

PRESS RELEASE 新聞稿



Cheung Kong Infrastructure Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

INTERIM RESULTS FOR 2006

Solid Progress; Continued Achievements

2005 was an exceptional year for CKI largely due to a significant one-off gain reported by the Group as we divested part of our stake in the three Australian power distribution assets of ETSA Utilities, Powercor and CitiPower to Spark, which was listed on the Australian Stock Exchange Limited at the end of last year.

- *The interim results for 2006 reflect CKI's post-Spark financial position:*
 - *Significant cash reserves generated; debt has been reduced and treasury income enhanced*
 - *Profit mix from international investments has changed, with the reduction of interest in the Australian portfolio and the increase in contributions from Mainland China and the United Kingdom*
 - *Overall good performance continued to be achieved across various industries and markets*
 - *Overall level of profitability was higher than the interim results for 2004, and the interim results of 2005 after adjusting for non-recurring items*

Financial highlights

- *Unaudited profit after tax attributable to shareholders reached HK\$1,589 million*
- *Interim dividend of HK\$0.25 per share*
- *Profit contribution performance:*
 - *Hongkong Electric: HK\$950 million*
 - *Mainland China infrastructure investments: HK\$375 million*
 - *the United Kingdom portfolio: HK\$239 million*
 - *Australian investments: HK\$178 million*
 - *Materials business: HK\$66 million*
- *Solid financial platform; balance sheet stronger than ever:*
 - *Cash on hand of HK\$6,624 million*
 - *Net debt to equity ratio of 8%*

For the six months ended 30th June, 2006, Cheung Kong Infrastructure Holdings Limited (“CKI” or the “Group”) recorded unaudited profit after tax attributable to shareholders of HK\$1,589 million.

The Board of Directors of CKI (the “Board”) has declared an interim dividend for 2006 of HK\$0.25 per share (2005: HK\$0.24 per share), representing an increase of 4 per cent. The interim dividend will be paid on Friday, 29th September, 2006 to shareholders whose names appear on the Register of Members on Thursday, 28th September, 2006.

International Infrastructure Investments

In Mainland China, our businesses achieved satisfactory growth. The Zhuhai Power Plant turned in a strong performance on the back of heavy demand for electricity in Guangdong. Transport investments continued to generate good returns for the Group. The Guangzhou East-South-West Ring Road performed particularly well, with traffic flow increased by 30 per cent. as compared with the same period last year.

The Group’s businesses in the United Kingdom are playing an increasingly important role in our investment portfolio. Profit contribution of HK\$239 million has been recorded through stellar performances from Cambridge Water PLC and Northern Gas Networks Limited (“Northern Gas”). This reflects the full six months of profit contribution from Northern Gas, versus only one month post-completion in the interim period last year.

Our Australian contributions have been reduced following the disposal of part of our stake in our electricity distribution businesses, but the basic fundamentals of these businesses remain solid. Following the price resets determined last year, ETSA Utilities, Powercor Australia Limited (“Powercor”) and CitiPower I Pty Ltd. (“CitiPower”) are expected to continue to generate solid and predictable returns for the Group.

In contrast to our other investments, the Sydney Cross City Tunnel is still underperforming as traffic volume remains below expectations. A substantial impairment provision was made in respect to this project last year.

Hongkong Electric

In Hong Kong, our investment in Hongkong Electric Holdings Limited (“Hongkong Electric”) has continued to generate solid returns for the Group, delivering HK\$950 million in profit contribution. During the period under review, Hongkong Electric reported unaudited consolidated net profit, after tax and Scheme of Control transfers, of HK\$2,479 million. Maintaining world-class supply reliability of 99.999 per cent., a level that has been consistently achieved since 1997, Hongkong Electric’s performance clearly stands out against the threatened stability and reliability of power grids in the United States and Europe amidst recent heat waves.

Materials

A turning point was reached for our materials business with a profit of HK\$66 million recorded.

Strong Financial Platform

CKI is well-positioned to consider new investments and pursue business expansion based on its strong financial platform. The Group's cash on hand reached HK\$6,624 million and our net debt to equity ratio was 8 per cent. Interest coverage was approximately 7 times. Shareholders' equity reached HK\$33,512 million and borrowings totalled HK\$9,139 million. With such solid financials, we are well-placed to enrich our portfolio in the future when appropriate opportunities arise.

