Today, CKI has become one of the leading global infrastructure players with diversified investments.
CELEBRATING 20 YEARS OF ACCOMPLISHMENTS

Twenty years ago, when CKI was listed on the Stock Exchange of Hong Kong in July 1996, we had a vision. Our vision was for the Group to become a global infrastructure company – one that makes the world a better place through a variety of infrastructure investments and developments in different parts of the world. As we completed CKI’s 20th year in 2016, I would like to present the milestones we have achieved in this Group Managing Director’s Report. These milestones have formed the foundations that brought CKI’s vision into a reality.

THE GROWTH AND RETURNS TO SHAREHOLDERS OVER THE LAST TWO DECADES

Since its listing in 1996, CKI has grown in size and scale, delivering decent and buoyant returns to shareholders through the ups and downs in the economies. Below are a few facts and figures since listing:

- In 2016, profit attributable to shareholders is HK$9,636 million, 11 times that of 1996;
- Share price of CKI is at HK$61.70*, nearly 5 times of the IPO price;
- Market capitalisation is about HK$163.5 billion*, 9.5 times of the market capitalisation at IPO;
- Full year dividend declared for 2016 is HK$2.26 per share, the 20th consecutive year of dividend growth since listing;
- CKI’s cumulative dividends since listing is HK$22,869 per share, nearly doubled that of its IPO listing price of HK$12.65;
- The annualised total return to shareholders is about 12%* per annum since listing.

*As at 31st December, 2016

A DIVERSIFIED PORTFOLIO OF QUALITY ASSETS

CKI Portfolio – 1996 vs 2016

<table>
<thead>
<tr>
<th>July 1996</th>
<th>December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HONG KONG</strong></td>
<td><strong>AUSTRALIA</strong></td>
</tr>
<tr>
<td>38.9% Power Assets</td>
<td>23.1% SA Power Networks</td>
</tr>
<tr>
<td><strong>MAINLAND CHINA</strong></td>
<td>23.1% Victoria Power Networks</td>
</tr>
<tr>
<td>33.5% Shenzhen-Shantou Highway (Eastern Section)</td>
<td>45% Australian Gas Networks</td>
</tr>
<tr>
<td>30% Shantou Power Plants</td>
<td>50% Australian Energy Operations</td>
</tr>
<tr>
<td>60% Nanhai Road Network</td>
<td>30% Shantou Bay Bridge</td>
</tr>
<tr>
<td>49% Nanhai Power Plant</td>
<td>51% Tangshan Tangle Road</td>
</tr>
<tr>
<td>30% Nanhai Power Plant I</td>
<td>44.2% Changsha Wujialing and Wuyiu Bridge</td>
</tr>
<tr>
<td>36.4% Nanhai Jiangnan Power Plant</td>
<td>50% Jiangmen Chaolian Bridge</td>
</tr>
<tr>
<td>45% Zhuhai Power Plant</td>
<td>40% Panyu Beidou Bridge</td>
</tr>
<tr>
<td><strong>INFRASTRUCTURE RELATED BUSINESSES</strong></td>
<td><strong>INFRASTRUCTURE RELATED BUSINESSES</strong></td>
</tr>
<tr>
<td>100% Green Island Cement</td>
<td>50% Alliance Construction Materials</td>
</tr>
<tr>
<td>100% Ready Mixed Concrete</td>
<td>100% Green Island Cement</td>
</tr>
<tr>
<td>100% Anderson Asphalt</td>
<td>100% Green Island Cement (Yunfu)</td>
</tr>
</tbody>
</table>

- **NEW ZEALAND**
  - 100% Envirowiz
  - 50% Wellington Electricity

- **UNITED KINGDOM**
  - 40% UK Power Networks
  - 40% Northumbrian Water
  - 47.1% Northern Gas Networks
  - 30% Wales & West Gas Networks
  - 50% UK Rails
  - 25% Seabank Power
  - 4.8% Southern Water

- **NETHERLANDS**
  - 35% Dutch Enviro Energy

- **PORTUGAL**
  - 50% Portugal Renewable Energy
At its inception, CKI was a Greater China-focused business with a portfolio of investments in the transportation and infrastructure related businesses.

Today, CKI has become one of the leading global infrastructure players with diversified investments in electricity generation, transmission and distribution; gas distribution; oil pipelines; water and wastewater services; waste management; waste-to-energy; transportation; and infrastructure materials. CKI’s portfolio spans across Hong Kong, Mainland China, the United Kingdom, the Netherlands, Portugal, Australia, New Zealand and Canada.

A PATH OF GLOBALISATION AND DIVERSIFICATION

CKI has embarked on a course of globalisation and diversification to reach this scale of operations today.

Achieving Success in Greater China

Our business began with a focus mainly on Hong Kong and Mainland China. When the Group was listed in 1996, our investments included toll roads, toll bridges and power plants on the Mainland, and infrastructure related businesses in cement, concrete, asphalt and aggregates in Hong Kong and Mainland China.

Within three years of listing, CKI’s investments spanned seven provinces in Mainland China, including 700 kilometres of toll roads and 3,000 MW of power generation capacity. The Group quickly became one of the major infrastructure investors in Greater China.

Partnership with Power Assets in Overseas Expansion

In 1997, following a reorganisation of the Cheung Kong Group, CKI acquired a 35% stake in Hongkong Electric Holdings Limited (now renamed Power Assets Holdings Limited with CKI currently owning a 38.87% interest).

Since then, CKI and Power Assets have partnered together in many overseas expansion. As Power Assets’ global portfolio became increasingly diverse, earnings from its overseas business began to surpass those from Hong Kong operations in 2011. In 2014, Power Assets spun off its Hong Kong electricity arm with a listing on the Stock Exchange of Hong Kong.

