



INVESTMENT IN
HK ELECTRIC



INFRASTRUCTURE
INVESTMENT IN
CHINA



INFRASTRUCTURE
INVESTMENT IN
AUSTRALIA



INFRASTRUCTURE
INVESTMENT IN
NEW ZEALAND





INFRASTRUCTURE
INVESTMENT IN
UNITED KINGDOM



INFRASTRUCTURE
INVESTMENT IN
CANADA



INVESTMENT IN
**INFRASTRUCTURE
RELATED BUSINESS**



INVESTMENT IN HK ELECTRIC



HK Electric recorded solid operating results.

CKI is the major shareholder of HK Electric, with a 38.87% interest in the company. HK Electric is listed in Hong Kong. With a total installed capacity of 3,736 MW, HK Electric generates, transmits and distributes power to more than 560,000 customers on Hong Kong Island and Lamma Island.

Solid operating results, in both Hong Kong and international operations, were recorded by HK Electric during the period under review. Consolidated net profit after tax was HK\$8,029 million, an increase of 7.8% over the previous year. Earnings from Hong Kong operations were HK\$7,008 million, up 4.2% as a result of higher sales revenue, lower depreciation charges and a deferred tax adjustment due to the change in the rate of Hong Kong profits tax. Earnings from HK Electric's international operations were HK\$1,021 million, a 41.6% increase over 2007 due to the inclusion of first full year contributions from business in Canada, and new contributions from Thailand and New Zealand.

HONG KONG OPERATIONS

In 2008, HK Electric's unit sales of electricity declined by 0.2% as compared with last year due to a wetter and cooler summer and due to the effects of various energy saving initiatives. A slight increase was recorded in the number of domestic customers, while the number of commercial and industrial customers declined. The Maximum Demand in 2008 was 2,589 MW, as compared with 2,552 MW last year.

Supply reliability has been maintained at over 99.999% in 2008. 83% of the electricity sent out by HK Electric was generated by the Lamma Power Station coal-fired units, while the gas-fired units generated the balance.

The 800 kW Lamma Winds wind turbine and associated exhibition centre on renewable energy continued to attract public interest during the year.

Good progress was made with regards to the emission reduction programme at the Lamma Power Station. It is expected that by the end of 2010, over 95% of electricity generated at the Lamma Power Station will be generated by gas and coal-fired units fitted with flue gas desulphurisation and low nitrogen oxide burners, which will result in lower emissions.

The Scheme of Control Agreement signed by HK Electric in 1993 expired at the end of 2008. A new Agreement entered into with the Hong Kong Government for 10 years (with an option for the Government to extend the Agreement for another five years) commenced on 1st January 2009 with a lower rate of permitted return on average fixed assets of 9.99%. Shareholders will benefit over the next 10 years from the certainty and stability of a long-term regulatory framework for HK Electric that the new agreement provides; however the lower rate of permitted return will impact the level of HK Electric's earnings.

INTERNATIONAL OPERATIONS

International operations have performed well during the period under review and HK Electric has successfully increased its proportion of earnings derived from activities outside of Hong Kong.

In July 2008, a 50% interest in the Wellington Electricity Distribution Network in New Zealand was acquired by HK Electric, while in November 2008, HK Electric increased its stake in Northern Gas Networks to 35.1% from 19.9%.

With regards to existing investments, the Ratchaburi Power Station in Thailand was completed in 2008, with the first unit commissioned in March and the



HK Electric's 48 MW wind farm in Dali, China has commenced operations in January 2009.

second in June. Stanley Power in Canada delivered its first full year of profit contribution to HK Electric, while Northern Gas Networks in the United Kingdom recorded improved results for the year. The Australian electricity distribution businesses in South Australia and Victoria also performed satisfactorily, exceeding customer service and reliability targets for 2008. The construction of the wind farm in Dali, China was completed in December and began full commercial operation in January 2009.



Supply reliability has been maintained at over 99.999%.

INFRASTRUCTURE INVESTMENT IN CHINA



The Zhuhai Power Plant is a very reliable operation with high thermal efficiency.

CKI's portfolio of investments in Mainland China comprise a number of electricity generation businesses and toll road projects in various provinces.



The CKI China management team ensures the smooth operation of the electricity generation and toll road businesses in Mainland China.

ZHUHAI POWER PLANT

Zhuhai Power Plant, in which CKI owns a 45% joint venture interest, delivered an outstanding performance again in 2008. During the year, it achieved a total of about 6,300 operating hours, representing excess generation of 23% over the Annual Minimum Quantity. The Zhuhai Power Plant is a very reliable operation with high thermal efficiency. The project achieved targeted contractual rate of returns for CKI. In addition, the flue gas desulphurisation plant has been operating smoothly, with reliability of over 90% and absorption efficiency of over 92%.

