

BUSINESS REVIEW

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BUSINESS REVIEW



Infrastructure Investment in
NETHERLANDS



Infrastructure Investment in
CANADA



Infrastructure Investment in
UNITED KINGDOM



Infrastructure Investment in
CHINA



Investment in
POWER ASSETS



Investment in
**INFRASTRUCTURE
RELATED BUSINESS**



Infrastructure Investment in
AUSTRALIA



Infrastructure Investment in
NEW ZEALAND



Investment in POWER ASSETS

CKI is the major shareholder of Power Assets, with a 38.87% stake. A strong performance was achieved by Power Assets in 2013, underpinned by continued growth of the global portfolio.

In 2013, Power Assets reported good results. Profit attributable to shareholders increased 15% to HK\$11,165 million. Profits from operations outside of Hong Kong, which represent 57% of Power Assets' overall operating profit, increased 25% to HK\$6,386 million. Hong Kong operations grew 3% to HK\$4,779 million.



■ A strong performance was achieved by Power Assets in 2013.

OPERATIONS OUTSIDE OF HONG KONG

Power Assets' global portfolio comprises investments in the United Kingdom, Australia, New Zealand, Canada, Mainland China, Thailand and the newly added Netherlands.

In 2013, Power Assets acquired a stake in AVR – the largest energy-from-waste player in the Netherlands. This marked the first foray into both continental Europe and into a new technology area. The acquisition is poised to generate immediate and steady revenue for Power Assets.

Investments in the United Kingdom delivered strong results again. The United Kingdom now represents Power Assets' largest international market. Profit contribution grew by 40% in the year. In addition to higher revenues, earnings were bolstered by deferred tax credits.

The Australian businesses achieved a stable performance in 2013. Overall earnings were higher than 2012 but their contributions in Hong Kong dollar terms were reduced as a result of the weakening Australian dollar. Transmission Operations Australia commenced operation of its transmission link to transport renewable energy in November 2013.

Satisfactory results were generated by other investments around the world. In Mainland China, good progress was made in the installation and upgrading of emissions reduction facilities at the Zhuhai, Jinwan and Siping power plants. In Thailand and New Zealand, precautionary measures were taken against natural disasters to ensure smooth operations. As for Canada, one of the generation plants secured an important contract with the Ontario Power Authority.

HONG KONG OPERATIONS

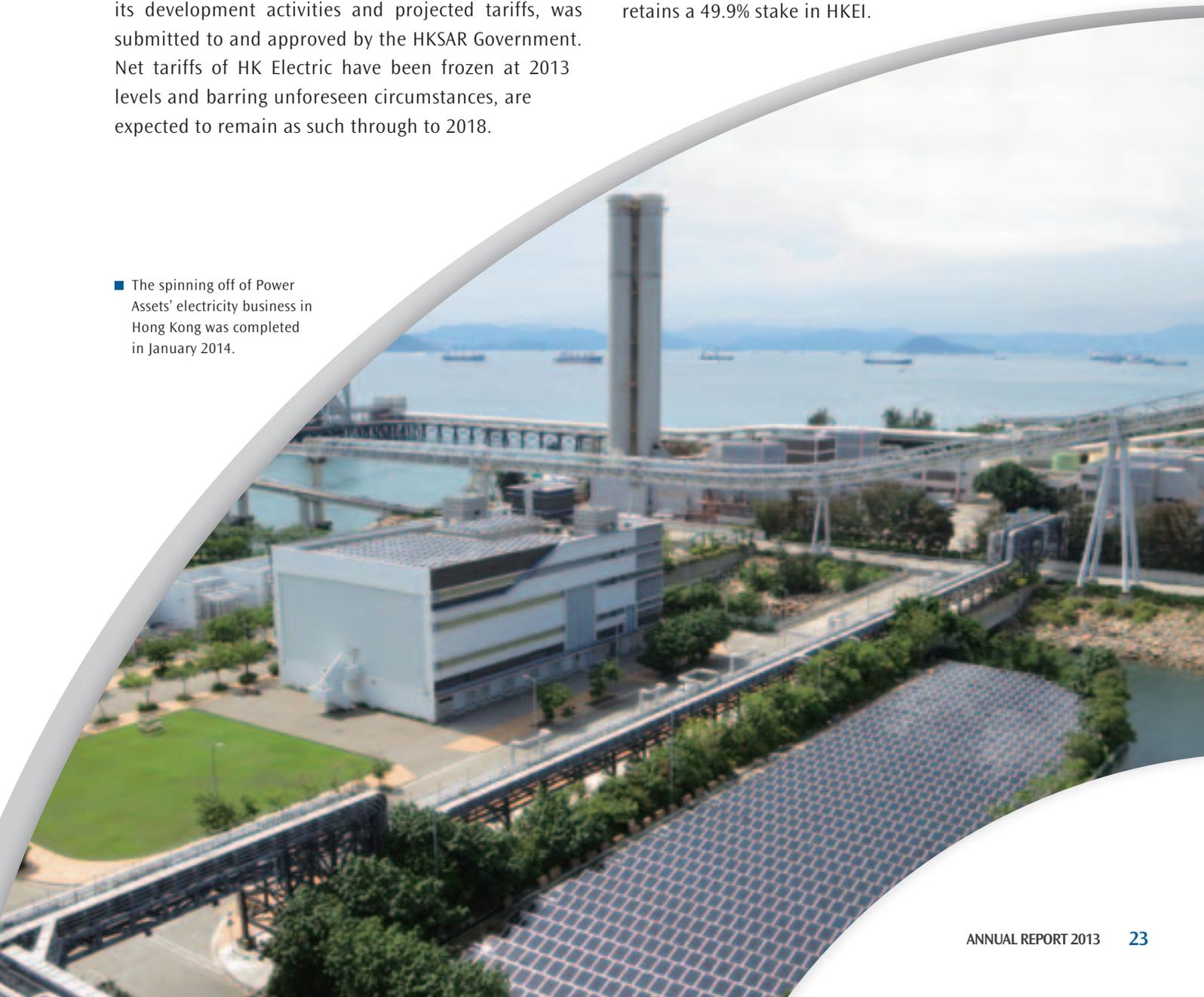
For Hong Kong operations, a 2.4% drop was recorded in electricity unit sales due to milder weather and fewer working days.

