“This represents the 23rd consecutive year of dividend growth since CKI was listed in 1996.”

VICTOR T K LI
Chairman

CHAIRMAN'S LETTER

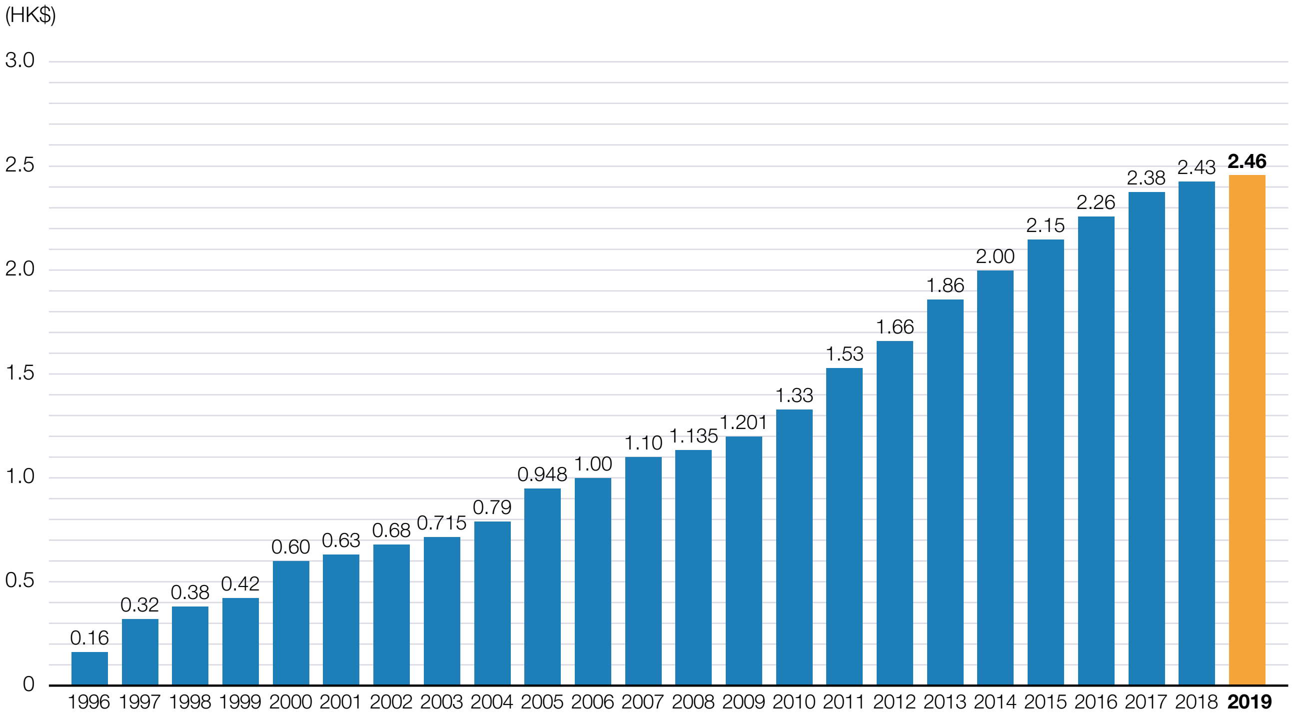
For the year ended 31st December, 2019, CK Infrastructure Holdings Limited ("CKI", the "Company" or the "Group") recorded profit attributable to shareholders of HK$10,506 million, an increase of 1% from the previous year. The result was negatively affected by foreign exchange translation; without this impact, profit attributable to shareholders would have increased by 6%.

This result has been achieved amidst a challenging global backdrop, punctuated by numerous political and macroeconomic events, such as the continuing trade tensions between the U.S. and China, Brexit, unrest in Hong Kong and bushfires in Australia.