JINWAN PHASE 1 POWER PLANT

CKI has a 45% stake in Jinwan Phase 1 Power Plant. 2008 represented the first full year of profit contribution for this project. 7 billion kWh of power was generated during the year and around 6,150 operating hours achieved. Returns were enhanced by the project's high utilisation rates and cost control measures. Despite



An all-round satisfactory performance was achieved by the Siping Cogen Power Plants in Jilin.

rising coal costs during the year, Jinwan Phase 1 Power Plant benefited from increases in tariff income, flue gas desulphurisation income and growing electricity sales.

The Jinwan Phase 1 Power Plant received ISO9001, ISO14001 and OHSAS 18001 certificates during the period under review.

FUSHUN COGEN POWER PLANTS

In 2008, CKI disposed of its 60% stake in the Fushun Cogen Power Plants in Liaoning to its Mainland partner. A one-off gain of HK\$112 million was recorded from the disposal.

SIPING COGEN POWER PLANTS

CKI holds a 45% stake in the Siping Cogen Power Plants in Jilin. This project has a total capacity of 200 MW. An all-round satisfactory performance was achieved during the year, despite the volatile economic environment. Plant utilisation was maintained at a historical high level. Achieving over 6,808 operating hours, the total heat sold by the Siping Cogen Power Plants reached a record high of 3.27 million GJ, an increase of 13% over 2007.

SHANTOU BAY BRIDGE

CKI has a 30% interest in the Shantou Bay Bridge. During the year, this project achieved stable growth in toll revenue and delivered steady income to CKI.

SHEN-SHAN HIGHWAY

Shen-Shan Highway, in which CKI has 33.5% interest, achieved a very good performance in 2008, with a new record in net profit. Despite the impact caused by high fuel costs and the national green vehicles toll free policy in 2008, toll revenue increased strongly during the year.

OTHER TOLL ROADS AND BRIDGES

CKI's portfolio of other toll roads and bridges, comprising the Changsha Bridges, Jiangmen Chaolian Bridge, Jiangmen Jiangsha Highway, National Highway 107 (Zhumadian Sections), Panyu Beidou Bridge and Tangshan Tangle Road, generated a satisfactory performance in 2008 and delivered stable income to the Group.

SUBSEQUENT EVENT

CKI entered into an agreement in February 2009 to divest three power plants, namely Zhuhai Power Plant, Jinwan Phase 1 Power Plant and Siping Cogen Power Plants, to HK Electric. This transaction will, upon completion, generate a one-off gain of approximately HK\$1,348 million for CKI.

The divestment enables CKI to realise the value of its infrastructure projects, while maintaining an interest in them as a majority shareholder of HK Electric. CKI will also continue to manage the three power plants under a management agreement with HK Electric.



Shantou Bay Bridge achieved stable growth in toll revenue and delivered steady income to CKI.

INFRASTRUCTURE INVESTMENT IN AUSTRALIA



Powercor and CitiPower in Victoria together serve about one million customers.

CKI's portfolio in Australia primarily comprises a number of energy investments. Together with HK Electric, CKI holds a majority stake in the power distribution businesses of ETSA Utilities, Powercor and CitiPower. In addition, the Group has interests in Spark Infrastructure and Envestra.

ETSA UTILITIES

CKI, together with HK Electric, owns a 51% stake in ETSA Utilities, the primary electricity distributor in South Australia.



The senior management team of ETSA Utilities oversees the company's overall operations and facilitates the safe and reliable delivery of electricity in South Australia.

ETSA Utilities is engaged in the safe and reliable delivery of electricity from the high voltage transmission network to residential and business customers throughout the state of South Australia. Serving more than 800,000 customers, ETSA Utilities supports a network comprising 399 zone substations and about 86,000 kilometres of powerlines. Employing more than 1,700 people, ETSA Utilities also provides construction and maintenance services and asset management services in the competitive infrastructure market.

With more than 60 years' experience, ETSA Utilities is one of the largest organisations and employers in South Australia. It also contributes to the state through its community-focused sponsorship programme and Employee Foundation.



ETSA Utilities is the primary electricity distributor in South Australia, serving more than 800,000 customers.



In 2008, ETSA Utilities' financial performance exceeded targets for distribution revenue, cash and profit. Statewide reliability performance for the electricity distribution network in terms of the System Average Interruption Duration Index was 141 minutes in 2008, representing a 24 minute decrease over the 165 minutes recorded in 2007.



The senior management team of CHEDHA Holdings delivered a strong financial performance which exceeded forecast returns for the third successive year.

CHEDHA HOLDINGS PTY LTD.

