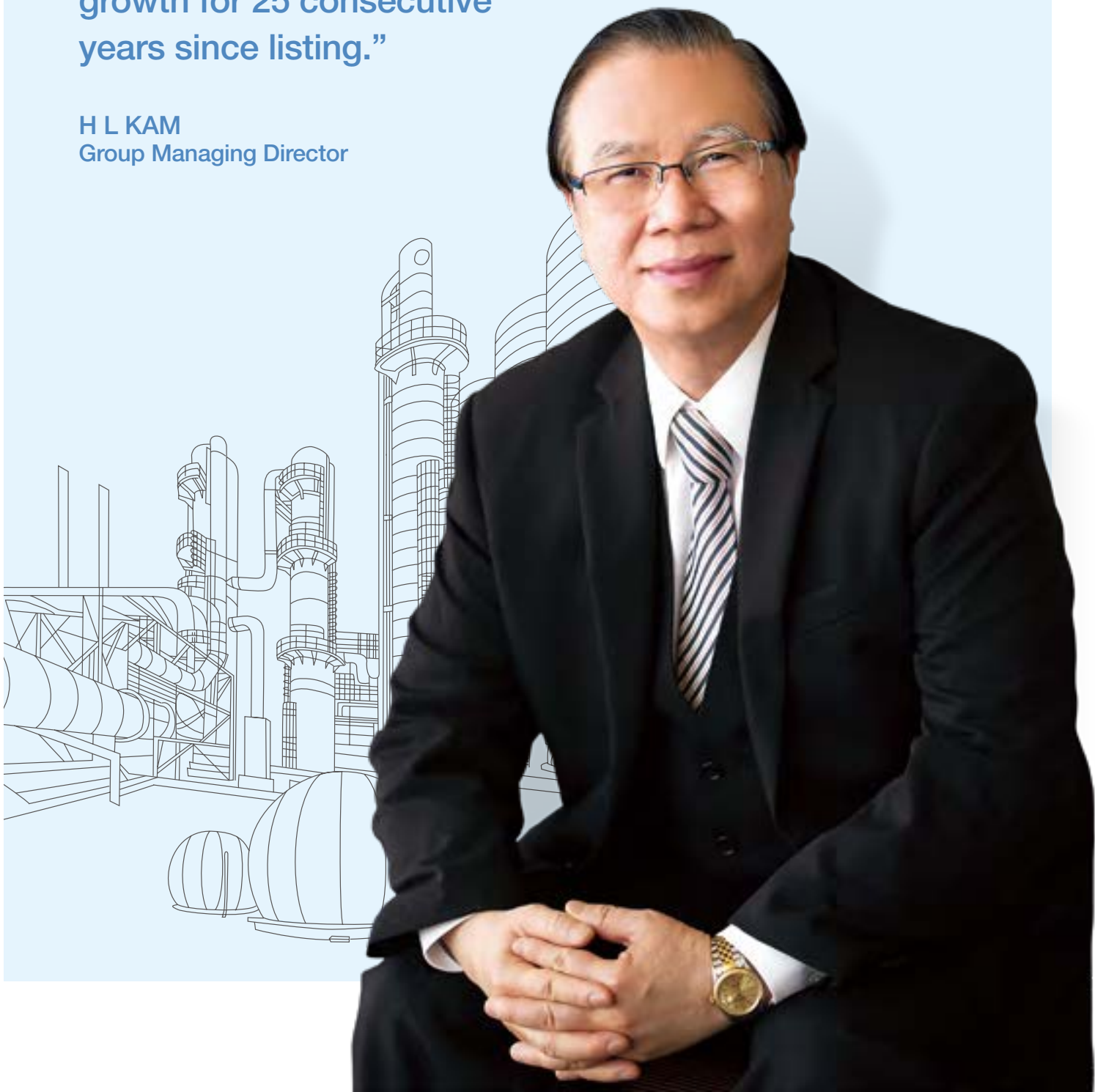


“Since listing in 1996,  
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growth for 25 consecutive  
years since listing.”

