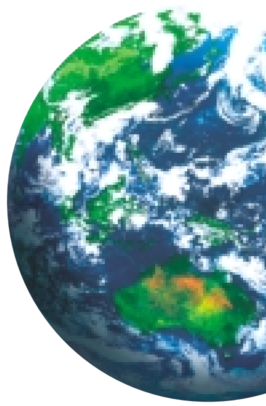
CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED ANNUAL REPORT 1999

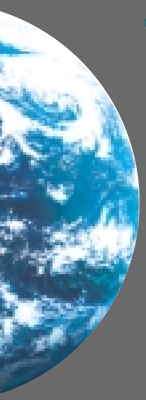
(Incorporated in Bermuda with limited liability)



CKI

GLOBAL MIND

LOCAL TOUCH



CKI's achievements reflect both the fundamental strengths of the Group's existing infrastructure portfolio as well as the results of the globalisation and diversification initiatives. Going from strength to strength, CKI has built a solid foundation from which the Group can take advantage to develop new horizons at home and abroad. The philosophy of "Global Mind, Local Touch" will continue to be the guiding principle of CKI in the year 2000 and beyond.

Contents

2 Corporate Profile
3 Year at a Glance
4 Five-Year Financial Summary
6 Chairman's Letter
10 Group Managing Director's Report
16 Going Global, Increasing Diversity
Review of Operations
22 CKI Energy
26 CKI Transportation
30 CKI Materials
34 Board and Senior Management
37 Report of the Directors
48 Report of the Auditors
Financial Statements
49 Consolidated Income Statement
50 Balance Sheets
51 Consolidated Statement of Recognised Gains and Losses
52 Consolidated Cash Flow Statement
53 Notes to the Financial Statements
Appendices and References
70 Principal Subsidiaries
71 Principal Associates
72 Principal Jointly Controlled Entities
73 Extracts of Financial Statements of Hongkong Electric
75 Schedule of Major Properties
76 Notice of Annual General Meeting
78 Project Profiles
88 Corporate Information
Glossary of Terms

CORPORATE PROFILE

CKI TRANSPORTATION

Most of the projects in the transportation portfolio have become operational and are generating revenue in 1999.

THIS IS CKI

CKI ENERGY

During the year under review, CKI energy division pioneered the Group's globalisation efforts.

CKI MATERIALS

CKI Materials will continue to provide stability to, and generate income for, the Group by taking advantage of infrastructure opportunities in Hong Kong and China.

YEAR AT A GLANCE

Cheung Kong Infrastructure Holdings Limited (CKI) is a diversified infrastructure company with businesses in three core areas: energy, transportation and infrastructure materials. As a leading infrastructure player, CKI's businesses span across Hong Kong, Mainland China and Australia.

In the energy sector, CKI has a 37.63 per cent. shareholding (as at 31st December, 1999) in Hongkong Electric Holdings Limited, one of Hong Kong's two electricity companies. Together with its power portfolio in four provinces in China, CKI Energy has interest in power plants of a total installed capacity of approximately 6,000 MW. In 1999, the Group embarked on a diversification strategy and has expanded into related arenas to include power distribution and natural gas business. The acquisitions of Envestra Limited and ETSA Utilities in Australia are illustrations of such efforts.

CKI's transportation business comprises investments in over 600 km of toll roads and bridges in five provinces in China. The Group also holds a 50 per cent. investment in Eastern Harbour Crossing Company Limited, which provides a major railway link for the Mass Transit Railway in Hong Kong.

In regard to infrastructure materials, CKI's wholly-owned subsidiaries, Green Island Cement and Anderson Asia, continue to maintain a leading market position in the cement, concrete, asphalt, aggregates and spray coating businesses in the Greater China region. In early 2000, CKI acquired a majority stake of Polyphalt Inc., a Canadian listed technology company specialising in developing and commercialising novel polymer modified asphalt products and technology.

From practicing mechanical/civil/electrical technologies in the infrastructure business, CKI has made its foray into the electronic infrastructure arena. The first such initiative is the formation of a joint venture with Israeli-based German listed On Track Innovations Limited to develop the contactless smart card market in Asia Pacific.

