CHAIRMAN'S LETTER

Following an active year of major acquisitions in 2010, the Group has cash on hand of over HK$5 billion and a net debt to equity ratio of 6 per cent. This provides the financial capacity and flexibility to fund new acquisitions.

POWERING INTO A NEW DECADE

	Year ended 31st December, 2010 HK$' million	Year ended 31st December, 2009 HK$' million
Profit contribution from:		
Power Assets (formerly known as HK Electric*)	**2,770**	2,578
United Kingdom portfolio	**1,183**	616
Australia portfolio	**1,026**	805
New Zealand portfolio	**96**	80
Canada portfolio	**113**	138
China portfolio	**374**	1,740
Materials business	**256**	146
Profit attributable to shareholders	**5,028**	5,568
Dividends per share	**HK$1.33**	HK$1.201

* *The name of Hongkong Electric Holdings Limited ("HK Electric") has been changed to Power Assets Holdings Limited ("Power Assets") in February 2011.*

2010 was a milestone year for Cheung Kong Infrastructure Holdings Limited ("CKI" or the "Group"). During the year, CKI reported strong organic growth from existing businesses, while significant acquisitions were made to strengthen the Group's global portfolio.

For the year ended 31st December, 2010, profit attributable to shareholders of HK$5,028 million was achieved. This good result can be attributed to the strong performance of our existing portfolio, as well as the 2 months of profit contribution from the electricity distribution networks in the United Kingdom which were acquired during the year.

While the profit attributable to shareholders for 2010 was lower than that reported for the previous year, the results for 2009 benefited from a one-off disposal gain of HK$1,314 million arising from the sale of Mainland China power assets to Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited ("HK Electric")) ("Power Assets"). After adjusting for this item, an increase of approximately 18 per cent would have been recorded this year.

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK$1.00 per share. Together with the interim dividend of HK$0.33 per share, this will bring the total dividend for the year to HK$1.33, an 11 per cent increase over last year. This increase reflects the Group's continued trend of dividend growth since listing. The proposed dividend will be paid on 20th May, 2011 following approval at the 2011 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company on 18th May, 2011.

A YEAR OF ACQUISITIONS

2010 was a landmark year of business expansion for CKI as three strategic acquisitions were made.

1. New Cement Production Facilities in Mainland China

In March, CKI committed an investment of HK$700 million to develop new cement production facilities in Yunfu, Guangdong Province. The new plant will have a clinker production capacity of 4,500 tonnes per day.

Upon completion in 2012, the new cement production facilities will strengthen CKI's materials business in Mainland China and is poised to generate attractive returns.

2. First Foray into Electricity Generation in the United Kingdom

In May, CKI completed the acquisition of a stake in Seabank Power Limited ("Seabank Power"), which owns and operates Seabank Power Station near Bristol. The power station comprises two combined-cycle turbine generation units with an aggregate capacity of approximately 1,140 MW. CKI acquired 25 per cent of Seabank Power at a net consideration of approximately HK$1.18 billion (approximately GBP105.8 million). CKI also has a 9.7 per cent indirect stake in the company through Power Assets.

The acquisition will provide immediate and stable returns to the Group. In 2010, 7 months of profit contribution were recorded.

3. Major Acquisition of Electricity Distribution Networks in the United Kingdom

In October, CKI led a consortium in completing the acquisition of 100 per cent of EDF Energy PLC's ("EDF") regulated and non-regulated electricity network activities in the United Kingdom. The total consideration was approximately HK$70 billion (GBP5.775 billion). The consortium, which also comprises Power Assets, has renamed the business, UK Power Networks Holdings Limited ("UK Power Networks"), to own and manage these electricity network activities. CKI has a 40 per cent direct stake in the company and a 15.5 per cent indirect stake through Power Assets.

UK Power Networks comprises three of the 14 regional networks in the United Kingdom with a distribution area that covers London, South East England and the East of England. Together, these networks distribute approximately 28 per cent of the electrical power in the United Kingdom, making UK Power Networks the largest electricity distribution network owners in the United Kingdom.

The company also includes a non-regulated business comprising commercial contracts to own and operate the electricity distribution networks of a number of privately owned sites, such as the London Underground, Heathrow and Gatwick airports, as well as the Channel Tunnel Rail Link.

This major acquisition has delivered immediate profit contribution to CKI. In 2010, 2 months of profit contribution – amounting to HK$432 million – were reported by UK Power Networks. The scale of the business is expected to significantly enhance the revenue stream from CKI's United Kingdom portfolio in the future.

A YEAR OF ORGANIC GROWTH

Power Assets (formerly known as HK Electric)
In 2010, profit contribution from Power Assets was HK$2,770 million, an increase of 7 per cent over 2009. While the profit for Hong Kong operations in 2010 was slightly above that of 2009, the international operations outside of Hong Kong have grown 24 per cent.

