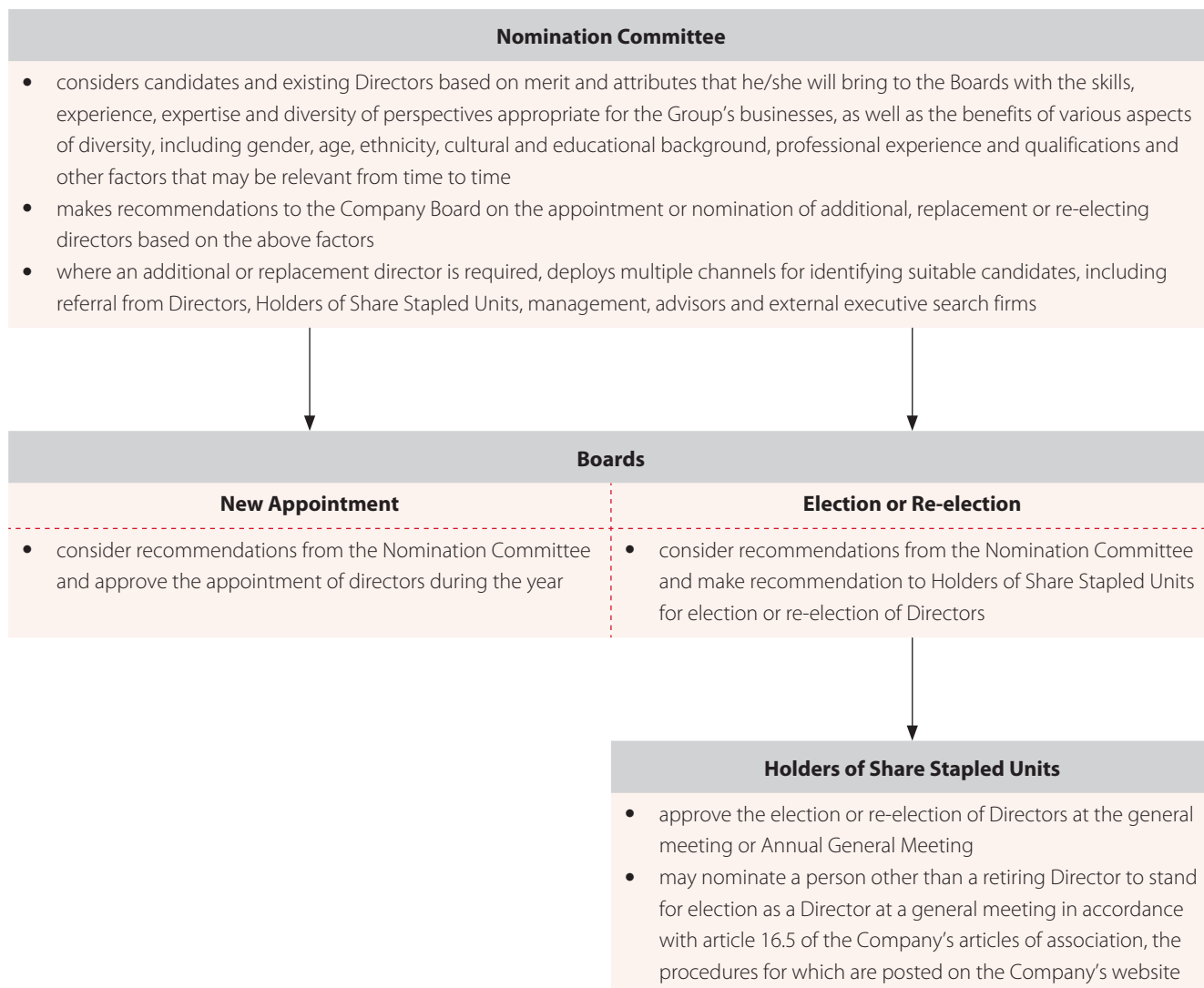
All Directors have been appointed on annual twelve-month basis (save for the initial period which is for a period up to 31 December in the year of appointment), subject to retirement from office by rotation and re-election at the Annual General Meeting at least once every three years pursuant to the 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. Fok Kin Ning, Canning, Mr. Deven Arvind Karnik, Dr. Fong Chi Wai, Alex, Mr. Lee Lan Yee, Francis, Mr. Donald Jeffrey Roberts and Ms. Koh Poh Wah. 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 election or 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

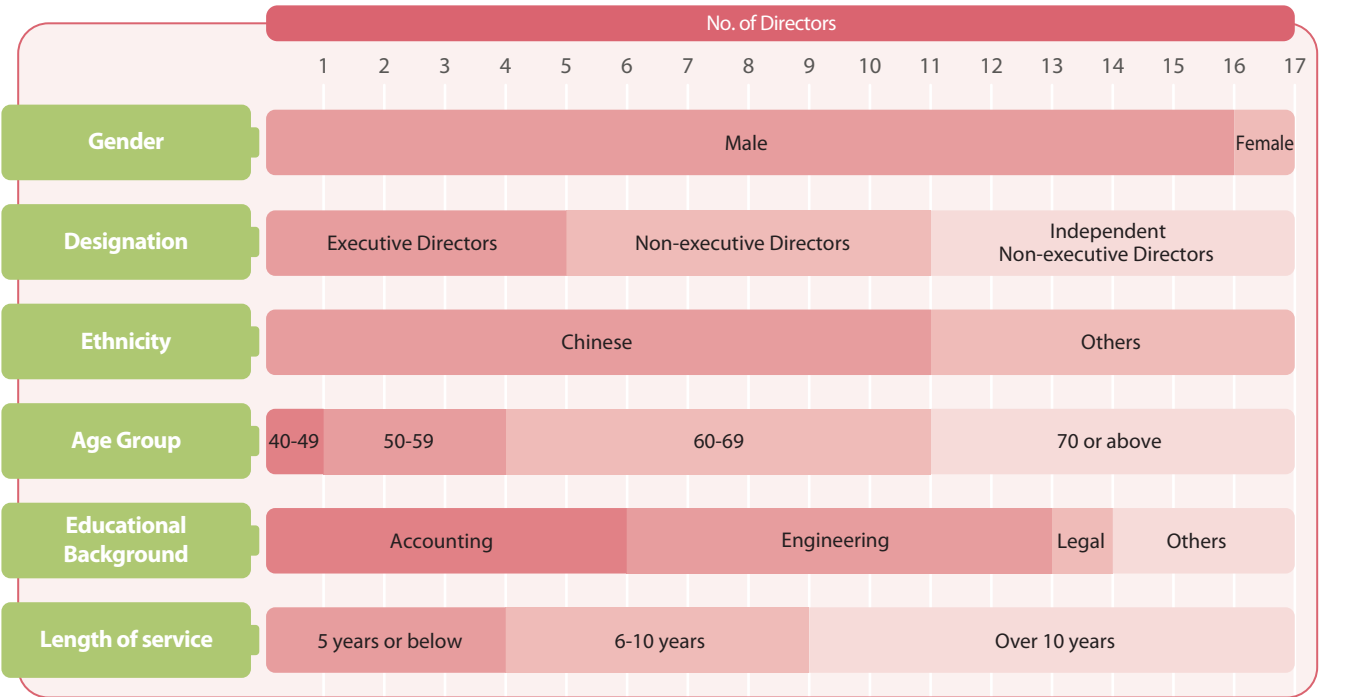
The full Boards are ultimately responsible for reviewing the structure, size, diversity profile and skills matrix of the Boards, appointment of new Directors and succession plan for Directors. They have delegated their responsibility to the Nomination Committee of the Company, and established the Director 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 annually 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 Company also recognises the importance of diversity throughout the Group. It has established the Workforce Diversity Policy in 2024, which is published on the Company’s website, to provide guidance in creating a diverse, inclusive and supportive working environment for its employees.

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 2024, 79% and 21% of the Group’s employees (including senior management) 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 2024 is as follows:



The table below shows the mix of skills the Boards possess:

Skills and Expertise	No. of Directors (Note)
Board governance / leadership	17
Business management	15
Strategic planning / risk management	8
Regulatory regime / public policy	11
Accounting / finance	8
Legal / regulatory	1
Engineering	7
Related industry knowledge / experience	11
Sustainability	4
Climate-related risk and opportunity	4
Information technology / data	3

Note: Multiple skills and/or expertise may apply to one Director.

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 2024, 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 2024 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 with an open agenda enabling them to voice out their independent views and promoting 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.



Combined Corporate Governance Report

Directors have provided to the Company their records of continuous professional development training during 2024, and they have participated in the following training activities:

1. Reading materials on directors' duties, compliance issues for listed companies and/or legal and regulatory requirements
2. Reading materials and e-trainings on corporate governance, risk management and internal control
3. Reading materials, e-trainings and seminars on Environmental, Social and Governance ("ESG") related and climate-related disclosure requirements

Directors	1	2	3
Executive Directors			
Fok Kin Ning, Canning	✓	✓	✓
Cheng Cho Ying, Francis	✓	✓	✓
Chan Loi Shun	✓	✓	✓
Kwan Ying Leung	✓	✓	✓
Wang Yuanhang	✓	✓	✓
Non-executive Directors			
Victor T K Li	✓	✓	✓
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	✓	✓	✓

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 2024.

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 at least 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. The Trustee-Manager does not appoint a Chief Executive Officer due to its specific and limited role to administer the Trust.

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

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

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

As at 31 December 2024, 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:

Combined Corporate Governance Report

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 2024, 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.

The terms of reference of the Trustee-Manager Audit Committee and the Company Audit Committee amended on 19 March 2024 are published on the Company's website and HKEX's website.

Work Done

The Audit Committees held four meetings in 2024. 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 assessments and declarations in respect of the effectiveness of the risk management and internal control systems, the sustainability governance and management and the cyber security standards, the effectiveness of the Company's internal audit function, the internal audit plan, the amendments to the Internal Audit Charter 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 review of the pre-approval policy and procedures for engaging independent auditor for non-assurance services);
- 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; and
- the amendments to the terms of reference of the Trustee-Manager Audit Committee and the Company Audit Committee.

Representatives from KPMG, the external auditor, were invited to attend two of the meetings to discuss the 2023 audited financial statements, the 2024 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.

Combined Corporate Governance Report

Subsequent to the financial year end, the Audit Committees held a meeting in March 2025, 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 2024, and the Annual Report 2024; 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 2025.

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 2024, during which members performed matters including:

- reviewed the structure, size, diversity profile and skills matrix of the Company Board, and the implementation and effectiveness of the Board Diversity Policy;
- reviewed the independence of the Independent Non-executive Directors; and
- resolved to recommend the nomination of all the retiring Directors standing for re-election at the 2024 Annual General Meeting.

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 (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 2024, during which members under delegated responsibility from the Company Board 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 2024 financial year and their remuneration package for 2025; and
- the 2025 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 2024 financial year are shown in note 12 to the financial statements on page 112 of the Annual Report. The remuneration paid to members of the management team for the 2024 financial year is disclosed by bands in the same note.

Sustainability Committee

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

Responsibilities

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

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

Work Done

The Sustainability Committee held two meetings in 2024. During the year, members performed matters including:

- considered the Group's sustainability objectives, strategies, risks and opportunities, priorities, initiatives, goals and performance, and the Group's new and updated sustainability policies;
- reviewed the update on the Group's risk register under the ESG Risk Management Framework and the outcome of the half-yearly review of the Group's ESG Risks; and
- reviewed the Sustainability Report 2023 and Climate-Related Disclosures Report.

Subsequent to the financial year end, the Sustainability Committee at a meeting held in March 2025 reviewed and recommended for the Boards' approval the Sustainability Report 2024.

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 2024, 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 80 to 85 and pages 164 and 165 of the Annual Report.



Combined Corporate Governance 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 110 of the Annual Report and note 4 to the financial statements of the Trustee-Manager on page 173 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 August 2024, the Audit Committees reviewed the effectiveness of the risk management and internal control systems of the Trust Group and the Trustee-Manager for the year 2023 and for the half year ended 30 June 2024 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 72 to 77 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 Trust 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.

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.



Combined Corporate Governance Report

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.

