



LI TZAR KUOI, VICTOR
Chairman

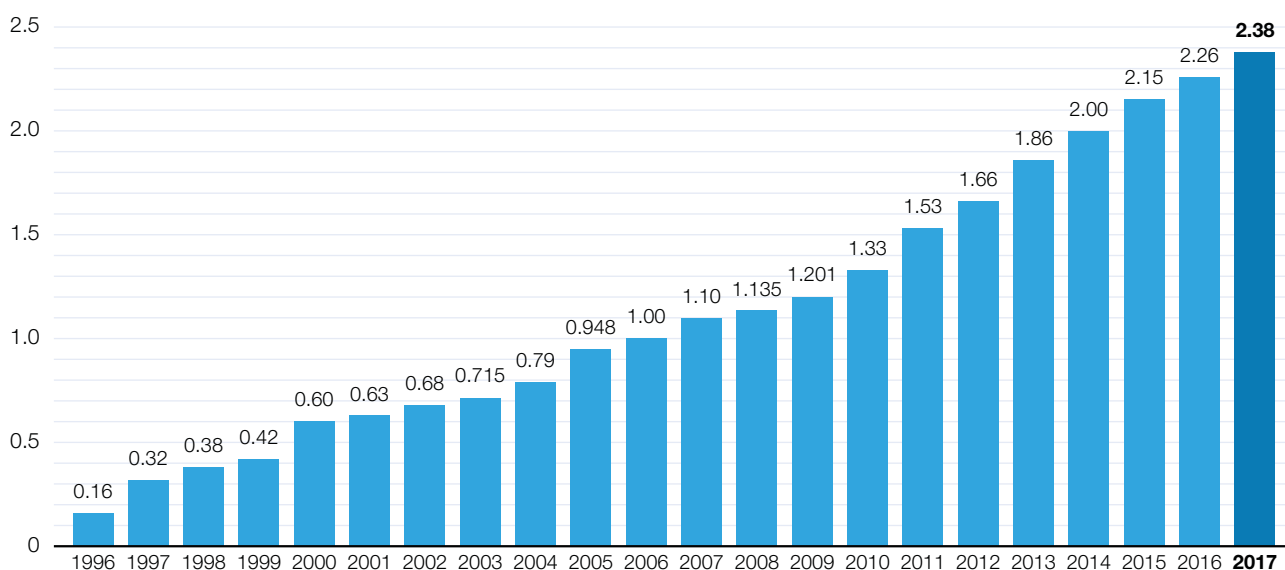
CHAIRMAN'S LETTER

For the year ended 31st December, 2017, CK Infrastructure Holdings Limited ("CKI" or the "Group") recorded profit attributable to shareholders of HK\$10,256 million, an increase of 6% over the previous year.

21 YEARS OF CONTINUED DIVIDEND GROWTH

Dividends per Share since Listing

(HK\$)



The Board of Directors of CKI (the "Board") has recommended a final dividend of HK\$1.71 per share. Together with the interim dividend of HK\$0.67 per share, this will bring the total dividend for the year to HK\$2.38, a 5.3% increase over the previous year.

This represents the 21st consecutive year of dividend growth since CKI was listed in 1996. The proposed dividend will be paid on Wednesday, 30th May, 2018, following approval at the 2018 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 15th May, 2018.

CHAIRMAN'S LETTER

A NOTABLE YEAR FOR NEW ACQUISITIONS

2017 was a milestone year for acquisitions. CKI made three sizeable acquisitions, involving about HK\$56 billion. They have further diversified the Group's businesses and extended the geographic reach, widening the earnings base.

All three newly acquired businesses have a track record of solid performance, and they all generate steady recurrent cash flows.

DUET

During the year under review, CKI together with CK Asset and Power Assets acquired DUET, a company which was previously listed on the Australian Securities Exchange. The enterprise value of the business at acquisition was approximately A\$13 billion. CKI holds a 40% interest in the company.

DUET's businesses comprise electricity distribution, gas transmission and distribution as well as the provision of electricity generation solutions for remote customers.

Reliance Home Comfort

Together with CK Asset, CKI acquired Reliance Home Comfort of Canada. The enterprise value of the business is approximately C\$4.6 billion. CKI holds a 25% stake in the company.

Reliance Home Comfort is in the building equipment services business providing water heaters, HVAC (heating, ventilation and air conditioning) equipment, and comfort protection plans to homeowners in Canada.

ista

The Group also formed a joint venture with CK Asset and acquired ista for EUR4.5 billion. CKI holds a 35% stake in the business.

ista is a fully integrated energy management services provider with the main market being Germany.

OPERATIONAL PERFORMANCE ACROSS GLOBAL PORTFOLIO

Power Assets

Profit contribution from Power Assets was HK\$3,214 million, a 29% increase compared to last year. Attributable factors of the result include (i) profit contribution from the newly acquired DUET; (ii) a one-off disposal gain generated from two properties in Hong Kong; and (iii) foreign exchange gain from treasury investments.