CKI is firmly committed to the infrastructure business, and intends to continue to be the driving force in this field through its base in Hong Kong. With strong financial resources, extensive experience, sound management, and a "Global Mind, Local Touch" philosophy, CKI will explore appropriate investment opportunities at home and abroad.

YEAR AT A GLANCE

	1999	1998	% change
Profit attributable to shareholders (HK$ million)	3,141	2,855	+10%
Earnings per share (HK$)	1.39	1.27	+10%
Dividend per share (HK$)	0.42	0.38	+11%

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENT SUMMARY
for the year ended 31st December

HK$ million	1999	1998	1997	1996	1995
Turnover	3,063	3,291	3,314	2,992	2,288
Operating profit	1,331	1,122	1,059	931	546
Share of results of associates	2,004	1,971	1,635	–	–
Share of results of jointly controlled entities	49	33	2	40	51
Profit before taxation	3,384	3,126	2,696	971	597
Taxation	(245)	(273)	(283)	(87)	(29)
Profit after taxation	3,139	2,853	2,413	884	568
Minority interests	2	2	(2)	2	1
Profit attributable to shareholders	3,141	2,855	2,411	886	569
Growth per cent.	10%	18%	172%	56%	90%
Dividends	(947)	(857)	(721)	(361)	–
Profit for the year retained	2,194	1,998	1,690	525	569

CONSOLIDATED BALANCE SHEET SUMMARY
as at 31st December

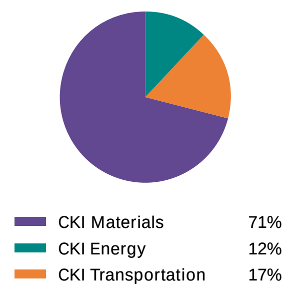
HK$ million	1999	1998	1997	1996	1995
Property, plant and equipment	2,328	2,336	1,700	1,627	1,664
Interests in associates	12,609	10,450	9,657	95	(8)
Interests in jointly controlled entities	2,583	2,267	1,618	988	726
Infrastructure project investments	6,189	6,935	5,868	3,641	930
Investments in securities	676	–	–	–	–
Other non-current assets	110	136	136	135	76
Current assets	3,171	2,838	3,689	4,873	1,097
Total assets	27,666	24,962	22,668	11,359	4,485
Current liabilities	(1,263)	(1,272)	(1,223)	(3,000)	(450)
Non-current liabilities	(3,967)	(3,107)	(3,106)	(4)	(2,186)
Minority interests	(253)	(256)	(10)	(5)	(2)
Total liabilities	(5,483)	(4,635)	(4,339)	(3,009)	(2,638)
Net assets	22,183	20,327	18,329	8,350	1,847

PER SHARE DATA

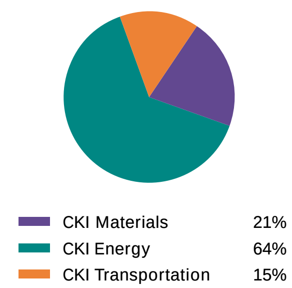
HK$	1999	1998	1997	1996	1995
Earnings per share	1.39	1.27	1.15	0.75	0.55
Dividend per share	0.42	0.38	0.32	0.16	N/A*
Net book value per share	9.84	9.02	8.13	6.10	1.80

* Not applicable as the Company was listed in 1996.