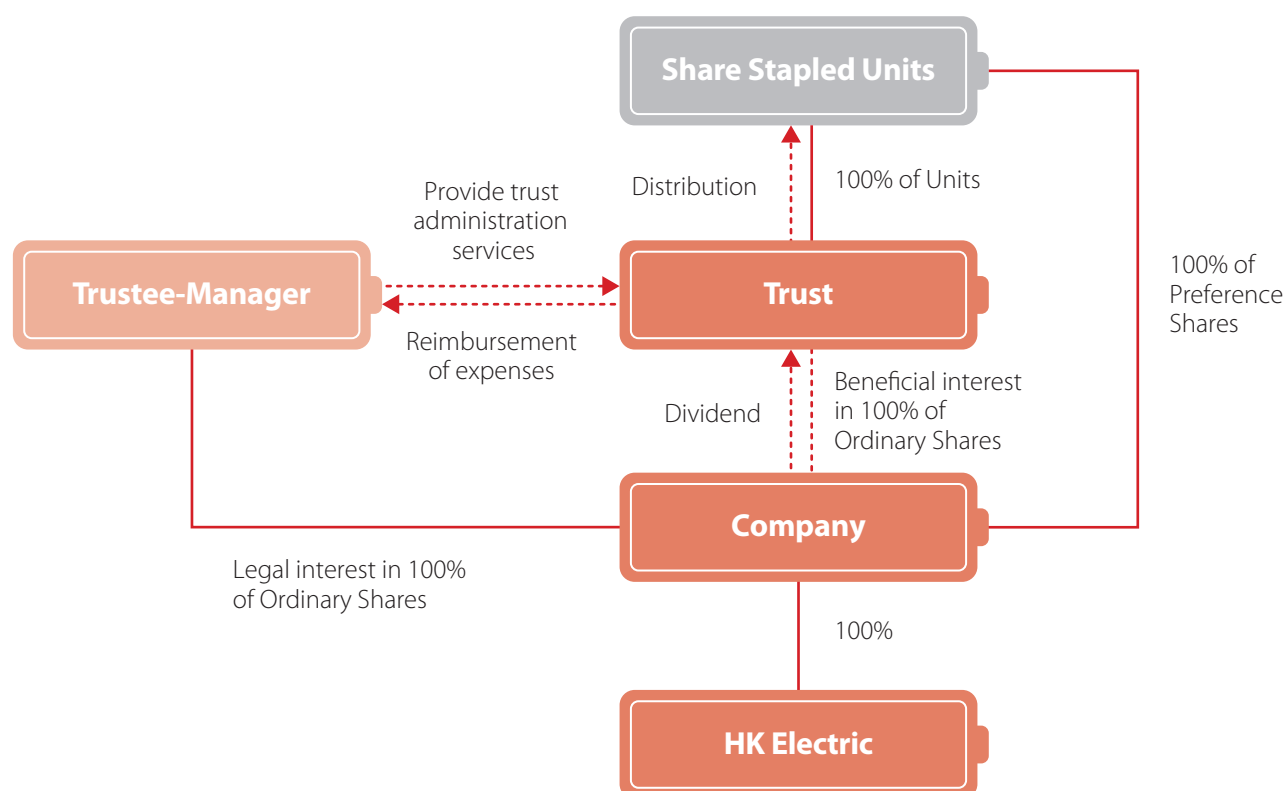
The Trustee-Manager and the Group ensure procurement of supplies and services are conducted in a manner of high ethical standards to promote fair and open competition. There are procurement and tendering procedures in place to ensure impartial selection of suppliers and contractors, and the hire of services 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 2024, there were two reported whistleblowing cases, both of which involved breaches of the Code of Conduct. There were no convicted cases of discrimination, harassment, breaches of personal data privacy, corruption, money laundering or insider trading.

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

At the 2024 Annual General Meeting, the Trust Deed and the Company's amended and restated articles of association were amended by passing a special resolution in order to allow the Trust and the Company to adopt electronic dissemination of corporate communications pursuant to the Listing Rules under the expansion of the paperless listing regime and electronic dissemination of corporate communications.

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.

Combined Corporate Governance Report

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 requisition 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 180 of the Annual Report.

Financial Calendar and Other Information

A financial calendar of the announced key dates for 2024 and 2025 and other relevant information of the Share Stapled Units are set out on page 181 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 2025 reviewed the engagement activities for Holders of Share Stapled Units or investors conducted in 2024, and were satisfied with the implementation and effectiveness of the Holder of Share Stapled Units Communication Policy for the year ended 31 December 2024.

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.

2024 Annual General Meeting

The 2024 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 19 April 2024, more than 21 clear days (as required by the Company's articles of association) prior to the meeting.

The 2024 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 relevant 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 which were passed by more than 50% of the votes, except one resolution proposed was a special resolution which was passed by more than 75% of the votes. The percentage of votes in favour of these resolutions were set out below:

Ordinary Resolutions

- 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 2023 (99.9996%);
- Election of Mr. Victor T K Li (98.4139%), Mr. Fahad Hamad A H Al-Mohannadi (99.8290%), Mr. Chan Loi Shun (99.9305%), Mr. Kwan Kai Cheong (99.7934%), Mr. Kwan Ying Leung (99.9315%) and Mr. Zhu Guangchao (98.9312%) 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 (99.9698%); 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 (99.9979%).

Special Resolution

- Amendments to the Company's amended and restated articles of association and the Trust Deed (99.9978%)

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

Financial and Other Reporting

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

Corporate Website

The Company's corporate website at www.hkei.hk is an information platform to facilitate communications with Holders of Share Stapled Units, the investor community and other stakeholders. It contains a wide range of information including financial results, annual and interim reports, sustainability reports, notices, announcements and circulars, press releases and other corporate publications, and details of the arrangements for dissemination of corporate communications. 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 at any time notify the Company or the share stapled units registrar if they wish to receive corporate communications in printed form or choose to change their choice as to the language of the printed form. Please refer to the section "Arrangements For Dissemination of Corporate Communications" under the "Investor Information" of the Company's website for further details.



Combined Corporate Governance Report

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 mail or email 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 180 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 2024 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 2024 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 2024.

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 2024 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.

Interests and Short Positions of Holders of Share Stapled Units

As at 31 December 2024, 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 HKI 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 share capital 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 2024, 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

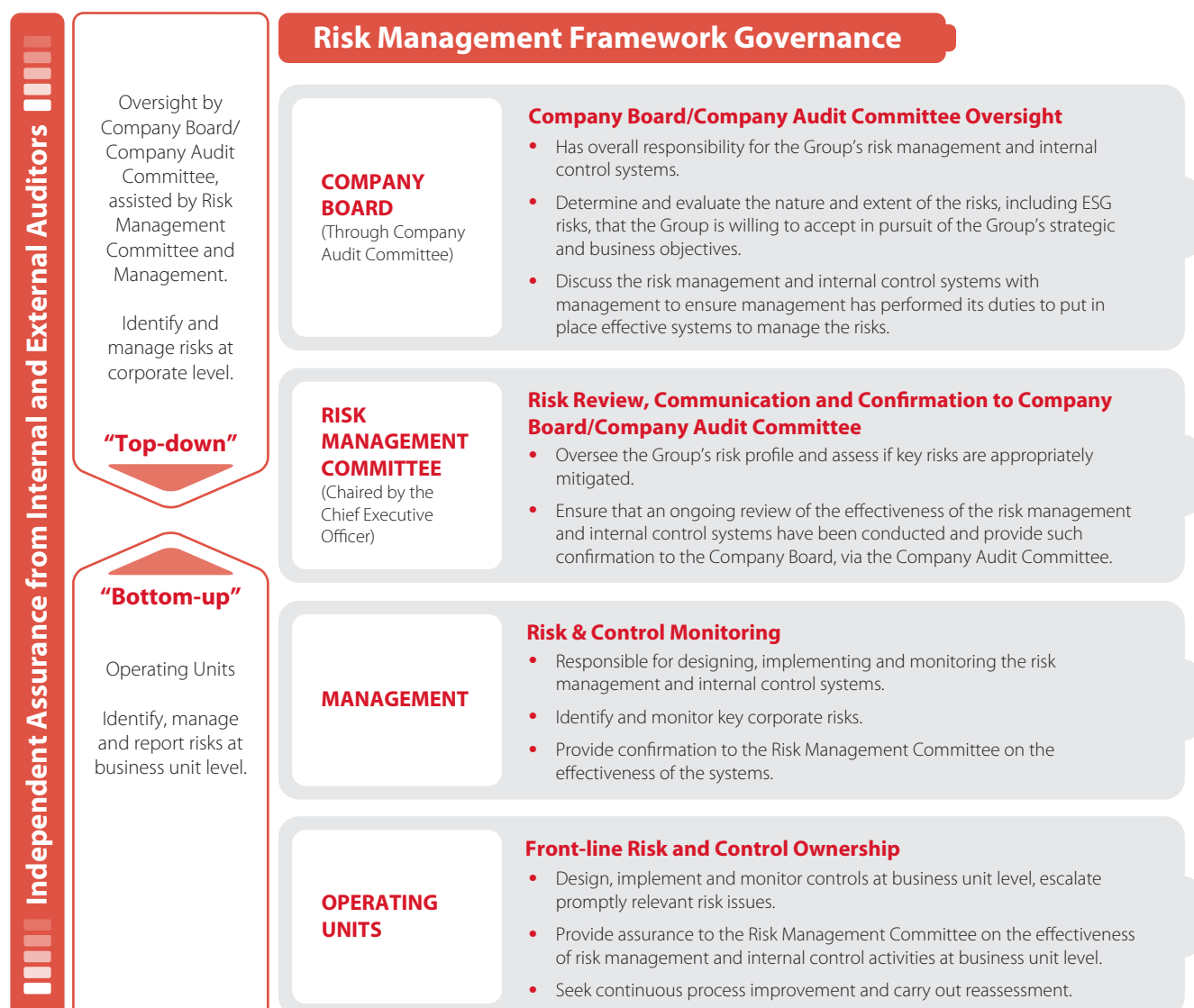
Effective risk management and internal control systems are fundamental to the achievement of our strategic objectives.

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, including ESG risks such as those related to climate change. ESG and climate-related risks are identified and managed through the Group's ESG Risk Management Framework. Climate scenario analysis is performed to support the identification of climate-related risks and opportunities. The potential impacts of these identified risks and opportunities are assessed from two distinct perspectives: business operations and the value chain. For details, please refer to the Group's Climate-related Disclosures Report and Sustainability Report 2024. The ERM framework enables us to adopt a proactive and structured approach to identifying and managing risks across the organisation, with on-going monitoring and review, while also preparing for climate-related opportunities.

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 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.

During the risk assessment process, the impact of a risk is evaluated across various aspects, including financial, health and safety, environmental, reputational, regulatory, customer service, reliability, organisational, and employee engagement, with severity levels ranging from insignificant to very substantial. The likelihood of a risk occurring is assessed on a scale from rare to almost certain. Together, these two dimensions determine the overall risk rating, which informs the prioritisation and management of risks. Action

plans are then developed to mitigate potential impacts and reduce the likelihood of occurrence. 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 74 to 77 of this Annual Report. The Group works to continually improve its risk management framework in order to keep pace with the changing business environment.



Risk Factors

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

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

Global and Hong Kong economic environment

The global economic recovery continues, along with improvements in inflation rates. However, increased geopolitical tensions and escalating trade conflicts are creating uncertainties in the world economy. Hong Kong's economy has been slowing down, but the increase in inbound tourism may help improve the situation.

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 the 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. In the latter half of 2024, the US Federal Reserve embarked on an interest rate cut cycle, reducing the Federal Funds Rate by 50 basis points in September, by 25 basis points in November, and by an additional 25 basis points in December. 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 34 to 36.

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, decarbonisation of the electricity sector to mitigate global warming, energy efficiency and conservation, and electricity market competition are among the factors affecting the Group's results and growth in the medium to long term.

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

Climate change

The impacts of climate change are global in scope, affecting many countries and regions. Climate change may increase the frequency and intensity of extreme weather events, such as super typhoons, floods, overtopping waves, 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, while also recognising opportunities for low-carbon business development.