HK Electric's 2014-2018 Development Plan, which details its development activities and projected tariffs, was submitted to and approved by the HKSAR Government. Net tariffs of HK Electric have been frozen at 2013 levels and barring unforeseen circumstances, are expected to remain as such through to 2018.

In addition, HK Electric has made significant commitments on capital expenditure to enhance its power generation system, transmission and distribution system, as well as customer and corporate services development over the next five years. Subject to confirmation from the HKSAR Government, a new gas-fired generation unit will be built at the Lamma Power Station for commissioning by 2020. Improvement works will also be carried out to an existing coal-fired unit, which is fitted with a flue gas desulphurisation plant, in order to extend its useful life.

The spinning off of Power Assets' electricity business in Hong Kong was completed in January 2014. HK Electric Investments and HK Electric Investments Limited (collectively as "HKEI") were listed on the Main Board of the Stock Exchange of Hong Kong. Power Assets now retains a 49.9% stake in HKEI.

■ The spinning off of Power Assets' electricity business in Hong Kong was completed in January 2014.





Infrastructure Investment in UNITED KINGDOM

CKI has interests in a number of leading electricity, gas and water infrastructure businesses in the United Kingdom. This extensive portfolio delivers approximately 30% of the country's electricity, and also provides gas distribution service to an area inhabited by around 22% of the nation's population, as well as supplies water in the North East and South East of England.

UK POWER NETWORKS HOLDINGS LIMITED

CKI has a 40% stake in UK Power Networks, while Power Assets holds another 40% interest.

UK Power Networks owns, operates and manages three of the 14 regulated electricity distribution networks in the United Kingdom. With a total length of approximately 190,000 kilometres, the three licensed networks cover an area of about 30,000 square kilometres in London, the South East and the East of England. UK Power Networks provides service to approximately eight million customers, accounting for about 30% of the country's total power demand.

UK Power Networks also operates a number of private networks; clients include the British Airport Authority and the Ministry of Defence.

During 2013, the business continued with its planned programme of investments in the regulated networks, with approximately GBP650 million invested in network infrastructure enhancement.

A Business Transformation Project, with an objective to enhance the efficiency and services of the company, was launched in the first quarter of 2013. The Project is expected to run through to the first half of 2015.

UK Power Networks is currently preparing for the next regulatory reset, which is due to commence in April 2015.

NORTHUMBRIAN WATER GROUP LIMITED

CKI has a 40% shareholding in Northumbrian Water.

Northumbrian Water is one of the ten regulated water and sewerage companies in England and Wales, supplying drinking water to 4.5 million people in the North East and South East of England, as well as collecting and treating wastewater from 2.7 million people in the North East. The network of the company comprises approximately 25,600 kilometres of mains and about 29,700 kilometres of sewers.

