Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

*This announcement and the listing document attached hereto are for information purposes only and do not constitute an invitation or offer to acquire, purchase or subscribe for securities. This announcement and the listing document attached hereto do not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in or into the United States or to U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")). The securities have not been and will not be registered under the Securities Act, or the securities laws of any state of the United States or any other jurisdiction, and the securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. Accordingly, the securities are being offered and sold only outside the United States to non-U.S. persons (as defined in Regulation S under the Securities Act) in offshore transactions in compliance with Regulation S under the Securities Act. This announcement and the information contained herein are not for distribution, directly or indirectly, in or into the United States or to U.S. persons (as defined in Regulation S under the Securities Act). No public offer of the securities referred to herein is being or will be made in the United States.*

This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

Notice to Hong Kong investors: *The Issuer and the Guarantor (as defined below) confirm that the Notes (as defined below) are intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) only and the Notes are listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING CIRCULAR AND PRICING SUPPLEMENT

HONGKONG ELECTRIC FINANCE LIMITED

(incorporated with limited liability under the laws of the British Virgin Islands)
(the "**Issuer**")

unconditionally and irrevocably guaranteed by

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司

(incorporated with limited liability in Hong Kong)
(the "**Guarantor**")

HK$2,000,000,000 3.30 per cent. notes due 2031 (the "**Notes**")
(Stock Code: 40032)

to be issued under the Issuer's
U.S.$5,000,000,000 Medium Term Note Programme
(the "**Programme**")

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Please refer to the offering circular dated 29 May 2025 in respect of the Programme (the "**Offering Circular**") and the pricing supplement dated 5 January 2026 in relation to the Notes (the "**Pricing Supplement**") appended hereto. The Notes are intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) only and the Programme has been and the Notes have been listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular, the Pricing Supplement and this announcement do not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor do they constitute an invitation to the public to make offers to subscribe for or purchase any securities, nor should they be circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular, the Pricing Supplement and this announcement must not be regarded as an inducement to subscribe for or purchase any Notes of the Issuer, and no such inducement is intended.

13 January 2026

As at the date of this announcement:

The Directors of Hongkong Electric Finance Limited are Mr. CHENG Cho Ying, Mr. CHAN Loi Shun and Mr. WONG Kim Man.

The Directors of The Hongkong Electric Company, Limited 香港電燈有限公司 are Mr. FOK Kin Ning, Canning (Chairman), Mr. CHENG Cho Ying (Managing Director), Mr. Fahad Hamad A H AL-MOHANNADI, Mr. Ronald Joseph ARCULLI, Mr. CHAN Loi Shun, Mr. CHOI Wai Man, Dr. FONG Chi Wai, Alex, Mr. Deven Arvind KARNIK, Ms. KOH Poh Wah, Mr. KWAN Kai Cheong, Mr. LEE Lan Yee, Francis, Mr. LI Tzar Kuoi, Victor (Mr. Frank John SIXT as his alternate), Mr. George Colin MAGNUS, Mr. Donald Jeffrey ROBERTS, Mr. WANG Yuanhang, Mr. WANG Zijian and Mr. ZHU Guangchao.

This announcement is also available on the website of HK Electric Investments Limited at www.hkei.hk.

Appendix I – Offering Circular dated 29 May 2025

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES

Important: You must read the following before continuing. The following applies to the offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "***SECURITIES ACT***"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE APPLICABLE PRICING SUPPLEMENT AND TERMS AND CONDITIONS OF THE NOTES. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED IN THE FOLLOWING OFFERING CIRCULAR.

Confirmation of the Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must be a non-U.S. person purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. The Offering Circular is being sent at your request and by accepting the electronic mail and accessing the Offering Circular, you shall be deemed to have represented to us that you are not a U.S. person or acting for the account or benefit of a U.S. person (in each case as defined in Regulation S), the electronic mail address that you gave us and to which this electronic mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular and any amendments and supplements thereto by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person. You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

The materials relating to any offering of securities under the Programme (as defined in the Offering Circular) to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that such offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the underwriters or such affiliate on behalf of Hongkong Electric Finance Limited in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Dealers (as defined in the Offering Circular) or any person who controls any Dealer or any director, officer, employee or agent of either of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from any of the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR

Hongkong Electric Finance Limited

(incorporated with limited liability under the laws of the British Virgin Islands)

unconditionally and irrevocably guaranteed by

The Hongkong Electric Company, Limited
香港電燈有限公司

(incorporated with limited liability under the laws of Hong Kong)

U.S.$5,000,000,000
Medium Term Note Programme

*On 18 December 2002, Hongkong Electric Finance Limited (the "**Issuer**") established a U.S.$1,000,000,000 Medium Term Note Programme (the "**Programme**"). On 25 July 2006, the size of the Programme was increased from U.S.$1,000,000,000 to U.S.$2,000,000,000 and on 8 December 2011, the size of the Programme was further increased from U.S.$2,000,000,000 to U.S.$3,000,000,000, both in accordance with the terms of the Programme. On 31 July 2014, the size of the Programme was again further increased from U.S.$3,000,000,000 to U.S.$5,000,000,000 in accordance with the terms of the Programme. This offering circular (the "**Offering Circular**") supersedes any previous offering circular (including any supplement thereto) issued in respect of the Programme prior to the date hereof. Any Notes (as defined below) issued under this Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes issued prior to the date of this Offering Circular.*

Under this Programme, the Issuer may from time to time issue notes (the "***Notes***") denominated in any currency agreed between the Issuer, The Hongkong Electric Company, Limited 香港電燈有限公司 (the "***Guarantor***") and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by the Guarantor.

Notes may be issued in bearer or registered form (respectively "***Bearer Notes***" and "***Registered Notes***"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$5,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "***Dealer***" and together the "***Dealers***"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "***relevant Dealer***" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the "***Hong Kong Stock Exchange***") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("***Professional Investors***") only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes to be issued under the Programme are intended for purchase by Professional Investors only and the Programme and the Notes, to the extent that such Notes are to be listed on the Hong Kong Stock Exchange, will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer or the Guarantor or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

A separate application will be made for permission to deal in, and for the listing of, Notes issued under the Programme which are by way of debt issues to Professional Investors only during the period of 12 months after the date of this Offering Circular on the Hong Kong Stock Exchange. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in a pricing supplement (the "***Pricing Supplement***") a copy of which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Notes and the Guarantee (as defined under "Terms and Conditions of the Notes") have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "***Securities Act***") or any U.S. State securities law and may not be offered or sold directly or indirectly in the United States or to, or for the account or benefit of, U.S. persons unless the Notes and the Guarantee are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme and (where applicable) such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the Hong Kong Stock Exchange), a supplementary offering circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger
HSBC
Dealers

ANZ
Barclays
BofA Securities
Crédit Agricole CIB
Goldman Sachs (Asia) L.L.C.
Mizuho
Standard Chartered Bank

Bank of China (Hong Kong)
BNP PARIBAS
Citigroup
Deutsche Bank
HSBC
Morgan Stanley
UBS

The date of this Offering Circular is 29 May 2025

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "*HKSE Rules*") for the purpose of giving information with regard to the Issuer and the Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer or the Guarantor or quality of disclosure in this Offering Circular.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme.

Subject as provided in the applicable Pricing Supplement, no person is or has been authorised by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Guarantor or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Guarantor or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating the purchase of any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer

and/or the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or the Guarantor or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered directly or indirectly within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or the Dealers which is intended to permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Japan, the Hong Kong Special Administrative Region ("*Hong Kong*"), Singapore, the British Virgin Islands and Taiwan, see "*Subscription and Sale and Transfer and Selling Restrictions*".

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "*SFA*") – Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area will be made pursuant to an exemption under the Prospectus Regulation (as defined below) from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Member State of Notes which are the subject of an offering contemplated in this Offering Circular as completed by Pricing Supplement in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of Regulation (EU) 2017/1129 (as amended, the "*Prospectus Regulation*") or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

MIFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "*distributor*") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "*MiFID II*") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "*MiFID Product Governance Rules*"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

MiFIR product governance/target market of the United Kingdom (the "*UK*") – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor subsequently offering, selling or recommending the Notes should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "*UK MiFIR Product Governance Rules*") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("*EEA*"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "*MiFID II*"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "*Insurance Distribution Directive*"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "*PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "*EUWA*"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "*FSMA*") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "*UK PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

In making an investment decision, investors must rely on their own examination of the Issuer and the Guarantor and the terms of the Notes being offered, including the merits and risks involved. The Notes and the Guarantee have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

None of the Dealers, the Issuer or the Guarantor makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme, each such offering, a "*CMI Offering*" including certain Dealers, may be "*capital market intermediaries*" ("CMIs") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "*SFC Code*"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("*OCs*") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer or the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association ("*Association*") with the Issuer or the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer or the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer or the Guarantor to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the Issuer or the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

U.S. INFORMATION

This Offering Circular may be submitted on a confidential basis in the United States to a limited number of QIBs or Institutional Accredited Investors (each as defined under "*Form of the Notes*") for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Registered Notes may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act ("*Rule 144A*").

The Notes and the Guarantee have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the Offering of the Notes or the accuracy or the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

Purchasers of Definitive IAI Registered Notes will be required to execute and deliver an IAI Investment Letter (as defined under "*Terms and Conditions of the Notes*"). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note or any Registered Notes in exchange or substitution therefor (together "*Legended Notes*") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, each of the Issuer and the Guarantor has undertaken in a deed poll dated 31 July 2014 (the

"*Deed Poll*") to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) of the Securities Act if, at the time of the request, the Guarantor is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the "*Exchange Act*") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law, and the Notes do not provide for the appointment by the Issuer or the Guarantor of an agent for service of process in the United States or for submission by the Issuer or the Guarantor to the jurisdiction of U.S. federal or state courts. As a result, investors may find it difficult in a lawsuit based on the civil liability provisions of the U.S. federal securities laws (i) to effect service within the United States, upon the Issuer, the Guarantor or their directors and executive officers located outside the United States, (ii) to enforce in U.S. courts or outside the U.S., judgments obtained in U.S. courts against the Issuer, the Guarantor or such persons, (iii) to enforce in U.S. courts judgments obtained against the Issuer, the Guarantor or such persons in courts in jurisdictions outside the United States, and (iv) to enforce against the Issuer, the Guarantor or such persons in the British Virgin Islands, the United Kingdom or Hong Kong, whether in original actions or in actions for the enforcement of judgments of U.S. courts, civil liabilities based solely upon the U.S. federal securities laws.

The Issuer is a limited liability company organised under the laws of the British Virgin Islands. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside the British Virgin Islands upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside the British Virgin Islands predicated upon civil liabilities of the Issuer or such directors and officers under laws other than the British Virgin Islands law, including any judgment predicated upon U.S. federal securities laws.

The Issuer has been advised by its British Virgin Islands legal advisers, Harney Westwood & Riegels (BVI) LP, that any final and conclusive monetary judgment for a definite sum obtained against the Issuer in the Courts of the United States in respect of the Notes would be treated by the courts of the British Virgin Islands as a cause of action in itself so that no retrial of the issues would be necessary provided that:

(i) the Courts of the United States had jurisdiction in the matter and the Issuer either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;

(ii) the judgment given by the Courts of the United States was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of the Issuer;

(iii) in obtaining judgment there was no fraud on the part of the person in whose favour judgment was given or on the part of the Courts of the United States;

(iv) recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy; and

(v) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

A British Virgin Islands court may stay proceedings if concurrent proceedings are being brought elsewhere.

The Guarantor is a company incorporated under the laws of Hong Kong. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Guarantor and such officers and directors are or may be located outside the United States. As a result, it may not be possible for investors to effect service of process outside Hong Kong upon the Guarantor or such persons, or to enforce judgments against them obtained in courts outside Hong Kong predicated upon civil liabilities of the Guarantor or such directors and officers under laws other than Hong Kong law, including any judgment predicated upon United States federal securities laws. The Guarantor has been advised by its Hong Kong counsel, King & Wood Mallesons, that there is doubt as to whether the courts of Hong Kong would (i) enforce judgments of United States courts obtained against the Guarantor or such persons predicated solely upon civil liability provisions of the securities laws of the United States or any state within the United States or (ii) entertain original actions brought in Hong Kong courts against the Guarantor or such persons predicated solely upon the securities laws, respectively, of the United States or any state within the United States.

PRESENTATION OF FINANCIAL INFORMATION

The Guarantor maintains its financial books and records and prepares its financial statements in Hong Kong dollars. Unless otherwise specified, where financial information in relation to the Guarantor has been translated into U.S. dollars, it has been so translated, for the convenience of the reader, at an exchange rate of HK$7.8 = U.S.$1.00. No representation is made that Hong Kong dollars have been, could have been, or could be, converted into U.S. dollars at the rate indicated or at any other rate.

CURRENCIES

All references in this document to "*U.S. dollars*" and "*U.S.$*" refer to the lawful currency of the United States of America and to "*Hong Kong dollars*" and "*HK$*" refer to the lawful currency of Hong Kong and to "*CNH*", "*CNY*", "*RMB*" or "*Renminbi*" refer to the currency of the People's Republic of China (the "*PRC*"). In addition, references to "*Sterling*" and "*£*" refer to the lawful currency of the United Kingdom and to "*euro*" and "*€*" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the most recently published audited annual financial statements of the Issuer (if any) and the most recently published audited annual financial statements of the Guarantor (if any) and, if published later, the most recently published interim financial statements of the Issuer (if any) and the most recently published interim financial statements of the Guarantor (if any), see "*General Information – Documents Available*" for a description of the financial statements currently published by the Issuer and the Guarantor (as at the date of this Offering Circular, the Issuer has not published and does not propose to publish, any financial statements); and

(b) all supplements or amendments to this Offering Circular published by the Issuer and the Guarantor from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer and the Guarantor will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer or the Guarantor at their respective offices set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the principal office of the Paying Agent (as defined below) in Hong Kong (or such other Paying Agent for the time being in Hong Kong) for Notes listed on the Hong Kong Stock Exchange.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer, the Guarantor and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*" below.

This Offering Circular and any supplement will only be valid for listing Notes on the Hong Kong Stock Exchange during the period of 12 months after the date of this Offering Circular in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.$5,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

(a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London and Hong Kong in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;

(b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and

(c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this summary.

Issuer:	Hongkong Electric Finance Limited
Legal Entity Identifier:	254900ZFMQ2KI2067818
Guarantor:	The Hongkong Electric Company, Limited 香港電燈有限公司
Description:	Medium Term Note Programme
Arranger:	The Hongkong and Shanghai Banking Corporation Limited
Dealers:	Australia and New Zealand Banking Group Limited Bank of China (Hong Kong) Limited Barclays Bank PLC BNP PARIBAS Citigroup Global Markets Ltd Crédit Agricole Corporate and Investment Bank Deutsche Bank AG, Hong Kong Branch Goldman Sachs (Asia) L.L.C. The Hongkong and Shanghai Banking Corporation Limited Merrill Lynch (Asia Pacific) Limited Mizuho Securities Asia Limited Morgan Stanley & Co. International plc Standard Chartered Bank UBS AG Hong Kong Branch and any other Dealers from time to time appointed by the Issuer and the Guarantor for the duration of the Programme or with regard to a particular Tranche of Notes, in accordance with the Programme Agreement (as defined under "*Subscription and Sale and Transfer and Selling Restrictions*").
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*").

	Notes having a maturity of less than one year Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale and Transfer and Selling Restrictions*".
Principal Paying Agent:	Deutsche Bank AG, London Branch or, if so specified in the applicable Pricing Supplement, Deutsche Bank AG, Hong Kong Branch.
Transfer Agent:	Deutsche Bank AG, London Branch
Registrar:	Deutsche Bank Trust Company Americas or, if so specified in the applicable Pricing Supplement, Deutsche Bank Luxembourg S.A.
CMU Lodging Agent and Transfer Agent:	Deutsche Bank AG, Hong Kong Branch.
Programme Size:	Up to U.S.$5,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") in aggregate nominal amount of Notes outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer, the Guarantor and the relevant Dealer.
Redenomination:	In respect of any Tranche of Notes, the applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.
Maturities:	Such maturities as may be agreed between the Issuer, the Guarantor and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer, the Guarantor or the relevant Specified Currency.

Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par as specified in the applicable Pricing Supplement.
Form of Notes:	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes:	Fixed interest will be payable at such rate or rates in arrear and on such date or dates as may be agreed between the Issuer, the Guarantor and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the Guarantor and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series) or the 2021 ISDA Definitions (the latest version of the 2021 ISDA Interest Rate Derivatives Definitions as published by ISDA as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer, the Guarantor and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer, the Guarantor and the relevant Dealer for each Series of Floating Rate Notes.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer, the Guarantor and the relevant Dealer may agree.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer, the Guarantor and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer, the Guarantor and the relevant Dealer.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer, the Guarantor and the relevant Dealer may agree.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than (i) in specified instalments, if applicable, (ii) for taxation reasons or (iii) following an Event of Default (as defined in Condition 11)) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer, the Guarantor and the relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer, the Guarantor and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions*" above. Unless otherwise stated in the applicable Pricing Supplement, the minimum denomination of each Definitive IAI Registered Note will be U.S.$500,000 or its approximate equivalent in other Specified Currencies.

Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 9), subject as provided in Condition 9. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted. In making an investment decision, each prospective investor is strongly recommended to consult its own professional advisers in respect of the tax implications of an investment in the Notes to their particular circumstances (see "*Taxation*").
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 11.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Guarantee:	The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such guarantee will be direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank and will rank at least equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.
Rating:	Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme and (where applicable) such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Listing:	Application has been made for the Programme to be listed on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only. A separate application will be made for permission to deal in and the listing of Notes issued under the Programme on the Hong Kong Stock Exchange. Notes issued under the Programme may also be listed on the Hong Kong Stock Exchange or on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Clearing System:	The CMU, Euroclear, Clearstream, DTC (each as defined in Condition 1) and/or any other clearing system, as specified in the applicable Pricing Supplement, see "*Form of the Notes*".
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Japan, Hong Kong, Singapore, the British Virgin Islands and Taiwan and such other restrictions as may be applicable in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale and Transfer and Selling Restrictions*".
United States Selling Restrictions:	Regulation S (Category 2), Rule 144A and Section 4(2), TEFRA C or D/TEFRA not applicable, as specified in the applicable Pricing Supplement.

RISK FACTORS

In addition to other information in this Offering Circular, investors should carefully consider the following risk factors, together with all other information contained in this Offering Circular, before deciding to invest in the Notes. The risks and uncertainties described below may not be the only ones that the Issuer or the Guarantor faces. Additional risks and uncertainties that the Issuer and the Guarantor are not aware of or that they currently believe are immaterial may also adversely affect the business, financial condition or results of operations of the Issuer or the Guarantor. If any of the possible events described below occurs, the Issuer's or the Guarantor's business, financial condition or results of operations could be materially and adversely affected. In such case, investors may lose all or part of their investment.

The Notes and the Guarantee are unsecured obligations.

As the Notes and the Guarantee are unsecured obligations, their repayment may be compromised if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under the Issuer's or the Guarantor's secured indebtedness or other unsecured indebtedness; or

- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or, as the case may be, the Guarantor's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Notes.

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement to the Offering Circular or any Pricing Supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio. Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities.

The Issuer is dependent on the business and financial condition of the Guarantor to make payments under the Notes.

The Issuer is a wholly-owned subsidiary of the Guarantor formed for the primary purpose of entering into arrangements for the establishment and maintenance of the Programme and will on-lend the proceeds from the issue of the Notes to the Guarantor. The Issuer's ability to make payments under the Notes depends on timely payments under such on-lent loans and the availability of funds from the Guarantor.

The insolvency laws of the British Virgin Islands, Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the Noteholders are familiar.

As the Issuer is incorporated in the British Virgin Islands and the Guarantor is incorporated under the laws of Hong Kong, any insolvency proceeding relating the Issuer or the Guarantor would likely involve British Virgin Islands or Hong Kong insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Noteholders are familiar.

Notes issued under the Programme may not have an active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.

Notes issued under the Programme may not be widely distributed and there may be no active trading market (unless, in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of the Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer or the Guarantor. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application may be made for some Notes issued under the Programme to be listed on, and permitted to deal in, the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of the Notes will be so listed or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of the Notes.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the Issuer's and the Guarantor's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There is no assurance that these developments will not occur in the future.

The Guarantor's credit rating may decline.

There is a risk that the Guarantor's credit rating may change as a result of changes in its operating performance or capital structure, or for some other reason. No assurance can be given that a credit rating will remain for any given period of time or that a credit rating will not be lowered or withdrawn by the relevant rating agency if, in its judgement, circumstances in the future so warrant or if a different methodology is applied to derive such credit ratings. Any lowering or withdrawal of the Guarantor's credit rating could, notwithstanding that it is not a rating of the Notes, adversely impact the market price and the liquidity of the Notes.

The credit ratings assigned to the Notes may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to any Notes will remain in effect for any given period of time or that the ratings will not be revised or withdrawn by the relevant rating agency in the future if in its judgment circumstances so warrant. Neither the Issuer nor the Guarantor has any obligation to inform Noteholders of any such revision or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Notes at any time may adversely affect the market price of the Notes.

Changes in interest rates may have an adverse effect on the price of the Notes.

The Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Notes, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Notes may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Exchange rate risks and exchange controls may result in a Noteholder receiving less interest or principal than expected.

The Issuer and the Guarantor will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "***Specified Currency***"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "***Investor's Currency***") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Inventor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The Issuer and the Guarantor will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which standards may be different from those applicable to companies in certain other countries.

The Issuer and the Guarantor will be subject to reporting obligations in respect of the Notes to be listed on the Hong Kong Stock Exchange. The disclosure and corporate governance standards imposed by the Hong Kong Stock Exchange may be different from those imposed by securities exchanges in other countries or regions such as the United States or the United Kingdom. As a result, the level of information that is available may not correspond to the level to which investors in the Notes are accustomed.

If the Issuer and the Guarantor are unable to comply with the restrictions and covenants in their respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of their respective debt to be accelerated.

If the Issuer and the Guarantor are unable to comply with their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer and the Guarantor, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer's or the Guarantor's debt agreements contain cross-acceleration or cross-default provisions. As a result, the Issuer's or the Guarantor's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under the Issuer's or the Guarantor's other debt agreements. If any of these events occur, the Issuer and the Guarantor cannot assure Noteholders that their respective assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that the Issuer and the Guarantor would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders that it would be on terms that are favourable or acceptable to them.

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.

Optional redemption features as contained in the terms and conditions are likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Guarantor experienced a net current liabilities position as at 31 December 2023 and 2024 respectively and there is no assurance that it will not recur in the future.

The Guarantor experienced a net current liabilities position as at 31 December 2023 and 2024 of approximately HK$8,888 million and HK$6,180 million respectively. There is no guarantee that it will not experience net current liabilities again in the future. Whether or not the Guarantor is able to maintain or to continue to improve its current asset position depends on a combination of factors, such as its future operating performance, prevailing economic conditions, financial, business and other factors, many of which is beyond its control. Net current liabilities increase the liquidity risk and may restrain the Guarantor's operational flexibility. This could in turn have an adverse impact on the business, prospects and results of operations of the Guarantor.

Risks relating to the structure of a particular issue of Notes.

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Failure by an investor to pay a subsequent instalment of Partly Paid Notes may result in an investor losing all of its investment.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment could result in such investor losing all of its investment.

Dual currency notes have features which are different from single currency issues.

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different form the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected; and

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice-versa, may have lower market values than other Notes.

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any index linked Notes.

If, in the case of a particular tranche of Notes, the relevant Pricing Supplement specifies that the Notes are index-linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks".

Interest rates and indices which are deemed to be "benchmarks" (including the euro interbank offered rate ("***EURIBOR***") are the subject of national and international regulatory guidance and reform aimed at supporting the transition to robust benchmarks. Most reforms have now reached their planned conclusion (including the transition away from LIBOR), and "benchmarks" remain subject to ongoing monitoring. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

Regulation (EU) 2016/1011 (the "***EU Benchmarks Regulation***") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "***UK Benchmarks Regulation***") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the UK Financial Authority ("***FCA***") or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level, of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark. Investors should consult their own independent advisers and consider these matters when making their investment decision with respect to the relevant Floating Rate Notes.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons ("***Coupons***") attached, or registered form, without Coupons attached. Bearer Notes will be issued outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("***Regulation S***") and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or Regulation D under the Securities Act.

BEARER NOTES

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note (a "***Temporary Bearer Global Note***") or a permanent bearer global note (a "***Permanent Bearer Global Note***" and together with a Temporary Bearer Global Note, the "***Bearer Global Notes***", and each a "***Bearer Global Note***") as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depositary (the "***Common Depositary***") for Euroclear Bank SA/NV ("***Euroclear***") and Clearstream Banking, S.A. ("***Clearstream***") or (ii) a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the "***CMU***").

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream and/or Deutsche Bank AG, Hong Kong Branch (the "***CMU Lodging Agent***") and (in the case of a Temporary Bearer Global Note delivered to a Common Depositary for Euroclear and Clearstream) Euroclear and Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "***Exchange Date***") which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either (i) for interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above, unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The CMU may require that any such exchange for a Permanent Bearer Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging Agent by the CMU) have so certified.

The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

In respect of a Bearer Global Note held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited (as set out in a CMU Issue Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU) and, save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice (a) in the case of Notes held by a Common Depositary for Euroclear and Clearstream, from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein and/or (b) in the case of Notes held through the CMU, from the relevant account holders therein to the CMU Lodging Agent as described therein or (ii) only upon the occurrence of an Exchange Event.

For these purposes, "***Exchange Event***" means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream and, in the case of Notes cleared through the CMU, the CMU have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event as described in (i) and (ii) above, (a) in the case of Notes held by a Common Depositary for Euroclear and Clearstream, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or, (b) in the case of Notes held through the CMU, the relevant account holders therein, may give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent or, as the case may be, the CMU Lodging Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes), and on all receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream or the CMU, as the case may be.

REGISTERED NOTES

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a "***Regulation S Global Note***"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream or the CMU and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (i) to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("***QIBs***") or (ii) to institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that are institutions ("***Institutional Accredited Investors***") who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a "***Rule 144A Global Note***" and, together with a Regulation S Global Note, the "***Registered Global Notes***").

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, (ii) be deposited with a Common Depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, as specified in the applicable Pricing Supplement; or (iii) be deposited with a sub-custodian for, and registered in the name of the Hong Kong Monetary Authority (the "***HKMA***") as the operator of, the CMU. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof ("***Definitive IAI Registered Notes***"). Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.$500,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under "*Subscription and Sale and Transfer and Selling Restrictions*". Institutional Accredited Investors that hold Definitive IAI Registered Notes may elect to hold such Notes through DTC, Euroclear, Clearstream or the CMU, but transferees acquiring the Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144A under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under "*Subscription and Sale and Transfer and Selling Restrictions*". The Rule 144A Global Note and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7(d)) as the registered holder of the Registered Global Notes. None of the Issuer, the Guarantor, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "***Exchange Event***" means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depositary for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream or Notes held through the CMU, the Issuer has been notified that both Euroclear and Clearstream or the CMU, as the case may be, have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Notes in definitive form.

The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) and the account holders of the CMU, as the case may be, may give notice to the Registrar or the CMU Lodging Agent, as the case may be, requesting exchange and, in the event of the occurrence of an

Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar or the CMU Lodging Agent, as the case may be, requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar or the CMU Lodging Agent, as the case may be.

TRANSFER OF INTERESTS

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream and the CMU, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Subscription and Sale and Transfer and Selling Restrictions*"**.

GENERAL

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent or, as the case may be, the CMU Lodging Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CMU instrument number, a CUSIP and CINS number which are different from the common code, CMU instrument number, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note held on behalf of Euroclear, Clearstream or the CMU, each person (other than Euroclear, Clearstream or the CMU) who is for the time being shown in the records of Euroclear, Clearstream or the CMU as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream or the CMU as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note shall be treated by the Issuer, the Guarantor and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Bearer Global Note and the expressions "***Noteholder***" and "***holder of Notes***" and related expressions shall be construed accordingly.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU, any payment that is made in respect of such Note shall be to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU in accordance with the CMU Rules at the relevant time.

Any reference herein to Euroclear and/or Clearstream and/or the CMU and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Guarantor, the Principal Paying Agent and the Registrar.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream and/or the CMU and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, the CMU and DTC on and subject to the terms of a deed of covenant (the "***Deed of Covenant***") dated 31 July 2014 and executed by the Issuer. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interests in such Global Note in accordance with DTC's standard operating procedures.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

HONGKONG ELECTRIC FINANCE LIMITED
Legal Entity Identifier (LEI): 254900ZFMQ2KI2067818

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Unconditionally and Irrevocably Guaranteed by THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司 (the "Notes")
under the U.S.$5,000,000,000
Medium Term Note Programme (the "Programme")

[This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "***Hong Kong Stock Exchange***")) ("***Professional Investors***") only.

Notice to Hong Kong investors: Each of the Issuer and the Guarantor confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.]

[**The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer or the Guarantor or quality of disclosure in this document.** Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.]

[This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "***Conditions***") set forth in the offering circular dated [*original date*] (the "***Offering Circular***"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "***Conditions***") set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

[**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "***MiFID II***"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "***distributor***") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("***COBS***"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("***UK MiFIR***"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "***distributor***") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

PRIIPs REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "***EEA***"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "***MiFID II***"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, "***Insurance Distribution Directive***"), where that customer would not qualify as a professional client as defined in point (10)

of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "***Prospectus Regulation***")[1]. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "***PRIIPs Regulation***") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "***UK***"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("***EUWA***"); (ii) a customer within the meaning of the provisions of the Financial Services and Market Act 2000 (the "***FSMA***") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "***UK PRIIPs Regulation***") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified and amended from time to time (the "*SFA*") – [*To insert notice if classification of the Notes is not "prescribed capital markets products", pursuant to Section 309B of the SFA or "Excluded Investment Products*".][2]

1.	(i)	Issuer:	Hongkong Electric Finance Limited
	(ii)	Guarantor:	The Hongkong Electric Company, Limited 香港電燈有限公司
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]

1 Limb (iii) may be deleted if the Notes do not have a denomination less than EUR 100,000.

2 Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA. If there is a change as to product classification for the relevant drawdown, from the upfront classification embedded in the programme documentation, then the legend is to be completed accordingly.

	(iii) Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [●] below, which is expected to occur on or about [*date*]] [Not Applicable]
3.	Specified Currency or Currencies:	[●]
4.	Aggregate Nominal Amount:	
	(i) Series:	[●]
	(ii) Tranche:	[●]
5.	[(i)] Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
	[(ii) Net proceeds (Required only for listed issues):]	[●]
6.	(i) Specified Denominations: (*in the case of Registered Notes, this means the minimum integral amount in which transfers can be made*)	[●] *(N.B. Notes to be admitted to trading on a regulated market within the European Economic Area must have a minimum denomination of €100,000 (or equivalent).)* (*N.B. Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).* *(Note – Where multiple denominations above [€100,000] or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed*: "*[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")* *(N.B. In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.)*

	(ii) Calculation Amount:	[●] *(If there is only one Specified Denomination, insert the Specified Denomination.)* *If there is more than one Specified Denomination, insert the highest common factor of those Specified Denominations. N.B. There must be a common factor in the case of two or more Specified Denominations.*
7.	[(i)] Issue Date [and Interest Commencement Date]:	[●]
	[(ii) Interest Commencement Date (if different from the Issue Date):	[*Specify*/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8.	Maturity Date:	[*Fixed rate – specify date/Floating rate* – Interest Payment Date falling in or nearest to [*specify month and year*]][3]
9.	Interest Basis:	[[●] per cent. Fixed Rate] [EURIBOR/HIBOR/CNH HIBOR] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other (including a risk free reference rate such as SOFR)*] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]
11.	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]

3 Note that for Renminbi and Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	Listing:	[The Stock Exchange of Hong Kong Limited/*specify other*/None] *(N.B. If listing in Hong Kong, specify expected listing date)*
14.	Method of distribution:	[Syndicated/Non-syndicated]
15.	Private Bank Rebate/Commission:	[Not Applicable/A rebate of [●] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the capital market intermediaries otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate]
16.	Use of Proceeds:	[*Give details if different from the "Use of Proceeds" section in the Offering Circular*]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17.	Fixed Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate(s) of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
	(ii) Interest Payment Date(s):	[[●] in each year up to and including the Maturity Date]/[*specify other*][4] (*Amend appropriately in the case of irregular coupons*)

4 Note that for certain Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes, the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, "**Business Day**" means a day, other than Saturday or Sunday on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and [●]."

(iii)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[●] per Calculation Amount[5]
(iv)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
(v)	Day Count Fraction:	[Actual/Actual (ICMA) 30/360 Actual/365 (Fixed)[6] Other]
(vi)	[Determination Date(s)]:	[●] in each year (*Insert regular interest payment dates, ignoring issue date or maturity date in case of a long or short first or last coupon)* *(N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration)* *(N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
18.	Floating Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

5 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following wording is appropriate. "Each Fixed Coupon Amount shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the actual number of days in the Accrual Period (as defined in Condition 6(a)(i)) divided by 365 and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards in the case of Renminbi denominated Fixed Rate Notes and to the nearest HK$0.01, HK$0.005 being rounded upwards in the case of Hong Kong dollar denominated Fixed Rate Notes."

6 Applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.

(i)	Specified Period(s)/Specified Interest Payment Dates:	[●]
(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
(iii)	Additional Business Centre(s):	[●]
(iv)	Manner in which the Rate of Interest and Interest Amount are to be determined if different from the Conditions:	[Specify] *(Where different interest provisions are specified, consider adjusting or disapplying the Screen Rate Determination provisions in Condition 6(b)(ii)(B) and including replacement provisions describing the manner in which the Rate of Interest and Interest Amount is to be determined)*
(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[●]
(vi)	Screen Rate Determination:	
	– Reference Rate and Relevant Financial Centre:	Reference Rate: [●] [EURIBOR/HIBOR/CNH HIBOR/*specify other Reference Rate (including a risk free reference rate such as SOFR)*]. Relevant Financial Centre: [London/Brussels/Hong Kong/*specify other Relevant Financial Centre*]
	– Interest Determination Date(s):	[●] (*First day of each Interest Period if HIBOR, the second day on which T2 is open prior to the start of each Interest Period if EURIBOR and the second Hong Kong business day prior to the start of each Interest Period if CNH HIBOR*)
	– Relevant Screen Page:	[●] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)

(vii) ISDA Determination:

–	ISDA Definitions:	[2006 ISDA Definitions]/[2021 ISDA Definitions]
–	Floating Rate Option:	[●] (*If "2021 ISDA Definitions" is selected, ensure this is a Floating Rate Option included in the Floating Rate Matrix (as defined in the 2021 ISDA Definitions)*)
–	Designated Maturity:	[●]
–	Reset Date:	[●]
–	Compounding:	[Applicable/Not Applicable] *(If not applicable, delete the remaining items of this subparagraph)*
–	Compounding Method:	[Compounding with Lookback Lookback: [●] Applicable Business Days] [Compounding with Observation Period Shift Observation Period Shift: [●] Observation Period Shift Business Days Observation Period Shift Additional Business Days: [●]/[Not Applicable]] [Compounding with Lockout Lockout: [●] Lockout Period Business Days Lockout Period Business Days: [●]/[Applicable Business Days]]
–	Averaging:	[Applicable/Not Applicable] *(If not applicable, delete the remaining items of this subparagraph)*
–	Averaging Method:	[Averaging with Lookback Lookback: [●] Applicable Business Days] [Averaging with Observation Period Shift Observation Period Shift: [●] Observation Period Shift Business Days Observation Period Shift Additional Business Days: [●]/[Not Applicable]] [Averaging with Lockout Lockout: [●] Lockout Period Business Days Lockout Period Business Days: [●]/[Applicable Business Days]]

	– Index Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining items of this subparagraph)*
	– Index Method:	Compounded Index Method with Observation Period Shift Observation Period Shift: [●] Observation Period Shift Business Days Observation Period Shift Additional Business Days: [●]/[Not Applicable]
(viii)	Margin(s):	[+/-] [●] per cent. per annum
(ix)	Minimum Rate of Interest:	[●] per cent. per annum
(x)	Maximum Rate of Interest:	[●] per cent. per annum
(xi)	Day Count Fraction:	[[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] 30E/360 (ISDA)] (*See Condition 6 for alternatives*)
(xii)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
19.	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Accrual Yield:	[●] per cent. per annum
(ii)	Reference Price:	[●]
(iii)	Any other formula/basis of determining amount payable:	[●]
(iv)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 8(e)(iii) and (j) apply/*specify other*] (*Consider applicable day count fraction if not U.S. dollar denominated*)

20.	Index Linked Interest Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Index/Formula:	[*give or annex details*]
(ii)	Calculation Agent responsible for calculating the interest due:	[●]
(iii)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent):	[●]
(iv)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(v)	Specified Period(s)/Specified Interest Payment Dates:	[●]
(vi)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
(vii)	Additional Business Centre(s):	[●]
(viii)	Minimum Rate of Interest:	[●] per cent. per annum
(ix)	Maximum Rate of Interest:	[●] per cent. per annum
(x)	Day Count Fraction:	[●]

21.	Dual Currency Interest Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(ii) Calculation Agent, if any, responsible for calculating the interest payable:	[●]
	(iii) Party, if any, responsible for calculating the principal and/or interest due (if not the Calculation Agent):	[●]
	(iv) Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(v) Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

22.	Issuer Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/*specify other*/see Appendix]
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●]

	(b) Maximum Redemption Amount:	[●]
	(iv) Notice period (if other than as set out in the Conditions):	[●] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
23.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/*specify other*/see Appendix]
	(iii) Notice period (if other than as set out in the Conditions):	[●] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
24.	Final Redemption Amount(s):	[[●] per Calculation Amount/*specify other*/see Appendix]
25.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8(e)):	[[●] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26.	Form of Notes:	[Bearer Notes: [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event[7]]] [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event[7]]]] [Registered Notes: Regulation S Global Note (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream/held through the CMU]/Rule 144A Global Note (U.S.$[●] nominal amount registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream/held through the CMU]/Definitive IAI Registered Notes (*specify nominal amounts*)]
27.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*] For the avoidance of doubt, Financial Centre(s) are [*list out all applicable Financial Centre(s)*] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 18(iii) and 20(vii) relate*)
28.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]

7 Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.