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 its own science-based carbon reduction target. These initiatives include, but are not limited to, decarbonising our generation portfolio through coal-to-gas power generation transition, promoting renewable energy (RE), and exploring the use of other potential zero-carbon energy technologies and innovative generation solutions. A special task force has been formed to regularly review the availability and applicability of alternatives to sulfur hexafluoride (SF₆) used in high-voltage equipment in the system. The Group also implements recycling

practices to reduce waste and discharges from its operations, advances energy efficiency and RE through funding schemes and educational activities, champions the adoption of electric vehicles (EVs), provides technical support to customers seeking to install EV charging infrastructure, and supports environmental projects initiated by green groups and community organisations.

The Group’s Sustainability Report 2024 offers more detailed discussions on the Group’s approach to sustainability, including how it manages climate-related risks and opportunities in accordance with relevant local and international disclosure guidelines.

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 beyond. The Government is reviewing the ninth Technical Memorandum with the two power companies and may revise it by issuing the tenth in 2025.

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 Lamma Power Station under APCO, as well as other applicable environmental licences and 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.

Risk Factors

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, value chain, 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 a 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. In addition, an ultra-low sulphur diesel (ULSD) reserve is maintained at Lamma Power Station to sustain power generation during interruptions to natural gas and coal supplies.

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, overtopping waves, 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 incidents 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 infrastructure designs to withstand climate change and extreme weather; performs reliability-centred maintenance and condition monitoring of critical infrastructure and assets; conducts strategic replacement programmes for ageing power equipment and cables; 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 and the implementation of new technologies are carried out to strengthen the organisation's culture, awareness, measures, and commitment to health and safety.

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

Laws and regulations

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

Stable shareholder returns
through operational excellence







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 86 to 163 (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 2024, 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 2024 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 ("HSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Trust Group and of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements of the Trust and of the Company in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Existence and accuracy of property, plant and equipment

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

The key audit matter

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

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

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

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

How the matter was addressed in our audit

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

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the existence and accuracy of property, plant and equipment;
 - assessing the Trust Group's and the Group's capitalisation policy for expenditure relating to property, plant and equipment with reference to the requirements of the prevailing accounting standards;
 - selecting sample items of property, plant and equipment acquired and capitalised during the year ended 31 December 2024 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 2024 were consistent with the Development Plan agreed between HK Electric and the Government of the HKSAR which governs the level of capital expenditure over a period of time;
 - forming an expectation of the value of costs capitalised for the current year based on the prior year's capitalisation ratio and the level of capital work undertaken during the current year, comparing our expectation with the actual costs capitalised for the current year and discussing with management the nature of and reasons for any significant variances; and
 - physically inspecting a sample of additions to property, plant and equipment during the current year.
-

Independent Auditor's Report

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

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

The key audit matter

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

Management assessed goodwill for potential impairment as at 30 November 2024 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Trust Group and the Group as a basis for forming an opinion on the consolidated financial statements of the Trust and of the Company. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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

18 March 2025

Consolidated Statement of Profit or Loss of the Trust and of the Company

For the year ended 31 December 2024
(Expressed in Hong Kong dollars)

	Note	2024 \$ million	2023 \$ million
Revenue	5	12,057	11,406
Direct costs		(5,598)	(5,384)
		6,459	6,022
Other revenue and other net income	7	81	87
Other operating costs	8	(1,052)	(1,133)
Operating profit		5,488	4,976
Finance costs	9	(1,408)	(1,360)
Profit before taxation	10	4,080	3,616
Income tax:	11		
Current		(741)	(909)
Deferred		–	263
		(741)	(646)
Profit after taxation		3,339	2,970
Scheme of Control transfers	13(b)	(228)	186
Profit for the year attributable to the holders of Share Stapled Units/shares of the Company		3,111	3,156
Earnings per Share Stapled Unit/share of the Company			
Basic and diluted	15	35.21 cents	35.72 cents

The notes on pages 91 to 163 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 2024
(Expressed in Hong Kong dollars)

	2024 \$ million	2023 \$ million
Profit for the year attributable to the holders of Share Stapled Units/shares of the Company	3,111	3,156
Other comprehensive income for the year, after tax and reclassification adjustments		
Items that will not be reclassified to profit or loss		
Defined benefit retirement schemes:		
Remeasurement of net defined benefit asset/liability	204	35
Net deferred tax charged to other comprehensive income	(33)	(6)
	171	29
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	(12)	(4)
Cost of hedging – changes in fair value	12	5
	–	1
	171	30
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	124	(103)
Reclassification adjustments for amounts transferred to profit or loss	(301)	(269)
Cost of hedging – changes in fair value	82	(395)
Cost of hedging – reclassified to profit or loss	(63)	(63)
Net deferred tax credited to other comprehensive income	17	115
	(141)	(715)
Total comprehensive income for the year attributable to the holders of Share Stapled Units/shares of the Company	3,141	2,471

The notes on pages 91 to 163 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 2024

(Expressed in Hong Kong dollars)

	Note	2024 \$ million	2023 \$ million
Non-current assets			
Property, plant and equipment		75,113	74,791
Interests in leasehold land held for own use		4,837	5,033
	16	79,950	79,824
Goodwill	17	33,623	33,623
Interest in a joint venture	19	887	895
Derivative financial instruments	26	616	737
Employee retirement benefit scheme assets	27(a)	1,053	968
		116,129	116,047
Current assets			
Inventories	20	982	1,003
Trade and other receivables	21	1,358	1,469
Bank deposits and cash	22(a)	30	21
		2,370	2,493
Current liabilities			
Trade and other payables and contract liabilities	23	(2,787)	(3,417)
Fuel Clause Recovery Account	24	(215)	(53)
Current portion of bank loans and other interest-bearing borrowings	25	(727)	(715)
Bank overdrafts – unsecured		(45)	(44)
Current tax payable	29(a)	(224)	(889)
		(3,998)	(5,118)
Net current liabilities		(1,628)	(2,625)
Total assets less current liabilities		114,501	113,422
Non-current liabilities			
Bank loans and other interest-bearing borrowings	25	(50,083)	(49,447)
Derivative financial instruments	26	(156)	(181)
Customers' deposits		(2,507)	(2,449)
Deferred tax liabilities	29(b)	(10,140)	(10,124)
Employee retirement benefit scheme liabilities	27(a)	(56)	(191)
Other non-current liabilities	28	(1,401)	(1,382)
		(64,343)	(63,774)
Scheme of Control Fund and Reserve	13(c)	(868)	(670)
Net assets		49,290	48,978
Capital and reserves			
Share capital	30(b)	8	8
Reserves		49,282	48,970
Total equity		49,290	48,978

Approved and authorised for issue by the Boards on 18 March 2025.

Cheng Cho Ying, Francis

Director

Chan Loi Shun

Director

The notes on pages 91 to 163 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 2024
(Expressed in Hong Kong dollars)

	Attributable to holders of Share Stapled Units/shares of the Company					Proposed/ declared distribution/ dividend (note 14)	Total
	Share capital (note 30(b))	Share premium (note 30(c))	Hedging reserve (note 30(d)(i))	Revenue reserve (note 30(d)(ii))			
\$ million							
Balance at 1 January 2023	8	47,472	788	(357)	1,422		49,333
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		–
Balance at 31 December 2023 and 1 January 2024	8	47,472	78	(2)	1,422		48,978
Changes in equity for 2024:							
Profit for the year	–	–	–	3,111	–		3,111
Other comprehensive income	–	–	(141)	171	–		30
Total comprehensive income	–	–	(141)	3,282	–		3,141
Amounts transferred to the initial carrying amount of hedged items, net of tax	–	–	1	–	–		1
Final distribution/second interim dividend in respect of previous year approved and paid (see note 14(c))	–	–	–	–	(1,422)		(1,422)
Interim distribution/first interim dividend paid (see note 14(b))	–	–	–	(1,408)	–		(1,408)
Proposed final distribution/second interim dividend (see note 14(b))	–	–	–	(1,422)	1,422		–
Balance at 31 December 2024	8	47,472	(62)	450	1,422		49,290

The notes on pages 91 to 163 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 2024
(Expressed in Hong Kong dollars)

	Note	2024 \$ million	2023 \$ million
Operating activities			
Cash generated from operations	22(b)	9,049	9,460
Interest paid		(1,307)	(1,264)
Interest received		39	44
Hong Kong Profits Tax paid		(1,406)	(169)
Net cash generated from operating activities		6,375	8,071
Investing activities			
Payment for the purchase of property, plant and equipment and capital stock		(3,769)	(3,972)
Capitalised interest paid		(231)	(307)
New loan to a joint venture		(18)	(115)
Loan repaid from a joint venture		26	13
Proceeds from disposal of property, plant and equipment		1	–
Net cash used in investing activities		(3,991)	(4,381)
Financing activities			
Proceeds from bank loans	22(c)	697	2,500
Repayment of bank loans	22(c)	–	(3,477)
Redemption of medium term notes	22(c)	(300)	(300)
Payment of lease liabilities	22(c)	(2)	(1)
New customers' deposits	22(c)	325	311
Repayment of customers' deposits	22(c)	(267)	(243)
Distributions/dividends paid		(2,830)	(2,830)
Net cash used in financing activities		(2,377)	(4,040)
Net increase/(decrease) in cash and cash equivalents		7	(350)
Cash and cash equivalents at 1 January		(23)	325
Effect of foreign exchange rate changes		1	2
Cash and cash equivalents at 31 December	22(a)	(15)	(23)

The notes on pages 91 to 163 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 2024 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 2024 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 2024 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)).

(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.

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)

(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)(iii)), 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.
- (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.

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)

(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.

(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.

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)

(i) Credit losses from financial instruments (continued)

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.

(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.

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)

(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.

(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.

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)

(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.

(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 are 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.

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

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

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

The Government has approved the 2024 – 2028 Development Plan covering the period from 1 January 2024 to 31 December 2028. 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.

(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.

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)

(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.

(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.

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)

(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.

4. Changes in accounting policies

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

- Amendments to HKAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* and amendments to HKAS 1, *Presentation of financial statements – Non-current liabilities with covenants*
- HK Interpretation 5 (Revised), *Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause*

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

5. Revenue

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

	2024 \$ million	2023 \$ million
Sales of electricity	12,018	11,321
Less: concessionary discount on sales of electricity	(6)	(7)
	12,012	11,314
Electricity-related income	45	92
	12,057	11,406

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

	2024 \$ million	2023 \$ million
Interest income on financial assets measured at amortised cost	39	44
Sundry income	42	43
	81	87

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

(Expressed in Hong Kong dollars unless otherwise indicated)

8. Other operating costs

	2024 \$ million	2023 \$ million
Administrative expenses, government rent and rates	385	341
Staff costs in relation to corporate and administrative supports	241	238
Provisions for asset decommissioning obligation	86	76
Portion of depreciation and amortisation of leasehold land included in other operating costs	215	222
Net loss on disposal and written off of property, plant and equipment	125	256
	1,052	1,133

9. Finance costs

	2024 \$ million	2023 \$ million
Interest on borrowings and other finance costs	1,724	1,761
Less: interest expense and other finance costs capitalised to assets under construction	(287)	(366)
interest expense transferred to fuel costs	(29)	(35)
Total interest expense arising from borrowings and other finance costs	1,408	1,360

Interest expense has been capitalised at an average rate of approximately 3.3% (2023: 3.3%) per annum for assets under construction.

10. Profit before taxation

	2024 \$ million	2023 \$ million
Profit before taxation is arrived at after charging:		
Depreciation		
– owned property, plant and equipment	3,073	2,904
– properties leased for own use	2	1
Amortisation of leasehold land	195	196
Expenses of short-term leases	8	5
Costs of inventories	5,648	6,867
Write down of inventories	13	10
Staff costs	758	734
Net loss on disposal and written off of property, plant and equipment	125	256
Auditor's remuneration		
– audit and audit related services	6	5
– non-audit services (see note below)	–	1

Auditor's remuneration for non-audit services amounted to \$334,000 (2023: \$785,000).