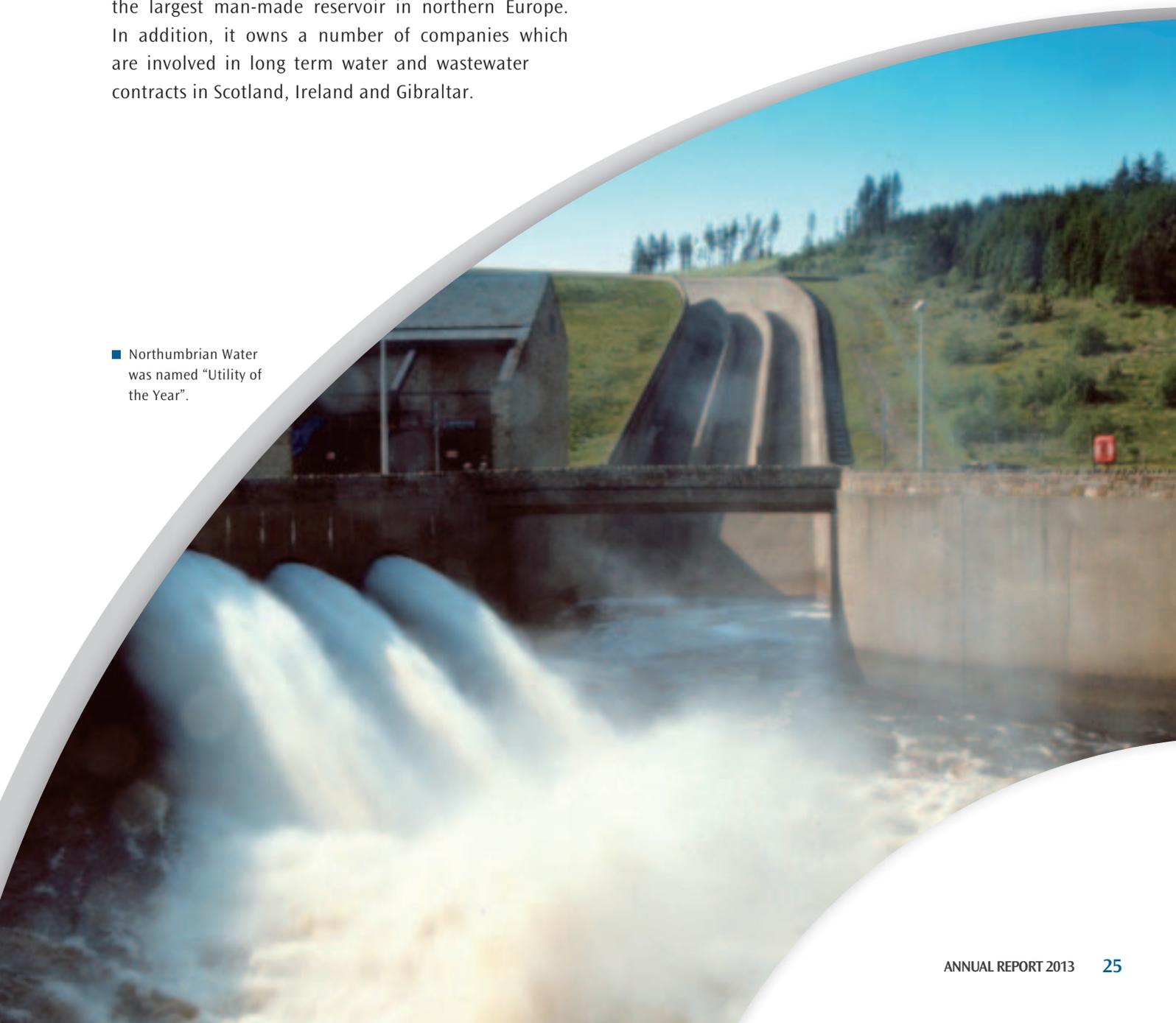
Apart from the regulated water businesses, Northumbrian Water also operates Kielder Reservoir, the largest man-made reservoir in northern Europe. In addition, it owns a number of companies which are involved in long term water and wastewater contracts in Scotland, Ireland and Gibraltar.

In 2013, sound organic growth was recorded for Northumbrian Water; and over GBP200 million was invested in capital expenditure projects to ensure the continued provision of sustainable water and wastewater services.

Northumbrian Water is the first company in the country to use almost 100% of the treated sludge to generate renewable energy following the commissioning of two recently constructed Advanced Anaerobic Digestion plants last year.

Northumbrian Water received wide recognitions during the year. At the Utility Week Achievement Awards 2013, Northumbrian Water received the highest prize “Utility

■ Northumbrian Water was named “Utility of the Year”.



BUSINESS REVIEW



WALES & WEST
UTILITIES

EICH RHWYDWAITH NW



of the Year”, as well as four other awards in different categories, namely “Community Initiative of the Year”, “Environment Award”, “Marketing Initiative of the Year” and “Supply Chain Excellence”. The company was praised by the judges for consistently outperforming its peers. In the North of England Excellence Awards 2013, the company was awarded “Business of the Year” and “Excellence Award – Private Sector Organisations with 250 people or more”. Northumbrian Water also received a number of accolades in the areas of sustainability, safety and tourist experience.