23 YEARS OF CONTINUED DIVIDEND GROWTH

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK$1.78 per share. Together with the interim dividend of HK$0.68 per share, this will bring the total dividend for the year to HK$2.46, a 1% increase over the previous year. This represents the 23rd consecutive year of dividend growth since CKI was listed in 1996. The proposed dividend will be paid on Friday, 29th May, 2020, subject to approval at the 2020 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 19th May, 2020.

Dividends per Share since Listing



CHAIRMAN'S LETTER

BUSINESS REVIEW

Power Assets

Profit contribution from Power Assets was HK$2,564 million, a decline of 12% compared to last year. This was mainly due to the lower contribution arising from the disposal of a 2.05% interest in Power Assets in January 2019, a decline in contribution from the UK portfolio, the weak currency rates against the Hong Kong dollar, and the reduced returns from the Hong Kong business under the new Scheme of Control.

The new Scheme of Control, which regulates returns of HK Electric's business in Hong Kong until 2033, commenced on 1st January, 2019. While featuring a lower rate of return than previously, this framework provides predictable and steady returns on investment as well as asset-based growth opportunities during the regulatory period.

United Kingdom Infrastructure Portfolio

Profit contribution from the United Kingdom portfolio was HK$4,630 million, a decrease of 12%. This is attributable to lower reported earnings from UK Power Networks, which ceased to recognise certain non-cash revenue commencing 2019, and a weaker pound sterling relative to the Hong Kong dollar compared to the prior year. Excluding these items, profit contribution from the UK increased by approximately 8% year-on-year.

A significant proportion of the Group's businesses in the United Kingdom consist of regulated assets that generate predictable returns. The regulatory resets for these businesses will take place between 2020 and 2023. Northumbrian Water will be the first to enter into a new regulatory period, which will commence on 1st April, 2020. The terms of the determination as set by the regulator for the new regulatory period are significantly more stringent than in previous periods. The final outcome will be dependent upon the upcoming appeal.

The underlying operations of UK Power Networks recorded steady growth. The current regulatory regime will remain in place until March 2023, allowing predictable and steady returns in the near term. During the year, UK Power Networks won the industry acclaimed 2019 Edison Electric Institute International Edison Award for its innovative approach to facilitate Britain's low carbon transition.

The operation of the Group's gas distribution networks – Northern Gas Networks and Wales & West Gas Networks – performed well. Both businesses will receive the regulator's determinations for the next regulatory period at the end of this year.

During 2019, UK Rails delivered a number of new trains to its customers as well as completed several major upgrades of its existing fleets.

Australian Infrastructure Portfolio

In Australia, profit contribution increased 1% year-on-year to HK$2,083 million. The results were impacted by a weak Australian dollar. In local currency terms, profit contribution from the Australian portfolio increased by 7%.

A number of CKI's regulated businesses in Australia will also go through regulatory resets in 2020-2021. These businesses include the power and gas networks in South Australia, the three power distribution networks in Victoria, and the gas transmission network in Western Australia. While the resets may prove to be challenging, the Group will endeavor to maximise its regulated income streams by engaging with stakeholders, improving service levels and enhancing operational efficiency. SA Power Networks will be the first to enter into a new regulatory period, which will commence on 1st July, 2020.

The Group's power distribution networks in Australia – CitiPower, United Energy, SA Power Networks and Powercor – were ranked first, second, third and fourth in terms of productivity performance in the Australian Energy Regulator's Annual Benchmarking Report dated November 2019.

Australian Gas Networks, Multinet Gas and Dampier Bunbury Pipeline all provided operating profit growth during the year. As a result of the synergies brought by Australian Gas Networks and Multinet Gas since acquisition, the credit rating of Dampier Bunbury Pipeline was upgraded by Moody's from Baa3 to Baa2 with a stable outlook.

Energy Developments showed momentum in achieving earnings growth. The company acquired Broadrock Renewables, an owner and operator of two landfill gas-to-energy assets located in California and Rhode Island in the United States.