29.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. NB: new forms of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues.*]
30.	Details relating to Instalment Notes:	
	(i) Instalment Amount(s):	[Not Applicable/*give details*]
	(ii) Instalment Date(s):	[Not Applicable/*give details*]
31.	Redenomination applicable:	Redenomination [not] applicable [*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)*]
32.	Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	[Not Applicable/*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – Overall Coordinators to provide*]
33.	Marketing and Investor Targeting Strategy:	[*As indicated in the Offering Circular/Describe if different from the Offering Circular*]
34.	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

35.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilisation Manager(s) (if any):	[Not Applicable/*give name*(s)]
36.	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
37.	U.S. Selling Restrictions	[Reg. S Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
38.	Additional selling restrictions:	[*give details of any additional selling restrictions*]

OPERATIONAL INFORMATION

39.	Any clearing system(s) other than Euroclear, Clearstream and DTC and the relevant identification number(s):	[The CMU/Not Applicable/*give name(s) and number(s)*]
40.	Delivery:	Delivery [against/free of] payment
[41.	In the case of Registered Notes, specify the location of the office of the Registrar if other than New York:	[Not Applicable/Luxembourg]]
[42.	In the case of Bearer Notes, specify the location of the office of the Principal Paying Agent if other than London:	[Not Applicable/Hong Kong]]
43.	Additional Paying Agent(s) (if any):	[●]
ISIN:		[●]
Common Code:		[●]

(insert here any other relevant codes such as a CMU instrument number, CUSIP and CINS codes)

[**Listing Application**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.$5,000,000,000 Medium Term Note Programme of Hongkong Electric Finance Limited.]

[**Significant or Material Change**

Save as disclosed in the Offering Circular [or herein], there has been no significant or material adverse change in the financial or trading position of each of the Issuer and the Guarantor since [*insert date of last audited full year financial statements*].]

Responsibility

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: _____
Duly authorised

Signed on behalf of the Guarantor:

By: _____
Duly authorised

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7, 8 (except Condition 8(b)), 12, 13, 14, 15 (insofar as such Notes are not listed or admitted to trading on any stock exchange) or 17, they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the rules of the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, the Guarantor and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of Pricing Supplement" for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Hongkong Electric Finance Limited (the "***Issuer***") pursuant to the Agency Agreement (as defined below). The Notes will be guaranteed by The Hongkong Electric Company, Limited 香港電燈有限公司 (the "***Guarantor***").

References herein to the "***Notes***" shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a "***Global Note***"), units of each Specified Denomination in the Specified Currency;

(ii) any Global Note;

(iii) any definitive Notes in bearer form ("***Bearer Notes***") issued in exchange for a Global Note in bearer form; and

(iv) any definitive Notes in registered form ("***Registered Notes***") (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement dated 23 December 2022 (such agreements as amended and/or supplemented and/or restated from time to time, the "***Agency Agreement***") and made between the Issuer, the Guarantor, Deutsche Bank AG, London Branch (or, if so specified in the applicable Pricing Supplement, Deutsche Bank AG, Hong Kong Branch) as principal paying agent (the "***Principal Paying Agent***", which expression shall include any successor principal paying agent), Deutsche Bank AG, Hong Kong Branch as CMU lodging agent (the "***CMU Lodging Agent***", which expression shall include any successor CMU lodging agent) and the other paying agents named therein (together with the Principal Paying Agent and the CMU Lodging Agent, the "***Paying Agents***", which expression shall include any additional or successor paying agents), Deutsche Bank Trust Company Americas as exchange agent (the "***Exchange Agent***", which expression shall include any successor exchange agent) and Deutsche Bank Trust Company Americas (or, if so specified in the applicable Pricing Supplement, Deutsche Bank Luxembourg S.A.) as registrar (the "***Registrar***", which expression shall include any successor registrar), and Deutsche Bank AG, London Branch as a transfer agent and the other transfer agents named therein (together with the Registrar, the "***Transfer Agents***", which expression shall include any additional or successor transfer agents). For

the purposes of these Terms and Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Principal Paying Agent or the Registrar shall, with respect to a Series of Notes to be held through the CMU (as defined below), be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly.

Interest bearing definitive Bearer Notes have interest coupons ("***Coupons***") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("***Talons***") attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in instalments have receipts ("***Receipts***") for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions (the "***Conditions***") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the "***applicable Pricing Supplement***" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

The payment of all amounts in respect of this Note have been guaranteed by the Guarantor pursuant to a deed of guarantee (the "***Guarantee***") dated 31 July 2014 (as supplemented and/or restated from time to time) executed by the Guarantor. The original of the Guarantee is held by the Principal Paying Agent on behalf of the Noteholders, the Receiptholders and the Couponholders (each as defined below) at its specified office.

Any reference to "***Noteholders***" or "***holders***" in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "***Receiptholders***" shall mean the holders of the Receipts and any reference herein to "***Couponholders***" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "***Tranche***" means Notes which are identical in all respects (including as to listing) and "***Series***" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the "***Deed of Covenant***") dated 31 July 2014 (as supplemented and/or restated from time to time) and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream (as defined below).

The Issuer and the Guarantor have executed a Deed Poll (the "***Deed Poll***") dated 31 July 2014 (as supplemented and/or restated from time to time) relating to certain information required to be delivered pursuant to Rule 144(A)(d)(4) under the Securities Act (as defined below). The original of the Deed Poll is held by the Principal Paying Agent.

Copies of the Agency Agreement, the Deed Poll, the Deed of Covenant and the Guarantee are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the "***Agents***"). Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee, the Deed Poll, the Deed of Covenant and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Bearer Global Note held on behalf of Euroclear Bank SA/NV ("***Euroclear***") and/or Clearstream Banking S.A. ("***Clearstream***") and/or a sub-custodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "***CMU***"), each person (other than Euroclear, Clearstream or the CMU) who is for the time being shown in the records of Euroclear, Clearstream or the CMU as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream or the CMU as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "***Noteholder***" and "***holder of Notes***" and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU, any payment that is made in respect of such Note shall be made to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and such payments shall discharge the obligation of the Issuer, or, as the case may be, the Guarantor in respect of that payment under such Notes.

For so long as any of the Notes is represented by a Regulation S Global Note, the registered holder of the relevant Regulation S Global Note shall be treated by the Issuer, the Guarantor and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note.

For so long as The Depository Trust Company ("***DTC***") or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear, Clearstream and/or the CMU, as the case may be.

References to DTC, Euroclear, Clearstream and/or the CMU shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Guarantor and the Principal Paying Agent or the Registrar, as the case may be.

2. TRANSFERS OF REGISTERED NOTES

(a) Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear, Clearstream or the CMU, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear, Clearstream or the CMU, as the case may be and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(b) Transfers of Registered Notes in definitive form

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 10 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the transferor.

(c) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration or the transfer itself.

(e) Transfers of interests in Regulation S Global Notes

Prior to the expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

(i) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 8 to the Agency Agreement, amended as appropriate (a "***Transfer Certificate***"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

(A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(B) to a person who is an Institutional Accredited Investor,

together with, in the case of (B), a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 9 to the Agency Agreement (an "***IAI Investment Letter***"); or

(ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (i)(A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (i)(B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (i) such certification requirements will no longer apply to such transfers.

(f) Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream; or

(ii) to a transferee who takes delivery of such interest through a Legended Note:

(A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the legend (the "***Legend***"), the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) Exchanges and transfers of Registered Notes generally

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 8(c), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(d)).

(i) Definitions

In this Condition, the following expressions shall have the following meanings:

"***Distribution Compliance Period***" means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

"***Institutional Accredited Investor***" means institutional "***accredited investors***" (within the meaning of Rule 501(a)(1), (2), (3) or (7)) under the Securities Act);

"***Legended Note***" means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

"***QIB***" means a "***qualified institutional buyer***" within the meaning of Rule 144A; "***Regulation S***" means Regulation S under the Securities Act;

"***Regulation S Global Note***" means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

"***Rule 144A***" means Rule 144A under the Securities Act;

"***Rule 144A Global Note***" means a Registered Global Note representing Notes sold in the United States to QIBs; and

"***Securities Act***" means the United States Securities Act of 1933, as amended.

3. STATUS OF THE NOTES AND THE GUARANTEE

(a) Status of the Notes

The Notes and any related Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

(b) Status of the Guarantee

The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank and will rank at least equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

4. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding (as defined in the Agency Agreement) neither the Issuer nor the Guarantor will create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (each a "***Security Interest***") upon the whole or any part of its business, undertaking, assets or revenues (including any uncalled capital) present or future to secure any Relevant Indebtedness (as defined below), or any guarantee of or indemnity in respect of any Relevant Indebtedness, unless the Issuer or the Guarantor shall, in the case of the creation of a Security Interest, at the same time or prior thereto and, in any other case, promptly, take any and all action necessary to ensure that, the Issuer's obligations under the Notes, the Coupons and the Receipts or, as the case may be, the Guarantor's obligations under the Guarantee (1) are secured by the Security Interest equally and rateably with the Relevant Indebtedness or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (2) have the benefit of such other Security Interest, guarantee, indemnity or other arrangement (whether or not it includes the giving of a Security Interest) as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders, provided that the Issuer or, as the case may be, the Guarantor may create, assume or have outstanding a Security Interest in respect of any Relevant Indebtedness and/or in respect of any guarantee or indemnity of any Relevant Indebtedness without the obligation to provide a Security Interest, guarantee, indemnity or other arrangement in respect of the Notes and the related Receipts and Coupons as aforesaid where such Security Interest is issued or created for the purpose of financing or refinancing the purchase of any assets provided that (i) such assets are the sole subject of the Security Interest, (ii) in connection with any such financing or refinancing, neither the scope of the Security Interest nor the principal amount secured is increased, (iii) the principal amount of the Relevant Indebtedness secured by such Security Interest shall not exceed the purchase cost of such assets and (iv) any such Security Interest shall be created or assumed concurrently with or within one year following the purchase of such assets.

"***Relevant Indebtedness***" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, debenture stock, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, having an original maturity of more than one year from its date of issue.

5. REDENOMINATION

(a) Redenomination

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders or the Couponholders, on giving 30 days' prior notice to the Principal Paying Agent, Euroclear, Clearstream, DTC and/or the CMU, as applicable, and at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

(i) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of €0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes are for the time being listed and the Agents of such deemed amendments;

(ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01;

(iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of €1,000, €10,000, €100,000 and (but only to the extent of any remaining amounts less than €1,000 or such smaller denominations as the Issuer in conjunction with the Principal Paying Agent may determine) €0.01 and such other denominations as the Issuer in conjunction with the Principal Paying Agent shall determine and notify to the Noteholders;

(iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "***Exchange Notice***") that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;

(vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

(A) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and

(B) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

(vii) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and

(viii) such other changes shall be made to these Conditions as the Issuer may decide, after consultation with the Principal Paying Agent, and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro.

(b) Definitions

In these Conditions, the following expressions have the following meanings:

"***Established Rate***" means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

"***euro***" and "***€***" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

"***Redenomination Date***" means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

"***Treaty***" means the Treaty on the Functioning of the European Union, as amended.

6. INTEREST

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Terms and Conditions, "***Fixed Interest Period***" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such amount by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"***Day Count Fraction***" means, in respect of the calculation of an amount of interest in accordance with this Condition 6(a):

(i) if "Actual/Actual (ICMA)" is specified in the applicable Pricing Supplement:

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "***Accrual Period***") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; or

(ii) if "30/360" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; or

(iii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365.

In the Conditions:

"***Determination Period***" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"***sub-unit***" means with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an "Interest Payment Date") which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 6(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, "***Business Day***" means:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the applicable Pricing Supplement; and

(B) either (1) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than Hong Kong and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System or any successor or replacement for that system ("***T2***") is open or (3) in relation to any sum payable in Renminbi, a day (other than Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), "***ISDA Rate***" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating (i) if "2006 ISDA Definitions" is specified in the applicable Pricing Supplement, the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. ("***ISDA***") and as amended and updated as at the Issue Date of the first Tranche of the Notes; or (ii) if "2021 ISDA Definitions" is specified in the applicable Pricing Supplement, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions as published by ISDA as at the Issue Date of the first Tranche of the Notes (the "***ISDA Definitions***") and under which:

(1) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(2) the Designated Maturity is a period specified in the applicable Pricing Supplement;

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the Euro-zone inter-bank offered rate ("***EURIBOR***") or on the Hong Kong inter-bank offered rate ("***HIBOR***") or the CNH Hong Kong interbank offered rate ("***CNH HIBOR***"), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement; and

(4) if the Floating Rate Option is an Overnight Floating Rate Option, the Overnight Rate Compounding Method is one of the following as specified in the applicable Pricing Supplement:

(i) Compounding with Lookback;

(ii) Compounding with Observation Period Shift;

(iii) Compounding with Lockout; or

(iv) OIS Compounding.

In connection with the Overnight Rate Compounding Method, references in the ISDA Definitions to numbers or other items specified in the relevant confirmation shall be deemed to be references to the numbers or other items specified for such purpose in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A);

(5) "***Floating Rate***", "***Floating Rate Option***", "***Designated Maturity***", "***Reset Date***", "***Overnight Floating Rate Option***", "***Overnight Rate Compounding Method***", "***Compounding with Lookback***", "***Compounding with Observation Period Shift***", "***Compounding with Lockout***", "***OIS Compounding***", "***Averaging with Lookback***", "***Averaging with Observation Period Shift***", "***Averaging with Lockout***", "***Index Method***" and "***Compounded Index Method with Observation Period Shift***" have the meanings given to those terms in the ISDA Definitions.

(6) the definition of "***Fallback Observation Day***" in the ISDA Definitions shall be deemed deleted in its entirety and replaced with the following: "***Fallback Observation Day***" means, in respect of a Reset Date and the Calculation Period (or any Compounding Period included in that Calculation Period) to which that Reset Date relates, unless otherwise agreed, the day that is five Business Days preceding the related Interest Payment Date.

(7) if the Temporary Non-Publication Fallback in respect of any specified Floating Rate Option is specified to be "Temporary Non-Publication Fallback – Alternative Rate" in the Floating Rate Matrix of the 2021 ISDA Definitions, the reference to "Calculation Agent Alternative Rate Determination" in the definition of "Temporary Non-Publication Fallback – Alternative Rate" shall be replaced by "Temporary Non-Publication Fallback – Previous Day's Rate".

Notwithstanding anything to the contrary under the ISDA Definitions, the Calculation Agent will have no obligation to exercise any discretion (including in determining the fallback rate), and to the extent the ISDA Definitions require the Calculation Agent to exercise any such discretion, the Issuer will upon written request provide written direction to the Principal Paying Agent and Calculation Agent specifying how such discretion should be exercised, and the Principal Paying Agent and Calculation Agent will be entitled to conclusively rely on that direction and will be fully protected if it acts in accordance therewith.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a per cent. rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Brussels time, in the case of EURIBOR, or Hong Kong time, in the case of HIBOR) or as at 11.15 a.m. (Hong Kong time, in the case of CNH HIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement or, as the case may be, Condition 6(b)(vii) contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than EURIBOR or HIBOR or CNH HIBOR (such as the Secured Overnight Financing Rate, or SOFR), the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the "***Interest Amount***") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"***Day Count Fraction***" means, in respect of the calculation of an amount of interest in accordance with this Condition 6(b):

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(v) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and to the Noteholders, and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter and if required by the rules of any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed to such stock exchange, as soon as possible after their determination, but in no event later than the first day of the relevant Interest Period. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression "***London Business Day***" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6, whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(vii) Benchmark Replacement

In addition, notwithstanding the provisions above in this Condition 6(b), if the Issuer determines that a Benchmark Event (as defined below) has occurred in relation to the relevant Reference Rate specified in the relevant Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(A) the Issuer shall notify the Principal Paying Agent or, if applicable, the Calculation Agent and the Noteholders of the occurrence of such Benchmark Event and use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined below) to determine (acting in a reasonable manner), no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the "***IA Determination Cut-off Date***"), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(B) if the Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

(C) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions and notified to the Principal Paying Agent and the Noteholders in accordance with Condition 6(b)(vii)(E), such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(b)(vii); provided, however, that if subparagraph (B) applies and (i) the Issuer (acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date or (ii) if the Issuer fails to notify the Principal Paying Agent and the Noteholders of such Successor Rate or Alternative Reference Rate (as applicable) in accordance with Condition 6(b)(vii)(E), the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin (as defined below) that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (C) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(b)(vii);

(D) if the Independent Adviser or the Issuer (acting in a reasonable manner) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as defined below) (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the

Principal Paying Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 6(b)(vii). Noteholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Principal Paying Agent (if required);

(E) the Issuer shall, following the determination of any Adjustment Spread, Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Principal Paying Agent or, if applicable, the Calculation Agent and the Noteholders no later than the IA Determination Cut-off Date, which shall specify the effective date(s) for such Adjustment Spread, Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions, provided that the determination of any Adjustment Spread, Successor Rate or Alternative Reference Rate, and any other related changes to the Notes, shall be made in accordance with applicable law;

(F) notwithstanding any other provision of this Condition 6(b)(vii), neither the Principal Paying Agent nor the Calculation Agent is obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 6(b)(vii) which would have the effect of (i) exposing the Principal Paying Agent or the Calculation Agent (as applicable) to any liability against which it has not been indemnified, secured and/or prefunded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protections, of the Principal Paying Agent or Calculation Agent (as applicable) in the Agency Agreement and/or these Conditions; and

(G) notwithstanding any other provisions of this Condition 6(b)(vii), if in the opinion of the Principal Paying Agent or the Calculation Agent, there is any uncertainty as to which course of action to adopt in making any determination or calculation under this Condition 6(b)(vii), the Principal Paying Agent or the Calculation Agent shall promptly seek written instructions from the Issuer and/or the Independent Adviser and the Issuer shall instruct the Principal Paying Agent or the Calculation Agent (in writing) as to which alternative course of action to adopt. If the Principal Paying Agent or the Calculation Agent is not promptly provided with such instruction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer and/or the Independent Adviser, and the Principal Paying Agent and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

For the purposes of this Condition 6(b)(vii):

"***Adjustment Spread***" means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit

(as applicable) to Noteholders and Couponholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate;

"***Alternative Reference Rate***" means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in a reasonable manner) is most comparable to the relevant Reference Rate;

"***Benchmark Event***" means, in respect of a Reference Rate:

(i) such Reference Rate ceasing be published for a period of at least five Business Days or ceasing to exist;

(ii) a public statement by the administrator of such Reference Rate that it will, by a specified date within the following six months, cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate);

(iii) a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued;

(iv) a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or

(v) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using such Reference Rate;

"***Independent Adviser***" means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Issuer at its own expense;

"***Margin***" has the meaning specified in the applicable Pricing Supplement;

"***Reference Rate***" has the meaning specified in the applicable Pricing Supplement;

"***Relevant Nominating Body***" means, in respect of a reference rate:

(i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the reference rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (C) a group of the aforementioned central banks or other supervisory authorities, or (D) the Financial Stability Board or any part thereof; and

"***Successor Rate***" means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(c) Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

(d) Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(e) Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(1) the date on which all amounts due in respect of such Note have been paid; and

(2) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 15.

7. PAYMENTS

(a) Method of payment

Subject as provided below:

(i) payments in a Specified Currency other than euro and Renminbi will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively);

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee; and

(iii) payments in Renminbi will be made by transfer to a Renminbi account maintained by or on behalf of the payee with a bank in Hong Kong.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "***Code***") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto.

(b) Presentation of definitive Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes not held through the CMU will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of Instalment Amounts (if any) in respect of definitive Bearer Notes not held through the CMU, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form not held through the CMU (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form not held through the CMU becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "***Long Maturity Note***" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

In the case of definitive Bearer Notes held through the CMU, payment will be made to the person(s) for whose account(s) interests in the relevant definitive Bearer Note are credited as being held through the CMU in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging Agent by the CMU in a relevant CMU Issue Position Report or any relevant notification by the CMU, which notification, in either case, shall be conclusive evidence of the records of the CMU as to the identity of any accountholder and the principal amount of any Note credited to its account (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer or, as the case may be, the Guarantor in respect of that payment.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or and otherwise in the manner specified in the relevant Global Note (i) in the case of a Global Note held in the CMU, to the person(s) for whose account(s) interests in the relevant Global Note are credited as being held by the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time, or (ii) in the case of a Global Note not lodged with the CMU, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made (in the case of a Global Note not lodged with the CMU) on such Global Note by the Paying Agent to which it was presented or (in the case of a Global Note lodged with the CMU) on withdrawal of the Global Note by the CMU Lodging Agent, or in the records of Euroclear, Clearstream or the CMU, as applicable.

(d) Payments in respect of Registered Notes

Payments of principal (other than Instalment Amounts prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "***Register***") (i) where in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, a day on which Euroclear and Clearstream are open for business, in respect of Notes clearing through the CMU, a day on which the CMU is open for business, and in respect of Rule 144A Global Notes, a day on which DTC is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment (in the case of a currency other than Renminbi) will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "***Designated Account***" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account and, in the case of a payment in Renminbi, means the Renminbi account maintained by or on behalf of the payee with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment) maintained by a holder with a Designated Bank and identified as such in the Register and "***Designated Bank***" means (in the case of payment in a Specified Currency other than euro and Renminbi) a bank in the principal financial centre of the

country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively) and (in the case of a payment in euro) any bank which processes payments in euro and (in the case of a payment in Renminbi) a bank in Hong Kong.

Payments of interest and payments of Instalment Amounts (other than the final instalment) in respect of each Registered Note (whether or not in global form and in the case of a Specified Currency other than Renminbi) will be made on the due date by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, a day on which Euroclear and Clearstream are open for business, in respect of Notes clearing through the CMU, a day on which the CMU is open for business, and in respect on Rule 144A Global Notes, a day on which DTC is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifth day (in the case of Renminbi) and the fifteenth day (in the case of a currency other than Renminbi and whether or not such fifteenth day is a business day) before the relevant due date (the "***Record Date***") at his address shown in the Register on the Record Date and at his risk. Payments of interest and payments of instalments of principal (other than the final instalment) in Renminbi shall be made by transfer to the registered account of the payee. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest or an instalment amount (other than the final instalment amount) in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and Instalment Amounts (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

In the case of Definitive Registered Notes or Registered Global Note held in the CMU, payment will be made to the person(s) for whose account(s) interests in the relevant Definitive Registered Note or Registered Global Note are credited as being held with the CMU in accordance with the CMU Rules at the relevant time and such payment shall discharge the obligations of the Issuer or, as the case may be, the Guarantor in respect of that payment.

None of the Issuer, the Guarantor or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) General provisions applicable to payments

The holder of a Global Note (if the Global Note is not lodged with the CMU) or the CMU Accountholder at the direction of the holder of a Global Note (if the Global Note is lodged with the CMU), shall be the only person(s) entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note or such CMU Accountholder (as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, the CMU or DTC, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, the CMU or DTC, as the case may be, for their share of each payment so made by the Issuer or, as the case may be, the Guarantor in respect of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States only if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

(f) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "***Payment Day***" means any day which (subject to Condition 10) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) in the case of Notes in definitive form only, the relevant place of presentation; and

(B) any Additional Financial Centre specified in the applicable Pricing Supplement;

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which T2 is open or (3) in relation to any sum payable in Renminbi, a day on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong; and

(iii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day other than a Saturday or Sunday or any other day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 9;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Notes redeemable in instalments, the Instalment Amounts; and

(vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9.

8. REDEMPTION AND PURCHASE

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

(b) Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9) or any political subdivision of, or any authority in, or of, a Tax Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent (1) a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 8(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

(i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to:

(A) the Principal Paying Agent; and

(B) in the case of a redemption of Registered Notes, the Registrar,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("***Redeemed Notes***") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream and/or DTC and/or the CMU, (as appropriate) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "***Selection Date***"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

(d) Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Pricing Supplement. Registered Notes may be redeemed under this Condition 8(d) in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, deliver at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling

within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "***Put Notice***") and in which the holder must specify a bank account to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). Registered Notes may be redeemed under this Condition 8(d) in any multiple of their lowest Specified Denomination.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, DTC or the CMU, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, DTC and the CMU (which may include notice being given on his instruction by Euroclear, Clearstream, DTC or any common depositary for them to the Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) by electronic means or notice being given to the CMU Lodging Agent) in a form acceptable to Euroclear, Clearstream, DTC and the CMU from time to time.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default (as defined in Condition 11 below) shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 11.

(e) Early Redemption Amounts

For the purpose of paragraph (b) above and Condition 11, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or

(iii) in the case of a Zero Coupon Note, at its Early Redemption Amount calculated in accordance with the following formula:

Early Redemption Amount = $RP \times (1 + AY)^y$ where:

"***RP***" means the Reference Price; and

"**AY**" means the Accrual Yield expressed as a decimal; and

"**y**" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

(f) Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(h) Purchases

The Issuer, the Guarantor or any subsidiary of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to the Principal Paying Agent and/or the Registrar for cancellation.

(i) Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(j) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 15.

9. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of the holder having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7(f)); or

(c) presented for payment by or on behalf of a holder of such Note, Receipt or Coupon who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim.

As used herein:

(i) "***Tax Jurisdiction***" means the British Virgin Islands or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Issuer) or Hong Kong or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Guarantor); and

(ii) the "***Relevant Date***" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

10. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7(b)) or any Talon which would be void pursuant to Condition 7(b).

11. EVENTS OF DEFAULT

If any one or more of the following events (each, an "***Event of Default***") shall occur and be continuing:

(a) **Non-Payment:** if default is made in the payment of any principal or any interest due in respect of the Notes or any of them and the default continues for a period of seven days (in the case of principal) or 15 days (in the case of interest); or

(b) **Breach of Other Obligations:** if the Issuer or the Guarantor fails to perform or comply with any one or more of its other obligations under the Conditions, the Guarantee or the Agency Agreement and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure is not remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by any Noteholder; or

(c) **Cross-Default:** (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or the Guarantor becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described), or (ii) the Issuer or the Guarantor fails to make any payment in respect of any Indebtedness for Borrowed Money when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or the Guarantor fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of Indebtedness for Borrowed Money, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.$30,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a material part of the property, assets or revenues of the Issuer or the Guarantor and is not discharged or stayed within 45 days; or

(e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor becomes enforceable in respect of the whole or any material part of the business, undertaking, assets and revenues of the Issuer or the Guarantor and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person or the initiation of any legal proceedings) and is not discharged or stayed within 45 days; or

(f) **Insolvency:** (1) the Issuer or the Guarantor is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, as they fall due, (2) the Issuer or the Guarantor stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, (3) the Issuer or the Guarantor proposes or

makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), (4) the Issuer or the Guarantor proposes or makes a general assignment or any arrangement or composition with or for the benefit of its relevant creditors in respect of its debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or the Guarantor, (5) an administrator or liquidator of the Issuer or the Guarantor is appointed with respect to the whole or a material part of the business, undertaking, assets and revenues of the Issuer or the Guarantor; or

(g) **Winding-up:** an order is made or an effective resolution passed for the winding-up, liquidation or dissolution of the Issuer or the Guarantor, or the Issuer or the Guarantor ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Noteholders; or

(h) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes or the Guarantee; or

(i) **Ownership:** the Issuer ceases to be wholly-owned and controlled by the Guarantor; or

(j) **Guarantee not in force:** the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or

(k) **Analogous Event:** any event occurs which under the laws of the British Virgin Islands or Hong Kong has an analogous effect to any of the events referred to in (d) to (h) of the foregoing paragraphs,

then any holder of a Note may, by notice in writing to the Issuer at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Note held by it to be immediately due and payable whereupon it shall become immediately due and payable at its Early Redemption Amount together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind without further formality.

For the purposes of this Condition:

"***Indebtedness for Borrowed Money***" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit.

12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent or the Paying Agent in Luxembourg (in the case of Bearer Notes, Receipts or Coupons) or the Registrar or the Transfer Agent in Luxembourg (in the case of Registered Notes) upon payment by the claimant of such costs and

expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer, the Principal Paying Agent and the Registrar (as the case may be) may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7(e). Any variation, termination, appointment or change referred to in the preceding paragraph and/or any appointment referred to in this paragraph shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

15. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Hong Kong. It is expected that such publication will be made in the South China Morning Post or The Standard in Hong Kong. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to listing. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange and the rules of that stock exchange or any other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules of that stock exchange.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear, Clearstream and/or the CMU and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear, Clearstream and/or the CMU and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange or other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream and/or DTC and/or the persons shown in the relevant CMU Issue Position Report.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream and/or DTC and/or, in the case of Notes lodged with the CMU, by delivery by such holder of such notice to the CMU Lodging Agent in Hong Kong, as the case may be, in such manner as the Principal Paying Agent, the Registrar, the CMU Lodging Agent and Euroclear and/or Clearstream and/or DTC and/or the CMU, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 15.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or the Guarantor and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CURRENCY INDEMNITY

The currency in which the Notes are denominated or, if different, payable, as specified in the applicable Pricing Supplement (the "***Contractual Currency***"), is the sole currency of account and payment for all sums payable by the Issuer or, as the case may be, the Guarantor, in respect of the Notes, the Receipts, the Coupons, the Guarantee and the Deed of Covenant, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgement or order of a court of any jurisdiction or otherwise) by any Noteholder, Receiptholder or Couponholder in respect of any sum expressed to be due to it from the Issuer or, as the case may be, the Guarantor, shall only constitute a discharge to the Issuer or, as the case may be, the Guarantor, to the extent of the amount in the Contractual Currency which such Noteholder, Receiptholder or Couponholder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Noteholder, Receiptholder or Couponholder in respect of such Note, Receipt or Coupon, the Issuer or, as the case may be, the Guarantor, shall indemnify such Noteholder, Receiptholder or Couponholder against any such loss sustained by such Noteholder, Receiptholder or Couponholder as a result. In any event, the Issuer or, as the case may be, the Guarantor, shall indemnify each such Noteholder, Receiptholder or Couponholder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's or, as the case may be, the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder, Receiptholder or Couponholder and shall continue in full force and effect despite any judgement, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Notes or any judgement or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Noteholder, Receiptholder or Couponholder and no proof or evidence of any actual loss will be required by the Issuer or, as the case may be, the Guarantor.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) Governing law

The Agency Agreement, the Guarantee, the Deed of Covenant, the Deed Poll, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Guarantee, the Deed of Covenant, the Deed Poll, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

(b) Submission to jurisdiction

(i) Subject to Condition 20(b)(iii) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes, the Receipts and/or the Coupons, including any dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons (a "***Dispute***") and accordingly each of the Issuer and any Noteholders, Receiptholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(ii) For the purposes of this Condition 20(b), the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(iii) To the extent allowed by law, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

(c) Appointment of Process Agent

The Issuer appoints Law Debenture Corporate Services Limited at its registered office at 8th Floor, 100 Bishopsgate, London, EC2N 4AG, United Kingdom as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Dispute. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) Other documents and the Guarantor

The Issuer and, where applicable, the Guarantor have in the Agency Agreement, the Guarantee, the Deed of Covenant and the Deed Poll submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Notes will be on-lent by the Issuer to the Guarantor to be used by the Guarantor for its general corporate purposes.

DESCRIPTION OF THE ISSUER

HISTORY AND INTRODUCTION

Hongkong Electric Finance Limited (the "***Issuer***") was incorporated as a limited liability company under the laws of the British Virgin Islands on 12 April 2000 as a wholly-owned subsidiary of the Guarantor. Subject to the law for the time being in force in the British Virgin Islands, the Issuer has the power to carry on the business of a finance company and to carry out any object, and is capable of exercising any and all powers exercisable by a natural person or body corporate in doing whatever may be considered by it necessary or conducive to the conduct, promotion or attainment of the object of the Issuer. The Issuer is a wholly-owned subsidiary of the Guarantor and, as at the date hereof, carries on and has carried on no business other than entering into arrangements for the establishment and maintenance of the Programme and the lending of any issue proceeds thereof to the Guarantor. The Issuer is not required under British Virgin Islands law to audit or publish, and does not propose to publish, any financial statements. As at the date hereof, the Issuer has no subsidiaries.

The registered office of the Issuer is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Issuer has appointed the Guarantor of Hongkong Electric Centre, 44 Kennedy Road, Hong Kong to accept, on behalf of the Issuer, service of process and notices pursuant to the HKSE Rules.

CAPITALISATION

The following table sets out the capitalisation of the Issuer as at 31 December 2024:

	U.S.$
Share Capital (Authorised U.S.$50,000: issued 1 share of U.S.$1.00)	
Issued	1.00
Total Capitalisation	1.00

INDEBTEDNESS

As at the date of this Offering Circular, the Issuer had outstanding Notes issued under the Programme of U.S.$3,363 million (converted at an exchange rate of U.S.$1.0 = HK$7.8000).

Description and principal amount of debt security	Coupon	Year of Maturity
HK$300,000,000 Notes	3.38% per annum	2025
U.S.$750,000,000 Notes	2.875% per annum	2026
HK$500,000,000 Notes	3.40% per annum	2027
HK$345,000,000 Notes	2.55% per annum	2028
HK$200,000,000 Notes	3.00% per annum	2028
HK$500,000,000 Notes	3.10% per annum	2028
HK$300,000,000 Notes	3.84% per annum	2029
HK$320,000,000 Notes	2.40% per annum	2030
HK$470,000,000 Notes	2.57% per annum	2030
HK$470,000,000 Notes	3.95% per annum	2030
U.S.$500,000,000 Notes	1.875% per annum	2030
U.S.$500,000,000 Notes	2.25% per annum	2030
HK$1,055,500,000 Notes	Zero Coupon (IRR at 3.50% per annum)	2030
HK$500,000,000 Notes	2.555% per annum	2031
HK$310,000,000 Notes	2.58% per annum	2031
HK$600,000,000 Notes	2.90% per annum	2031
HK$500,000,000 Notes	3.00% per annum	2031
HK$110,000,000 Notes	4.00% per annum	2031
HK$559,000,000 Notes	2.59% per annum	2035
HK$380,000,000 Notes	2.58% per annum	2040
HK$300,000,000 Notes	2.90% per annum	2046
U.S.$400,000,000 Notes	Zero Coupon (IRR at 4.375% per annum)	2047
HK$500,000,000 Notes	2.99% per annum	2049
HK$1,240,000,000 Notes	2.59% per annum	2050

MANAGEMENT

The Directors of the Issuer as at the date of this Offering Circular are:

Name
Cheng Cho Ying
Chan Loi Shun
Wong Kim Man

The business address of all the Directors of the Issuer is at Hongkong Electric Centre, 44 Kennedy Road, Hong Kong.

The Secretary of the Issuer is Ng Wai Cheong, Alex. The Issuer has no employees.

CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

The following table sets out the non-consolidated capitalisation and indebtedness of the Guarantor as at 31 December 2023 and 2024:

	2024	**2023**
	(HK$ million)	
Long-term debt (net of current portion):	41,393	40,766
Capital and reserves:		
Share capital *(Note 1)*	2,411	2,411
Reserves	4,281	1,737
Total equity	6,692	4,148
Total capitalisation *(Note 2)*	48,085	44,914
Total short-term debt and capitalisation	53,437	51,964

Notes

(1) As at 31 December 2024, the Guarantor had an issued and fully paid share capital of HK$2,411.6 million consisting of 1,205.8 million ordinary shares.

(2) Total capitalisation is defined to be the sum of total equity and total long-term debt.

There has been no material change in the Guarantor's total non-consolidated capitalisation and indebtedness since 31 December 2024.