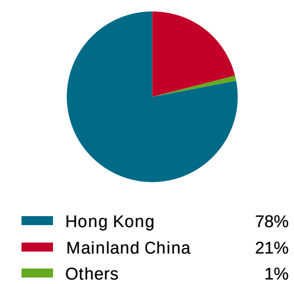
1999 TURNOVER BY BUSINESS SEGMENT



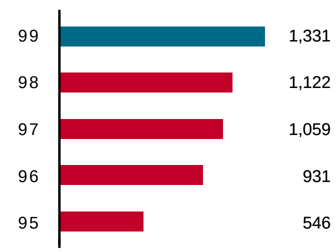
1999 PROFIT CONTRIBUTION BY BUSINESS SEGMENT



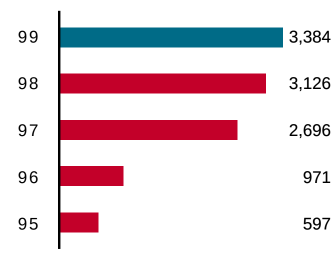
1999 PROFIT CONTRIBUTION BY GEOGRAPHIC REGION



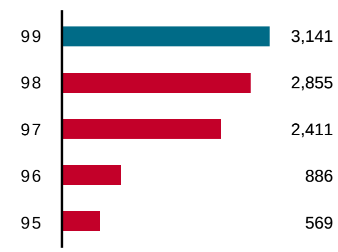
OPERATING PROFIT
HK$ million



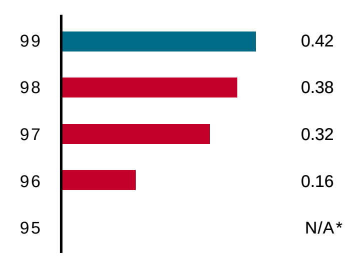
PROFIT BEFORE TAXATION
HK$ million



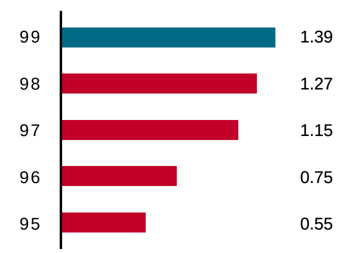
PROFIT ATTRIBUTABLE TO SHAREHOLDERS
HK$ million



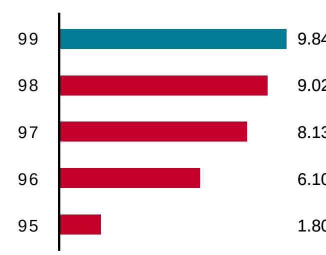
DIVIDEND PER SHARE
HK$



EARNINGS PER SHARE
HK$



NET BOOK VALUE PER SHARE
HK$



* Not applicable as the Company was listed in 1996.

Li Tzar Kuoi, Victor
Chairman

TO OUR SHAREHOLDERS,

WE ARE PLEASED TO REPORT THAT 1999 WAS A SOLID YEAR OF GROWTH FOR CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED (CKI). NET PROFIT FOR THE YEAR ENDED 31ST DECEMBER, 1999 WAS HK$3,141 MILLION, AN INCREASE OF 10 PER CENT. FROM THE PREVIOUS YEAR. EARNINGS PER SHARE WERE HK$1.39.

OUR MOTTO IS "GLOBAL MIND, LOCAL TOUCH."

The Board of Directors is recommending a final dividend of HK$0.29 per share. Together with the interim dividend of HK$0.13 per share, this will bring the total dividend for the year to HK$0.42 per share, a 11 per cent. increase from the HK$0.38 per share paid in respect of last year. The proposed dividend will be paid on 16th May, 2000, following approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members on 10th May, 2000.

At the dawn of the new millennium, the overall economy in 1999 has generally improved. Capitalising on the Group's solid foundation, sound financial base and strong human resources, CKI consolidated its existing businesses and embarked on a globalisation and diversification strategy. Significant progress was made in the year:

1. The Group's full-year profit contribution experienced satisfactory growth during the year, rising 10 per cent. The performance of the three core businesses were as follows:

Transportation	+ 29%
Energy	+ 3%
Infrastructure materials	– 8%

CKI consolidated its existing businesses and embarked on a globalisation and diversification strategy.

2. The transportation division reported another year of satisfactory growth, with most of the China's investment projects becoming operational and revenue generating.

3. As in prior years, the energy division remained the major profit contributor to CKI, with Hongkong Electric Holdings Limited ("Hongkong Electric") and China's power investments both bringing in steady earnings.

4. The infrastructure materials division experienced a slight drop in profit contribution compared to the previous year, due to a sluggish market and price erosion.