CHEDHA Holdings is the holding company of Powercor and CitiPower, in which CKI and HK Electric jointly hold a 51% stake. The combined network base of these two electricity distribution companies in Victoria, Australia approaches one million connected customers.

In 2008, CHEDHA Holdings achieved a strong financial performance, exceeding forecast returns for the third successive year. Distribution revenue increased as a result of higher consumption and customer growth. Enhancing contributions from unregulated activities remained a strategic priority and these operations surpassed expectations in 2008.

At the Customer Service Institute of Australia National Awards in October 2008, Powercor and CitiPower were awarded the National Award for Best Customer Charter. The companies also won the Victorian Award for Best Customer Service – Large Business category.

ETSA Utilities employs more than 1,700 people and supports a network comprising 399 zone substations and about 86,000 kilometres of powerlines.

POWERCOR AUSTRALIA LIMITED

Powercor supplies electricity to over 680,000 customers in central and western Victoria, and Melbourne’s outer suburbs. It is the largest of the five electricity distribution networks in Victoria, covering almost 150,000 square kilometres, and supplying key regional centres from Mildura and Shepparton through Bendigo and Ballarat to Warrnambool and Geelong.

CITIPower I PTY LTD.

CitiPower supplies electricity to more than 300,000 residential and business customers in Melbourne’s CBD and inner suburbs, including first-class cultural and sporting facilities such as Federation Square, the Melbourne Cricket Ground, the Victorian Arts Centre and the home of the Australian Open, Melbourne Park. A large proportion of CitiPower’s electricity infrastructure is located underground, with multiple back-up and rerouting options should a fault occur somewhere along



AquaTower is the exclusive potable water supplier for four regional towns in Victoria.

the network. It is the most reliable electricity network in Australia.

SPARK INFRASTRUCTURE GROUP

CKI has an 8.7% stake in Spark Infrastructure and is also the joint asset manager of this leading Australian utility infrastructure group.

The current portfolio of Spark Infrastructure comprises a 49% interest in three electricity distribution businesses in Australia – ETSA Utilities in South Australia and CitiPower and Powercor in Victoria.

In 2008, Spark Infrastructure’s cash distributions to investors were enhanced as a result of better than expected performances from its investment companies.

ENVESTRA LIMITED

The Group holds approximately an 18% stake in Envestra, one of Australia’s largest natural gas distribution companies.

With about 21,000 kilometres of natural gas distribution networks and 1,000 kilometres of transmission pipes, Envestra serves over one million consumers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory. It currently has total assets of about A\$2.6 billion.

During 2008, Envestra continued to deliver a stable cash yield to CKI.

AQUATOWER PTY LIMITED

CKI holds a 49% interest in AquaTower, the exclusive potable water supplier for around 25,000 people across four regional towns in Victoria, Australia.

This project has continued to achieve a satisfactory performance, generating attractive returns for CKI.

INFRASTRUCTURE INVESTMENT IN NEW ZEALAND



The Wellington Electricity Distribution Network supplies electricity to the city of Wellington, capital of New Zealand.

CKI has made its first foray into New Zealand through the acquisition of the Wellington Electricity Distribution Network which supplies electricity to the capital city of Wellington.



The senior management team of Wellington Electricity Distribution Network ensures that steady returns are delivered by this business.

WELLINGTON ELECTRICITY DISTRIBUTION NETWORK

On a 50/50 basis with HK Electric, CKI owns the Wellington Electricity Distribution Network. The company, which supplies electricity to the city of Wellington and surrounding area, was acquired in 2008 and marked CKI's first foothold in New Zealand.

The Wellington Electricity Distribution Network supplies electricity to the city of Wellington, the capital of New Zealand, as well as the Porirua and Hutt Valley regions of New Zealand. The network features a system length of over 4,592 kilometres. It currently distributes electricity to residential, commercial and industrial customers in the region.

Since the company was acquired in 2008, its performance has been in line with expectations and has generated a satisfactory and steady income stream to the Group. A total of five months of profit contribution was provided by Wellington Electricity Distribution Network in 2008.

INFRASTRUCTURE INVESTMENT IN UNITED KINGDOM



Northern Gas Networks distributes gas to approximately 2.5 million customers, comprising homes and businesses across the North of England.

In the United Kingdom, CKI has investments in both gas and water businesses. In addition to having a significant stake in Northern Gas Networks, the Group also owns Cambridge Water and holds a strategic investment in Southern Water.



The senior management team of Northern Gas Networks has achieved a number of accolades in operations performance throughout the years.

NORTHERN GAS NETWORKS LIMITED

CKI holds a 40% stake in Northern Gas Networks, which is responsible for distributing gas to homes and businesses across the North of England, an area covering West, East and North Yorkshire, as well as the North East and northern Cumbria.

