



(Incorporated in Bermuda with limited liability)

THE CHAIRMAN'S LETTER FOR 2003

Highlights

- In 2003,
 - Profit before tax was HK\$4,185 million, an increase of 8%
 - Profit after tax attributable to shareholders was HK\$3,349 million, an increase of 1%
 - Annual dividend growth of 5%
- Seven consecutive years of sustained growth
- Hongkong Electric generated a substantial profit contribution: HK\$2,281 million
- Infrastructure investments achieved YoY profit contribution growth of 21%
 - 28% profit contribution growth in Australian infrastructure projects
 - 13% profit contribution growth in China investments
- Strong financial platform, poised for future growth
 - Cash-on-hand of HK\$7.2 billion
 - Net debt to equity ratio of 18%

The Growth Roadmap

We are pleased to report that Cheung Kong Infrastructure Holdings Limited (“CKI” or the “Group”) achieved another year of growth in 2003. Profit before tax was HK\$4,185 million, an increase of 8 per cent. over last year; and profit after tax attributable to shareholders was HK\$3,349 million, an increase of 1 per cent. from the previous year. In 2003, the results of Hongkong Electric Holdings Limited (“Hongkong Electric”), an associate of CKI, was adversely affected by tax related issues including an increase in tax rate, and the substantial one-off provision for deferred tax due to a change in accounting standards. The Group’s profit after tax was therefore affected. Earnings per share were HK\$1.49.

Cheung Kong Infrastructure Holdings Limited

The Board of Directors is recommending a final dividend of HK\$0.50 per share. Together with the interim dividend of HK\$0.215 per share, this will bring the total dividend for the year to HK\$0.715 per share, a 5 per cent. increase from the HK\$0.68 per share paid for 2002. The proposed dividend will be paid on 18th May, 2004 following approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members on 13th May, 2004.

In a year of worldwide turmoil characterised by war, the threat of terrorism and Severe Acute Respiratory Syndrome (“SARS”), a year-on-year profit growth has been maintained for the seventh consecutive year. Hongkong Electric continued to provide a substantial profit contribution to the Group, and strong performance in the Australian and Chinese operations provided steady overall growth.

Driving Our Core Businesses

CKI continues to be the largest diversified infrastructure investment company listed on the Stock Exchange of Hong Kong, and has established a strong position as a significant player in the global infrastructure arena. This is attributable to the steady performance and effective management of our core businesses of energy, transportation and infrastructure related business.

1. Energy – Powering Our Strong Foundations

Hongkong Electric continues to be a major profit contributor to the Group. In 2003, contribution was HK\$2,281 million, accounting for 58 per cent. of the Group’s total profit contribution. Compared to last year, this represents a drop of 11 per cent. This was largely caused by a change in accounting standards relating to deferred tax which led to a substantial one-off provision, an increase in the corporate tax rate and a soft domestic economy caused by the SARS epidemic. The fundamentals of Hongkong Electric remain sound, and its overseas investments continue to perform very well.

Profit contribution from our energy businesses in 2003 was HK\$1,461 million, representing 37 per cent. of the Group’s total profit contribution. The portfolio of Australian energy investments showed improved performance in 2003 with an increase of 28 per cent. in profit contribution as compared to 2002. Gas distributor, Envestra Limited, as well as power distributors, ETSA Utilities, Powercor Australia Limited and CitiPower I Pty Ltd. (“CitiPower”), have provided solid revenue streams during the year. The strong performance was attributable to organic growth, a first full-year contribution from CitiPower, and the strength of the Australian dollar.

Energy investments in the Mainland delivered another year of growth, contributing HK\$476 million to the Group, an increase of 14 per cent. from the previous year. This represents 12 per cent. of the Group's total profit contribution. Zhuhai Power Plant, our largest power investment in the Mainland, surpassed power targets and has recorded its best performance to date. The other three coal-fire plants, namely Fushun Cogen Power Plants in Liaoning, Qinyang Power Plants in Henan and Siping Cogen Power Plants in Jilin, operated smoothly and made steady contributions during the year.