SUMMARY FINANCIAL INFORMATION

*The financial information contained in this section titled "SUMMARY FINANCIAL INFORMATION" of this Offering Circular does not constitute the Guarantor's statutory annual financial statements for either of the years ended 31 December 2023 or 2024 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) of the Laws of Hong Kong ("**Companies Ordinance**") is as follows: the Guarantor's financial statements for the years ended 31 December 2023 and 2024 have been delivered to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Guarantor's auditor has reported on these financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.*

The following tables highlight certain non-consolidated financial information with respect to the Guarantor for the financial years ended 31 December 2023 and 2024:

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER

	2024	**2023**
	(HK$ million)	
Revenue	12,057	11,406
Standard fuel costs	(1,469)	(1,490)
Direct costs	(3,638)	(3,341)
	6,950	6,575
Other revenue and other net income	81	87
Other operating costs	(985)	(919)
Finance costs	(1,083)	(1,044)
Profit before taxation	4,963	4,699
Income tax	(831)	(771)
Profit after taxation	4,132	3,928
Scheme of Control transfers	(228)	186
Profit attributable to equity shareholders of the Company	3,904	4,114
Dividend paid/payable to equity shareholders of the Company attributable to the year	1,444	4,031

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	2024	2023
	(HK$ million)	
Non-Current Assets		
Property, plant and equipment	63,038	62,299
Interests in leasehold land held for own use	1,421	1,485
	64,459	63,784
Investment in a subsidiary	–	–
Interest in a joint venture	887	895
Employee retirement benefit scheme assets	1,053	968
Derivative financial instruments	439	496
	66,838	66,143
Current Assets		
Inventories	982	1,003
Trade and other receivables	1,309	1,407
Bank deposits and cash	29	20
	2,320	2,430
Current Liabilities		
Loan from a subsidiary	(300)	(300)
Amount due to ultimate holding company	(289)	(136)
Amount due to immediate holding company	(4,291)	(6,155)
Amount due to a subsidiary	(134)	(134)
Current portion of bank loans	(427)	(415)
Bank overdrafts – unsecured	(45)	(44)
Fuel Clause Recovery Account	(215)	(53)
Trade and other payables and contract liabilities	(2,576)	(3,192)
Current taxation	(224)	(889)
	(8,501)	(11,318)
Net Current Liabilities	(6,181)	(8,888)
Total Assets Less Current Liabilities	60,657	57,255
Non-Current Liabilities		
Loan from a subsidiary	(26,772)	(26,845)
Bank loans	(14,621)	(13,921)
Derivative financial instruments	(156)	(171)
Customers' deposits	(2,507)	(2,449)
Deferred tax liabilities	(7,584)	(7,478)
Employee retirement benefit scheme liabilities	(56)	(191)
Other non-current liabilities	(1,401)	(1,382)
	(53,097)	(52,437)
Scheme of Control Fund and Reserve	(868)	(670)
NET ASSETS	6,692	4,148
CAPITAL AND RESERVES		
Share capital	2,411	2,411
Reserves	4,281	1,737
TOTAL EQUITY	6,692	4,148

DESCRIPTION OF THE GUARANTOR

HISTORY AND INTRODUCTION

Founded in 1889, The Hongkong Electric Company, Limited 香港電燈有限公司 (the "***Guarantor***") is one of the world's oldest power companies. The first electric street lights on Hong Kong Island were illuminated on 1 December 1890 and since then, the Guarantor has been supplying Hong Kong Island with electricity for more than 130 years.

The Guarantor is a vertically integrated power utility company with a distribution network covering Hong Kong Island and Lamma Island. Its first power station, located in Wanchai, had an initial installed capacity of 100-kW. Subsequent expansion in demand for electricity led to the commissioning of a second power station in North Point in 1919 and a third in Ap Lei Chau in the 1960s. When this fully computerised, oil-fired power station was completely developed in 1981, its installed capacity was 1,060-MW.

To meet electricity demand in the 1980s and beyond, construction of a new power station on Lamma Island ("***Lamma Power Station***") commenced in 1978. The uncertainty of oil supply at that time was of major concern and led to the installation of coal-fired generating units ("***coal-fired units***") at this new power station. Lamma Power Station was developed in three stages: Stage I, comprising three 250-MW units, was completed in 1983; Stage II, comprising three 350-MW coal-fired units, and one 55-MW and six 125-MW gas turbines, was completed in 1993; Stage III, comprising two 350-MW coal-fired units, was completed in 1997.

The Ap Lei Chau Power Station was decommissioned in December 1989, after which electricity has been entirely generated at Lamma Power Station. In 2002, one reheat steam turbine and two heat recovery steam generators were added to two 125-MW gas turbines to form a 345-MW oil-fired combined cycle unit ("***GT57***"), which was further converted to a gas-fired combined cycle unit ("***gas-fired unit***") in 2008. An 800-kW wind turbine on Lamma Island first started generating electricity in September 2005 and commenced full commercial operations in February 2006. In October 2006, the Guarantor's first 335-MW gas-fired unit, L9, started its commercial operations. In July 2010, a 550-kW thin-film photovoltaic system (the "***Solar Power System***") was commissioned at Lamma Power Station, which was gradually expanded to 1.4-MW by the end of 2023.

In 2017, the Guarantor started the phased retirement and replacement programme of its coal-fired units, which were at the end of their useful lives of 35 years. Three 250-MW coal-fired units, L1, L2 and L3, were retired in May 2017, October 2022 and May 2018, respectively. Additionally, two 350-MW coal-fired units, L4 and L5, were retired in January 2024 and June 2024 respectively, in accordance with the Guarantor's pledge to phase out coal-fired generation by 2035. As a result of this and other measures, the Guarantor's carbon emissions in 2024 were about 40% lower than those in the baseline year of 2005.

With the commissioning of L10, L11 and L12, three 380-MW gas-fired units, in February 2020, May 2022 and March 2024 respectively, and the retirement of GT57 in July 2022, the installed capacity of the Guarantor as at 31 December 2024 was 3,083-MW. Of this, 1,050-MW was provided by three coal-fired units, 555-MW by five oil-fired gas turbines units, 1,475-MW by four gas-fired units, 800-kW by a wind turbine, 1.4-MW by the Solar Power System and 1.0-MW in total by other small-scale renewable installations. The proportion of gas-fired generation by the Guarantor increased from about 56% of its total output in 2023 to around 70% in 2024.

In July 2023, an offshore liquefied natural gas ("***LNG***") terminal jointly developed and constructed by the Guarantor and CLP Power Hong Kong Limited began commercial operation in Hong Kong waters. With a maximum storage capacity of 263,000 m^3, it significantly enhances the low-carbon generation capability and fuel supply security of the Guarantor in support of Hong Kong's energy transition.

In November 2023, the Hong Kong Government (the "***Government***") approved the 2024-2028 Development Plan, pursuant to which the Guarantor would construct a new gas-fired generation unit, L13. Scheduled for commissioning in 2029, L13 is expected to replace an old coal-fired unit, further contributing to the reduction of carbon and other emissions.

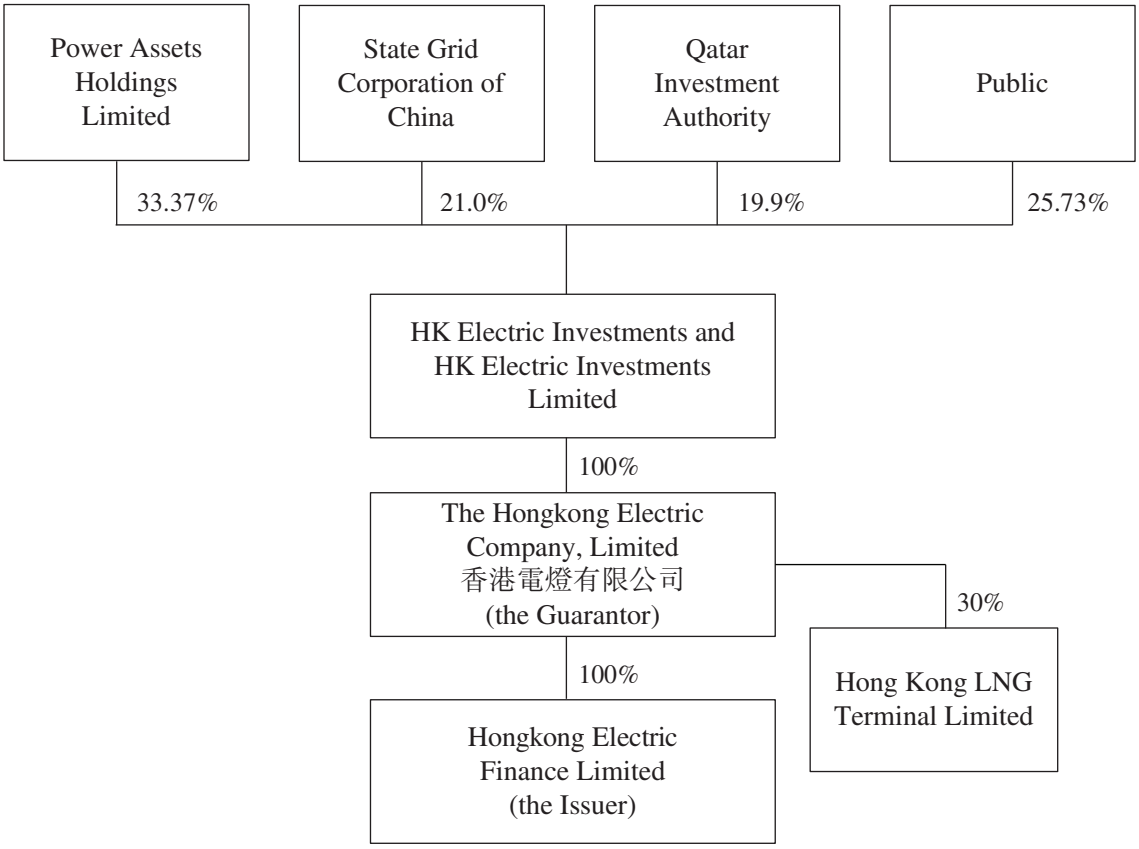
The Guarantor's principal activity of generation, transmission, distribution and supply of electricity in Hong Kong is regulated by a regulatory regime stipulated by a Scheme of Control Agreement with the Government (the "***Scheme of Control***"). The Guarantor entered into the first Scheme of Control in 1979 for a term of 15 years, which was renewed in 1993 for a similar term through to 31 December 2008. The third Scheme of Control was signed in early 2008 for a term of ten years from 1 January 2009 to 31 December 2018, with an option for the Government to extend it for a further term of five years, which was not exercised.

The current Scheme of Control was signed in April 2017 for a term of 15 years commencing on 1 January 2019 and expiring on 31 December 2033. For more information relating to the current Scheme of Control, see "*Scheme of Control*" in this section.

For the year ended 31 December 2024, the Guarantor's revenue and profit attributable to shareholders were HK$12,057 million and HK$3,904 million respectively. As at 31 December 2024, the Guarantor's total fixed assets were HK$64,459 million.

CORPORATE STRUCTURE

As at the date of this Offering Circular, based on publicly available information and the Guarantor's and the Issuer's shareholding registers, the simplified corporate holding structure of the Guarantor and the Issuer was as follows:



BUSINESS STRATEGY

The Guarantor's strategy is to be a reliable, environmentally friendly and cost-effective producer, distributor and supplier of electricity within its service area, offering excellent customer service while maintaining earnings growth and return for its shareholders. The Guarantor intends to continue emphasising system reliability, compliance with safety standards and emission caps, environmental care, climate action and efficient customer service at a reasonable cost.

PRINCIPAL OPERATION

The principal operation of the Guarantor is the generation, transmission, distribution, and supply of electricity to Hong Kong Island and Lamma Island. Electricity is almost entirely generated at Lamma Power Station. The activities of the Guarantor are regulated and governed by the Scheme of Control (see "*Scheme of Control*" below). The Scheme of Control does not establish the Guarantor as a monopoly, nor does it define a licensed area for its operations.

SCHEME OF CONTROL

The Guarantor's electricity-related business activities are regulated by the Scheme of Control. The current Scheme of Control, entered into on 25 April 2017 for a term of 15 years commencing on 1 January 2019 and expiring on 31 December 2033, is available on the Government's Environment and Ecology Bureau website:

https://www.eeb.gov.hk/en/resources_publications/agreement/index.html

In return for complying with its obligations under the Scheme of Control, the Guarantor is entitled to charge tariff rates not only to cover its total operating costs but also to enable its shareholders to earn a return in relation to the risks involved and the capital invested in and retained in the business.

Pursuant to the terms of the Scheme of Control, the Government monitors the Guarantor's financial affairs and operating performance through development plan reviews, auditing reviews and tariff reviews. The current Scheme of Control provides for an interim review once every five years to consider any modifications. As the agreement of all parties is required for any amendments, no party can unilaterally change the terms and conditions of the Scheme of Control.

PERMITTED RETURN AND ALLOWED NET RETURN

The current Scheme of Control provides for the Guarantor to earn a permitted return of 8% per annum of the Guarantor's average net fixed assets. The following items are subtracted from the permitted return:

(i) interest up to a maximum of 7% per annum on borrowings to finance fixed assets which have been capitalised or charged to operating costs;

(ii) interest up to a maximum of 7% per annum on borrowings which have been swapped into another currency to finance fixed assets;

(iii) a charge of average 1-month HIBOR per annum on the average balance of the Tariff Stabilisation Fund;

(iv) an excess capacity adjustment equal to 8% per annum on the average excess capacity expenditure, less an allowed interest charge of up to 7% per annum on the average excess capacity expenditure, if any; and

(v) interest up to a maximum of 7% per annum on the increase in the average balance of the customers' deposits in excess of the balance as at 31 December 1998.

The Scheme of Control contains performance-based incentives and penalties which encourage customer service quality, energy efficiency, demand response reduction and renewable energy development.

Tariff Stabilisation Fund

A tariff stabilisation fund ("***Tariff Stabilisation Fund***") is maintained by the Guarantor to accumulate and provide funds to ameliorate tariff adjustments. The Tariff Stabilisation Fund represents a liability in the accounts of the Guarantor.

Each year, when the Gross Tariff Revenue (defined as the aggregate of revenue from the sale of electricity, transfers from/to the Fuel Clause Recovery Account (see "*Tariff Setting Mechanism – (ii) Fuel Clause Charge or Rebate*" in this section below), and other Scheme of Control revenue) exceeds the total of operating costs of the Guarantor, the allowed net permitted return, and Scheme of Control taxation charges, the excess amount is added to the Tariff Stabilisation Fund.

Conversely, when the Gross Tariff Revenue is less than the total operating costs of the Guarantor, the allowed net permitted return and Scheme of Control taxation charges, the deficiency amount is transferred from the Tariff Stabilisation Fund to the statement of profit or loss for that year, provided that the amount transferred does not exceed the balance of the Tariff Stabilisation Fund, which cannot go into a deficit position.

Rate Reduction Reserve

The Rate Reduction Reserve represents a liability in the accounts of the Guarantor. Each year, a charge equal to the average of one-month Hong Kong Interbank Offered Rate quoted by the Moneyline Telerate Service or other financial services providers on the first business day of each calendar month of that year multiplied by the average opening and closing balances in the Tariff Stabilisation Fund for that year, is credited to the Rate Reduction Reserve. The balance in this Rate Reduction Reserve is transferred to the Tariff Stabilisation Fund within one month after the end of each year.

Development Plan Review

The Scheme of Control provides a tariff-setting mechanism for the electricity supplied by the Guarantor. A development plan (the "***Development Plan***") review is conducted jointly by the Government and the Guarantor to review financial projections and agree on the levels of the projected Basic Tariff Rate (see "*Tariff Setting Mechanism – (i) Basic Tariff Rate*" in this section below) for a Development Plan period, which usually covers five successive years or the remaining term of the Scheme of Control, whichever is shorter. Such plan sets out the projected Basic Tariff Rate for each of the years covered and is submitted to the Executive Council of the Government for approval.

A Development Plan review will also be conducted when a major system expansion is proposed, when an increase in excess of 10% of the previously projected Basic Tariff Rate for that particular year is proposed, when major variations to the Guarantor's system that would significantly increase the projected Basic Tariff Rates above those in the previously approved Development Plan are proposed, and six months before the period covered by the previous Development Plan expires.

Subsequent to the approval of a Development Plan, an annual tariff review is conducted to determine the Basic Tariff Rate for the following year. The Guarantor can increase the Basic Tariff Rate by up to 5% above the projected Basic Tariff Rate in the approved Development Plan for a particular year without any need for further approval. An increase of a further 5% is permitted with the approval of the Executive Council of Hong Kong, without necessitating a Development Plan review.

2024-2028 Development Plan

On 28 November 2023, the Government approved the 2024-2028 Development Plan of the Guarantor covering the period from 1 January 2024 to 31 December 2028, with a total capital expenditure of HK$22 billion to ensure supply reliability, address climate challenges, and continue the Guarantor's carbon and other emissions reduction efforts.

Power Generation System: The Guarantor will invest HK$10.6 billion in projects related to power generation, including the construction of a new gas-fired unit, L13, to replace an old coal-fired unit. Upon the completion of L13, the Guarantor will have five gas-fired units, helping to achieve the Government's target of halving carbon emissions before 2035 compared to 2005. In addition, three oil-fired open cycle generating units capable of fast start-up will be built to replace four similar units for contingencies. The service life of two coal-fired units will also be extended to reduce capital expenditure.

Power Grid: HK$9.2 billion will be invested to strengthen the power grid, including the development of three new zone substations to cater to new electricity demand in the Eastern and Southern districts of Hong Kong, and the progressive replacement of aged underground cables and facilities in substations. The Guarantor will continue its evolution to a smart grid by upgrading its remote control and monitoring systems, and enhancing grid intelligence and automation.

Customer & Corporate Services: HK$2.2 billion will be spent on the improvement of customer and corporate services.

Auditing Review

An annual auditing review ("***Auditing Review***") is performed jointly by the Guarantor and the Government no later than three months after the end of the Guarantor's financial year. The objective of the Auditing Review is to provide sufficient information to the Government to enable it to monitor the Guarantor's activities under the Scheme of Control. The Auditing Review contains an analysis of prior-year actual results and projections of sales, capital and operating expenditure and other financial and operating data for the remaining years of the Development Plan.

Tariff Setting Mechanism

The Net Tariff charged to consumers consists of the Basic Tariff Rate and a Fuel Clause Charge or Rebate.

(i) *Basic Tariff Rate*

The Guarantor calculates its annual projected basic tariff rates ("***Basic Tariff Rate***") by aggregating the annual forecasts of its operating costs, allowed net permitted return and transfers to or from the Tariff Stabilisation Fund, and dividing that aggregate amount by its forecast unit sales of electricity. Operating costs include, among other things, the standard cost of fuel, generation, transmission, distribution and administration expenses, depreciation, interest expense, and tax.

(ii) *Fuel Clause Charge or Rebate*

In setting the Basic Tariff Rate, the Guarantor and the Government agree upon a standard cost of fuel as an operating cost. The difference between the actual cost of fuel (including coal, gas and oil) and the standard cost recovered through the Basic Tariff Rate is charged or credited to a Fuel Clause Recovery Account maintained in the Guarantor's books of account and passed on to the customers by way of a charge or a rebate, which is set at the beginning of a year according to the result of the tariff review and subsequently adjusted on a monthly basis based on the average actual fuel costs in the preceding three months. The Guarantor is not required to obtain Government approval to make the monthly adjustments.

Miscellaneous Initiatives

The current Scheme of Control introduces various elements, including the plough back of incentives earned by the Guarantor for injection into the Smart Power Care Fund to further promote energy efficiency and conservation in the community, as well as other enhanced energy efficiency and renewable energy initiatives, collectively termed "Smart Power Services". For more information about Smart Power Services, see "*Sustainability and Environmental Initiatives – Smart Power Services*".

The following table shows selected Scheme of Control figures for the five years ended 31 December 2024:

	2024	**2023**	**2022**	**2021**	**2020**
			(HK$ million)		
Sales of electricity	12,018	11,321	10,724	11,312	10,363
Transfer from Fuel Clause Recovery Account	4,184	5,401	6,922	3,122	1,823
Other Scheme of Control Revenue	86	131	111	73	162
Gross tariff revenue	16,288	16,853	17,757	14,507	12,348
Fuel costs	(5,653)	(6,891)	(8,420)	(4,778)	(3,453)
Operating costs	(1,811)	(1,704)	(1,702)	(1,735)	(1,697)
Interest	(1,081)	(1,024)	(722)	(621)	(778)
Depreciation and amortisation	(2,764)	(2,497)	(2,543)	(2,530)	(2,414)
Net revenue before taxation	4,979	4,737	4,370	4,843	4,006
Scheme of Control taxation	(870)	(1,113)	(459)	(670)	(695)
Net revenue after taxation	4,109	3,624	3,911	4,173	3,311
Interest on borrowed capital	1,348	1,328	1,017	926	1,018
Interest on incremental customers' deposit	10	10	1	–	–
Scheme of Control net revenue	5,467	4,962	4,929	5,099	4,329
Transfer from/(to) Tariff Stabilisation Fund	(155)	255	80	(344)	164
Permitted return	5,312	5,217	5,009	4,755	4,493
Interest on borrowed capital	(1,348)	(1,328)	(1,017)	(926)	(1,018)
Interest on incremental customers' deposit	(10)	(10)	(1)	–	–
Transfer to Smart Power Care Fund/Smart Power Fund	(40)	(38)	(32)	(32)	(25)
Transfer to Rate Reduction Reserve	(32)	(11)	(13)	(1)	(8)
Net return	3,882	3,810	3,946	3,796	3,442

GENERATION AND TRANSMISSION

Since 1990, the Guarantor's electricity generation has been almost entirely carried out at Lamma Power Station, which is located on an 85.8-hectare site at Po Lo Tsui on Lamma Island.

When the Lamma Power Station first became operational, its main fuel was coal. In line with the Government's plan to increase gas-fired generation to approximately 50% of the total fuel mix for electricity generation in Hong Kong by 2020, in 2016 the Guarantor started the L10 Project, a 380-MW gas-fired unit comprising a gas turbine, a steam turbine, a generator, a heat recovery steam generator, auxiliary equipment and an air emission control system. L10 was commissioned in February 2020, marking a major step forward in the coal-to-gas transition to supply Hong Kong with greener energy and bringing the Guarantor's gas-fired generation to about half of its total output, thereby complying with the stringent emission requirements set by the Government.

The Guarantor's migration from coal to gas generation continued with L11, a 380-MW gas-fired unit, which was approved by the Government in September 2016 and commenced commercial operation in May 2022. Another 380-MW gas-fired unit, L12, was approved in the 2019-2023 Development Plan and commenced commercial operation in March 2024.

At the end of 2024, the Guarantor had a total installed capacity of 3,083-MW, comprising three coal-fired units, five oil-fired gas turbine units, four gas-fired units, one wind turbine, one Solar Power System and other small-scale renewable installations. All coal-fired units are fueled by coal under normal operating conditions, with oil firing limited to start-up, shutdown or flame stabilisation at low loads. Since the end of March 2024, four gas-fired units have been running on base-load (meaning the units are used first to support electricity supply as appropriate), with the coal-fired units operating next in line to meet demand. The oil-fired gas turbine units are for peak-lopping purposes. In 2024, around 70% of the Guarantor's electricity was generated from gas-fired units.

Set out below are selected operating statistics of the Guarantor for each of the five years ended 31 December 2024:

	2024	**2023**	**2022**	**2021**	**2020**
Installed Capacity (MW)					
Gas Turbines and Standby Units	555	555	555	555	555
Coal-fired Units	1,050	1,750	1,750	2,000	2,000
Gas-fired Units	1,475	1,095	1,095	1,060	1,060
Wind Turbine and Photovoltaic System	3	3	2	2	2
Total Installed Capacity (MW)	3,083	3,403	3,402	3,617	3,617

	2024	2023	2022	2021	2020
System Maximum Demand (MW)	2,255	2,269	2,384	2,384	2,336
Annual Increase/(Decrease) (%)	(0.6)	(4.8)	–	2.1	(2.5)
Thermal Efficiency (%)	41.5	39.3	38.9	37.6	37.6
Plant Availability (%)	84.8	89.4	86.6	89.0	89.5
Number of Switching Stations	24	24	24	24	24
Number of Zone Substations	27	27	27	27	27
Number of Customer Substations	4,038	4,012	3,977	3,962	3,944

The transmission and distribution network of the Guarantor, consisting of 7,047 km of transmission and distribution lines, 24 switching stations, 27 zone-substations and 4,038 customer substations, is controlled and monitored by the Guarantor's computerised System Control Centre at Ap Lei Chau for distributing electrical power to customers on Hong Kong Island, Ap Lei Chau and Lamma Island. The transmission network mainly comprises 275 kV and 132 kV underground and submarine cables. At present, only one 132 kV overhead line, which has been in service for over 50 years, remains in the system and will be phased out by 2026. The use of underground cables enhances supply reliability even in inclement weather and is ideal for a densely populated area such as Hong Kong.

A power interruption on 19 April 2023 led to a slight drop in the Guarantor's supply reliability to 99.99935% in 2023, which still surpassed the pledged customer service standard of greater than 99.999%. All recommendations arising from a review of the incident have been implemented in full and the Guarantor achieved a supply reliability of 99.99993% in 2024.

With the increasing frequency of extreme weather events, climate preparedness has become a critical priority. The Guarantor aims to enhance resilience against flooding, particularly in low-lying areas. Since 2022, new infrastructure, including generating units and critical equipment at principal substations, has been constructed or floodproofed to withstand water levels up to +7.0 metres above the Hong Kong Principal Datum. For existing equipment and areas where this standard cannot be applied, the Guarantor is retrofitting anti-flooding systems, installing or upgrading measures such as demountable floodgates, permanent floodwalls and relocating protective devices to withstand anticipated flooding levels.

Fuel Supply

The primary fuel sources for Lamma Power Station are natural gas and coal. The Guarantor sources natural gas from Western Australia, Qatar and other locations worldwide under long-term take-or-pay contracts while coal is mainly sourced from Indonesia.

In June 2019, the Guarantor, together with Castle Peak Power Company Limited ("***CAPCO***"), entered into a long-term contract with Shell Eastern Trading (Pte.) Ltd. for the supply of LNG to the offshore LNG terminal, where the LNG is re-gasified before being transported via a new subsea pipeline to Lamma Power Station. For more information about to the offshore LNG terminal, see "*Sustainability and Environmental Initiatives – Offshore LNG Terminal*".

CUSTOMERS AND SALES

The Guarantor had approximately 593,000 registered customers comprising approximately 475,000 residential, 113,000 commercial and 5,000 industrial customers as of 31 December 2024.

For the year ended 31 December 2024, the Guarantor recorded a total of 10,150 million kWh unit sales, with commercial sales accounting for approximately 73.1% and residential sales accounting for approximately 24.1% of its total sales. The following table sets out the units sold and the average Net Tariff for different categories of customer for each of the five years ended 31 December 2024:

	2024	**2023**	**2022**	**2021**	**2020**
Units Sold (Millions of kWh)					
Commercial	7,415	7,369	7,149	7,409	7,178
Residential	2,451	2,384	2,505	2,659	2,667
Industrial	284	287	287	293	289
Total (Millions of kWh)	10,150	10,040	9,941	10,361	10,134
Annual Increase/(Decrease) (%)	1.1	1.0	(4.0)	2.2	(3.7)
Average Net Tariff per Tariff Review (HK Cents per kWh)					
Basic Tariff	119.5	114.5	109.0	109.0	102.0
Special Rent & Rates Rebate	–	–	–	–	(0.4)
Special Rebate	–	–	(1.0)	–	–
Net Basic Tariff	119.5	114.5	108.0	109.0	101.6
Fuel Clause Charge	46.0	82.5	27.3	17.4	24.8
Special Fuel Rebate	–	–	–	–	–
Net Tariff (HK Cents per kWh)	165.5	197.0	135.3	126.4	126.4

2025 Tariff

The Guarantor increased its Basic Tariff for 2025 from 119.5 cents to 122.9 cents per unit of electricity after considering factors such as capital expenditure and operating expenses. On the other hand, the Fuel Clause Charge per unit of electricity decreased by 1.90 cents from 46.0 cents in January 2024 to 44.1 cents in January 2025, mitigating the increase in Basic Tariff. Consequently, the 2025 Net Tariff increased slightly by 0.90% from 165.5 cents per unit of electricity in January 2024 to 167.0 cents per unit of electricity in January 2025. In view of the challenges faced by the community and different business sectors during the current economic conditions, the Guarantor continues to provide relief measures and energy-saving programmes to its customers (see the section "*Measures Supporting the Community*").

Customer Service

As a customer-focused and service-oriented company, the Guarantor strives to provide high-quality service. These efforts include the establishment of a Customer Liaison Group in 1992 as a channel for the exchange of views between the Guarantor and its customers; the provision of concessionary tariff schemes for the elderly and the underprivileged; a mini-website, "Web for the Elderly", for senior citizens; the provision of Braille bills and a voice-assisted e-bill service for the visually impaired; SMS enquiry service and sign language communication; a teleloop system for the hearing-impaired; the publication of services pamphlets in eight languages spoken by ethnic minorities; and a "Round Up Your Bill for the Community Chest" programme as a convenient avenue for customers to donate to the Community Chest by rounding up monthly electricity bills to the nearest HK$1, HK$5 or HK$10. Moreover, the Guarantor showcases key support programmes through a series of videos titled "The Care We Show to the Community," which premiered on its Corporate YouTube and Facebook channels in April and May 2024 respectively.

In order to facilitate the settlement of customer bills, the Guarantor offers a variety of payment methods, including autopay, payment by various electronic means (including AlipayHK, WeChat Pay HK, Faster Payment System (FPS), PPS, e-cheque and the Electronic Bill Presentment and Payment platform via internet banking), cheque deposit machines at designated banks, cheque payment by mail, and payment in person at any Hong Kong Post Office, any branch office of The Bank of East Asia, Limited, and any outlet of 7-Eleven, Circle K, Watsons, VanGO or U Select.

The Guarantor recognises the importance of using advanced internet technology to connect with its customers. Since October 1999, customers have been able to review their account information and opt for monthly electronic bills via the internet through the Guarantor's Account-On-Line service ("***AOL***"). Customers can also log on to the Government's "iAM Smart" platform after initial setup to access their AOL accounts without inputting their AOL username, electricity account number or password.

In December 2021, the Guarantor launched a new mobile app "HK Electric" to provide greater convenience to customers in handling electricity-related matters anytime and anywhere. The app supports biometric login as well as login via iAM Smart, Google and Apple ID to provide customers with a safe and hassle-free login. The app also supports services applications, progress tracking and AOL service. After registering for AOL, customers will be able to log in via the app to check their electricity bills, latest balance and payment records for the past 12 months, set notification alerts for new bills and settle their bills via AlipayHK, WeChat Pay HK or FPS. A consolidated account report is also available to meet the needs of customers having multiple electricity accounts in one AOL account. With the rollout of the Guarantor's smart metering system, customers who have smart meters installed can use the app or the official webpage to check their electricity consumption data at half-hour intervals, receive consumption alerts and review projected consumption in the next bill (see "*Smart Meters*").

In 2024, the Guarantor once again achieved and surpassed all its 18 pledged customer service standards and obtained eight ISO 9001 certifications for customer-related services and major business processes. Its dedication to providing quality service is evidenced by the various customer relationship excellence awards it has won throughout the years, including:

- *"Public Service of the Year"*, awarded by the Asia Pacific Customer Service Consortium. The Guarantor has received this award for 16 consecutive years since 2009;

- *"Best Customer Centre in Technology Application – Silver Award"* for 2024, awarded by the Hong Kong Customer Contact Association;

- *"Customer Experience Initiative of the Year – Gold Award"* for 2024, awarded by the Hong Kong Customer Contact Association;

- *"Mystery Customer Assessment Award (Public Service and Utilities) – Gold Award"*, awarded by the Hong Kong Customer Contact Association. The Guarantor has received this award for 14 consecutive years since 2011;

- *"Mystery Customer Assessment Award (Brick-and-Mortar) (Public Service and Utilities) – Gold Award"* for 2023 and 2024, awarded by the Hong Kong Customer Contact Association;

- *"Mystery Customer Assessment Award (Brick-and-Mortar) (Public Service and Utilities) – Best-in-Class"* Award for 2023 and 2024, awarded by the Hong Kong Customer Contact Association;

- *"Mystery Customer Assessment Award (Brick-and-Mortar) – Best of the Best"* Award for 2023 and 2024, awarded by the Hong Kong Customer Contact Association;

- *"Quality Service Retailer of the Year – Retail (Services) Category"*, awarded by the Hong Kong Retail Management Association (known as "Service Retailers of the Year – Retail (Services) Category" previously). The Guarantor has received this award for 14 consecutive years since 2011;

- "*Quality Service Retailer of the Year – Flagship Stores (Gold Award)"* Award for 2024, awarded by the Hong Kong Retail Management Association;

- *"The Best SME's Partner"*, awarded by the Hong Kong General Chamber of Small and Medium Business. The Guarantor has received this award for 14 consecutive years since 2011; and

- *"Hong Kong Star Brand Award (Enterprise)"*, awarded by the Hong Kong Small and Medium Enterprises Association, Hong Kong Trade Development Council and Hong Kong Productivity Council. The Guarantor has received this award for 12 consecutive years since 2013.

COMPETITION AND REGULATORY ENVIRONMENT

Although the Scheme of Control does not define a licensed area for the Guarantor's operations, in practice, the Guarantor is the sole supplier of electricity to customers on Hong Kong Island and Lamma Island. The other major generator and supplier of electricity in Hong Kong, CLP Power Hong Kong Limited, provides electricity to customers in Kowloon, the New Territories, Lantau and other outlying islands.

CAPITAL EXPENDITURE AND FINANCIAL RESOURCES

The Guarantor invested HK$3,650 million and HK$4,337 million in 2024 and 2023, respectively, in fixed assets. These investments were primarily used for upgrading its generation, transmission and distribution equipment. Another HK$9 million and HK$110 million in capital expenditure were incurred in 2024 and 2023, respectively, at the joint venture level. The Guarantor continues to finance its capital expansion programme from internal cash flow and, to the extent required, external borrowings from banks and debt capital markets.

As at 31 December 2024, the Guarantor had outstanding borrowings of HK$46,745 million, comprising unsecured external borrowings of HK$42,165 million and intra-group loans of HK$4,580 million.

All of the Guarantor's external borrowings as at 31 December 2024 were denominated or effectively hedged in Hong Kong dollars. The Guarantor maintains a prudent policy towards the use of derivative instruments and transactions are only entered into for hedging purposes.

EMPLOYEES

The Guarantor adopts a longstanding policy of maintaining an efficient and lean workforce while reviewing its manpower requirements and improving employee productivity. Believing that people are an organisation's most important assets, the Guarantor strives to create a stimulating and supportive workplace.

As at 31 December 2024, the Guarantor had a total of 1,649 permanent employees (2023: 1,657 permanent employees). Over the last ten years, the Guarantor has not experienced any strikes, work stoppages, labour disputes or actions that have materially affected its operations.

INSURANCE

The Guarantor maintains a comprehensive insurance programme with policies tailor-made to provide a wide scope of coverage, with risks shared by a number of leading underwriters. The levels of coverage are assessed relative to the risk exposure. The insurance programme is reviewed by management to cater to any business expansion or development of the Guarantor.

No major insurance claims have been made by the Guarantor under these policies in the past ten years.

SUSTAINABILITY AND ENVIRONMENTAL INITIATIVES

As a major utility company in Hong Kong, the Guarantor recognises its responsibility to operate its business in a sustainable manner with a view to protecting the environment and combating climate change.

The Guarantor's latest Sustainability Report is available on its website at *https://www.hkelectric.com/en/sustainability/sustainability-reports*. To increase transparency regarding its preparedness for the impact of climate change and the long-term sustainability of its operations, the Guarantor has also published its standalone Climate-related Disclosures Report in 2024, available on its website at *https://www.hkelectric.com/en/sustainability/climate-related-disclosures-report/cdr*. This report incorporates 11 recommendations by the Financial Stability Board's Task Force on Climate-Related Financial Disclosures, covering Governance, Strategy, Risk Management and Metrics & Targets. Scenario analysis was conducted to assess the physical and transitional risks and opportunities related to climate change. In 2024, the Guarantor continued to enhance its climate-related disclosures by referencing the ESG Reporting Guide of the Hong Kong Stock Exchange published in April 2024.

Sustainability Committee

In December 2020, the Guarantor's ultimate holding company, HK Electric Investments Limited, established a Sustainability Committee at the board level to oversee sustainability across HK Electric Investments Limited and its subsidiaries (together, the "***HKEIL Group***"), which include the Issuer and the Guarantor, and to advise the board on the implementation of related initiatives. The Sustainability Committee is primarily responsible for reviewing related policies and practices, assessing and making recommendations on matters concerning the HKEIL Group's sustainable development, as well as sustainability risks and opportunities.

Sustainability Goals

In support of the United Nations' 2030 Agenda for Sustainable Development, in 2019 the Guarantor identified three of the United Nations' 17 Sustainable Development Goals ("***SDGs***") that align most closely with its business priorities: SDG 7: Affordable and Clean Energy, SDG 9: Industry, Innovation and Infrastructure, and SDG 13: Climate Action. In 2020, the Guarantor established various internal targets for the implementation of these SDGs, providing a framework to track the progress of its decarbonisation and innovation efforts.

In 2023, after reviewing its potential contribution to the 17 SDGs, the Guarantor included three more SDGs in its pledge: SDG 8: Decent Work and Economic Growth, SDG 11: Sustainable Cities and Communities, and SDG 12: Responsible Consumption and Production. A new set of targets was also established to evaluate its contribution towards realising the six key focused SDGs.

