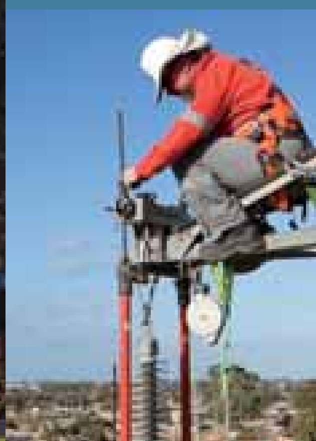
BUSINESS REVIEW

Investment in

POWER ASSETS*

Infrastructure Investment in

UNITED KINGDOM



Infrastructure Investment in

AUSTRALIA

Infrastructure Investment in

NEW ZEALAND

* *Formerly known as HK Electric*

Infrastructure
Investment in
CANADA

Infrastructure
Investment in
CHINA

Investment in
INFRASTRUCTURE RELATED BUSINESS

Investment in POWER ASSETS*

A supply reliability rating of over 99.999% was maintained.

CKI, the major shareholder of Power Assets, holds a 38.87% stake in the company. Through its subsidiary, The Hongkong Electric Company, Limited, Power Assets generates, transmits and distributes reliable electricity to more than 560,000 customers on Hong Kong Island and Lamma Island. In addition, Power Assets has a growing portfolio outside Hong Kong.

** Formerly known as HK Electric*

Previously known as Hongkong Electric Holdings Limited, the company changed its name in early 2011 to Power Assets Holdings Limited to reflect the increasingly diverse global investment portfolio of the company.

For the year ended 31 December 2010, Power Assets' audited profit was HK$7,194 million, representing a 7% increase over the previous year. This rise was attributed to the growth in earnings from operations outside of Hong Kong, which rose by 24% to HK$2,535 million. Earnings from the company's Hong Kong operations were HK$4,659 million, a marginal increase over 2009.

HONG KONG OPERATIONS

The performance of Power Assets' operations in Hong Kong was satisfactory. The total unit sales of electricity in 2010 were at the same level as in 2009, with the customer base growing slightly to 566,000. The number of customers from the domestic and commercial sectors recorded a small increase, while the number of industrial customers continued to decline.

HK Electric changed its name to Power Assets in early 2011.

A world-class supply reliability rating of over 99.999% was maintained, a record held since 1997.

The company has continued to adopt initiatives to reduce the dependence on coal and increase the use of natural gas. In 2010, units sent out from the gas-fired generating units increased from 20% to 33% of total electricity supply. This has enabled Power Assets to reduce carbon dioxide emissions by approximately 13% as compared with 2005.

The emission reduction programme at the Lamma Power Station was successfully completed during the year under review, resulting in a substantial reduction in the emission of sulphur dioxide, nitrogen oxides and respirable suspended particles. In addition, the largest solar power system in Hong Kong was commissioned at the Lamma Power Station. In the first six months of operation, this system generated 414,000 units of electricity while helping to reduce the emission of 345 tonnes of carbon dioxide. Progress has also been made in regards to the proposed offshore wind farm project of approximately 100 MW.

OPERATIONS OUTSIDE HONG KONG

During the year under review, strong results were delivered by operations outside of Hong Kong. In 2010, 35% of overall earnings were attributed to international investments.

Two significant acquisitions have extended the company's foothold in the United Kingdom electricity market.

During the year under review, a 25% stake was acquired in Seabank Power, an electricity-generating company located near Bristol. With two gas-fired combined-cycle gas turbine generating units, this company has an aggregate capacity of 1,140 MW. Following completion, this new acquisition contributed seven months of revenue during the period under review.

A very major acquisition involving a 40% stake in UK Power Networks was made. Its distribution networks cover London, the South East and the East of England,

Dali Wind Farm delivered its first full year of operation in 2010.

Jinwan Power Plant saw double-digit growth in units sold.

with customers totalling approximately eight million in the country. This acquisition brought in two months of earnings in 2010 and has strong future earnings contribution potential.

