

GROUP MANAGING DIRECTOR'S REPORT

A REVIEW OF THE NOUGHTIES – A DECADE OF GROWTH

2009 marks the end of the noughties and the conclusion of CKI's first decade of overseas expansion. Over the past ten years, the Group has achieved considerable milestones in expanding and growing our portfolio of quality infrastructure investments around the world.

Through the prudent implementation of the twin strategies of globalisation and diversification, we have grown into a major player on the global infrastructure arena. CKI now has businesses in Hong Kong, Mainland China, Australia, New Zealand, the United Kingdom and Canada. The scope of our operations comprise electricity generation, transmission and distribution; toll roads; gas distribution; water treatment and distribution; and infrastructure materials.

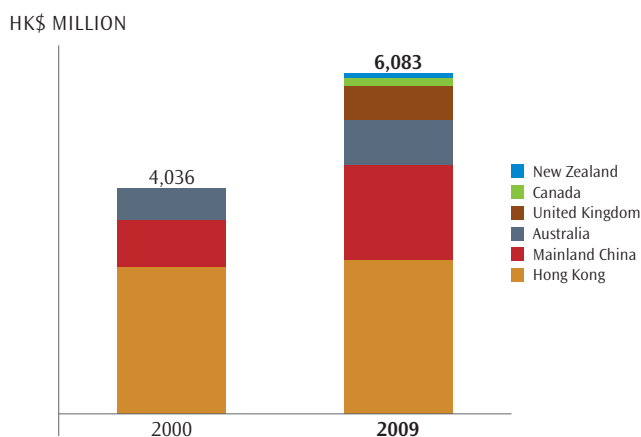


Over the last decade, consistent growth has been recorded across a number of key performance indicators. In 2000, profit attributable to shareholders was HK\$3,128 million. By the end of 2009, profitability had increased 78% to HK\$5,568 million. Profit contribution by both business sector and by geographic region have dramatically changed over the past decade as well, as the Group's portfolio has successfully been diversified. CKI's market capitalisation has increased from HK\$33,813 million as at 31 December 1999 to HK\$66,612 million as at 31 December 2009 as our share price has significantly

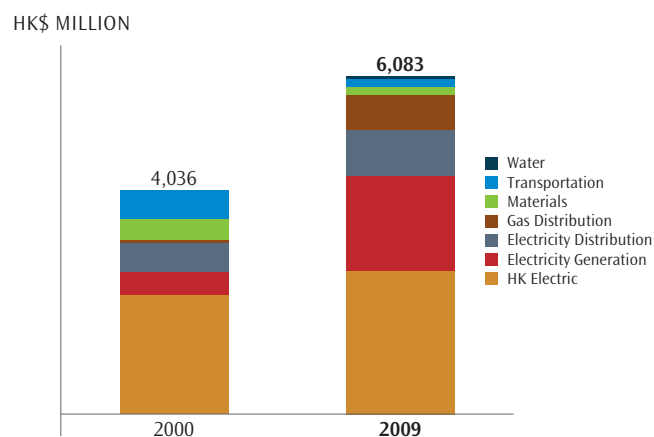
risen. Total assets have grown from HK\$25,938 million to reach HK\$51,779 million. During the same period, dividends per share have also consistently grown, approximately doubling to HK\$1.201 per share this year. The Group has also maintained an "A-" rating from Standard & Poor's throughout the last decade.

During the past ten years, we have focused on expanding our infrastructure portfolio in solid markets, with reliable regulatory frameworks and legal systems, around the world.

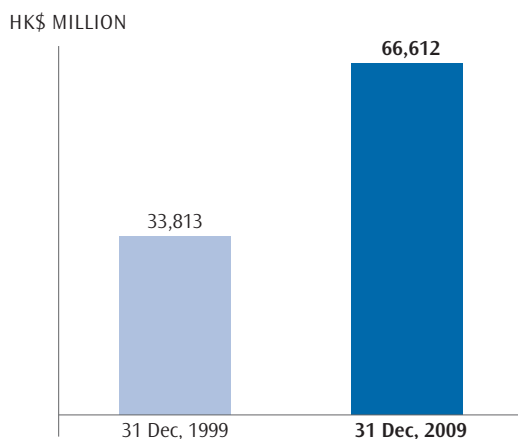
PROFIT CONTRIBUTION BY GEOGRAPHIC REGION



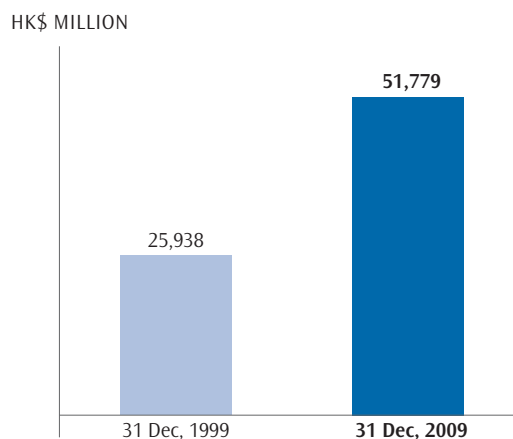
PROFIT CONTRIBUTION BY BUSINESS SEGMENT



MARKET CAPITALISATION



TOTAL ASSETS



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EXPANSION INTO AUSTRALIAN MARKET