In 2024, the Guarantor reviewed and reorganised its sustainability targets with reference to its Sustainability Framework, demonstrating its support for the accomplishment of additional SDGs beyond the six key focused ones.

The Guarantor has also updated its science-based carbon reduction target and committed to reducing Scope 1 greenhouse gas emissions by 68.4% per kWh of electricity generated by 2035, using 2019 as the base year. As the Guarantor operates a vertically integrated utility business, all electricity consumed or lost within its operations is self-generated, and the associated Scope 2 emissions are already included in its Scope 1 emissions. This target aligns with the Paris Agreement's goal of limiting global temperature increase to well below 2°C and has been validated and approved by the Science Based Targets initiative.

The Guarantor quantifies its greenhouse gas emission inventory, including both direct and indirect emissions, in accordance with the ISO 14064 standard and obtains third-party verification annually. Indirect emissions arising from its supply chain are reported as Scope 3 emissions, categorised per the Greenhouse Gas Protocol. Scope 3 emissions accounted for approximately 17% of the Guarantor's total carbon footprint. For details, please refer to the Guarantor's Sustainability Report 2024.

Carbon Neutrality

The Government stated in its 2021 Policy Address that, to combat climate change, Hong Kong will strive to achieve carbon neutrality before 2050. On 8 October 2021, the Chief Executive announced that Hong Kong would adopt "net-zero carbon emissions for electricity generation". Later that month, the Government released the "Hong Kong Climate Action Plan 2050", which sets a target of reducing Hong Kong's total carbon emissions by 50% before 2035 compared with 2005 levels and achieving carbon neutrality before 2050 through four major decarbonisation strategies: (i) net-zero electricity generation, (ii) energy saving and green buildings, (iii) green transport and (iv) waste reduction.

Committed to the pursuit of net-zero carbon emissions before 2050, the Guarantor has commenced discussions with the Government to explore ways to further decarbonise its power generation through the ongoing coal-to-gas transition efforts, the pursuit of local renewables, the potential introduction of new clean energy sources including the import of carbon-neutral power and the adoption of emerging carbon reduction technologies.

Education and Public Awareness

Recognising that environmental stewardship cannot be achieved in isolation, the Guarantor is working closely with strategic partners, such as NGOs, on educational campaigns to promote environmental awareness and low-carbon lifestyles among its employees, business partners, customers and the public, with a particular emphasis on engaging the younger generation.

The Happy Green Campaign, supported by the Guarantor's Smart Power Education Fund, is the Guarantor's flagship green education programme promoting energy efficiency and conservation, renewable energy and low-carbon living. Themed "Be Chill. Be Carbon Neutral", one of the key activities in 2024 was the "Back in Fashion" competition, which promoted an innovative twist on pre-owned clothes to reduce waste. A catwalk finale was staged at Central Market to showcase the stylish outfits created by talented finalists from upcycled materials.

Another major initiative under the Campaign in 2024 was the launch of the United Nations Sustainability Development Goals ("***UNSDG***") Action Planner, developed and distributed to local primary and junior secondary students. The planner includes weekly actions and games supporting the 17 UNSDGs. Teacher training sessions were also conducted to provide hands-on tips for integrating UNSDG concepts into classrooms, while school talks were organised for students.

Throughout the year, the Campaign reached out to over 710 schools in the Happy Green Schools network and engaged more than 110,000 participants in various activities.

The Green Hong Kong Green ("***GHKG***") programme, co-organised by the Guarantor and the Conservancy Association to foster public appreciation of Hong Kong's eco-heritage resources through eco-heritage tours, has been running for more than 19 years, delivering a total of 12 eco-heritage routes in Hong Kong and Lamma Island. The GHKG app, which provides information on eco-heritage routes and tour schedules, has been downloaded more than 53,000 times. In 2024, six public online tours were delivered via Zoom, featuring guest insights and interactive gaming. The Guarantor also brought conservation messages to schools through eight tailor-made virtual tours. Together with 18 public physical tours, over 2,800 participants were recorded.

Electric Vehicles

The Guarantor actively promotes the use of electric vehicles ("***EV***") for combatting roadside air pollution. As at 31 December 2024, the Guarantor had 185 electric vehicles representing 56% of its fleet. The Guarantor has also provided technical support and consultancy services to the Government, public transport operators, and more than 470 residential properties to install charging infrastructure for approximately 53,000 parking spaces.

Renewable Energy

The Guarantor added Lamma Winds, Hong Kong's first commercial scale wind turbine of 800-kW capacity, to its generating capacity in 2006. An exhibition centre with renewable energy exhibits was built adjacent to the wind turbine to enable the public to learn about wind power and its benefits.

In July 2010, the Guarantor installed its Solar Power System, a 550-kW thin photovoltaic system, on the roofs of the main station buildings at Lamma Power Station, which was expanded to 1.0-MW in March 2013 and further increased to 1.4-MW in 2023.

The Guarantor has also commissioned small-scale renewable installations with a total capacity of 1.0-MW as at the end of 2024. In 2024, a total of over 13-GWh of green electricity was generated from the Guarantor's renewable energy installations and Feed-in Tariff customers.

Emission Control

To support the Government's initiative to improve air quality, the Guarantor has installed Flue Gas Desulphurisation plants and low nitrogen oxide burners in its coal-fired units. The Guarantor is also in the process of transitioning its fuel from coal to natural gas by progressively retiring its coal-fired units: L1 in 2017, L3 in 2018, L2 in 2022, and L4 and L5 in 2024. With the commissioning of gas fired units L10, L11 and L12, the Guarantor achieved a reduction in the emission of sulphur dioxide ("$\boldsymbol{SO_2}$"), nitrogen oxide ("$\boldsymbol{NO_X}$") and respirable suspended particulates ("***RSPs***") by approximately 40-97% in 2024 compared to 2005.

The Guarantor works closely with the Government to review emission allowances for the power sector and has consistently complied with the regulatory caps through proactive maintenance and management of its generation, transmission and distribution infrastructure. On 9 June 2021, the Legislative Council approved the Ninth Technical Memorandum for Allocation of Emission Allowances in Respect of Specified Licences (the "***Ninth TM***") under the Air Pollution Control Ordinance (Cap. 311) of the Laws of Hong Kong. The Ninth TM caps the annual emission allowances of SO_2, NO_X and RSPs from the power generation sector from 2026 onwards at 2,852 tonnes, 11,144 tonnes and 367 tonnes respectively. Compared with the emission allowances set under the Eighth Technical Memorandum, the Ninth TM tightens the emission allowances for SO_2, NO_X and RSPs by 9%, 10% and 6%, respectively. After reviewing the Ninth TM to consider the feasibility of further tightening the emission caps, the Government concluded on 23 February 2024 that the 2026 emission allowances would continue to apply to the Guarantor for 2028 and 2029.

The Government initiated the review of the Ninth TM in November 2024 with the aim of promulgating a tenth technical memorandum in 2025 for enforcement in 2030 and beyond, to further tighten the emissions allowances for the power sector. Meanwhile, a new gas-fired unit, L13, being constructed at Lamma Power Station and scheduled for commercial operation in 2029, will enable the Guarantor to fulfil more stringent emission requirements under the new technical memorandum, as well as further improve local air quality to meet the updated Hong Kong Air Quality Objectives, which came into operation on 11 April 2025 pursuant to the Air Pollution Control (Amendment) Ordinance 2025.

With a total of four gas-fired units (L9, L10, L11 and L12) operational, the Guarantor's electricity generated from natural gas has increased significantly to about 70% in 2024, up from 56% in 2023, leading to substantial reductions in carbon emissions. Moreover, the Guarantor continues to acquire low-emission coal for electricity generation and maintain the performance of emission control devices, so as to reduce emissions from coal-fired units, and aims to phase out all coal-fired generation by 2035.

Noise emission from Lamma Power Station is reduced by means of plant and equipment design and is monitored during operation with real-time alarms to ensure that the noise levels at the receivers are within the prescribed statutory limits.

Resources Conservation and Waste Minimization

The Guarantor implements environmental management and energy management systems to reduce the consumption of resources and alleviate the environmental impact. In addition to adopting energy saving practices, the Guarantor nurtures a culture of responsible consumption and resource management based on the 4R principles: Reduce, Reuse, Recover and Recycle.

During the construction phase of gas-fired units at Lamma Power Station, the Guarantor has made proper arrangements to avoid, recover, reuse, recycle, store, collect, treat and dispose of various waste categories in accordance with its waste management plans approved by the Government's Environmental Protection Department. In 2024, the Guarantor generated approximately 115 kilotonnes of construction waste from its major construction projects, around 99% of which was either reused or recycled. For example, the Guarantor works with qualified third parties to recycle ash and gypsum, two major types of non-hazardous by-products produced from coal-fired power generation, for other industrial purposes. As the Guarantor progresses with its plans to displace coal-fired power with natural gas at Lamma Power Station, the volume of these by-products is expected to decline progressively.

The Guarantor acknowledges the importance of managing water risks and seeks to use water sustainably. The Guarantor uses seawater for cooling generating units at Lamma Power Station and utilises local municipal water supplies in its other operations. The Guarantor's environmental policy outlines its commitment to implementing practical measures for reducing water consumption, reusing or recycling wastewater, and minimising the impact of effluents discharged from its operations into the local environment. Smart water meters are used to monitor water use in real time and identify areas for improvement.

In 2024, the Guarantor collected more than 124,000 m^3 of rainwater and plant processing water for reuse to reduce fresh water consumption and wastewater discharge. The Guarantor also has wastewater storage and treatment facilities to recycle and reuse wastewater generated during the construction of gas-fired units.

The Guarantor recycles and reuses as much of its waste oil as possible. Its licensed waste contractor uses Vibratory Membrane Advanced Treatment (VMAT) technology to re-fine and transform spent mineral, cable and lubrication oils into environmentally friendly lubricants. In 2024, around 72,000 litres of waste oil were recycled in this way. The Guarantor also collected more than 55,000 litres of oil from retired units for reuse in various machinery at Lamma Power Station.

Moreover, the Guarantor collects and recycles various types of waste from its office buildings, including paper, metal, plastics, used batteries, compact fluorescent lamps and printer cartridges. It purchases recycled paper and reduces paper consumption by digitalising its work processes as much as possible.

Smart Power Services

The Guarantor provides comprehensive services collectively termed "Smart Power Services" ("***SPS***"), assisting customers and the community in decarbonisation through the adoption of renewable energy and electric vehicles, promotion of energy efficiency and conservation, electrification, and adoption of a low-carbon lifestyle, as well as providing care to the disadvantaged, as part of Hong Kong's journey towards a smart zero-carbon city. Various funding and service schemes have been devised to cater for different sectors of the community to promote energy efficiency and support the local development of renewable energy. For the year 2024, the Guarantor has set aside over HK$55 million for decarbonisation initiatives under the SPS.

Smart Power Building Fund: Subsidies (10%-50% of project costs, capped at HK$250,000 to HK$500,000 per building) are available for building owners to carry out retrofitting, retro-commissioning or building-based smart technologies projects to enhance the energy efficiency of communal building services installations (e.g. lighting, air-conditioning, lift, escalator, electrical installation, etc.). A total of 174 applications involving subsidies of approximately HK$52 million were approved from January 2024 to February 2025.

Smart Power Energy Audit: A free energy audit service is available for non-residential customers to identify energy-saving potential at their business premises. Written reports, including recommendations on energy saving, are provided to customers. Site inspections are conducted for business premises to analyse their energy efficiency performance. From January 2024 to February 2025, the Guarantor completed over 230 energy audits.

Smart Power Loan Fund: Subsidies for interest payments on loans are provided by collaborating banks to customers who have completed the Smart Power Energy Audit or successfully applied for the Smart Power Building Fund to implement energy efficiency enhancement projects.

Feed-in Tariff Scheme: The Guarantor purchases electricity generated by customers' renewable energy power systems ("***REPS***") (solar photovoltaic and/or wind power systems) at Feed-in Tariff ("***FiT***") rates of HK$2.5-HK$4.0 per unit. The FiT rate is fixed from the date an REPS participates in the FiT Scheme throughout the project life of the REPS or until 31 December 2033, whichever is earlier. By the end of February 2025, more than 680 systems with a combined capacity of over 13-MW were connected to the grid and started receiving FiT payments.

*Renewable Energy Certificates ("**RECs**")*: Certificates are sold to help customers achieve their renewable energy and environmental targets while supporting local RE development. Customers who have purchased RECs possess the right to claim the environmental benefits (e.g. zero carbon dioxide and air pollutant emissions) associated with the amount of electricity carried in RECs. RECs are priced at HK$0.5 per unit (i.e. kWh) of electricity on top of the normal electricity tariff rate. Around 9 million units of RECs were sold from January 2024 to February 2025.

Smart Power Education Fund: The Guarantor funds programmes and activities which promote energy efficiency, renewable energy and low-carbon living, with an annual budget of HK$5 million. Key initiatives include the Guarantor's signature programme, Happy Green Campaign, and donations and sponsorship supporting various educational and promotional activities.

Smart Power EV Charging Solution ("SPECS"):

- EV Charging Solution Service: one-stop service to assist customers in implementing EV charging solutions for reducing carbon emissions and improving roadside air quality.

- Power Public EV Charging: assessment of electricity supply capacity and provision of electricity supply solutions for public car parks to establish EV charging stations.

- Zero-carbon EV Charging: RECs for EV customers to purchase for realising zero-carbon electric mobility.

As at February 2025, with the support from SPECS, 79 projects to install EV charging-enabling infrastructure on Hong Kong Island under the Government's EV-charging at Home Subsidy Scheme have been completed.

Smart Power for Data Centre: one-stop service to provide power supply solutions for data centres on Hong Kong Island, and decarbonise the construction and operation of data centres.

Smart Power for Construction Site: one-stop service to timely provide grid-electricity supply for construction sites to eliminate the use of diesel generators to provide electricity, and thereby substantially reduce carbon emissions and air and noise pollution during the construction stage, while saving energy costs.

Smart Power Gallery: a five-storey experience and education centre in Sheung Wan, equipped with multimedia displays and interactive games, which offers physical tours and online learning activities providing education on climate change, carbon neutrality, renewable energy and smart city concepts. From January 2024 to February 2025, 113 physical tours and online learning activities were conducted, including sessions for kindergarten-aged children.

Offshore LNG Terminal

Hong Kong LNG Terminal Limited ("***HKLTL***"), a joint venture established by the Guarantor and CAPCO, entered into an agreement in June 2019 with Mitsui O.S.K. Lines, Ltd. ("***MOL***") for the hire of a Floating Storage and Regasification Unit ("***FSRU***") vessel on a time charter basis.

The FSRU vessel, named Bauhinia Spirit, is moored at the offshore LNG terminal in Hong Kong and is used for receiving, storing and re-gasifying LNG. This terminal supplies natural gas through a dedicated subsea pipeline owned by the Guarantor for power generation at Lamma Power Station. It also supplies natural gas to Black Point Power Station through another dedicated subsea pipeline owned by CAPCO. MOL is responsible for providing operations and maintenance services for both the FSRU vessel and the offshore LNG terminal. The terminal enables the Guarantor and CAPCO to enhance the security of natural gas supply and strengthen their bargaining power in gas sourcing with direct access to the international LNG market.

The engineering, procurement and construction contracts for the jetty construction at the offshore LNG terminal and the laying of the Guarantor's and CAPCO's subsea pipelines were awarded in January 2020. The terminal has been operational since July 2023.

Recognizing the importance of environmental protection, the Guarantor, together with CAPCO and HKLTL, established a Marine Conservation Enhancement Fund and a Fisheries Enhancement Fund in 2020 to support marine ecology conservation and the sustainability of fisheries in the terminal's vicinity.

Smart Meters

Smart meters enable customers to better understand their consumption patterns through the AOL service or the HK Electric App, allowing them to optimise their energy use. After completing the pilot project to evaluate smart meters and Advanced Metering Infrastructure technology in 2019, the Guarantor commenced the mass rollout of smart meters. As at the end of 2024, over 480,000 smart meters were installed, serving approximately 80% of the Guarantor's customers. The Guarantor aims to migrate its entire customer base to smart meters by end of 2025.

Green Mobile Emergency Power Supply

In September 2023, the Guarantor introduced a green mobile electricity supply system to provide customers with reliable and emission-free energy during emergencies. The system, comprising an energy storage truck ("***EST***") and a power changeover truck, provides temporary relief when normal power supply is not available and can also serve as a clean backup power source for large-scale and major events. As the system runs on batteries, air and noise pollution are avoided during operation, minimising the environmental impact. Besides being pollution-free, the replacement of diesel generators with ESTs could save 0.7 kg of carbon dioxide for each unit of electricity generated. The entire system is expected to save around 1,800 tonnes of carbon dioxide that would otherwise be emitted by diesel generators over 10 years. This is equivalent to the carbon dioxide intake of approximately 8,000 trees.

Measures Supporting the Community

Under the Smart Power Care Fund, in 2024, the Guarantor distributed 10,000 cash coupon sets, valued at HK$200 each, to customers joining the concessionary tariff schemes and households in financial need to buy daily necessities. In 2025, the Guarantor enhanced the "Energy-efficient Community Subsidy Programme," offering one-stop services for non-profit NGOs and schools to

improve energy efficiency and adopt renewable energy. Each eligible building can receive up to HK$3 million in subsidies for projects such as installing energy-efficient electrical equipment and appliances, applying solar photovoltaic technologies and using energy-saving rooftop paints.

Other measures provided by the Guarantor in 2024 include the "NGO Catering Subsidy Programme," which provides a subsidy capped at HK$20,000 to each community centre to provide food and beverage for activities organised for the disadvantaged, with the subsidy cap increased to HK$30,000 per centre in 2025. The Guarantor also continues to provide a one-off electricity charges relief of HK$1,000 to disadvantaged sub-divided unit ("***SDU***") households. Eligible SDU households can also apply for a one-off subsidy for rewiring and installation of individual HK Electric tariff meters, with the subsidy cap increased to HK$20,000 per SDU in 2025, compared to HK$15,000 per SDU in 2024.

The Guarantor supports the vulnerable elderly through activities under the CAREnJOY programme and promotes active ageing by encouraging lifelong learning, healthy living and volunteerism via the University of 3rd Age Network. At the same time, the Guarantor reaches out to over 100,000 people every year through the Happy Green Campaign and Green Hong Kong Green activities, promoting the ethos of low-carbon living while supporting the city's carbon neutrality mission and sustainable development.

The Guarantor also assists those in need and supports meaningful causes in society through its Volunteers Team, as well as corporate philanthropy in the form of donations, sponsorship and funding from the HK Electric Centenary Trust and Lamma Fund.

MANAGEMENT

The Directors and Alternate Director of the Guarantor as at the date of this Offering Circular are as follows:

Directors

FOK Kin Ning, Canning, *Chairman*, appointed to the board of directors of the Guarantor ("***Board***") in February 1985. Mr. Fok was also appointed to the boards of directors of HK Electric Investments Manager Limited ("***Trustee-Manager***"), the trustee-manager of HK Electric Investments, and HK Electric Investments Limited ("***HKEIL***"), and as the Chairman of the boards of directors of the Trustee-Manager and HKEIL since December 2013. Mr. Fok is the Deputy Chairman and an Executive Director, and was previously the Group Co-Managing Director, of CK Hutchison Holdings Limited ("***CK Hutchison***"). He is the Deputy Chairman of CK Infrastructure Holdings Limited ("***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, and a Deputy President Commissioner of PT Indosat Tbk. He was previously the Chairman of Power Assets Holdings Limited ("***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***"). 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, *Managing Director*, appointed to the Board in January 2014. Mr. Cheng was also appointed to the boards of directors of the Trustee-Manager and HKEIL since December 2013 and as Chief Executive Officer of HKEIL in July 2023. Mr. Cheng is a Director of all of the subsidiaries of HKEIL, and an Executive Director of Power Assets. Mr. Cheng has worked for HKEIL Group since 1979, previously served as the Operations Director of the Guarantor. 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.

Fahad Hamad A H AL-MOHANNADI, appointed to the Board in June 2015. Mr. Al-Mohannadi was also appointed to the boards of directors of the Trustee-Manager and HKEIL in June 2015. 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. He holds a Bachelor's degree in Mechanical Engineering.

Ronald Joseph ARCULLI, appointed to the Board in March 1997. Mr. Arculli was also appointed to the boards of directors of the Trustee-Manager and HKEIL in December 2013. 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 Hong Kong Exchanges and Clearing Limited, Adviser to Chair of Hang Lung Properties Limited, and a Non-executive Director of HKR International Limited.

CHAN Loi Shun, appointed to the Board in June 2012. Mr. Chan was also appointed to the boards of directors of the Trustee-Manager and HKEIL since their incorporation in September 2013. Mr. Chan is also a Director of all of the subsidiaries of HKEIL. 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. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants ("***HKICPA***"), a fellow of the Association of Chartered Certified Accountants and also a member of the Institute of Certified Management Accountants (Australia).

FONG Chi Wai, Alex, appointed to the Board in December 2012. Dr. Fong was also appointed to the boards of directors of the Trustee-Manager and HKEIL in December 2013. Dr. Fong was CEO of the Hong Kong General Chamber of Commerce ("***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. Dr. Fong has a long record of public service providing both operational and policy-formulation expertise. He 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 Hong Kong University Business School and the City University of Hong Kong College of Business, and an Adjunct Associate Professor at the Chinese University of Hong Kong Business School. He was previously an Independent Non- executive Director of Power Assets and China United Venture Investment Limited. 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.

Deven Arvind KARNIK, appointed to the Board in June 2015. Mr. Karnik was also appointed to the boards of directors of the Trustee-Manager and HKEIL in June 2015. 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.

KOH Poh Wah, appointed to the Board in May 2021. Ms. Koh was also appointed to the boards of directors of the Trustee-Manager and HKEIL in May 2021. Ms. Koh 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. 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, appointed to the Board in January 2015. Mr. Kwan was also appointed to the boards of directors of the Trustee-Manager and HKEIL in January 2015. 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 Int'l., (Holdings) Inc. ("***CK Life Sciences***"). 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.

KWAN Ying Leung, appointed to the Board in July 2023. Mr. Kwan was also appointed to the boards of directors of the Trustee-Manager and HKEIL in July 2023. He serves as Engineering Director of the Guarantor responsible for all the engineering activities of the HKEIL Group, including the development and operation of power generation, transmission and distribution systems. He has been with the HKEIL 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.

LEE Lan Yee, Francis, appointed to the Board in September 1997. Mr. Lee was also appointed to the boards of directors of the Trustee-Manager and HKEIL in December 2013. Mr. Lee was previously an Independent Non-executive Director of Power Assets. 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.

LI Tzar Kuoi, Victor, appointed to the Board in November 2014. Mr. Li was also appointed to the boards of directors of the Trustee-Manager and HKEIL, and as Deputy Chairman of HKEIL in November 2014. Mr. Li is 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. 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 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. 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.).

George Colin MAGNUS, appointed to the Board in February 1985. Mr. Magnus was also appointed to the boards of directors of the Trustee-Manager and HKEIL in December 2013. 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. Mr. Magnus holds a Master's degree in Economics.

Donald Jeffrey ROBERTS, appointed to the Board in January 2014. Mr. Roberts was also appointed to the boards of directors of the Trustee-Manager and HKEIL in December 2013. Mr. Roberts is an Independent Non-executive Director of CK Asset, Queen's Road Capital Investment Ltd., CK Life Sciences, 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 of Hong Kong Limited 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.

WANG Yuanhang, appointed to the Board in July 2022. Mr. Wang was also appointed to the boards of directors of the Trustee-Manager and HKEIL in July 2022. Mr. Wang is the Co-General Manager (Transmission & Distribution) of the Guarantor. 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. 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.

WANG Zijian, appointed to the Board in September 2022. Mr. Wang was also appointed to the boards of directors of the Trustee-Manager and HKEIL in September 2022. 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***"). Mr. Wang holds a Bachelor Degree in Economics from Xiamen University.

ZHU Guangchao, appointed to the Board in May 2017. Mr. Zhu was also appointed to the boards of directors of the Trustee-Manager and HKEIL in May 2017. He is Vice President of State Grid, Chairman of National Grid Corporation of the Philippines, and Vice Chairman of the Board of Directors of Redes Energéticas Nacionais, SGPS, S.A., 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's 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.

Alternate Director

Frank John SIXT, appointed Alternate Director to Mr. Victor T K Li in June 2015. Mr. Sixt was also appointed Alternate Director to Mr. Victor T K Li, the Deputy Chairman of HKEIL's board of directors and Non-executive Director of the Trustee-Manager and HKEIL, in June 2015. 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. 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 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.

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear, Clearstream or the CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and the Guarantor believe to be reliable, but neither the Issuer, the Guarantor nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer, the Guarantor nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

BOOK-ENTRY SYSTEMS

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("***Participants***") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants, as the term is used herein, includes securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("***DTCC***"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("***Indirect Participants***").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "***Rules***"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("***DTC Notes***") as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("***Owners***") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest(s) in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("***Beneficial Owner***") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Note unless authorised by a Direct Participant in accordance with DTC's operational arrangements and the issuing/paying agent general operating procedures for money market instruments ("***DTC's Procedures***"). Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Redemption proceeds, distributions, and dividend payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorised representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "S*ubscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

All payments in respect of Registered Global Notes held with Euroclear and Clearstream will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where "***Clearing System Business Day***" means Monday to Friday inclusive except 25 December and 1 January.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("***CMU Members***") of Exchange Fund Bills and Notes Clearing and Settlement Service securities and capital markets instruments (together, "***CMU Instruments***") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the services is open to all financial institutions regulated by the HKMA, the Securities and Futures Commission, the Insurance Authority or the Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU's custodial services, please refer to the CMU Reference Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds (collectively, the "***income proceeds***") by CMU Members who are paying agents to the legal title holders of CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement or notification of a corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual. An investor holding an interest in the Notes through an account with either Euroclear or Clearstream will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

BOOK-ENTRY OWNERSHIP OF AND PAYMENTS IN RESPECT OF DTC NOTES

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

TRANSFERS OF NOTES REPRESENTED BY REGISTERED GLOBAL NOTES

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream and/or the CMU will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System.

The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "Subscription and Sale and Transfer and Selling Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear accountholders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("***Custodian***") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream and Euroclear will generally have a settlement date two business days after the trade date (T+2) and transfers of Notes of such Series between participants in DTC will generally have a settlement date one business day after the trade date (T+1). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream or Euroclear and DTC Participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC Participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Euroclear and the CMU have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among Participants of DTC, the accountholders of Clearstream and Euroclear and the CMU Accountholders. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Euroclear or the CMU or their respective Direct or Indirect Participants or accountholders (as appropriate) of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular (which could be made on a retroactive basis), all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrued to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrued to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrued to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong) (the "***Inland Revenue Ordinance***") and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax.

Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Notes may be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed.

In addition, with effect from 1 January 2024, pursuant to various foreign-sourced income exemption legislation in Hong Kong (the "**FSIE Amendments**"), certain specified foreign-sourced income (including interest, dividend, disposal gain or intellectual property income, in each case, arising in or derived from a territory outside Hong Kong) accrued to an MNE entity (as defined in the FSIE Amendments) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The FSIE Amendments also provide for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong) (the "***Stamp Duty Ordinance***").

If stamp duty is payable it is payable by the Issuer on issue of Bearer Notes at a rate of 3% of the market value of the Notes at the time of issue.

No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfers of Registered Notes provided that either:

(i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance).

With effect from 17 November 2023, if stamp duty is payable in respect of the transfer of Registered Notes, it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

BRITISH VIRGIN ISLANDS

The following is a general description of certain British Virgin Islands tax considerations relating to any Notes. It does not purport to be a complete analysis of all tax considerations relating to any Notes. Prospective purchasers of any Note should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the British Virgin Islands of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under any Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

As the Issuer is registered under the BVI Business Companies Act, Revised Edition 2020 of the British Virgin Islands, payments of principal and interest in respect of the Notes are not subject to taxation in the British Virgin Islands and no withholding tax is required to be deducted by the Issuer on such payments made to any holder of a Note. Pursuant to the requirements of the Directive, as defined and detailed below, in the event that the Issuer makes interest payments to European Union resident individuals who are the ultimate beneficial owners of the Notes, the Issuer will be required to report certain information to British Virgin Islands Inland Revenue on an annual basis who would then report this information onwards to the relevant tax authorities in the European Union.

In addition, the Notes will not be liable to any stamp duty in the British Virgin Islands. Gains derived from the sale or exchange of Notes by persons who are not otherwise liable to British Virgin Islands income tax will not be subject to British Virgin Islands income tax. The British Virgin Islands currently has no relevant capital gains tax, estate duty, inheritance tax or gift tax.

Holders of Notes who are not resident in the British Virgin Islands, and who do not engage in trade or business through a permanent establishment in the British Virgin Islands, will not be subject to the British Virgin Islands taxes or duties on gains realised on the sale or redemption of such Notes. No holder of a Note will be deemed to be resident or domiciled in the British Virgin Islands simply by virtue of holding a Note.

The British Virgin Islands enacted the Economic Substance (Companies and Limited Partnerships) Act (as revised) (the "***ES Act***") together with the Rules on Economic Substance in the Virgin Islands (as revised), containing rules and guidance relating to the interpretation of the ES Act and how the International Tax Authority (the "***ITA***") will carry out its obligations. The Issuer is required to report to the ITA on a periodic basis to enable the ITA to monitor compliance with the economic substance requirements, if it is carrying on one or more relevant activities. If this is the case, it may be required to adopt adequate economic substance in the British Virgin Islands.

THE PROPOSED FINANCIAL TRANSACTIONS TAX ("*FTT*")

On 14 February 2013, the European Commission published a proposal (the "***Commission's Proposal***") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "***participating Member States***"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes ("***foreign passthru payments***") to persons that fail to meet certain certification, reporting or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("***IGAs***"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as

described under "*Terms and Conditions – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement dated 23 December 2022 (such agreement as further amended and/or supplemented and/or restated from time to time, the "***Programme Agreement***"), agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer (failing which, the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer, the Guarantor and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor and/or their respective affiliates in the ordinary course of their business. The Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer or the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer or the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or the Guarantor or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer or the Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Dealer(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- the name of each underlying investor;
- a unique identification number for each investor;
- whether an underlying investor has any "associations" (as used in the SFC Code);

- whether any underlying investor order is a "proprietary order" (as used in the SFC Code); and

- whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Dealers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer or the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

TRANSFER RESTRICTIONS

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (c) it is outside the United States and is not a U.S. person;

(ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iii) that, unless it holds an interest in a Regulation S Global Note and is a person located outside the United States who is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), (e) to an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act that is acquiring the Notes for its own account or for the account of such an institutional "accredited investor" for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or (f) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws. If any resale or other transfer of the Notes is proposed to be made pursuant to clause (e) above, the transferor shall deliver (i) an IAI Investment Letter to the Registrar, which shall provide, among other things, that the transferee is an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act, that it is acquiring such Notes for investment purposes and not for distribution in violation of the Securities Act, and that it will acquire Notes having a minimum purchase price of at least U.S.$500,000 (or the approximate equivalent in another specified currency (as defined in the Agency Agreement)); and (ii) such other satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction;

(iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;

(v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(vi) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY AND THE GUARANTEE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "***SECURITIES ACT***"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS

DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "***INSTITUTIONAL ACCREDITED INVESTOR***"); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (5) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR" FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF IN VIOLATION OF THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; IF ANY RESALE OR OTHER TRANSFER OF THE NOTES IS PROPOSED TO BE MADE PURSUANT TO CLAUSE (5) ABOVE, THE TRANSFEROR SHALL DELIVER A LETTER SUBSTANTIALLY IN THE FORM SET OUT IN SCHEDULE 9 TO THE AGENCY AGREEMENT TO THE REGISTRAR, WHICH SHALL PROVIDE, AMONG OTHER THINGS, THAT THE TRANSFEREE IS AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT, THAT IT IS ACQUIRING SUCH NOTES FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, AND THAT IT WILL ACQUIRE NOTES HAVING A MINIMUM PURCHASE PRICE OF AT LEAST U.S.$500,000 (OR THE APPROXIMATE EQUIVALENT IN ANOTHER SPECIFIED CURRENCY (AS DEFINED IN THE AGENCY AGREEMENT)) AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

"THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR

OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

(vii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the Distribution Compliance Period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 8 to the Agency Agreement, amended as appropriate (a "***Transfer Certificate***"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made: (a) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or (b) to a person who is an Institutional Accredited Investor, together with, in the case of (b), a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 9 to the Agency Agreement and such other satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States; (iii) to the Issuer or any affiliate thereof; or (if available) (iv) otherwise pursuant to an effective registration statement under the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "***SECURITIES ACT***"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART."; and

(viii) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Regulation D of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see "*Form of the Notes*".

The IAI Investment Letter will state, among other things, the following:

(i) that the Institutional Accredited Investor has received a copy of the Offering Circular and such other information as it deems necessary in order to make its investment decision;

(ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Offering Circular and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;

(iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;

(iv) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;

(v) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and

(vi) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.$200,000 (or its foreign currency equivalent) nominal amount or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) nominal amount and no Legended Note will be issued in connection with such a sale in a smaller nominal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) nominal amount of Registered Notes.

SELLING RESTRICTIONS

United States

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) The Notes have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

(ii) The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

(iii) In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S ("***Regulation S Notes***"), each Dealer has represented, warranted, undertaken and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant, undertake and agree, that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.

(iv) Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

(v) Notwithstanding anything above to the contrary, Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate nominal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.$200,000 (or the approximate equivalent thereof in any other currency). To the extent that each of the Issuer and the Guarantor is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, each of the Issuer and the Guarantor has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

(vi) Notwithstanding anything above to the contrary, it is understood that Registered Notes may be offered and sold pursuant to a private placement in the United States to Institutional Accredited Investors, and in connection therewith each Dealer represents and agrees that:

(a) offers, sales, resales and other transfers of Notes made in the United States made or approved by a Dealer (including offers, resales or other transfers made or approved by a Dealer in connection with secondary trading) shall be made with respect to Registered Notes only and shall be effected pursuant to an exemption from the registration requirements of the Securities Act;

(b) offers, sales, resales and other transfers of Notes made in the United States will be made only in private transactions to a limited number of Institutional Accredited Investors;

(c) the Notes will be offered in the United States only by approaching prospective purchasers on an individual basis. No general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act will be used in connection with the offering of the Notes in the United States; and

(d) no sale of Notes in the United States to any one Institutional Accredited Investor will be for less than U.S.$500,000 principal amount and if such purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$500,000 principal amount of the Notes.

(vii) Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"); and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the UK.

For the purposes of this provision:

(a) the expression "***retail investor***" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "***offer***" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Notes having a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or as agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "***FIEA***") and each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "***SFO***")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "***C(WUMP)O***") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed that, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

British Virgin Islands

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that with respect to offers and sales of any Notes, that it has not and will not make any invitation to the public in the British Virgin Islands to purchase the Notes and the Notes offered through this Offering Circular may not be offered or sold, directly or indirectly, in the British Virgin Islands or to any resident of the British Virgin Islands, except for (i) companies incorporated or registered under the BVI Business Companies Act, Revised Edition 2020 and (ii) as otherwise permitted by British Virgin Islands law.

For Residents of the British Virgin Islands only

This Offering Circular is not an offer to the public in the British Virgin Islands. No action has been taken to permit an offer of the Notes in the British Virgin Islands and this Offering Circular is not a registered prospectus within the meaning of section 25 of the Securities and Investment Business Act, 2010 (as amended) ("***SIBA***").

Subscriptions for the securities contained in this Offering Circular will not be accepted from any person in the British Virgin Islands and no Notes will be issued to any person in the British Virgin Islands unless: (a) that person is a Qualified Investor as defined in Schedule 4 of SIBA and, to the extent that person is a professional investor for the purposes of Schedule 4 of SIBA, it declares that (i) its ordinary business involves, whether for its own account or the account of others, the acquisition or disposal of property of the same kind as the property constituting the Notes, or a substantial part of the property; or (ii) it has net worth in excess of U.S.$1,000,000 or its equivalent in any other currency and that it consents to being treated as a professional investor within the meaning of section 40 of SIBA; or (b) that person is a BVI business company and neither this Offering Circular nor any other document relating to this offer has been received by that person at an address in the British Virgin Islands other than its registered office in the British Virgin Islands; or (c) that person has a close connection (within the meaning of section 2(3) of SIBA) with the Issuer; or (d) that person is the Government of the British Virgin Islands.

Taiwan

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been, and will not be, offered or sold, directly or indirectly, in Taiwan, to investors other than "professional institutional investors" as defined under Article 4 of the Financial Consumer Protection Act, unless otherwise permitted by the laws and regulations of Taiwan.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor nor any of the other Dealers shall have any responsibility therefor. If a jurisdiction requires that an offering of Notes be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

None of the Issuer, the Guarantor and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer, the Guarantor and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

GENERAL INFORMATION

AUTHORISATION

The establishment of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 2 December 2002, 10 November 2004, 3 July 2006, 29 July 2009, 11 November 2011 and 17 July 2014, respectively and the giving of the Guarantee has been duly authorised by resolutions of the Board of Directors of the Guarantor dated 17 December 2002, 10 November 2004, 3 July 2006, 29 July 2009, 11 November 2011 and 17 July 2014, respectively.

