

“This represents the 22nd consecutive year of dividend growth since CKI was listed in 1996.”

VICTOR T K LI
Chairman



CHAIRMAN'S LETTER

Underlying Business Profit Exceeded \$10b An Increase of 13%

	2018	2017	% change
Profit Attributable to Shareholders (HK\$ million)	10,443	10,256	2%
Underlying Business Profit Contribution (HK\$ million)	10,443	9,236	13%

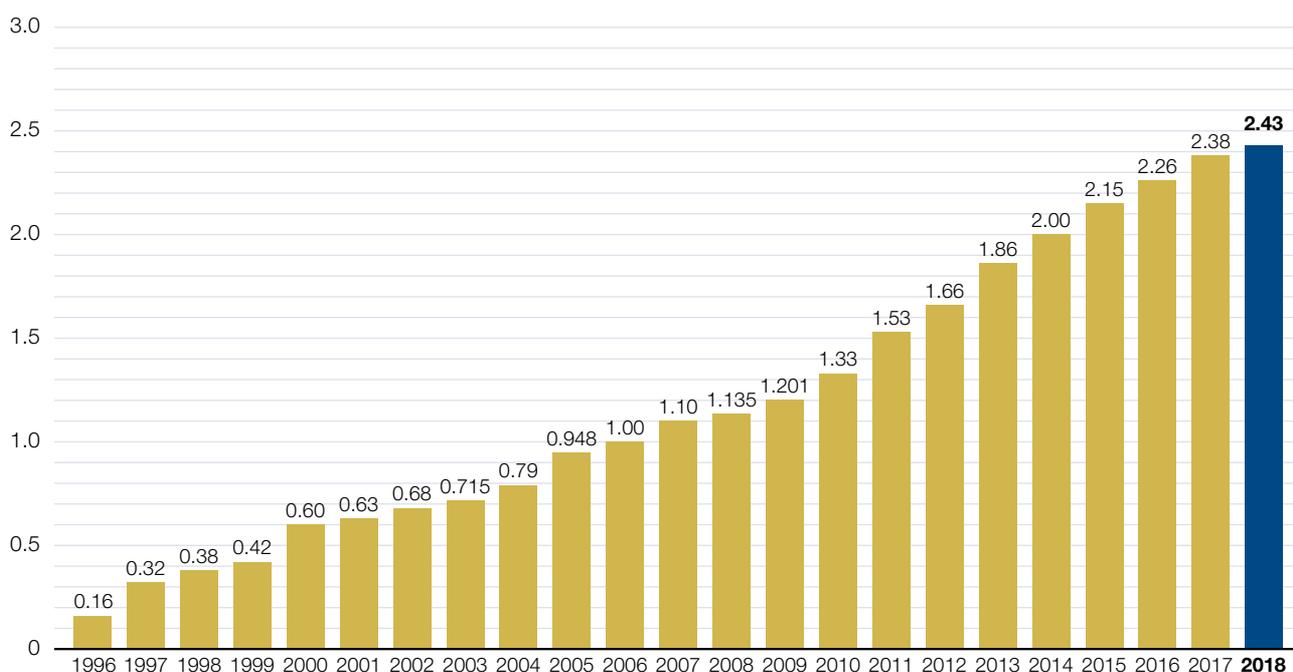
For the year ended 31st December, 2018, CK Infrastructure Holdings Limited ("CKI", the "Company" or the "Group") recorded profit attributable to shareholders of HK\$10,443 million, an increase of 2% from the previous year. Excluding the one-off items recorded in 2017, the increase in underlying business profit contribution was 13%.

22 YEARS OF CONTINUED DIVIDEND GROWTH

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK\$1.75 per share. Together with the interim dividend of HK\$0.68 per share, this will bring the total dividend for the year to HK\$2.43, a 2% increase over the previous year. This represents the 22nd consecutive year of dividend growth since CKI was listed in 1996. The proposed dividend will be paid on Friday, 31st May, 2019, following approval at the 2019 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 21st May, 2019.

Dividends per Share since Listing

(HK\$)



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BUSINESS REVIEW

Power Assets

Profit contribution from Power Assets was HK\$2,903 million (2017: HK\$3,214 million). Taking out the one-off disposal gains recorded in 2017 and adjusting for certain treasury items, profit contribution increased by 9% as compared with the previous year.

Hongkong Electric, of which Power Assets holds a 33.37% stake, has entered into a new Scheme of Control in Hong Kong for a 15-year period with effect from 1st January, 2019. This framework is set to provide stability and predictability of profit contribution in the coming years.

United Kingdom Portfolio

In the United Kingdom, profit contribution was HK\$5,275 million (2017: HK\$5,273 million). Excluding one-off items such as prior year adjustments and capital allowance claims recorded in 2017, the profit contribution of the underlying businesses increased 5% year-on-year. Overall, the Group's businesses have performed satisfactorily amidst a challenging macro environment dominated by the political uncertainty surrounding Brexit. The operating landscape in the United Kingdom is likely to remain unpredictable in 2019. Largely underpinned by regulatory returns, CKI's businesses are expected to continue to achieve steady performance.

UK Power Networks continued to be the largest profit contributor to the Group. It recorded solid growth in 2018. Within the electricity distributors in the country, UK Power Networks was one of the top performers during the year, especially in the areas of network reliability, safety, lowest cost to customers, employee engagement, and innovation. The current regulatory regime will remain in place until March 2023, allowing predictable and steady returns in the near term.