H L KAM  
Group Managing Director



# GROUP MANAGING DIRECTOR'S REPORT

## JUBILEE ANNIVERSARY – CELEBRATING 25 YEARS OF ACCOMPLISHMENTS

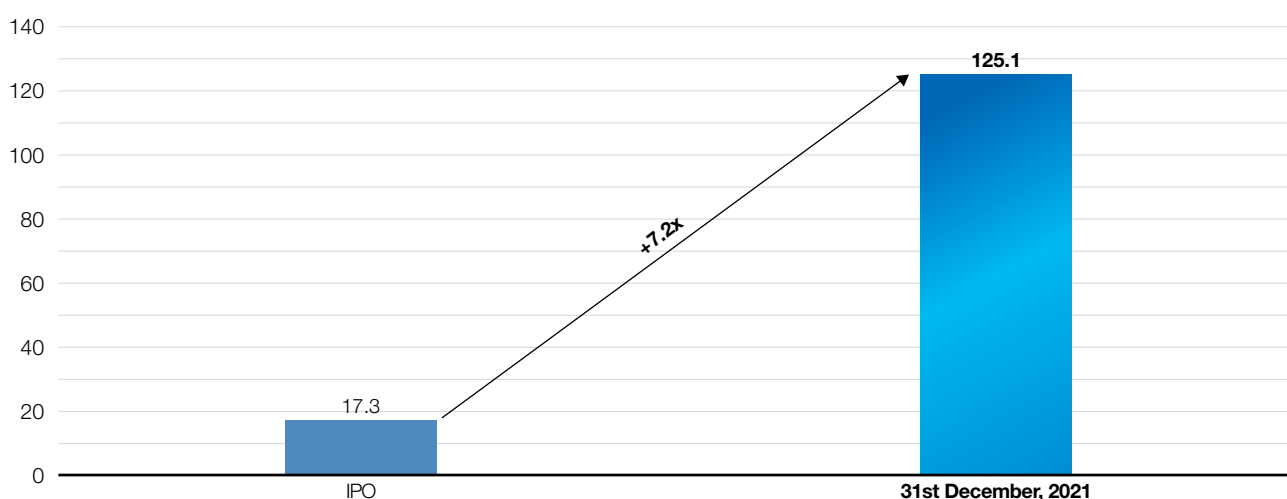
25 years ago, when CKI was listed on the Stock Exchange of Hong Kong in July 1996, we had a vision. Our vision was for the Group to become a global infrastructure company – one that makes the world a better place through a variety of infrastructure investments and developments in different parts of the world. As CKI celebrates its 25th anniversary in 2021, I would like to highlight some of our milestone achievements that have not only powered our vision into reality, but also taken us to new levels of success over the years.

### THE GROWTH AND RETURNS TO SHAREHOLDERS OVER THE LAST 25 YEARS

Since its listing in 1996, CKI has grown in size and scale, delivering sound returns to shareholders through the flows of the global economy. Below are a few facts and figures that illustrate our upward trajectory:

#### A Recap of CKI's 25 Years

Market Capitalisation (HK\$ billion)



- Profit attributable to shareholders was HK\$7,515 million in 2021, 8.8 times that of 1996;
- Share price of CKI stood at HK\$49.65\*, nearly 4 times the IPO price;
- Market capitalisation reached HK\$125 billion\*, 7.2 times the market value at IPO;
- Full-year dividend declared for 2021 is HK\$2.50 per share, the 25th consecutive year of dividend growth since listing;
- CKI's cumulative dividends since listing is HK\$35.109 per share, nearly triple that of its IPO listing price of HK\$12.65;
- The annualised total return to shareholders is over 9%\* per annum since listing.