LISTING OF NOTES ON THE HONG KONG STOCK EXCHANGE

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only. A separate application will be made for permission to deal in and the listing of Notes issued under the Programme on the Hong Kong Stock Exchange. However, Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued.

The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction.

DOCUMENTS AVAILABLE

So long as Notes are capable of being issued under the Programme, copies of the following documents will be available without charge from the registered office of the Issuer and the Guarantor and from the specified office of the Paying Agent for the time being in Hong Kong:

(i) the Memorandum and Articles of Association of the Issuer and the Guarantor;

(ii) the audited non-consolidated financial statements (in English) of the Guarantor in respect of the financial years ended 31 December 2023 and 2024 (the Guarantor currently prepares audited non-consolidated accounts on an annual basis and does not prepare any interim accounts or any annual audited consolidated accounts and the Issuer has not published any audited or unaudited financial statements and does not propose to publish any financial statements);

(iii) the Programme Agreement, the Agency Agreement, the Guarantee, the Deed of Covenant, the Deed Poll, the forms of the Global Notes, the Notes in definitive form and the Receipts, the Coupons and the Talons (each as defined under "*Terms and Conditions of the Notes*");

(iv) this Offering Circular and any document incorporated by reference herein; and

(v) any future offering circulars, prospectuses and information memoranda relating to the Programme and supplements to this Offering Circular, including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer, the Guarantor and the relevant Paying Agent as to its holding of Notes and identity) and any other documents incorporated herein or therein by reference.

CLEARING SYSTEMS

The Notes have been accepted for clearance through Euroclear and Clearstream. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. The relevant CMU instrument number will be specified in the applicable Pricing Supplement. In addition, the Issuer may make an application for any Registered Notes to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

SIGNIFICANT OR MATERIAL CHANGE

Save as disclosed in this Offering Circular, there has been no significant or material adverse change in the financial or trading position of the Guarantor since 31 December 2024 and there has been no significant or material adverse change in the financial or trading position of the Issuer since its date of incorporation.

LITIGATION

Save as disclosed in this Offering Circular, neither the Issuer nor the Guarantor is or has been involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the 12 months preceding the date of this Offering Circular a significant effect on the financial position of the Issuer or the Guarantor.

AUDITORS

The Issuer has not published and does not propose to publish financial statements. The auditors of the Guarantor are KPMG, independent Certified Public Accountants who have audited the Guarantor's non-consolidated financial statements, without qualification, in accordance with generally accepted auditing standards in Hong Kong for the financial years ended 31 December 2023 and 2024.

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Note: The F-pages may refer to the Guarantor's English name as "The Hongkong Electric Co., Ltd." and "The Hongkong Electric Company, Limited" interchangeably. For the avoidance of doubt, all references mean the Guarantor in the context of the audited financial statements of the Guarantor for the years ended 31 December 2023 and 2024.

香港電燈有限公司

The Hongkong Electric Co., Ltd.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2024

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司
DIRECTORS' REPORT

The Directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITY

The principal activity of The Hongkong Electric Company, Limited (the "Company") is the generation and supply of electricity to Hong Kong Island and Lamma Island.

RESULTS

The results of the Company for the year ended 31 December 2024 and the financial position as at that date are set out in the financial statements on pages 5 to 61.

DIVIDENDS

Particulars of dividends which have been declared and paid in respect of the year ended 31 December 2024 are set out in note 11 to the financial statements. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2024.

DONATIONS

Charitable and other donations made by the Company for the year ended 31 December 2024 amounted to HK$1,823,000 (2023: HK$1,816,000).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28(a) to the financial statements. There were no movements during the year.

DIRECTORS

The Directors in office during the year and up to the date of this report were:

Mr. Fok Kin-ning, Canning (Chairman)
Mr. Cheng Cho Ying, Francis (Managing Director)
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. Li Tzar-kuoi, Victor (alternate: Mr. Frank John Sixt)
Mr. George Colin Magnus
Mr. Donald Jeffrey Roberts
Mr. Wang Yuanhang
Mr. Wang Zijian
Mr. Zhu Guangchao

In accordance with Article 109 of the Company's Articles of Association, Mr. Cheng Cho Ying, Francis and Mr. Zhu Guangchao will retire by rotation at the forthcoming Annual General Meeting ("AGM") and, being eligible, offer themselves for re-election.

No transaction, arrangement or contract of significance in relation to the Company's business to which the Company, or any of its holding companies and its subsidiary was a party, and in which a Director of the Company or his/her connected entity had, directly or indirectly, a material interest, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company, or any of its holding companies and its subsidiary a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PERMITTED INDEMNITY OF DIRECTORS

Pursuant to Article 162 of the Company's Articles of Association, every Director of the Company may be indemnified out of the funds of the Company against all liability incurred by him or her as Director to the extent permitted pursuant to the Hong Kong Companies Ordinance. The Company's ultimate holding company has arranged appropriate Directors' and Officers' liability insurance coverage for the Directors of the Company.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Alex Ng
Company Secretary
Hong Kong,

INDEPENDENT AUDITOR'S REPORT TO THE SOLE MEMBER OF

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of The Hongkong Electric Company, Limited (the "Company") set out on pages 5 to 61, which comprise the statement of financial position as at 31 December 2024, the statement of profit or loss, the statement of 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Directors are responsible for the other information. The other information comprises the information included in the directors' report, but does not include 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 are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

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

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2024

(Expressed in Hong Kong dollars)

	Note	2024 $'000	2023 $'000
Revenue	4	12,056,935	11,405,938
Standard fuel costs	5	(1,468,934)	(1,490,457)
Direct costs		(3,638,213)	(3,340,857)
		6,949,788	6,574,624
Other revenue and other net income	6	81,494	87,085
Other operating costs		(984,592)	(918,726)
Finance costs	8(a)	(1,083,483)	(1,044,491)
Profit before taxation	8	4,963,207	4,698,492
Income tax	9	(831,203)	(770,934)
Profit after taxation		4,132,004	3,927,558
Scheme of Control transfers	10(b)	(227,580)	186,053
Profit attributable to equity shareholders of the Company		3,904,424	4,113,611

The notes on pages 10 to 61 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

(Expressed in Hong Kong dollars)

		2024		2023
		$'000		$'000
Profit attributable to equity shareholders of the Company		3,904,424		4,113,611
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	204,068		35,332	
Net deferred tax charged to other comprehensive income	(33,671)		(5,830)	
	170,397		29,502	
Cash flow hedges:				
Effective portion of changes in fair value of hedging instruments recognised during the year	(11,712)		(4,490)	
Cost of hedging – changes in fair value	12,039		4,662	
Net deferred tax charged to other comprehensive income	(54)		(28)	
	273		144	
		170,670		29,646
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	33,785		(94,437)	
Reclassification adjustments for amounts transferred to profit or loss	(157,187)		(142,209)	
Cost of hedging – changes in fair value	81,569		(394,940)	
Cost of hedging – reclassified to profit or loss	(62,612)		(62,751)	
Net deferred tax credited to other comprehensive income	17,233		114,565	
		(87,212)		(579,772)
		83,458		(550,126)
Total comprehensive income for the year and attributable to equity shareholders of the Company		3,987,882		3,563,485

The notes on pages 10 to 61 form part of these financial statements.

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2024

(Expressed in Hong Kong dollars)

	Note		2024 $'000		2023 $'000
Non-Current Assets					
Property, plant and equipment		63,038,194		62,299,109	
Interests in leasehold land held for own use		1,420,653		1,484,467	
	12	64,458,847		63,783,576	
Investment in a subsidiary	13	-		-	
Interest in a joint venture	14	886,790		894,832	
Employee retirement benefit scheme assets	25(a)	1,052,591		968,323	
Derivative financial instruments	23	439,071		496,130	
			66,837,299		66,142,861
Current Assets					
Inventories	15	982,321		1,002,895	
Trade and other receivables	16	1,308,746		1,406,780	
Bank deposits and cash		29,048		19,923	
		2,320,115		2,429,598	
Current Liabilities					
Loan from a subsidiary	17	(299,903)		(299,915)	
Amount due to ultimate holding company	18	(288,673)		(135,979)	
Amount due to immediate holding company	18	(4,291,026)		(6,155,901)	
Amount due to a subsidiary	18	(134,103)		(133,321)	
Current portion of bank loans	19	(427,000)		(415,000)	
Bank overdrafts – unsecured		(44,921)		(43,575)	
Fuel Clause Recovery Account	20	(214,828)		(53,367)	
Trade and other payables and contract liabilities	21	(2,575,981)		(3,192,113)	
Current taxation	22(a)	(223,715)		(889,040)	
		(8,500,150)		(11,318,211)	
Net Current Liabilities			(6,180,035)		(8,888,613)
Total Assets Less Current Liabilities			60,657,264		57,254,248
Non-Current Liabilities					
Loan from a subsidiary	17	(26,772,504)		(26,844,823)	
Bank loans	19	(14,620,994)		(13,921,334)	
Derivative financial instruments	23	(155,598)		(170,671)	
Customers' deposits		(2,506,722)		(2,449,417)	
Deferred tax liabilities	22(b)	(7,584,572)		(7,477,592)	
Employee retirement benefit scheme liabilities	25(a)	(55,664)		(191,023)	
Other non-current liabilities	26	(1,400,989)		(1,382,271)	
			(53,097,043)		(52,437,131)
Scheme of Control Fund and Reserve	10(c)		(867,890)		(669,379)
NET ASSETS			6,692,331		4,147,738
CAPITAL AND RESERVES					
Share capital	28(a)		2,411,600		2,411,600
Reserves			4,280,731		1,736,138
TOTAL EQUITY			6,692,331		4,147,738

Approved and authorised for issue by the Board of Directors on

Cheng Cho Ying, Francis
Director

Chan Loi Shun
Director

The notes on pages 10 to 61 form part of these financial statements.

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company			
	Share capital (note 28(a))	**Hedging reserve** (note 28(b))	**Revenue reserve**	**Total**
	$'000	$'000	$'000	$'000
Balance at 1 January 2023	2,411,600	442,857	1,755,722	4,610,179
Changes in equity for 2023:				
Profit attributable to equity shareholders	-	-	4,113,611	4,113,611
Other comprehensive income	-	(579,628)	29,502	(550,126)
Total comprehensive income for the year	-	(579,628)	4,143,113	3,563,485
Amounts transferred to the initial carrying amount of hedged item, net of tax	-	4,785	-	4,785
Interim dividends paid (see note 11)	-	-	(4,030,711)	(4,030,711)
Balance at 31 December 2023 and 1 January 2024	2,411,600	(131,986)	1,868,124	4,147,738
Changes in equity for 2024:				
Profit attributable to equity shareholders	-	-	3,904,424	3,904,424
Other comprehensive income	-	(86,939)	170,397	83,458
Total comprehensive income for the year	-	(86,939)	4,074,821	3,987,882
Amounts transferred to the initial carrying amount of hedged item, net of tax	-	503	-	503
Interim dividends paid (see note 11)	-	-	(1,443,792)	(1,443,792)
Balance at 31 December 2024	2,411,600	(218,422)	4,499,153	6,692,331

The notes on pages 10 to 61 form part of these financial statements.

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024

(Expressed in Hong Kong dollars)

	Note	2024 $'000	2023 $'000
Operating activities			
Cash generated from operations	27(a)	9,210,281	9,595,449
Interest received		39,212	43,482
Interest paid		(989,550)	(959,265)
Hong Kong Profits Tax paid		(1,406,139)	(168,580)
Net cash generated from operating activities		6,853,804	8,511,086
Investing activities			
Payment for the purchase of property, plant and equipment and capital stock		(3,768,363)	(3,972,395)
Capitalised interest paid		(231,793)	(306,896)
New loan to a joint venture		(18,273)	(115,028)
Loan repaid from a joint venture		26,315	12,866
Proceeds from disposal of property, plant and equipment		1,469	160
Net cash used in investing activities		(3,990,645)	(4,381,293)
Financing activities			
Decrease in loan from a subsidiary	27(b)	(300,000)	(300,000)
Proceeds from bank loans	27(b)	3,561,000	4,564,000
Repayment of bank loans	27(b)	(2,864,000)	(5,541,000)
Payment of lease liabilities	27(b)	(2,225)	(1,403)
New customers' deposits	27(b)	324,767	311,739
Repayment of customers' deposits	27(b)	(267,462)	(243,188)
Dividends paid	11	(1,443,792)	(4,030,711)
(Decrease)/increase in amount due to immediate holding company	27(b)	(1,864,875)	760,911
Net cash used in financing activities		(2,856,587)	(4,479,652)
Increase/(decrease) in cash and cash equivalents		6,572	(349,859)
Cash and cash equivalents at 1 January		(23,652)	324,089
Effect of foreign exchange rate changes		1,207	2,118
Cash and cash equivalents at 31 December		(15,873)	(23,652)
Analysis of the balances of cash and cash equivalents			
Cash at bank and in hand		29,048	19,923
Bank overdrafts – unsecured		(44,921)	(43,575)
Cash and cash equivalents at 31 December		(15,873)	(23,652)

The notes on pages 10 to 61 form part of these financial statements.

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1. GENERAL INFORMATION

The Hongkong Electric Company, Limited (the "Company") is a limited company incorporated and domiciled in Hong Kong. The address of its registered office is Hongkong Electric Centre, 44 Kennedy Road, Hong Kong.

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 collective term 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. 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 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.

At 31 December 2024, the Company recorded net current liabilities of $6,180,035,000. At 31 December 2024, the Company had undrawn committed bank facilities of $4,850,000,000 (see note 29(b)). Taking into consideration the Company's strong operating cashflow and its ability to renew or refinance the bank loans upon maturity, the financial statements have been prepared on a going concern 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.

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 34.

(c) Subsidiary

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed, or has right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Company has power, only substantive rights (held by the Company and other parties) are considered.

Investment in a subsidiary is stated at cost less any impairment losses (see note 2(g)(ii)).

(d) Joint venture

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

Investment in a joint venture is stated at cost less impairment losses (see note 2(g)(ii)).

(e) 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 Company is not registered owner of the property interest, other than assets under construction, are stated at cost less accumulated depreciation (see note 2(e)(viii)) and any accumulated impairment losses (see note 2(g)(ii)).

(ii) Assets under construction are stated at cost less impairment losses (see note 2(g)(ii)), and are not depreciated. Assets under construction are transferred to appropriate class of property, plant and equipment when completed and ready for use.

(iii) The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads and borrowing costs (see note 2(u)).

(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 Company and the cost of such asset 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 2(e)(vii)) and impairment losses (see note 2(g)(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 the lease and the properties' estimated useful lives

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 item is allocated on a reasonable basis between the parts and each part is depreciated separately. Depreciation method, useful lives and residual values, if any, are reviewed at each reporting date and adjusted if appropriate.

(f) Leased assets

At inception of a contract, the Company assesses 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 Company recognises 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 Company enters into a lease in respect of a low-value asset, the Company decides 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 asset 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 2(e) and (g)(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 Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether the Company 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 twelve months after the reporting period.

(g) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Company recognises a loss allowance for expected credit losses ("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 Company is 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 Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

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

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, and when measuring ECLs, the Company considers 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 Company's historical experience and informed credit assessment, that includes forward-looking information.

The Company considers a financial asset to be in default when (i) the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company 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 Company's 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 Company recognises 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 Company assesses 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 Company on terms that the Company would not consider otherwise;
- it becoming probable that the borrower 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 (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines 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 Company reviews 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.

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).

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 to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

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.

(h) 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 Company has 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.

(i) Retirement scheme obligations

(i) Defined benefit retirement scheme obligations

The Company's 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 Company's obligations. The calculation is performed by a qualified actuary using the "Projected Unit Credit Method".

Where the calculation results in a benefit of the Company, 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 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 Company determines 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.

(j) 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.

(k) Trade and other receivables

A receivable is recognised when the Company has 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 2(g)(i)).

(l) 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 Company's accounting policy for borrowing costs (see note 2(u)).

(m) 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.

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Company recognises the related revenue (see note 2(q)). A contract liability is also recognised if the Company has an unconditional right to receive non-refundable consideration before the Company recognises the related revenue. In such cases, a corresponding receivable is also recognised (see note 2(k)).

(o) Derivative financial instruments

The Company holds derivative financial instruments to manage its 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 2(p)).

(p) Hedging

The Company designates 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

When 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 Company excludes 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 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.

(q) Revenue recognition

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

The earnings of the Company 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 the Company'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 the Company 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. The Company is required to submit detailed Development Plans for approval by the Government which project the key determinants of the Net Return to which the Company 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 Company as revenue when it arises from the sale of electricity, the provision of services or the use by others of the Company's assets under leases in the ordinary course of the Company's 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 Company is 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 Company's 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.

(r) Translation of foreign currencies

The financial statements are presented in Hong Kong dollars which is the Company's functional and presentation currency.

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 Company 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.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on 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 Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(g)(i).

(t) 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; and
- temporary differences related to investment in a joint venture to the extent that the Company is 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.

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 the Company. 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.

(u) 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.

(v) Provisions and contingent liabilities

Provisions are recognised when the Company has 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.

(w) Consolidated financial statements

The Company is a wholly-owned subsidiary of another body corporate and, therefore, in accordance with section 379(3) of the Hong Kong Companies Ordinance is not required to prepare consolidated financial statements.

For the purposes of compliance with sections 379, 380 and 383 of the Hong Kong Companies Ordinance, these financial statements have been prepared to present a true and fair view of the financial position and financial performance of the Company only. Consequently, they have been prepared in accordance with all applicable HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance which apply to the preparation of separate unconsolidated financial statements.

In accordance with the criteria set out in paragraph 4(a) of HKFRS 10, *Consolidated financial statements* and paragraph 17 of HKAS 28, *Investments in associates and joint ventures*, the Company is exempt from the preparation of consolidated financial statements and also equity accounting for its investment in a joint venture, as HK Electric Investments Limited ("HKEIL"), the ultimate parent of the Company, produces consolidated financial statements in accordance with HKFRSs which are available for public use. HKEIL is incorporated in the Cayman Islands and its consolidated financial statements are available from its principal place of business at Hongkong Electric Centre, 44 Kennedy Road, Hong Kong. Consequently, the financial statements do not give all the information about the economic activities of the group of which the Company is the parent which would have been disclosed had the Company prepared consolidated financial statements.

(x) 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 applies:

(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 an associate or joint venture of the other entity (or an associate or joint venture 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(x)(i).

(7) A person identified in note 2(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 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. Of these, the following amendments to HKFRSs are relevant to the Company's 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 Company's result and financial position for the current or prior periods. The Company has not applied any new standard, amendment or interpretation that is not effective for the current accounting period.

4. REVENUE

The principal activity of the Company 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 $'000	2023 $'000
Sales of electricity	12,018,332	11,321,388
Less: concessionary discount on sales of electricity	(6,135)	(7,262)
	12,012,197	11,314,126
Electricity-related income	44,738	91,812
	12,056,935	11,405,938

5. STANDARD FUEL COSTS

Standard fuel costs represent the standard cost of fuel as agreed with the Government including the actual fuel costs and Fuel Cost Account Adjustments as follows:

	2024 $'000	2023 $'000
Actual fuel costs	5,652,825	6,890,981
Fuel Cost Account Adjustments (see note 20)	(4,183,891)	(5,400,524)
Standard fuel costs	1,468,934	1,490,457

6. OTHER REVENUE AND OTHER NET INCOME

	2024 $'000	2023 $'000
Net profit on sale of property, plant and equipment	1,393	125
Interest income on financial assets measured at amortised cost	39,310	43,622
Sundry income	40,791	43,338
	81,494	87,085

7. DIRECTORS' EMOLUMENTS

Directors' emoluments 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 are as follows:

	2024 $'000	2023 $'000
Directors' fees	Nil	Nil
Salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions (see note below)	24,605	33,537

The benefits in kind are electricity allowances to Directors for residential use. For Directors who are employees of the Company, the benefits in kind also include insurance and medical benefits entitled by the employees of the Company.

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		2024 $'000	2023 $'000
(a)	Finance costs		
	Interest on borrowings and other finance costs	1,398,990	1,445,810
	Less: interest expense and other finance costs capitalised to assets under construction	(286,905)	(366,079)
	interest expense transferred to fuel costs	(28,602)	(35,240)
		1,083,483	1,044,491
(b)	Depreciation		
	- owned property, plant and equipment	2,678,343	2,426,854
	- properties leased for own use	2,201	1,458
(c)	Amortisation of leasehold land	64,207	64,062
(d)	Expenses of short-term leases	7,897	4,830
(e)	Costs of inventories	5,648,247	6,867,125
(f)	Staff costs	757,532	734,348
(g)	Net loss on disposal and written off of property, plant and equipment	101,175	107,424
(h)	Auditor's remuneration	5,142	5,039
(i)	Write down of inventories	13,034	9,760

Interest expense has been capitalised at the average rate of approximately 3.3% p.a. (2023: 3.3% p.a.) for assets under construction.

9. INCOME TAX

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

	2024 $'000	2023 $'000
Current tax		
Provision for Hong Kong Profits Tax for the year	740,817	908,507
Over-provision in respect of prior years	(3)	(6)
	740,814	908,501
Deferred tax (see note 22(b))		
Origination and reversal of temporary differences	90,389	(137,567)
	831,203	770,934

The Company is a qualifying corporation under the two-tiered Profits Tax rate regime. 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 was calculated at the same basis in 2023.

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

	2024 $'000	2023 $'000
Profit before taxation	4,963,207	4,698,492
Notional tax on profit before taxation, calculated at the Hong Kong Profits Tax rate (see note below)	818,764	775,086
Tax effect of non-deductible expenses	31,671	28,605
Tax effect of non-taxable income	(4,070)	(4,830)
Tax effect of recognition of previously unrecognised temporary differences	(15,159)	(27,923)
Tax effect of special rebates	-	2
Over-provision in respect of prior years	(3)	(6)
Actual tax expense	831,203	770,934

For the year ended 31 December 2024, the notional tax is calculated in accordance with the two-tiered profits tax rate regime under which 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 is calculated at the same basis as 2023.

10. SCHEME OF CONTROL TRANSFERS

(a) The financial operations of the Company are governed by the SoCA agreed with the Government which provides for the Company to earn a Permitted Return (see note 2(q)(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 the Company. 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 the Company 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 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. The Company 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 statement of profit or loss represents:

	2024 $'000	2023 $'000
Tariff Stabilisation Fund	155,039	(255,766)
Rate Reduction Reserve	32,042	31,422
Smart Power Care Fund		
– Provisional sum injected in current year	-	13,000
– Provisional sum to be injected in the following year (see note below)	40,499	25,291
	227,580	(186,053)

A provisional sum of $40,499,000, representing deduction of the Company's 2024 financial incentive (2023: $38,291,000), was transferred from the statement of profit or loss and included in the trade and other payables and contract liabilities as at 31 December 2024 for injection into the Smart Power Care Fund in the following year.

(c) Scheme of Control Fund and Reserve in the statement of financial position represents:

	2024 $'000	2023 $'000
Tariff Stabilisation Fund	814,266	627,807
Rate Reduction Reserve	32,042	31,422
Smart Power Care Fund	21,582	10,150
	867,890	669,379

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

		2024	2023
		$'000	$'000
(i)	Tariff Stabilisation Fund		
	At 1 January	627,807	870,820
	Transfer from Rate Reduction Reserve	31,422	12,740
	Transfer from/(to) the statement of profit or loss	155,039	(255,766)
	Special rebates (see note below)	(2)	13
	At 31 December	814,266	627,807

Special rebates for the years ended 31 December 2024 and 2023 were attributable to adjustment of prior year billings.

		2024	2023
		$'000	$'000
(ii)	Rate Reduction Reserve		
	At 1 January	31,422	12,740
	Transfer to Tariff Stabilisation Fund (see note below)	(31,422)	(12,740)
	Transfer from the statement of profit or loss	32,042	31,422
	At 31 December	32,042	31,422

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.

		2024	2023
		$'000	$'000
(iii)	Smart Power Care Fund		
	At 1 January	10,150	27,534
	Injection for the year	25,291	45,348
	Disbursement for the year (see note below)	(13,859)	(62,732)
	At 31 December	21,582	10,150

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.

11. DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year

	2024	2023
	$'000	$'000
First interim dividend declared and paid of $1.20 per share (2023: $1.18 per share)	1,443,792	1,417,686
Second interim dividend declared and paid of $nil per share (2023: $2.17 per share)	-	2,613,025
	1,443,792	4,030,711

The Directors do not recommend the payment of a final dividend for the years ended 31 December 2024 and 2023.

12. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND

	Site formation and buildings $'000	Properties leased for own use $'000	Plant, machinery and equipment $'000	Fixtures, fittings and motor vehicles $'000	Assets under construction $'000	Sub-total $'000	Interests in leasehold land held for own use $'000	Total $'000
Cost								
At 1 January 2023	18,544,288	1,819	82,348,146	1,995,655	10,869,554	113,759,462	2,925,464	116,684,926
Additions	-	3,474	72,636	19,483	4,244,760	4,340,353	486	4,340,839
Disposals	(125,099)	(1,003)	(1,640,045)	(40,223)	-	(1,806,370)	-	(1,806,370)
Transfers	270,319	-	4,021,242	248,415	(4,539,976)	-	-	-
At 31 December 2023	18,689,508	4,290	84,801,979	2,223,330	10,574,338	116,293,445	2,925,950	119,219,395
At 1 January 2024	18,689,508	4,290	84,801,979	2,223,330	10,574,338	116,293,445	2,925,950	119,219,395
Additions	-	1,146	52,415	26,018	3,571,341	3,650,920	395	3,651,315
Disposals	(21,143)	(816)	(663,988)	(40,205)	-	(726,152)	(6)	(726,158)
Transfers	2,981,020	-	5,594,146	78,561	(8,653,727)	-	-	-
At 31 December 2024	21,649,385	4,620	89,784,552	2,287,704	5,491,952	119,218,213	2,926,339	122,144,552
Accumulated depreciation and amortisation								
At 1 January 2023	8,177,159	912	43,511,980	1,455,951	-	53,146,002	1,377,421	54,523,423
Written back on disposals	(101,673)	(1,003)	(1,540,655)	(40,041)	-	(1,683,372)	-	(1,683,372)
Charge for the Year	347,722	1,458	2,047,811	134,715	-	2,531,706	64,062	2,595,768
At 31 December 2023	8,423,208	1,367	44,019,136	1,550,625	-	53,994,336	1,441,483	55,435,819
At 1 January 2024	8,423,208	1,367	44,019,136	1,550,625	-	53,994,336	1,441,483	55,435,819
Written back on disposals	(18,467)	(816)	(549,371)	(39,929)	-	(608,583)	(4)	(608,587)
Charge for the Year	407,652	2,201	2,236,643	147,770	-	2,794,266	64,207	2,858,473
At 31 December 2024	8,812,393	2,752	45,706,408	1,658,466	-	56,180,019	1,505,686	57,685,705
Net book value								
At 31 December 2024	12,836,992	1,868	44,078,144	629,238	5,491,952	63,038,194	1,420,653	64,458,847
At 31 December 2023	10,266,300	2,923	40,782,843	672,705	10,574,338	62,299,109	1,484,467	63,783,576

The above are mainly electricity-related property, plant and equipment in respect of which financing costs capitalised during the year amounted to $286,905,000 (2023: $366,079,000).

Depreciation charges for the year included $113,722,000 (2023: $103,394,000), relating to assets utilised in development activities, which has been capitalised.

13. INVESTMENT IN A SUBSIDIARY

	2024 $	2023 $
Unlisted shares, at cost	8	8

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

Name of subsidiary	Issued share capital	Percentage of equity held	Place of incorporation/operation	Principal activity
Hongkong Electric Finance Limited	US$1	100	British Virgin Islands/Hong Kong	Financing

The subsidiary has no post-acquisition profits or losses attributable to the Company.

14. INTEREST IN A JOINT VENTURE

	2024 $'000	2023 $'000
Unlisted shares, at cost	-	-
Loan to a joint venture (see note below)	886,790	894,832
	886,790	894,832

The Company entered into a Shareholder Loan Facility Agreement ("SLFA") in 2019 with HKLTL under which two tranches of loan facilities totaling $699,300,000 are provided by the Company 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. The Company 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 $977,850,000.

Details of the joint venture at 31 December 2024 are as follows:

Name of joint venture	Issued share capital	Percentage of equity held	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 provide related services

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

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

15. INVENTORIES

	2024 $'000	2023 $'000
Coal	253,015	267,363
Fuel oil and natural gas	420,081	424,185
Stores and materials (see note below)	309,225	311,347
	982,321	1,002,895

Included in stores and materials is capital stock of $154,882,000 (2023: $138,481,000) which was purchased for future maintenance of capital assets.

16. TRADE AND OTHER RECEIVABLES

	2024 $'000	2023 $'000
Trade debtors, net of loss allowance (see notes (a) and (b) below)	681,500	723,738
Other receivables	537,570	594,348
	1,219,070	1,318,086
Derivative financial instruments (see note 23)	1,796	906
Deposits and prepayments	87,880	87,788
	1,308,746	1,406,780

All of the trade and other receivables are expected to be recovered within one year.

Other receivables included unbilled electricity charges of $442,595,000 (2023: $489,032,000) to be received from electricity customers.

(a) Ageing analysis of trade debtors

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

	2024 $'000	2023 $'000
Current and within 1 month	614,130	663,714
1 to 3 months	53,188	47,559
More than 3 months but less than 12 months	14,182	12,465
Total trade debtors	681,500	723,738

Electricity bills issued to domestic, 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 Company measures loss allowances for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Company determines the provision for expected credit losses 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 Company classifies its trade debtors by nature of customer accounts namely live accounts and final accounts. The following table provides information about the Company's exposure to credit risk and ECLs for trade debtors:

	2024			
	ECL rate %	Gross carrying amount $'000	Lifetime ECL $'000	Net carrying amount $'000
Live accounts				
Provision on collective basis	2	662,869	(11,219)	651,650
Final accounts				
Provision on individual basis	15	20,171	(2,957)	17,214
Other trade debtors				
Provision on collective basis	0	12,636	-	12,636
		695,676	(14,176)	681,500

	2023			
	ECL rate %	Gross carrying amount $'000	Lifetime ECL $'000	Net carrying amount $'000
Live accounts				
Provision on collective basis	2	690,575	(13,068)	677,507
Final accounts				
Provision on individual basis	17	20,675	(3,569)	17,106
Other trade debtors				
Provision on collective basis	0	29,125	-	29,125
		740,375	(16,637)	723,738

The Company obtained collateral in the form of security deposits or bank guarantees from customers (see note 29(a)).

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

	2024 $'000	2023 $'000
At 1 January	16,637	13,855
Impairment losses recognised during the year	1,129	4,539
Amounts written off during the year	(3,590)	(1,757)
At 31 December	14,176	16,637

17. LOAN FROM A SUBSIDIARY

The loan from a subsidiary is unsecured, interest-bearing at rates representing the cost of funds to the subsidiary and is repayable on the maturity of the subsidiary's external financing arrangements as disclosed in note 24.

18. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY, IMMEDIATE HOLDING COMPANY AND A SUBSIDIARY

The amounts due from/to ultimate holding company, immediate holding company and a subsidiary are unsecured, interest-free and repayable on demand.

19. BANK LOANS

	2024 $'000	2023 $'000
Unsecured bank loans	15,047,994	14,336,334
Current portion	(427,000)	(415,000)
Non-current portion	14,620,994	13,921,334

Banking facilities of the Company are subject to the fulfilment of covenants relating to certain of the Company's 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 Company were to breach the covenants, the drawn down facilities would become payable on demand. The Company regularly monitors its compliance with these covenants and does not identify any difficulties in complying with these covenants. Further details of the Company's management of liquidity risk are set out in note 29(b). As at 31 December 2024 and 2023, none of the covenants relating to drawn down facilities had been breached.

20. FUEL CLAUSE RECOVERY ACCOUNT

	2024 $'000	2023 $'000
At 1 January	53,367	(1,891,811)
Transferred to profit or loss (see note 5)	(4,183,891)	(5,400,524)
Fuel Clause Charges during the year	4,345,352	7,355,585
Special Fuel Rebates during the year	-	(9,883)
At 31 December	214,828	53,367

The Company 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.

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

21. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2024 $'000	2023 $'000
Trade and other payables		
Creditors measured at amortised cost	2,529,935	3,155,308
Lease liabilities (see note 26(b))	1,414	2,117
Derivative financial instruments (see note 23)	1,594	1,150
Amount due to a joint venture (see note 33(b)(ii))	948	401
	2,533,891	3,158,976
Contract liabilities (see note (a) below)	42,090	33,137
	2,575,981	3,192,113

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

(a) Contract liabilities

(i) The contract liabilities relate to the advance consideration received from customers for electricity related income, which consists mainly of (1) service charges for permanent supply, 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 income 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 are as follows:

	2024 $'000	2023 $'000
At 1 January	33,137	62,678
Increase in contract liabilities as a result of billing in advance for performance of electricity-related services	25,574	6,014
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	(16,621)	(35,555)
At 31 December	42,090	33,137

22. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	2024 $'000	2023 $'000
Provision for Hong Kong Profits Tax for the year	740,817	908,507
Provisional Profits Tax paid	(517,102)	-
	223,715	908,507
Balance of Profits Tax provision relating to prior year	-	(19,467)
	223,715	889,040

(b) Deferred tax liabilities/(assets) recognised:

The components of deferred tax liabilities/(assets) recognised in the statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation $'000	Fuel Clause Recovery Account $'000	Defined Benefit Retirement Schemes $'000	Others $'000	Total $'000
At 1 January 2023	7,265,448	312,148	70,033	75,292	7,722,921
Charged/(credited) to profit or loss	176,491	(320,954)	2,869	4,027	(137,567)
Charged/(credited) to other comprehensive income	-	-	5,830	(114,537)	(108,707)
Charged directly in equity	-	-	-	945	945
At 31 December 2023	7,441,939	(8,806)	78,732	(34,273)	7,477,592

	Depreciation allowances in excess of the related depreciation	Fuel Clause Recovery Account	Defined Benefit Retirement Schemes	Others	Total
	$'000	$'000	$'000	$'000	$'000
At 1 January 2024	7,441,939	(8,806)	78,732	(34,273)	7,477,592
Charged/(credited) to profit or loss	116,523	(26,641)	2,514	(2,007)	90,389
Charged/(credited) to other comprehensive income	-	-	33,671	(17,179)	16,492
Charged directly in equity	-	-	-	99	99
At 31 December 2024	7,558,462	(35,447)	114,917	(53,360)	7,584,572

The Company had no material unprovided deferred tax assets or liabilities as at 31 December 2024 and 2023.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2024		2023	
	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000
Derivative financial instruments used for hedging:				
Cash flow hedges:				
Cross currency swaps	-	(88,260)	-	(92,414)
Interest rate swaps	306,013	(1,222)	361,412	(15,533)
Forward foreign exchange contracts	134,854	(67,585)	135,249	(63,857)
Fair value hedges:				
Forward foreign exchange contracts	-	(125)	375	(17)
	440,867	(157,192)	497,036	(171,821)
Analysed as:				
Current	1,796	(1,594)	906	(1,150)
Non-current	439,071	(155,598)	496,130	(170,671)
	440,867	(157,192)	497,036	(171,821)

24. DEBT PROFILE

	2024		
	Bank loans	Loan from a subsidiary	Total
	$'000	$'000	$'000
Repayable within 1 year	427,000	299,903	726,903
Repayable after 1 year but within 5 years	14,620,994	7,680,353	22,301,347
Repayable after 5 years	-	19,092,151	19,092,151
	15,047,994	27,072,407	42,120,401

	2023		
	Bank loans	Loan from a subsidiary	Total
	$'000	$'000	$'000
Repayable within 1 year	415,000	299,915	714,915
Repayable after 1 year but within 5 years	13,921,334	7,671,314	21,592,648
Repayable after 5 years	-	19,173,509	19,173,509
	14,336,334	27,144,738	41,481,072

25. EMPLOYEE RETIREMENT BENEFITS

The Company offers 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 25(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 Company's 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 ("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, which include discount rate, long-term salary increase rate and future pension increase rate, are disclosed in note 25(a)(vii), 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 Company to investment risk, interest rate risk and salary risk while the Pension Scheme also exposes the Company 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.*

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

	2024 $'000	2023 $'000
Fair value of the assets of the Schemes	3,102,849	3,085,277
Present value of defined benefit obligations	(2,105,922)	(2,307,977)
	996,927	777,300
Represented by:		
Employee retirement benefit scheme assets	1,052,591	968,323
Employee retirement benefit scheme liabilities	(55,664)	(191,023)
	996,927	777,300

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 twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

(ii) Movements in the fair value of the assets of the Schemes are as follows:

	2024 $'000	2023 $'000
At 1 January	3,085,277	3,064,943
Interest income on the Schemes' assets	94,993	109,294
Return on Schemes' assets, excluding interest income	96,302	130,340
Employer contributions paid to the Schemes	29,765	31,295
Employee contributions paid to the Schemes	9,067	9,418
Benefits paid	(212,555)	(260,013)
At 31 December	3,102,849	3,085,277

The Company expects to contribute $49,329,000 to its defined benefit retirement schemes in 2025.