Northumbrian Water is preparing for the regulatory reset which will commence in April 2015.

NORTHERN GAS NETWORKS LIMITED

CKI and Power Assets jointly own an 88.4% stake in Northern Gas Networks.

Northern Gas Networks is one of the eight major gas distribution networks in the United Kingdom. The company operates, maintains, repairs and develops the North of England Gas Distribution Network. The service area covers approximately 25,000 square kilometres and is populated by 6.7 million people. The pipelines of the company span 37,000 kilometres.

The overall financial performance of Northern Gas Networks was good during the year. The regulatory reset was completed in April 2013, providing predictable revenues until 2021.

Northern Gas Networks continued with its network enhancement during the year. Approximately GBP35.5 million of investment was made to reinforce and extend the network, as well as to enhance information technology infrastructure.



■ Wales & West Utilities provided its first full year profit contribution to CKI in 2013.

The company is always dedicated to maintaining a high standard of safety and customer service. It is regarded as one of the best performing networks in terms of safety by the Health & Safety Executive, the national watchdog of occupational health and safety. To further enhance customer satisfaction, Northern Gas Networks moved to a more stringent timescale to conclude complaints.

Northern Gas Networks is a responsible corporate citizen. The company was rewarded by Ofgem under the 2013 Discretionary Reward Scheme for its outstanding work in raising awareness of carbon monoxide poisoning and reducing fuel poverty.

WALES & WEST UTILITIES LIMITED

CKI and Power Assets each hold a 30% interest in Wales & West Utilities.

As one of the eight major gas distribution networks in the United Kingdom, Wales & West Utilities provides service to a population of 7.5 million in Wales and South West of England. The business owns pipelines of 35,000 kilometres and covers service area of 42,000 square kilometres.

Wales & West Utilities provided its first full year profit contribution to CKI in 2013. The overall financial performance was favourable to budget. The completion of the regulatory reset in April 2013 provided a framework for predictable revenues through to 2021.

The company continued to meet or outperform all key operational targets, licence obligations and standards of service.

During the year, Wales & West Utilities received rewards from Ofgem's Discretionary Reward Scheme which recognised the company's commitment to supporting environmental, community and gas safety initiatives. Wales & West Utilities was given more awards than any other gas distribution network in the country.



■ Northern Gas Networks is dedicated to maintaining a high standard of safety and customer service.

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The company invested approximately GBP60 million in capital expenditure projects in 2013. The projects involved network reinforcement, vehicle fleet renewal, information technology solutions enhancement and depot acquisition.

In recognition of Wales & West Utilities' successful emissions and climate change initiatives, the company received the Wales Environment Award at Business in the Community's Wales Responsible Business Awards 2013. The company was also awarded a number of accolades which honoured its commitment to the community.

SEABANK POWER LIMITED

CKI and Power Assets each hold a 25% stake in Seabank Power.

Seabank Power owns and operates Seabank Power Station, an electricity generation plant near Bristol with two combined cycle gas turbine generation units with a total capacity of approximately 1,140 MW.

The business continued to generate stable returns to CKI. Financial performance was ahead of budget during the year under review.

Preparations are underway for a potential expansion of the power plant with two additional generating units. The first wave of public consultation events were held in 2013.

SOUTHERN WATER SERVICES LIMITED

CKI holds a 4.75% strategic interest in Southern Water. The company is a regulated business which supplies fresh, quality drinking water to 2.4 million people and treats wastewater from a population of 4.5 million in the South East of England across Sussex, Kent, Hampshire and the Isle of Wight.

■ Seabank Power owns and operates Seabank Power Station near Bristol.





Infrastructure Investment in AUSTRALIA

Together with Power Assets, CKI is one of the major power distributors in Australia. Through investments in SA Power Networks and Victoria Power Networks, the Group distributes electricity to the entire state of South Australia and over 65% of the state of Victoria respectively. In addition, CKI's portfolio in Australia also includes Transmission Operations Australia and investments in Spark Infrastructure and Envestra.

SA POWER NETWORKS

In conjunction with Power Assets, CKI holds a 51% stake in SA Power Networks. It is the primary electricity distributor in the state of South Australia, serving approximately 839,000 customers.

In 2013, SA Power Networks achieved a satisfactory operational performance. Revenues from the regulated business of SA Power Networks continued to increase, while the non-regulated business once again outperformed targets.