\* As at 31st December, 2021

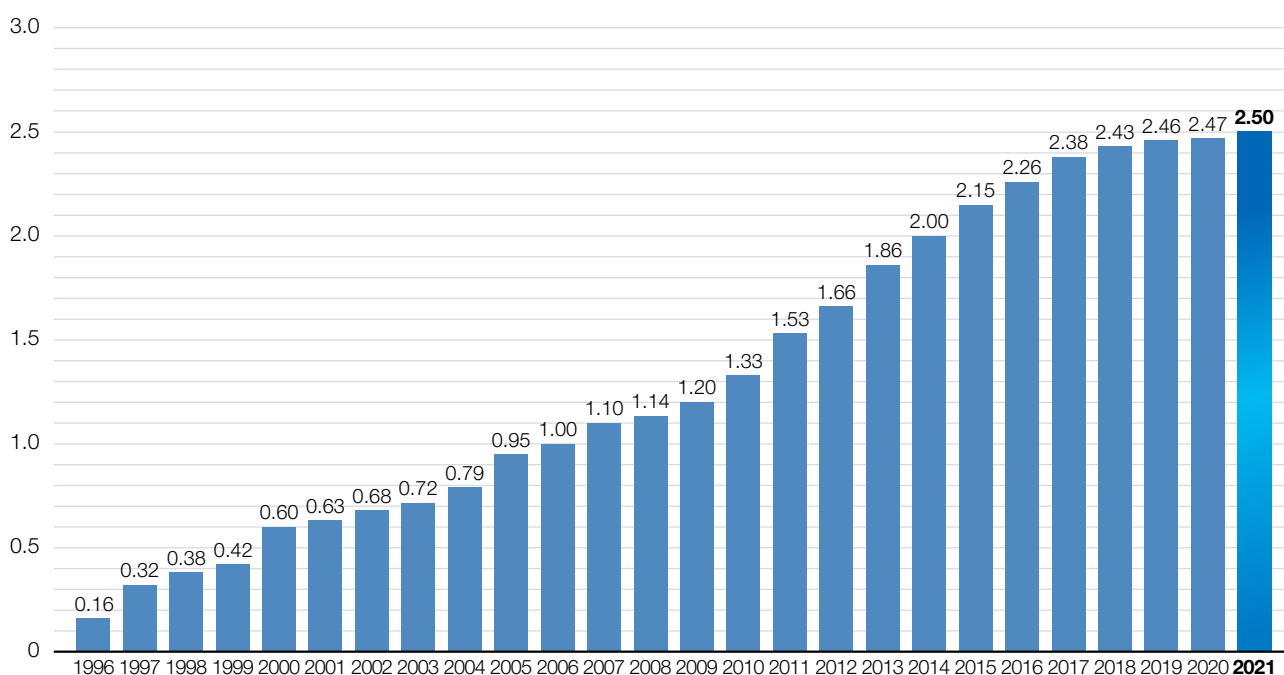
# GROUP MANAGING DIRECTOR'S REPORT

## 25 YEARS OF CONSECUTIVE DIVIDEND GROWTH SINCE LISTING

- Since listing in 1996, CKI has been delivering annual dividend growth;
- The dividend for 2021 represents 25 years of continuous dividend growth;
- Amidst the volatile stock market, especially in the past two years under the threat of the COVID-19 pandemic, CKI's stable returns and steady dividend growth offered a safe haven as a defensive stock for investors looking for reliable long term returns;
- CKI is probably the only company in the world which can maintain a dividend growth for 25 consecutive years since listing.

### Dividend per Share since Listing in 1996

(HK\$)



## RECORD HIGH FUNDS FROM OPERATIONS IN 2021

An accurate picture of the health and stability of CKI's financial performance is reflected in the Group's operating cash flows. Funds from operations in 2021 hit a record high<sup>1</sup> level, amounting to HK\$8.4 billion.

As most of our businesses are either regulated or are protected by long term contracts, they are able to generate strong cash flows for the Group despite the operating challenges experienced in recent years. One of the major pillars, strong cash flows, enable CKI to sustain continuous dividend growth.