Consistent with the past few years, Power Assets has continued to focus on its international businesses as a driver for growth. In 2010, significant expansion was undertaken together with CKI in the United Kingdom. Power Assets' acquisitions during the period under review included a 25 per cent stake in Seabank Power and a 40 per cent stake in UK Power Networks, the three electricity networks in the country formerly owned by EDF.

In February 2011, the name of Hongkong Electric Holdings Limited has been changed to Power Assets Holdings Limited to reflect the company's ongoing commitment to aggressively pursue international business and the prospective shift in the proportion of profit contribution generated from within Hong Kong to outside of Hong Kong.

Infrastructure Investments
United Kingdom
In 2010, profit contribution from the United Kingdom increased by a substantial 92 per cent to HK$1,183 million. This significant growth can be attributed to two major acquisitions during the year under review. Seabank Power delivered 7 months of profit contribution to CKI, while UK Power Networks reported 2 months profit post-completion.

CKI's gas distribution business, Northern Gas Networks, performed well during the year under review and continued to provide a stable income stream.

The Group's water businesses, comprising Cambridge Water and an interest in Southern Water, also recorded satisfactory results. A regulatory re-set has been agreed for the period 2010-2015, providing a high degree of certainty for future income.

Australia
Profit contribution from CKI's Australian businesses was HK$1,026 million for the year under review, representing an increase of 27 per cent over the previous year. This reflects good performance from the Group's investments in Australia.

In mid-2010, ETSA Utilities, the primary electricity distributor in South Australia, commenced a new regulatory re-set for the period from 2010-2015 which provides for a high degree of certainty for returns over the next five years.

The electricity distribution companies in Victoria, namely CitiPower and Powercor, also completed their regulatory re-set process, which commenced in January 2011.

The Group's investments in Envestra and Spark Infrastructure also continued to provide steady profit contributions.

New Zealand
In New Zealand, profit contribution from the Wellington Electricity distribution network was HK$96 million, an increase of 20 per cent over 2009.

Canada
The Group's business in Canada reported profit contribution of HK$113 million, a decrease of 18 per cent. Excluding a favourable non-recurring tax adjustment of HK$43 million in 2009, the operating performance of the power generating business would show an increase in profit contribution of approximately 19 per cent. In terms of operating performance, Stanley Power's portfolio of power plants in Ontario, Alberta and Saskatchewan continued to provide CKI with a solid income stream.

China
The China portfolio generated a steady income stream to CKI. Profit contribution of HK$374 million was recorded. Though this appears to be a decrease as compared to the previous year, the 2009 figures included a one-off gain from the divestment of three power plants and their operating earnings in the earlier part of the year. Excluding this impact, the China transportation portfolio achieved good growth.

Materials Business
In 2010, CKI's materials business achieved profit contribution of HK$256 million, a 75 per cent increase over the previous year. The increase in housing and infrastructure activities in Hong Kong and Mainland China spurred a growth in the demand for cement and concrete. Price and margins have correspondingly improved. This trend is expected to continue.

TREASURY ACTIVITIES STRENGTHEN FINANCIAL PLATFORM

US$1 billion perpetual capital securities were issued in September 2010, the first of their kind for a non-financial issuer in Asia. This has provided CKI with additional long-term funding for further expansion.

SUBSEQUENT EVENT

In February 2011, together with Power Assets, its partner in Stanley Power in Canada, CKI announced a transaction with Husky Oil Limited and TransAlta Cogeneration, L.P. to increase their effective joint stake in the Meridian Cogeneration Plant in Canada from 24.995 per cent to 100 per cent. The cost for CKI's additional shareholding was approximately HK$359 million (CAD45.7 million), and completion is expected to occur in April 2011. This increased investment will further enhance CKI's portfolio and income base in Canada.

POWER ON FOR THE FUTURE

As CKI steps into a new decade, it is apparent that our acquisition strategy has proven fruitful. We have made a number of successful acquisitions over the past few years and accumulated extensive experience in acquiring projects on a global scale.

The performance of our portfolio – in terms of both the countries and industries in which we operate – has been very strong. Steady performance and organic growth of our existing businesses are expected to continue.

The Group has maintained a strong balance sheet and financial position. We have continued to maintain our "A-" rating from Standard & Poor's, which we have held since shortly after listing in 1996. Following an active year of major acquisitions in 2010, the Group has cash on hand of over HK$5 billion and a net debt to equity ratio of 6 per cent. This provides the financial capacity and flexibility to fund new acquisitions.

Currently, we have a good deal flow and are vigorously pursuing other investment opportunities in different sectors around the world. A number of exciting new projects are now under study.

I would like to take this opportunity to thank the Board, management and staff for their efforts and contributions, as well as our shareholders for their continued support.

LI TZAR KUOI, VICTOR

Chairman

Hong Kong, 2nd March, 2011