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

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

	2024 \$ million	2023 \$ million
Current tax		
Provision for Hong Kong Profits Tax for the year	741	909
Deferred tax (see note 29(b))		
Origination and reversal of temporary differences	–	(263)
	741	646

The provision for Hong Kong Profits Tax for 2024 is calculated at 16.5% (2023: 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 2023.

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:

	2024 \$ million	2023 \$ million
Profit before taxation	4,080	3,616
Notional tax on profit before taxation, calculated at the Hong Kong Profits Tax rate (see note below)	673	597
Tax effect of non-deductible expenses	87	82
Tax effect of non-taxable income	(4)	(5)
Tax effect of recognition of previously unrecognised temporary differences	(15)	(28)
Actual tax expense	741	646

For the year ended 31 December 2024, the notional tax is calculated at 16.5% (2023: 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 2023.

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 ⁽¹¹⁾ \$ million	Retirement scheme contributions \$ million	Bonuses \$ million	2024 Total emoluments \$ million	2023 Total emoluments \$ million
Executive Directors ⁽¹⁾						
Fok Kin Ning, Canning ⁽³⁾ <i>Chairman</i>	0.12	1.15	–	–	1.27	1.52
Cheng Cho Ying, Francis ^{(5) (7)} <i>Chief Executive Officer</i>	0.09	5.72	–	5.02	10.83	9.03
Chan Loi Shun	0.07	3.67	–	–	3.74	3.59
Kwan Ying Leung ^{(5) (8)}	0.09	3.23	0.43	1.45	5.20	4.28
Wang Yuanhang	0.07	2.55	0.02	0.65	3.29	3.07
Wan Chi Tin ⁽⁹⁾	–	–	–	–	–	11.63
Non-executive Directors						
Victor T K Li ⁽⁴⁾ <i>Deputy Chairman to the Company Board</i>	0.09	0.48	–	–	0.57	0.66
Fahad Hamad A H Al-Mohannadi	0.07	–	–	–	0.07	0.07
Ronald Joseph Arculli ⁽²⁾	0.14	0.07	–	–	0.21	0.22
Deven Arvind Karnik	0.07	–	–	–	0.07	0.07
Wang Zijian	0.07	–	–	–	0.07	0.07
Zhu Guangchao	0.07	–	–	–	0.07	0.07
Independent Non-executive Directors						
Fong Chi Wai, Alex ^{(3) (5)}	0.11	0.02	–	–	0.13	0.14
Koh Poh Wah ⁽²⁾	0.14	–	–	–	0.14	0.14
Kwan Kai Cheong ⁽⁴⁾	0.09	0.03	–	–	0.12	0.12
Lee Lan Yee, Francis ^{(2) (4)}	0.16	0.02	–	–	0.18	0.19
George Colin Magnus	0.07	0.05	–	–	0.12	0.11
Donald Jeffrey Roberts ^{(2) (3)}	0.16	0.01	–	–	0.17	0.17
Alternate Directors						
Frank John Sixt ⁽⁶⁾	–	0.04	–	–	0.04	0.04
Woo Mo Fong, Susan (alias Chow Woo Mo Fong, Susan) ⁽¹⁰⁾	–	–	–	–	–	0.03
Total for the year 2024	1.68	17.04	0.45	7.12	26.29	
Total for the year 2023	1.68	22.24	0.23	11.07		35.22

Notes:

- (1) Senior management of the Groups comprises 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) Appointed as Chief Executive Officer and the Chairman of the Sustainability Committee with effect from 1 July 2023.
 - (8) Appointed as Executive Director and member of the Sustainability Committee with effect from 1 July 2023.
 - (9) 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.
 - (10) Ceased to act as Alternate Director to Mr. Fok Kin Ning, Canning with effect from 1 July 2023.
 - (11) Other benefits include electricity allowances to Directors for residential use. For Directors who are employees of the Groups, other benefits also include insurance and medical benefits entitled by the employees of the Groups.
- (a) The five highest paid individuals of the Groups included two directors (2023: three) whose total emoluments are shown above. The remuneration of the other three individuals (2023: two) who comprise the five highest paid individuals of the Groups is set out below:

	2024 \$ million	2023 \$ million
Basic salaries, allowances and other benefits	10.46	7.48
Retirement scheme contributions	1.42	0.98
Bonuses	3.96	2.92
	15.84	11.38

- (b) The total remuneration of management team, including the three individuals (2023: two) who comprise the five highest paid individuals in note (a) above is within the following bands:

	2024 Number	2023 Number
Nil – \$500,000	1	–
\$1,500,001 – \$2,000,000	–	1
\$3,000,001 – \$3,500,000	3	3
\$3,500,001 – \$4,000,000	5	5
\$4,000,001 – \$4,500,000	1	–
\$5,500,001 – \$6,000,000	2	2

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

	2024 \$ million	2023 \$ million
Short-term employee benefits	67	73
Post-employment benefits	4	3
	71	76

At 31 December 2024 and 2023, there was no amount due from Directors and management team.



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

(Expressed in Hong Kong dollars unless otherwise indicated)

13. Scheme of Control transfers

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

	2024 \$ million	2023 \$ million
Tariff Stabilisation Fund	155	(255)
Rate Reduction Reserve	32	31
Smart Power Care Fund		
– Provisional sum injected in current year	–	13
– Provisional sum to be injected in the following year	41	25
	228	(186)

A provisional sum of \$40,499,000, representing deduction of HK Electric's 2024 financial incentive (2023: \$38,291,000), was transferred from the consolidated statement of profit or loss and included in the trade and other payables and contract liabilities as at 31 December 2024 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	Tariff Stabilisation Fund	Rate Reduction Reserve	Smart Power Care Fund	Total
At 1 January 2023	872	13	27	912
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)
At 31 December 2023 and 1 January 2024	630	31	9	670
Transfer from Rate Reduction Reserve to Tariff Stabilisation Fund (see note 1 below)	31	(31)	–	–
Transfer from the consolidated statement of profit or loss	155	32	–	187
Injection for the year	–	–	25	25
Disbursement for the year	–	–	(14)	(14)
At 31 December 2024	816	32	20	868

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 2023 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:

	2024 \$ million	2023 \$ million
Audited consolidated profit attributable to the holders of Share Stapled Units	3,111	3,156
After:		
(i) eliminating the effects of the Adjustments (see note 1 below)	5,807	5,206
(ii) adding/(deducting)		
– movement in Fuel Clause Recovery Account	162	1,945
– changes in working capital	(43)	(803)
– adjustment for employee retirement benefit schemes	(16)	(18)
– taxes paid	(1,406)	(169)
	(1,303)	955
(iii) capital expenditure payment	(3,787)	(4,087)
(iv) deducting		
– debt repayment	–	(1,277)
– net finance costs	(1,499)	(1,527)
	(1,499)	(2,804)
Distributable income	2,329	2,426
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed (see note 4 below)	501	404
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 2024, 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

	2024 \$ million	2023 \$ million
Interim distribution/first interim dividend declared and paid of 15.94 cents (2023: 15.94 cents) per Share Stapled Unit/share	1,408	1,408
Final distribution/second interim dividend proposed after the end of the reporting period of 16.09 cents (2023: 16.09 cents) per Share Stapled Unit/share	1,422	1,422
	2,830	2,830

For the year ended 31 December 2024, the Company Board declared the payment of a second interim dividend of 16.09 cents per ordinary share (2023: 16.09 cents per ordinary share), amounting to \$1,422 million (2023: \$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 2024, the Trustee-Manager Board declared a final distribution of 16.09 cents per Share Stapled Unit (2023: 16.09 cents per Share Stapled Unit), amounting to \$1,422 million (2023: \$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 2024 (2023: 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

	2024 \$ million	2023 \$ million
Final distribution/second interim dividend in respect of the previous financial year, approved and paid during the year, of 16.09 cents (2023: 16.09 cents) per Share Stapled Unit/share	1,422	1,422

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

The calculation of basic and diluted earnings per Share Stapled Unit/share of the Company are based on the profit attributable to the holders of Share Stapled Units/ordinary shares of the Company of \$3,111 million (2023: \$3,156 million) and the weighted average of 8,836,200,000 Share Stapled Units/ordinary shares of the Company (2023: 8,836,200,000 Share Stapled Units/ordinary shares of the Company) in issue during the year.

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(Expressed in Hong Kong dollars unless otherwise indicated)

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

\$ million	Site formation and buildings	Properties leased for own use	Plant, machinery and equipment	Fixtures, fittings and motor vehicles	Assets under construction	Sub-total	Interests in leasehold land held for own use	Total
Cost								
At 1 January 2023	20,516	2	64,513	1,288	10,870	97,189	6,960	104,149
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)
At 31 December 2023 and 1 January 2024	20,460	4	66,648	1,513	10,574	99,199	6,961	106,160
Additions	–	1	52	26	3,572	3,651	–	3,651
Transfer	2,981	–	5,594	79	(8,654)	–	–	–
Disposals	(52)	(1)	(690)	(39)	–	(782)	(1)	(783)
At 31 December 2024	23,389	4	71,604	1,579	5,492	102,068	6,960	109,028
Accumulated depreciation and amortisation								
At 1 January 2023	4,615	1	18,093	748	–	23,457	1,732	25,189
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
At 31 December 2023 and 1 January 2024	5,057	1	18,510	840	–	24,408	1,928	26,336
Written back on disposals	(49)	(1)	(553)	(39)	–	(642)	–	(642)
Charge for the year	630	2	2,409	148	–	3,189	195	3,384
At 31 December 2024	5,638	2	20,366	949	–	26,955	2,123	29,078
Net book value								
At 31 December 2024	17,751	2	51,238	630	5,492	75,113	4,837	79,950
At 31 December 2023	15,403	3	48,138	673	10,574	74,791	5,033	79,824

The above are mainly electricity-related property, plant and equipment in respect of which financing costs capitalised during the year amounted to \$287 million (2023: \$366 million).

Depreciation charges for the year included \$114 million (2023: \$103 million), relating to assets utilised in development activities, which have been capitalised.

17. Goodwill

(a) Carrying amount of goodwill

	2024 \$ million	2023 \$ million
Cost		
At 1 January and 31 December	33,623	33,623

(b) Impairment test for goodwill

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

In the case of triggering events and at least annually, the Groups test whether the goodwill has suffered any impairment. Recoverable amount of the CGU, to which the goodwill has been allocated, was determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 16-year period (2023: 16-year period). Projections for a period of greater than five years have been used on the basis that a longer projection period represents the long-lived nature of generation, transmission and distribution assets and a more appropriate reflection of future cash flows of HK Electric under the regulatory regime. The cash flow projections are discounted using a pre-tax discount rate of 6.63% (2023: 7.08%). 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% (2023: 1.0%).

There was no indication of impairment arising from review on goodwill as at 30 November 2024.

If the discount rate rose to 7.28% (2023: 7.17%), the recoverable amount of the CGU would be approximately equal to its carrying amount. Except this, any reasonably possible changes in the other key assumptions used in the value-in-use calculation would not affect management's view on impairment test result as at 30 November 2024.

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(Expressed in Hong Kong dollars unless otherwise indicated)

18. Investments in subsidiaries

Details of the subsidiaries at 31 December 2024 are as follows:

Name of subsidiary	Issued share capital and debt securities	Percentage of equity held by the Company	Place of incorporation/operation	Principal activity
Century Rank Limited	US\$1	100%	British Virgin Islands/ Hong Kong	Investment holding
Treasure Business Limited	US\$1	100% ⁽¹⁾	British Virgin Islands/ Hong Kong	Investment holding
The Hongkong Electric Company, Limited	HK\$2,411,600,000	100% ⁽¹⁾	Hong Kong	Electricity generation and supply
Hongkong Electric Finance Limited	US\$1 HK\$8,404 million Hong Kong dollar fixed rate notes US\$1,750 million United States dollar fixed rate notes HK\$1,056 million Hong Kong dollar zero coupon notes US\$400 million United States dollar callable zero coupon notes (see note 25)	100% ⁽¹⁾	British Virgin Islands/ Hong Kong	Financing

(1) Indirectly held

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:

	2024 \$ million	2023 \$ million
Current assets		
Bank deposits and cash	–	11
Other current assets	189	114
	189	125
Non-current assets	5,020	4,973
Current liabilities		
Loans from shareholders	(88)	(86)
Financial liabilities	(142)	(112)
Trade and other payables	(198)	(223)
	(428)	(421)
Non-current liabilities		
Loans from shareholders	(2,868)	(2,896)
Non-current financial liabilities	(1,913)	(1,781)
	(4,781)	(4,677)
Net assets	–	–
Revenue	785	527
Profit for the year	–	–
Other comprehensive income	–	–
Total comprehensive income	–	–
Included in above profit:		
Depreciation and amortisation	267	123
Finance costs	257	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)

	2024 \$ million	2023 \$ million
Groups' share of net assets	–	–
Loan to joint venture (see note below)	887	895
	887	895

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

	2024 \$ million	2023 \$ million
Coal, fuel oil and natural gas	673	692
Stores and materials (see note below)	309	311
	982	1,003

Included in stores and materials is capital stock of \$155 million (2023: \$138 million) which was purchased for future maintenance of capital assets.