Northumbrian Water performed in line with expectations. In 2018, it was named "Water Company of the Year" in the Water Industry Achievement Awards.

The Group's two gas distribution companies in the United Kingdom, Northern Gas Networks and Wales & West Gas Networks, continued to perform well. Northern Gas Networks maintained its reputation for excellent customer service, achieving the highest 5-year average score in customer satisfaction according to the latest report of the regulator, Ofgem. Wales & West Gas Networks was named "Company of the Year" at the Gas Industry Awards 2018 organised by the Institute of Gas Engineers & Managers.

In UK Rails, newly constructed fleets of trains have been delivered and smoothly introduced into service on schedule. These trains have been well received by passengers.

Australian Portfolio

Profit contribution from the Australian business was HK\$2,066 million (2017: HK\$1,939 million), representing a 7% increase over the previous year.

The Group's electricity distribution networks in Australia – SA Power Networks in South Australia, as well as Victoria Power Networks and the recently acquired United Energy in Victoria – all performed well. In the Annual Benchmarking Report released by the Australian Energy Regulator, all of the Group's electricity distribution networks were named the top performers in efficiency.

The gas businesses, Australian Gas Networks and Multinet Gas, made good progress. The gas networks in Victoria and New South Wales have entered into a new regulatory period in 2018; predictable returns have been secured.

During the year, the Dampier Bunbury Pipeline was awarded a major contract to build, own and operate a new natural gas pipeline to serve certain gold fields in Northern Territories for the next 10 years. Good stable returns are expected.

The performance of Energy Developments Pty Limited, which specialises in producing clean energy and providing energy solutions in remote regions, was recognised at the South Australian Premier's 2018 Awards for its Coober Pedy Renewable Hybrid Project which enabled the town of Coober Pedy to generate electricity largely from renewables.

Continental Europe Portfolio

Profit contribution from the Group's businesses in Continental Europe more than doubled to HK\$870 million (2017: HK\$412 million) in 2018. The increase is mainly attributed to the first full year of contribution from ista. In addition, the financial performance of Dutch Enviro Energy as well as Portugal Renewable Energy was both better than last year.

Canadian Portfolio

In Canada, CKI has investments in Canadian Power, Park'N Fly, Canadian Midstream Assets and Reliance Home Comfort. The Canadian portfolio recorded profit contribution of HK\$335 million (2017: HK\$241 million), a 39% increase over the previous year. This is mainly attributable to the first full year of contribution from Reliance Home Comfort.

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New Zealand Portfolio

The New Zealand portfolio comprises Wellington Electricity and EnviroNZ. Profit contribution from New Zealand was largely flat at HK\$172 million (2017: HK\$171 million) as compared to the previous year. The result was affected by the weak exchange rate. In local currency, the profit contribution recorded a 3% increase.

Hong Kong and Mainland China Portfolio

The Hong Kong and Mainland China portfolio includes materials business, and infrastructure investments in Mainland China. Profit contribution from this portfolio was HK\$389 million (2017: HK\$468 million), a drop of 17%. The result was affected by the performance of the toll roads which was impacted by traffic diversions and slower economic growth in the region.

With regards to the Group's materials business, the acquisition of a cement grinding plant and three pier berths in Yunfu City was completed in 2018.

ACQUISITION OF ECONOMIC BENEFITS FROM CK HUTCHISON IN 2018

In August 2018, CKI entered into an economic benefits agreement with CK Hutchison. The Group has increased its entitlement to distributions from six businesses – Northumbrian Water, UK Rails, Wales & West Gas Networks, Australian Gas Networks, Park'N Fly and Dutch Enviro Energy – for a consideration of approximately US\$917.2 million (approximately HK\$7,200 million).

This long-term investment is poised to generate stable investment income for the Group in the coming years.

STRONG FINANCIAL MANAGEMENT

CKI upholds a good reputation for its sound financial platform. The Group is committed to monitoring its financial position closely while growing a diverse investment portfolio. CKI is in a prime position to make new accretive acquisitions that will further enrich the global portfolio with cash on hand of HK\$6 billion and sufficient debt capacity.

In September 2018, Standard & Poor's upgraded CKI to a credit rating of "A/Stable".

OUTLOOK

Looking ahead in 2019, there remain many uncertainties across the global economic landscape. A number of issues such as Sino-US trade negotiations, Brexit, and rising populist political influences loom at the forefront of the world investment community.

Amidst the uncertainties and challenges, the steady recurring cashflows of CKI which are underpinned by long term contracts and regulatory regimes continue to act as strong pillars of growth. Our past track record has well demonstrated this resilience.

Leveraging on our solid financials, together with our strategic partners – CK Asset and Power Assets – we are well placed to take on sizeable investment opportunities around the world. In addition to conventional infrastructure businesses, we are looking into the broader spectrum and studying investments in new industries and other infrastructure-like businesses. While pursuing new growth opportunities, we will continue to adhere to our principle of not holding a “must-win” mentality.

I would like to take this opportunity to thank our shareholders for their continued support and our staff and stakeholders for their commitment to CKI’s growth.

VICTOR T K LI

Chairman

20th March, 2019