# CHAIRMAN'S LETTER

**LI TZAR KUOI, VICTOR**
Chairman

For the year ended 31st December, 2014, Cheung Kong Infrastructure Holdings Limited ("CKI" or the "Group") recorded a profit attributable to shareholders of HK$31,782 million, an increase of 173% over last year.

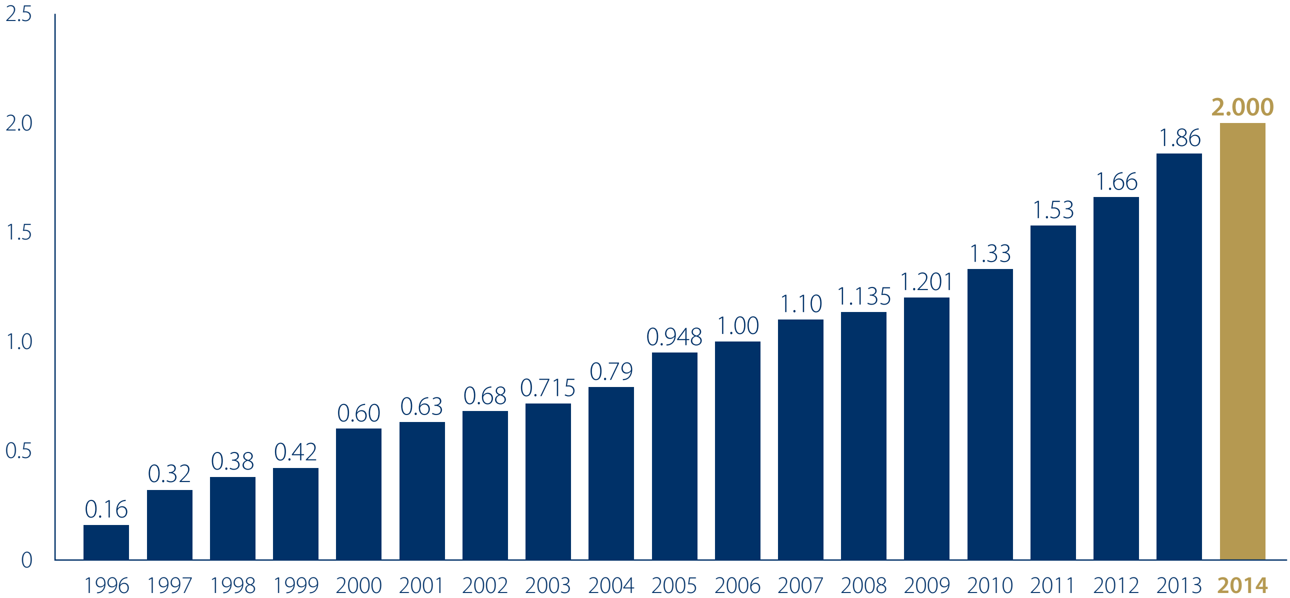
The spin-off of the Hong Kong electricity business of Power Assets Holdings Limited ("Power Assets") in January 2014 generated an exceptional one-off gain of approximately HK$19 billion to CKI. Excluding this one-off gain, profit attributable to shareholders would have increased by 5%.

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK$1.475 per share. Together with the interim dividend of HK$0.525 per share, this will bring the total dividend for the year to HK$2.000, representing an increase of 7.5% over the previous year.

The Group has reported continuous dividend growth for 18 consecutive years since the listing of CKI in 1996.

The proposed dividend will be paid on 2nd June, 2015 following approval at the 2015 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at close of business on 20th May, 2015.

**Dividends per Share since Listing**
(HK$)



## ACQUISITIONS FUEL FURTHER EXPANSION

During the year, CKI made two major acquisitions.

In July 2014, a 50/50 joint venture comprising CKI and Cheung Kong (Holdings) Limited [Note] ("Cheung Kong (Holdings)") acquired Park'N Fly, the off-airport car park provider in Canada. The enterprise value of the transaction was approximately HK$2.72 billion (approximately C$381 million).

Park'N Fly provides off-airport car park facilities mainly in Toronto, Vancouver, Montreal, Edmonton and Ottawa. This acquisition has generated immediate recurring cash flow to the Group and has strengthened CKI's presence in Canada.

CKI, together with Cheung Kong (Holdings) and Power Assets, acquired Envestra Limited ("Envestra") (now known as Australian Gas Networks Limited ("Australian Gas Networks")) through an off-market takeover bid. The acquisition was completed in the third quarter of 2014 for a total consideration of around HK$14.1 billion (approximately A$1.96 billion).

Envestra is one of the largest natural gas distribution companies in Australia, serving South Australia, Victoria, Queensland, New South Wales and the Northern Territory. Subsequent to the completion of the transaction, Envestra was renamed Australian Gas Networks.

These new acquisitions are expected to generate steady returns to CKI, further enhancing the Group's income base.

## STABLE PERFORMANCE UNDERPINNED THE INFRASTRUCTURE PORTFOLIO

### Power Assets Unlocked Value of Hong Kong Business

Power Assets delivered an outstanding profit contribution to CKI for the year under review. The Hong Kong electricity business was spun-off and listed on the Main Board of The Stock Exchange of Hong Kong Limited in January 2014. This enabled Power Assets to unlock the value of its Hong Kong operations and resulted in a one-off gain of approximately HK$19 billion for the Group.

