



2005 – Solid Performance; Notable Achievements

Highlights

- Record high in profitability – profit after tax attributable to shareholders was HK\$6 billion
- Substantial income of HK\$3.7 billion from listing of Spark Infrastructure
- Continuing profit contribution of HK\$2.5 billion generated by Hongkong Electric
- Profit contribution from infrastructure investments up by 140% to HK\$4.9 billion
- Sizeable impairments of HK\$1,727 million were made against infrastructure materials and certain infrastructure investments
- Balance sheet stronger than ever, with ample resources to fund expansion:
 - Cash on hand of over HK\$8.1 billion
 - Net debt to equity ratio of 3%
 - S&P ratings of “A-” reaffirmed
- Final dividend of HK\$0.708 per share

As we embark upon our tenth year since listing on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), Cheung Kong Infrastructure Holdings Limited ("CKI" or the "Group") is pleased to report continued growth momentum for the year under review. An overall good performance was achieved by the Group in 2005. Profit after tax attributable to shareholders increased by an outstanding 71 per cent. to HK\$6,007 million. Earnings per share were HK\$2.66.

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK\$0.708 per share. Together with the interim dividend of HK\$0.24 per share, this will bring the total dividend for the year to HK\$0.948 per share, an increase of 20 per cent. from 2004. The proposed dividend will be paid on 16th May, 2006 following approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members on 11th May, 2006.

Unprecedented Performance – Exceptional Returns

The Year in Review

During the year under review, an overall good performance has been recorded. Operations in Hong Kong, Mainland China, Australia, and the United Kingdom all experienced satisfactory organic growth, and a sizeable one-off gain from the listing of Spark Infrastructure Group ("Spark Infrastructure") on the Australian Stock Exchange Limited (the "Australian Stock Exchange") significantly boosted our profits for 2005.

The key operating highlights of 2005 are as follows:

1. Hongkong Electric Holdings Limited ("Hongkong Electric") continued to be an important profit contributor for the Group due to the continued success of its overseas diversification strategy. A profit contribution of HK\$2,492 million was recorded in 2005.
2. Operations in Mainland China delivered a steady performance for the year under review:
 - The Zhuhai Power Plant remains the top performer of CKI's China portfolio. Units of electricity sold far exceeded the annual minimum quantity as stipulated in the power off-take contract. The Group also entered into a joint venture for the construction and operation of Units 3 and 4 extension to the Zhuhai Power Plant. The financing of the extension has been completed and construction works on the Units have made good progress.
 - The Group's portfolio of toll roads in Mainland China also continued to deliver solid returns. Of particular note, the Guangzhou East-South-West Ring Road registered double-digit growth in traffic volume and toll revenue.

CHAIRMAN'S LETTER

3. Powercor Australia Limited ("Powercor"), CitiPower I Pty Ltd. ("CitiPower") and ETSA Utilities – three prime assets in the Group's Australian power portfolio – recorded 40 per cent. growth in contributions (after including tax adjustments). In 2005, the three asset companies have completed the 5-year tariff reset process as required under the respective government regulations. As a result, CKI can expect price certainty and stable returns for the next five years.
4. Cambridge Water PLC contributed its first full-year of profit in 2005.
5. Completion of the acquisition of Northern Gas Networks Limited took place during the year under review, and the profit contribution from this project commenced during the course of 2005. A substantial one-off gain was also booked during the year under review from the sale of a 9.9 per cent. stake in the asset.
6. In August 2005, the Sydney Cross City Tunnel opened two months ahead of schedule.
7. One of the major highlights of 2005 was the listing of Spark Infrastructure on the Australian Stock Exchange:
 - Through selling a 49 per cent. stake in Powercor, CitiPower and ETSA Utilities to Spark Infrastructure, the underlying values of these prime assets were realised. A significant one-off gain of HK\$3.7 billion was generated.
 - On completion of the deal, CKI owns a 9.9 per cent. stake in Spark Infrastructure, which represents an indirect stake of 4.9 per cent. in the three assets. The fund is managed by a Manager, in which CKI holds a 50 per cent. interest. The Group will retain a direct 51 per cent. shareholding in the three assets together with Hongkong Electric.
 - This deal is a significant milestone for CKI. As a result, our balance sheet and financial position is stronger than ever. There will be substantial resources retained for new capital intensive investments and it is expected that we will continue to book recurring income from our stake in Spark Infrastructure and the three power assets.
8. Depressed conditions in the materials market continued to pose challenges for our materials business. A one-off asset impairment of HK\$790 million was made, resulting in a loss of HK\$845 million being reported.
9. In addition, one-off impairments of HK\$937 million were made against certain infrastructure assets and investments.

Coming of Age in the Infrastructure Arena

A Decade in Review

CKI has come a long way in the ten years since listing on the Hong Kong Stock Exchange in 1996. The Group has evolved from a Greater China-focused company into one of the world's leading infrastructure players. Our investments now span Hong Kong, Mainland China, Australia and the United Kingdom. We have attained global reach across four continents. The breadth of our business has also expanded – our diverse range of investments now encompass energy, toll roads, water, materials and environmental initiatives. The size of our assets is now HK\$44.6 billion versus HK\$11.4 billion ten years ago.

The Group's earnings reached HK\$6 billion in 2005 as compared to HK\$854 million in 1996. It is clear that the Group has achieved continuous and sustained growth over the last ten years. Our exceptional performance in 2005 marks a high point in our endeavours. We are proud of the milestones that we have achieved in our first decade and look forward to more growth and development in the coming years.

A Preview

With our strong position in the infrastructure industry, and formidable financial resources that include cash on hand of over HK\$8.1 billion and a net debt to equity ratio of 3 per cent., CKI is

well-placed to benefit from opportunities that arise in the global infrastructure arena. Our businesses are healthy and sound. We are confident of achieving continued growth in the future based on our strong foundations. We look forward to growing CKI's business by further expanding our market presence and aggressively making more acquisitions.

During the year under review, Mr. George Magnus retired as Deputy Chairman and an Executive Director of CKI. He has been with the Group since its listing in 1996 and has been an instrumental force in our growth. I would like to extend my thanks and appreciation for his contribution to CKI over the years, and look forward to the benefits of Mr. Magnus' expertise and experience as a Non-executive Director of the Company.

I would like to take this opportunity to thank the Board, management and staff of CKI for their commitment and efforts, as well as our shareholders for their support and confidence in the Group.

Li Tzar Kuoi, Victor

Chairman

Hong Kong, 16th March, 2006