



DIVERSIFICATION AND GLOBALIZATION

In 2007, CKI achieved a strong performance, both in terms of financial and operating results.

Profit attributable to shareholders reached HK\$4,772 million for the period under review, representing a 30% rise over last year. As well as sustaining profit growth, we have delivered a consistent trend of dividend growth to our shareholders for 11 consecutive years since listing. In 2007, the total dividend for the year was HK\$1.10 per share, up by 10% over last year. CKI has built a solid financial foundation, with cash on hand of HK\$8,217 million and no net debt at corporate level.

Our diverse portfolio of quality infrastructure assets has performed well over the past year, achieving continued organic growth. In addition, we made three new investments across three continents that have further expanded our business scope



during the year. Through diversification and globalization, CKI has evolved from being a Hong Kong and Mainland China focused company into a leading infrastructure player on the world stage.

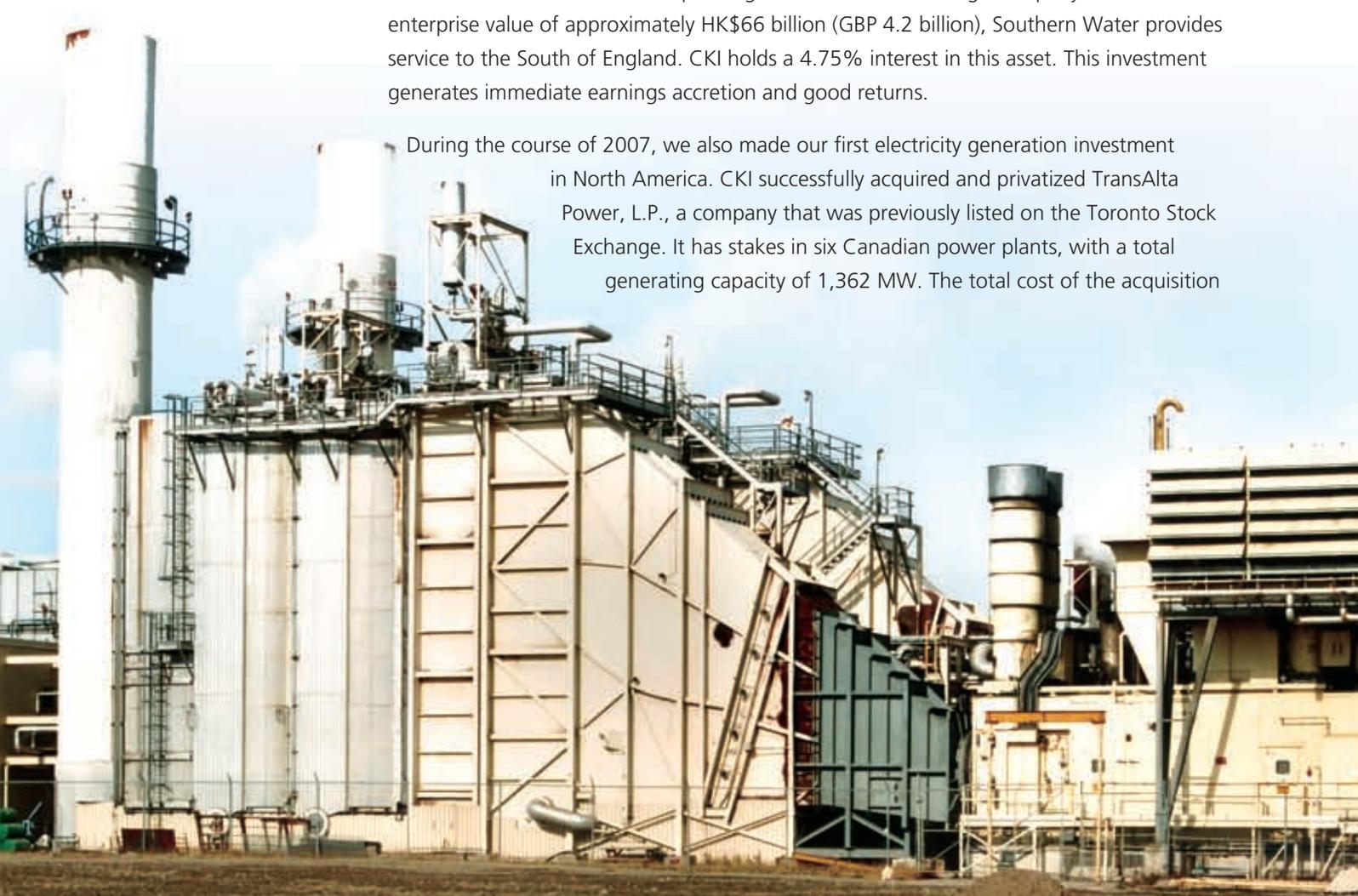
NEW MILESTONES IN 2007

In 2007, CKI made considerable strides in further expanding our portfolio of infrastructure investments, with new milestones in three different countries.

We signed an agreement in October with our Mainland partner to invest around RMB 6.8 billion to build two new power plants – Jinwan Phase 2 Power Plant project – in Zhuhai. They will have a total installed capacity of 2,000 MW. This development is poised to further enhance the power generating capabilities of our electricity investments in Zhuhai to a total installed capacity of 4,600 MW. With the demand for power in the Pearl River Delta region continuing to mount, our electricity operations in Zhuhai have been a major profit contributor in our Mainland portfolio for a number of years now and we expect this trend to continue.

In the United Kingdom, we extended our investment portfolio with the acquisition of a stake in Southern Water Group. A regulated water and sewage company with an enterprise value of approximately HK\$66 billion (GBP 4.2 billion), Southern Water provides service to the South of England. CKI holds a 4.75% interest in this asset. This investment generates immediate earnings accretion and good returns.

During the course of 2007, we also made our first electricity generation investment in North America. CKI successfully acquired and privatized TransAlta Power, L.P., a company that was previously listed on the Toronto Stock Exchange. It has stakes in six Canadian power plants, with a total generating capacity of 1,362 MW. The total cost of the acquisition