2. Transportation – Steering Towards Future Growth

Against the backdrop of China's growing economy and soaring GDP, our transportation business in the Mainland continued to report organic growth in 2003. More than half of our transportation projects in the Mainland generated double-digit growth in toll revenue. In particular, toll revenue from the Guangzhou East-South-West Ring Road, and the National Highway 107 at Zhumadian increased 20 per cent. and 34 per cent. respectively over last year.

In Australia, the construction of the Sydney Cross City Tunnel, a two-kilometre cross city tollway tunnel linking Sydney's eastern suburbs with the western side of the city, is making steady progress. Under effective management control, the project is proceeding on budget and construction is ahead of schedule.

3. Infrastructure Related Business – Solidifying Market Leadership Position

2003 was another challenging year for the Group's infrastructure related business. Infrastructure materials have faced competitive prices and downward volume trends in the region and this has impacted on contribution from this sector. With the general economy picking up and the property markets showing signs of recovery, the demand for cement, concrete and aggregate is expected to increase. The Group looks forward to better prospects for its materials business.

A merger of the concrete and quarry operations of Anderson Asia (Holdings) Limited ("Anderson Asia") and the Hong Kong operations of Hanson PLC, one of the leading building materials suppliers in the world, was announced in early 2004. This move will create the largest concrete and quarry supplier in Hong Kong strengthening the Group's market standing in the supply of infrastructure materials. It will also lead to consolidation and maximisation of operational efficiency.

On Course on the Growth Roadmap

2003 represented a year of consolidation and re-alignment for CKI. Given the unsettling macro landscape of last year, we sustained satisfactory organic growth. Looking ahead, as the economy improves in Hong Kong, it is expected that Hongkong Electric and the infrastructure related business will benefit during the recovery. Our investments in the Mainland and Australia are well placed for strong growth as the economies of both countries continue to thrive. With our strong financials, cash on hand of HK\$7.2 billion and low net debt to equity ratio of 18%, the Group is very well positioned to make new, secure and profitable investments as we progress along our growth roadmap.

Mr. Barrie Cook has retired as an Executive Director of the Company. He has been with the Group for the last 21 years developing the materials division which comprises Green Island Cement (Holdings) Limited and Anderson Asia. Barrie has been one of Hong Kong's leading pioneers of environmental sustainability and has introduced a number of major environmental initiatives to both CKI and Hong Kong. I would like to extend my thanks and appreciation to him for his diligent efforts and am pleased to say that he will remain as part of CKI as a Non-executive Director.

Finally, I would like to offer my thanks to the Board of Directors 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, 9th March, 2004

FINANCIAL REVIEW

Financial Resources, Treasury Activities And Gearing Ratio

The Group's capital expenditure and investments were funded from cash in hand, internal cash generation, syndicated loans, notes issued and other project loans.

As at 31st December, 2003, total borrowings of the Group amounted to HK\$12,337 million, which included Hong Kong dollar syndicated loan of HK\$3.8 billion, foreign currency borrowings of HK\$8,478 million and RMB bank loans of HK\$59 million. Of the total borrowings, 10 per cent. were repayable in 2004, 72 per cent. repayable in 2005 to 2008 and 18 per cent. repayable beyond 2008. The Group's financing activities continue to be well received and fully supported by its bankers.

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise the cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars, Hong Kong dollars or Australian dollars. The Group's liquidity and financing requirements are reviewed regularly. The Group will consider new financing while maintaining an appropriate level of gearing in anticipation of new investments or maturity of bank loans.

As at 31st December, 2003, the Group maintained a gearing ratio of 18 per cent. which was based on its net debt of HK\$5,094 million and equity of HK\$29,025 million. This ratio was lower than the gearing ratio of 21 per cent. at the year end of 2002 mainly because of the repayment of Australian dollar bank loans totalling A\$428 million. In addition, the Group entered into a syndicated loan facility agreement of A\$400 million which was fully drawn in December 2003 to repay a short-term Australian dollar bridging loan and partially refinance an Australian dollar syndicated loan.

To minimise currency risk exposure in respect of its investments in other countries, the Group has a policy of hedging those investments with the appropriate level of borrowings denominated in the local currencies of those countries. As at 31st December, 2003, the Group has swapped the floating interest rates of its borrowings totalling HK\$6,062 million into fixed interest rates. The Group will consider entering into further interest and currency swap transactions to hedge against its interest rate and currency risk exposures, as appropriate.