CKI's expansion into Australia first began in 1999 with the acquisition of a strategic stake in Envestra, one of the largest natural gas distributors in the country. Since then, we have found the Australian market to be an attractive place for investment.

From 2000 onwards, the Group has amassed a strong portfolio of energy assets in Australia together with our associate, HK Electric. Our power distribution businesses comprise: ETSA Utilities, the primary electricity distributor for South Australia that serves more than 800,000 residential and business customers; Powercor, Victoria's largest electricity distributor that services 698,000 distribution customers; and CitiPower, which supplies more than 310,000 distribution customers in Melbourne's CBD and inner suburbs. Through these successful investments, CKI represents the largest power distributor in Australia.

At the end of 2005, the success of our electricity businesses culminated in the divestment of part of our stake in the assets to Spark Infrastructure and its subsequent listing on the Australian Stock Exchange. CKI continues to be a joint manager of Spark Infrastructure and retains an 8.5% stake of the fund.

In addition to our energy assets, CKI also acquired a 49% stake in AquaTower in 2004. AquaTower is the exclusive potable water supplier of four regional towns in Victoria and the acquisition represented the Group's first move into the water sector.

DIVERSIFICATION INTO THE UNITED KINGDOM

As CKI's investments in Australia reached a critical mass, we further diversified our global footprint in

2004 by expanding into the gas sector in the United Kingdom through the acquisition of Northern Gas Networks. One of the eight gas distribution networks in the United Kingdom, Northern Gas Networks delivers gas to approximately 2.6 million homes and businesses in the north of England. Following the success of this investment, which has continued to provide the Group with steady recurring income, CKI increased its shareholding from 40% to approximately 47.1% in 2009. Spending approximately HK\$1 billion, CKI and HK Electric have now increased the joint stake in Northern Gas Networks to 88.4%.

Also in 2004, the Group extended its business operations into water assets in the United Kingdom through the 100% acquisition of Cambridge Water. For more than 150 years, Cambridge Water has supplied fresh, clean drinking water to a population in South Cambridgeshire that has now reached 300,000.

In 2007, CKI acquired a strategic stake in Southern Water, a regulated business which supplies fresh drinking water to more than one million households and treats wastewater from nearly two million households in the south of England.

We have been very pleased with our investments in the United Kingdom, which have continued to perform in excess of expectations.

GROWTH IN CANADA

The Group entered into the new market of Canada in 2007 and jointly owns Stanley Power on a 50/50 basis with HK Electric. Stanley Power has a 49.99% interest in TransAlta Cogeneration L.P., which holds stakes in six electricity generation plants in Canada with a total capacity of 1,362 MW. This investment has generated solid returns to the Group.

DEVELOPMENT INTO NEW ZEALAND

In 2008, CKI jointly acquired Wellington Electricity together with HK Electric. Wellington Electricity delivers electricity to 163,000 homes and businesses in New Zealand's capital city, Wellington, and the surrounding greater Wellington area. Last year, Wellington Electricity provided its first full year of contributions to CKI.

A DECADE OF ACHIEVEMENT

Over the past ten years, CKI has significantly grown the scope of our businesses around the world. We have grown from being a Greater China-focused company at the beginning of this decade into a truly international infrastructure player.

Positive growth has been achieved in all our key performance indicators. By focusing on delivering long-term predictable cashflow through quality assets, we have achieved a decade of growth. By adhering to a prudent investment philosophy and strict acquisition criteria, all of our major projects have proved to be successful. A strong performance

has been sustained by CKI in spite of the challenging macro-economic conditions in 2009.

LOOKING FORWARD TO THE NEXT DECADE

As we look forward to the next decade, we are full of optimism and confidence. With a strong balance sheet, cash and deposits of over HK\$10 billion, we are well-positioned to capitalise on any attractive acquisition opportunities that emerge. We will continue to expand and diversify our portfolio in order to generate good returns and future growth. By leveraging on our strong business foundation, sound fundamentals and management expertise, we will maintain our growth momentum and power into the new decade.

H L KAM

Group Managing Director

Hong Kong, 4th March, 2010



CKI's Hong Kong-based management team, together with senior executives from the Group's subsidiaries and associate companies around the world.