5. For CKI, 1999 was a year of expansion. A few milestone acquisitions have been made:

   i. The Group acquired a 40 per cent. interest in the Beidou Bridge in Panyu, Guangdong province of China, signifying the Group's continued interest in China's infrastructure market.

   ii. The Group acquired a 50 per cent. interest in Eastern Harbour Crossing Company Limited in the SAR, the Group's first infrastructure project in Hong Kong.

   iii. CKI invested in two energy projects in Australia, marking a positive start to the Group's global initiatives. The first project was the acquisition of a 19.97 per cent. stake in Envestra Limited, the largest listed gas distribution company in Australia, resulting in CKI becoming the co-largest shareholder of the company. The second project was in joint venture with Hongkong Electric in winning the tender for a 200-year right to operate the electricity distribution network in the State of South Australia. The total investment amounted to approximately HK$16 billion, half of which will be borne by CKI. This was the Group's first participation in a privatisation project. These two investments also exemplified the Group's diversification strategy in extending the energy core business from electricity to natural gas and from energy generation to energy distribution.

CKI invested in two energy projects in Australia, marking a positive start to the Group's global initiatives.

   iv. In 1999, CKI's holding in Hongkong Electric increased from 36.11 per cent. at the beginning of the year to 37.63 per cent. at year end. As one of the two power companies in Hong Kong with a strong position, steady income and low PE ratio, Hongkong Electric was an excellent investment for CKI.

   v. CKI acquired a 50 per cent. interest in Legend Power Limited which owns a number of international patents on energy saving technology, signifying CKI's diversification into electronic infrastructure businesses.

   vi. As at the end of 1999, the Group's investments outside Hong Kong reached HK$19 billion, of which HK$10 billion was in the Mainland and HK$9 billion in Australia, reflecting the Group's emergence as a global infrastructure player.

6. As at the end of 1999, the Group's net debt to equity ratio was 11.4 per cent. with cash on hand of HK$1.443 billion and debt of HK$3.976 billion. With a solid financial position and strong cash flow, the Group has the financial capacity to aggressively invest in high quality capital intensive infrastructure businesses.

PROSPECTS

With a "Global Mind, Local Touch" philosophy, CKI is dedicated to a prudent, carefully formulated globalisation and diversification plan, while maintaining a strong presence in existing infrastructure businesses. In adhering to the plans, all three core businesses of CKI – transportation, energy and infrastructure materials – have each made marked investment progress early in the new millennium.

Looking to the future, China's impending admission to the WTO will provide CKI with historic investment opportunities. The ensuing economic growth and influx of foreign investment into the country will translate into greater needs for improved infrastructure. When this occurs, CKI, a leading China infrastructure player, will be poised to benefit. Back in Hong Kong, the local economy is transforming. To facilitate this change, the SAR government has initiated several infrastructure projects. CKI will be in a leading position to profit as these projects begin and the economy gradually recovers.

China's impending admission to the WTO will provide CKI with historic investment opportunities.

Following the success of globalisation initiatives in 1999, the Group will continue to pursue aggressively overseas investment opportunities in Australia, North America, Europe and Asia.

As the world evolves into the cyber age, CKI targets to extend its technology base from traditional civil/electrical/mechanical oriented infrastructure projects to electronic infrastructure businesses, and will pursue appropriate investment opportunities in this arena as part of its diversification strategy.

Finally, I wish to welcome Mr. Barrie Cook and Mr. Eric Kwan who joined the Board of Directors this year. I would like to take this opportunity to thank everyone in CKI for their contributions and diligent work in the previous year.

LI TZAR KUOI, VICTOR
Chairman

Hong Kong, 16th March, 2000

1999 WAS AGAIN A YEAR OF CONTINUOUS AND SOLID BUSINESS GROWTH FOR THE GROUP. CKI'S NET PROFIT FOR THE YEAR ENDED 31ST DECEMBER, 1999 GREW BY 10 PER CENT. OVER THE PREVIOUS YEAR. THE PROFIT ATTRIBUTABLE TO SHAREHOLDERS WAS HK$3,141 MILLION, EXCEEDING THE HK$3 BILLION MARK FOR THE FIRST TIME.

