Chairman's Statement

Full Year Results

I am pleased to share my Chairman's Statement for 2024, my first as Chairman of Power Assets Holdings Limited ("Power Assets" or the "Group"). The Group's overall financial performance has been robust, with profit contributions from our international quality businesses reporting growth of 5% year on year.

While markets around the world have remained volatile – with persistent challenges presented by geopolitical tensions, inflationary pressure and high interest rates – Power Assets has demonstrated the resilience of its business model and the stability afforded by investments in regulated assets. We have delivered good shareholder returns, rewarding our stakeholders that have shown confidence in our business.

For the year ended 31 December 2024, Power Assets reported a net profit of HK$6,119 million (2023: HK$6,003 million), representing 2% growth over the previous year.

Dividends

The Board of Directors has recommended a final dividend of HK$2.04 per share. Together with the interim dividend of HK$0.78 per share, the total dividend for the year will amount to HK$2.82 per share, in line with the total dividend of HK$2.82 per share last year. The proposed dividend will be paid on 10 June 2025 following approval at the 2025 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on 27 May 2025.

Growth Momentum Continues

In addition to ensuring the success and optimised performance of our existing businesses, Power Assets is focused on strategically expanding our portfolio to ensure sustainable growth for the future. A number of acquisitions that strengthen our portfolio with immediate cashflow and steady revenues were completed during the year.

We have continued to deepen our strategic partnership with CK Infrastructure Holdings Limited (CKI) and CK Asset Holdings Limited (CKA) with the acquisitions of Phoenix Energy and UK Renewables Energy (previously known as Aviva Wind). Phoenix Energy owns the largest natural gas distribution network in Northern Ireland and operates under a supportive regulatory framework. UK Renewables Energy comprises 32 wind farms in England, Scotland and Wales. Power Assets now holds a 20% interest in each of the business, which will further enhance our successful track record in working with CKI and CKA.

The Group's operating company UK Power Networks (UKPN) also acquired Powerlink Renewable Assets, which owns and operates 70 renewable power-generation assets in the United Kingdom (UK).

Firm Financial Foundation

The Group's existing businesses and future growth plans are underpinned by a strong financial foundation. With a net cash position at Power Assets, we are able to demonstrate our sound financial footing. The net debt to net total capital ratio was a robust 44% on a look-through basis (after sharing net debt of our international investment portfolio).

Backed by this low gearing and an "A/Stable" credit rating by Standard & Poor's, we are well-positioned to capitalise on new opportunities going forward. Our balance sheet is strong, and even after recent acquisitions, our financial health remains robust.

International Energy Investment Portfolio

United Kingdom Portfolio

As the Group's largest market, a total contribution of HK$3,199 million was delivered by investments in the UK in 2024 (2023: HK$2,794 million). New revenue streams were generated from newly acquired businesses during the period.

Building on strong operational and financial performance, UKPN achieved good results. The company's outstanding customer service credentials were recognised again as it ranked first among Distribution System Operators in the annual league table published by Ofgem (The Office of Gas and Electricity Markets), the regulator. UKPN remains committed to helping customers reduce the cost of power supply, while delivering the safest and most reliable network possible.

Northern Gas Networks and Wales & West Utilities both delivered solid results for the year and provided stable returns to the Group. They are now actively preparing for the RIIO-GD3 price control period and working diligently to develop net-zero-ready gas networks, in support of the UK's environmental goals for 2050. New hydrogen and green projects are being pursued, in addition to measured capital investment for network improvement to ensure future efficiency, reliability and safety.

Seabank Power Station delivered stable revenues in 2024. Operation targets were successfully achieved for availability, efficiency and start-up performance.

Australian Portfolio

The Group's Australian Portfolio generated profit contribution of HK$1,403 million in 2024 (2023: HK$1,433 million).

SA Power Networks (SAPN) received the draft decision for the upcoming regulatory reset for the period 2025-2030, paving the way for steady and predictable returns in the future. Another milestone was achieved by SAPN in its sustainability journey as it became the first Australian electricity distributor to issue a certified green bond to market.

Both Victoria Power Networks (VPN) and United Energy delivered stable returns and at the same time, new non-regulatory projects were actively pursued to generate additional cashflow and returns. Powercor, a subsidiary of VPN, received a licence to plan, design and build transmission structure within its current distribution footprint to deliver lower costs and faster connections for major projects such as large-scale solar and wind generation.