<sup>1</sup> When comparing historic funds from operations, the special dividend payouts from Power Assets in 2017 and 2018 which arose due to the IPO of HK Electric were excluded.

## RESILIENCE – CKI’S UNIQUE CORPORATE DNA

At CKI, resilience is built into our corporate DNA. Over the course of 25 years, we have developed a quality portfolio that can navigate diverse business landscapes.

The strength of our resilience shined through during the protracted COVID-19 pandemic. Our operations around the world showed great commitment and continued to deliver uninterrupted essential services to our customers at a time when these services were needed most. The defensive nature of our infrastructure portfolio is clearly demonstrated by the stable cash flow generation capability of our businesses as a whole.

### Resilience Attribute I: Strong Operation Performance of Quality Assets

Part of what constitutes CKI’s resilience DNA is the strong operation performance of its quality infrastructure assets. Within the CKI family, many companies are outstanding in their own respective operating locations. In the UK, UK Power Networks, the two gas distribution companies Northern Gas Networks and Wales & West Gas Networks, as well as Northumbrian Water consistently receive high ratings from regulators in their respective industries. UK Power Networks and Northumbrian Water have both received the “Utility of the Year” award in the UK.

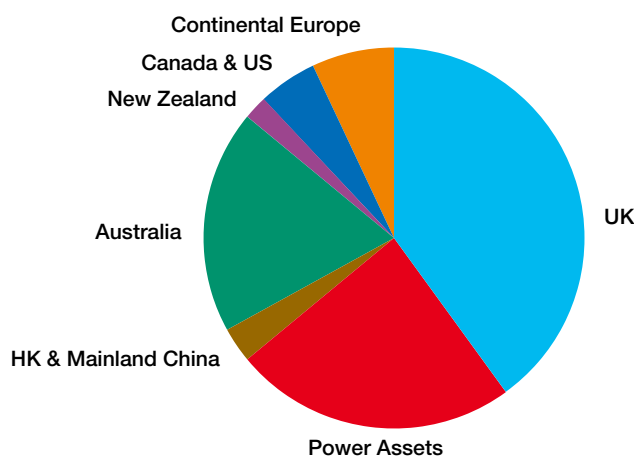
The Group’s power distribution networks in Australia – SA Power Networks, CitiPower, Powercor and United Energy – have dominated the top four places in terms of productivity performance in the Australian Energy Regulator’s Annual Benchmarking Report issued in recent years.

### Resilience Attribute II: Global Portfolio of Quality Assets

At its inception, CKI’s focus was on Greater China with a portfolio of investments in transportation and infrastructure related businesses.

Over the course of 25 years, CKI has made strategic investments in infrastructure assets in various locations around the world. Today, CKI has become one of the leading global infrastructure players. Our portfolio spans across Hong Kong, Mainland China, the United Kingdom, Continental Europe, Canada, United States, Australia and New Zealand.

### Profit Contribution by Region 2021\*



\* 2021 figures exclude non-cash deferred tax charges and tax credit in respect of deferred tax liabilities on intangible assets in the UK.

# GROUP MANAGING DIRECTOR'S REPORT

## Resilience Attribute III: Diversified Portfolio of Quality Assets

The Group's sizeable infrastructure portfolio is composed of both regulated and non-regulated businesses. These two main business streams contribute predictable and stable returns for the Group even in volatile operating environments.

### Diversified Portfolio of Quality Assets

		United Kingdom	Continental Europe	Canada	Australia	New Zealand	Hong Kong and Mainland China
Electricity	Generation	Seabank Power	Dutch Enviro Energy	Canadian Power	Energy Developments		Power Assets
	Distribution	UK Power Networks			SA Power Networks Victoria Power Networks United Energy	Wellington Electricity	Power Assets
Gas	Transmission				Dampier Bunbury Pipeline		
	Distribution	Northern Gas Networks Wales & West Gas Networks			Australian Gas Networks Multinet Gas		
Oil Transmission				Canadian Midstream Assets			
Water		Northumbrian Water					
Transportation		UK Rails		Park'N Fly			Mainland China Toll Roads
Infrastructure Materials Manufacturing							Green Island Cement Alliance Construction Materials
Waste Management						EnviroNZ	
Household Infrastructure			ista	Reliance Home Comfort			

## A. Regulated Businesses

Regulated businesses are mainly essential services such as electricity distribution networks, gas transmission and distribution networks, and water utilities. These businesses are protected by secure regimes.

