

Today, CKI has become one of the leading global infrastructure players with diversified investments.

H L KAM

Group Managing Director



GROUP MANAGING DIRECTOR'S REPORT

CELEBRATING 20 YEARS OF ACCOMPLISHMENTS

Twenty years ago, when CKI was just listed on the Stock Exchange of Hong Kong, we had a vision. Our vision was for the Group to become a global infrastructure company – one that makes the world a better place through a variety of infrastructure investments and developments in different parts of the world. Entering into 2016, we embark upon CKI's 20th year. As we celebrate the Group's re-joining the Hang Seng Index constituent stocks on 14th March, 2016, I am pleased to present this Group Managing Director's Report, dedicated to the milestones we have achieved. These milestones have formed foundations that brought CKI's vision into a reality.

THE GROWTH AND RETURNS TO SHAREHOLDERS OVER THE LAST TWO DECADES

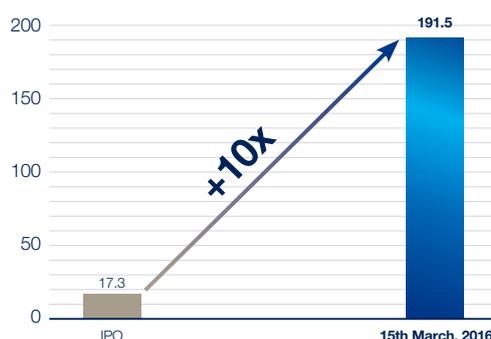
Since its listing in 1996, CKI has grown in size and scale, delivering decent and buoyant returns to shareholders through the ups and downs in the economies. Below are a few facts and figures since listing –

- In 2015, profit attributable to shareholders is HK\$11,162 million, nearly 13 times that of 1996;
- Share price of CKI is at HK\$76.0*, about 6 times of the IPO price;
- Market capitalisation is about HK\$192 billion*, about 11 times of the market capitalisation at IPO;
- Full year dividend declared for 2015 is HK\$2.15 per share, the 19th consecutive year of dividend growth since listing;
- CKI's cumulative dividends since listing is HK\$20.609 per share, more than its IPO listing price of HK\$12.65;
- The annualised total return to shareholders is above 13%* per annum since listing.

*As at 15th March, 2016

A Recap of CKI's 20 Years

Market Capitalisation (HK\$ billion)



A DIVERSIFIED PORTFOLIO OF QUALITY ASSETS

CKI Portfolio – 1996 vs 2016

July 1996	March 2016		
MAINLAND CHINA	HONG KONG	AUSTRALIA	UNITED KINGDOM
30% Shantou Bay Bridge	38.9% Power Assets	23.1% SA Power Networks	40% UK Power Networks
30% Shenzhen-Shantou Highway (Eastern Section)	MAINLAND CHINA	23.1% Victoria Power Networks	40% Northumbrian Water
49% Nanhai Road Network	33.5% Shen-Shan Highway (Eastern Section)	45% Australian Gas Networks	47.1% Northern Gas Networks
60% Shantou Power Plants	30% Shantou Bay Bridge	50% Transmission Operations Australia	30% Wales & West Gas Networks
30% Nanhai Power Plant I	51% Tangshan Tangle Road	6.7% Spark Infrastructure	50% UK Rails
36.4% Nanhai Jiangnan Power Plant	50% Jiangmen	NEW ZEALAND	25% Seabank Power
45% Zhuhai Power Plant	40% Panyu Beidou Bridge	100% EnviroNZ	NETHERLANDS
INFRASTRUCTURE RELATED BUSINESS	INFRASTRUCTURE RELATED BUSINESS	50% Wellington Electricity	35% Dutch Enviro Energy
100% Green Island Cement	50% Alliance Construction Materials	CANADA	PORTUGAL
100% Ready Mixed Concrete	100% Green Island Cement	50% Canadian Power	50% Portugal Renewable Energy
100% Anderson Asphalt	100% Green Island Cement (Yunfu)	50% Park'N Fly	
	67% Guangdong Gitic Green Island Cement		

At its inception, CKI was a Greater China-focused business with a portfolio of investments in the transportation and infrastructure related businesses.