The network area comprises a mixture of large cities such as Newcastle, Sunderland, Leeds, Hull and Bradford and a significant rural area, including North Yorkshire and Cumbria. Northern Gas Networks' area covers around 6.7 million inhabitants and has approximately 2.5 million customers. The network has an extensive distribution system comprising 36,000 kilometres of distribution gas mains.

Northern Gas Networks has been awarded a number of accolades in its operations performance throughout the years. This year it was benchmarked by its Regulator as the most efficient network in the United Kingdom's gas industry.

A settlement was reached with the Regulator covering a five-year period commencing in April 2008; this should help to generate stable and secure returns for the Group for the next five years.

The financial performance of Northern Gas Networks in 2008 has surpassed expectations, with total dividends to shareholders being higher than estimations and amounting to a double-digit cash yield to CKI.



The senior management team of Cambridge Water continued to deliver stable returns to CKI.

CAMBRIDGE WATER PLC

CKI holds a 100% stake in Cambridge Water, which serves a population of approximately 300,000 in an area that spans over 1,175 square kilometres in South Cambridgeshire in the United Kingdom. It possesses an integrated distribution system that includes 7 service reservoirs, 10 water towers and 2,200 kilometres of water mains.



Cambridge Water serves an area that spans over 1,175 square kilometres in South Cambridgeshire in the United Kingdom.

In 2008, Cambridge Water continued to deliver stable returns to CKI, with a double-digit cash yield. It achieved an impressive, near perfect 287.0 points out of a maximum of 287.5 in the annual "Service and Delivery Report" compiled by Ofwat. This represents a second place achievement nationally. Cambridge Water also attained 100% in the stringent testing of its water quality, making it amongst the cleanest and safest water in the United Kingdom.

SOUTHERN WATER

CKI has a 4.75% strategic stake in Southern Water, which supplies fresh, quality drinking water to more than one million households, and treats and recycles wastewater from more than two million households across Sussex, Kent, Hampshire and the Isle of Wight.

During 2008, Southern Water provided steady cashflow and stable returns to CKI.

Northern Gas Networks has an extensive distribution system comprising 36,000 kilometres of distribution gas mains.



INFRASTRUCTURE INVESTMENT IN CANADA



Stanley Power has interests in six Canadian electricity generating plants with a total capacity of 1,362 MW.

CKI has invested in power generation in Canada through the establishment of Stanley Power, the vehicle set up to hold stakes in six electricity generating plants with a total capacity of 1,362 MW.



The board members and shareholder representatives of TransAlta Cogeneration oversee the overall operations of the company, which comprises six electricity generating plants in Canada.

STANLEY POWER INC.

Stanley Power, engaged in power generation in Canada, is jointly owned by CKI and HK Electric on a 50/50 basis.

With a 49.99% interest in TransAlta Cogeneration L.P., Stanley Power has stakes in six Canadian electricity generating plants. They include five natural gas-powered cogeneration plants in Alberta, Saskatchewan and Ontario, and a coal-fired generation plant in Alberta. The plants have a total generating capacity of 1,362 MW of electric power. All six plants have long-term offtake contracts which generate a predictable income stream for the Group.

In 2008, Stanley Power delivered its first full year of contributions to CKI. Results were in accordance with the Group's expectations.

INVESTMENT IN INFRASTRUCTURE RELATED BUSINESS



Alliance maintained its market leadership position in Hong Kong's concrete industry.

CKI is Hong Kong's leading infrastructure materials company in cement, concrete and aggregates businesses.



The CKI Materials management team oversees the Group's materials and infrastructure-related business portfolio, maintaining a market leadership position in Hong Kong.

CKI's materials business was adversely impacted by high energy costs and rising freight charges during 2008. Although still profitable, contribution from the Group's materials operations declined by 11% as compared to 2007. The outlook for the construction industry is more positive as a result of the Government's plan to accelerate the development of major infrastructure projects in the coming years.

CEMENT

Given the rising energy and freight costs during the year, Green Island Cement (Holdings) Limited achieved a satisfactory performance during the year.

In Mainland China, the Group's Yunfu cement plant achieved record sales in 2008, benefiting from growing demand in the Guangdong region.

CONCRETE AND AGGREGATES

Alliance Construction Materials Limited, a 50/50 joint venture between CKI and Hanson Limited, maintained its market leadership position in Hong Kong's concrete industry and reported a solid performance in 2008. Sound profit contribution was achieved through disciplined pricing and cost management, as well as sustainable price increases.

In support of its concrete business, Alliance is also engaged in the supply of aggregates. It holds an interest in all three quarries in Hong Kong and is one of the largest suppliers of aggregates in the territory. In 2008, Alliance continued to explore future reserve opportunities in the Pearl River Delta region to expand its sources of aggregates supply.