21. Trade and other receivables

	2024 \$ million	2023 \$ million
Trade debtors, net of loss allowance (see notes (a) and (b) below)	681	724
Other receivables (see note below)	584	651
	1,265	1,375
Derivative financial instruments (see note 26)	2	1
Deposits and prepayments	91	93
	1,358	1,469

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 \$443 million (2023: \$489 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:

	2024 \$ million	2023 \$ million
Current and within 1 month	614	664
1 to 3 months	53	48
More than 3 months but less than 12 months	14	12
	681	724

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:

	2024			
	ECL rate %	Gross carrying amount \$ million	Lifetime ECLs \$ million	Net carrying amount \$ million
Live accounts				
Provision on collective basis	2	663	(11)	652
Final accounts				
Provision on individual basis	15	20	(3)	17
Other trade debtors				
Provision on collective basis	0	12	–	12
		695	(14)	681

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(Expressed in Hong Kong dollars unless otherwise indicated)

21. Trade and other receivables (continued)

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

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

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:

	2024 \$ million	2023 \$ million
At 1 January	17	14
Impairment losses recognised during the year	1	5
Amounts written off during the year	(4)	(2)
At 31 December	14	17

22. Bank deposits and cash and other cash flow information

(a) Bank deposits and cash comprise:

	2024 \$ million	2023 \$ million
Cash at bank and in hand	30	21
Bank overdrafts – unsecured	(45)	(44)
Cash and cash equivalents in the consolidated cash flow statement	(15)	(23)
Bank overdrafts – unsecured	45	44
Bank deposits and cash in the consolidated statement of financial position	30	21

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

	Note	2024 \$ million	2023 \$ million
Profit before taxation		4,080	3,616
Adjustments for:			
Interest income	7	(39)	(44)
Finance costs	9	1,408	1,360
Interest expense transferred to fuel costs	9	29	35
Depreciation	10	3,075	2,905
Amortisation of leasehold land	10	195	196
Net loss on disposal and written off of property, plant and equipment	10	125	256
Increase in provisions for asset decommissioning obligation	28(a)	86	76
Net financial instrument revaluation and exchange gains		(1)	(2)
Changes in working capital:			
Decrease in inventories		38	444
Decrease in trade and other receivables		80	158
Movements in Fuel Clause Recovery Account		162	1,945
Decrease in trade and other payables and contract liabilities		(92)	(1,280)
Increase/decrease in net employee retirement benefit assets/liabilities		(16)	(18)
Payment for asset decommissioning obligation expenditure	28(a)	(67)	(124)
Smart Power Care Fund disbursement	13(c)	(14)	(63)
Cash generated from operations		9,049	9,460

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

(Expressed in Hong Kong dollars unless otherwise indicated)

22. 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.

	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
\$ million							
At 1 January 2024	23,017	27,145	2,449	3	(703)	141	52,052
Changes from financing cash flows:							
Proceeds from bank loans	697	-	-	-	-	-	697
Redemption of medium term notes	-	(300)	-	-	-	-	(300)
Payment of lease liabilities	-	-	-	(2)	-	-	(2)
New customers' deposits	-	-	325	-	-	-	325
Repayment of customers' deposits	-	-	(267)	-	-	-	(267)
Total changes from financing cash flows	697	(300)	58	(2)	-	-	453
Changes in fair value	-	-	-	-	127	(26)	101
Other changes:							
Increase in lease liabilities	-	-	-	1	-	-	1
Interest on borrowings and other finance costs	24	227	-	-	-	-	251
At 31 December 2024	23,738	27,072	2,507	2	(576)	115	52,858

\$ million	Bank loans (note 25)	Medium term notes (note 25)	Customers' deposits	Lease liabilities (note 28(b))	Derivative financial instrument held to hedge borrowings (assets)	Derivative financial instrument held to hedge borrowings (liabilities)	Total
At 1 January 2023	23,987	27,225	2,381	1	(1,289)	127	52,432
Changes from financing cash flows:							
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)
Changes in fair value	–	–	–	–	586	14	600
Other changes:							
Increase in lease liabilities	–	–	–	3	–	–	3
Interest on borrowings and other finance costs	7	220	–	–	–	–	227
At 31 December 2023	23,017	27,145	2,449	3	(703)	141	52,052

23. Trade and other payables and contract liabilities

	2024 \$ million	2023 \$ million
Trade and other payables		
Creditors measured at amortised cost (see note (a) below)	2,742	3,381
Lease liabilities (see note 28(b))	1	2
Derivative financial instruments (see note 26)	1	1
Amount due to a joint venture (see note 34(b)(iii))	1	–
	2,745	3,384
Contract liabilities (see note (b) below)	42	33
	2,787	3,417

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

23. Trade and other payables and contract liabilities (continued)

(a) Creditors' ageing is analysed as follows:

	2024 \$ million	2023 \$ million
Due within 1 month or on demand	1,105	1,353
Due after 1 month but within 3 months	753	901
Due after 3 months but within 12 months	884	1,127
	2,742	3,381

(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:

	2024 \$ million	2023 \$ million
At 1 January	33	63
Increase in contract liabilities as a result of billing in advance for performance of electricity-related services	26	6
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	(17)	(36)
At 31 December	42	33

24. 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. In May 2023, Special Fuel Rebate of 1.1 cents per unit of electricity was offered to all our customers so as to freeze the Fuel Clause Charge payable at April 2023 level.

Movements in the Fuel Clause Recovery Account were as follows:

	2024 \$ million	2023 \$ million
At 1 January	53	(1,892)
Transferred to profit or loss	(4,184)	(5,401)
Fuel Clause Charges during the year	4,346	7,356
Special Fuel Rebates during the year	–	(10)
At 31 December	215	53

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

25. Bank loans and other interest-bearing borrowings

	2024 \$ million	2023 \$ million
Bank loans	23,738	23,017
Current portion	(427)	(415)
	23,311	22,602
Hong Kong dollar medium term notes		
Fixed rate notes (see note (a) below)	8,365	8,661
Zero coupon notes (see note (b) below)	863	834
	9,228	9,495
Current portion	(300)	(300)
	8,928	9,195
United States dollar medium term notes		
Fixed rate notes (see note (a) below)	13,597	13,581
Zero coupon notes (see note (b) below)	4,247	4,069
	17,844	17,650
Non-current portion	50,083	49,447

- (a) The Hong Kong dollar fixed rate notes bear interest at rates ranging from 2.4% to 4% per annum (2023: 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 (2023: 1.875% to 2.875% per annum).

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)

- (b) The Hong Kong dollar zero coupon notes which were issued at discount have nominal amount of \$1,056 million (2023: \$1,056 million) and accrual yield of 3.5% per annum (2023: 3.5% per annum).

The United States dollar zero coupon notes have nominal amount of US\$400 million (2023: US\$400 million) and accrual yield of 4.375% per annum (2023: 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) Banking facilities of the Groups are subject to the fulfilment of covenants relating to certain of the Groups' statement of profit or loss and statement of financial position ratios, which are assessed at the end of each interim and/or annual period, 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 and do not identify any difficulties in complying with these covenants. Further details of the Groups' management of liquidity risk are set out in note 31(b). As at 31 December 2024 and 2023, none of the covenants relating to drawn down facilities had been breached.
- (e) None of the non-current interest-bearing borrowings is expected to be settled within one year. All the above borrowings are unsecured.

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

	2024 \$ million	2023 \$ million
After 1 year but within 2 years	22,168	300
After 2 years but within 5 years	8,823	29,974
After 5 years	19,092	19,173
	50,083	49,447

26. Derivative financial instruments

	2024		2023	
	Assets \$ million	Liabilities \$ million	Assets \$ million	Liabilities \$ million
Derivative financial instruments used for hedging:				
Cash flow hedges:				
– Cross currency swaps	–	(88)	–	(92)
– Interest rate swaps	483	(1)	602	(26)
– Forward foreign exchange contracts	135	(68)	136	(64)
	618	(157)	738	(182)
Analysed as:				
Current	2	(1)	1	(1)
Non-current	616	(156)	737	(181)
	618	(157)	738	(182)

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 2024. 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 2024 was determined in accordance with HKAS 19, *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:

	2024 \$ million	2023 \$ million
Fair value of assets of the Schemes	3,103	3,085
Present value of defined benefit obligations	(2,106)	(2,308)
	997	777
Represented by:		
Employee retirement benefit scheme assets	1,053	968
Employee retirement benefit scheme liabilities	(56)	(191)
	997	777

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:

	2024 \$ million	2023 \$ million
At 1 January	3,085	3,065
Interest income on the Schemes' assets	95	109
Return on Schemes' assets, excluding interest income	96	130
Employer contributions paid to the Schemes	30	32
Employee contributions paid to the Schemes	9	9
Benefits paid	(212)	(260)
At 31 December	3,103	3,085

The Groups expect to contribute \$49 million to the Schemes in 2025.

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

	2024	2023
	\$ million	\$ million
At 1 January	2,308	2,341
Current service cost	36	38
Interest cost	73	85
Employee contributions paid to the Schemes	9	9
Actuarial (gains)/losses due to:		
– liability experience	(11)	2
– change in financial assumptions	(76)	93
– change in demographic assumptions	(21)	–
Benefits paid	(212)	(260)
At 31 December	2,106	2,308

- (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:

	2024	2023
	\$ million	\$ million
Current service cost	36	38
Net interest income on net defined benefit asset/liability	(22)	(24)
	14	14

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

	2024	2023
	\$ million	\$ million
Direct costs	5	8
Other operating costs	9	6
	14	14

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:

	2024 \$ million	2023 \$ million
At 1 January	760	725
Remeasurement of net defined benefit asset/liability recognised in the consolidated statement of comprehensive income during the year	204	35
At 31 December	964	760

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

	2024 \$ million	2023 \$ million
Hong Kong equities	236	220
European equities	101	155
North American equities	568	517
Asia Pacific and other equities	147	143
Global bonds	2,009	2,005
Deposits, cash and others	42	45
	3,103	3,085

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:

	2024	2023
Discount rate		
– The Pension Scheme	3.9%	3.5%
– The Defined Contribution Scheme – DB portion	3.5%	2.9%
Long-term salary increase rate	5.0%	5.0%
Future pension increase rate	2.5%	2.5%

(ix) Sensitivity analysis

(1) The Pension Scheme

	Increase/(decrease) in defined benefit obligations	
	2024 \$ million	2023 \$ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	(31)	(36)
– decrease by 0.25%	32	37
Pension increase rate		
– increase by 0.25%	31	36
– decrease by 0.25%	(30)	(35)
Mortality rate applied to specific age		
– set forward one year	(47)	(50)
– set backward one year	47	50

(2) The Defined Contribution Scheme – DB Portion

	Increase/(decrease) in defined benefit obligations	
	2024 \$ million	2023 \$ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	(10)	(12)
– decrease by 0.25%	10	12
Interest to be credited		
– increase by 0.25%	10	12

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 2023.