As for the existing portfolio, overall higher contribution has been recorded.

The Australian electricity businesses, comprising ETSA Utilities, CitiPower and Powercor, achieved strong growth during the year.

In the United Kingdom, Northern Gas Networks performed well. Earnings before interest, taxation, depreciation and amortisation were maintained at 2009 levels.

In New Zealand, Wellington Electricity recorded a satisfactory growth in profit contribution to the Group.

In Canada, Stanley Power, owned by Power Assets and CKI on a 50/50 basis, holds a 49.99% interest in TransAlta Cogeneration, L.P. During the year, Stanley Power's power plants in Ontario, Alberta and Saskatchewan continued to deliver satisfactory operating performance. In February 2011, Stanley Power proposed to increase its interest in the 220 MW Meridian Cogeneration Plant in Saskatchewan from 24.995% to 100%. This transaction is expected to be completed in April 2011.

In Mainland China, the Dali and Laoting Wind Farms delivered their first full year of operation in 2010 and sent out 38% more electricity than in 2009. The Jinwan Power Plant saw double-digit growth in units sold in 2010, while the output of Zhuhai Power Plant and Siping Cogeneration Plant was slightly lower than 2009.

The Ratchaburi Power Plant in Thailand reported a successful year of operation.

Infrastructure Investment in UNITED KINGDOM

The senior management team of UK Power Networks.

In the United Kingdom, CKI's portfolio was substantially strengthened in 2010 following the acquisition of Seabank Power and three electricity distribution networks. Investments in the United Kingdom now comprise electricity, gas and water businesses.

UK POWER NETWORKS HOLDINGS LIMITED

In 2010, a consortium led by CKI and Power Assets acquired 100% of EDF Energy PLC's regulated and non-regulated network activities in the United Kingdom for a total consideration of approximately HK$70 billion (GBP5.775 billion). A new company, UK Power Networks, has been established to hold these assets and the Group now holds a 40% stake in it.

UK Power Networks owns, operates and manages three of the 14 regulated electricity distribution networks in the United Kingdom. The licensed distribution networks of UK Power Networks are in London, the South East and the East of England. These networks distribute approximately 28% of the electrical power in the country, serving approximately eight million customers and covering around 30,000 square kilometres.

UK Power Networks also operates a non-regulated business to distribute electricity to several privately owned sites. These electricity distribution networks cover a number of renowned UK businesses and landmarks, including four London airports, the London Underground, the Channel Tunnel Rail Link and the site for the 2012 London Olympic Games.

CKI holds a 40% stake in UK Power Networks.


CKI and Power Assets jointly acquired a 50% stake in Seabank Power.

Post-acquisition, UK Power Networks has generated two months of profit contribution for CKI in 2010.

SEABANK POWER LIMITED

During the period under review, CKI and Power Assets jointly acquired a 50% stake in Seabank Power, each with a 25% effective shareholding.

Seabank Power is an electricity-generating company located near Bristol. It owns and operates Seabank Power Station, which comprises two combined-cycle gas turbine generation units with an aggregate capacity of approximately 1,140 MW.

A long-term offtake contract is in place for Seabank Power to sell all electricity generated to SSE Energy Supply Ltd., a subsidiary of the other 50% shareholder of the company, Scottish and Southern Energy PLC.

Since acquisition, Seabank Power has provided seven months of stable earnings and immediate cashflow to CKI in 2010.

NORTHERN GAS NETWORKS LIMITED

Together with Power Assets, CKI jointly holds an 88.4% stake in Northern Gas Networks.

Operating the North of England Distribution Network, Northern Gas Networks is one of the eight gas distribution networks in the United Kingdom. The network spans 37,000 kilometres of gas distribution pipeline and delivers gas to over 2.6 million homes and businesses from the Scottish borders to South Yorkshire.

In 2010, Northern Gas Networks continued to deliver cost reductions and productivity improvements to ensure that it remains benchmarked as one of the most efficient gas distributors in the country.