Prospects

The listing of Spark Infrastructure Group ("Spark") last year strengthened our financial platform. With our strong cash position, we will continue to pursue a prudent strategy of acquisition by exploring opportunities to expand our portfolio around the globe.

At the same time, we will also work hard in growing the business within our existing portfolio. Several new developments are expected to further enhance the Group's asset base in the near term, including the construction of Units 3 and 4 extension to the Zhuhai Power Plant in Mainland China. In view of the strong demand for electricity in Guangdong, we are targeting early commissioning of this project. The Group is also expanding its footprint in Australia with the acquisition of strategic commercial telecommunications assets from ETSA Utilities and Powercor. These assets were realigned and launched in February under the name Silk Telecom Pty Ltd. The company operates extensive optic fibre networks in Adelaide, Melbourne and key regional centres in South Australia and Victoria. With regard to our transport investments, the construction work for the Lane Cove Tunnel in Sydney is progressing smoothly and early completion is expected.

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

Li Tzar Kuoi, Victor

Chairman

Hong Kong, 17th August, 2006

FINANCIAL REVIEW

Financial Resources, Treasury Activities and Gearing Ratio

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

As at 30th June, 2006, total borrowings of the Group amounted to HK\$9,139 million, which included Hong Kong dollar syndicated loan of HK\$3,800 million and foreign currency borrowings of HK\$5,339 million. Of the total borrowings, 78 per cent. were repayable between 2007 and 2010 and 22 per cent. repayable beyond 2010. The Group's financing activities continue to be 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 30th June, 2006, the Group had a gearing ratio of 8 per cent., which was based on its net debt of HK\$2,515 million and shareholders' equity of HK\$33,512 million. This ratio was higher than the gearing ratio of 3 per cent. at the year end of 2005, mainly due to the capital contribution to Lane Cove Tunnel being funded from cash on hand in March 2006.

To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of those countries. The Group also entered into certain interest rate and currency swaps to mitigate interest rate and other currency exposure risks. As at 30th June, 2006, the contractual notional amounts of these derivative instruments amounted to HK\$7,719 million.

Charge on Group Assets

As at 30th June, 2006, the Group's interests in an affiliated company with carrying value of HK\$1,708 million were pledged as part of the security to secure bank borrowings totalling HK\$2,995 million granted to the affiliated company. Moreover, the Group's obligations under finance leases totalling HK\$27 million were secured by charge over the leased assets with carrying value of HK\$210 million.

Contingent Liabilities

As at 30th June, 2006, the Group was subject to the following contingent liabilities:

HK\$ million

Guarantee in respect of a bank loan drawn by an affiliated company	599
Performance bonds	141
Total	740

Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,057 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$119 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 subscribed 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.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the six months ended 30th June, 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during this period.

Code on Corporate Governance Practices

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices (“Code on CG Practices”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30th June, 2006.

Audit Committee

The Company established an audit committee (“Audit Committee”) in December 1998 and has formulated its written terms of reference in accordance with the provisions set out in the Code on CG Practices. The Audit Committee comprises five members all of whom are Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Audit Committee), Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Colin Stevens Russel and Mr. Lan Hong Tsung, David. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting system and internal control procedures, review of the Group’s financial information and review of the relationship with the external auditors of the Company.

The Group’s interim results for the period ended 30th June, 2006 have been reviewed by the Audit Committee.

NOTICE OF PAYMENT OF INTERIM DIVIDEND, 2006

The Board of Directors of Cheung Kong Infrastructure Holdings Limited announces that the Group's unaudited profit after tax attributable to shareholders for the six months ended 30th June, 2006 amounted to HK\$1,589 million which represents earnings of HK\$0.70 per share. The Directors have resolved to pay an interim dividend for 2006 of HK\$0.25 per share to shareholders whose names appear on the Register of Members of the Company on Thursday, 28th September, 2006. The dividend will be paid on Friday, 29th September, 2006.

The Register of Members of the Company will be closed from Thursday, 21st September, 2006 to Thursday, 28th September, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 20th September, 2006.