CKI’s Acquisition Trail
CKI’s First Overseas Foray – Australia

In July 1999, we took our first step to grow beyond Hong Kong and Mainland China through the A$100 million acquisition of a 19.97% stake in Envestra, one of the largest natural gas distributors in Australia. Since then, we have expanded in Australia with the following investments:

- **ETSA Utilities** (now renamed **SA Power Networks**) – (enterprise value at acquisition in 1999 was A$3.4 billion), the primary electricity distributor for South Australia;
- **Powercor** – (enterprise value at acquisition in 2000 was A$2.3 billion), the largest electricity distributor in the state of Victoria;
- **CitiPower** – (enterprise value at acquisition in 2002 was A$1.4 billion), an electricity distribution network serving the central business district and inner suburban areas of Melbourne. Both Powercor and CitiPower are now amalgamated into **Victoria Power Networks**; and
- **Envestra** (now renamed **Australian Gas Networks**) – (enterprise value at privatisation in 2014 was A$4.6 billion), one of the largest natural gas distributors in Australia. CKI consortium privatised Envestra in 2014.

Today, CKI has become one of the largest foreign investors in Australia. We serve the communities as one of the biggest electricity distributors in the country, being responsible for the distribution of electricity to the entire state of South Australia, and more than half of the state of Victoria in Australia. We also serve the communities as one of the major gas distributors in Australia covering four states and one territory.

Forging a Growth Pathway in the United Kingdom

Our UK expansion story mirrors a similar growth path as that of our Australian one.

In 2004, CKI expanded its footprint into the United Kingdom with a relatively small investment in Cambridge Water. Since the Cambridge Water acquisition, the Group has continued to make progress in acquisitions over the years. Below are the major investments we have made in the United Kingdom:

- **UK Power Networks** – (enterprise value at acquisition in 2010 was GBP5.8 billion), owns and manages three of the 14 regulated electricity distribution networks in the United Kingdom;
- **Northern Gas Networks** – (enterprise value at acquisition in 2005 was GBP1.4 billion) and **Wales & West Gas Networks**, which owns Wales & West Utilities – (enterprise value at acquisition in 2012 was GBP2.0 billion), two of the eight major gas distribution networks in Great Britain;
- **Seabank Power** – (enterprise value at acquisition in 2010 was GBP212 million), a 1,140 MW gas-fired power plant near Bristol;
- **Northumbrian Water** – (enterprise value at acquisition in 2011 was GBP4.8 billion), one of the ten regulated water and sewerage companies in England and Wales. (Cambridge Water was divested in the same year to enable us to meet regulatory requirements for the Northumbrian Water acquisition); and
- **UK Rails** – (enterprise value at acquisition in 2015 was GBP2.5 billion), the holding company of Eversholt Rail Group, one of the three major rolling stock companies in the country. Through this investment, CKI has embarked upon its first venture into the transportation infrastructure industry in the United Kingdom.

CKI is one of the largest foreign investors in the United Kingdom today, serving the people in different essential services across electricity, gas, water and transportation.
Globalisation and Diversification in Other Industries
In addition to the investments in the United Kingdom and Australia, we have expanded our investment portfolio into other countries.

In 2007, CKI started its investment in Canada. Currently, CKI owns:

- **Canadian Power** – (enterprise value at acquisition in 2007 was C$630 million), which has interests in six power plants that are located in the provinces of Ontario, Alberta and Saskatchewan;
- **Park’N Fly** – (enterprise value at acquisition in 2014 was C$381 million), which is the largest off-airport car park provider in Canada; and
- **Husky Midstream** – (enterprise value at acquisition in 2016 was C$2.3 billion), which comprises 1,900 kilometres of oil pipelines, two storage facilities and ancillary assets in Canada.

In 2008, CKI made its first investment in New Zealand. Today, the Group has two projects in the country:

- **Wellington Electricity** – (enterprise value at acquisition in 2008 was NZ$785 million), the electricity distributor in Wellington, the capital city of New Zealand, and the surrounding greater Wellington area; and
- **EnviroNZ** – (enterprise value at acquisition in 2013 was NZ$490 million), one of the leading waste management companies in the country.

In 2013, CKI expanded its investment portfolio to Continental Europe. Currently, CKI has investments in:

- **Dutch Enviro Energy**, which owns AVR – (enterprise value at acquisition in 2013 was EUR940 million), the largest energy-from-waste company in the Netherlands; and
- **Portugal Renewable Energy**, which owns Iberwind – (enterprise value at acquisition in 2015 was EUR978 million), one of the largest wind power companies in Portugal.

CHARTING THE ROUTE TO ANOTHER 20 YEARS OF GROWTH

In the past two decades, CKI has grown from a HK$17.3 billion market cap Hong Kong/Mainland China infrastructure company into a HK$163.5 billion market cap (as at 31st December, 2016) global infrastructure player. We now have investments in conventional energy, energy networks, renewable energy, transportation, water and waste management businesses in different parts of the world.

Going forward, we will continue with our simple and effective set of strategies for growth:

1. Growing existing businesses organically;
2. Acquiring new businesses with good and stable returns; and
3. Maintaining a strong balance sheet with steady cashflow and low gearing.

With a strong financial platform, cash on hand of $12 billion and a net debt to net total capital ratio of 4.5% as at end of 2016, CKI is well-placed to pursue expansion initiatives going forward.

Looking beyond, we believe the demand for infrastructure investments remains strong and there are a lot of opportunities for growth. We look forward to another 20 years of achievements.

**H L KAM**
Group Managing Director

21st March, 2017