

CHAIRMAN'S STATEMENT

Half Year Results

I am delighted to deliver my first statement as Chairman of Power Assets Holdings Limited and express my gratitude to Mr. Fok Kin Ning, Canning, my predecessor, for his strategic vision and invaluable contributions. Mr. Fok retired from the position of Chairman and Executive Director of the company with effect from 1 April 2024. During his tenure, Power Assets has undergone a period of unprecedented growth, establishing it as a global investor in energy and utility-related businesses, with a presence spanning nine markets around the world.

The Group reported unaudited profits of HK\$3,006 million (2023: HK\$2,959 million) for the six months ended 30 June 2024, an increase of 2% over the same period of last year. Despite the high interest rates in global markets and the impact of new price control on UK Power Networks (UKPN), our businesses demonstrated resilience and delivered stable results.

Interim Dividend

The board of directors has declared an interim dividend of HK\$0.78 (2023: HK\$0.78) per share, payable on 24 September 2024 to shareholders whose names appear in the Company's Register of Members on 12 September 2024.

New Acquisitions in the United Kingdom

The period under review saw the Group complete two strategic acquisitions of low-carbon energy businesses in the UK. In April 2024, the Group acquired a 20% stake in Phoenix Energy, Northern Ireland (NI)'s largest natural gas distribution network. This regulated business assures steady revenue streams and significant decarbonisation potential, supporting NI government's net-zero targets. The acquisition was completed in partnership with CK Infrastructure Holdings Limited (CKI) and CK Asset Holdings Limited (CKA).

This was followed by the acquisition of UU Solar via our operating company, UKPN, in May 2024. UU Solar owns and operates 70 renewable power-generation assets, including solar, wind, and hydro plants across the UK. With 90% of its revenue assured through long-term agreements and Government backed renewable energy subsidies, it is expected to yield immediate returns, consistent profit contributions, and steady cash flows for the Group.

Maintaining a Solid Financial Foundation

We strive to maintain a solid financial foundation to respond to new growth opportunities.

Our strong financial position and low gearing, illustrated by an “A/Stable” credit rating by S&P and a net debt to net total capital ratio of 2% (45% on a look-through basis by sharing net debt of the international investment portfolio), position us advantageously for further growth.

International Energy Investment Portfolio

United Kingdom Portfolio

The UK remains our largest market of operation. UKPN completed a year of operations under the RIIO-ED2 new price control period, which incorporates stricter price caps, increased transparency, and new incentives for renewable energy, to ensure a more sustainable energy landscape. Lower finance costs partly offset the impact of price control on UKPN, which allowed our UK businesses to achieve a total contribution of HK\$1,550 million (2023: HK\$1,398 million).

UKPN surpassed multiple operational performance targets. The company maintained its status as the UK’s best-performing distribution network operator for customer service, securing an average customer satisfaction score of 94.3% for 2024. This high performance earned the company an incentive award under the RIIO-ED2 framework.

Northern Gas Networks (NGN) also retained market leadership in customer satisfaction and continued to invest in support of the UK’s 2050 net zero goals.

Wales & West Utilities (WWU) met all of its regulatory targets and led the industry in emergency response, an important metric for the gas distribution industry as a whole.

Seabank Power Station operated at a higher load factor than projected. Average operational availability, efficiency, and start-up performance have met or exceeded expectations.

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Australian Portfolio

The Australian portfolio delivered a profit contribution of HK\$601 million (2023: HK\$558 million), thanks to strong consumption from both residential and business customers. Following regulatory resets, our operating companies have a stable framework in which to operate. They are focused on supporting major infrastructure projects, strengthening grid agility and resilience to address accelerating uptake of renewable energy and extreme weather events.

SA Power Networks (SAPN) was recognised for its excellent response during a major flood of the Murray River in 2023, impacting homes, businesses, and infrastructure.

CitiPower, a subsidiary of Victoria Power Networks, initiated the first phase of a significant power upgrade to Melbourne's underground network, addressing the growing demand from population increase, greater electrification, and more electric vehicles (EVs).

United Energy moved to a new state-of-the-art facility in Glen Waverley, co-locating over 200 employees with a partner company to streamline operations and meet evolving business needs. This significant investment features a purpose-built operational control room, the first in-house security capability, rooftop solar, and EV charging stations.

Australian Gas Networks continued work on the design of the Gawler Gate station project in South Australia to enhance the security of gas supply. HyP Murray Valley 10-MW electrolyser project is progressing well and will blend 10% hydrogen into the Albury-Wodonga gas network, serving 40,000 homes and businesses upon completion. Multinet Gas Networks continued with its upgrade of mains across the network, replacing 80.5 km of cast iron and unprotected steel pipelines with polyethylene pipes.