In addition to profit contribution, a disposal gain of HK\$383 million was also recorded by CKI from the sale of a 0.86% interest in Power Assets.

UK Portfolio

Profit contribution from the United Kingdom portfolio amounted to HK\$5,283 million, a decrease of 16% as compared to the previous year. The impact is mainly caused by: (i) the one-off deferred tax gains arising from changes in the corporate tax rate in 2016; and (ii) a weaker pound sterling in 2017 on a full-year comparison.

Overall, operational performance of the businesses was sound. UK Power Networks continued to be the safest and most reliable electricity network in the UK, while Northumbrian Water won the “Utility of the Year” accolade in 2017. Northern Gas Networks maintained the status of being the top performing gas distributor meeting the Guaranteed Standards of Performance of Office of Gas and Electricity Markets (“Ofgem”), and Wales & West Gas Networks, UK Rails as well as Seabank’s performance were in line with expectations.

Australian Portfolio

Profit contribution from Australia was HK\$1,945 million, similar to last year. Excluding the one-off gain of HK\$781 million generated from the disposal of Spark Infrastructure in 2016, profit contribution in 2017 would have increased 68%.

The performance of both SA Power Networks and Victoria Power Networks was satisfactory during the year.

Australian Gas Networks continued to perform well. The gas networks in Victoria and New South Wales received final determinations for the 2018-2022 regulatory periods, providing predictable income for the next few years.

The businesses of DUET have been smoothly amalgamated into CKI’s existing portfolio in Australia, and made its first contribution to the Group in 2017.

CHAIRMAN'S LETTER

Continental Europe Portfolio

The Continental Europe portfolio consists of Dutch Enviro Energy, Portugal Renewable Energy and the newly acquired ista. Profit contribution was HK\$412 million, an increase of 52% over last year.

The increase is mainly due to a 2.5 months of contribution by ista as well as the good performance of Dutch Enviro Energy and Portugal Renewable Energy.

Canadian Portfolio

Profit contribution from businesses in Canada amounted to HK\$245 million, a 30% increase as compared to last year.

This result can be attributed to approximately 4 months of contribution from the newly acquired Reliance Home Comfort, and the first full year of contribution from Canadian Midstream Assets.

Other Infrastructure and Materials Businesses

Profit contribution from Mainland China was HK\$288 million, a 17% decline as compared to the previous year. Toll revenues were affected due to traffic diversion.

For New Zealand, profit contribution was HK\$171 million, a decrease of 8% as compared to last year. The results of EnviroNZ and Wellington Electricity were negatively impacted by the newly introduced withholding tax regime.

Profit contribution for the Group's materials business declined by 48% to HK\$185 million. The impact was mainly caused by increased competition in the Hong Kong market.

STRONG FINANCIAL POSITION

As at 31st December, 2017, CKI had cash on hand of HK\$9,781 million and Standard & Poor's rating was "A-/Positive". The Group is in a robust financial position, with ample capacity for future expansion. While CKI will focus on growing its investment portfolio through the acquisition of quality assets, a prudent approach will be maintained to ensure the financial position is not compromised.

During the year, CKI issued US\$650 million Perpetual Capital Securities with a fixed rate of 4.85% per annum. This initiative is in line with the Group's strategy of maintaining good fiscal management.

In December 2017, CKI also issued a EUR600 million 1% guaranteed bond, due in 2024, to match its recent investment in ista. This follows the Group's "matching principle" strategy adopted for foreign currency management. CKI generally hedges equity investments against currency movements at the time of acquisition while the operating companies of the Group borrow in their respective local currency, or otherwise hedge any foreign currency borrowings back into local currency.

OUTLOOK

Against a backdrop of uncertainties in the macro-economic landscape – rising interest rates, continuing Brexit saga and global political unrest, among others – CKI is confident of maintaining the business momentum.

The Group will continue to nurture organic growth of existing businesses and maximise synergies within the global portfolio.

We will also study acquisition opportunities – in existing business areas and in new areas as well as existing geographic markets and new ones. The Group will work closely with our strategic partners within the CK Group – CK Asset and Power Assets – who are characterised by robust financial positions and ample cash on hand, in seizing new and, in particular, sizeable investment opportunities. Nonetheless, we will keep our discipline of not approaching new investments with a “must-win” mentality.

As evidenced by the Group’s track record of achieving earnings growth while maintaining a comfortable gearing position, CKI has mastered the balance between financial stability and profit growth to maximise long-term returns for our shareholders.

I would like to take this opportunity to thank the Board, management and staff for their valuable efforts, as well as our shareholders for their support.

LI TZAR KUOI, VICTOR

Chairman

16th March, 2018