Today, CKI has become one of the leading global infrastructure players with diversified investments in electricity generation, transmission and distribution; gas distribution; water and wastewater services; waste management; waste-to-energy; transportation; and infrastructure materials. CKI's portfolio spans across Hong Kong, Mainland China, the United Kingdom, the Netherlands, Portugal, Australia, New Zealand and Canada.

A PATH OF GLOBALISATION AND DIVERSIFICATION

CKI has embarked on a course of globalisation and diversification to reach this scale of operations today.

Achieving Success in Greater China

Our business began with a focus mainly on Hong Kong and Mainland China. When the Group was listed in 1996, our investments included toll roads, toll bridges and power plants on the Mainland, and infrastructure related businesses in cement, concrete, asphalt and aggregates in Hong Kong and Mainland China.

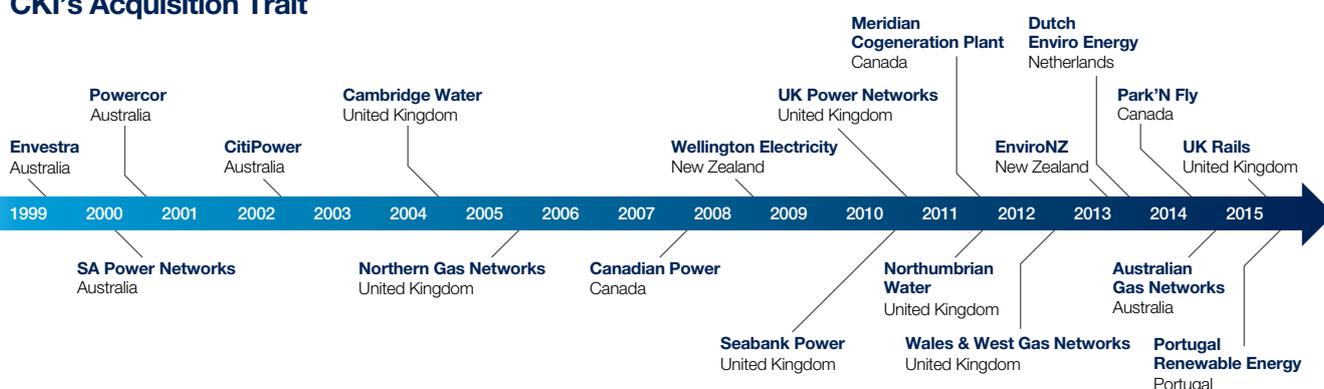
Within three years of listing, CKI's investments spanned seven provinces in Mainland China, including 700 kilometres of toll roads and 3,000 megawatt of power generation capacity. The Group had quickly become one of the major infrastructure investors in Greater China.

Partnership with Power Assets

In 1997, following a reorganisation of the Cheung Kong Group, CKI acquired a 35% stake in Hongkong Electric Holdings Limited (now renamed Power Assets Holdings Limited with CKI currently owning a 38.87% interest), the sole generator and distributor of electricity to Hong Kong Island and Lamma Island.

Since then, CKI and Power Assets have partnered together in many overseas expansion. As Power Assets' global portfolio became increasingly diverse, earnings from its overseas business began to surpass those from Hong Kong operations in 2011. In 2014, Power Assets spun off its Hong Kong electricity arm with a listing on the Stock Exchange of Hong Kong.

CKI's Acquisition Trait



CKI's First Overseas Foray – Australia

In July 1999, we took our first step to grow beyond Hong Kong and Mainland China through the A\$100 million acquisition of a 19.97% stake in Envestra, one of the largest natural gas distributors in Australia. Since then, we have expanded in Australia with the following investments:

- **ETSA Utilities** (now renamed SA Power Networks) – (enterprise value at acquisition was A\$3.4 billion), the primary electricity distributor for South Australia;
- **Powercor** – (enterprise value at acquisition was A\$2.3 billion), the largest electricity distributor in the state of Victoria;
- **CitiPower** – (enterprise value at acquisition was A\$1.4 billion), an electricity distribution network serving the central business district and inner suburban areas of Melbourne. Both Powercor and CitiPower are now amalgamated into **Victoria Power Networks**; and
- **Envestra** (now renamed Australian Gas Networks) – (enterprise value at acquisition was A\$4.6 billion), one of the largest natural gas distributors in Australia. CKI consortium privatised Envestra in 2014.

