

CHAIRMAN'S LETTER



OPERATIONS ON BUDGET 5% GEARING RECORD PROFIT PERFORMANCE

	Year ended 31st December, 2012 HK\$ million	Year ended 31st December, 2011 HK\$ million	Variance
Profit attributable to shareholders	9,427	7,745	+22%
Dividends per share	HK\$1.66	HK\$1.53	+8.5%

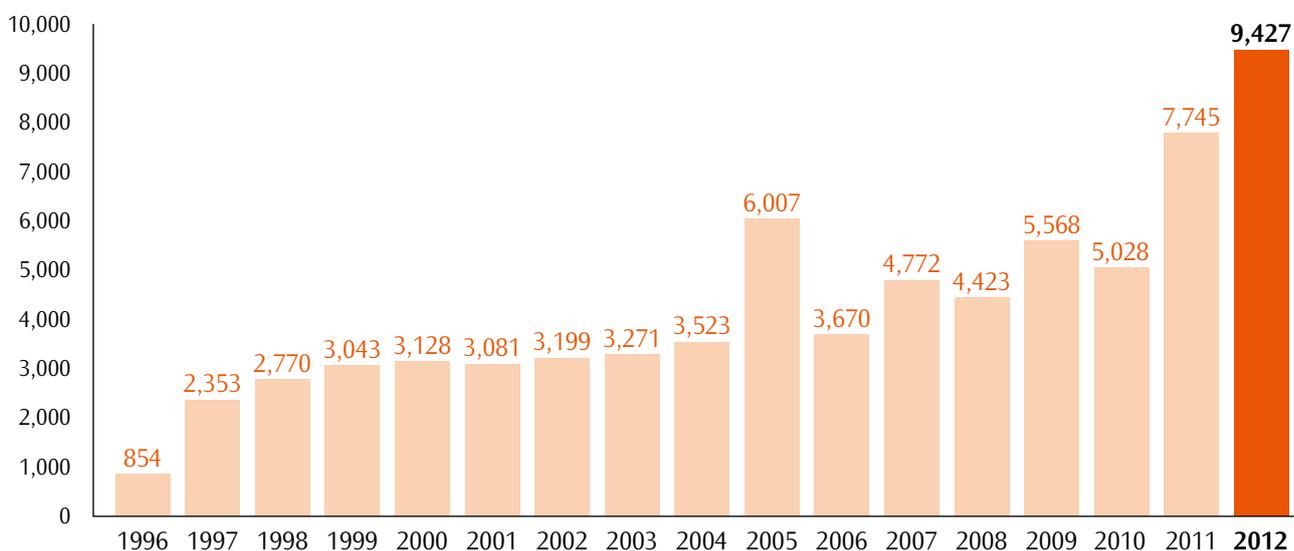
I am pleased to announce that for the year ended 31st December, 2012, Cheung Kong Infrastructure Holdings Limited (“CKI” or the “Group”) reported profit attributable to shareholders of HK\$9,427 million, an increase of 22% over last year. This marks a record high profit performance for CKI since its listing in 1996.

SIGNIFICANT GROWTH IN LAST DECADE

CKI achieved significant growth in the past decade, with profit attributable to shareholders nearly tripling over the last ten years, and almost doubling over the last 5 years, a reflection of the excellent performance of the Group’s established businesses.

Profit Attributable to Shareholders Since Listing

(HK\$ million)