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

	2024 $'000	2023 $'000
At 1 January	2,307,977	2,340,817
Current service cost	36,280	37,936
Interest cost	72,919	84,811
Employee contributions paid to the Schemes	9,067	9,418
Actuarial (gains)/losses due to:		
– liability experience	(10,472)	1,705
– changes in financial assumptions	(75,851)	93,303
– changes in demographic assumption	(21,443)	-
Benefits paid	(212,555)	(260,013)
At 31 December	2,105,922	2,307,977

(iv) The expenses recognised in the statement of profit or loss, prior to any capitalisation of employment costs attributable to additions of property, plant and equipment, is as follows:

	2024 $'000	2023 $'000
Current service cost	36,280	37,936
Net interest income on net defined benefit asset/liability	(22,074)	(24,483)
	14,206	13,453

The expenses are recognised in the following line items in the statement of profit or loss:

	2024 $'000	2023 $'000
Direct costs	5,038	7,681
Other operating costs	9,168	5,772
	14,206	13,453

(v) The cumulative amount of actuarial (gains)/losses recognised in the statement of comprehensive income is as follows:

	2024 $'000	2023 $'000
At 1 January	108,574	143,906
Remeasurement of net defined benefit asset/liability recognised in the statement of comprehensive income during the year	(204,068)	(35,332)
At 31 December	(95,494)	108,574

(vi) The assets of the Schemes comprise:

	2024	2023
	$'000	$'000
Hong Kong equities	236,345	220,102
European equities	101,178	155,029
North American equities	567,982	517,468
Asia Pacific and other equities	146,675	142,658
Global bonds	2,008,543	2,005,272
Deposits, cash and others	42,126	44,748
	3,102,849	3,085,277

Strategic investment decisions are taken with respect to the risk and return profiles. There has been no change in the process used by the Company to manage its risks from prior periods.

(vii) 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%

(viii) Sensitivity analysis

(a) The Pension Scheme

	Increase/(decrease) in defined benefit obligation	
	2024	2023
Actuarial assumptions	$'000	$'000
Discount rate		
– increase by 0.25%	(30,583)	(35,716)
– decrease by 0.25%	31,889	37,327
Pension increase rate		
– increase by 0.25%	30,867	36,051
– decrease by 0.25%	(29,746)	(34,669)
Mortality rate applied to specific age		
– set forward one year	(47,307)	(49,733)
– set backward one year	47,344	50,202

(b) The Defined Contribution Scheme – DB Portion

	Increase/(decrease) in defined benefit obligation	
	2024	2023
Actuarial assumptions	$'000	$'000
Discount rate		
– increase by 0.25%	(9,726)	(11,822)
– decrease by 0.25%	9,927	12,081
Interest to be credited increase by 0.25%	9,952	12,040

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 statement of financial position. The analysis has been performed on the same basis as for 2023.

(ix) 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

(b) Defined contribution retirement schemes

	2024 $'000	2023 $'000
Expenses recognised in profit or loss	80,790	76,658

Forfeited contributions of $2,446,000 (2023: $2,046,000) have been received during the year.

26. OTHER NON-CURRENT LIABILITIES

	2024 $'000	2023 $'000
Provisions (see note (a) below)	1,400,500	1,381,406
Lease liabilities (see note (b) below)	489	865
	1,400,989	1,382,271

(a) Provisions

Provisions for asset decommissioning obligation	2024 $'000
At 1 January	1,381,406
Additional provisions made	85,677
Provisions utilised	(66,583)
At 31 December	1,400,500

Under SoCA, provision which represents the best estimation of expenditure required to settle asset decommissioning obligation has to be made to the extent that the Company 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 Company's lease liabilities:

	2024		2023	
	Present value of the lease payments	Total lease payments	Present value of the lease payments	Total lease payments
	$'000	$'000	$'000	$'000
Within 1 year	1,414	1,448	2,117	2,177
After 1 year but within 2 years	489	494	865	874
	1,903	1,942	2,982	3,051
Less: total future interest expenses		(39)		(69)
Present value of lease liabilities		1,903		2,982

27. OTHER CASH FLOW INFORMATION

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

	2024	2023
	$'000	$'000
Profit before taxation	4,963,207	4,698,492
Adjustments for:		
Net financial instrument revaluation and exchange gains	(819)	(2,624)
Finance costs	1,083,483	1,044,491
Interest expense transferred to fuel costs	28,602	35,240
Interest income	(39,310)	(43,622)
Depreciation	2,680,544	2,428,312
Amortisation of leasehold land	64,207	64,062
Net loss on disposal and written off of property, plant and equipment	101,175	107,424
Increase in provisions for asset decommissioning obligation	85,677	76,120
Operating profit before changes in working capital	8,966,766	8,407,895
Decrease in inventories	36,975	445,217
Increase/decrease in net employee retirement benefit scheme assets/liabilities	(15,559)	(17,842)
Decrease in trade and other receivables	80,061	156,373
Decrease in trade and other payables and contract liabilities	(91,673)	(1,280,096)
Increase in amount due to ultimate holding company	152,694	125,332
Payment for asset decommissioning obligation expenditure	(66,583)	(123,889)
Movements in Fuel Clause Recovery Account	161,461	1,945,178
Smart Power Care Fund disbursement	(13,859)	(62,732)
Special rebates	(2)	13
Cash generated from operations	9,210,281	9,595,449

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's 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 Company's cash flow statement as cash flows from financing activities.

	Loan from a subsidiary (note 17)	Bank loans (note 19)	Customers' deposits	Lease liabilities (note 26(b))	Amount due to immediate holding company	Derivative financial instruments held to hedge borrowings (assets)	Derivative financial instruments held to hedge borrowings (liabilities)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2024	27,144,738	14,336,334	2,449,417	2,982	6,155,901	(462,407)	130,608	49,757,573
Changes from financing cash flows:								
Decrease in loan from a subsidiary	(300,000)	-	-	-	-	-	-	(300,000)
Proceeds from bank loans	-	3,561,000	-	-	-	-	-	3,561,000
Repayment of bank loans	-	(2,864,000)	-	-	-	-	-	(2,864,000)
Payment of lease liabilities	-	-	-	(2,225)	-	-	-	(2,225)
New customers' deposits	-	-	324,767	-	-	-	-	324,767
Repayment of customers' deposits	-	-	(267,462)	-	-	-	-	(267,462)
Decrease in amount due to immediate holding company	-	-	-	-	(1,864,875)	-	-	(1,864,875)
Total changes from financing cash flows	(300,000)	697,000	57,305	(2,225)	(1,864,875)	-	-	(1,412,795)
Changes in fair value	-	-	-	-	-	63,255	(15,828)	47,427
Other changes:								
Increase in lease liabilities	-	-	-	1,146	-	-	-	1,146
Interest on borrowing and other finance costs	227,669	14,660	-	-	-	-	-	242,329
At 31 December 2024	27,072,407	15,047,994	2,506,722	1,903	4,291,026	(399,152)	114,780	48,635,680

	Loan from a subsidiary (note 17)	Bank loans (note 19)	Customers' deposits	Lease liabilities (note 26(b))	Amount due to immediate holding company	Derivative financial instruments held to hedge borrowings (assets)	Derivative financial instruments held to hedge borrowings (liabilities)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2023	27,225,261	15,314,071	2,380,866	911	5,394,990	(880,636)	84,446	49,519,909
Changes from financing cash flows:								
Decrease in loan from a subsidiary	(300,000)	-	-	-	-	-	-	(300,000)
Proceeds from bank loans	-	4,564,000	-	-	-	-	-	4,564,000
Repayment of bank loans	-	(5,541,000)	-	-	-	-	-	(5,541,000)
Payment of lease liabilities	-	-	-	(1,403)	-	-	-	(1,403)
New customers' deposits	-	-	311,739	-	-	-	-	311,739
Repayment of customers' deposits	-	-	(243,188)	-	-	-	-	(243,188)
Increase in amount due to immediate holding company	-	-	-	-	760,911	-	-	760,911
Total changes from financing cash flows	(300,000)	(977,000)	68,551	(1,403)	760,911	-	-	(448,941)
Changes in fair value	-	-	-	-	-	418,229	46,162	464,391
Other changes:								
Increase in lease liabilities	-	-	-	3,474	-	-	-	3,474
Interest on borrowing and other finance costs	219,477	(737)	-	-	-	-	-	218,740
At 31 December 2023	27,144,738	14,336,334	2,449,417	2,982	6,155,901	(462,407)	130,608	49,757,573

28. CAPITAL AND RESERVES

(a) Share capital

	2024		2023	
	No of Shares ('000)	$'000	No of Shares ('000)	$'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	1,205,800	2,411,600	1,205,800	2,411,600

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

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(b) Nature and purpose of 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 2(p)(ii). Under HKFRS 9, *Financial instruments*, if the Company excludes the forward element of forward contracts and the foreign currency basis spread of financial instruments (the "excluded elements") from the designation of the hedging instruments, then the excluded elements may be separately accounted for as cost of hedging. The fair value changes of the excluded elements are recognised in a separate component of equity as cost of hedging reserve to the extent that it relates to the hedged items.

The following tables provide a reconciliation of the components in hedging reserve and an analysis of other comprehensive income by risk category that arises from hedge accounting:

(i) Cash flow hedge reserve

	Interest rate risk	Currency risk	Total
	$'000	$'000	$'000
Balance at 1 January 2023	407,164	614,188	1,021,352
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	(116,724)	17,797	(98,927)
Reclassification adjustments for amounts transferred to profit or loss (see note 1 below)	(142,418)	209	(142,209)
Net deferred tax credited/(charged) to other comprehensive income	42,758	(2,971)	39,787
	(216,384)	15,035	(201,349)
Amounts transferred to the initial carrying amount of hedged items, net of tax (see note 2 below)	-	3,336	3,336
Balance at 31 December 2023 and 1 January 2024 (see note 3 below)	190,780	632,559	823,339
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	98,367	(76,294)	22,073
Reclassification adjustments for amounts transferred to profit or loss (see note 1 below)	(157,341)	154	(157,187)
Net deferred tax credited to other comprehensive income	9,731	12,563	22,294
	(49,243)	(63,577)	(112,820)
Amounts transferred to the initial carrying amount of hedged items, net of tax (see note 2 below)	-	4,230	4,230
Balance at 31 December 2024 (see note 3 below)	141,537	573,212	714,749

Note 1: Amounts reclassified to profit or loss are recognised in the "Finance costs" line item in the 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 statement of financial position.

Note 3: The entire balance relates to continuing hedges.

(ii) Cost of hedging reserve

	Foreign currency basis Spread	Forward element	Total
	$'000	$'000	$'000
Balance at 1 January 2023	(42,031)	(536,464)	(578,495)
Hedging for time-period related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	33,448	(428,388)	(394,940)
– Reclassification adjustments for amounts transferred to profit or loss (see note 1 below)	-	(62,751)	(62,751)
Hedging for transaction related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	-	4,662	4,662
– Amounts transferred to the initial carrying amount of hedged items, net of tax (see note 2 below)	-	1,449	1,449
Net deferred tax (charged)/credited to other comprehensive income	(5,519)	80,269	74,750
Balance at 31 December 2023 and 1 January 2024 (see note 3 below)	(14,102)	(941,223)	(955,325)
Hedging for time-period related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	22,040	59,529	81,569
– Reclassification adjustments for amounts transferred to profit or loss (see note 1 below)	-	(62,612)	(62,612)
Hedging for transaction related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	-	12,039	12,039
– Amounts transferred to the initial carrying amount of hedged items, net of tax (see note 2 below)	-	(3,727)	(3,727)
Net deferred tax charged to other comprehensive income	(3,637)	(1,478)	(5,115)
Balance at 31 December 2024 (see note 3 below)	4,301	(937,472)	(933,171)

Note 1: Amounts reclassified to profit or loss are recognised in the "Finance costs" line item in the 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 statement of financial position.

Note 3: The entire balance relates to continuing hedges.

(c) Components of the Company's capital and reserves

The opening and closing balances of each component of the Company's equity and a reconciliation between these amounts are set out in the statement of changes in equity.

(d) Capital management

The Company's primary objectives 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 shareholders and benefits for other stakeholders;
- to provide returns to shareholders by securing access to finance at a reasonable cost;
- to support the Company's stability and future growth; and
- to provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Company and capital efficiency, forecast profitability, forecast operating cash flows, forecast capital expenditure and projected investment opportunities.

During 2024, the Company's strategy, which was unchanged from 2023, was to control its 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 Company may adjust the amount of dividends paid to the holding company, issue new shares, return capital to the holding company, raise new debt financing or sell assets to reduce debt.

The gearing ratio of the Company at 31 December 2024 and 2023 was as follows:

	2024 $'000	2023 $'000
Total interest-bearing borrowings	42,165,322	41,524,647
Total assets	69,157,414	68,572,459
Gearing ratio	61.0%	60.6%

The Company acted as the guarantor in respect of the medium term notes issued by its subsidiary of $27,168,186,000 (2023: $27,260,791,000), out of which $4,250,888,000 (2023: $4,072,707,000) was jointly and severally guaranteed by the Company and the ultimate holding company. The net proceeds from the medium term notes have been on-lent to the Company for general corporate purposes and reflected as loan from a subsidiary in the statement of financial position.

Total interest-bearing borrowings of the Company as at 31 December 2024 and 2023 include bank overdrafts, bank loans and loan from a subsidiary as shown in the statement of financial position of the Company.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company is exposed to credit, liquidity, interest rate and currency risks in the normal course of its business. In accordance with the Company's 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 Company does not hold or issue derivative financial instruments for trading or speculative purposes.

(a) Credit risk

The Company's 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 Company has 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, the Company obtains collateral in the form of security deposits or bank guarantees from customers in accordance with the Supply Rules. At 31 December 2024, the collateral held by the Company mitigated its credit risk by $440,232,000 (2023: $451,252,000).

The Company has a defined minimum credit rating requirement and transaction limit for counterparties when dealing in financial derivatives or placing deposits to minimise credit exposure. The Company does not expect any counterparty to fail to meet its obligations.

The Company has 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 Company's total revenue.

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

Except for the financial guarantees given by the Company as set out in note 31, the Company has not provided any other guarantee which would expose the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 31.

Further quantitative disclosures in respect of the Company's exposure to credit risk arising from trade and other receivables are set out in note 16.

Offsetting financial assets and financial liabilities

The Company's derivative transactions are executed with financial institutions and governed by either International Swaps and Derivatives Association ("ISDA") Master Agreements 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 Company does 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 a 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 as at the end of the reporting period:

	2024			2023		
	Gross amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount	Gross amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
Financial assets	$'000	$'000	$'000	$'000	$'000	$'000
Interest rate swaps (note 29(f)(i))	306,013	(89,482)	216,531	361,412	(107,947)	253,465
Forward foreign exchange contracts (note 29(f)(i))	134,854	(67,710)	67,144	135,624	(63,874)	71,750
	440,867	(157,192)	283,675	497,036	(171,821)	325,215
Financial liabilities						
Cross currency swaps (note 29(f)(i))	88,260	(88,260)	-	92,414	(92,414)	-
Interest rate swaps (note 29(f)(i))	1,222	(1,222)	-	15,533	(15,533)	-
Forward foreign exchange contracts (note 29(f)(i))	67,710	(67,710)	-	63,874	(63,874)	-
	157,192	(157,192)	-	171,821	(171,821)	-

(b) Liquidity risk

The Company's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term. The Company has undrawn committed bank facilities of $4,850,000,000 at 31 December 2024 (2023: $6,535,000,000).

The following tables show the remaining contractual maturities at the end of the reporting period of the Company's 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 Company can be required to pay.

	2024					
	Contractual undiscounted cash outflows/(inflows)					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount at 31 Dec $'000
Non-derivative financial liabilities						
Loan from a subsidiary plus accrued interest	871,590	6,329,760	2,946,386	27,935,951	38,083,687	27,206,510
Bank loans plus accrued interest	1,212,625	8,205,736	7,300,485	-	16,718,846	15,091,304
Bank overdrafts – unsecured	44,921	-	-	-	44,921	44,921
Creditors and accrued charges	2,457,117	-	-	-	2,457,117	2,457,117
	4,586,253	14,535,496	10,246,871	27,935,951	57,304,571	44,799,852
Derivative financial instruments						
Net settled						
Interest rate swaps and related interest accruals	(170,687)	(167,856)	(91,588)	(44,388)	(474,519)	(310,244)
Gross settled						
Cross currency swaps and related interest accruals						81,126
- outflow	201,090	116,340	94,855	23,627	435,912	
- inflow	(197,437)	(113,344)	(87,750)	(29,250)	(427,781)	
Forward foreign exchange contracts held as cash flow hedging instruments						(67,269)
- outflow	3,637,992	-	7,922,713	10,340,096	21,900,801	
- inflow	(3,660,319)	-	(8,174,550)	(10,893,098)	(22,727,967)	
Other forward foreign exchange contracts						125
- outflow	4,732	-	-	-	4,732	
- inflow	(4,591)	-	-	-	(4,591)	

	2023					
	Contractual undiscounted cash outflows/(inflows)					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 Dec
	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivative financial liabilities						
Loan from a subsidiary plus accrued interest	882,893	871,518	8,633,627	28,578,470	38,966,508	27,278,059
Bank loans plus accrued interest	1,264,024	846,038	14,862,853	-	16,972,915	14,391,890
Bank overdrafts – unsecured	43,575	-	-	-	43,575	43,575
Creditors and accrued charges	3,052,886	-	-	-	3,052,886	3,052,886
	5,243,378	1,717,556	23,496,480	28,578,470	59,035,884	44,766,410
Derivative financial instruments						
Net settled						
Interest rate swaps and related interest accruals	(208,207)	(208,190)	(290,807)	(80,471)	(787,675)	(355,490)
Gross settled						
Cross currency swaps and related interest accruals						85,747
- outflow	202,573	201,090	179,605	55,217	638,485	
- inflow	(197,438)	(197,438)	(171,844)	(58,500)	(625,220)	
Forward foreign exchange contracts held as cash flow hedging instruments						(71,392)
- outflow	1,553,370	-	3,377,850	13,372,339	18,303,559	
- inflow	(1,550,873)	-	(3,510,000)	(14,013,099)	(19,073,972)	
Other forward foreign exchange contracts						(358)
- outflow	144,555	-	-	-	144,555	
- inflow	(144,632)	-	-	-	(144,632)	

(c) Interest rate risk

The Company is 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 Company's interest rate risk arises primarily from long-term external borrowings.

(i) Hedges of interest rate risk

The Company's policy is to maintain a balanced combination of fixed and variable rate borrowings to reduce its interest rate exposure. The Company also uses cross currency swaps and interest rate swaps to manage the exposure in accordance with the treasury policy.

The Company classifies 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 2(p). 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 Company seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the cross currency swaps/interest rate swaps and the 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 Company's own credit risk on the fair value of the swaps; and
- differences in repricing dates between the swaps and the borrowings.

(ii) Interest rate risk profile

The following table details the interest rate profile of the Company's 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 $'000	2023 $'000
Net fixed rate liabilities:		
Loan from a subsidiary	(27,072,407)	(27,144,738)
Bank loans	(5,241,524)	(5,234,699)
	(32,313,931)	(32,379,437)
Net variable rate assets/(liabilities):		
Cash at bank and in hand	29,048	19,923
Bank loans	(9,806,470)	(9,101,635)
Bank overdrafts – unsecured	(44,921)	(43,575)
Customers' deposits	(2,506,722)	(2,449,417)
	(12,329,065)	(11,574,704)

(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 Company's profit after taxation and revenue reserve by approximately $86,774,000 (2023: $77,954,000). Other components of equity would have increased/decreased by approximately $107,991,000 (2023: $145,523,000) 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 Company is exposed to currency risk primarily through purchases and borrowings that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily United States dollars, Japanese Yen, Pounds Sterling and Euros.

(i) Hedges of currency risk

The Company's policy is to hedge 100% of its foreign currency borrowings and to hedge its estimated foreign currency exposure in respect of forecast purchases in accordance with its treasury policy. The Company uses 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 2(p). The Company designates the spot element of forward foreign exchange contracts to hedge the Company's 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 Company's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The Company applies 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 Company's own credit risk on the fair value of the forward foreign exchange contracts; and
- changes in the timing of the hedged transactions.

The Company's 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 Company's borrowings.

(ii) Exposure to currency risk

The following table details the Company's exposure at the end of the reporting period to currency risk arising from the recognised assets or liabilities denominated in a currency other than the functional currency of the Company.

	2024			
'000 (expressed in original currencies)	USD	JPY	GBP	EUR
Trade and other receivables	(187)	(180)	(2)	-
Cash and bank balances	(21)	(84)	(1)	-
Trade and other payables and contract liabilities	67,388	1,236,114	370	14
Loan from a subsidiary	2,294,986	-	-	
Gross exposure arising from recognised assets and liabilities	2,362,166	1,235,850	367	14
Notional amounts of forward foreign exchange contracts designated as hedging instruments	(1,344,986)	(92,739)	-	-
Notional amounts of cross currency swaps designated as hedging instruments	(950,000)	-	-	-
Net exposure arising from recognised assets and liabilities	67,180	1,143,111	367	14

	2023			
'000 (expressed in original currencies)	USD	JPY	GBP	EUR
Trade and other receivables	(92)	(420)	-	-
Cash and bank balances	-	(465)	(3)	(3)
Trade and other payables and contract liabilities	95,529	1,406,991	214	73
Loan from a subsidiary	2,272,142	-	-	-
Gross exposure arising from recognised assets and liabilities	2,367,579	1,406,106	211	70
Notional amounts of forward foreign exchange contracts designated as hedging instruments	(1,339,766)	(130,713)	-	-
Notional amounts of cross currency swaps designated as hedging instruments	(950,000)	-	-	-
Net exposure arising from recognised assets and liabilities	77,813	1,275,393	211	70

(iii) Sensitivity analysis

The following table indicates that a 10 percent strengthening of the following currencies against Hong Kong dollars at the end of the reporting period would have increased/decreased the Company's profit after taxation (and revenue reserve) and other components of equity.

	2024		2023	
	Effect on profit after taxation and revenue reserve Increase/ (decrease) $'000	Effect on other components of equity Increase/ (decrease) $'000	Effect on profit after taxation and revenue reserve Increase/ (decrease) $'000	Effect on other components of equity Increase/ (decrease) $'000
Japanese Yen	(1,561)	258	(58)	281
Pounds Sterling	(38)	-	(14)	-
Euros	(5)	-	(25)	119

A 10 percent weakening in the above currencies against Hong Kong dollars at the end of the reporting period would have had an equal but opposite effect on the Company's profit after taxation (and revenue reserve) and other components of equity.

This sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Company which expose the Company 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.

(e) Hedge accounting

The following tables summarise the hedging instruments, hedged items and hedged risks of the Company for the years ended 31 December 2024 and 2023.

(i) Cash flow hedges

	2024									
				Carrying amount of hedging instruments included in				Changes in fair value used for calculating hedge ineffectiveness		
Hedging instruments	Maturity date	Weighted average fixed swap rates/ contract rates	Notional amount of hedging instruments $'000	Derivative financial instruments under non-current assets $'000	Trade and other receivables $'000	Derivative financial instruments under non-current liabilities $'000	Trade and other payables and contract liabilities $'000	Hedging instruments $'000	Hedged items $'000	Hedge ineffectiveness recognised in profit or loss $'000
(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	2.24%	17,868,105	306,013	-	(89,482)	-	98,367	(98,367)	-
(2) For hedging currency risk of committed and forecast transactions										
Forward foreign exchange contracts	Ranging from 2025 to 2034	See note below	11,338,873	39,919	1,796	(40,818)	(1,469)	(30,554)	30,554	-
(3) For hedging currency risk of foreign currency borrowings										
Forward foreign exchange contracts	Ranging from 2027 to 2034	See note below	10,546,478	93,139	-	(25,298)	-	(45,740)	45,740	-

	2023									
				Carrying amount of hedging instruments included in				Changes in fair value used for calculating hedge ineffectiveness		
Hedging instruments	Maturity date	Weighted average fixed swap rates/ contract rates	Notional amount of hedging instruments $'000	Derivative financial instruments under non-current assets $'000	Trade and other receivables $'000	Derivative financial instruments under non-current liabilities $'000	Trade and other payables and contract liabilities $'000	Hedging instruments $'000	Hedged items $'000	Hedge ineffectiveness recognised in profit or loss $'000
(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	2.23%	17,868,105	361,412	-	(107,947)	-	(116,724)	116,724	-
(2) For hedging currency risk of committed and forecast transactions										
Forward foreign exchange contracts	Ranging from 2024 to 2032	See note below	8,493,142	33,723	531	(40,063)	(1,133)	4,671	(4,671)	-
(3) For hedging currency risk of foreign currency borrowings										
Forward foreign exchange contracts	Ranging from 2027 to 2032	See note below	9,810,432	100,995	-	(22,661)	-	13,126	(13,126)	-

(ii) Fair value hedges

	2024									
				Carrying amount included in				Changes in fair value used for calculating hedge ineffectiveness		
Hedging instruments	Maturity date	Weighted average variable swap rates/ contract rates	Notional amount $'000	Derivative financial instruments under non-current assets $'000	Trade and other receivables $'000	Derivative financial instruments under non-current liabilities $'000	Trade and other payables and contract liabilities $'000	Hedging instruments $'000	Hedged items $'000	Hedge ineffectiveness recognised in profit or loss $'000
Forward foreign exchange contracts	2025	See note below	4,732	-	-	-	(125)	(125)	125	-

	2024		
Hedged items	Carrying amount of hedged items (including accumulated fair value hedge adjustments) $'000	Accumulated fair value hedge adjustments of hedged items $'000	Line item in the statement of financial position in which the hedged items are included
Financial liabilities	(4,591)	125	Trade and other payables and contract liabilities

	2023									
				Carrying amount included in				Changes in fair value used for calculating hedge ineffectiveness		
Hedging instruments	Maturity date	Weighted average variable swap rates/ contract rates	Notional amount $'000	Derivative financial instruments under non-current assets $'000	Trade and other receivables $'000	Derivative financial instruments under non-current liabilities $'000	Trade and other payables and contract liabilities $'000	Hedging instruments $'000	Hedged items $'000	Hedge ineffectiveness recognised in profit or loss $'000
Forward foreign exchange contracts	2024	See note below	144,555	-	375	-	(17)	358	(358)	-

	2023		
Hedged items	Carrying amount of hedged items (including accumulated fair value hedge adjustments) $'000	Accumulated fair value hedge adjustments of hedged items $'000	Line item in the statement of financial position in which the hedged items are included
Financial liabilities	(144,632)	(358)	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

(f) Fair values

The following table presents the fair value of the Company's 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	2024 $'000 Level 2	2023 $'000 Level 2
Financial assets			
Derivative financial instruments:			
- Interest rate swaps	29(a)	306,013	361,412
- Forward foreign exchange contracts	29(a)	134,854	135,624
		440,867	497,036
Financial liabilities			
Derivative financial instruments:			
- Cross currency swaps	29(a)	88,260	92,414
- Interest rate swaps	29(a)	1,222	15,533
- Forward foreign exchange contracts	29(a)	67,710	63,874
		157,192	171,821

(ii) Fair values of financial assets and liabilities carried at other than fair value

Trade and other receivables and trade and other payables and contract liabilities are carried at cost or amortised cost which are not materially different from their fair values as at 31 December 2024.

(iii) Valuation techniques and inputs in Level 2 fair value measurements

The fair value of forward foreign exchange contracts is 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.

30. COMMITMENTS

(a) At 31 December 2024, the Company had capital commitments for property, plant and equipment not provided for in the financial statements as follows:

	2024 $'000	2023 $'000
Capital expenditure for property, plant and equipment authorised and contracted for	7,436,689	5,832,176
Capital expenditure for property, plant and equipment authorised but not contracted for	17,966,586	21,072,728

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

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

31. CONTINGENT LIABILITIES

The Company acted as the guarantor in respect of the medium term notes issued by its subsidiary of $27,168,186,000 (2023: $27,260,791,000), out of which $4,250,888,000 (2023: $4,072,707,000) was jointly and severally guaranteed by the Company and the ultimate holding company. The net proceeds from the medium term notes have been on-lent to the Company for general corporate purposes and reflected as loan from a subsidiary in the statement of financial position.

The Company had fully complied with the capital requirements under the loan facility agreements.

32. IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

At 31 December 2024, the Directors consider the immediate parent and ultimate controlling party of the Company to be Treasure Business Limited and HKEIL, which are incorporated in the British Virgin Islands and the Cayman Islands respectively. HKEIL produces financial statements available for public use.

33. MATERIAL RELATED PARTY TRANSACTIONS

Except for transactions and balances disclosed elsewhere in the financial statement, the Company had the following material transactions with related parties during the year:

(a) Key management personnel compensation

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7 is as follows:

	2024 $'000	2023 $'000
Short-term employee benefits	65,403	71,843
Post-employment benefits	3,691	2,727
	69,094	74,570

There was no outstanding amount due from key management personnel at 31 December 2024 and 2023.

(b) Related company

Support service charge recovered from Power Assets Holdings Limited group ("PAH group")

Other operating costs included support service charge recovered from PAH group amounting to $45,822,000 (2023: $44,648,000) for provision of the support services and office facilities to PAH 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 PAH 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 PAH group was $4,859,000 (2023: $5,623,000).

Subsidiary

Interest expenses paid/payable in respect of the loans from a subsidiary amounted to $790,906,000 (2023: $794,469,000) for the year. Details of the loan from a subsidiary at 31 December 2024 are disclosed in note 17.

Joint venture

(i) The details of Shareholder Loan Facility provided to HKLTL by the Company and the outstanding loan balance as at 31 December 2024 are disclosed in note 14.

(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 $38,274,000 (2023: $36,050,000) for the year.

(iv) Under a Terminal Use Agreement entered into between the Company, CAPCO and HKLTL, Operational Service Charges and Facility Service Charges recovered by HKLTL amounted to $221,509,000 (2023: $184,165,000) and $87,826,000 (2023: $35,434,000) respectively.

(v) Under a Secondment Agreement and a Master Service Agreement entered into between the Company and HKLTL, the Company will provide certain corporate support services to HKLTL. In 2024, service fees of $7,399,000 (2023: $8,197,000) were charged to HKLTL.

34. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the Directors used in applying the Company's accounting policies have a significant impact on the Company's financial position and operating results. Some of the accounting policies require the Company to apply estimates and judgements on matters that are inherently uncertain. Certain critical accounting judgements in applying the Company's 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 Company reviews 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

In considering the impairment losses that may be required for the property, plant and equipment and interests in leasehold land of the Company, 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 are discounted to their present value, which requires significant judgement. The Company uses 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.

35. 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 HKFRS 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 Company.

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

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 the above is unlikely to have a significant impact on the Company's results of operations and financial position.

香港電燈有限公司

The Hongkong Electric Co., Ltd.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2023

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司
DIRECTORS' REPORT

The Directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITY

The principal activity of The Hongkong Electric Company, Limited (the "Company") is the generation and supply of electricity to Hong Kong Island and Lamma Island.

RESULTS

The results of the Company for the year ended 31 December 2023 and the financial position as at that date are set out in the financial statements on pages 5 to 61.

DIVIDENDS

Particulars of dividends which have been declared and paid in respect of the year ended 31 December 2023 are set out in note 11 to the financial statements. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023.

DONATIONS

Charitable and other donations made by the Company for the year ended 31 December 2023 amounted to HK$1,816,000 (2022: HK$2,399,000).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28(a) to the financial statements. There were no movements during the year.

DIRECTORS

The Directors in office during the year and up to the date of this report were:

Mr. Fok Kin-ning, Canning (Chairman) (alternate: Mrs. Chow Woo Mo-fong, Susan who ceased to act as the Alternate Director on 1 July 2023)
Mr. Wan Chi Tin (Managing Director) (resigned on 1 July 2023)
Mr. Cheng Cho Ying, Francis (Managing Director) (appointed as Managing Director on 1 July 2023)
Mr. Fahad Hamad A H Al-Mohannadi
Mr. Ronald Joseph Arculli
Mr. Chan Loi Shun
Dr. Fong Chi Wai, Alex
Mr. Deven Arvind Karnik
Ms. Koh Poh Wah
Mr. Kwan Kai Cheong
Mr. Kwan Ying Leung (appointed on 1 July 2023)
Mr. Lee Lan-yee, Francis
Mr. Li Tzar-kuoi, Victor (alternate: Mr. Frank John Sixt)
Mr. George Colin Magnus
Mr. Donald Jeffrey Roberts
Mr. Wang Yuanhang
Mr. Wang Zijian
Mr. Zhu Guangchao

During the year, Mr. Wan Chi Tin, resigned as a Director, and concurrently ceased to act as the Managing Director, of the Company due to retirement, and Mrs. Chow Woo Mo-fong, Susan, ceased to act as the Alternate Director to Mr. Fok Kin-ning, Canning (the Chairman of the Company), have no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholder of the Company.

In accordance with Article 99 of the Company's Articles of Association, Mr. Kwan Ying Leung will retire at the forthcoming Annual General Meeting ("AGM") and, being eligible, offer himself for re-election.

In accordance with Article 109 of the Company's Articles of Association, Dr. Fong Chi Wai, Alex and Mr. George Colin Magnus will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

No transaction, arrangement or contract of significance in relation to the Company's business to which the Company, or any of its holding companies and its subsidiary was a party, and in which a Director of the Company or his/her connected entity had, directly or indirectly, a material interest, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company, or any of its holding companies and its subsidiary a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PERMITTED INDEMNITY OF DIRECTORS

Pursuant to Article 162 of the Company's Articles of Association, every Director of the Company may be indemnified out of the funds of the Company against all liability incurred by him or her as Director to the extent permitted pursuant to the Hong Kong Companies Ordinance. The Company's ultimate holding company has arranged appropriate Directors' and Officers' liability insurance coverage for the Directors of the Company.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Alex Ng
Company Secretary
Hong Kong,

INDEPENDENT AUDITOR'S REPORT TO THE SOLE MEMBER OF

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of The Hongkong Electric Company, Limited (the "Company") set out on pages 5 to 61, which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

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

The Directors are responsible for the other information. The other information comprises the information included in the directors' report, but does not include 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 are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

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

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Hong Kong dollars)

	Note	2023 $'000	2022 $'000
Revenue	4	11,405,938	10,793,194
Standard fuel costs	5	(1,490,457)	(1,497,822)
Direct costs		(3,340,857)	(3,338,013)
		6,574,624	5,957,359
Other revenue and other net income	6	87,085	66,621
Other operating costs		(918,726)	(919,058)
Finance costs	8(a)	(1,044,491)	(751,962)
Profit before taxation	8	4,698,492	4,352,960
Income tax	9	(770,934)	(725,953)
Profit after taxation		3,927,558	3,627,007
Scheme of Control transfers	10(b)	186,053	35,368
Profit attributable to equity shareholders of the Company		4,113,611	3,662,375

The notes on pages 10 to 61 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Hong Kong dollars)

		2023 $'000		2022 $'000
Profit attributable to equity shareholders of the Company		4,113,611		3,662,375
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	35,332		38,890	
Net deferred tax charged to other comprehensive income	(5,830)		(6,416)	
	29,502		32,474	
Cash flow hedges:				
Effective portion of changes in fair value of hedging instruments recognised during the year	(4,490)		(4,330)	
Cost of hedging – changes in fair value	4,662		(1,347)	
Net deferred tax (charged)/credited to other comprehensive income	(28)		937	
	144		(4,740)	
		29,646		27,734
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	(94,437)		576,646	
Reclassification adjustments for amounts transferred to profit or loss	(142,209)		8,972	
Cost of hedging – changes in fair value	(394,940)		(134,182)	
Cost of hedging – reclassified to profit or loss	(62,751)		(62,985)	
Net deferred tax credited/(charged) to other comprehensive income	114,565		(64,095)	
		(579,772)		324,356
		(550,126)		352,090
Total comprehensive income for the year and attributable to equity shareholders of the Company		3,563,485		4,014,465

The notes on pages 10 to 61 form part of these financial statements.