Charge on Group Assets

As at 31st December, 2003, the Group's interests in an affiliated company with carrying value of HK\$1,888 million were pledged as part of the security to secure bank borrowings totalling HK\$4,268 million granted to the affiliated company.

Contingent Liabilities

As at 31st December, 2003, the Group was subject to the following contingent liabilities:

HK\$ million

Guarantees in respect of bank loans drawn by affiliated companies	1,900
Performance bonds	36
Total	1,936

Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,678 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$321 million. The Group ensures that the pay levels of its employees are competitive and that its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

Preferential subscription of 2,978,000 new shares of the Company was given to those employees who had submitted the pink application forms to subscribe for shares of HK\$1.00 each in the Company at HK\$12.65 per share on the flotation of the Company in 1996. The Group does not have any share option scheme for employees.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed annual results announcement for the year ended 31st December, 2003 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the website of the Stock Exchange in due course.

AUDITED CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK\$ million	Notes	2003	Restated 2002
Turnover			
	1		
Group turnover		1,613	1,872
Share of turnover of jointly controlled entities		1,841	1,723
		3,454	3,595
Group turnover			
	1	1,613	1,872
Other revenue	2	1,196	1,039
Operating costs	3	(1,807)	(2,051)
Operating profit	4	1,002	860
Finance costs		(630)	(624)
Share of results of associates		3,202	3,201
Share of results of jointly controlled entities		611	453
Profit before taxation		4,185	3,890
Taxation	5	(846)	(569)
Profit after taxation		3,339	3,321
Minority interests		10	5
Profit attributable to shareholders	4	3,349	3,326
Earnings per share			
	6	HK\$1.49	HK\$1.48
Dividends			
Interim dividend paid		485	485
Proposed final dividend		1,127	1,048
		1,612	1,533
Dividends per share			
Interim		HK\$0.215	HK\$0.215
Proposed final		HK\$0.5	HK\$0.465
		HK\$0.715	HK\$0.68

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. TURNOVER

Group turnover represents net sales from infrastructure materials business, return on investments and interest income received and receivable from infrastructure project investments, net of withholding tax, where applicable.

In addition, the Group also accounts for its proportionate share of turnover of jointly controlled entities. Turnover of associates is not included.

By business segment

for the year ended 31st December

HK\$ million	Group turnover	2003 Share of turnover of jointly controlled entities	Total	Group turnover	2002 Share of turnover of jointly controlled entities	Total
Infrastructure investments	212	1,841	2,053	277	1,723	2,000
Infrastructure related business	1,401	-	1,401	1,595	-	1,595
Total	1,613	1,841	3,454	1,872	1,723	3,595

By geographic region

for the year ended 31st December

HK\$ million	Group turnover	2003 Share of turnover of jointly controlled entities	Total	Group turnover	2002 Share of turnover of jointly controlled entities	Total
Hong Kong	1,012	-	1,012	1,194	-	1,194
Mainland China	564	1,841	2,405	600	1,723	2,323
Others	37	-	37	78	-	78
Total	1,613	1,841	3,454	1,872	1,723	3,595

2. OTHER REVENUE

Other revenue includes the following:

HK\$ million	2003	2002
Interest income	967	748
Finance lease income	4	5
Distributions from listed stapled securities	63	53
Gain on disposal of infrastructure project investment	11	-
Gain on disposals of subsidiaries	-	51
Gain on disposals of listed securities	-	97

3. OPERATING COSTS

Operating costs include the following:

HK\$ million	2003	2002
Depreciation	181	193
Amortisation of costs of investments in infrastructure projects	107	138
Cost of inventories sold	1,075	1,117
Loss on disposal of a subsidiary	19	-