Today, CKI has become one of the largest foreign investors in Australia. We service the communities as one of the biggest electricity distributors in the country, being responsible for the distribution of electricity to the entire State of South Australia, and more than half of the State of Victoria in Australia. We also service the communities as one of the major gas distributors in Australia covering four states and one territory.

Road to Become a Major Infrastructure Player in the United Kingdom

Our UK expansion story mirrors a similar growth path as that of our Australian one.

In 2004, CKI expanded its footprint into the United Kingdom with a relatively small investment in Cambridge Water. Since the Cambridge Water acquisition, the Group has continued to make progress in acquisitions over the years. Below are the major investments we have made in the United Kingdom:

- **UK Power Networks** – (enterprise value at acquisition was GBP5.8 billion), owns and manages three of the 14 regulated electricity distribution networks in the United Kingdom;
- **Northern Gas Networks** – (enterprise value at acquisition was GBP1.4 billion) and **Wales & West Gas Networks**, which owns Wales & West Utilities – (enterprise value at acquisition was GBP2.0 billion), two of the eight major gas distribution networks in Great Britain;
- **Seabank Power** – (enterprise value at acquisition was GBP212 million), a 1,140 MW gas-fired power plant near Bristol;
- **Northumbrian Water** – (enterprise value at acquisition was GBP4.8 billion), one of the ten regulated water and sewerage companies in England and Wales. (Cambridge Water was divested in the same year to enable us to meet regulatory requirements for the Northumbrian Water acquisition); and
- **UK Rails** – (enterprise value at acquisition was GBP2.5 billion), the holding company of Eversholt Rail Group, one of the three major rolling stock companies in the country. Through this investment, CKI has embarked upon its first venture into the transportation infrastructure industry in the United Kingdom.

CKI is one of the largest foreign investors in the United Kingdom today, servicing the people in different essential services across electricity, gas, water and transportation.

In 2015, over half of CKI's profit contribution came from the United Kingdom.

Globalisation and Diversification in Other Industries

In addition to the investments in the United Kingdom and Australia, we have expanded our investment portfolio into other countries.

In 2007, CKI started its investment in Canada. Currently, CKI owns:

- **Canadian Power** – (enterprise value at acquisition in 2007 was C\$630 million), which has interests in six power plants that are located in the provinces of Ontario, Alberta and Saskatchewan; and
- **Park'N Fly** – (enterprise value at acquisition was C\$381 million), which is the largest off-airport car park provider in Canada.

In 2008, CKI made its first investment in New Zealand. Today, the Group has two projects in the country:

- **Wellington Electricity** – (enterprise value at acquisition was NZ\$785 million), the electricity distributor in Wellington, the capital city of New Zealand, and the surrounding greater Wellington area; and
- **EnviroNZ** – (enterprise value at acquisition was NZ\$490 million), one of the leading waste management companies in the country.

In 2013, CKI expanded its investment portfolio to Continental Europe. Currently, CKI has investments in:

- **Dutch Enviro Energy**, which owns **AVR** – (enterprise value at acquisition was EUR940 million), the largest energy-from-waste company in the Netherlands; and
- **Portugal Renewable Energy**, which owns **Iberwind** – (enterprise value at acquisition was EUR978 million), one of the largest wind power companies in Portugal.

PROSPECTS: FORGING FORWARD IN THE INFRASTRUCTURE ARENA

In the past two decades, CKI has grown from a HK\$17.3 billion market cap Hong Kong/Mainland China infrastructure company into a HK\$191.5 billion market cap (as at 15th March, 2016) global infrastructure player. We now have investments in conventional energy, energy networks, renewable energy, transportation, water and waste management businesses in different parts of the world.

Going forward, we will continue with our simple and effective set of strategies for growth:

- (1) Growing existing businesses organically;
- (2) Acquiring new businesses with good and stable returns; and
- (3) Maintaining a strong balance sheet with steady cashflow and low gearing.

With a strong, financial platform, cash on hand of HK\$8 billion and a net debt to net total capital ratio of 8% as at end of 2015, CKI is well-placed to pursue expansion initiatives going forward.

Looking beyond, we believe the demand for infrastructure investments remains strong and there is a lot of opportunities for growth. We look forward to another 20 years of achievements.

H L KAM

Group Managing Director