High levels of safety performance were achieved by SA Power Networks during the year. It maintained its safety certifications against AS/NZS 4801 and

OHSAS 18001 in 2013. SA Power Networks also continued its ongoing focus on meeting reliability standards and improving customer service. A number of environmental management and sustainability initiatives were successfully carried out during the year. At the same time, SA Power Networks has maintained a significant role in the community through a substantial sponsorship and community support programme.

Currently, SA Power Networks is planning for the tariff reset for the 2015-2020 regulatory period, which will commence on July 2015. A consultation programme that engages with customers is now underway. SA Power Networks is confident of achieving a satisfactory outcome which will provide secure returns for the Group.

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VICTORIA POWER NETWORKS PTY LTD

CKI and Power Assets jointly hold a 51% interest in Victoria Power Networks, the holding company of CitiPower and Powercor.

CitiPower owns and operates an electricity distribution network that serves approximately 320,000 customers in Melbourne's CBD and inner suburbs.

Powercor represents the largest electricity distributor in the state of Victoria, supplying electricity to regional and rural centres in central and western Victoria, and Melbourne's outer western suburbs. Powercor serves approximately 750,000 customers and operates a successful non-regulated business.

A satisfactory operational performance was achieved by Victoria Power Networks in 2013, with higher returns generated for the Group during the year.

Good levels of reliability were maintained, despite storms and inclement weather conditions during the year. The Customer Service Institute of Australia assessed the businesses against the International Customer Service Standard in 2013, awarding an 8.0 out of a possible 10, one of the highest scores ever given.

CitiPower and Powercor were also honoured in the prestigious Innovation category at the Australian Business Awards 2013.

Currently, Victoria Power Networks is planning for the tariff reset for the 2016-2021 regulatory period, which will commence on January 2016.



TRANSMISSION OPERATIONS (AUSTRALIA) PTY LTD

CKI made its first foray in Australia's renewable energy power transmission sector with its investment in Transmission Operations Australia. The investment was made jointly with Power Assets on a 50/50 basis and the total investment amount of the project is HK\$268.1 million (A\$33.6 million).

Transmission Operations Australia owns and operates a high voltage transmission network, which was completed in November 2013. With 21 kilometres of overhead power lines, two transformers and a terminal station, the network transfers renewable energy from the wind turbines at the 130 MW Mt Mercer Wind Farm to Victoria's power grid.

ENVESTRA LIMITED

CKI holds a strategic shareholding of approximately 17.5% in Envestra, one of the largest natural gas distribution companies in Australia.

Envestra owns a natural gas distribution network which serves over 1.2 million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

In 2013, Envestra generated stable returns to CKI.

SPARK INFRASTRUCTURE GROUP

The Group holds an 8.5% stake in Spark Infrastructure, a leading Australian utility infrastructure group that is listed on the Australian Securities Exchange. Spark Infrastructure focuses on investing in quality regulated utility infrastructure assets that provide stable returns, with a low risk profile.

Spark Infrastructure provided good returns to CKI during 2013.



■ CitiPower distributes electricity in Melbourne's CBD and inner suburbs.



Infrastructure Investment in NEW ZEALAND

CKI owns a 50% interest in Wellington Electricity, an electricity distribution network which covers New Zealand's capital city and the surrounding area.

In 2013, the Group expanded into the country's waste management industry by acquiring EnviroWaste.

WELLINGTON ELECTRICITY LINES LIMITED

Wellington Electricity is owned by CKI and Power Assets on a 50/50 basis.



■ Wellington Electricity's operational performance stood well in 2013.

The electricity distribution network of Wellington Electricity spans over 4,600 kilometres and delivers electricity to approximately 165,000 domestic, commercial and industrial customers in Wellington, Porirua and Hutt Valley regions of New Zealand.

Despite weathering two significant earthquakes and the worst storm in 40 years, Wellington Electricity's operational performance stood well in 2013. The company also delivered a consistent financial performance.

During the year, Wellington Electricity acquired a transmission line which connects a new major wind farm station to the national grid in the company's network area.

ENVIRO WASTE SERVICES LIMITED

CKI completed the acquisition of 100% of EnviroWaste in April 2013 for a cash consideration of approximately HK\$3.2 billion (approximately NZ\$490 million).

EnviroWaste is one of the leading waste management companies in New Zealand with a national coverage. It provides waste collection and disposal services to approximately half a million commercial and residential sources.

In addition, EnviroWaste owns and manages Hampton Downs, the largest landfill in New Zealand which accounts for approximately 30% of annual landfill volumes in Greater Auckland. Situated outside of Auckland on an area of 360 hectares, Hampton Downs is consented to receive waste until 2030 and has the capacity to receive waste for many decades to come.

EnviroWaste delivered a strong financial performance and generated 8.5 months of profit contribution to the Group in 2013.

