

## New Heights in Global Achievements



### Global Achievements – From Strength to Strength

“2004 has been a year of good performance on all fronts.”

#### HIGHLIGHTS

- In 2004,
  - Profit after tax attributable to shareholders was HK\$3,556 million, an increase of 6.2%
  - Annual dividend growth of 10.5%
- Eight consecutive years of sustained growth
- Hongkong Electric continued to generate a substantial profit contribution: HK\$2,405 million
- Profit contribution from infrastructure investments up 26% to HK\$2,074 million
- A year of business diversification and expansion
  - Acquisition of 49% of AquaTower in Victoria, Australia
  - Acquisition of 100% of Cambridge Water in Cambridgeshire, the United Kingdom
  - Acquisition of 40% of Lane Cove Tunnel in Sydney, Australia
  - Acquisition of 40% of North England Gas Distribution Network, the United Kingdom
- Strong financial platform, poised for future growth
  - Cash on hand of HK\$9,029 million
  - Net debt to equity ratio of 14%
  - S&P ratings of “A-” reaffirmed

## A Year of Solid Financial Performance

We are pleased to report that Cheung Kong Infrastructure Holdings Limited ("CKI" or the "Group") has recorded its eighth consecutive year of growth in 2004. Profit after tax attributable to shareholders increased by 6.2 per cent. to HK\$3,556 million. Earnings per share were HK\$1.58.

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK\$0.57 per share. Together with the interim dividend of HK\$0.22, this will bring the total dividend for the year to HK\$0.79 per share, a 10.5 per cent. increase from the HK\$0.715 per share paid for 2003. The proposed dividend will be paid on 17th May, 2005 following approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members on 12th May, 2005.

## A Year of Strong Organic Growth

2004 has been a year of good performance on all fronts. With strong organic growth and a number of milestone achievements in global acquisitions, we have further strengthened our position as the largest diversified infrastructure company listed on the Stock Exchange of Hong Kong and a key player in the international infrastructure arena.

### 1. Hongkong Electric

Hongkong Electric Holdings Limited ("Hongkong Electric") remains a steady and substantial revenue generator for the Group. In 2004, the contribution was HK\$2,405 million, accounting for approximately 57 per cent. of CKI's total profit contribution and representing an increase of 5 per cent. over last year. Performance in Hong Kong was affected by unforeseen increases in operating costs fuelled by volatile coal and freight markets, a substantial increase in Government rates as well as a tariff freeze in 2004, resulting in earnings below the permitted level specified in the Scheme of Control Agreement. Overseas investments in Australia have generated good returns and a strong growth in profit contribution.

### 2. Australian Investments

2004 has been another exceptional year for CKI's Australian investment portfolio, with a profit contribution growth of 41 per cent. over last year. Accounting for approximately 33 per cent. of the Group's profit contribution, Envestra Limited, ETSA Utilities, Powercor Australia Limited ("Powercor") and CitiPower I Pty Ltd. have all continued to generate a substantial income and source of cash for CKI. The Group's investments in these major assets have matured and prospered, backed by a strong management team as well as fuelled by the strong local economy in Australia and industrious activity in the country's infrastructure industry.



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A strong financial performance was achieved through a combination of customer growth, increased consumption and productivity improvements within and across the businesses. These investments have further benefited from the strengthening of the Australian dollar. In addition, under Australia's new tax consolidation rules, Powercor benefited from a one-off reduction in its deferred tax liability, further enhancing the financial results for 2004.

### 3. Infrastructure Portfolio in Mainland China

Our energy investments in the Mainland delivered a good performance, contributing HK\$480 million to the Group supported by the strong growth of the Mainland economy. The Zhuhai Power Plant registered a stellar performance in 2004 and recorded its best power performance to date, generating more than 30 per cent. above the minimum purchasing requirement with the power off-taker.

CKI's portfolio of toll roads in the Mainland reported a mixed performance in 2004. Despite the adverse effect of traffic diversion on completion of a new toll road which runs in parallel to our National Highway 107 (Zhumadian Sections), a strong performance was recorded by our transportation infrastructure portfolio in Guangdong Province which reported a double-digit growth in toll revenue. In particular, the Shenzhen-Shantou Highway (Eastern Section), the Panyu Beidou Bridge and the Guangzhou East-South-West Ring Road in Guangzhou all registered over 30 per cent. increase in toll revenue.

## A Year of Global Expansion and Diversification

2004 represents a year of significant expansion and diversification for CKI as investments of HK\$13 billion were made. A number of key milestones have been recorded during the year as the Group aggressively grew the scope of its business through four major acquisitions. We have diversified into water and expanded into the United Kingdom.

### 1. AquaTower

CKI acquired a 49 per cent. stake in AquaTower Pty Ltd. in Victoria, Australia in March 2004. This acquisition represents CKI's first investment into the water industry in Australia.

### 2. Cambridge Water

In April 2004, CKI made its first foray into the United Kingdom through the acquisition of 100 per cent. shareholding of Cambridge Water PLC in Cambridgeshire. The acquisition represents CKI's second investment in water during the year.

### 3. Lane Cove Tunnel

The Group acquired the Lane Cove Tunnel Company Pty Ltd. in Australia in July 2004. CKI is the single largest shareholder with a 40 per cent. stake in the asset, representing the Group's second tunnel project in Sydney.

### 4. North of England Gas Distribution Network

In August 2004, CKI made an investment in the North of England Gas Distribution Network. The total consideration for the project was HK\$20 billion (GBP1.393 billion), of which CKI holds a 40 per cent. stake. The acquisition is CKI's first investment in gas distribution in the United Kingdom and the transaction is expected to be completed in mid-2005.

## A Year of Portfolio Consolidation

While looking at outward growth and expansion, CKI has also pursued a stringent strategy of portfolio consolidation during the course of 2004.

### 1. Transportation in Mainland China

Documentation for the buyback transactions by the Group's partners in the Shenyang Roads project and the Jianghe Highway in Jiangmen have been concluded.

### 2. Infrastructure Related Business

The Group's materials business has faced depressed market conditions for a number of years as the consumption of cement dropped to the lowest levels in the last two decades.

The merger of the concrete and quarry operations of Anderson Asia (Holdings) Limited with the Hong Kong arm of Hanson PLC in early 2004 has been a successful effort to consolidate operations and cut costs. Additionally, in accordance with the Group's prudent management principles, a sizeable impairment of HK\$250 million was taken in 2004 against certain assets.

I would like to take this opportunity to welcome four new Independent Non-executive Directors to the Board: Mrs. Kwok Eva Lee, Mrs. Sng Sow-Mei, Mr. Colin Stevens Russel and Mr. Lan Hong Tsung, David. I am sure CKI stands to benefit from their contributions to the Group in the future as they bring with them tremendous experience and a strong international outlook.

Finally, I would like to offer my thanks to the Board and our staff for their commitment, dedication and hard work, and to all our shareholders for their support and confidence in the Group.

## Li Tzar Kuoi, Victor

Chairman

Hong Kong, 17th March, 2005

## New Horizons in the Global Infrastructure Arena

In 2004, CKI realised a number of expansion strategies and continued our course of organic growth. The Group has a strong foundation for future investments and expansion. We expect to reap the rewards of our much-strengthened investment portfolio while pursuing new investments and considering fresh opportunities in Australia, Europe and North America. The Group's financials remain very strong with cash on hand of HK\$9,029 million, net debt to equity ratio of 14 per cent. and an S&P rating of "A-". With our financial resources and industry expertise, it is expected that CKI will grow from strength to strength and reach higher levels of achievement. We will strive to reach new horizons in the arena of global infrastructure.