CKI achieved an outstanding year in 2011 with profit increasing 54% to reach HK$7,745 million.

This stellar performance was made possible due to CKI’s long term strategy of expansion through the acquisition of infrastructure assets which generate stable and secure income and also the prudent management of the balance sheet.

As a result of our continued acquisitions over the years, CKI now connects people and businesses to electricity, gas, water, roads and infrastructure materials in a number of major markets, spanning Hong Kong, Mainland China, the United Kingdom, Australia, New Zealand and Canada.

2011 ACQUISITIONS ADD FUEL TO FUTURE GROWTH

Over the past year, we have been actively working to build upon our solid foundation of investments around the world as well as to acquire new projects that will further augment our portfolio.

Northumbrian Water
In 2011, CKI led a consortium to acquire Northumbrian Water in the United Kingdom and we now hold a 40% stake in the asset. Northumbrian Water represents one of the ten regulated water and sewerage companies in England and Wales. It provides water and sewerage services to 2.7 million people in the North East of England, as well as water services to 1.8 million people in the South East of England. Following the completion of this significant acquisition in October 2011, Northumbrian Water has provided 2.5 months of immediate profit contribution (about HK$130 million) to CKI for the year under review. It is expected that this project will make a substantial contribution to the Group’s cashflow and profitability in the coming year.

Meridian Cogeneration Plant
During the year under review, CKI also increased its stake in the Meridian Cogeneration Plant in Canada. This initiative has provided profit contribution to the Group since April 2011. With stable off-take agreements signed, this investment is expected to generate solid returns in the future.

These acquisitions in 2011 are poised to provide impetus for the Group’s continued growth momentum in the coming year.

2010 INVESTMENTS SIGNIFICANTLY ENHANCE EARNINGS

Our strong 2011 financial results were substantially boosted by the first full-year contributions made from our recent investments in the United Kingdom.

In mid-2010, CKI acquired a stake in Seabank Power. Holding 50% of this infrastructure asset together with Power Assets Holdings Limited (“Power Assets”), CKI has been very satisfied with the regulated and stable returns which have been generated by this project. Seabank Power 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. All of the electricity generated by Seabank Power is sold under a long-term contract to a wholly owned subsidiary of Scottish and Southern Energy plc, the other 50% shareholder of the company.
The Group also acquired a 40% stake in UK Power Networks in 2010; the remaining shareholdings are held by Power Assets and Li Ka Shing Foundation whose shareholdings are 40% and 20% respectively. UK Power Networks owns, operates and manages three of the 14 regulated electricity distribution networks in the United Kingdom. Its licensed distribution networks are in London, the South East and the East of England. UK Power Networks ranks one of the largest electricity distribution network owners in the United Kingdom, covering a service area of approximately 30,000 square kilometres. It is responsible for about 30% of the country’s power supply and serves over eight million customers. In addition to regulated network services, UK Power Networks operates a number of private networks for clients, including the London Underground, the British Airports Authority and the Ministry of Defence. It is also constructing and operating the distribution network for the London 2012 Olympic Park. UK Power Networks is CKI’s largest investment since listing and this significant acquisition has substantially increased the Group’s earnings base. It is the main contributor to the Group’s 54% profit increase in 2011.

**PAST ACQUISITION STRATEGY DELIVERS STRONG RETURNS**

CKI’s successful acquisition strategy has been the major force behind the Group’s continued growth, enabling us to expand our portfolio and deliver good returns to our shareholders.
Hong Kong and Mainland China

Upon listing in 1996, CKI primarily focused on our materials business in Hong Kong, as well as power plants and toll roads in Mainland China. Through a series of acquisitions since then, our portfolio now spans Hong Kong, Mainland China, the United Kingdom, Australia, New Zealand and Canada. Currently, our operations encompass electricity generation and distribution, gas distribution, toll roads, water treatment and distribution, as well as infrastructure materials.

