CHAIRMAN'S LETTER

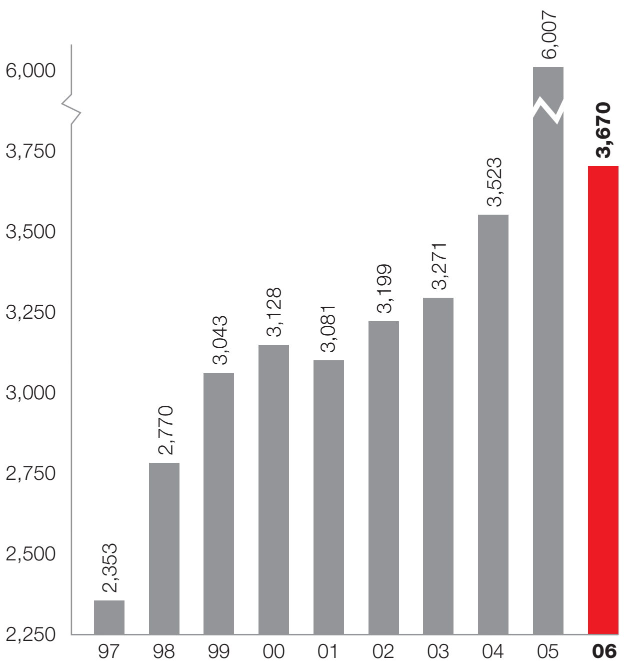
POWERING INTO OUR SECOND DECADE

2006 marked the beginning of the second decade of Cheung Kong Infrastructure Holdings Limited ("CKI" or the "Group") as a listed company. In general terms, our businesses in the key markets of Hong Kong, Mainland China, Australia and the United Kingdom have all performed well during the year. We have laid very solid foundations and have ample resources to fund future expansion.

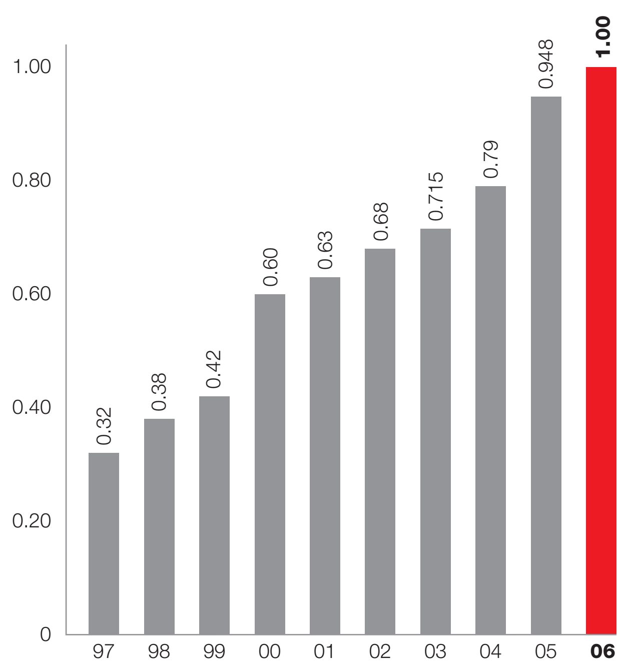
In 2006, profit after tax attributable to shareholders was HK$3,670 million, while earnings per share were HK$1.63. This would have been the best performance since inception, if not for the results of 2005 which benefited from a one-off gain of HK$3.7 billion from the divestment of part of our Australian electricity businesses to Spark Infrastructure Group ("Spark Infrastructure") in December 2005. Even though CKI's Australian asset base has been reduced as a result of the divestment, our overall profit generation capacity has not diminished, as evidenced by the higher than 2004 profit performance in 2006.

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK$0.75 per share. Together with the interim dividend of HK$0.25 per share, this will bring the total dividend for the year to HK$1.00 per share, a 5.5 per cent. increase over last year. This is consistent with CKI's stable dividend growth trend since listing. The proposed dividend will be paid on 15th May, 2007 following approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members of the Company on 10th May, 2007.

Profit Attributable to Shareholders
(HK$ million)



Dividends Per Share
(HK$)



CHAIRMAN'S LETTER

The Year in Review

Hongkong Electric

Hongkong Electric Holdings Limited ("Hongkong Electric") continues to be an important profit contributor to CKI, generating HK$2,632 million in 2006. During the year under review, Hongkong Electric reported net profit after tax of HK$6,842 million. Hongkong Electric has maintained its supply reliability at 99.999 per cent., a distinction that is virtually unrivalled in the world. The overseas businesses of Hongkong Electric have also performed very well and continued to contribute to the growth of the business.

This will bring the total dividend for the year to HK$1.00 per share, a 5.5 per cent. increase over last year. This is consistent with CKI's stable dividend growth trend since listing.

International Infrastructure Investments

Our businesses in Mainland China delivered commendable performance in 2006, as the nation's GNP continues to grow. The profit contribution from CKI's China portfolio increased to HK$869 million. Powering our strong performance was yet another record year for the Zhuhai Power Plant. The profit contribution from Units 1 and 2 of the Zhuhai Power Plant reached a new high, surpassing even last year's exceptional results. The Siping Cogen Power Plants in Jilin also continued to perform well. During the year, the divestment of the Qinyang Power Plants in Henan, Mainland China was completed, generating a one-off gain. As regards CKI's toll road portfolio in Mainland China, steady returns were delivered in general, and performances were in line with forecasts.