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2023

(Expressed in Hong Kong dollars)

	Note		2023 $'000		2022 $'000
Non-Current Assets					
Property, plant and equipment		62,299,109		60,613,460	
Interests in leasehold land held for own use		1,484,467		1,548,043	
	12	63,783,576		62,161,503	
Investment in a subsidiary	13	-		-	
Interest in a joint venture	14	894,832		792,670	
Employee retirement benefit scheme assets	25(a)	968,323		882,364	
Derivative financial instruments	23	496,130		1,041,701	
			66,142,861		64,878,238
Current Assets					
Inventories	15	1,002,895		1,446,290	
Trade and other receivables	16	1,406,780		1,571,196	
Fuel Clause Recovery Account	17	-		1,891,811	
Bank deposits and cash		19,923		324,089	
		2,429,598		5,233,386	
Current Liabilities					
Loan from a subsidary	18	(299,915)		(299,764)	
Amount due to ultimate holding company	19	(135,979)		(10,647)	
Amount due to immediate holding company	19	(6,155,901)		(5,394,990)	
Amount due to a subsidiary	19	(133,321)		(134,428)	
Current portion of bank loans	20	(415,000)		(257,000)	
Bank overdrafts – unsecured		(43,575)		-	
Fuel Clause Recovery Account	17	(53,367)		-	
Trade and other payables and contract liabilities	21	(3,192,113)		(4,592,195)	
Current taxation	22(a)	(889,040)		(149,119)	
		(11,318,211)		(10,838,143)	
Net Current Liabilities			(8,888,613)		(5,604,757)
Total Assets Less Current Liabilities			57,254,248		59,273,481
Non-Current Liabilities					
Loan from a subsidiary	18	(26,844,823)		(26,925,497)	
Bank loans	20	(13,921,334)		(15,057,071)	
Derivative financial instruments	23	(170,671)		(78,060)	
Customers' deposits		(2,449,417)		(2,380,866)	
Deferred tax liabilities	22(b)	(7,477,592)		(7,722,921)	
Employee retirement benefit scheme liabilities	25(a)	(191,023)		(158,238)	
Other non-current liabilities	26	(1,382,271)		(1,429,555)	
			(52,437,131)		(53,752,208)
Scheme of Control Fund and Reserve	10(c)		(669,379)		(911,094)
NET ASSETS			4,147,738		4,610,179
CAPITAL AND RESERVES					
Share capital	28(a)		2,411,600		2,411,600
Reserves			1,736,138		2,198,579
TOTAL EQUITY			4,147,738		4,610,179

Approved and authorised for issue by the Board of Directors on

Cheng Cho Ying, Francis
Director

Chan Loi Shun
Director

The notes on pages 10 to 61 form part of these financial statements.

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company			
	Share capital (note 28(a))	**Hedging reserve** (note 28(b))	**Revenue reserve**	**Total**
	$'000	$'000	$'000	$'000
Balance at 1 January 2022	2,411,600	119,620	1,665,791	4,197,011
Changes in equity for 2022:				
Profit attributable to equity shareholders	-	-	3,662,375	3,662,375
Other comprehensive income	-	319,616	32,474	352,090
Total comprehensive income for the year	-	319,616	3,694,849	4,014,465
Amounts transferred to the initial carrying amount of hedged item, net of tax	-	3,621	-	3,621
Interim dividends paid (see note 11)	-	-	(3,604,918)	(3,604,918)
Balance at 31 December 2022 and 1 January 2023	2,411,600	442,857	1,755,722	4,610,179
Changes in equity for 2023:				
Profit attributable to equity shareholders	-	-	4,113,611	4,113,611
Other comprehensive income	-	(579,628)	29,502	(550,126)
Total comprehensive income for the year	-	(579,628)	4,143,113	3,563,485
Amounts transferred to the initial carrying amount of hedged item, net of tax	-	4,785	-	4,785
Interim dividends paid (see note 11)	-	-	(4,030,711)	(4,030,711)
Balance at 31 December 2023	2,411,600	(131,986)	1,868,124	4,147,738

The notes on pages 10 to 61 form part of these financial statements.

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Hong Kong dollars)

	Note	2023 $'000	2022 $'000
Operating activities			
Cash generated from operations	27(a)	9,595,449	6,177,895
Interest received		43,482	29,748
Interest paid		(959,265)	(689,131)
Hong Kong Profits Tax paid		(168,580)	(544,052)
Net cash generated from operating activities		8,511,086	4,974,460
Investing activities			
Payment for the purchase of property, plant and equipment and capital stock		(3,972,395)	(5,528,299)
Capitalised interest paid		(306,896)	(232,627)
New loan to a joint venture		(115,028)	(315,646)
Loan repaid from a joint venture		12,866	-
Proceeds from disposal of property, plant and equipment		160	7
Net cash used in investing activities		(4,381,293)	(6,076,565)
Financing activities			
Decrease in loan from a subsidiary	27(b)	(300,000)	-
Proceeds from bank loans	27(b)	4,564,000	8,853,000
Repayment of bank loans	27(b)	(5,541,000)	(4,480,000)
Payment of lease liabilities	27(b)	(1,403)	(982)
New customers' deposits	27(b)	311,739	305,713
Repayment of customers' deposits	27(b)	(243,188)	(242,307)
Dividends paid	11	(4,030,711)	(3,604,918)
Increase in amount due to immediate holding company	27(b)	760,911	568,442
Net cash (used in)/generated from financing activities		(4,479,652)	1,398,948
(Decrease)/increase in cash and cash equivalents		(349,859)	296,843
Cash and cash equivalents at 1 January		324,089	33,452
Effect of foreign exchange rate changes		2,118	(6,206)
Cash and cash equivalents at 31 December		(23,652)	324,089
Analysis of the balances of cash and cash equivalents			
Deposits with banks and other financial institutions		-	251,895
Cash at bank and in hand		19,923	72,194
Bank deposits and cash		19,923	324,089
Bank overdrafts – unsecured		(43,575)	-
Cash and cash equivalents at 31 December		(23,652)	324,089

The notes on pages 10 to 61 form part of these financial statements.

THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1. GENERAL INFORMATION

The Hongkong Electric Company, Limited (the "Company") is a limited company incorporated and domiciled in Hong Kong. The address of its registered office is Hongkong Electric Centre, 44 Kennedy Road, Hong Kong.

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 collective term 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. 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 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.

At 31 December 2023, the Company recorded net current liabilities of $8,888,613,000. At 31 December 2023, the Company had undrawn committed bank facilities of $6,535,000,000 (see note 29(b)). Taking into consideration the Company's strong operating cashflow and its ability to renew or refinance the bank loans upon maturity, the financial statements have been prepared on a going concern 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.

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 34.

(c) Subsidiary

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed, or has right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Company has power, only substantive rights (held by the Company and other parties) are considered.

Investment in a subsidiary is stated at cost less any impairment losses (see note 2(g)(ii)).

(d) Joint venture

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

Investment in a joint venture is stated at cost less impairment losses (see note 2(g)(ii)).

(e) 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 Company is not registered owner of the property interest, other than assets under construction, are stated at cost less accumulated depreciation (see note 2(e)(viii)) and any accumulated impairment losses (see note 2(g)(ii)).

(ii) Assets under construction are stated at cost less impairment losses (see note 2(g)(ii)), and are not depreciated. Assets under construction are transferred to appropriate class of property, plant and equipment when completed and ready for use.

(iii) The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads and borrowing costs (see note 2(u)).

(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 Company and the cost of such asset 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 2(e)(vii)) and impairment losses (see note 2(g)(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 the lease and the properties' estimated useful lives

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 item is allocated on a reasonable basis between the parts and each part is depreciated separately. Depreciation method, useful lives and residual values, if any, are reviewed at each reporting date and adjusted if appropriate.

(f) Leased assets

At inception of a contract, the Company assesses 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 Company recognises 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 Company enters into a lease in respect of a low-value asset, the Company decides 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 asset 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 2(e) and (g)(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 Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether the Company 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 twelve months after the reporting period.

(g) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Company recognises a loss allowance for expected credit losses ("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 Company is 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 Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

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

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, and when measuring ECLs, the Company considers 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 Company's historical experience and informed credit assessment, that includes forward-looking information.

The Company considers a financial asset to be in default when (i) the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company 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 Company' 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 Company recognises 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 Company assesses 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 Company on terms that the Company would not consider otherwise;
- it becoming probable that the borrower 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 (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines 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 Company reviews 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.

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).

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 to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

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.

(h) 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 Company has 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.

(i) Retirement scheme obligations

(i) Defined benefit retirement scheme obligations

The Company's 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 Company's obligations. The calculation is performed by a qualified actuary using the "Projected Unit Credit Method".

Where the calculation results in a benefit of the Company, 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 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 Company determines 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.

(j) 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.

(k) Trade and other receivables

A receivable is recognised when the Company has 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 2(g)(i)).

(l) 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 Company's accounting policy for borrowing costs (see note 2(u)).

(m) 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.

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Company recognises the related revenue (see note 2(q)). A contract liability is also recognised if the Company has an unconditional right to receive non-refundable consideration before the Company recognises the related revenue. In such cases, a corresponding receivable is also recognised (see note 2(k)).

(o) Derivative financial instruments

The Company holds derivative financial instruments to manage its 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 2(p)).

(p) Hedging

The Company designates 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

When 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 Company excludes 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 exercised, hedge accounting is discontinued prospectively. When hedge accounting is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy.

If the hedged future cash flows is no longer expected to occur, the amount that has been accumulated in the hedging reserve is immediately reclassified through other comprehensive income to profit or loss.

(q) Revenue recognition

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

The earnings of the Company 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 the Company'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 the Company 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. The Company is required to submit detailed Development Plans for approval by the Government which project the key determinants of the Net Return to which the Company will be entitled over the Development Plan period.

In November 2023, the Government approved the 2024-2028 Development Plan covering the period from 1 January 2024 to 31 December 2028. Similar to the 2019-2023 Development Plan, no further Government approval is required during this period unless a need for significant Basic Tariff increases, over and above those set out in the Development Plan, is identified during the Annual Tariff Review conducted with the Government under the terms of the SoCA.

(ii) Fuel Clause Recovery Account

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

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

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

(iii) Income recognition

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

(r) Translation of foreign currencies

The financial statements are presented in Hong Kong dollars which is the Company's functional and presentation currency.

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 Company 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.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on 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 Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(g)(i).

(t) 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; and
- temporary differences related to investment in a joint venture to the extent that the Company is 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.

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 the Company. 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.

(u) 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.

(v) Provisions and contingent liabilities

Provisions are recognised when the Company has 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.

(w) Consolidated financial statements

The Company is a wholly-owned subsidiary of another body corporate and, therefore, in accordance with section 379(3) of the Hong Kong Companies Ordinance is not required to prepare consolidated financial statements.

For the purposes of compliance with sections 379, 380 and 383 of the Hong Kong Companies Ordinance, these financial statements have been prepared to present a true and fair view of the financial position and financial performance of the Company only. Consequently, they have been prepared in accordance with all applicable HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance which apply to the preparation of separate unconsolidated financial statements.

In accordance with the criteria set out in paragraph 4(a) of HKFRS 10, *Consolidated financial statements* and paragraph 17 of HKAS 28, *Investments in Associates and Joint Ventures*, the Company is exempt from the preparation of consolidated financial statements and also equity accounting for its investment in a joint venture, as HK Electric Investments Limited ("HKEIL"), the ultimate parent of the Company, produces consolidated financial statements in accordance with HKFRSs which are available for public use. HKEIL is incorporated in the Cayman Islands and its consolidated financial statements are available from its principal place of business at Hongkong Electric Centre, 44 Kennedy Road, Hong Kong. Consequently, the financial statements do not give all the information about the economic activities of the group of which the Company is the parent which would have been disclosed had the Company prepared consolidated financial statements.

(x) 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 applies:

(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 an associate or joint venture of the other entity (or an associate or joint venture 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(x)(i).

(7) A person identified in note 2(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 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

(a) New and amended HKFRSs

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

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

The adoption of these amendments does not have a material impact on the Company's result and financial position for the current accounting period. The Company has not applied any new standard, amendment or interpretation that is not effective for the current accounting period.

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

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

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

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

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

4. REVENUE

The principal activity of the Company 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:

	2023 $'000	2022 $'000
Sales of electricity	11,321,388	10,724,486
Less: concessionary discount on sales of electricity	(7,262)	(6,164)
	11,314,126	10,718,322
Electricity-related income	91,812	74,872
	11,405,938	10,793,194

5. STANDARD FUEL COSTS

Standard fuel costs represent the standard cost of fuel as agreed with the Government including the actual fuel costs and Fuel Cost Account Adjustments as follows:

	2023 $'000	2022 $'000
Actual fuel costs	6,890,981	8,419,850
Fuel Cost Account Adjustments (see note 17)	(5,400,524)	(6,922,028)
Standard fuel costs	1,490,457	1,497,822

6. OTHER REVENUE AND OTHER NET INCOME

	2023 $'000	2022 $'000
Net profit on sale of property, plant and equipment	125	-
Interest income on financial assets measured at amortised cost	43,622	30,327
Sundry income	43,338	36,294
	87,085	66,621

7. DIRECTORS' EMOLUMENTS

Directors' emoluments 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 are as follows:

	2023 $'000	2022 $'000
Directors' fees	Nil	Nil
Salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions (see note below)	33,537	34,647

The benefits in kind are electricity allowances to Directors for residential use. For Directors who are employees of the Company, the benefits in kind also include insurance and medical benefits entitled by the employees of the Company.

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		2023 $'000	2022 $'000
(a)	Finance costs		
	Interest on borrowings and other finance costs	1,445,810	1,077,642
	Less: interest expense and other finance costs capitalised to assets under construction	(366,079)	(292,884)
	interest expense transferred to fuel costs	(35,240)	(32,796)
		1,044,491	751,962
(b)	Depreciation		
	- owned property, plant and equipment	2,426,854	2,486,075
	- properties leased for own use	1,458	972
(c)	Amortisation of leasehold land	64,062	64,003
(d)	Expenses of short-term leases	4,830	4,586
(e)	Costs of inventories	6,867,125	8,424,486
(f)	Staff costs	734,348	745,966
(g)	Net loss on disposal and written off of property, plant and equipment	107,424	70,693
(h)	Auditor's remuneration	5,039	4,979
(i)	Write down of inventories	9,760	23,485

Interest expense has been capitalised at the average rate of approximately 3.3% p.a. (2022: 2.7% p.a.) for assets under construction.

9. INCOME TAX

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

	2023 $'000	2022 $'000
Current tax		
Provision for Hong Kong Profits Tax for the year	908,507	187,150
Over-provision in respect of prior years	(6)	(12)
	908,501	187,138
Deferred tax (see note 22(b))		
Origination and reversal of temporary differences	(137,567)	538,815
	770,934	725,953

The Company is a qualifying corporation under the two-tiered Profits Tax rate regime. 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 was calculated at the same basis in 2022.

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

	2023 $'000	2022 $'000
Profit before taxation	4,698,492	4,352,960
Notional tax on profit before taxation, calculated at the Hong Kong Profits Tax rate (see note below)	775,086	718,074
Tax effect of non-deductible expenses	28,605	35,292
Tax effect of non-taxable income	(4,830)	(5,020)
Tax effect of recognition of previously unrecognised temporary differences	(27,923)	(5,990)
Tax effect of special rebates	2	(16,391)
Over-provision in respect of prior years	(6)	(12)
Actual tax expense	770,934	725,953

For the year ended 31 December 2023, the notional tax is calculated in accordance with the two-tiered profits tax rate regime under which 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 is calculated at the same basis as 2022.

10. SCHEME OF CONTROL TRANSFERS

(a) The financial operations of the Company are governed by the SoCA agreed with the Government which provides for the Company to earn a Permitted Return (see note 2(q)(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 the Company. 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 the Company 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 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. The Company consented to deduct an amount equal to 65% of the Energy Efficiency Incentive Amount of each year during the period from 1 January 2019 to 31 December 2033 for funding the contribution to the Smart Power Care Fund provided that there is an Energy Efficiency Incentive Amount in respect of that year.

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

	2023 $'000	2022 $'000
Tariff Stabilisation Fund	(255,766)	(80,191)
Rate Reduction Reserve	31,422	12,740
Smart Power Care Fund		
– Over-provision in respect of prior year	-	(265)
– Provisional sum injected in current year	13,000	-
– Provisional sum to be injected in the following year (see note below)	25,291	32,348
	(186,053)	(35,368)

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

(c) Scheme of Control Fund and Reserve in the statement of financial position represents:

	2023 $'000	2022 $'000
Tariff Stabilisation Fund	627,807	870,820
Rate Reduction Reserve	31,422	12,740
Smart Power Care Fund	10,150	27,534
	669,379	911,094

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

	2023 $'000	2022 $'000
(i) Tariff Stabilisation Fund		
At 1 January	870,820	1,049,432
Transfer from Rate Reduction Reserve	12,740	916
Transfer to the statement of profit or loss	(255,766)	(80,191)
Special rebates (see note below)	13	(99,337)
At 31 December	627,807	870,820

No special rebate was offered to customers from the Tariff Stabilisation Fund during the year (2022: 1.0 cent per unit of electricity sales). Special rebate for the year ended 31 December 2023 was attributable to adjustment of prior year billings.

(ii) Rate Reduction Reserve		
At 1 January	12,740	916
Transfer to Tariff Stabilisation Fund (see note below)	(12,740)	(916)
Transfer from the statement of profit or loss	31,422	12,740
At 31 December	31,422	12,740

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.

(iii) Smart Power Care Fund		
At 1 January	27,534	14,303
Injection for the year	45,348	31,495
Disbursement for the year (see note below)	(62,732)	(18,264)
At 31 December	10,150	27,534

Disbursement for the year included special electricity subsidy of 9.5 cents per unit of electricity which was offered to residential customers consuming 300 units of electricity or less in a month (2022: nil). Total special electricity subsidy provided in 2023 amounted to $38,881,000.

11. DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year

	2023 $'000	2022 $'000
First interim dividend declared and paid of $1.18 per share (2022: $1.06 per share)	1,417,686	1,273,948
Second interim dividend declared and paid of $2.17 per share (2022: $1.93 per share)	2,613,025	2,330,970
	4,030,711	3,604,918

The Directors do not recommend the payment of a final dividend for the years ended 31 December 2023 and 2022.

12. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND

	Site formation and buildings $'000	Properties leased for own use $'000	Plant, machinery and equipment $'000	Fixtures, fittings and motor vehicles $'000	Assets under construction $'000	Sub-total $'000	Interests in leasehold land held for own use $'000	Total $'000
Cost								
At 1 January 2022	16,646,656	2,395	78,116,747	1,864,888	11,924,771	108,555,457	2,925,000	111,480,457
Additions	-	816	40,999	16,152	5,472,165	5,530,132	464	5,530,596
Disposals	(5,124)	(1,392)	(310,747)	(8,864)	-	(326,127)	-	(326,127)
Transfers	1,902,756	-	4,501,147	123,479	(6,527,382)	-	-	-
At 31 December 2022	18,544,288	1,819	82,348,146	1,995,655	10,869,554	113,759,462	2,925,464	116,684,926
At 1 January 2023	18,544,288	1,819	82,348,146	1,995,655	10,869,554	113,759,462	2,925,464	116,684,926
Additions	-	3,474	72,636	19,483	4,244,760	4,340,353	486	4,340,839
Disposals	(125,099)	(1,003)	(1,640,045)	(40,223)	-	(1,806,370)	-	(1,806,370)
Transfers	270,319	-	4,021,242	248,415	(4,539,976)	-	-	-
At 31 December 2023	18,689,508	4,290	84,801,979	2,223,330	10,574,338	116,293,445	2,925,950	119,219,395
Accumulated depreciation and amortisation								
At 1 January 2022	7,850,653	1,332	41,613,187	1,346,723	-	50,811,895	1,313,418	52,125,313
Written back on disposals	(3,062)	(1,392)	(224,984)	(8,284)	-	(237,722)	-	(237,722)
Charge for the Year	329,568	972	2,123,777	117,512	-	2,571,829	64,003	2,635,832
At 31 December 2022	8,177,159	912	43,511,980	1,455,951	-	53,146,002	1,377,421	54,523,423
At 1 January 2023	8,177,159	912	43,511,980	1,455,951	-	53,146,002	1,377,421	54,523,423
Written back on disposals	(101,673)	(1,003)	(1,540,655)	(40,041)	-	(1,683,372)	-	(1,683,372)
Charge for the Year	347,722	1,458	2,047,811	134,715	-	2,531,706	64,062	2,595,768
At 31 December 2023	8,423,208	1,367	44,019,136	1,550,625	-	53,994,336	1,441,483	55,435,819
Net book value								
At 31 December 2023	10,266,300	2,923	40,782,843	672,705	10,574,338	62,299,109	1,484,467	63,783,576
At 31 December 2022	10,367,129	907	38,836,166	539,704	10,869,554	60,613,460	1,548,043	62,161,503

The above are mainly electricity-related property, plant and equipment in respect of which financing costs capitalised during the year amounted to $366,079,000 (2022: $292,884,000).

Depreciation charges for the year included $103,394,000 (2022: $84,782,000), relating to assets utilised in development activities, which has been capitalised.

13. INVESTMENT IN A SUBSIDIARY

	2023 $	2022 $
Unlisted shares, at cost	8	8

Details of the subsidiary at 31 December 2023 are as follows:

Name of subsidiary	Issued share capital	Percentage of equity held	Place of incorporation/operation	Principal activity
Hongkong Electric Finance Limited	US$1	100	British Virgin Islands/Hong Kong	Financing

The subsidiary has no post-acquisition profits or losses attributable to the Company.

14. INTEREST IN A JOINT VENTURE

	2023 $'000	2022 $'000
Unlisted shares, at cost	-	-
Loan to a joint venture (see note below)	894,832	792,670
	894,832	792,670

The Company entered into a Shareholder Loan Facility Agreement ("SLFA") in 2019 with HKLTL under which two tranches of loan facilities totaling $699,300,000 are provided by the Company 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. The Company 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 $977,850,000.

Details of the joint venture at 31 December 2023 are as follows:

Name of joint venture	Issued share capital	Percentage of equity held	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 provide related services

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

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

15. INVENTORIES

	2023 $'000	2022 $'000
Coal	267,363	807,737
Fuel oil and natural gas	424,185	350,214
Stores and materials (see note below)	311,347	288,339
	1,002,895	1,446,290

Included in stores and materials is capital stock of $138,481,000 (2022: $136,659,000) which was purchased for future maintenance of capital assets.

16. TRADE AND OTHER RECEIVABLES

	2023 $'000	2022 $'000
Trade debtors, net of loss allowance (see notes (a) and (b) below)	723,738	810,912
Other receivables	594,348	677,055
	1,318,086	1,487,967
Derivative financial instruments (see note 23)	906	1,707
Deposits and prepayments	87,788	81,522
	1,406,780	1,571,196

All of the trade and other receivables are expected to be recovered within one year.

Other receivables included unbilled electricity charges of $489,032,000 (2022: $578,813,000) to be received from electricity customers.

(a) Ageing analysis of trade debtors

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

	2023 $'000	2022 $'000
Current and within 1 month	663,714	748,282
1 to 3 months	47,559	55,579
More than 3 months but less than 12 months	12,465	7,051
Total trade debtors	723,738	810,912

Electricity bills issued to domestic, 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 Company measures loss allowances for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Company determines the provision for expected credit losses 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 Company classifies its trade debtors by nature of customer accounts namely live accounts and final accounts. The following table provides information about the Company's exposure to credit risk and ECLs for trade debtors:

	2023			
	ECL rate %	Gross carrying amount $'000	Lifetime ECL $'000	Net carrying amount $'000
Live accounts				
Provision on collective basis	2	690,575	(13,068)	677,507
Final accounts				
Provision on individual basis	17	20,675	(3,569)	17,106
Other trade debtors				
Provision on collective basis	0	29,125	-	29,125
		740,375	(16,637)	723,738

	2022			
	ECL rate %	Gross carrying amount $'000	Lifetime ECL $'000	Net carrying amount $'000
Live accounts				
Provision on collective basis	2	789,204	(12,310)	776,894
Final accounts				
Provision on individual basis	14	11,419	(1,545)	9,874
Other trade debtors				
Provision on collective basis	0	24,144	-	24,144
		824,767	(13,855)	810,912

The Company obtained collateral in the form of security deposits or bank guarantees from customers (see note 29(a)).

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

	2023 $'000	2022 $'000
At 1 January	13,855	12,409
Impairment losses recognised during the year	4,539	2,598
Amounts written off during the year	(1,757)	(1,152)
At 31 December	16,637	13,855

17. FUEL CLAUSE RECOVERY ACCOUNT

	2023 $'000	2022 $'000
At 1 January	1,891,811	252,057
Transferred to profit or loss (see note 5)	5,400,524	6,922,028
Fuel Clause Charges during the year	(7,355,585)	(5,282,286)
Special Fuel Rebates during the year	9,883	12
At 31 December	(53,367)	1,891,811

The Company adjusts Fuel Clause Charge per unit for electricity sales on a monthly basis to reflect actual cost of fuels in a timely manner. Special Fuel Rebate of 1.1 cents per unit of electricity was offered to all our customers in May 2023 so as to freeze the Fuel Clause Charge payable in May 2023 at April 2023 level (2022: Nil). Special Fuel Rebate for the year ended 31 December 2022 was attributable to adjustment of prior year billings.

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

18. LOAN FROM A SUBSIDIARY

The loan from a subsidiary is unsecured, interest-bearing at rates representing the cost of funds to the subsidiary and is repayable on the maturity of the subsidiary's external financing arrangements as disclosed in note 24.

19. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY, IMMEDIATE HOLDING COMPANY AND A SUBSIDIARY

The amounts due from/to ultimate holding company, immediate holding company and a subsidiary are unsecured, interest-free and repayable on demand.

20. BANK LOANS

	2023 $'000	2022 $'000
Unsecured bank loans	14,336,334	15,314,071
Current portion	(415,000)	(257,000)
Non-current portion	13,921,334	15,057,071

Some banking facilities of the Company are subject to the fulfilment of covenants relating to certain of the Company's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Company were to breach the covenants, the drawn down facilities would become payable on demand. The Company regularly monitors its compliance with these covenants. Further details of the Company's management of liquidity risk are set out in note 29(b). As at 31 December 2023 and 2022, none of the covenants relating to drawn down facilities had been breached.

21. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2023 $'000	2022 $'000
Trade and other payables		
Creditors measured at amortised cost	3,155,308	4,498,664
Lease liabilities (see note 26(b))	2,117	531
Derivative financial instruments (see note 23)	1,150	30,322
Amount due to a joint venture (see note 33(b)(ii))	401	-
	3,158,976	4,529,517
Contract liabilities (see note (a) below)	33,137	62,678
	3,192,113	4,592,195

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

(a) Contract liabilities

(i) The contract liabilities relate to the advance consideration received from customers for electricity related income, which consists mainly of (1) service charges for permanent supply, 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 income 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 are as follows:

	2023 $'000	2022 $'000
At 1 January	62,678	78,297
Increase in contract liabilities as a result of billing in advance for performance of electricity-related services	6,014	47,152
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	(35,555)	(62,771)
At 31 December	33,137	62,678

22. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	2023 $'000	2022 $'000
Provision for Hong Kong Profits Tax for the year	908,507	187,150
Balance of Profits Tax provision relating to prior year	(19,467)	(38,031)
	889,040	149,119

(b) Deferred tax liabilities/(assets) recognised:

The components of deferred tax liabilities/(assets) recognised in the statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation $'000	Fuel Clause Recovery Account $'000	Defined Benefit Retirement Schemes $'000	Others $'000	Total $'000
At 1 January 2022	6,992,865	41,589	65,443	13,919	7,113,816
Charged/(credited) to profit or loss	272,583	270,559	(1,826)	(2,501)	538,815
Charged to other comprehensive income	-	-	6,416	63,158	69,574
Charged directly in equity	-	-	-	716	716
At 31 December 2022	7,265,448	312,148	70,033	75,292	7,722,921

	Depreciation allowances in excess of the related depreciation	Fuel Clause Recovery Account	Defined Benefit Retirement Schemes	Others	Total
	$'000	$'000	$'000	$'000	$'000
At 1 January 2023	7,265,448	312,148	70,033	75,292	7,722,921
Charged/(credited) to profit or loss	176,491	(320,954)	2,869	4,027	(137,567)
Charged/(credited) to other comprehensive income	-	-	5,830	(114,537)	(108,707)
Charged directly in equity	-	-	-	945	945
At 31 December 2023	7,441,939	(8,806)	78,732	(34,273)	7,477,592

The Company had no material unprovided deferred tax assets or liabilities as at 31 December 2023 and 2022.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000
Derivative financial instruments used for hedging:				
Cash flow hedges:				
Cross currency swaps	-	(92,414)	-	(41,228)
Interest rate swaps	361,412	(15,533)	563,605	(43,218)
Forward foreign exchange contracts	135,249	(63,857)	479,250	(7,658)
Fair value hedges:				
Forward foreign exchange contracts	375	(17)	553	(16,278)
	497,036	(171,821)	1,043,408	(108,382)
Analysed as:				
Current	906	(1,150)	1,707	(30,322)
Non-current	496,130	(170,671)	1,041,701	(78,060)
	497,036	(171,821)	1,043,408	(108,382)

24. DEBT PROFILE

	2023		
	Bank loans	Loan from a subsidiary	Total
	$'000	$'000	$'000
Repayable within 1 year	415,000	299,915	714,915
Repayable after 1 year but within 5 years	13,921,334	7,671,314	21,592,648
Repayable after 5 years	-	19,173,509	19,173,509
	14,336,334	27,144,738	41,481,072

	2022		
	Bank loans	Loan from a subsidiary	Total
	$'000	$'000	$'000
Repayable within 1 year	257,000	299,764	556,764
Repayable after 1 year but within 5 years	15,057,071	6,921,120	21,978,191
Repayable after 5 years	-	20,004,377	20,004,377
	15,314,071	27,225,261	42,539,332

25. EMPLOYEE RETIREMENT BENEFITS

The Company offers 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 25(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 Company's 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 ("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, which include discount rate, long-term salary increase rate and future pension increase rate, are disclosed in note 25(a)(vii), together with appropriate provisions for mortality rates, turnover and adjustments to reflect the short-term market expectation of salary increases. The most recent actuarial valuation of the Pension Scheme was carried out by the appointed actuary, represented by Ms. Wing Lui, FSA, as at 1 January 2021. The valuation revealed that the assets of the Pension Scheme were sufficient to cover the aggregate vested liabilities as at the valuation date.

Both defined benefit retirement schemes expose the Company to investment risk, interest rate risk and salary risk while the Pension Scheme also exposes the Company to risks of longevity and inflation.

The retirement scheme expense/income recognised in profit or loss for the year ended 31 December 2023 was determined in accordance with HKAS 19 (2011), *Employee benefits.*

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

	2023 $'000	2022 $'000
Fair value of the assets of the Schemes	3,085,277	3,064,943
Present value of defined benefit obligations	(2,307,977)	(2,340,817)
	777,300	724,126
Represented by:		
Employee retirement benefit scheme assets	968,323	882,364
Employee retirement benefit scheme liabilities	(191,023)	(158,238)
	777,300	724,126

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 twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

(ii) Movements in the fair value of the assets of the Schemes are as follows:

	2023 $'000	2022 $'000
At 1 January	3,064,943	3,816,505
Interest income on the Schemes' assets	109,294	50,684
Return on Schemes' assets, excluding interest income	130,340	(533,150)
Employer contributions paid to the Schemes	31,295	34,887
Employee contributions paid to the Schemes	9,418	10,391
Benefits paid	(260,013)	(314,374)
At 31 December	3,085,277	3,064,943

The Company expects to contribute $35,424,000 to its defined benefit retirement schemes in 2024.

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

	2023 $'000	2022 $'000
At 1 January	2,340,817	3,121,045
Current service cost	37,936	52,390
Interest cost	84,811	43,405
Employee contributions paid to the Schemes	9,418	10,391
Actuarial losses/(gains) due to:		
– liability experience	1,705	(22,641)
– changes in financial assumptions	93,303	(552,241)
– changes in demographic assumption	-	2,842
Benefits paid	(260,013)	(314,374)
At 31 December	2,307,977	2,340,817

(iv) The expenses recognised in the statement of profit or loss, prior to any capitalisation of employment costs attributable to additions of property, plant and equipment, is as follows:

	2023 $'000	2022 $'000
Current service cost	37,936	52,390
Net interest income on net defined benefit asset/liability	(24,483)	(7,279)
	13,453	45,111

The expenses are recognised in the following line items in the statement of profit or loss:

	2023 $'000	2022 $'000
Direct costs	7,681	30,597
Other operating costs	5,772	14,514
	13,453	45,111

(v) The cumulative amount of actuarial losses recognised in the statement of comprehensive income is as follows:

	2023 $'000	2022 $'000
At 1 January	143,906	182,796
Remeasurement of net defined benefit asset/liability recognised in the statement of comprehensive income during the year	(35,332)	(38,890)
At 31 December	108,574	143,906

(vi) The assets of the Schemes comprise:

	2023 $'000	2022 $'000
Hong Kong equities	220,102	258,775
European equities	155,029	155,740
North American equities	517,468	460,053
Asia Pacific and other equities	142,658	132,006
Global bonds	2,005,272	2,001,377
Deposits, cash and others	44,748	56,992
	3,085,277	3,064,943

Strategic investment decisions are taken with respect to the risk and return profiles. There has been no change in the process used by the Company to manage its risks from prior periods.

(vii) The principal actuarial assumptions used as at 31 December are as follows:

	2023	2022
Discount rate		
– The Pension Scheme	3.5%	4.0%
– The Defined Contribution Scheme – DB Portion	2.9%	3.4%
Long term salary increase rate	5.0%	5.0%
Future pension increase rate	2.5%	2.5%

(viii) Sensitivity analysis

(a) The Pension Scheme

	Increase/(decrease) in defined benefit obligation	
	2023	2022
Actuarial assumptions	$'000	$'000
Discount rate		
– increase by 0.25%	(35,716)	(34,081)
– decrease by 0.25%	37,327	35,620
Pension increase rate		
– increase by 0.25%	36,051	34,524
– decrease by 0.25%	(34,669)	(33,192)
Mortality rate applied to specific age		
– set forward one year	(49,733)	(44,530)
– set backward one year	50,202	44,771

(b) The Defined Contribution Scheme – DB Portion

	Increase/(decrease) in defined benefit obligation	
	2023	2022
Actuarial assumptions	$'000	$'000
Discount rate		
– increase by 0.25%	(11,822)	(13,385)
– decrease by 0.25%	12,081	13,689
Interest to be credited increase by 0.25%	12,040	13,709

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 statement of financial position. The analysis has been performed on the same basis as for 2022.

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

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

(b) Defined contribution retirement schemes

	2023 $'000	2022 $'000
Expenses recognised in profit or loss	76,658	71,445

Forfeited contributions of $2,046,000 (2022: $1,492,000) have been received during the year.

26. OTHER NON-CURRENT LIABILITIES

	2023 $'000	2022 $'000
Provisions (see note (a) below)	1,381,406	1,429,175
Lease liabilities (see note (b) below)	865	380
	1,382,271	1,429,555

(a) Provisions

Provisions for asset decommissioning obligation	2023 $'000
At 1 January	1,429,175
Additional provisions made	76,120
Provisions utilised	(123,889)
At 31 December	1,381,406

Under SoCA, provision which represents the best estimation of expenditure required to settle asset decommissioning obligation has to be made to the extent that the Company 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 Company's lease liabilities:

	2023		2022	
	Present value of the lease payments	Total lease payments	Present value of the lease payments	Total lease payments
	$'000	$'000	$'000	$'000
Within 1 year	2,117	2,177	531	548
After 1 year but within 2 years	865	874	380	385
	2,982	3,051	911	933
Less: total future interest expenses		(69)		(22)
Present value of lease liabilities		2,982		911

27. OTHER CASH FLOW INFORMATION

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

	2023	2022
	$'000	$'000
Profit before taxation	4,698,492	4,352,960
Adjustments for:		
Net financial instrument revaluation and exchange (gains)/losses	(2,624)	4,645
Finance costs	1,044,491	751,962
Interest expense transferred to fuel costs	35,240	32,796
Interest income	(43,622)	(30,327)
Depreciation	2,428,312	2,487,047
Amortisation of leasehold land	64,062	64,003
Net loss on disposal and written off of property, plant and equipment	107,424	70,693
Increase in provisions for asset decommissioning obligation	76,120	120,098
Operating profit before changes in working capital	8,407,895	7,853,877
Decrease/(increase) in inventories	445,217	(549,718)
Increase/decrease in net employee retirement benefit scheme assets/liabilities	(17,842)	10,224
Decrease/(increase) in trade and other receivables	156,373	(371,324)
(Decrease)/increase in trade and other payables and contract liabilities	(1,280,096)	984,658
Decrease in amount due from ultimate holding company	-	1,691
Increase in amount due to ultimate holding company	125,332	10,647
Payment for asset decommissioning obligation expenditure	(123,889)	(4,805)
Movements in Fuel Clause Recovery Account	1,945,178	(1,639,754)
Smart Power Care Fund disbursement	(62,732)	(18,264)
Special rebates	13	(99,337)
Cash generated from operations	9,595,449	6,177,895

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's 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 Company's cash flow statement as cash flows from financing activities.