During the year, EnviroWaste continued to invest in its assets to ensure future growth of the company. A new leading-edge leachate treatment system was commissioned in Hampton Downs to remove noxious substance from water which is to be discharged into the local stream or neighbouring farmland. In addition, three gas-to-energy turbines were ordered for delivery in early 2014 to further increase the capacity of generating electricity from landfill gas.

- EnviroWaste is one of the leading waste management companies in New Zealand.





Infrastructure Investment in NETHERLANDS

In 2013, CKI extended its global footprint to the Netherlands with the acquisition of AVR, the country's largest energy-from-waste player.

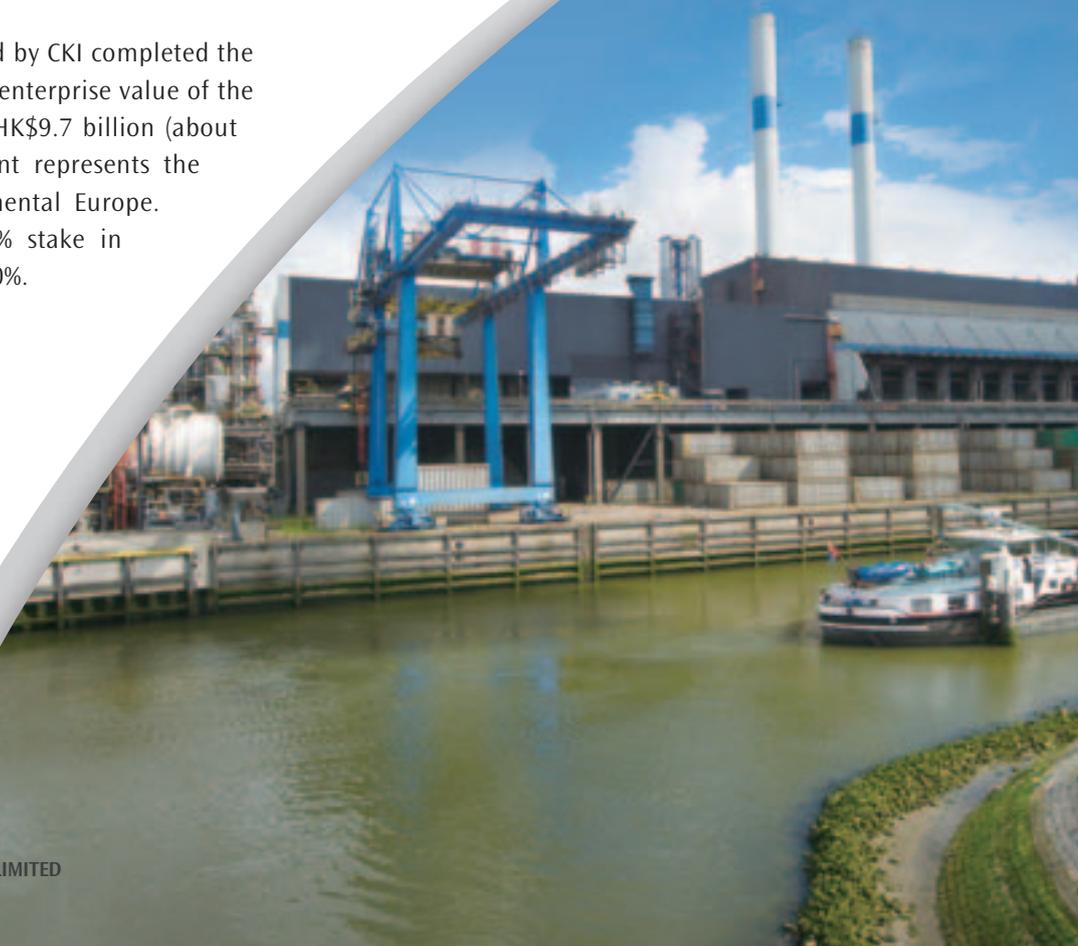
AVR is the largest energy-from-waste ("EfW") player in the Netherlands, commanding a 22% market share of the waste processing industry.

Since completion, AVR has provided four months of profit contribution to CKI. The company generates its income from (i) gate fees for processing waste; (ii) the sale of output generated from waste

AVR-AFVALVERWERKING B.V.

In August 2013, a consortium led by CKI completed the acquisition of 100% of AVR. The enterprise value of the transaction was approximately HK\$9.7 billion (about EUR940 million). The investment represents the Group's first initiative in continental Europe. Post-acquisition, CKI has a 35% stake in AVR, while Power Assets holds 20%.

- AVR operates two waste treatment plants of "R1" status.



processing which takes the form of electricity, steam or district heating; as well as (iii) the sale of recovered materials.