H.L. Kam
Group Managing Director

SOLID GROWTH
ON SOLID FOUNDATIONS

This growth reflected the fundamental strengths and potential of the Group's existing infrastructure portfolio. Both CKI Transportation and CKI Energy achieved positive profit contribution growth, while CKI Materials experienced a slight decline in profit contribution in light of the soft market conditions.

During the year, CKI actively pursued prudent initiatives of globalisation and diversification. The Group undertook five key acquisitions in Mainland China, Hong Kong and Australia amounting to HK$10 billion, making great strides forward in new business investments. These investments provide a solid foundation for both geographical expansion and a broadened business base.

TRANSPORTATION – THE HIGHEST GROWTH SEGMENT

CKI Transportation reported profit contribution growth of 29 per cent. over the previous year, the highest growth segment amongst the core businesses. The Group has PRC joint ventures operating over 600 kilometres of bridges and toll roads. The 1999 strong performance was attributed primarily to organic growth as most of these projects were in operation and were contributing revenue.

The performance was attributed primarily to organic growth as most of these projects were in operation and were contributing revenue.

It is expected that there would be further increase of revenue contribution from China transportation when the Guangzhou East-South-West Ring Road commences operation in year 2000, a year ahead of construction schedule. This project, of which the Group's investments amount to RMB2 billion, is CKI's single largest investment in China.

During the year, CKI completed two major acquisitions. In June 1999, the Group made its first transportation investment in Hong Kong, acquiring a 50 per cent. stake in the Eastern Harbour Crossing Company Limited, a company which provides a railway link for the Mass Transit Railway. This investment is characterized by its secure income and high returns, which fits in well with CKI's stringent investment criteria. In December, continuing the Group's investment strategy in the Mainland, it acquired a 40 per cent. stake in the Beidou Bridge in Panyu, Guangdong Province, an important link connecting the northern and southern parts of the city.

ENERGY – THE BIGGEST PROFIT CONTRIBUTOR

Just like in prior years, CKI Energy accounted for more than half of the Group's profit contributions. This year's achievements were propelled largely by the solid return on the investment in Hongkong Electric Holdings Limited, continued growth of PRC's power plant projects as well as the Group's initiative to venture into international energy business.

CKI Energy accounted for more than half of the Group's profit contributions

Hongkong Electric reported 1999 net profit of HK$5,286 million and continued to be a stable and secure income source for the Group. In 1999, CKI increased its stake in Hongkong Electric from 36.11 per cent. to 37.63 per cent. through script dividend and accumulation. To CKI, Hongkong Electric has always been considered a very meaningful investment because of its strong position, secure income, and at the current price, a low price/earnings ratio.

China power investments continue to bring in steady contribution in 1999. The Zhuhai Power Plant, of which CKI has invested HK$1.3 billion, is expected to be operational and revenue generating in the mid-2000.

The energy business saw two significant global initiatives in 1999, signifying the pioneering steps of CKI's venture into the international arena.

The energy business saw two significant global initiatives in 1999, signifying the pioneering steps of CKI's venture into the international arena. In July, the Group acquired a 19.97 per cent. stake in Envestra Limited, the largest listed natural gas distributor in Australia and became the co-largest shareholder of the company. This investment marked the first move by the Group outside of Asia as well as the first initiative in natural gas business.

The second global pursuit by the Group was its partnership with Hongkong Electric to successfully win the bid to operate ETSA Utilities, the only distributor of electricity in the State of South Australia, for 200 years. Total acquisition cost for the project was A$3.25 billion (approximately HK$16 billion), of which 50 per cent. was CKI's investments.

These two energy projects are more than milestones on the road to an international presence. Being regulatory in nature, these businesses could leverage very well our Group's experience in the utilities business in Hong Kong and Mainland China. These investments also mark our Group's diversification efforts from power generation to distribution, and from electricity to natural gas.

INFRASTRUCTURE MATERIALS – YEAR OF CONSOLIDATION

1999 remained challenging for the demand-driven materials business in the face of a soft market environment. Profit growth for CKI Materials recorded a decline of 8 per cent. compared to the previous year.