Solid performance was achieved by Australian Gas Infrastructure Group. Australian Gas Networks commenced the design phase of the Gawler Gate Station project in South Australia, which will enhance the security of gas supply. Multinet Gas Networks made good progress on its mains replacement programme, as well with its information technology programmes – both helping to maintain a strong operational performance.

Dampier Bunbury Pipelines achieved excellent reliability levels, exceeding targets. Energy Developments Limited also operated Limestone and Lorain renewable natural gas plants, contributing to decarbonisation.

Canadian Portfolio

In Canada, the Group's businesses delivered satisfactory results.

Canadian Power successfully extended the long-term power purchase contracts with the customers of its Meridian plant. It will continue to provide cost-effective and reliable electricity to support the economic hub of Northwest Saskatchewan.

Husky Midstream reported good returns, benefiting from the overall positive market environment for crude oil, resulting in increased production from customers and higher throughput volumes.

Other Portfolios

In Mainland China, the Jinwan co-generation power plant continued to generate stable profit contribution. The two wind farms in Dali and Laoting also made significant impact by avoiding 88,000 tonnes of carbon emissions for these provinces.

In the Netherlands, AVR-Afvalverwerking B.V. is currently restoring the Energy-from-Waste plant in Rozenburg after the fire in 2023. It is now in the final stages of reconstruction and has achieved a partial re-start as planned. All seven incineration lines were re-commissioned in the first week of January 2025.

Wellington Electricity in New Zealand reported stable operations and contributed steady cashflow to the Group.

In Thailand, the Ratchaburi Power Company achieved good results, with guaranteed returns from the national offtaker, Electricity Generating Authority of Thailand.

Investment in HK Electric Investments

HK Electric Investments and its sole operating company, HK Electric, continued to provide stable returns to the Group, contributing profit of HK$1,038 million for 2024 (2023: HK$1,053 million).

HK Electric's transition from coal-fired to gas-fired generation marks a critical milestone in its journey toward net-zero electricity generation, supporting the Government's interim decarbonisation target to reduce the city's carbon emissions by 50% before 2035 as compared to the 2005 level. With the commissioning of a new 380-MW gas-fired combined-cycle generating unit (L12) in March 2024, HK Electric has increased gas-fired generation to around 70% of total output. In addition, the company retired two more coal-fired units in the first half of 2024, with a target to phase out all coal-fired generation by 2035.

By adopting a proactive maintenance strategy and enhancing its power network and systems to ensure a stable and reliable power supply under all weather conditions, HK Electric achieved a world-class supply reliability of over 99.9999% in 2024.

Key Sustainability Focus

The global shift towards sustainable and renewable energy sources continues to progress. We have long recognised this changing demand and have been actively responding to this by empowering our existing businesses to spearhead change and by pursuing new investment opportunities in the green arena.

Many governments and local communities around the world have established targets for decarbonisation. We are very supportive of these objectives. Our operating companies are working to secure sustainable electricity and green gas supply for the markets we operate in.

In the UK and Australia, our gas distribution networks have continued to work on clean hydrogen and biomethane projects. Our electricity distribution networks in the UK, Hong Kong and Australia have been building on operational flexibility to accommodate the intermittency of renewable energy, while also providing reliable electricity for EV charging facilities.

The Group will continue to place emphasis on biodiversity and the preservation of natural ecosystems, recognising that they are essential for our long-term sustainability and resilience.

Outlook

Looking ahead, our operating companies are poised to benefit from stable operating environments backed by secure regulatory frameworks, enabling them to deliver predictable revenue streams to the Group.

Given the ongoing challenges in the global macro-economic environment, the Group's sound portfolio of businesses that provide predictable returns will continue to be appealing. We remain relatively insulated from the pressures of inflation and high borrowing costs by our large proportion of regulated businesses.

A key part of our growth strategy is to continue to invest in new businesses globally that meet our criteria, with a focus on high-quality assets in mature, well-regulated energy markets. Projects that meet sustainability objectives will also be prioritised. In making these acquisitions, we will consider continued partnerships with CKI and CKA, given the strategic alignment of our values.

We look forward to continued progress across our portfolio and delivering value to our shareholders.

I would like to extend my gratitude for the ongoing commitment and efforts of our board and employees, as well as the continued support of our shareholders and stakeholders.

Andrew John Hunter
Chairman
Hong Kong, 19 March 2025