	Loan from a subsidiary (note 18)	Bank loans (note 20)	Customers' deposits	Lease liabilities (note 26(b))	Amount due to immediate holding company	Derivative financial instruments held to hedge borrowings (assets)	Derivative financial instruments held to hedge borrowings (liabilities)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2023	27,225,261	15,314,071	2,380,866	911	5,394,990	(880,636)	84,446	49,519,909
Changes from financing cash flows:								
Decrease in loan from a subsidiary	(300,000)	-	-	-	-	-	-	(300,000)
Proceeds from bank loans	-	4,564,000	-	-	-	-	-	4,564,000
Repayment of bank loans	-	(5,541,000)	-	-	-	-	-	(5,541,000)
Payment of lease liabilities	-	-	-	(1,403)	-	-	-	(1,403)
New customers' deposits	-	-	311,739	-	-	-	-	311,739
Repayment of customers' deposits	-	-	(243,188)	-	-	-	-	(243,188)
Increase in amount due to immediate holding company	-	-	-	-	760,911	-	-	760,911
Total changes from financing cash flows	(300,000)	(977,000)	68,551	(1,403)	760,911	-	-	(448,941)
Changes in fair value	-	-	-	-	-	418,229	46,162	464,391
Other changes:								
Increase in lease liabilities	-	-	-	3,474	-	-	-	3,474
Interest on borrowing and other finance costs	219,477	(737)	-	-	-	-	-	218,740
At 31 December 2023	27,144,738	14,336,334	2,449,417	2,982	6,155,901	(462,407)	130,608	49,757,573

	Loan from a subsidiary (note 18)	Bank loans (note 20)	Customers' deposits	Lease liabilities (note 26(b))	Amount due to immediate holding company	Derivative financial instruments held to hedge borrowings (assets)	Derivative financial instruments held to hedge borrowings (liabilities)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2022	27,013,886	10,948,349	2,317,460	1,077	4,826,548	(389,546)	90,642	44,808,416
Changes from financing cash flows:								
Proceeds from bank loans	-	8,853,000	-	-	-	-	-	8,853,000
Repayment of bank loans	-	(4,480,000)	-	-	-	-	-	(4,480,000)
Payment of lease liabilities	-	-	-	(982)	-	-	-	(982)
New customers' deposits	-	-	305,713	-	-	-	-	305,713
Repayment of customers' deposits	-	-	(242,307)	-	-	-	-	(242,307)
Increase in amount due to immediate holding company	-	-	-	-	568,442	-	-	568,442
Total changes from financing cash flows	-	4,373,000	63,406	(982)	568,442	-	-	5,003,866
Changes in fair value	-	-	-	-	-	(491,090)	(6,196)	(497,286)
Other changes:								
Increase in lease liabilities	-	-	-	816	-	-	-	816
Interest on borrowing and other finance costs	211,375	(7,278)	-	-	-	-	-	204,097
At 31 December 2022	27,225,261	15,314,071	2,380,866	911	5,394,990	(880,636)	84,446	49,519,909

28. CAPITAL AND RESERVES

(a) Share capital

	2023		2022	
	No of Shares ('000)	$'000	No of Shares ('000)	$'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	1,205,800	2,411,600	1,205,800	2,411,600

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

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(b) Nature and purpose of 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 2(p)(ii). Under HKFRS 9, *Financial Instruments*, if the Company excludes the forward element of forward contracts and the foreign currency basis spread of financial instruments (the "excluded elements") from the designation of the hedging instruments, then the excluded elements may be separately accounted for as cost of hedging. The fair value changes of the excluded elements are recognised in a separate component of equity as cost of hedging reserve to the extent that it relates to the hedged items.

The following tables provide a reconciliation of the components in hedging reserve and an analysis of other comprehensive income by risk category that arises from hedge accounting:

(i) Cash flow hedge reserve

	Interest rate risk	Currency risk	Total
	$'000	$'000	$'000
Balance at 1 January 2022	(72,567)	606,068	533,501
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	565,697	6,619	572,316
Reclassification adjustments for amounts transferred to profit or loss (see note 1 below)	8,831	141	8,972
Net deferred tax charged to other comprehensive income	(94,797)	(1,115)	(95,912)
	479,731	5,645	485,376
Amounts transferred to the initial carrying amount of hedged items, net of tax (see note 2 below)	-	2,475	2,475
Balance at 31 December 2022 and 1 January 2023 (see note 3 below)	407,164	614,188	1,021,352
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	(116,724)	17,797	(98,927)
Reclassification adjustments for amounts transferred to profit or loss (see note 1 below)	(142,418)	209	(142,209)
Net deferred tax credited/(charged) to other comprehensive income	42,758	(2,971)	39,787
	(216,384)	15,035	(201,349)
Amounts transferred to the initial carrying amount of hedged items, net of tax (see note 2 below)	-	3,336	3,336
Balance at 31 December 2023 (see note 3 below)	190,780	632,559	823,339

Note 1: Amounts reclassified to profit or loss are recognised in the "Finance costs" line item in the 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 statement of financial position.

Note 3: The entire balance relates to continuing hedges.

(ii) Cost of hedging reserve

	Foreign currency basis Spread	Forward element	Total
	$'000	$'000	$'000
Balance at 1 January 2022	(25,411)	(388,470)	(413,881)
Hedging for time-period related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	(19,904)	(114,278)	(134,182)
– Reclassification adjustments for amounts transferred to profit or loss (see note 1 below)	-	(62,985)	(62,985)
Hedging for transaction related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	-	(1,347)	(1,347)
– Amounts transferred to the initial carrying amount of hedged items, net of tax (see note 2 below)	-	1,146	1,146
Net deferred tax credited to other comprehensive income	3,284	29,470	32,754
Balance at 31 December 2022 and 1 January 2023 (see note 3 below)	(42,031)	(536,464)	(578,495)
Hedging for time-period related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	33,448	(428,388)	(394,940)
– Reclassification adjustments for amounts transferred to profit or loss (see note 1 below)	-	(62,751)	(62,751)
Hedging for transaction related hedged items			
– Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income	-	4,662	4,662
– Amounts transferred to the initial carrying amount of hedged items, net of tax (see note 2 below)	-	1,449	1,449
Net deferred tax (charged)/credited to other comprehensive income	(5,519)	80,269	74,750
Balance at 31 December 2023 (see note 3 below)	(14,102)	(941,223)	(955,325)

Note 1: Amounts reclassified to profit or loss are recognised in the "Finance costs" line item in the 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 statement of financial position.

Note 3: The entire balance relates to continuing hedges.

(c) Components of the Company's capital and reserves

The opening and closing balances of each component of the Company's equity and a reconciliation between these amounts are set out in the statement of changes in equity.

(d) Capital management

The Company's primary objectives 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 shareholders and benefits for other stakeholders;
- to provide returns to shareholders by securing access to finance at a reasonable cost;
- to support the Company's stability and future growth; and
- to provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Company and capital efficiency, forecast profitability, forecast operating cash flows, forecast capital expenditure and projected investment opportunities.

During 2023, the Company's strategy, which was unchanged from 2022, was to control its 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 Company may adjust the amount of dividends paid to the holding company, issue new shares, return capital to the holding company, raise new debt financing or sell assets to reduce debt.

The gearing ratio of the Company at 31 December 2023 and 2022 was as follows:

	2023 $'000	2022 $'000
Total interest-bearing borrowings	41,524,647	42,539,332
Total assets	68,572,459	70,111,624
Gearing ratio	60.6%	60.7%

The Company acted as the guarantor in respect of the medium term notes issued by its subsidiary of $27,260,791,000 (2022: $27,361,852,000), out of which $4,072,707,000 (2022: $3,901,995,000) was jointly and severally guaranteed by the Company and the ultimate holding company. The net proceeds from the medium term notes have been on-lent to the Company for general corporate purposes and reflected as loan from a subsidiary in the statement of financial position.

Total interest-bearing borrowings of the Company as at 31 December 2023 and 2022 include bank overdrafts, bank loans and loan from a subsidiary as shown in the statement of financial position of the Company.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company is exposed to credit, liquidity, interest rate and currency risks in the normal course of its business. In accordance with the Company's 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 Company does not hold or issue derivative financial instruments for trading or speculative purposes.

(a) Credit risk

The Company's 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 Company has 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, the Company obtains collateral in the form of security deposits or bank guarantees from customers in accordance with the Supply Rules. At 31 December 2023, the collateral held by the Company mitigated its credit risk by $451,252,000 (2022: $507,836,000).

The Company has a defined minimum credit rating requirement and transaction limit for counterparties when dealing in financial derivatives or placing deposits to minimise credit exposure. The Company does not expect any counterparty to fail to meet its obligations.

The Company has 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 Company's total revenue.

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

Except for the financial guarantees given by the Company as set out in note 31, the Company has not provided any other guarantee which would expose the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 31.

Further quantitative disclosures in respect of the Company's exposure to credit risk arising from trade and other receivables are set out in note 16.

Offsetting financial assets and financial liabilities

The Company's derivative transactions are executed with financial institutions and governed by either International Swaps and Derivatives Association ("ISDA") Master Agreements 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 Company does 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 a 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 as at the end of the reporting period:

	2023			2022		
	Gross amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount	Gross amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
Financial assets	$'000	$'000	$'000	$'000	$'000	$'000
Interest rate swaps (note 29(f)(i))	361,412	(107,947)	253,465	563,605	(71,610)	491,995
Forward foreign exchange contracts (note 29(f)(i))	135,624	(63,874)	71,750	479,803	(36,772)	443,031
	497,036	(171,821)	325,215	1,043,408	(108,382)	935,026
Financial liabilities						
Cross currency swaps (note 29(f)(i))	92,414	(92,414)	-	41,228	(41,228)	-
Interest rate swaps (note 29(f)(i))	15,533	(15,533)	-	43,218	(43,218)	-
Forward foreign exchange contracts (note 29(f)(i))	63,874	(63,874)	-	23,936	(23,936)	-
	171,821	(171,821)	-	108,382	(108,382)	-

(b) Liquidity risk

The Company's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term. The Company has undrawn committed bank facilities of $6,535,000,000 at 31 December 2023 (2022: $3,400,000,000).

The following tables show the remaining contractual maturities at the end of the reporting period of the Company's 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 Company can be required to pay.

	2023					
	Contractual undiscounted cash outflows/(inflows)					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount at 31 Dec $'000
Non-derivative financial liabilities						
Loan from a subsidiary plus accrued interest	882,893	871,518	8,633,627	28,578,470	38,966,508	27,278,059
Bank loans plus accrued interest	1,264,024	846,038	14,862,853	-	16,972,915	14,391,890
Bank overdrafts – unsecured	43,575	-	-	-	43,575	43,575
Creditors and accrued charges	3,052,886	-	-	-	3,052,886	3,052,886
	5,243,378	1,717,556	23,496,480	28,578,470	59,035,884	44,766,410
Derivative financial instruments						
Net settled						
Interest rate swaps and related interest accruals	(208,207)	(208,190)	(290,807)	(80,471)	(787,675)	(355,490)
Gross settled						
Cross currency swaps and related interest accruals						85,747
- outflow	202,573	201,090	179,605	55,217	638,485	
- inflow	(197,438)	(197,438)	(171,844)	(58,500)	(625,220)	
Forward foreign exchange contracts held as cash flow hedging instruments						(71,392)
- outflow	1,553,370	-	3,377,850	13,372,339	18,303,559	
- inflow	(1,550,873)	-	(3,510,000)	(14,013,099)	(19,073,972)	
Other forward foreign exchange contracts						(358)
- outflow	144,555	-	-	-	144,555	
- inflow	(144,632)	-	-	-	(144,632)	

	2022					
	Contractual undiscounted cash outflows/(inflows)					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount at 31 Dec $'000
Non-derivative financial liabilities						
Loan from a subsidiary plus accrued interest	895,345	882,892	8,092,461	29,991,154	39,861,852	27,359,688
Bank loans plus accrued interest	1,037,756	1,739,863	15,463,774	-	18,241,393	15,357,097
Creditors and accrued charges	4,442,161	-	-	-	4,442,161	4,442,161
	6,375,262	2,622,755	23,556,235	29,991,154	62,545,406	47,158,946
Derivative financial instruments						
Net settled						
Interest rate swaps and related interest accruals	(157,246)	(164,905)	(377,565)	(102,661)	(802,377)	(528,706)
Gross settled						
Cross currency swaps and related interest accruals						34,517
- outflow	201,512	202,573	349,192	86,720	839,997	
- inflow	(197,438)	(197,438)	(340,031)	(87,750)	(822,657)	
Forward foreign exchange contracts held as cash flow hedging instruments						(471,592)
- outflow	175,863	3,824	3,377,850	13,372,339	16,929,876	
- inflow	(170,562)	(2,903)	(3,510,000)	(14,013,099)	(17,696,564)	
Other forward foreign exchange contracts						15,725
- outflow	301,901	-	-	-	301,901	
- inflow	(286,792)	-	-	-	(286,792)	

(c) Interest rate risk

The Company is 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 Company's interest rate risk arises primarily from long-term external borrowings.

(i) Hedges of interest rate risk

The Company's policy is to maintain a balanced combination of fixed and variable rate borrowings to reduce its interest rate exposure. The Company also uses cross currency swaps and interest rate swaps to manage the exposure in accordance with the treasury policy.

The Company classifies 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 2(p). 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 Company seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the cross currency swaps/interest rate swaps and the 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 Company's own credit risk on the fair value of the swaps; and
- differences in repricing dates between the swaps and the borrowings.

(ii) Interest rate risk profile

The following table details the interest rate profile of the Company's net interest-bearing assets and liabilities at the end of the reporting period, after taking into account the effect of cross currency swaps and interest rate swaps designated as cash flow or fair value hedging instruments (see (i) above).

	2023		2022	
	Effective Interest Rate %	$'000	Effective Interest Rate %	$'000
Net fixed rate assets/(liabilities):				
Deposits with banks and other financial institutions	-	-	4.06	251,895
Loan from a subsidiary	2.90	(27,144,738)	2.90	(27,225,261)
Bank loans	2.15	(5,234,699)	2.19	(5,227,874)
		(32,379,437)		(32,201,240)
Net variable rate assets/(liabilities):				
Cash at bank and in hand	0.03	19,923	0.03	72,194
Bank loans	6.25	(9,101,635)	5.54	(10,086,197)
Bank overdrafts – unsecured	5.88	(43,575)	-	-
Customers' deposits	0.88	(2,449,417)	0.63	(2,380,866)
		(11,574,704)		(12,394,869)

(iii) Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Company's profit after taxation and revenue reserve by approximately $77,954,000 (2022: $82,610,000). Other components of equity would have increased/decreased by approximately $145,523,000 (2022: $172,906,000) in response to the general increase/ decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis has been performed on the same basis as for 2022.

(d) Currency risk

The Company is exposed to currency risk primarily through purchases and borrowings that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily United States dollars, Japanese Yen, Pounds Sterling and Euros.

(i) Hedges of currency risk

The Company's policy is to hedge 100% of its foreign currency borrowings and to hedge its estimated foreign currency exposure in respect of forecast purchases in accordance with its treasury policy. The Company uses 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 2(p). The Company designates the spot element of forward foreign exchange contracts to hedge the Company's 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 Company's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The Company applies 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 Company's own credit risk on the fair value of the forward foreign exchange contracts; and
- changes in the timing of the hedged transactions.

The Company's 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 Company's borrowings.

(ii) Exposure to currency risk

The following table details the Company's exposure at the end of the reporting period to currency risk arising from the recognised assets or liabilities denominated in a currency other than the functional currency of the Company.

		2023		
'000 (expressed in original currencies)	USD	JPY	GBP	EUR
Trade and other receivables	(92)	(420)	-	-
Cash and bank balances	-	(465)	(3)	(3)
Trade and other payables and contract liabilities	95,529	1,406,991	214	73
Loan from a subsidiary	2,272,142	-	-	-
Gross exposure arising from recognised assets and liabilities	2,367,579	1,406,106	211	70
Notional amounts of forward foreign exchange contracts designated as hedging instruments	(1,339,766)	(130,713)	-	-
Notional amounts of cross currency swaps designated as hedging instruments	(950,000)	-	-	-
Net exposure arising from recognised assets and liabilities	77,813	1,275,393	211	70

'000 (expressed in original currencies)	2022 USD	JPY	GBP	EUR
Trade and other receivables	(259)	(180)	-	-
Cash and bank balances	(32,326)	(2,071)	(4)	(4)
Trade and other payables and contract liabilities	189,466	1,125,786	221	142
Loan from a subsidiary	2,250,256	-	-	-
Gross exposure arising from recognised assets and liabilities	2,407,137	1,123,535	217	138
Notional amounts of forward foreign exchange contracts designated as hedging instruments	(1,329,267)	(985,875)	(133)	(118)
Notional amounts of cross currency swaps designated as hedging instruments	(950,000)	-	-	-
Net exposure arising from recognised assets and liabilities	127,870	137,660	84	20

(iii) Sensitivity analysis

The following table indicates that a 10 percent strengthening of the following currencies against Hong Kong dollars at the end of the reporting period would have increased/decreased the Company's profit after taxation (and revenue reserve) and other components of equity.

	2023		2022	
	Effect on profit after taxation and revenue reserve Increase/ (decrease) $'000	Effect on other components of equity Increase/ (decrease) $'000	Effect on profit after taxation and revenue reserve Increase/ (decrease) $'000	Effect on other components of equity Increase/ (decrease) $'000
Japanese Yen	(58)	281	1,246	5,458
Pounds Sterling	(14)	-	(14)	402
Euros	(25)	119	9	136

A 10 percent weakening in the above currencies against Hong Kong dollars at the end of the reporting period would have had an equal but opposite effect on the Company's profit after taxation (and revenue reserve) and other components of equity.

This sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Company which expose the Company to currency risk at the end of the reporting period, and that all other variables, in particular interest rates, remain constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The analysis has been performed on the same basis as for 2022.

(e) Hedge accounting

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

(i) Cash flow hedges

	2023									
				Carrying amount of hedging instruments included in				Changes in fair value used for calculating hedge ineffectiveness		
Hedging instruments	Maturity date	Weighted average fixed swap rates/ contract rates	Notional amount of hedging instruments $'000	Derivative financial instruments under non-current assets $'000	Trade and other receivables $'000	Derivative financial instruments under non-current liabilities $'000	Trade and other payables and contract liabilities $'000	Hedging instruments $'000	Hedged items $'000	Hedge ineffectiveness recognised in profit or loss $'000
(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	2.23%	17,868,105	361,412	-	(107,947)	-	(116,724)	116,724	-
(2) For hedging currency risk of committed and forecast transactions										
Forward foreign exchange contracts	Ranging from 2024 to 2032	See note below	8,493,142	33,723	531	(40,063)	(1,133)	4,671	(4,671)	-
(3) For hedging currency risk of foreign currency borrowings										
Forward foreign exchange contracts	Ranging from 2027 to 2032	See note below	9,810,432	100,995	-	(22,661)	-	13,126	(13,126)	-

	2022									
				Carrying amount of hedging instruments included in				Changes in fair value used for calculating hedge ineffectiveness		
Hedging instruments	Maturity date	Weighted average fixed swap rates/ contract rates	Notional amount of hedging instruments $'000	Derivative financial instruments under non-current assets $'000	Trade and other receivables $'000	Derivative financial instruments under non-current liabilities $'000	Trade and other payables and contract liabilities $'000	Hedging instruments $'000	Hedged items $'000	Hedge ineffectiveness recognised in profit or loss $'000
(1) For hedging currency risk of foreign currency borrowings and interest rate risk of variable rate borrowings										
Cross currency swaps and interest rate swaps	Ranging from 2023 to 2035	2.23%	17,868,105	563,605	-	(77,287)	(7,159)	565,697	(565,697)	-
(2) For hedging currency risk of committed and forecast transactions										
Forward foreign exchange contracts	Ranging from 2023 to 2032	See note below	7,283,753	161,065	1,154	(773)	(6,885)	(12)	12	-
(3) For hedging currency risk of foreign currency borrowings										
Forward foreign exchange contracts	Ranging from 2027 to 2032	See note below	9,646,123	317,031	-	-	-	6,631	(6,631)	-

(ii) Fair value hedges

	2023									
				Carrying amount included in				Changes in fair value used for calculating hedge ineffectiveness		
Hedging instruments	Maturity date	Weighted average variable swap rates/ contract rates	Notional amount $'000	Derivative financial instruments under non-current assets $'000	Trade and other receivables $'000	Derivative financial instruments under non-current liabilities $'000	Trade and other payables and contract liabilities $'000	Hedging instruments $'000	Hedged items $'000	Hedge ineffectiveness recognised in profit or loss $'000
Forward foreign exchange contracts	2024	See note below	144,555	-	375	-	(17)	358	(358)	-

	2023		
Hedged items	Carrying amount of hedged items (including accumulated fair value hedge adjustments) $'000	Accumulated fair value hedge adjustments of hedged items $'000	Line item in the statement of financial position in which the hedged items are included
Financial liabilities	(144,632)	(358)	Trade and other payables and contract liabilities

	2022									
				Carrying amount included in				Changes in fair value used for calculating hedge ineffectiveness		
Hedging instruments	Maturity date	Weighted average variable swap rates/ contract rates	Notional amount $'000	Derivative financial instruments under non-current assets $'000	Trade and other receivables $'000	Derivative financial instruments under non-current liabilities $'000	Trade and other payables and contract liabilities $'000	Hedging instruments $'000	Hedged items $'000	Hedge ineffectiveness recognised in profit or loss $'000
Forward foreign exchange contracts	2023	See note below	301,901	-	553	-	(16,278)	(7,641)	7,641	-

	2022		
Hedged items	Carrying amount of hedged items (including accumulated fair value hedge adjustments) $'000	Accumulated fair value hedge adjustments of hedged items $'000	Line item in the statement of financial position in which the hedged items are included
Financial liabilities	(286,388)	15,725	Trade and other payables and contract liabilities

Note: The following table provides information on the weighted average contract rates of outstanding forward foreign exchange contracts at the end of the reporting period:

	2023	2022
Weighted average contract rates		
USD: HKD	7.4867	7.4620
JPY: HKD	0.0543	0.0703
GBP: HKD	-	8.9438
EUR: HKD	8.5846	8.9349
JPY: USD	118.1725	102.0011
GBP: USD	-	1.3338

(f) Fair values

The following table presents the fair value of the Company's 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	2023 $'000 Level 2	2022 $'000 Level 2
Financial assets			
Derivative financial instruments:			
- Interest rate swaps	29(a)	361,412	563,605
- Forward foreign exchange contracts	29(a)	135,624	479,803
		497,036	1,043,408
Financial liabilities			
Derivative financial instruments:			
- Cross currency swaps	29(a)	92,414	41,228
- Interest rate swaps	29(a)	15,533	43,218
- Forward foreign exchange contracts	29(a)	63,874	23,936
		171,821	108,382

(ii) Fair values of financial assets and liabilities carried at other than fair value

Trade and other receivables and trade and other payables and contract liabilities are carried at cost or amortised cost which are not materially different from their fair values as at 31 December 2023.

(iii) Valuation techniques and inputs in Level 2 fair value measurements

The fair value of forward foreign exchange contracts is 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.

30. COMMITMENTS

(a) At 31 December 2023, the Company had capital commitments for property, plant and equipment not provided for in the financial statements as follows:

	2023 $'000	2022 $'000
Capital expenditure for property, plant and equipment authorised and contracted for	5,832,176	6,701,963
Capital expenditure for property, plant and equipment authorised but not contracted for	21,072,728	10,411,891

(b) At 31 December 2023, the Company's share of capital commitments of a joint venture was $30,656,000 (2022: $59,262,000).

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

31. CONTINGENT LIABILITIES

The Company acted as the guarantor in respect of the medium term notes issued by its subsidiary of $27,260,791,000 (2022: $27,361,852,000), out of which $4,072,707,000 (2022: $3,901,995,000) was jointly and severally guaranteed by the Company and the ultimate holding company. The net proceeds from the medium term notes have been on-lent to the Company for general corporate purposes and reflected as loan from a subsidiary in the statement of financial position.

The Company had fully complied with the capital requirements under the loan facility agreements.

32. IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

At 31 December 2023, the Directors consider the immediate parent and ultimate controlling party of the Company to be Treasure Business Limited and HKEIL, which are incorporated in the British Virgin Islands and the Cayman Islands respectively. HKEIL produces financial statements available for public use.

33. MATERIAL RELATED PARTY TRANSACTIONS

Except for transactions and balances disclosed elsewhere in the financial statement, the Company had the following material transactions with related parties during the year:

(a) Key management personnel compensation

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7 is as follows:

	2023 $'000	2022 $'000
Short-term employee benefits	71,843	73,376
Post-employment benefits	2,727	2,307
	74,570	75,683

There was no outstanding amount due from key management personnel at 31 December 2023 and 2022.

(b) Related company

Support service charge recovered from Power Assets Holdings Limited group ("PAH group")

Other operating costs included support service charge recovered from PAH group amounting to $44,648,000 (2022: $43,063,000) for provision of the support services and office facilities to PAH 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 PAH group on a fair and equitable basis, taking into account the time spent by the relevant personnel when providing such services.

At 31 December 2023, the total outstanding balance receivable from PAH group was $5,623,000 (2022: $4,467,000).

Subsidiary

Interest expenses paid/payable in respect of the loans from a subsidiary amounted to $794,469,000 (2022: $786,918,000) for the year. Details of the loan from a subsidiary at 31 December 2023 are disclosed in note 18.

Joint venture

(i) The details of Shareholder Loan Facility provided to HKLTL by the Company and the outstanding loan balance as at 31 December 2023 are disclosed in note 14.

(ii) Amount due from/to HKLTL is unsecured, interest-free and has no fixed term of repayment.

(iii) Under a Joint Development Agreement entered into between the Company, CAPCO and HKLTL for the development of LNG terminal, the Company and CAPCO will perform project management and provide supports to HKLTL in the development and construction of the LNG terminal. In 2023, HKLTL reimbursed related costs of $11,612,000 (2022: $10,890,000) to the Company.

(iv) Interest income received/receivable from HKLTL in respect of the Shareholder Loan Facility amounted to $36,050,000 (2022: $26,854,000) for the year.

(v) Under a Terminal Use Agreement entered into between the Company, CAPCO and HKLTL, Operational Service Charges and Facility Service Charges recovered by HKLTL amounted to $184,165,000 (2022: $2,672,000) and $35,434,000 (2022: $507,000) respectively.

(vi) Under a Secondment Agreement and a Master Service Agreement entered into between the Company and HKLTL, the Company will provide certain corporate support services to HKLTL. In 2023, service fees of $8,197,000 (2022: $575,000) were charged to HKLTL.

34. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the Directors used in applying the Company's accounting policies have a significant impact on the Company's financial position and operating results. Some of the accounting policies require the Company to apply estimates and judgements on matters that are inherently uncertain. Certain critical accounting judgements in applying the Company's 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 Company reviews 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

In considering the impairment losses that may be required for the property, plant and equipment and interests in leasehold land of the Company, 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 are discounted to their present value, which requires significant judgement. The Company uses 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.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments to HKFRS which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2024
Amendments to HKAS 1, *Non-current liabilities with covenants*	1 January 2024
Amendments to HKAS 21, *Lack of Exchangeability*	1 January 2025

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 the above is unlikely to have a significant impact on the Company's results of operations and financial position.

THE ISSUER

Hongkong Electric Finance Limited
Vistra Corporate Services Centre
Wickhams Cay II
Road Town, Tortola, VG1110
British Virgin Islands

THE GUARANTOR

The Hongkong Electric Company, Limited
香港電燈有限公司
Hongkong Electric Centre
44 Kennedy Road
Hong Kong

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

Deutsche Bank AG, London Branch
21 Moorfields
London EC2Y 9DB
United Kingdom

Deutsche Bank AG, Hong Kong Branch
60/F
International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

REGISTRAR

Deutsche Bank Trust Company Americas
1 Columbus Circle
4th Floor
Mail Stop: NYC01-0417
New York, NY 10019
United States of America

Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer
L-1115 Luxembourg

CMU LODGING AGENT AND TRANSFER AGENT

Deutsche Bank AG, Hong Kong Branch
Level 60
International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

EXCHANGE AGENT

Deutsche Bank Trust Company Americas
1 Columbus Circle
4th Floor
Mail Stop: NYC01-0417
New York, NY 10019
United States of America

LEGAL ADVISERS

To the Guarantor as to English and Hong Kong law

King & Wood Mallesons
13th Floor, Gloucester Tower, The Landmark
15 Queen's Road Central
Central
Hong Kong

To the Issuer as to British Virgin Islands law

Harney Westwood & Riegels (BVI) LP
4th Floor, Sierra Quebec Bravo
77 Marsh Wall
London, E14 9SH
United Kingdom

To the Dealers as to English law

Allen Overy Shearman Sterling
9th Floor
Three Exchange Square, Central
Hong Kong

AUDITORS

To the Guarantor

KPMG
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

DEALERS

Australia and New Zealand Banking Group Limited
22/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

Bank of China (Hong Kong) Limited
34/F, Bank of China Tower
1 Garden Road
Hong Kong

Barclays Bank PLC
1 Churchill Place
London E14 5HP
United Kingdom

BNP PARIBAS
63/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Citigroup Global Markets Ltd
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Crédit Agricole Corporate and Investment Bank
30th Floor
Two Pacific Place
88 Queensway
Hong Kong

Deutsche Bank AG, Hong Kong Branch
60/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 17, HSBC Main Building
1 Queen's Road Central
Hong Kong

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Mizuho Securities Asia Limited
14-15F, K11 Atelier
18 Salisbury Road
Tsim Sha Tsui
Kowloon, Hong Kong

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Standard Chartered Bank
One Basinghall Avenue
London EC2V 5DD
United Kingdom

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Appendix II – Pricing Supplement dated 5 January 2026

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PRICING SUPPLEMENT

5 January 2026

HONGKONG ELECTRIC FINANCE LIMITED
Legal Entity Identifier (LEI): 254900ZFMQ2KI2067818

Issue of HK$2,000,000,000 3.30 per cent. Notes due 2031 (the "Notes")
unconditionally and irrevocably guaranteed by
THE HONGKONG ELECTRIC COMPANY, LIMITED
香港電燈有限公司
under the U.S.$5,000,000,000
Medium Term Note Programme (the "Programme")

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "***Hong Kong Stock Exchange***")) ("***Professional Investors***") only.

Notice to Hong Kong investors: Each of the Issuer and the Guarantor confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

This document constitutes the pricing supplement relating to the issue of Notes described herein (the "***Pricing Supplement***").

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "***Conditions***") set forth in the offering circular dated 29 May 2025 (the "***Offering Circular***"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

PRIIPs REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "***EEA***"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "***MiFID II***"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, "***Insurance Distribution Directive***"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "***Prospectus Regulation***"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "***PRIIPs Regulation***") for offering or selling the Notes or otherwise making them available to retail

investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "***UK***"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("***EUWA***"); (ii) a customer within the meaning of the provisions of the Financial Services and Market Act 2000 (the "***FSMA***") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "***UK PRIIPs Regulation***") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

1.	(i)	Issuer:	Hongkong Electric Finance Limited
	(ii)	Guarantor:	The Hongkong Electric Company, Limited 香港電燈有限公司
2.	(i)	Series Number:	037
	(ii)	Tranche Number:	001
	(iii)	Date on which the Notes will be consolidated and form a single Series:	Not Applicable
3.	Specified Currency or Currencies:		Hong Kong dollar (HK$)
4.	Aggregate Nominal Amount:		
	(i)	Series:	HK$2,000,000,000
	(ii)	Tranche:	HK$2,000,000,000
5.	(i)	Issue Price:	100.00 per cent. of the Aggregate Nominal Amount
	(ii)	Net proceeds:	HK$1,998,000,000
6.	(i)	Specified Denominations:	HK$1,000,000 and integral multiples of HK$500,000 in excess thereof
	(ii)	Calculation Amount:	HK$500,000
7.	Issue Date and Interest Commencement Date:		12 January 2026
8.	Maturity Date:		Interest Payment Date falling on or nearest to 11 January 2031
9.	Interest Basis:		3.30 per cent. Fixed Rate

		(further particulars specified below)
10.	Redemption/Payment Basis:	Redemption at par
11.	Change of Interest Basis or Redemption/Payment Basis:	Not Applicable
12.	Put/Call Options:	Issuer Call (further particulars specified below)
13.	Listing:	The Stock Exchange of Hong Kong Limited Listing of, and permission to deal in, the Notes is expected to become effective on or around 13 January 2026
14.	Method of distribution:	Syndicated
15.	Private Bank Rebate/Commission:	Not Applicable
16.	Use of Proceeds:	General corporate purposes including but not limited to refinancing of existing indebtedness

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17.	Fixed Rate Note Provisions:		Applicable
	(i)	Rate(s) of Interest:	3.30 per cent. per annum payable in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	11 January and 11 July in each year up to and including the Maturity Date, provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, "**Business Day**" means a day, other than Saturday or Sunday on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong. There shall be a short interest period for the first interest period from (and including) 12 January 2026 to (but excluding) the first Interest Payment Date (11 July 2026).
	(iii)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	Each Fixed Coupon Amount shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the actual number of days in the Accrual Period (as defined in Condition 6(a)) divided by 365 and rounding the resultant figure to the nearest HK$0.01, HK$0.005 being rounded upwards.

(iv)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	Not Applicable
(v)	Day Count Fraction:	Actual/365 (Fixed)
(vi)	Determination Date:	Not Applicable
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	None

18.	Floating Rate Note Provisions:	Not Applicable
19.	Zero Coupon Note Provisions:	Not Applicable
20.	Index Linked Interest Note Provisions:	Not Applicable
21.	Dual Currency Interest Note Provisions:	Not Applicable

PROVISIONS RELATING TO REDEMPTION

22.	Issuer Call:	Applicable
(i)	Optional Redemption Date(s):	At any date on or after 11 July 2030
(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amounts(s):	HK$500,000 per Calculation Amount
(iii)	If redeemable in part:	Not Applicable
(iv)	Notice period (if other than as set out in the Conditions):	Not Applicable

23.	Investor Put:	Not Applicable
24.	Final Redemption Amount(s):	HK$500,000 per Calculation Amount
25.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8(e)):	HK$500,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26.	Form of Notes:	Registered Notes: Regulation S Global Note (HK$2,000,000,000 nominal amount) held through the CMU
27.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	Not Applicable For the avoidance of doubt, Financial Centre is Hong Kong.
28.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	No
29.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable
30.	Details relating to Instalment Notes:	
	(i) Instalment Amount(s):	Not Applicable
	(ii) Instalment Date(s):	Not Applicable
31.	Redenomination applicable:	Redenomination not applicable
32.	Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	hk_syndicate_omnibus@hsbc.com.hk; and sh-asia-ccs-dcm-filing@ubs.com
33.	Marketing and Investor Targeting Strategy:	As indicated in the Offering Circular
34.	Other terms or special conditions:	Not Applicable

DISTRIBUTION

35.	(i) If syndicated, names of Managers:	The Hongkong and Shanghai Banking Corporation Limited and UBS AG Hong Kong Branch
	(ii) Stabilisation Manager(s) (if any):	Any of the Managers

36.	If non-syndicated, name of relevant Dealer:	Not Applicable
37.	U.S. Selling Restrictions	Reg. S Category 2; TEFRA not applicable
38.	Additional selling restrictions:	Not Applicable

OPERATIONAL INFORMATION

39.	Any clearing system(s) other than Euroclear, Clearstream and DTC and the relevant identification number(s):	The CMU
40.	Delivery:	Delivery against payment
41.	In the case of Registered Notes, specify the location of the office of the Registrar if other than New York:	Hong Kong
42.	Additional Paying Agent(s) (if any):	Not Applicable

ISIN:	HK0001241592
Common Code:	326324523
CMU Instrument Number:	DBANFN26001

Listing Application

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.$5,000,000,000 Medium Term Note Programme of Hongkong Electric Finance Limited.

Further Disclosure

This Pricing Supplement and the Offering Circular are supplemented and amended, and are to be read in conjunction with, the further disclosure as set out in the Appendix.

Responsibility

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: (Sd.)
Duly authorised
CHENG CHO YING
DIRECTOR

By: (Sd.)
Duly authorised
CHAN LOI SHUN
DIRECTOR

Signed on behalf of the Guarantor:

By: (Sd.)
Duly authorised
CHENG CHO YING
DIRECTOR

By: (Sd.)
Duly authorised
CHAN LOI SHUN
DIRECTOR

APPENDIX

The following disclosure supplements and amends, and is to be read in conjunction with, the Offering Circular.

This Pricing Supplement and the Offering Circular are to be read in conjunction with all documents which are deemed to be incorporated in the Offering Circular by reference (see "Documents Incorporated by Reference" in the Offering Circular). This Pricing Supplement and the Offering Circular shall be read and construed on the basis that such documents are incorporated herein and therein and form part hereof and thereof.

Changes to the Board of Directors of the Guarantor

With effect from 1 July 2025, KWAN Ying Leung resigned as a Director of the Guarantor and CHOI Wai Man was appointed as a Director of the Guarantor. His information is as follows:

CHOI Wai Man, appointed to the Board in July 2025. Mr. Choi was also appointed to the boards of directors of the Trustee-Manager and HKEIL in July 2025. He serves as Operations Director of the Guarantor responsible for operational activities of the HKEIL Group covering customer services, transmission and distribution, information technology and public affairs. He has been with the HKEIL Group since October 1981, and has over 43 years of experience in electricity supply and customer services. Mr. Choi 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.

Significant or Material Change

Save as disclosed in this Pricing Supplement or the Offering Circular, there has been no significant or material adverse change in the financial or trading position of the Guarantor since 31 December 2024 and there has been no significant or material adverse change in the financial or trading position of the Issuer since its date of incorporation.