Infrastructure Portfolio in Continental Europe

In Continental Europe, net profit declined by 10% to HK$785 million. In local currency terms, the profit contribution from Continental Europe dropped 4% year-on-year. This is mainly due to a one-off deferred tax credit arising from the reduction in the tax rate of ista in France and Belgium which was recorded in 2018.

Dutch Enviro Energy's CO_2 capture plant at Duiven started supplying CO_2 to horticultural greenhouses during the year. The facility, which enables the reuse of 60,000 tons of CO_2 generated from residual waste processing, is the first waste facility of its kind in Europe. Portugal Renewable Energy experienced a recovery in wind power generation in the second half of 2019, offsetting the negative impact arising from the cancellation of a renewable energy tax exemption.

Canadian Infrastructure Portfolio

Profit contribution from Canada was flat at HK$335 million. In local currency terms, profit contribution from Canada increased by 2% compared to the previous year.

In 2019, Reliance Home Comfort continued its efforts in market expansion through acquisitions, extending its businesses in Saskatchewan, Ontario and British Columbia.

Canadian Midstream Assets commenced the construction of two projects, one in Hardisty and another in the Onion Lake area, both backed by long term contracts.

Park'N Fly built a new 6,650-square feet valet facility in Toronto. The additional facility offers separate pick-up and drop-off centres providing an enhanced experience and smoother process for customers.

New Zealand Infrastructure Portfolio

The New Zealand portfolio reported profit contribution of HK$174 million, a 1% growth. In local currency terms, the result was an increase of 7% year-on-year.

EnviroNZ and Wellington Electricity both performed soundly. Subsequent to EnviroNZ winning a 10-year contract to provide collection and disposal services for Hamilton City, the company commenced the building of a new material recovery facility that uses mechanical and manual sorting processes to sort recyclables.

Wellington Electricity has completed half of the upgrading work for the three-year Earthquake Readiness Programme.

Hong Kong and Mainland China Businesses

In Hong Kong and Mainland China, CKI's portfolio showed a decline of 5% in net profit to HK$371 million. This was caused by lower traffic revenue from the toll road business. Profit contribution from the material businesses was stable.

VERY HEALTHY FINANCIAL POSITION

Prudent financial management continues to be the bedrock of CKI. While always diligent in studying opportunities to expand and diversify, the Group's risk management approach has also been conservative. The underlying financial position of the Company is very healthy.

Standard & Poor's has reaffirmed the Group's credit rating of "A/Stable" during the year.

With more than HK$12 billion cash on hand and a net debt to net total capital ratio of 13.5% as at 31st December, 2019, CKI is well-positioned to weather any uncertainties in the global markets as well as to actively pursue expansion opportunities.

OUTLOOK

As we enter into 2020, the macro-economic environment continues to be challenging with the looming threat of global trade tensions, political disruptions, natural disasters and infectious diseases.

Of particular challenge to CKI will be the series of regulatory resets which will be coming up in 2020 and over the next few years. Lower allowed returns resulting from ultra-low interest rates globally and tough stances by regulators will inevitably result in lower revenues.

On business development and expansion, CKI will continue to study acquisitions that will add value to the Group's portfolio. The Group's strategy is to target sizeable acquisitions that demand large capital investment. With CKI's extensive experience and knowledge, the Group has an edge in investing in complex deals and in maximising synergies with the existing portfolio. Its flexibility in forming alliances with other members of the CK Group, namely CK Asset and Power Assets, further strengthen its strategic advantage.

Our mantra has always been to preserve an optimal balance between continued earnings growth and a comfortable gearing position. This will remain a priority for CKI going forward. In pursuing new expansion opportunities, we will also continue to adhere to our strict investment discipline and will not pursue any acquisitions with a "must-win" mentality.

Looking ahead, in this age of uncertainty and low interest rates, the value of CKI's quality assets is even more to be appreciated.

I would like to take this opportunity to thank the Board for their continued support, our staff for their enduring efforts and our stakeholders for ongoing confidence.

VICTOR T K LI
Chairman

18th March, 2020