Our first major milestone was the acquisition of a controlling stake in Hongkong Electric Holdings Limited (“Hongkong Electric”) in 1997. The sole electricity generator and distributor of electricity to Hong Kong Island and Lamma Island, the company has continuously generated stable and solid returns to CKI. Over the past decade, Hongkong Electric has expanded rapidly with a growing portfolio outside Hong Kong together with CKI. To reflect its increasingly diverse global investments, Hongkong Electric changed its name to Power Assets Holdings Limited in early 2011.

Australia

After firmly establishing our businesses in Hong Kong and Mainland China, the Group embarked on a strategy of expansion and diversification to enhance our portfolio in the late 90’s. The first overseas market we invested in was Australia through the acquisition of a strategic stake in Envestra, one of the largest natural gas distributors in the country. This took place in 1999.

From 2000 onwards, we have built a strong business in Australia together with Power Assets. CKI and Power Assets represent the largest power distributor in Australia with investments in: ETSA Utilities, the primary electricity distributor for South Australia that serves more than 825,000 residential and business customers; Powercor, Victoria’s largest electricity distributor that serves approximately 720,000 customers; and CitiPower, whose distribution network serves more than 310,000 customers in Melbourne’s CBD and inner suburbs. Since their acquisitions, these investments have provided immediate, stable and strong contributions to the Group. In 2005, we divested part of our stake to Spark Infrastructure, which was subsequently listed on the Australian Stock Exchange. Together with Power Assets we now own a 51% shareholding in these assets.

United Kingdom

CKI made the first investment in the United Kingdom in 2004, when we acquired Cambridge Water, which serves a population of 300,000 people in South Cambridgeshire. This project was subsequently divested in 2011 to enable us to meet regulatory requirements for the Northumbrian Water acquisition.

In 2005, the Group extended our United Kingdom portfolio into the gas sector through the acquisition of Northern Gas Networks, one of the eight gas distribution networks in the country. Delivering gas to a population of 6.7 million people in the north of England, the company has since provided steady recurring income to the Group.

In 2007, we acquired a strategic stake in Southern Water, a regulated business which supplies fresh drinking water and treats wastewater in the south of England.

In the past two years, the United Kingdom portfolio has been significantly expanded with the acquisitions of Seabank Power and UK Power Networks in 2010, as well as Northumbrian Water in 2011.
Canada
The Group entered into the Canadian market in 2007 and now jointly owns Stanley Power with Power Assets. Stanley Power has a 49.99% interest in TransAlta Cogeneration, L.P., which holds stakes in five electricity generation plants in Canada. In 2011, CKI and Power Assets completed an acquisition which resulted in them holding 100% of Meridian Cogeneration Plant in Saskatchewan. With a total capacity of 1,362 MW, these six power plants have provided stable returns to CKI.

New Zealand
Together with Power Assets, CKI jointly acquired Wellington Electricity in 2008. Wellington Electricity delivers electricity to about 164,000 homes and businesses in New Zealand’s capital city of Wellington and the surrounding area. It has generated solid returns for CKI over the years.
ACQUISITION STRATEGY POWERS CKI’S GROWTH

Our acquisition strategy has propelled us to develop into a global infrastructure player in the past 15 years. Our income base is now very solid, resulting from the secure and recurring earnings generated from the significant investments made throughout the years. Our shareholders have not only benefited from pleasing share price appreciation, but also a continued trend of dividend growth since listing.

Going forward, we will work hard to nurture good organic growth from our existing portfolio; and at the same time, continue to seek acquisition opportunities to further expand the scope and depth of our business.

We have a strong balance sheet that will support our acquisition strategy. In spite of recent major investments, our gearing remains low. As at 31st December, 2011, CKI had cash on hand of HK$5.9 billion and a net debt to equity ratio of 14%.

CKI looks forward to powering ahead in the coming years through making more acquisitions. We will fortify and expand our network of connections and bring quality services to the communities in which we operate.

H L KAM  
Group Managing Director  

Hong Kong, 8th March, 2012