



▶ H L Kam, Group Managing Director of CKI (centre, first row), with board members and senior management teams of CKI's businesses around the globe.

ACQUISITION STRATEGY POWERS GROWTH

As we embarked on a new decade in 2010, CKI has had a busy and fruitful year in our acquisition moves. Three acquisitions were made. Our United Kingdom portfolio was significantly enhanced and our future revenue stream greatly strengthened.

EXPANSION INTO ELECTRICITY IN THE UNITED KINGDOM

CKI's expansion into the electricity sector in the United Kingdom in 2010 was a milestone achievement.

Prior to the acquisitions of the past year, we had investments in gas distribution and water supply in this market. Elsewhere around the world – in Hong Kong, China, Australia, New Zealand and Canada – we have extensive experience in successfully operating electricity generation and distribution assets. Our expansion into electricity in the United Kingdom was a natural progression for CKI.

Seabank Power

Through the acquisition of Seabank Power in May 2010, CKI made our first foray into the United Kingdom's electricity sector. Together with Power Assets, CKI now jointly holds a 50% stake in Seabank

Power, which comprises a combined cycle gas turbine power station, a gas compressor station and a gas pipeline with an electricity generating capacity of approximately 1,140 MW. Total consideration for the acquisition was approximately HK\$2.5 billion (GBP211.7 million).

All of the electricity generated is sold under long-term contracts to a wholly owned subsidiary of Scottish and Southern Energy PLC, the company that owns the other 50% of Seabank Power.

Seabank Power has a proven operation track record and represents a well-managed and profitable infrastructure project. It provides CKI with a secure and steady income stream. Since the acquisition, Seabank Power has provided immediate profit contribution to the Group.

UK Power Networks

In one of the biggest global M&A deals of 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 own and manage these assets and the Group now holds a 40% stake in it.

This investment has attracted a lot of attention from the international community. It represents one of the largest acquisitions since the onset of the global financial crisis. It is also quite possibly the largest European asset that has been purchased by an Asian company. For CKI, the consideration involved in the acquisition makes it our largest investment since listing.

UK Power Networks is responsible for over a quarter of the country's power supply. The company's coverage area includes London, one of the leading financial centres of the world, as well as South East England and East of England, two of the fastest growing economic regions in the country. The acquisition comprises regulated assets which serve eight million customers as well as non-regulated businesses with power links to the four airports, the London Underground, as well as the Channel Tunnel Rail Link.

Post-completion, UK Power Networks has already contributed two months of profit contribution to CKI. The investment is expected to generate double-digit returns.

Our investments in the United Kingdom now constitute the largest part of our global portfolio.

BREADTH OF MATERIALS BUSINESS FURTHER EXTENDED

During the year, we have expanded the scope of our materials business through strategic investments.

Yunfu Cement Plant

In March 2010, CKI committed to investing HK\$700 million to develop new cement production facilities in Yunfu, Guangdong Province. The project includes the installation of a 9MW waste heat regeneration system, as well as the development of a more efficient pier. The new plant will be wholly owned by Green Island Cement and is expected to commission in the second half of 2012.

The new facilities will benefit from the synergies generated with Green Island Cement's existing cement and quarrying operations in the Yunfu area. Upon completion of the project, Green Island Cement will be able to provide vertically integrated cement production and distribution facilities. This will enhance its market position as one of the leading materials suppliers in the region.

The expansion will bring attractive returns to the Group and further extend CKI's materials business in the rapidly growing market of Mainland China.

SUCCESSFUL ACQUISITION STRATEGY POWERS LONG-TERM GROWTH

CKI has always maintained a prudent approach to risk management, with the aim to minimise risk without compromising profitability. The Group looks at both cash flow and accounting profit when studying a potential acquisition. We prefer existing projects that provide immediate returns over greenfield ones, which may suffer from time delays and cost overrun. As we prefer our investments to generate immediate profits, we target projects with a certainty of return and a strong recurrent cash flow.

At CKI, we are big believers in synergy and prefer acquisitions in countries where we already have existing investments. We also believe that we should capitalise on our strengths, which means that we invest in industries in which we already possess the technical know-how or work in business environments that we are already familiar with.

In the bidding process, it is crucial for CKI to adhere to our traditional stringent discipline. We do not approach bids with a "must-win" mentality. The Group focuses on the fundamentals of the project and prefers to be conservative on the approach. We always take the long-term view, looking for recurrent profit.

CONTINUE STRONG ACQUISITION MOMENTUM

The Group currently has cash on hand of over HK\$5 billion and a net debt to equity ratio of 6%, which allows us the financial capacity and flexibility to fund new investment projects. We will continue to keep a close eye on the developments in the global infrastructure market, and look forward to continuing our strong acquisition momentum in the future.

H L KAM

Group Managing Director

Hong Kong, 2nd March, 2011