AVR operates two waste treatment plants of “R1” status; this entitles the company to import waste from other member countries and states of the European Union. The two waste treatment plants are strategically located in Rozenburg which is near the Port of Rotterdam, and in Duiven which is close to the German border, giving advantage to the company’s growth plan for processing

import waste. The plants have a total EfW capacity of 1,700 kilo tonnes per year, the largest amongst waste treatment companies in Europe.

Long term contracts with domestic and overseas clients for residual waste have been secured to fuel the waste processing plants until 2019. Long term off-take contracts are also in place for the energy generated, ensuring stable income for the company.

■ Mr. H L Kam, Group Managing Director of CKI (third from right), and Mr. Andrew Hunter, Deputy Managing Director of CKI (centre), were given a tour of AVR’s facilities.





Infrastructure Investment in CANADA

CKI holds a portfolio of electricity generating plants in Canada through a 50% interest in Canadian Power (formerly known as Stanley Power).

CANADIAN POWER HOLDINGS INC.

CKI and Power Assets each hold a 50% interest in Canadian Power, which in turn has stakes in six electricity generating plants throughout Canada. The total generating capacity of the plants amounts to 1,362 MW.

Canadian Power has a 49.99% stake in TransAlta Cogeneration, L.P. (“TransAlta”), whose portfolio comprises four natural gas-fired cogeneration plants in Alberta and Ontario, as well as a coal-fired generation plant in Alberta.

In 2013, TransAlta’s Ottawa Cogeneration Plant signed a new 20-year power supply agreement with Ontario Power Authority.

Canadian Power also owns a 100% stake in the 220 MW Meridian Cogeneration Plant, a natural gas-fired plant located in the Saskatchewan province. The plant has a long-term power purchase agreement with Saskatchewan Power Corporation and a long-term steam supply contract with Husky Energy Inc., both lasting until 2025.

During the year, Canadian Power continued to provide stable profit contribution to CKI.

Canadian Power was formerly known as Stanley Power Inc. The company name was changed to Canadian Power Holdings Inc. in December 2013.



- Canadian Power continued to provide stable profit contribution to CKI in 2013.



- Canadian Power has stakes in six electricity generating plants throughout Canada.



PANYU BEIDOU BRIDGE

CKI holds a 40% interest in the Panyu Beidou Bridge. In 2013, the project recorded an increase of 48.6% in revenue. Guangzhou and eight other cities in Guangdong Province introduced annual ticket systems during the year. Panyu Beidou Bridge benefitted from this new system as well as the existing single ticket payment system. The increase in revenue resulted in a year-on-year growth of 125% in profit.

SHEN-SHAN HIGHWAY (EASTERN SECTION)

Shen-Shan Highway (Eastern Section), in which CKI has a 33.5% shareholding, achieved a satisfactory performance, with a 9% increase in toll revenue. Despite the growth in revenue being partially offset by an increase in profit tax from 12.5% to 25% at the end of tax holiday, the net earnings of the project recorded a year-on-year growth of 5%.

Infrastructure Investment in CHINA

In Mainland China, CKI has an extensive portfolio of toll roads and bridges totalling approximately 280 kilometres. During the year, the Group divested its interest in National Highway 107 (Zhumadian Sections) to the Chinese JV partner in the project.

JIANGMEN JIANGSHA HIGHWAY

CKI owns a 50% stake in the Jiangmen Jiangsha Highway. Under the Administrative Order issued by the Department of Communications of Guangdong Province, the toll collection right of the project was abolished with effect from July 2013. Discussions with the Government are being carried out for the compensation of this early termination.

NATIONAL HIGHWAY 107 (ZHUMADIAN SECTIONS)

In December 2013, CKI completed a transaction to sell all of its 66% interest in the National Highway 107 (Zhumadian Sections) to the Chinese JV partner in the project. The consideration of the transaction was approximately HK\$111 million (RMB86.37 million).

OTHER TOLL ROADS AND BRIDGES

The performance of CKI's other toll roads and bridges, including Shantou Bay Bridge, Tangshan Tangle Road, Changsha Wujialing and Wuyilu Bridges, as well as Jiangmen Chaolian Bridge, was in line with expectation.



- CKI has toll roads and bridges of approximately 280 kilometres in Mainland China.



- The performance of CKI's toll roads and bridges was in line with expectation.



Investment in INFRASTRUCTURE RELATED BUSINESS

The infrastructure materials business of CKI, including cement, concrete and aggregates, as well as asphalt, generates steady income to the Group.