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

	2024	2023
The Pension Scheme	10.1 Years	10.8 Years
The Defined Contribution Scheme – DB Portion	4.7 Years	5.1 Years



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)

(b) Defined contribution retirement schemes

	2024 \$ million	2023 \$ million
Expenses recognised in profit or loss	81	77

Forfeited contributions of \$2,446,000 (2023: \$2,046,000) 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

	2024 \$ million	2023 \$ million
Provisions (see note (a) below)	1,400	1,381
Lease liabilities (see note (b) below)	1	1
	1,401	1,382

(a) Provisions

	2024 \$ million
Provisions for asset decommissioning obligation	
At 1 January	1,381
Additional provisions made	86
Provisions utilised	(67)
At 31 December	1,400

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:

	2024		2023	
	Present value of the minimum lease payments \$ million	Total minimum lease payments \$ million	Present value of the minimum lease payments \$ million	Total minimum lease payments \$ million
Within 1 year	1	1	2	2
After 1 year but within 2 years	1	1	1	1
	2	2	3	3
Less: total future interest expenses		–		–
Present value of lease liabilities		2		3

29. Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position

	2024 \$ million	2023 \$ million
Hong Kong Profits Tax		
Provision for Hong Kong Profits Tax for the year	741	909
Provisional Profits Tax paid	(517)	–
	224	909
Balance of Profits Tax provision relating to prior year	–	(20)
	224	889

(b) Deferred tax liabilities

	2024 \$ million	2023 \$ million
Deferred tax liabilities	10,140	10,124



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 2023	10,037	312	70	76	10,495
Charged/(credited) to profit or loss	52	(321)	3	3	(263)
Charged/(credited) to other comprehensive income	–	–	6	(115)	(109)
Charged directly in equity	–	–	–	1	1
At 31 December 2023 and 1 January 2024	10,089	(9)	79	(35)	10,124
Charged/(credited) to profit or loss	25	(27)	3	(1)	–
Charged/(credited) to other comprehensive income	–	–	33	(17)	16
At 31 December 2024	10,114	(36)	115	(53)	10,140

- (ii) The Groups had no material unprovided deferred tax assets or liabilities as at 31 December 2024 and 2023.

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 2023	8	47,472	365	3,864	1,422	53,131
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	–
Balance at 31 December 2023 and 1 January 2024	8	47,472	230	4,739	1,422	53,871
Changes in equity for 2024:						
Profit for the year	–	–	–	1,109	–	1,109
Other comprehensive income	–	–	(53)	–	–	(53)
Total comprehensive income	–	–	(53)	1,109	–	1,056
Second interim dividend in respect of previous year approved and paid (see note 14(c))	–	–	–	–	(1,422)	(1,422)
First interim dividend paid (see note 14(b))	–	–	–	(1,408)	–	(1,408)
Proposed second interim dividend (see note 14(b))	–	–	–	(1,422)	1,422	–
Balance at 31 December 2024	8	47,472	177	3,018	1,422	52,097

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 (2023: 16.09 cents) per ordinary share, amounting to \$1,422 million (2023: \$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

	2024	
	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
	2023	
	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 2023	757	609	1,366
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
Balance at 31 December 2023 and 1 January 2024 (see note 3 below)	406	627	1,033
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	189	(77)	112
Reclassification adjustments for amounts transferred to profit or loss (see note 1 below)	(301)	–	(301)
Net deferred tax credited to other comprehensive income	10	12	22
	(102)	(65)	(167)
Amounts transferred to the initial carrying amount of hedged items, net of tax (see note 2 below)	–	5	5
Balance at 31 December 2024 (see note 3 below)	304	567	871

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 2023	(42)	(536)	(578)
Hedging for time-period related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	33	(428)	(395)
– 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	–	5	5
– Amounts transferred to the initial carrying amount of hedged items (see note 2 below)	–	1	1
Net deferred tax (charged)/credited to other comprehensive income	(5)	80	75
Balance at 31 December 2023 and 1 January 2024 (see note 3 below)	(14)	(941)	(955)
Hedging for time-period related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	22	60	82
– 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	–	12	12
– Amounts transferred to the initial carrying amount of hedged items (see note 2 below)	–	(4)	(4)
Net deferred tax charged to other comprehensive income	(4)	(1)	(5)
Balance at 31 December 2024 (see note 3 below)	4	(937)	(933)

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 2024, the Groups' strategy, which was unchanged from 2023, 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 2024 and 2023 was as follows:

	2024	2023
	\$ million	\$ million
Bank loans and other interest-bearing borrowings	50,810	50,162
Bank overdrafts – unsecured	45	44
Less: Bank deposits and cash	(30)	(21)
Net debt	50,825	50,185
Total equity	49,290	48,978
Net debt	50,825	50,185
Net total capital	100,115	99,163
Net debt-to-net total capital ratio	51%	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 \$440 million of trade and other receivables at 31 December 2024 (2023: \$451 million). The credit policy is set out in note 21.

The Groups have defined minimum credit rating requirements and transaction limits for counterparties when dealing in financial derivatives or placing deposits to minimise credit exposure. The Groups do not expect any counterparty to fail to meet its obligations.

The Groups have no significant concentrations of credit risk in respect of trade and other receivables relating to electricity customers, as the five largest customers combined did not exceed 30% of the Groups' total revenue.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position.

Further quantitative disclosures in respect of the Groups' exposure to credit risk arising from trade and other receivables are set out in note 21.

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)

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.

		2024			2023		
		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
\$ million	Note						
Financial assets							
Interest rate swaps	31(f)(i)	483	(89)	394	602	(118)	484
Forward foreign exchange contracts	31(f)(i)	135	(68)	67	136	(64)	72
Total		618	(157)	461	738	(182)	556
Financial liabilities							
Cross currency swaps	31(f)(i)	88	(88)	-	92	(92)	-
Interest rate swaps	31(f)(i)	1	(1)	-	26	(26)	-
Forward foreign exchange contracts	31(f)(i)	68	(68)	-	64	(64)	-
Total		157	(157)	-	182	(182)	-

(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 \$4,850 million at 31 December 2024 (2023: \$6,535 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.

	2024					
	Contractual undiscounted cash outflows/(inflows)					
\$ million	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
Non-derivative financial liabilities						
Bank loans and other borrowings and interest accruals	2,555	23,384	10,247	27,936	64,122	51,019
Bank overdrafts – unsecured	45	–	–	–	45	45
Creditors and accrued charges	2,460	–	–	–	2,460	2,460
	5,060	23,384	10,247	27,936	66,627	53,524
Derivative financial instruments						
Net settled						
Interest rate swaps and related interest accruals	(322)	(266)	(113)	(45)	(746)	(491)
Gross settled						
Cross currency swaps and related interest accruals						81
– outflow	201	116	95	24	436	
– inflow	(198)	(113)	(88)	(29)	(428)	
Forward foreign exchange contracts held as cash flow hedging instruments:						(67)
– outflow	3,638	–	7,923	10,340	21,901	
– inflow	(3,660)	–	(8,175)	(10,893)	(22,728)	
Other forward foreign exchange contracts:						–
– outflow	5	–	–	–	5	
– inflow	(5)	–	–	–	(5)	

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)

	2023					
	Contractual undiscounted cash outflows/(inflows)					
\$ million	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
Non-derivative financial liabilities						
Bank loans and other borrowings and interest accruals	2,680	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
	5,780	2,251	32,364	28,578	68,973	53,490
Derivative financial instruments						
Net settled						
Interest rate swaps and related interest accruals	(394)	(395)	(439)	(80)	(1,308)	(593)
Gross settled						
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)	

(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).

	2024 \$ million	2023 \$ million
Net fixed rate liabilities		
Bank loans and other borrowings	(37,206)	(37,265)
Net variable rate assets/(liabilities)		
Cash at bank and in hand	30	21
Bank loans and other borrowings	(13,604)	(12,897)
Bank overdrafts – unsecured	(45)	(44)
Customers' deposits	(2,507)	(2,449)
	(16,126)	(15,369)

(iii) Sensitivity analysis

At 31 December 2024, 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 \$125 million (2023: \$116 million). Other components of consolidated equity would have increased/decreased by approximately \$188 million (2023: \$268 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 2023.

(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)	2024	
	USD	JPY
Trade and other payables and contract liabilities	(67)	(1,236)
Bank loans and other borrowings	(2,295)	–
Gross exposure arising from recognised assets and liabilities	(2,362)	(1,236)
Notional amounts of forward foreign exchange contracts designated as hedging instruments	1,345	93
Notional amounts of cross currency swaps designated as hedging instruments	950	–
Net exposure arising from recognised assets and liabilities	(67)	(1,143)

'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)

(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.

	2024		2023	
	Effect on profit after taxation and revenue reserve Increase/ (decrease)	Effect on other components of equity Increase/ (decrease)	Effect on profit after taxation and revenue reserve Increase/ (decrease)	Effect on other components of equity Increase/ (decrease)
\$ million				
Japanese Yen	(2)	–	–	–

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 2023.

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 years ended 31 December 2024 and 2023.

(i) Cash flow hedges

2024										
Hedging instruments	Maturity date	Weighted average fixed swap rates/contract rates	Notional amount of hedging instruments \$ million	Carrying amount of hedging instruments included in				Changes in fair value used for calculating hedge ineffectiveness		
				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	483	-	(89)	-	189	(189)	-
(2) For hedging currency risk of committed and forecast transactions										
Forward foreign exchange contracts	Ranging from 2025 to 2034	See note below	11,339	40	2	(41)	(1)	(31)	31	-
(3) For hedging currency risk of foreign currency borrowings										
Forward foreign exchange contracts	Ranging from 2027 to 2034	See note below	10,546	93	-	(26)	-	(46)	46	-

Hedging instruments	Maturity date	Weighted average fixed swap rates/contract rates	Notional amount of hedging instruments \$ million	Carrying amount of hedging instruments included in				Changes in fair value used for calculating hedge ineffectiveness		
				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)	–

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

2024										
Hedging instruments	Maturity date	Weighted average variable swap rates/ contract rates	Notional amount \$ million	Carrying amount included in			Trade and other payables and contract liabilities \$ million	Changes in fair value used for calculating hedge ineffectiveness		Hedge ineffectiveness recognised in profit or loss \$ million
				Derivative financial instruments under non-current assets \$ million	Trade and other receivables \$ million	Derivative financial instruments under non-current liabilities \$ million		Hedging instruments \$ million	Hedged items \$ million	
Forward foreign exchange contracts	2025	See note below	5	-	-	-	-	-	-	-

2024			
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	(5)	-	Trade and other payables and contract liabilities

2023

Hedging instruments	Maturity date	Weighted average variable swap rates/ contract rates	Carrying amount included in					Changes in fair value used for calculating hedge ineffectiveness		
			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

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:

	2024	2023
Weighted average contract rates		
USD : HKD	7.4954	7.4867
JPY : HKD	0.0510	0.0543
EUR : HKD	-	8.5846
JPY : USD	152.8640	118.1725



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

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

	Note	Level 2	
		2024 \$ million	2023 \$ million
Financial assets			
Derivative financial instruments:			
– Interest rate swaps	31(a)	483	602
– Forward foreign exchange contracts	31(a)	135	136
		618	738
Financial liabilities			
Derivative financial instruments:			
– Cross currency swaps	31(a)	88	92
– Interest rate swaps	31(a)	1	26
– Forward foreign exchange contracts	31(a)	68	64
		157	182

(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 2024 and 2023.

(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:

	2024 \$ million	2023 \$ million
Contracted for:		
Capital expenditure for property, plant and equipment	7,437	5,832
Authorised but not contracted for:		
Capital expenditure for property, plant and equipment	17,967	21,073

- (b) At 31 December 2024, the Groups' share of capital commitments of a joint venture was \$19 million (2023: \$31 million).

At 31 December 2024, the Groups' share of the lease and other commitments of a joint venture approximated to \$531 million (2023: \$700 million).

33. Contingent liabilities

At 31 December 2024, the Groups had no guarantee or indemnity to external parties (2023: Nil).