The Group's cement subsidiary, Green Island Cement, continued to experience a weak Hong Kong market with a 6 per cent. decline in cement consumption, and at the same time, a fall in prices. On the China front, the Shantou plant commenced operation in late 1999, and the Yunfu plant performed satisfactorily.

It is expected that the demand and price of cement would improve in the China market in 2000 as the PRC government continues to implement measures to close down cement plants with low grade shaft kiln due to environmental reasons.

Anderson Asia's businesses of concrete, asphalt, aggregates and spray coating performed satisfactorily in the face of market decline and intense competition in 1999. With the Hong Kong SAR government's commitment to spend over HK$240 billion on domestic infrastructure development as well as housing and building projects being placed back on the growth track, outlook for the year 2000 is positive.

Anderson Asia's businesses of concrete, asphalt, aggregates and spray coating performed satisfactorily in the face of market decline and intense competition in 1999.

In early 2000, there was another demonstration of the Group's globalisation initiatives. Green Island Cement acquired a 65 per cent. stake in Polyphalt Inc., a listed technology company in Canada which specialises in developing and commercialising novel polymer modified asphalt products and technology.

The impending accession of China to the WTO will drive further the market growth in the longer term.

Looking forward, there are signs of recovery in the materials market. The commitment of increased spending on infrastructure development by both Hong Kong SAR and PRC Governments will fuel substantial demand for infrastructure materials in both markets. The impending accession of China to the WTO will drive further the market growth in the longer term. These underlying factors create more opportunities for future business growth of CKI Materials.

LOOKING TO THE FUTURE

Global Mind, Local Touch

Amid an increasingly global and diversified market, the existing strong and profitable infrastructure portfolio has provided the Group with a solid foundation to leverage on for developing businesses that arise at home and abroad. Against this backdrop, CKI embraces a growth strategy which on one hand, strengthen its existing businesses in China infrastructure, Hongkong Electric power investment, and infrastructure materials; and on the other hand, grow through globalisation and diversification.

In particular, the Group remains steadfast in enhancing its investment in China's infrastructure development. As of now, the Group has RMB10 billion infrastructure development spanning over six provinces and most of them are operational. As the two largest investments, Zhuhai Power Plant and the Guangzhou East-South-West Ring Road, commence operations in 2000, it is expected that profit contribution will further improve.

The Group has committed over HK$9 billion in Australian projects in 1999. The globalisation initiative is expected to continue in year 2000. The Group intends to aggressively explore international markets and opportunities in North America, Europe, Australia and Asia.

Diversification for Growth

The Group's expansion is not solely on a geographical scale. It has also diversified into new horizons for further expansion. Capitalising on today's technology-driven marketplace, the Group aims to extend from its conventional civil, electrical and mechanical infrastructure investments to vigorously pursue developments in new materials, environmental and electronic infrastructures.

The stake in Envestra Limited represents the Group's expansion outside Asia as well as its first diversification into the gas distribution market. The Polyphalt investment provides a perfect example of new developments in the materials sector. On the environmental front, CKI acquired a 50 per cent. interest in Legend Power in December 1999, which owns the proven technology to produce energy saving devices.

In early 2000, CKI, partnering with German-listed Israeli-based On Track Innovations Limited, embarked on an electronic infrastructure investment to bring breakthrough smart card technology throughout Asia Pacific.

CKI will continue its integrated strategy of pursuing expansion through strengthening existing businesses as well as globalisation and diversification.

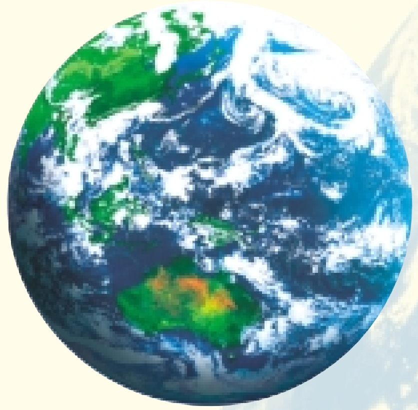
These developments signal CKI's efforts to anticipate and meet the requirements of the future. By leveraging on our strengths, financial resources, prudent management and strategic growth directions, CKI will continue its integrated strategy of pursuing expansion through strengthening existing businesses as well as globalisation and diversification. The Group will sustain growth and fuel expansion with a view to providing added value to our shareholders and customers.

