

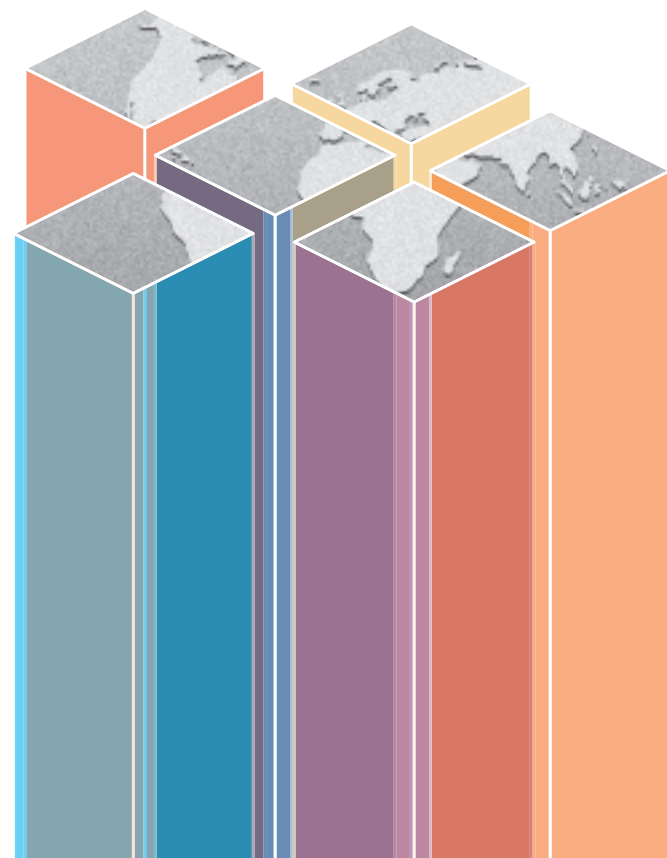
Diversification and Globalisation



The profit contribution from the Group's investments in Australia and Mainland China was over HK\$2 billion, an increase of 25% over last year. For the first time, we have recorded earnings from the United Kingdom, representing globalisation into a new market for CKI. We have also diversified into the new industries of water and gas distribution. 2004 marked the eighth consecutive year of profit growth for the Group and a total of HK\$13 billion was committed in new investments during the year.

While many major corporations worldwide are consolidating and returning to their core operations and home markets, CKI has continued to execute its strategy of expansion and diversification with considerable aplomb. Through a series of acquisitions

In 2004, CKI's performance was buoyed by an impressive showing from our overseas investments.



this year, we have reached new horizons as a global infrastructure player.

Our achievements can be attributed to our prudent approach to investment. CKI's management team possesses a profound understanding of the infrastructure markets around the world and has extensive experience in sourcing prime projects, as well as professional know-how in the art of project finance, tender bidding, and negotiation. Our team conscientiously applies the two tenets of our investment ethos – calculated risks with justified returns. Applying this philosophy, we have been building a global network of infrastructure investments that play an intricate role in the communities we operate in.

2004 marked a fruitful year in terms of business developments. CKI has diversified into a new industry in a major way – the water business. Through the acquisition of a 49% stake in AquaTower, we have entered the realm of water treatment in Australia. AquaTower, a water supplier with 4 plants in Victoria, has immediately generated revenue for the Group since acquisition. In the same vein, CKI also acquired 100% of Cambridge Water, which supplies water to a population of approximately 300,000 in the region of South Cambridgeshire in the United Kingdom. Significantly, this acquisition marks CKI's first step into the United Kingdom market.

Strengthening our presence in the United Kingdom, we also acquired a majority shareholding interest in the North of England Gas Distribution Network, a project worth HK\$20 billion. One of eight major gas

distribution networks in the United Kingdom, the asset serves a total population of 6.7 million. The acquisition is due to be completed by mid-2005 and will start generating attractive returns to the Group upon financial close. On completion, CKI will hold a 40% stake in the asset and will be the single largest shareholder. Both our investments in the United Kingdom are expected to bring attractive cash yields and immediate revenue to the Group and will act as a platform for future investment and expansion in the country.

During the year, we also expanded our toll road portfolio in Australia with the acquisition of a 40% stake in the Lane Cove Tunnel in Sydney, with CKI being the single largest shareholder. The project is scheduled to be completed by mid-2007 and is expected to generate long term and good returns for CKI.

CKI's roadmap is to continue our plan of diversification, both into new markets and into new industries, and to capitalise on the organic growth and expansion of our existing operations. We are in the global business and we embrace our position as a leading market player. CKI will explore new opportunities around the world. With our strong war chest and financial backing, we will persist in our strategy for expansion, diversification and globalisation through new quality acquisitions that meet our stringent investment criteria.

H.L. Kam

Group Managing Director

Hong Kong, 17th March, 2005