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

(Expressed in Hong Kong dollars unless otherwise indicated)

34. Material related party transactions

The Groups had the following material transactions with related parties during the year:

(a) Holder of Share Stapled Units

Support service charge recovered from Power Assets group

Other operating costs included support service charge recovered from Power Assets group amounting to \$46 million (2023: \$45 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 2024, the total outstanding balance receivable from Power Assets group was \$5 million (2023: \$6 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 2024 are disclosed in note 19.
- (ii) Amount due to HKLTL is unsecured, interest-free and has no fixed term of repayment.
- (iii) Interest income received/receivable from HKLTL in respect of the Shareholder Loan Facility amounted to \$38 million (2023: \$36 million).
- (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 \$222 million (2023: \$184 million) and \$88 million (2023: \$35 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 2024, service fees of \$7 million (2023: \$8 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.

35. Statement of financial position of the Company

	Note	2024 \$ million	2023 \$ million
Non-current assets			
Investments in subsidiaries		60,637	62,349
Derivative financial instruments		177	241
		60,814	62,590
Current assets			
Trade and other receivables		49	63
Bank deposits and cash		1	1
		50	64
Current liabilities			
Trade and other payables		(77)	(92)
Net current liabilities		(27)	(28)
Total assets less current liabilities		60,787	62,562
Non-current liabilities			
Bank loans		(8,690)	(8,681)
Derivative financial instruments		–	(10)
		(8,690)	(8,691)
Net assets		52,097	53,871
Capital and reserves	30(a)		
Share capital		8	8
Reserves		52,089	53,863
Total equity		52,097	53,871

Approved and authorised for issue by the Boards on 18 March 2025.

Cheng Cho Ying, Francis
Director

Chan Loi Shun
Director

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

(Expressed in Hong Kong dollars unless otherwise indicated)

36. Substantial holders of Share Stapled Units of the Trust Group

The Share Stapled Units of the Trust Group are listed on the Main Board of the Stock Exchange and are widely held by the public. Power Assets, State Grid Corporation of China and Qatar Investment Authority hold approximately 33.37%, 21.00% and 19.90% of the issued Share Stapled Units respectively as at 31 December 2024 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)(iii)).

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 2024.

38. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments to HKFRSs and new standards which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Groups.

	Effective for accounting periods beginning on or after
• Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates – Lack of exchangeability</i>	1 January 2025
• Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
• Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
• HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
• HKFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

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 166 to 174, which comprise the statement of financial position as at 31 December 2024, 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 2024 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 ("HSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

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

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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

18 March 2025

Statement of Profit or Loss and Other Comprehensive Income of HK Electric Investments Manager Limited

For the year ended 31 December 2024
(Expressed in Hong Kong dollars)

	Note	2024 \$	2023 \$
Revenue		–	–
Administrative expenses		–	–
Profit before taxation	4	–	–
Income tax	5	–	–
Profit and total comprehensive income for the year		–	–

The notes on pages 170 to 174 form part of these financial statements.

Statement of Financial Position of HK Electric Investments Manager Limited

At 31 December 2024
(Expressed in Hong Kong dollars)

	Note	2024 \$	2023 \$
Current assets			
Amount due from immediate holding company	7	1	1
Net assets		1	1
Capital and reserves			
Share capital	8	1	1
Reserves		–	–
Total equity		1	1

Approved and authorised for issue by the Board of Directors on 18 March 2025.

Cheng Cho Ying, Francis
Director

Chan Loi Shun
Director

The notes on pages 170 to 174 form part of these financial statements.

Statement of Changes in Equity of HK Electric Investments Manager Limited

For the year ended 31 December 2024
(Expressed in Hong Kong dollars)

	Share capital	Reserves	Total
	\$	\$	\$
Balance at 1 January 2023	1	–	1
Changes in equity for 2023:			
Profit and total comprehensive income for the year	–	–	–
Balance at 31 December 2023 and 1 January 2024	1	–	1
Changes in equity for 2024:			
Profit and total comprehensive income for the year	–	–	–
Balance at 31 December 2024	1	–	1

The notes on pages 170 to 174 form part of these financial statements.

Cash Flow Statement of HK Electric Investments Manager Limited

For the year ended 31 December 2024
(Expressed in Hong Kong dollars)

	2024 \$	2023 \$
Operating activities		
Net cash generated from operating activities	–	–
Investing activities		
Net cash used in investing activities	–	–
Financing activities		
Net cash used in financing activities	–	–
Net change in cash and cash equivalents	–	–
Cash and cash equivalents at 1 January	–	–
Cash and cash equivalents at 31 December	–	–

The notes on pages 170 to 174 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.

(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 116, no distributions statement is therefore presented in these financial statements.

(c) Cash flow statement

The Company did not have any cash flows during the current and prior years nor did it have any cash or cash equivalents at any point throughout the current and prior years.

Notes to the Financial Statements of HK Electric Investments Manager Limited

(Expressed in Hong Kong dollars unless otherwise indicated)

2. Material accounting policies (continued)

(d) Related parties

- (i) A person or a close member of that person's family is related to the Company if that person:
 - (1) has control or joint control over the Company;
 - (2) has significant influence over the Company; or
 - (3) is a member of the key management personnel of the Company or the Company's parent.
- (ii) An entity is related to the Company if any of the following conditions apply:
 - (1) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (2) One entity is a joint venture or an associate of the other entity (or a joint venture or an associate of a member of a group of which the other entity is a member).
 - (3) Both entities are joint ventures of the same third party.
 - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (6) The entity is controlled or jointly controlled by a person identified in note 2(d)(i).
 - (7) A person identified in note 2(d)(i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

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

3. Changes in accounting policies

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

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

4. Profit before taxation

Auditor's remuneration of \$63,000 (2023: \$62,000) and all other expenses of the Company which were incurred for the administering of the Trust of \$727,000 (2023: \$763,000) 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

	2024		2023	
	Number of shares	\$	Number of shares	\$
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	1	1	1	1

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

Notes to the Financial Statements of HK Electric Investments Manager Limited

(Expressed in Hong Kong dollars unless otherwise indicated)

9. Capital management

The primary objectives of the Company when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for the sole member and benefits for other stakeholders. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Company defines "capital" as including all components of equity. The Company actively and regularly reviews and manages its capital structure to support its future capital requirements and operations. The Company has a specific and limited role to administer the Trust. All its capital requirements are fully supported by the ultimate holding company.

The Company was not subject to externally imposed capital requirements during the current and prior years.

10. Immediate and ultimate controlling parties

At 31 December 2024, 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 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments to HKFRSs and new standards which are not yet effective for the year ended 31 December 2024 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	2024	2023	2022	2021	2020
Revenue	12,057	11,406	10,793	11,344	10,389
Operating profit	5,488	4,976	4,509	4,845	4,140
Finance costs	(1,408)	(1,360)	(961)	(800)	(971)
Profit before taxation	4,080	3,616	3,548	4,045	3,169
Income tax	(741)	(646)	(629)	(735)	(568)
Profit after taxation	3,339	2,970	2,919	3,310	2,601
Scheme of Control transfers	(228)	186	35	(377)	131
Profit for the year attributable to the holders of Share Stapled Units/shares of the Company	3,111	3,156	2,954	2,933	2,732

Consolidated Statement of Financial Position

\$ million	2024	2023	2022	2021	2020
Property, plant and equipment and interests in leasehold land	79,950	79,824	78,960	76,740	74,434
Goodwill	33,623	33,623	33,623	33,623	33,623
Other non-current assets	2,556	2,600	3,125	2,118	1,781
Net current liabilities	(1,628)	(2,625)	(233)	(3,470)	(6,612)
Total assets less current liabilities	114,501	113,422	115,475	109,011	103,226
Non-current liabilities	(64,343)	(63,774)	(65,230)	(59,553)	(54,757)
Scheme of Control Fund and Reserve	(868)	(670)	(912)	(1,065)	(726)
Net assets	49,290	48,978	49,333	48,393	47,743
Share capital	8	8	8	8	8
Reserves	49,282	48,970	49,325	48,385	47,735
Total equity	49,290	48,978	49,333	48,393	47,743

The Hongkong Electric Company, Limited

Ten-Year Scheme of Control Statement

(a) Scheme of Control

The activities of HK Electric are subject to a Scheme of Control Agreement ("SoCA") agreed with the Government with a term of 15 years from 1 January 2019 to 31 December 2033.

The SoCA provides for HK Electric to earn a Permitted Return of 8% of average net fixed assets. The Permitted Return is determined after any excess capacity adjustment, in accordance with the Annex to the SoCA. No excess capacity adjustment was made in 2024 and 2023. 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	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Sales of electricity	12,018	11,321	10,724	11,312	10,363	10,694	11,541	11,621	11,373	11,165
Transfer from Fuel Clause Recovery Account	4,184	5,401	6,922	3,122	1,823	2,051	2,696	1,904	1,206	1,861
Other Scheme of Control revenue	86	131	111	73	162	77	115	93	79	74
Gross tariff revenue	16,288	16,853	17,757	14,507	12,348	12,822	14,352	13,618	12,658	13,100
Fuel costs	(5,653)	(6,891)	(8,420)	(4,778)	(3,453)	(3,842)	(4,530)	(3,785)	(3,105)	(3,697)
Operating costs	(1,811)	(1,704)	(1,702)	(1,735)	(1,697)	(1,723)	(1,656)	(1,592)	(1,460)	(1,277)
Interest	(1,081)	(1,024)	(722)	(621)	(778)	(764)	(779)	(719)	(811)	(838)
Depreciation and amortisation	(2,764)	(2,497)	(2,543)	(2,530)	(2,414)	(2,342)	(2,355)	(2,210)	(2,127)	(2,054)
Net revenue before taxation	4,979	4,737	4,370	4,843	4,006	4,151	5,032	5,312	5,155	5,234
Scheme of Control taxation	(870)	(1,113)	(459)	(670)	(695)	(688)	(557)	(698)	(1,209)	(1,140)
Net revenue after taxation	4,109	3,624	3,911	4,173	3,311	3,463	4,475	4,614	3,946	4,094
Interest on borrowed capital	1,348	1,328	1,017	926	1,018	1,043	983	873	821	729
Interest on incremental customers' deposit	10	10	1	–	–	1	–	–	–	–
Scheme of Control net revenue	5,467	4,962	4,929	5,099	4,329	4,507	5,458	5,487	4,767	4,823
Transfer (to)/from Tariff Stabilisation Fund	(155)	255	80	(344)	164	(222)	(303)	(291)	181	84
Permitted Return	5,312	5,217	5,009	4,755	4,493	4,285	5,155	5,196	4,948	4,907
Interest on borrowed capital	(1,348)	(1,328)	(1,017)	(926)	(1,018)	(1,043)	(983)	(873)	(821)	(729)
Interest on incremental customers' deposit	(10)	(10)	(1)	–	–	(1)	–	–	–	–
Transfer to Smart Power Care Fund/ Smart Power Fund	(40)	(38)	(32)	(32)	(25)	(32)	–	(5)	(5)	(5)
Transfer to Rate Reduction Reserve	(32)	(31)	(13)	(1)	(8)	(14)	(6)	(1)	(1)	(1)
Net Return	3,882	3,810	3,946	3,796	3,442	3,195	4,166	4,317	4,121	4,172