I would also take this opportunity to express my gratitude to the Board, management and all employees for their efforts and contributions.

H.L. KAM
Group Managing Director

Hong Kong, 16th March, 2000

GOING GLOBAL, INCREASING DIVERSITY.



1999 WAS A YEAR OF GROWTH FOR CKI FOR IT MARKS THE GROUP'S ACTIVE EXPANSION AT THE DAWN OF A MILLENNIUM.

CKI and Hongkong Electric have been successful in the acquisition of the right to manage and operate ETSA Utilities for 200 years in South Australia.

IT ALSO WITNESSED THE BEGINNING OF CKI'S GLOBALISATION AND DIVERSIFICATION INITIATIVES. THE ACQUISITION OF ENVESTRA PIONEERED THIS MOVE. THE SUBSEQUENT AWARDING OF THE TENDER FOR THE OPERATION OF ETSA UTILITIES FURTHER MARKED THE EVOLUTION OF CKI FROM A REGIONAL INFRASTRUCTURE PLAYER TO AN INTERNATIONAL PLAYER.

CKI also embarked on a diversification programme during the year, expanding from energy generation to energy distribution, from power to natural gas, and from conventional civil/mechanical/electrical infrastructure technology to electronic infrastructure technology. Such achievements will guide CKI in extending this forward-looking globalisation and diversification strategy to other markets like Europe, North America and other parts of Asia.

EXPANDING GLOBALLY

CKI has always played a leading role in Hong Kong and Mainland China's infrastructure industry. Adopting a globalisation strategy, CKI will capitalise on its sound financial base, strong management skills, as well as extensive industry experience and develop new business opportunities around the globe. Through strategic partnerships and acquisitions, CKI will make further inroads worldwide, while at the same time, create synergies to enhance the growth of its existing businesses.

From Asia to Australia

In 1999, the Group's energy division made two major globalisation initiatives, expanding the Group's footprint beyond Asia into Australia. The first of such initiatives is the acquisition of a stake in Australia's largest listed natural gas distributor, Envestra Limited, resulting in CKI being the co-largest shareholder in the venture.

On a separate front, CKI together with Hongkong Electric, was awarded a 200-year right to operate ETSA Utilities, the sole electricity distributor in the State of South Australia. This was the first privatisation effort of the State of South Australia in its regulated energy industry, and the tender was participated by a few international players. With CKI and Hongkong Electric's capital strengths, extensive experience, and technology and management expertise, the CKI/Hongkong Electric joint venture concluded this single, biggest investment of A$3.25 billion outside Asia in January 2000.

ETSA is a very secure investment with an EBITDA multiple of around 9 times. Recently, it was given a rating of A- by Standard & Poor's. This is a valuable asset and a good investment for CKI, and the acquisition represents a valuable move for the Group in the global marketplace. It presented CKI as a seasoned international infrastructure player with expertise in managing risks of cross border, sovereignty, legal, currency, interest and taxation considerations. ETSA and other similar regulated businesses aptly befit CKI's strategic business direction of investing in capital-intensive or technology-intensive projects which feature secure income and high returns.

From Local to International

Under the Group's materials division, Green Island Cement acquired a controlling stake in Polyphalt Inc., a Canadian listed asphalt technology company in 2000.

CKI'S DIVERSIFICATION STRATEGY

WILL WIDEN AND DEEPEN ITS ALREADY SIGNIFICANT BUSINESS PORTFOLIO TO INCLUDE ELECTRONIC, TECHNOLOGY AND ENVIRONMENTAL INITIATIVES.

Envestra delivers around 100 petajoules of natural gas to 835,000 consumers each year. Approximately 97 per cent. of Envestra's consumers are stable domestic users, providing a stable source of cash flow for the company.