Dampier Bunbury Pipelines achieved 99.96% reliability at its compressor stations, surpassing the target of 99%. Energy Developments Pty Ltd (EDL) progressed several renewable and hybrid projects. These included enhancements to performance and capacity at its Limestone and Lorain renewable natural gas plants and the first stage of expansion of the Agnew plant.

Other Portfolios

The Group's other worldwide businesses delivered satisfactory performance.

In China, Jinwan Power Plant maintained safe operations while also benefiting from additional contributions provided by ancillary energy storage services commissioned in late 2023. The renewable energy generated by the wind farms in Dali and Laoting over the six months significantly reduced carbon emissions within their respective provinces.

In the Netherlands, AVR produced electricity, heat and steam by incinerating waste, selling electricity and steam to a large network of national and international customers. Following a fire at the Rozenburg incineration plant in 2023, repair activities are currently underway.

Canadian Power reported lower earnings compared to 2023 due to softer power market prices in Alberta driven by increases in supply. In the first half of 2024, Husky Midstream maintained safe and reliable operations of its midstream pipeline and terminal assets in Alberta and Saskatchewan, and gas infrastructure assets in Alberta.

In New Zealand, Wellington Electricity Lines Limited delivered high levels of safety, supply reliability, and customer service. Network assets exceeded their reliability targets.

In Thailand, Ratchaburi Power Company generated steady revenues under a long-term offtake contract with the Electricity Generating Authority of Thailand.

Hong Kong Portfolio

In Hong Kong, HK Electric Investments and its sole operating company, HK Electric, recorded an increase in electricity sales of 1.8% compared to the same period in 2023, driven mainly by exceptionally warm weather, with record-breaking high temperatures in April and an additional leap day in February.

Following the successful completion of its 2019-2023 Development Plan, the company moved forward with a new HK\$22 billion Development Plan covering the period 2024-2028. Planned projects include constructing a new gas-fired combined-cycle unit and three new open-cycle gas turbines, improving grid intelligence and automation, strengthening the power grid, and enhancing system resilience.

CHAIRMAN'S STATEMENT *(Continued)*

In March 2024, L12, a new 380-MW gas-fired combined-cycle generating unit was commissioned, bringing the gas-fired generation to around 70% of total output since then. As part of its commitment to reducing coal-fired generation, HK Electric retired two old coal-fired units during the period.

Progressing the sustainability roadmap

The Group's operating companies explored a range of avenues and projects to expand support for green electricity and gas, while investing to assure reliable electricity for greener consumer-side technologies such as EVs.

A top priority among our electricity network businesses is to support unpredictable two-way energy flows from renewable connections as well as accommodate increased demand.

Our companies are unwavering in their support for green and renewable gas. EDL upgraded landfill gas-to-electricity power plants to renewable natural gas facilities, using otherwise fugitive gas captured from landfill waste. On the same front, Australian Gas Infrastructure Group is committed to delivering at least 10% renewable gas across its networks by 2030. Currently, it supplies blended renewable hydrogen to nearly 4,000 homes and businesses in South Australia.

In the UK, NGN supported the country's net-zero transition by blending hydrogen with natural gas for 668 customers in the HyDeploy22 project. WWU partnered with a global hydrogen company to produce electrolyser prototypes that use less water, thus reducing costs and expanding green hydrogen production locations.

Climate change poses urgent challenges to the day-to-day operations of all our operating companies. They are prioritising investments to assure resilient operations during extreme weather. HK Electric will invest in improving its system resilience against extreme weather events, including flood control and flood monitoring at its facilities.

Subsequent Event

On 13 August 2024, a consortium comprising CKI, CKA and the Group, which will own 40%, 40% and 20% interests in the portfolio, respectively, had entered into an agreement to acquire a portfolio of operating onshore wind farms in the United Kingdom for a purchase price of approximately £350 million (approximately HK\$3.5 billion). This marks the Group's third acquisition in 2024. The transaction is expected to be completed in September. The portfolio comprises 32 wind farms located in England, Scotland and Wales, totalling 175 MW in installed capacity and 137 MW in net attributable capacity. The portfolio will provide immediate returns, stable cashflows and recurring profit contributions. Revenues are generated from (i) government subsidies, which are inflation-linked; and (ii) power revenue, including from power purchase agreements as well as from selling power to the market.

Outlook

We remain focused on seeking suitable global investment opportunities that meet our criteria, prioritising high-quality investments in mature, well-regulated energy markets, and will continue to work in partnership with CKI to achieve this goal.

With most regulatory resets for our operating companies finalised, we are assured of a stable operating environment with predictable revenue streams over the medium term.

I extend my personal gratitude to our outgoing Chairman Mr. Fok, the board of directors, and all employees for their diligence and commitment. I also deeply appreciate the steadfast and long-term support of our shareholders and stakeholders.

Andrew John Hunter

Chairman

Hong Kong, 14 August 2024