The regulator, Ofgem, published the results of its initial analysis of Return on Regulatory Equity for 2008/09 and 2009/10. It showed Northern Gas Networks to be the best performing network amongst the eight gas distribution networks in the United Kingdom over these periods.

Northern Gas Networks is benchmarked as one of the most efficient gas distributors in the UK.

Cambridge Water delivered stable returns.

Northern Gas Networks also continued to deliver a strong performance in relation to customer service, with all key measures remaining in line with or improving from the previous year.

Despite prevailing economic conditions and difficult operational conditions due to adverse winter weather, Northern Gas Networks has achieved good revenue and profit growth in 2010. The current five-year regulatory period runs until March 2013.

CAMBRIDGE WATER PLC

Cambridge Water is 100% owned by CKI and has been supplying fresh, clean drinking water for more than 150 years. The company supplies excellent quality underground water – pumped from boreholes – to the historic university city of Cambridge and surrounding areas in the United Kingdom.

In 2010, Cambridge Water delivered stable returns and outperformed its financial targets for the sixth consecutive year under CKI's ownership. The company achieved a score of 100% for the quality of its water, environmental impact and security of its water supply. It was also rated as one of the top three performing water companies in the United Kingdom by the regulator, Ofwat, in its annual Service and Delivery report.

Additionally, Cambridge Water is engaged in the non-regulated business of bottling and selling natural mineral water, Iceni Water, sourced from its own aquifers.

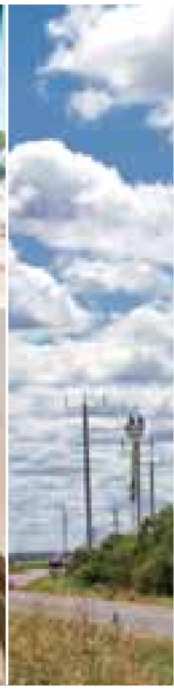
This business is performing well, with Iceni Water now available at retailers and supermarkets nationally. It is also being exported to the Hong Kong market.

SOUTHERN WATER

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

Southern Water generated steady regulated revenues in 2010.

Infrastructure Investment in AUSTRALIA



ETSA Utilities continued to meet all key financial targets.

CKI has a quality portfolio of energy investments in Australia. Together with Power Assets, the Group holds a majority stake in the electricity distribution businesses of ETSA Utilities, Powercor and CitiPower. CKI also holds interests in Spark Infrastructure, Envestra and AquaTower.

ETSA UTILITIES

In conjunction with Power Assets, CKI holds a 51% stake in ETSA Utilities, the primary electricity distributor of the state of South Australia.

ETSA Utilities manages a regulated electricity distribution network that serves more than 820,000 residential and business customers. The network has a route length of more than 87,000 kilometres and includes over 400 zone substations, 69,000 transformers and 723,000 poles.

In 2010, ETSA Utilities continued to meet all key financial targets. Regulated revenues exceeded targets partly due to higher network tariffs following the 2010-2015 regulatory reset outcome. The reset, which was determined by the Australian Energy Regulator in May 2010, secures stable returns for ETSA Utilities for the five-year duration through to 2015. Above budget sales were also attributed to favourable weather conditions during the year under review. In the unregulated electricity infrastructure construction and maintenance market, ETSA Utilities has maintained its strong market reputation and won new contracts.

CitiPower and Powercor achieved a strong performance.

The regulatory reset secures stable returns for ETSA Utilities.

With an ongoing focus on maintaining reliability and improving customer service performance, ETSA Utilities met all regulated service targets for timeliness, call centre performance and complaints handling. It was a finalist in the national Customer Service Institute Awards and won a State award for South Australia for Customer Response in the Large Business Division.

In terms of safety, ETSA Utilities has continued to be regarded as an industry leader. As at 31 December 2010, ETSA Utilities employees had worked 534 days in succession without a Lost Time Injury, a new record for the business. A number of environmental management initiatives were also successfully carried out in 2010.

CHEDHA HOLDINGS PTY LTD.