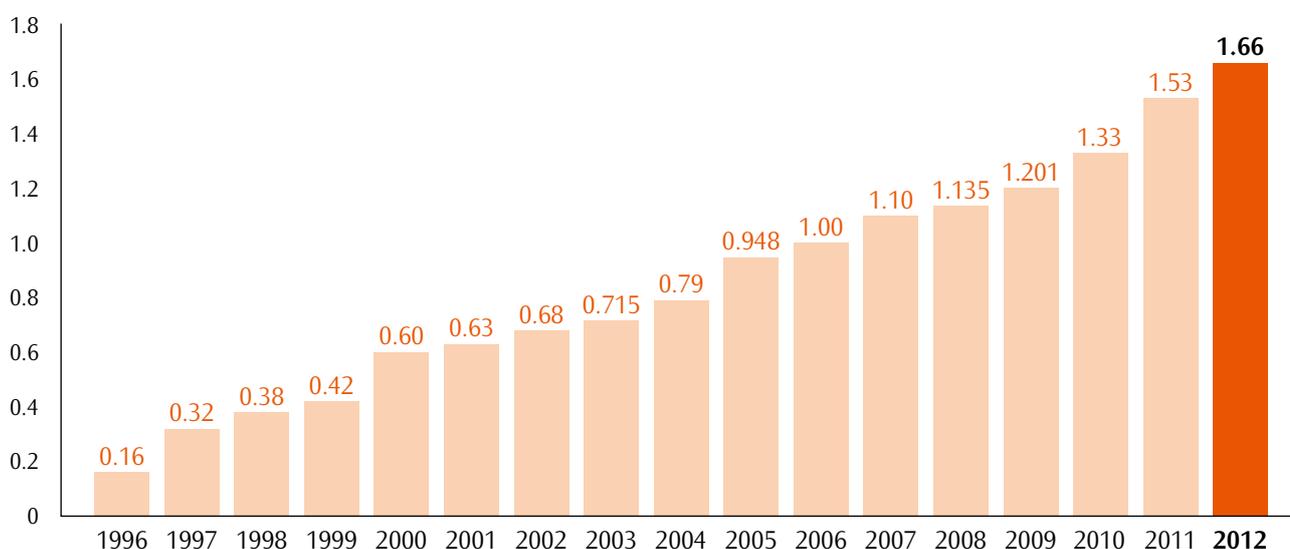


16TH CONSECUTIVE YEAR OF DIVIDEND GROWTH

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK\$1.26 per share. Together with the interim dividend of HK\$0.40 per share, this will bring the total dividend for the year to HK\$1.66 per share, an 8.5% increase over the previous year. This represents the 16th consecutive year of dividend growth since the listing of CKI. The proposed dividend will be paid on 5th June, 2013 following approval at the 2013 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on 24th May, 2013.

Dividends Per Share Since Listing

(HK\$)



SOLID GLOBAL INFRASTRUCTURE PORTFOLIO

CKI's portfolio of infrastructure businesses has generated solid returns for the Group in 2012.

The two main drivers of the Group's profit contribution growth during the year were UK Power Networks and Northumbrian Water – these two sizeable businesses were acquired in 2010 and 2011 respectively.

The performance from Power Assets, as well as the Group's businesses in Australia, Mainland China, Canada, New Zealand and the infrastructure materials division were all in line with or ahead of their budgets, despite some businesses reporting profit increases and some declines as compared with 2011 results.

Notable Performance from UK Portfolio

The profit contribution from businesses in the United Kingdom was HK\$5,485 million, representing a growth of 47% as compared to last year.

UK Power Networks, which is CKI's largest investment overseas, continued to deliver good returns. The profit contribution from this business was HK\$3,534 million, an increase of 24% over last year.

2012 marked the first full year of profit contribution from Northumbrian Water. Its contribution of HK\$1,153 million for the year fully met our forecast.

Northern Gas Networks reported good results, generating profit contribution of HK\$794 million, an increase of 26% over last year.

Seabank Power also saw growth in profit contribution, reaching HK\$131 million from HK\$81 million in 2011.

In October 2012, the CKI-led consortium completed the acquisition of Wales & West Utilities. The two months of performance reported by this business since the completion was satisfactory and in line with CKI's acquisition model. However, due to a non-cash mark-to-market impact on derivative instruments arising from the inherited financing structure, CKI reported an accounting loss of HK\$117 million for Wales & West Utilities.

Power Assets Achieved Good Results

Profit contribution from CKI's 38.87% stake in the listed Power Assets was HK\$3,757 million, an increase of 7% over 2011's HK\$3,503 million.

2012 marks the highest profit that Power Assets has achieved in its history. During the year, the company recorded a profit of HK\$9,729 million, of which approximately 53% were generated from overseas investments, and 47% from Hong Kong.

Profit from operations outside of Hong Kong had increased from HK\$4,563 million in 2011 to HK\$5,108 million in 2012, an increase of 12%.

Meanwhile, profit from Hong Kong was HK\$4,621 million, a 2% increase from last year.

Steady Contribution from Australian Investments

The profit contribution from the Group's Australian portfolio was HK\$1,146 million as compared to last year's HK\$1,306 million. This represents a 12% reduction which was primarily due to a one-off gain generated from the Group's disposal of its interest in the Manager of Spark Infrastructure in 2011.

Performance of the two regulated businesses – SA Power Networks (formerly ETSA Utilities) and Victoria Power Networks (formerly CHEDHA) – was in line with budget. Profit contribution from these two Australian investments was HK\$965 million, a slight increase compared to the previous year.