Power Assets is in a strong net cash position, with ample resources to pursue further growth opportunities.

Note: The holding company of the Cheung Kong (Holdings) Group was changed from Cheung Kong (Holdings) Limited ("Cheung Kong (Holdings)") to CK Hutchison Holdings Limited with effect from 18th March, 2015, which replaced the listing status of Cheung Kong (Holdings) on The Stock Exchange of Hong Kong Limited with effect from the same date.

## UK Businesses Provide Secure Foundation

The United Kingdom portfolio continued to be a major profit contributor to CKI.

In 2014, profit contributions from the United Kingdom was HK$6,216 million. The 17% decline over last year was due to one-off non-cash deferred tax adjustments posted in 2013.

The completion of regulatory resets represents a key achievement of CKI's four regulated businesses in the United Kingdom. UK Power Networks and Northumbrian Water received final determinations in 2014, while the new regulatory regimes for Northern Gas Networks and Wales & West Utilities commenced in 2013. These resets provide a high degree of predictability for the Group's regulated businesses in the country.

During the year, a number of awards were attained by our United Kingdom businesses. One of the most acclaimed accolades was the Queen's Award for Enterprise won by Northumbrian Water, a highly prestigious business award in the country.

## Further Investment Enriched Australian Portfolio

Profit contribution from the Australian portfolio increased 208% to HK$3,468 million.

Prior to the completion of the off-market takeover bid, CKI's 17.46% shareholding in Envestra provided dividend income for the Group during the period under review. The shareholding also generated a one-off gain of approximately HK$2.2 billion. Post-transaction, CKI holds an interest of approximately 45% in the company, and four months of profit contribution has been received since.

Both SA Power Networks and Victoria Power Networks performed well during the year. Negotiations for regulatory resets are currently underway, with SA Power Networks' new regulatory period commencing in July 2015 and Victoria Power Networks' starting in January 2016.

## Other Businesses Provided Steady Income

CKI's other businesses – including those in Mainland China, Canada, New Zealand and the Netherlands, as well as the materials business – performed satisfactorily during the year, providing steady earnings contributions to the Group.

The financial performance of the Mainland China portfolio was in line with expectations. The toll road investments were operationally sound and continued to deliver cash returns to CKI. However, profit contribution saw a decrease of 27%. This was primarily due to the inclusion of a one-off gain generated from the disposal of the Group's interest in the National Highway 107 (Zhumadian Sections) in 2013.

In Canada, profit contribution increased 63% to HK$143 million. Canadian Power continued to provide stable returns, while Park'N Fly, the newly acquired off-airport car park provider, delivered five months of profit contribution.

In the Netherlands, AVR performed well and provided its first full year of profit contribution. This energy-from-waste business delivered a profit contribution of HK$142 million.

Profit contribution from New Zealand was HK$192 million, representing an increase of 25%. The growth was driven by the first full year of profit contribution from EnviroWaste, as well as the steady returns from Wellington Electricity.

The Group's materials business recorded growth of 2% in 2014. The new Yunfu cement plant in China is now in full operation.

## STRONG FINANCIAL POSITION

One of the Group's priorities in achieving sustainable growth is to maintain a strong financial position.

As at 31st December, 2014, the Group had cash on hand of HK$7,108 million and a net debt to net total capital ratio of 10%. CKI has strong capabilities to continue to make acquisitions that meet its stringent investment criteria.

During the year, the Group maintained its "A-/Stable" credit rating from Standard & Poor's.

## SUBSEQUENT EVENTS

In January 2015, a 50/50 joint venture of CKI and Cheung Kong (Holdings) entered into an agreement to acquire Eversholt Rail Group ("Eversholt Rail") in the United Kingdom. The enterprise value of the transaction is approximately HK$29.3 billion (approximately GBP2.5 billion). Completion is expected to take place around April 2015.

Eversholt Rail is one of the three major rolling stock operating companies in the United Kingdom. It leases a diverse range of rolling stock, including regional, commuter and high speed passenger trains, as well as freight locomotives and wagons, on long-term contracts. The acquisition adds a new facet to CKI's transportation business portfolio and is expected to deliver recurring cash flows as well as stable returns.

Another initiative that took place in January 2015 was a share placement exercise. 80 million shares were offered and approximately HK$4.6 billion were raised. This has further strengthened CKI's financial position.

## OUTLOOK

The Group's strategy to achieve continued business growth and to enhance returns to shareholders remains unchanged: we will grow and develop existing businesses organically; we will acquire new businesses that generate attractive and secure returns; and we will maintain our strong balance sheet.

During the year, all our existing businesses continued to consolidate their foundations and provide recurring cash flows to CKI. Organic growth is also on track.

Expansion through acquisition is expected to continue. We will review potential acquisition opportunities around the world to add value to CKI's portfolio. We believe that there is significant growth potential for CKI due to our expanding capital base and extensive infrastructure investment experience. Above all, we will adhere to our prudent investment criteria and will not hold a "must-win" mentality when approaching acquisitions.

As demonstrated by our track record in balancing continued growth with a comfortable gearing position, CKI is committed to a business model which maintains a good balance between stability and growth.

I would like to take this opportunity to thank the Board, management and staff for their ongoing hard work and contributions, as well as our shareholders for their confidence and support.

**LI TZAR KUOI, VICTOR**
Chairman

Hong Kong, 25th February, 2015