By Order of the Board

Eirene Yeung

Company Secretary

Hong Kong, 17th August, 2006

As at the date hereof, the Executive Directors of the Company are Mr. LI Tzar Kuoi, Victor (Chairman), Mr. KAM Hing Lam (Group Managing Director), Mr. IP Tak Chuen, Edmond (Deputy Chairman), Mr. FOK Kin Ning, Canning (Deputy Chairman), Mr. KWAN Bing Sing, Eric (Deputy Managing Director), Mrs. CHOW WOO Mo Fong, Susan (also alternate to Mr. FOK Kin Ning, Canning and Mr. Frank John SIXT), Mr. Frank John SIXT and Mr. TSO Kai Sum; and the Non-executive Directors are Mr. CHEONG Ying Chew, Henry (Independent Non-executive Director), Mrs. KWOK Eva Lee (Independent Non-executive Director), Mrs. SNG Sow-mei alias POON Sow Mei (Independent Non-executive Director), Mr. Colin Stevens RUSSEL (Independent Non-executive Director), Mr. LAN Hong Tsung, David (Independent Non-executive Director), Mrs. LEE Pui Ling, Angelina, Mr. Barrie COOK and Mr. George Colin MAGNUS.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30th June

HK\$ million	Notes	Unaudited 2006	Audited * 2005
Turnover			
Group turnover		900	1,135
Share of turnover of jointly controlled entities		1,492	1,099
	2	2,392	2,234
Group turnover			
Group turnover	2	900	1,135
Other income	3	218	389
Operating costs	4	(757)	(907)
Finance costs		(254)	(337)
Share of results of associates		1,120	1,349
Share of results of jointly controlled entities		359	271
Profit before taxation		1,586	1,900
Taxation	5	3	(36)
Profit for the period	6	1,589	1,864
Attributable to:			
Shareholders of the Company		1,589	1,866 *
Minority interests		-	(2)
		1,589	1,864
Interim dividend			
		564	541
Earnings per share			
	7	HK\$0.70	HK\$0.83
Interim dividend per share			
		HK\$0.25	HK\$0.24

* The profit attributable to shareholders for the six months ended 30th June, 2005 excluding the tax credit of HK\$338 million is HK\$1,528 million. Please refer to note 10 to the interim financial statements for details.

CONSOLIDATED BALANCE SHEET

HK\$ million	Notes	Unaudited 30/6/2006	Audited 31/12/2005
Property, plant and equipment		954	919
Investment properties		66	59
Leasehold land		320	326
Interests in associates		27,938	26,911
Interests in jointly controlled entities		4,267	4,337
Interests in infrastructure project investments		575	579
Investments in securities		2,743	2,092
Derivative financial instruments		23	447
Goodwill		188	175
Other non-current assets		6	9
Total non-current assets		37,080	35,854
Inventories		80	105
Interests in infrastructure project investments		86	86
Derivative financial instruments		369	12
Debtors and prepayments	8	496	388
Bank balances and deposits		6,624	8,110
Total current assets		7,655	8,701
Bank and other loans		12	11
Derivative financial instruments		396	-
Creditors and accruals	9	1,067	1,105
Taxation		106	105
Total current liabilities		1,581	1,221
Net current assets		6,074	7,480
Total assets less current liabilities		43,154	43,334
Bank and other loans		9,127	9,045
Derivative financial instruments		92	370
Deferred tax liabilities		371	362
Other non-current liabilities		14	21
Total non-current liabilities		9,604	9,798
Net assets		33,550	33,536
Representing:			
Share capital		2,254	2,254
Reserves		31,258	31,244
Equity attributable to shareholders of the Company		33,512	33,498
Minority interests		38	38
Total equity		33,550	33,536

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The accounting policies adopted for preparation of the interim financial statements are consistent with those set out in the Group's annual financial statements for the year ended 31st December, 2005, except that the Group has adopted Amendment to Hong Kong Accounting Standard ("HKAS") 19 "Employee benefits – actuarial gains and losses, group plans and disclosures" which is effective for accounting periods commencing on or after 1st January, 2006.

Amendment to HKAS 19 provides an option to recognising actuarial gains and losses of defined benefit retirement plans in full in the period in which they occur, outside profit or loss, in equity. The Group has elected to take the option to recognise all actuarial gains and losses of its defined benefit retirement plans in equity.

In prior years, actuarial gains and losses which exceed 10 per cent. of the greater of the present value of the Group's pension obligations and the fair value of plan assets are recognised in the income statement over the expected average remaining working lives of the employees participating in the plans.