4. SEGMENT INFORMATION

By business segment

for the year ended 31st December

HK\$ million	Investment in Hongkong Electric*		Infrastructure investments		Infrastructure related business		Unallocated items		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Segment revenue										
Group turnover	-	-	212	277	1,401	1,595	-	-	1,613	1,872
Others	-	-	20	15	81	70	-	-	101	85
	-	-	232	292	1,482	1,665	-	-	1,714	1,957
Segment result	-	-	80	101	(49)	47	-	-	31	148
Net gain/(loss) on disposals of infrastructure project investment, subsidiaries and listed securities	-	-	11	51	(19)	-	-	97	(8)	148
Interest and finance lease income	-	-	792	608	81	88	98	57	971	753
Other revenue	-	-	63	53	-	-	-	-	63	53
Corporate overheads and others	-	-	-	-	-	-	(55)	(242)	(55)	(242)
Operating profit	-	-	946	813	13	135	43	(88)	1,002	860
Finance costs	-	-	-	-	-	-	(630)	(624)	(630)	(624)
Share of results of associates and jointly controlled entities	2,942	3,021	877	633	(6)	-	-	-	3,813	3,654
Taxation	(661)	(465)	(182)	(89)	2	(15)	(5)	-	(846)	(569)
Minority interests	-	-	-	-	10	5	-	-	10	5
Profit attributable to shareholders	2,281	2,556	1,641	1,357	19	125	(592)	(712)	3,349	3,326

* During the year, the Group has a 38.87 per cent. equity interest in Hongkong Electric Holdings Limited (“Hongkong Electric”), which is listed on The Stock Exchange of Hong Kong Limited.

Cheung Kong Infrastructure Holdings Limited

By geographic region

for the year ended 31st December

HK\$ million	Hong Kong		Mainland China		Australia		Others		Unallocated items		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Segment revenue												
Group turnover	1,012	1,194	564	600	-	-	37	78	-	-	1,613	1,872
Others	60	31	41	16	-	-	-	38	-	-	101	85
	1,072	1,225	605	616	-	-	37	116	-	-	1,714	1,957
Segment result												
Net gain/(loss) on disposals of infrastructure project investment, subsidiaries and listed securities	-	-	11	51	-	-	(19)	-	-	97	(8)	148
Interest and finance lease income	81	87	-	1	792	608	-	-	98	57	971	753
Other revenue	-	-	-	-	63	53	-	-	-	-	63	53
Corporate overheads and others	-	-	-	-	-	-	-	-	(55)	(242)	(55)	(242)
Operating profit	145	233	60	72	855	661	(101)	(18)	43	(88)	1,002	860
Finance costs	-	-	-	-	-	-	-	-	(630)	(624)	(630)	(624)
Share of results of associates and jointly controlled entities	2,962	3,042	610	453	247	159	(6)	-	-	-	3,813	3,654
Taxation	(663)	(482)	(61)	(36)	(117)	(51)	-	-	(5)	-	(846)	(569)
Minority interests	-	-	1	(1)	-	-	9	6	-	-	10	5
Profit attributable to shareholders	2,444	2,793	610	488	985	769	(98)	(12)	(592)	(712)	3,349	3,326

5. TAXATION

Hong Kong Profits Tax is provided for at the rate of 17.5 per cent. (2002: 16 per cent.) on the estimated assessable profits for the year. Deferred taxation is provided on temporary differences under the liability method using tax rates applicable to the Group's operations in different countries and regions.

HK\$ million	2003	2002
Company and subsidiaries		
Current taxation – Hong Kong Profits Tax	9	12
Deferred taxation	(4)	4
	5	16
Share of taxation attributable to		
Associates	780	517
Jointly controlled entities	61	36
	841	553
Total	846	569

6. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$3,349 million (2002: HK\$3,326 million) and on 2,254,209,945 shares (2002: 2,254,209,945 shares) in issue during the year.

Diluted earnings per share has not been shown as there was no dilutive effect on the earnings per share if the convertible debentures outstanding during the year ended 31st December, 2002 were fully converted into shares of a non-wholly owned subsidiary which issued the debentures.

7. CHANGE IN ACCOUNTING POLICY

The Group has adopted Hong Kong Statement of Standard Accounting Practice (“SSAP”) 12 (Revised) “Income Taxes” which became effective on 1st January, 2003. The retrospective change in accounting policy related to SSAP 12 (Revised) has resulted in an increased taxation charge of HK\$237 million (2002: HK\$99 million) against the Group's results. Certain comparative figures have been restated accordingly.