The Hongkong Electric Company, Limited

Ten-Year Statement of Financial Position

At 31 December

HK\$ million	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Non-current assets										
Property, plant and equipment and interests in leasehold land	64,459	63,784	62,162	59,355	56,437	53,791	51,753	50,494	49,971	49,482
Interest in a joint venture	887	895	793	477	278	42	–	–	–	–
Employee retirement benefit scheme assets	1,053	968	882	1,045	887	809	593	648	454	580
Derivative financial instruments	439	496	1,042	596	616	641	539	784	1,034	314
	66,838	66,143	64,879	61,473	58,218	55,283	52,885	51,926	51,459	50,376
Current assets										
Coal, fuel oil and natural gas	673	692	1,158	620	430	522	675	671	624	525
Stores and materials	309	311	288	284	296	297	314	340	361	357
Trade and other receivables	1,309	1,407	1,571	1,147	931	1,056	1,024	1,065	1,218	1,155
Fuel Clause Recovery Account	–	–	1,892	252	–	–	–	–	–	–
Bank deposits and cash	29	20	324	33	51	297	33	1,658	310	6,155
	2,320	2,430	5,233	2,336	1,708	2,172	2,046	3,734	2,513	8,192
Current liabilities										
Bank loans and other borrowings	(727)	(715)	(557)	(1,233)	(1,486)	(6,010)	(440)	–	(335)	(900)
Fuel Clause Recovery Account	(215)	(53)	–	–	(796)	(647)	(855)	(2,771)	(4,088)	(2,283)
Trade and other payables and contract liabilities	(7,290)	(9,617)	(10,132)	(8,883)	(7,107)	(6,940)	(6,607)	(6,626)	(6,263)	(5,519)
Bank overdrafts – unsecured	(45)	(44)	–	–	–	(33)	–	–	–	–
Current taxation	(224)	(889)	(149)	(506)	(541)	(577)	(137)	(214)	(351)	(360)
	(8,501)	(11,318)	(10,838)	(10,622)	(9,930)	(14,207)	(8,039)	(9,611)	(11,037)	(9,062)
Net current liabilities	(6,181)	(8,888)	(5,605)	(8,286)	(8,222)	(12,035)	(5,993)	(5,877)	(8,524)	(870)
Total assets less current liabilities	60,657	57,255	59,274	53,187	49,996	43,248	46,892	46,049	42,935	49,506
Non-current liabilities										
Bank loans and other borrowings	(41,393)	(40,766)	(41,982)	(36,729)	(34,708)	(28,319)	(32,855)	(32,714)	(30,700)	(37,646)
Derivative financial instruments	(156)	(171)	(78)	(102)	(370)	(14)	(411)	(184)	(73)	(168)
Customers' deposits	(2,507)	(2,449)	(2,381)	(2,317)	(2,268)	(2,241)	(2,195)	(2,130)	(2,057)	(2,001)
Deferred tax liabilities	(7,584)	(7,478)	(7,723)	(7,113)	(6,628)	(6,467)	(6,168)	(5,848)	(5,595)	(5,698)
Employee retirement benefit scheme liabilities	(56)	(191)	(158)	(350)	(367)	(368)	(393)	(288)	(406)	(587)
Other non-current liabilities	(1,401)	(1,382)	(1,430)	(1,314)	(1,122)	(955)	(747)	(503)	–	–
	(53,097)	(52,437)	(53,752)	(47,925)	(45,463)	(38,364)	(42,769)	(41,667)	(38,831)	(46,100)
Tariff Stabilisation Fund (note 1)	(816)	(630)	(872)	(1,050)	(698)	(848)	(620)	(316)	(24)	(204)
Rate Reduction Reserve (note 2)	(32)	(31)	(13)	(1)	(8)	(14)	(6)	(1)	(1)	(1)
Smart Power Care Fund/ Smart Power Fund (note 3)	(20)	(9)	(27)	(14)	(20)	(16)	(22)	(18)	(14)	(10)
Net assets	6,692	4,148	4,610	4,197	3,807	4,006	3,475	4,047	4,065	3,191
Capital and reserves										
Share capital	2,411	2,411	2,411	2,411	2,411	2,411	2,411	2,411	2,411	2,411
Reserves	4,499	1,868	1,756	1,666	1,427	1,259	1,125	1,326	1,057	921
Hedging reserve	(218)	(131)	443	120	(31)	336	(61)	310	597	(141)
Total equity	6,692	4,148	4,610	4,197	3,807	4,006	3,475	4,047	4,065	3,191

Notes:

- The Tariff Stabilisation Fund is not part of shareholders' funds.
- 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.
- 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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Units sold (millions of kWh)										
Commercial	7,415	7,369	7,149	7,409	7,178	7,751	7,766	7,824	7,893	8,012
Residential	2,451	2,384	2,505	2,659	2,667	2,475	2,466	2,485	2,584	2,541
Industrial	284	287	287	293	289	293	305	306	315	326
Total (millions of kWh)	10,150	10,040	9,941	10,361	10,134	10,519	10,537	10,615	10,792	10,879
Annual increase/(decrease) (%)	1.1	1.0	(4.0)	2.2	(3.7)	(0.2)	(0.7)	(1.6)	(0.8)	(0.7)
Average Net Tariff per Tariff Review (HK cents per kWh)										
Basic Tariff	119.5	114.5	109.0	109.0	102.0	101.3	109.1	108.9	105.5	102.6
Special Rent & Rates Rebate	–	–	–	–	(0.4)	(2.3)	(4.0)	(4.0)	–	–
Special Rebate	–	–	(1.0)	–	–	–	–	–	–	–
Net Basic Tariff	119.5	114.5	108.0	109.0	101.6	99.0	105.1	104.9	105.5	102.6
Fuel Clause Charge	46.0	82.5	27.3	17.4	24.8	23.4	23.4	23.4	27.9	32.3
Special Fuel Rebate	–	–	–	–	–	(2.3)	(16.0)	(17.9)	–	–
Net Tariff (HK cents per kWh)	165.5	197.0	135.3	126.4	126.4	120.1	112.5	110.4	133.4	134.9
Number of customers (000's)	593	589	586	584	583	581	579	577	575	572
Installed capacity (MW)										
Gas turbines and standby units	555	555	555	555	555	555	555	555	555	555
Coal-fired units	1,050	1,750	1,750	2,000	2,000	2,000	2,000	2,250	2,500	2,500
Gas-fired combined-cycle units (note 1)	1,475	1,095	1,095	1,060	1,060	680	680	680	680	680
Wind turbine and solar power systems (note 2)	3	3	2	2	2	2	2	2	2	2
Total (MW)	3,083	3,403	3,402	3,617	3,617	3,237	3,237	3,487	3,737	3,737
System maximum demand (MW)	2,255	2,269	2,384	2,384	2,336	2,395	2,376	2,513	2,428	2,427
Annual (decrease)/increase (%)	(0.6)	(4.8)	–	2.1	(2.5)	0.8	(5.5)	3.5	0.0	(1.3)
Annual load factor (%)	56.2	55.9	52.8	55.1	55.0	56.4	56.8	54.0	56.7	57.3
Thermal efficiency (%)	41.5	39.3	38.9	37.6	37.6	35.5	35.6	35.9	35.9	36.2
Plant availability (%)	84.8	89.4	86.6	89.0	89.5	90.9	90.7	87.1	85.6	85.5
Number of switching stations	24	24	24	24	24	24	24	24	24	24
Number of zone substations	27	27	27	27	27	27	27	27	27	27
Number of customer substations	4,038	4,012	3,977	3,962	3,944	3,920	3,912	3,889	3,848	3,818
Number of employees	1,649	1,657	1,690	1,699	1,713	1,770	1,763	1,776	1,790	1,801
Capital expenditure (HK\$ million) (note 3)	3,659	4,447	5,734	6,001	5,485	4,620	3,695	2,929	2,799	2,516

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.

Corporate Information

Auditor

KPMG

Company Website

www.hkei.hk

Trustee-Manager Registered Office

44 Kennedy Road, Hong Kong

Company Registered Office

Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman, KY1-1111,
Cayman Islands

Company Head Office and Principal Place of Business in Hong Kong

44 Kennedy Road, Hong Kong
Telephone: (852) 2843 3111
Facsimile: (852) 2810 0506
Email: mail@hkei.hk

Share Stapled Units Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor,
Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong
Website: www.computershare.com/hk/contact

Principal Share Registrar

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman, KY1-1111,
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor,
Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong
Website: www.computershare.com/hk/contact

ADR (Level 1 Programme) Depositary

Deutsche Bank Trust Company Americas
1 Columbus Circle, New York, NY 10019
Website: www.adr.db.com
Email: adr@db.com

Investor Relations

For institutional investors, please contact:
CHAN Loi Shun (*Executive Director*),
WONG Kim Man (*Chief Financial Officer*) or
Vincent CHOW (*Group Treasurer*)

For other investors, please contact:
Alex NG (*Company Secretary*)

Email: mail@hkei.hk
Telephone: (852) 2843 3111
Facsimile: (852) 2810 0506
Postal Address: G.P.O. Box 915, Hong Kong
Address: 44 Kennedy Road, Hong Kong

Financial Calendar and Share Stapled Unit Information

Financial Calendar

Interim Results Announcement	13 August 2024
Annual Results Announcement	18 March 2025
Ex-distribution Date	9 April 2025
Record Date for Final Distribution	10 April 2025
Distribution per Share Stapled Unit	
Interim : HK15.94 cents	6 September 2024
Final : HK16.09 cents	23 April 2025
Closure of Registers	16 May 2025 to 21 May 2025
– Annual General Meeting	(both days inclusive)
Annual General Meeting	21 May 2025

Share Stapled Unit Information

Board Lot	500 Share Stapled Units
Market Capitalisation as at 31 December 2024	HK\$46,832 million
Share Stapled Unit to American Depositary Share Ratio	10:1

Stock Codes

The Stock Exchange of Hong Kong Limited	2638
Bloomberg	2638 HK
Refinitiv	2638.HK
ADR Ticker Symbol	HKVTY
CUSIP Number	40422B101

Glossary

In this Annual Report, unless the context otherwise requires, the following expressions shall have the following meanings:

Term(s)	Definition
"Annual General Meeting"	The annual general meeting of unitholders of the Trust and shareholders of the Company, as convened by the Trustee-Manager and the Company held on a combined basis as a single meeting characterised as the annual general meeting of Holders of Share Stapled Units
"Boards" or "Boards of Directors"	Trustee-Manager Board and Company Board
"CK Hutchison"	CK Hutchison Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1)
"CKI"	CK Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1038) and the main market for listed securities of the London Stock Exchange plc (ticker symbol: CKI)
"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

Term(s)	Definition
"Holder(s) of Share Stapled Units" or "SSU holder(s)"	Person(s) who holds Share Stapled Units issued by HKEI
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules
"Power Assets"	Power Assets Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6)
"Registers"	The Share Stapled Units Register, the Units Register, the Principal and Hong Kong Branch Registers of Members and the Register of Beneficial Interests
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share Stapled Unit(s)" or "SSU(s)"	Share Stapled Unit(s) jointly issued by the Trust and the Company, with each Share Stapled Unit being the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others: (a) a unit in the Trust; (b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of the Trust); and (c) a specifically identified preference share of the Company stapled to the unit
"Share Stapled Units Register"	The register of registered Holders of Share Stapled Units
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trust"	HK Electric Investments, as constituted pursuant to the Trust Deed under the Laws of Hong Kong
"Trust Deed"	The trust deed dated 1 January 2014 constituting the Trust, entered into between the Trustee-Manager and the Company and as amended by two deeds of amendment dated 13 May 2020 and 22 May 2024 respectively
"Trust Group"	The Trust and the Group

Glossary

Term(s)	Definition
"Trustee-Manager"	HK Electric Investments Manager Limited, a company incorporated in Hong Kong with limited liability on 25 September 2013 and an indirect wholly-owned subsidiary of Power Assets, in its capacity as trustee-manager of the Trust
"Trustee-Manager Audit Committee"	Audit committee of the Trustee-Manager
"Trustee-Manager Board"	Board of directors of the Trustee-Manager

This Annual Report has been published in both the English and Chinese languages on the Company's website at www.hkei.hk and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

If a Holder of Share Stapled Unit(s) wishes to receive corporate communications (including but not limited to this Annual Report) in printed form, or choose to change their choice as to the language of the printed form, please follow the relevant instructions set out in the "Arrangements For Dissemination Of Corporate Communications" under the "Investor Information" section of the Company's website, complete the relevant Reply Form and return the completed Reply Form to the Company at mail@hkei.hk or by post 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.

Any such request from a Holder of Share Stapled Unit(s) shall be valid for one year starting from the date of receipt, or until the original request has been revoked in writing or superseded by a subsequent written request, whichever is earlier. A Holder of Share Stapled Unit(s) wishing to continue to receive corporate communications in printed form after expiry of the original request must submit a fresh Reply Form.

If a Holder of Share Stapled Unit(s) wishes to receive actionable corporate communications by email, please follow the relevant instructions set out in the "Arrangements For Dissemination Of Corporate Communications" under the "Investor Information" section of the Company's website, and/or complete the relevant Reply Form and return the completed Reply Form to the Company at mail@hkei.hk or by post to the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, at the address above-mentioned.