The change in accounting policy has been applied prospectively. The main reason for not applying Amendment to HKAS 19 retrospectively is that the management considered the impact is immaterial and is not practical to do so. Cumulative effects from the change in accounting policy on the Group's balances at 1st January, 2006 include decreases in interests in associates, non-current assets and retained profits by HK\$138 million, HK\$3 million and HK\$141 million, respectively.

2. TURNOVER

Group turnover represents net sales of infrastructure materials, income from the supply of water, return and interest from infrastructure project investments, interest income from loans granted to associates, and distributions from investments in securities classified as infrastructure investments, net of withholding tax, where applicable.

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

The turnover for the current period is analysed as follows:

HK\$ million	Six months ended 30th June	
	2006	2005
Sales of infrastructure materials	520	497
Income from the supply of water	122	118
Return from infrastructure project investments	57	73
Interest income from loans granted to associates	188	436
Distributions from investments in securities	13	11
Group turnover	900	1,135
Share of turnover of jointly controlled entities	1,492	1,099
Total	2,392	2,234

3. OTHER INCOME

Other income includes the following:

HK\$ million	Six months ended 30th June	
	2006	2005
Interest income	177	126
Finance lease income	1	1
Gain on disposal of interest in an associate	-	64
Gain on disposal of an infrastructure project investment	-	14
Change in fair values of investments in securities	-	14

4. OPERATING COSTS

Operating costs include the following:

HK\$ million	Six months ended 30th June	
	2006	2005
Depreciation of property, plant and equipment	25	66
Cost of inventories sold	530	521
Change in fair values of investments in securities	53	-
Change in fair values of derivative financial instruments	21	-

5. TAXATION

Overseas tax is provided for at the applicable tax rate on the estimated assessable profits less available tax losses. Deferred taxation is provided on temporary differences under the liability method using tax rates applicable to the Group's operations in different countries.

HK\$ million	Six months ended 30th June	
	2006	2005
Current taxation – overseas tax	7	6
Deferred taxation	(10)	30
	(3)	36

6. SEGMENT INFORMATION

By business segment

for the six months ended 30th June

HK\$ million	Investment in Hongkong Electric*		Infrastructure investments		Infrastructure related business		Unallocated items		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Turnover										
Group turnover	-	-	380	638	520	497	-	-	900	1,135
Share of turnover of jointly controlled entities	-	-	1,214	916	278	183	-	-	1,492	1,099
	-	-	1,594	1,554	798	680	-	-	2,392	2,234
Segment revenue										
Group turnover	-	-	380	638	520	497	-	-	900	1,135
Others	-	-	26	17	4	13	-	-	30	30
	-	-	406	655	524	510	-	-	930	1,165
Segment result										
Gain on disposals of interests in associate and infrastructure project investment	-	-	-	78	-	-	-	-	-	78
Change in fair values of investments in securities and derivative financial instruments	-	-	-	34	(9)	-	(65)	(20)	(74)	14
Interest and finance lease income	-	-	1	1	61	44	116	82	178	127
Corporate overheads and others	-	-	-	-	-	-	(33)	(77)	(33)	(77)
Finance costs	-	-	(8)	(12)	-	-	(246)	(325)	(254)	(337)
Share of results of associates and jointly controlled entities	950	967	504	644	25	9	-	-	1,479	1,620
Profit / (loss) before taxation	950	967	798	1,296	66	(23)	(228)	(340)	1,586	1,900
Taxation	-	-	3	(35)	-	(1)	-	-	3	(36)
Profit / (loss) for the period	950	967	801	1,261	66	(24)	(228)	(340)	1,589	1,864
Attributable to:										
Shareholders of the Company	950	967	801	1,261	66	(22)	(228)	(340)	1,589	1,866
Minority interests	-	-	-	-	-	(2)	-	-	-	(2)
	950	967	801	1,261	66	(24)	(228)	(340)	1,589	1,864