CKI, together with Power Assets, has a 51% shareholding in CHEDHA Holdings, the holding company of CitiPower and Powercor.

CitiPower supplies electricity to more than 310,000 customers in Melbourne's CBD and inner suburbs. It operates one of the most reliable urban and rural electricity networks in Australia.

Powercor is Victoria's largest electricity distributor, supplying electricity to regional and rural centres in central and western Victoria, and Melbourne's outer western suburbs. It services approximately 700,000 customers. Additionally, Powercor also operates a successful non-regulated business.

In 2010, a strong performance was achieved by CHEDHA Holdings on the back of higher revenue from various aspects of the regulated business. Unregulated revenue also increased during the year under review.

During the year, the Price Review process for the five years from 2011-2015 resulted in an acceptable final determination for CHEDHA Holdings. This helps to ensure the continued stability of future revenue.

Both CitiPower and Powercor improved their performances in managing customer complaints, as stated in the Energy and Water Ombudsman of Victoria report. In 2010, a number of awards were also received, such as the "Best Sustainability Report" from the Energy Supply Association of Australia and various Australian Service Excellence Awards from the Customer Service Institute of Australia, including

CitiPower supplies electricity in Melbourne's CBD and inner suburbs.

AquaTower recorded a good performance.

"Victorian Large Business", "National Large Business (commendation)", and "Victorian Service Excellence in a Service Desk".

The roll out of Advanced Metering Infrastructure (Smart Meters) exceeded all Government Advanced Meter deployment targets, with 10% of meters installed by August 2010 – four months ahead of schedule.

Additionally, a number of key environmental and climate change initiatives were implemented in 2010.

SPARK INFRASTRUCTURE GROUP

CKI has an 8.5% interest in Spark Infrastructure, a leading Australian utility infrastructure group that is listed on the Australian Securities Exchange. CKI is also the joint manager of the fund, whose objective is to invest in regulated utility infrastructure assets with relatively low risk and stable cash flows.

Spark Infrastructure's portfolio comprises a 49% interest in three high quality Australian electricity distribution businesses – ETSA Utilities in South Australia and CitiPower and Powercor in Victoria.

Stable cash distributions were delivered to CKI by Spark Infrastructure in 2010.

ENVESTRA LIMITED

With an approximate shareholding of 19.3%, CKI has a strategic interest in one of Australia's largest natural gas distribution companies.

Serving over one million consumers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory, Envestra owns about 21,000 kilometres of natural gas distribution networks and 1,000 kilometres of transmission pipelines.

In 2010, Envestra has provided CKI with steady cash returns.

AQUATOWER PTY LIMITED

CKI has a 49% stake in AquaTower, the exclusive potable water supplier for four regional towns in Victoria, serving approximately 25,000 people.

In 2010, AquaTower recorded a good performance and generated stable returns for CKI.

Infrastructure
Investment in
NEW ZEALAND

Wellington Electricity achieved an excellent result in terms of safety, reliability and customer service.

CKI holds a 50% stake in Wellington Electricity, which distributes electricity to the capital city of New Zealand.

WELLINGTON ELECTRICITY LINES LIMITED

Wellington Electricity is jointly owned by CKI and Power Assets, each with a 50% shareholding.