was approximately HK\$5 billion (C\$630 million). 50% of CKI's shareholding was subsequently divested to Hongkong Electric. We expect that this acquisition will provide immediate cashflow stream and profit contribution to the Group in the coming year.

These new developments represent more highlights in our story of diversification, globalization and expansion. As well as extending our reach in different markets and industries, these acquisitions will strengthen our financial foundation for continued growth.

A DIVERSIFIED PORTFOLIO OF QUALITY ASSETS

Following the fruitful business developments of 2007, CKI has enhanced our position as a leading global infrastructure player. We now have built a strong portfolio of businesses that comprises: a power generation portfolio in Hong Kong, Mainland China and Canada with a total installed capacity that will exceed 10,000 MW; an electricity distribution network that covers Hong Kong and Australia; gas businesses in the United Kingdom and Australia; water assets in the United Kingdom and Australia; approximately 400 kilometres of toll roads and bridges in various provinces in Mainland China; and cement, concrete and quarry operations in Hong Kong, Mainland China and the Philippines.

Over the years, our quality investments have delivered steady income streams to CKI. Our portfolio of infrastructure assets, comprising a high proportion of regulated businesses, has achieved robust organic growth over the years. We expect that this trend of positive and certain profit contribution will be sustained by these businesses in the years to come.

PLANS FOR CONTINUED EXPANSION

The current economic climate and ongoing credit crisis presents real opportunity for companies with financial depth and strong cash reserves. CKI's solid balance sheet, with cash on hand of HK\$8,217 million, is a real competitive edge in this environment.

The Group will aggressively pursue new acquisition opportunities that will further enhance our portfolio. Given the capital intensive nature of the industry, we are regarded as one of the few ready, willing and able players. We are keeping a close eye on developments in the Asian, North American, Australian and European markets for opportunities for continued diversification.

At the same time, we will also nurture the organic growth of our existing businesses and maximize the performance of our quality infrastructure portfolio.

We are very optimistic about our prospects as a leading infrastructure company in the global market and look forward to generating even better returns for our shareholders.

H L Kam

Group Managing Director

Hong Kong, 17th March, 2008