

LONG TERM DEVELOPMENT STRATEGY

Since its listing on the Hong Kong Stock Exchange in 1996, CKI has grown from a Greater China-focused company into an international infrastructure enterprise with diverse businesses across different sectors around the world.

Through globalisation and diversification, CKI's portfolio now spans Hong Kong, Mainland China, the United Kingdom, the Netherlands, Portugal, Australia, New Zealand and Canada. Currently, its operations include electricity generation, transmission and distribution, gas distribution, transportation, water treatment and distribution, waste management and waste-to-energy, as well as infrastructure materials.

The Group has an effective set of strategies for continued growth and development:

1. TO NURTURE ORGANIC GROWTH FROM THE GROUP'S EXISTING PORTFOLIO

CKI strives to nurture organic growth from its existing portfolio. Synergies across the Group help us to learn from experiences and implement global best practices across our businesses. CKI's head office sets targets and provides guidance as well as works with local management to best run local assets.

2. TO EXPAND THE GROUP'S PORTFOLIO BY ACQUIRING QUALITY BUSINESSES WITH STRONG AND RECURRENT RETURNS

When studying a potential acquisition, CKI focuses on the fundamentals of the project and adopts a conservative approach. CKI never adopts a "must-win" mindset in a bidding situation. Stringent investment criteria must be met which in turn, provide attractive returns and stable recurring cash flows. The Group seeks investments in industries where it can capitalise on existing knowledge, and favours countries that have established legal systems and transparent regulatory regimes. This philosophy keeps CKI's portfolio safe and secure.

3. TO MAINTAIN A STRONG BALANCE SHEET WITH STEADY CASH FLOW AND LOW GEARING

A strong balance sheet provides a stable platform to support the Group's future growth. As at 31st December, 2016, CKI had cash on hand of HK\$12 billion, and gearing remained low at a net debt to net total capital ratio of 4.5%. CKI enjoys a low cost of funding from maintaining a Standard & Poor's "A-" rating for 20 consecutive years since 1997. The Group aims to preserve this financial strength to ensure it can opportunistically pursue acquisitions.