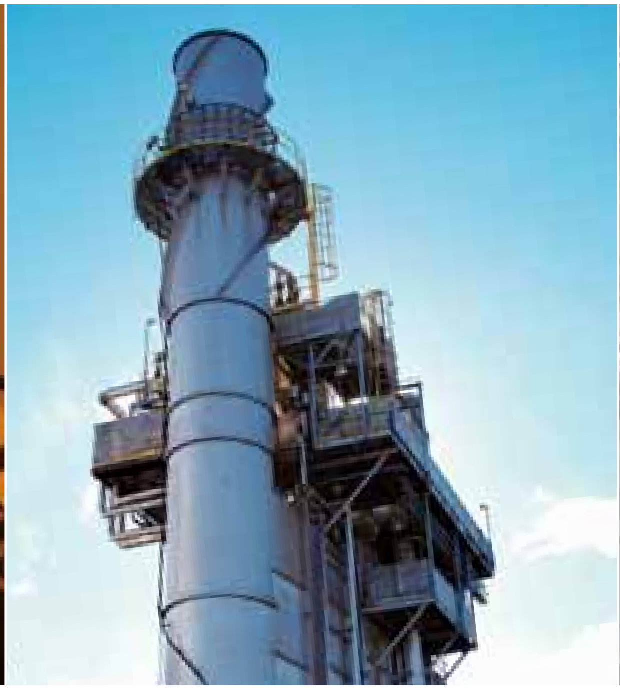
With the core business of electricity distribution, Wellington Electricity delivers power to about 160,000 homes and businesses in the Wellington, Porirua and Hutt Valley regions of New Zealand. Its network is largely underground, spanning some 4,500 kilometres.

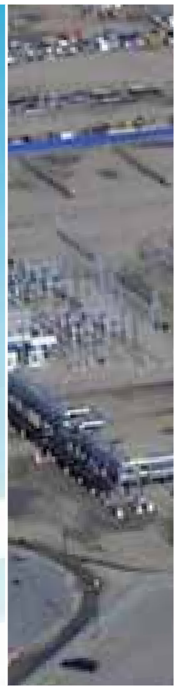
In 2010, the business has provided consistent profit contribution to CKI. An excellent result was achieved in terms of safety, reliability and customer service from its electricity distribution network.

Despite a weakened economy in New Zealand following the global financial crisis and recession in 2009, Wellington Electricity attained stable growth during the year under review.

The business is well-positioned to continue to provide customers with a high level of service, as well as to consider new opportunities for provision of further services to the New Zealand market.

Infrastructure Investment in CANADA





Stanley Power holds a 49.99% interest in TransAlta.

Through Stanley Power, CKI holds stakes in a number of electricity generating plants in Canada. In early 2011, the Group announced a transaction to increase its stake in the Meridian Cogeneration Plant in Saskatchewan.

STANLEY POWER INC.

CKI and Power Assets jointly own Stanley Power on a 50/50 basis.

Stanley Power holds a 49.99% interest in TransAlta Cogeneration, L.P. ("TransAlta"), which owns stakes in several electricity generation plants in Canada.

In early 2011, CKI and Power Assets announced a transaction to jointly increase its shareholding in one of these plants, the Meridian Cogeneration Plant in Saskatchewan, by acquiring an additional 75.005% interest from TransAlta and the other shareholder of the plant, Husky Oil Limited, a wholly owned subsidiary of Husky Energy Inc. ("Husky").

The Meridian Cogeneration Plant in Saskatchewan.

Stanley Power achieved a satisfactory operating performance.

The Meridian Cogeneration Plant is a natural gas-fired cogeneration plant with an installed capacity of 220 MW. It has entered into a long-term power purchase agreement with Saskatchewan Power Corporation (a provincial electricity company owned by the province of Saskatchewan) and a long-term steam supply contract with Husky – both lasting until 2025.

The cost for CKI's additional interest in the Meridian Cogeneration Plant was approximately HK$359 million (CAD45.7 million). Upon completion of this transaction, which is expected in the first half of 2011, CKI and Power Assets will together hold a 100% interest in the plant.

Post-completion, TransAlta will continue to own stakes in five other power generation plants, comprising four natural gas-fired cogeneration plants in Alberta and Ontario, and a coal-fired generation plant in Alberta. With long-term offtake contracts in place, these electricity generation plants provide CKI with a steady and reliable income stream.

In 2010, Stanley Power achieved a satisfactory operating performance in line with expectations.

Shantou Bay Bridge achieved double-digit growth in profitability.

CKI has a portfolio of toll road investments in Mainland China that spans over 400 kilometres in various provinces around the country.