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

6. SEGMENT INFORMATION (Cont'd)

By geographic region

for the six months ended 30th June

HK\$ million	Hong Kong		Mainland China		Australia		Others		Unallocated items		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Turnover												
Group turnover	372	371	130	199	201	447	197	118	-	-	900	1,135
Share of turnover of jointly controlled entities	222	173	1,270	926	-	-	-	-	-	-	1,492	1,099
	594	544	1,400	1,125	201	447	197	118	-	-	2,392	2,234
Segment revenue												
Group turnover	372	371	130	199	201	447	197	118	-	-	900	1,135
Others	3	3	11	16	-	-	16	11	-	-	30	30
	375	374	141	215	201	447	213	129	-	-	930	1,165
Segment result												
Gain on disposals of interests in associate and infrastructure project investment	(7)	(57)	42	36	201	447	54	49	-	-	290	475
Change in fair values of investments in securities and derivative financial instruments	-	-	-	14	-	-	-	64	-	-	-	78
Interest and finance lease income	61	44	-	-	-	-	1	1	116	82	178	127
Corporate overheads and others	-	-	-	-	-	-	-	-	(33)	(77)	(33)	(77)
Finance costs	-	-	-	-	-	-	(8)	(12)	(246)	(325)	(254)	(337)
Share of results of associates and jointly controlled entities	983	987	334	258	(23)	385	185	(10)	-	-	1,479	1,620
Profit / (loss)												
before taxation	1,037	974	376	308	178	866	223	92	(228)	(340)	1,586	1,900
Taxation	-	(1)	-	-	-	(10)	3	(25)	-	-	3	(36)
Profit / (loss) for the period	1,037	973	376	308	178	856	226	67	(228)	(340)	1,589	1,864
Attributable to:												
Shareholders of the Company	1,037	973	376	310	178	856	226	67	(228)	(340)	1,589	1,866
Minority interests	-	-	-	(2)	-	-	-	-	-	-	-	(2)
	1,037	973	376	308	178	856	226	67	(228)	(340)	1,589	1,864

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK\$1,589 million (2005: HK\$1,866 million) and on 2,254,209,945 shares (2005: 2,254,209,945 shares) in issue during the interim period.

8. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK\$296 million (HK\$217 million at 31st December, 2005) and their aging analysis is as follows:

HK\$ million	30/6/2006	31/12/2005
Current	137	85
1 month	82	60
2 to 3 months	26	24
Over 3 months	177	175
Gross total	422	344
Allowance	(126)	(127)
Total after allowance	296	217

Trade with customers for infrastructure materials is carried out largely on credit, except for new customers and customers with unsatisfactory payment records, where payment in advance is normally required. Trade with metered customers for water supply is carried out largely on credit and with unmetered customers largely by payment in advance. Invoices are normally payable within 1 month of issuance, except for certain well-established customers, where the terms are extended to 2 months, and certain customers with disputed items, where the terms are negotiated individually. Where credit is given, the customer has a maximum credit limit, which was granted and approved by senior management in accordance with the laid-down credit review policy and procedures.

9. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK\$119 million (HK\$149 million at 31st December, 2005) and their aging analysis is as follows:

HK\$ million	30/6/2006	31/12/2005
Current	57	83
1 month	31	31
2 to 3 months	13	15
Over 3 months	18	20
Total	119	149

10. COMPARATIVE FIGURES

In August 2005, the Group reported in its interim report for 2005 an unaudited profit attributable to shareholders of HK\$1,528 million for the six months ended 30th June, 2005. In connection with disposals of certain Australian associates in late 2005, a subsequent audit exercise covering such financial period was conducted in November 2005. As a result of additional information available and after discussion with the auditors of an Australian associate, adjustments were made in respect of the Australian associate's deferred tax assets and liabilities, with a tax credit impact totalling HK\$338 million on the Group's results for such financial period. The adjustments were due to the recognition of deferred tax assets relating to tax losses assessed to be more probable than not of recovery and the reduction of deferred tax liabilities due to finalisation of the tax cost base of certain assets of the Australian associate. Accordingly, the Group's profit attributable to shareholders for the six months ended 30th June, 2005 has been adjusted to HK\$1,866 million.

10. COMPARATIVE FIGURES (Cont'd)

Moreover, certain comparative figures have been reclassified to confirm with the current period's presentation. In prior periods, the Group's shares of taxation of associates and jointly controlled entities accounted for using the equity method were included as part of the Group's taxation in the Consolidated Income Statement. With effect from 1st January, 2005, in accordance with the implementation guidance in HKAS 1 "Presentation of Financial Statements", the Group has changed the presentation and included the shares of taxation of associates and jointly controlled entities in the respective results reported in the Consolidated Income Statement before arriving at the Group's profit before taxation. As a result of the changes in presentation, shares of taxation of associates and jointly controlled entities for the six months ended 30th June, 2005 of HK\$35 million and HK\$41 million were regrouped from "Taxation" to "Share of results of associates" and "Share of results of jointly controlled entities", respectively.