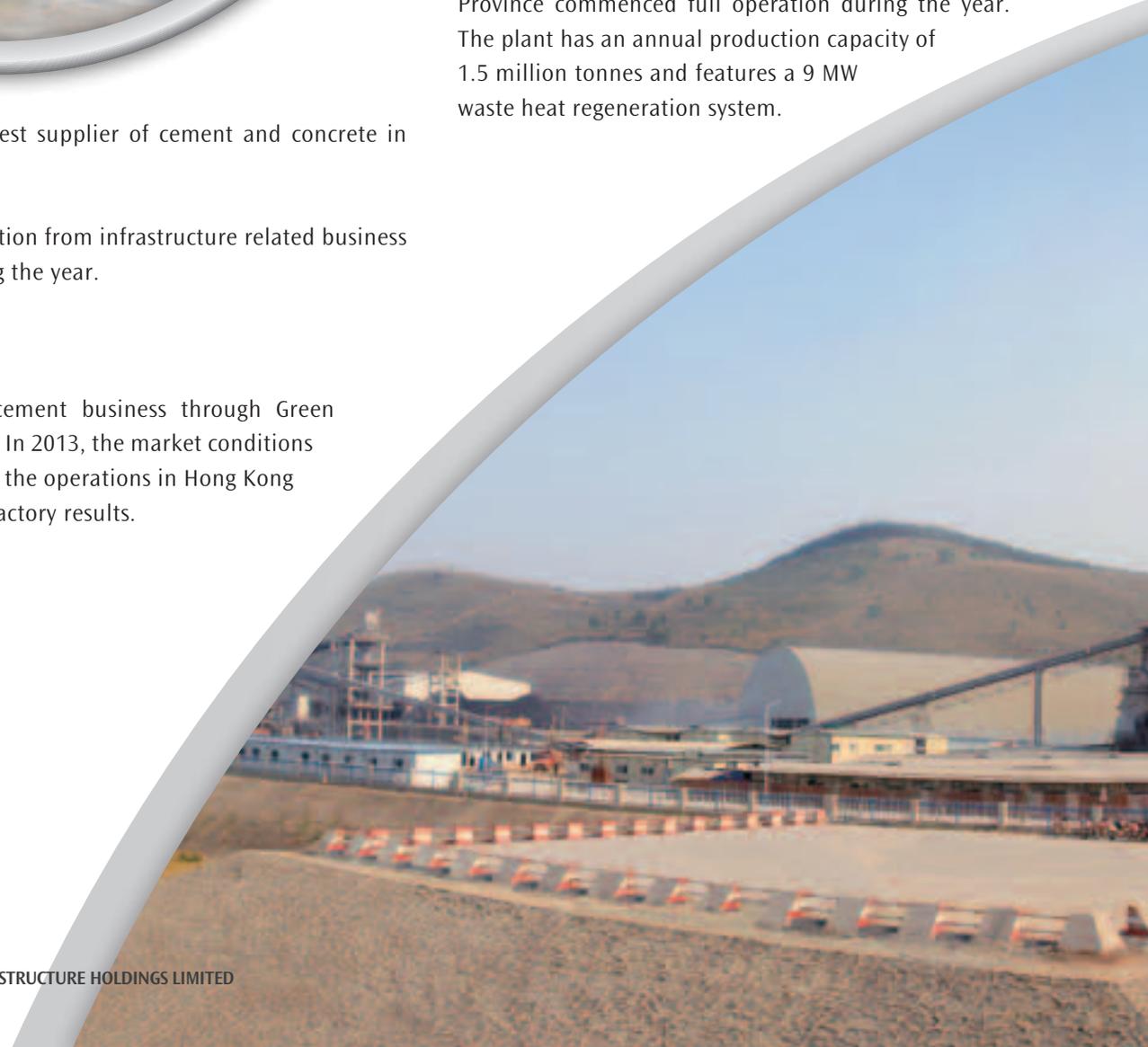
Additionally, profit contribution from the operations in Mainland China continued to grow. A new flagship cement production facility in Yunfu, Guangdong Province commenced full operation during the year. The plant has an annual production capacity of 1.5 million tonnes and features a 9 MW waste heat regeneration system.

CKI is the largest supplier of cement and concrete in Hong Kong.

Profit contribution from infrastructure related business grew 6% during the year.

CEMENT

CKI runs its cement business through Green Island Cement. In 2013, the market conditions were good and the operations in Hong Kong reported satisfactory results.



CONCRETE, AGGREGATES AND ASPHALT

The concrete and aggregates businesses of the Group are operated by Alliance Construction Materials Limited, a 50/50 joint venture between CKI and HeidelbergCement AG. While the market was relatively flat and competition was keen, Alliance achieved record high profit.

During the year, Alliance's new joint-venture aggregate crushing plant in Huidong, Guangdong Province commenced operations.

The Group's asphalt operations carried out by Anderson Asphalt also delivered satisfactory results with a healthy order bank.

- A new flagship cement production facility in Yunfu commenced full operation in 2013.