SHANTOU BAY BRIDGE

CKI has a 30% interest in the Shantou Bay Bridge. A satisfactory increase of around 10% in toll revenue was recorded during the year. As a result of this improved revenue, as well as a reduction of operational expenses, profitability was enhanced by approximately 11% in 2010 as compared to the previous year.

SHEN-SHAN HIGHWAY (EASTERN SECTION)

Shen-Shan Highway, in which CKI has a 33.5% stake, achieved an excellent performance in 2010, with a 40% increase in profitability. Such strong results can be attributable to a 14% growth in toll revenue and a 27% reduction in finance expenses.

The two Changsha bridges recorded a net profit increase of 35%.
Shen-Shan Highway delivered excellent results in 2010.

Tangsha Tangle Road achieved an 80% growth in net profit distributable to shareholders.

TANGSHAN TANGLE ROAD

CKI has a 51% interest in Tangshan Tangle Road. In 2010, the project achieved another outstanding performance with an 80% growth in net profit distributable to shareholders. This increase can be attributed to the robust growth of economic activity and traffic flow in the area.

CHANGSHA WUJIALING AND WUYILU BRIDGES

The Group has a 44.2% shareholding in the Changsha Wujialing and Wuyilu Bridges. A strong performance was achieved by this project in 2010 on the back of continuous growth in the number of new vehicles within Changsha City. Revenue increased by 25% as compared to the previous year, while net profit increased by 35%.

OTHER TOLL ROADS AND BRIDGES

CKI's other toll roads and bridges, comprising Jiangmen Chaolian Bridge, Jiangmen Jiangsha Highway, National Highway 107 (Zhumadian Sections) and Panyu Beidou Bridge, all delivered satisfactory performances in 2010 and generated stable cash returns for the Group.

Investment in INFRASTRUCTURE RELATED BUSINESS

Green Island Cement recorded a strong performance in 2010.

With cement, concrete and aggregates businesses, CKI is one of the leading infrastructure materials suppliers in Hong Kong. Significant growth has been recorded for the Group's materials operations during the year.

CKI's materials business achieved a strong performance in 2010, benefiting from increased construction activities and improved market conditions in Hong Kong. Profit contribution increased 75% to HK$256 million during 2010.

CEMENT

In 2010, fueled by a surge in housing and infrastructure activities, a strong performance was recorded by the Group's cement operations through Green Island Cement.

During the year, the company was awarded "Hong Kong Top Brand" by the Hong Kong Brand Development Council.

Pricing and margins were improved, and record sales and production were achieved by the Yunfu cement plant in Mainland China.

Increased construction projects have generated growing demand for Alliance's products.

The development of Green Island Cement's flagship cement production facility in Yunfu was announced at a signing ceremony.

An expansion initiative in Mainland China has made good progress. The development of a new flagship cement production facility in Yunfu with a daily production capacity of 4,500 tonnes has commenced and is expected to be commissioned in the second half of 2012. The new facility is expected to further improve the profitability of the Group's cement business.

Overall, the prospects for the Group's cement operations in Hong Kong and Mainland China are positive.

CONCRETE AND AGGREGATES

The Group carries out its concrete and aggregates businesses through Alliance Construction Materials Limited, a 50/50 joint venture between CKI and HeidelbergCement AG. In 2010, an increase was achieved in both volume and pricing for concrete and aggregates.

Through a separate joint venture, Alliance is also developing a new quarry in Huidong, Guangdong. The construction is progressing well with operations expected to commence in 2011. Upon completion, the new crushing plant aims to produce 2.5 million tonnes per annum at a production capacity of 750 tonnes per hour.

STRATEGIC INVESTMENT IN ENVIRO ENERGY INTERNATIONAL HOLDINGS LIMITED

In April 2010, Green Island Cement made a strategic investment in Enviro Energy International via a HK$176 million exchangeable note. Enviro Energy International invests in conventional petroleum production as well as unconventional natural gas exploration in Mainland China. It focuses on enhanced hydrocarbon extraction potential in its projects, including the utilisation of carbon dioxide.