In CKI's newest market, the United Kingdom, the performance of our two investments has been pleasing and a profit contribution of HK$316 million was recorded. 2006 represented the first full year of profit contribution from Northern Gas Networks Limited ("Northern Gas Networks"), with double-digit cash yields recorded. As regards Cambridge Water PLC ("Cambridge Water"), healthy returns were generated, exceeding our original budget.

The results from our Australian portfolio were adversely affected by the performance of the Cross City Tunnel and the divestment of our interest in the electricity distribution businesses, with profit contribution reducing to HK$64 million.

- Traffic levels for the Cross City Tunnel project, in which CKI has a 50 per cent. stake, were significantly lower than expected, leading to an operating loss of HK$262 million being recorded by the Group. The project company has been unable to generate sufficient revenue to service its non-recourse project debt, resulting in a receiver being appointed for the project just prior to the year end. CKI has accordingly made a further asset impairment of HK$279 million in 2006. The entire book value of the investment has now been fully written down.

- As for the electricity businesses, our stake was reduced following the divestment of part of our shareholdings in ETSA Utilities, CitiPower I Pty Ltd. and Powercor Australia Limited in 2005. The fundamentals of these power distribution businesses continue to be solid and they have outperformed operating targets for the year.

Commencing 2006, the Group has also received income and management fees from Spark Infrastructure by virtue of our 9.9 per cent. stake and our interest in the management contract. Envestra Limited, one of Australia's largest listed natural gas distribution companies in which CKI has a 16.4 per cent. stake, continued to generate double-digit cash yields during the year.

Materials Business

Following a number of challenging years in the materials industry, our infrastructure materials division recorded an encouraging profit of HK$110 million in 2006. Market analysts indicate that construction activity in Hong Kong has reached its bottom, and as a result, better prospects for our materials business are anticipated.

On the whole, our investments have exceeded expectations, enabling us to deliver continued profit and dividend growth to our shareholders.

A New Decade of Opportunity

Over the last ten years, CKI has grown significantly and recorded a number of major corporate milestones. Beginning as a Hong Kong and Mainland China-focused company, we have now evolved into a global infrastructure player with diverse investments in several industries across China, Australia and the United Kingdom. On the whole, our investments have exceeded expectations, enabling us to deliver continued profit and dividend growth to our shareholders. We have developed an impressive reputation in the infrastructure sector and have ample resources to fund new investments in the future.

CHAIRMAN'S LETTER

Sustained Organic Growth

CKI expects to achieve organic growth and deliver solid returns on our existing investments as we continue on our roadmap of business expansion.

In Mainland China, commercial operations of the Group's new power project, Units 3 and 4 of the Zhuhai Power Plant, commenced in February 2007. This is a RMB6 billion joint venture project in which CKI has a 45 per cent. stake and Guangdong Yudean Group Co. Ltd. and The Electric Development (Group) Company of Zhuhai Special Economic Zone collectively hold the other 55 per cent. stake. The commissioning will provide immediate profit contribution and boost the Group's portfolio in Mainland China. The addition of Units 3 and 4 greatly enhance the capacity of the Zhuhai Power Plant, increasing total installed capacity from 1,400 MW to 2,600 MW. As the demand for power in the Guangdong region continues to grow, we expect the Zhuhai Power Plant to remain one of the star performers in our Mainland portfolio for years to come.

CKI expects to achieve organic growth and deliver solid returns on our existing investments as we continue on our roadmap of business expansion.

We expect to see continued organic growth in our energy portfolio in Australia as we expand our regulated asset base. Growing demand in Australia's urban areas and rising returns on an increasing asset base will ensure that these regulated businesses generate strong returns for the Group. In addition, we will initiate new strategies to enhance the scope and returns of the non-regulated revenue of these businesses.

In the United Kingdom, CKI is also committed to organic growth. Northern Gas Networks continues to expand and upgrade its gas distribution network to cater for rising demand and new customer connections. Cambridge Water is also seeing encouraging potential from the growth in its water servicing area.

Acquisitions to Expand Portfolio

CKI will continue to pursue acquisition opportunities around the globe to further enhance our portfolio of infrastructure investments. We are currently studying and participating in the bidding process for a number of projects in existing markets, as well as looking for opportunities in new ones. Not only will we pursue investments in industries we are already familiar with, such as power and toll roads, but we will also investigate new possibilities, ranging from other regulated businesses to greenfield projects. CKI has very sound financials, with cash on hand of more than HK$7.7 billion and a net debt to equity ratio of 4 per cent. We are very well placed to acquire new projects, further enriching our portfolio.

Divestments to Maximise Shareholder Value

As part of our strategy to achieve the best returns for shareholders, we will review our asset portfolio from time to time and prudently consider divesting certain assets when the timing and price is right. On this point, CKI is in the process of divesting 21 per cent. of the Lane Cove Tunnel in Australia, with the aim of maximising shareholder value through the generation of cash and a premium, as well as the retention of a share in the future upside through a defined mechanism for revenue sharing. Following the divestment exercise, the Group's shareholding will be reduced from 40 per cent. to 19 per cent. The Lane Cove Tunnel is scheduled to open to traffic this year.

CKI has very sound financials, with cash on hand of more than HK$7.7 billion and a net debt to equity ratio of 4 per cent. We are very well placed to acquire new projects, further enriching our portfolio.

Mr. Eric Kwan will be retiring as Deputy Managing Director and Executive Director of CKI. He was one of the founding members of the Group who witnessed its listing and growth, through a strategy of globalisation and diversification, over the past decade. I would like to extend my thanks and appreciation for his contribution to CKI over the years.

I would also like to take this opportunity to thank the Board, management and staff for their commitment and hard work, as well as our shareholders for their continued support and confidence in the Group.

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 15th March, 2007