Our regulated businesses normally go through regulatory resets at intervals. Once the reset process is completed, the companies generate stable income within the regulated period. In 2021, most of the regulated businesses have completed their regulatory resets and predictable income streams are expected up to 2025/2026.

## B. Non-regulated Businesses

Many unregulated businesses such as oil pipelines, waste management, waste-to-energy, household infrastructure, transportation, and infrastructure materials manufacturing operate with a focus on secure business models and long term contracts.

Though non-regulated, such businesses contribute steady income and recurring cash flows, enhancing the Group's financial stability.

### Sustainability Initiatives Strengthen CKI's Resilience

In the era of climate change and extreme weather conditions, CKI's sustainability initiatives have undoubtedly strengthened our overall resilience level. In fact, our group companies are widely recognised as forerunners in the area of environmental sustainability in most markets and industries.

Most of CKI's businesses are either sustainable by nature, or have engaged in various initiatives to support zero-carbon targets in their respective operating locations.

A number of companies within the Group have been developing innovative technologies to transition to a low-carbon environment. Smart grids, hydrogen, renewable energy, carbon capture, waste management, waste-to-energy and energy management are all initiatives which are being conducted with the goal of pivoting towards a carbon-free economy.

All these efforts will strengthen the Group's resilience DNA and create a positive impact on a global level.

## SALUTE TO MEMBERS OF CKI FAMILY

The story of CKI's development over the past 25 years is one that's abound with connections of people and events. In many ways, the story of CKI is also a story of the "Amalgamation of Individual Successes". From our listing in 1996 to the present, CKI attributes its success to the hard work and dedication of some 30,000 colleagues all over the globe, at all levels of operation and management, who have all contributed in no small part through their commitment to excellence. I take this opportunity to pay tribute to our colleagues and thank them for their loyal service.

The past two years or so have been exceptionally challenging. Our colleagues at CKI, and our frontline colleagues in particular have demonstrated their professionalism and dedication by providing continuous, efficient and uninterrupted services to customers throughout the pandemic. Their selfless contributions are of utmost importance to their respective communities around the world. Their unwavering commitment to excellence and integrity in performing their duties also helped the Group mitigate the impact caused by the pandemic. I am honoured to dedicate the Group's accomplishments to our colleagues – the most important asset of CKI.

# GROUP MANAGING DIRECTOR'S REPORT

## CHARTING THE WAY FORWARD TO ANOTHER 25 YEARS OF GROWTH

In the past 25 years, CKI has built a quality portfolio that is resilient amidst bouts of operational challenges as well as market ups and downs. Looking back at CKI's development over the past 25 years since listing, I am truly proud to say that we have not only achieved our initial vision, but also exceeded our highest hopes.

CKI will continue with our simple and effective set of strategies as we move forward:

- (1) Growing existing businesses organically;
- (2) Acquiring new businesses with good and stable returns;
- (3) Maintaining a strong balance sheet with steady cashflow and low gearing;
- (4) Advancing our sustainability efforts.

With a strong financial platform, cash on hand of HK\$8.1 billion, a net debt to net total capital ratio of 14.7% as at end of 2021, and a credit rating of "A/Stable" since September 2018, CKI is well-equipped to accelerate our development amidst fluctuating operational environment and to capitalise on decarbonisation opportunities. We look forward to sharing our journey with you as we reach for greater heights in the years ahead.

**H L KAM**

Group Managing Director

16th March, 2022