Cash distribution received from the investments in the two listed securities – Spark Infrastructure and Envestra – was HK\$215 million (2011: HK\$217 million). Out of the cash received, HK\$32 million was reported as repayment of loan principal portion of the stapled securities of Spark Infrastructure (2011: HK\$11 million); and HK\$183 million was recorded as profit contribution from these two investments (2011: HK\$206 million).

Stable Returns from Other Businesses

CKI's other businesses – including those in Mainland China, Canada, New Zealand and its materials business – have provided stable returns during the year under review.

The profit contribution from the Mainland China portfolio was HK\$395 million, a 4% increase over last year. The Group's toll road portfolio reported satisfactory operating performance and provided stable cash returns to CKI.

The contribution from Canada was HK\$113 million, a 28% decline over last year. This was due to one-off tax and depreciation adjustments. On a like-for-like basis, 6% growth would have been recorded.



In New Zealand, Wellington Electricity reported HK\$59 million profit contribution, with operational performance in line with budget. The profit contribution's 19% decline from last year's results is mainly attributed to higher finance costs and lower interest deductibility in 2012.

The Group's materials business delivered profit contribution of HK\$324 million, an increase of 15% over last year. Sales volume and pricing growth of infrastructure materials took place in Hong Kong as construction activities continued.

NEW ACQUISITIONS STRENGTHEN EARNINGS BASE

During the year, two new projects were added to CKI's portfolio.

The acquisition of Wales & West Utilities was completed in the last quarter of 2012. CKI holds a 30% interest in the business, with Power Assets and Cheung Kong (Holdings) Limited each holding a 30% stake, and Li Ka Shing Foundation Limited holding the remaining 10% stake. Together with Northern Gas Networks, which was acquired in 2005, the two gas distribution networks' service areas cover about 22% of the population of the United Kingdom.

In September 2012, CKI has committed to investing in a renewable energy power transmission link in Australia jointly with Power Assets on a 50/50 basis. Construction is scheduled to be completed by the end of 2013.

STRONG FINANCIAL PLATFORM

In tandem with the Group's ongoing acquisition strategy, CKI prudently manages its financial position. In 2012, three funding exercises were completed to strengthen the capital base of the Group.

In February 2012, US\$300 million (approximately HK\$2.3 billion) of funds were raised through the issuance of fixed rate callable perpetual securities via a fiduciary. In March 2012, a share placement exercise was completed, raising over HK\$2.3 billion; and in August, another share placement exercise was completed with approximately HK\$2.3 billion raised.

As at 31st December 2012, CKI had cash on hand of HK\$6,980 million, and gearing remained low at a net debt to net total capital ratio of 5%. The Group is well-positioned to capture more acquisition opportunities.

CKI's credit rating of "A-" from Standard & Poor's has been maintained for 16 consecutive years since 1997.

SUBSEQUENT EVENT – ACQUISITION TRAIL CONTINUES IN 2013

In January 2013, CKI signed an agreement to acquire 100% of EnviroWaste for a cash consideration of NZ\$490 million (approximately HK\$3.18 billion).

EnviroWaste is a diversified, vertically integrated waste management business with national coverage across New Zealand. Completion is expected to take place in the second quarter of 2013. This acquisition marks CKI's expansion into the business of dedicated waste management infrastructure.

OUTLOOK

Since the Group's inception, we have adopted an effective set of strategies for continued growth:

- (1) Growing existing businesses organically;
- (2) Acquiring new businesses with good and stable returns; and
- (3) Maintaining a solid balance sheet.

CKI has achieved another strong performance in 2012. Over the past few years, we have stepped up the pace of our acquisition strategy and benefitted from the opportunities presented in the uncertain global economic environment. Our earnings base has been expanded and profitability enhanced. Good organic growth has also been achieved. At the same time, prudent corporate finance initiatives have been undertaken to strengthen our balance sheet.

Looking ahead, we will continue to adhere to our three-pronged strategy to deliver growth to our shareholders. Though the economic climate going into 2013 remains uncertain, CKI is well-positioned to weather such conditions and to capitalise on any opportunities which may arise.

To conclude, I would like to thank the Board, management and staff for their continued efforts, as well as our shareholders for their support and trust.

LI TZAR KUOI, VICTOR

Chairman

Hong Kong, 7th March, 2013