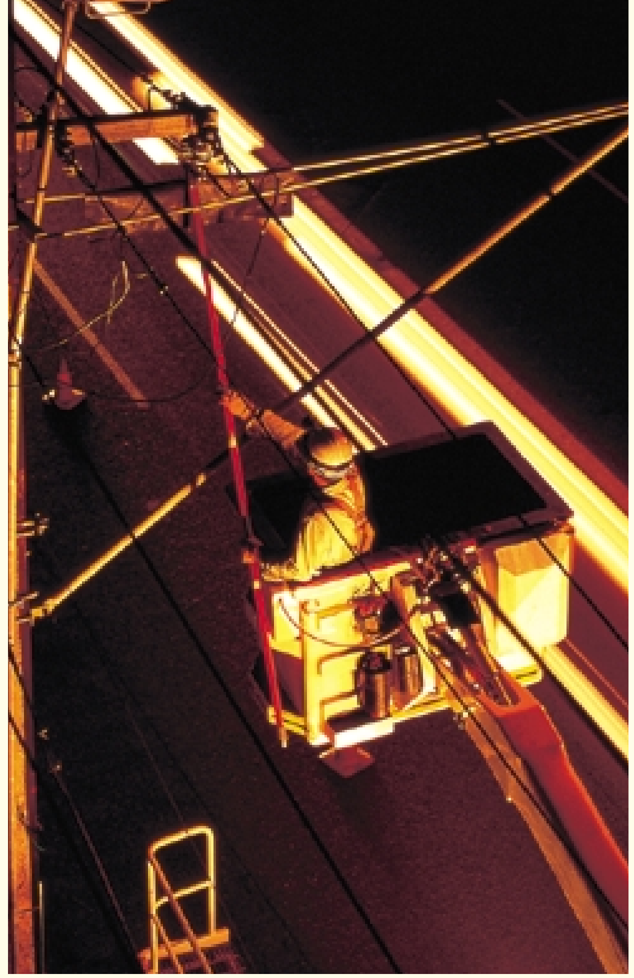
Polyphalt has a vast product portfolio of patented processes of polymer modified asphalts and an international distribution network in Canada, United States, Australia and Northern Europe. Not only does this new investment adds another environmentally friendly infrastructure material portfolio to CKI, it also extends the Group's network into North America and beyond.

Strengthening Businesses in Hong Kong and Mainland China

CKI is committed to maintaining a strong presence as a leading infrastructure player in Hong Kong and Mainland China. China's impending admission to the WTO will provide fresh investment opportunities in the Mainland. The recovery of the Asian economy would bring increased spending on new infrastructure developments both in Hong Kong and Mainland China. This in turn fuels the materials business in both markets. CKI is poised to benefit from these macro developments as new infrastructure projects unfold.

Opportunities in the Future

Following the commencement of globalisation initiatives in 1999, the Group will continue to pursue aggressively investment opportunities in Australia, North America, Europe and Asia. 1999 investments in regulated businesses will spur CKI to explore new acquisitions and privatisation opportunities in the future.



ETSA Utilities is sole electricity distributor in the State of South Australia with annual electricity sales of 10,000 gigawatt and approximately 730,000 customers' coverage.

DIVERSIFICATION FOR GROWTH

CKI has always been dedicated towards building its business on existing industries, while at the same time working on achieving solid growth through capitalising on investment opportunities within the industry. With its strong financial resources, diligent management approach, and an established network in Hong Kong, Mainland China and beyond, the Group is committed to adopting a diversification approach to capture upcoming business and investment opportunities.

From Electricity to Gas

Energy is a core business of CKI. The Group has always been exploring opportunities to expand its existing business to further reinforce its leading position within the arena. CKI Energy's diversification into natural gas distribution with the Envestra investment is a case in point.

From Power Generation to Power Distribution

CKI joined hands with Hongkong Electric to successfully bid a 200-year right to operate electricity distribution for ETSA Utilities, representing an expansion move into power distribution.

From Civil/Electrical/ Mechanical to Electronic

From civil/electrical/ mechanical infrastructure, CKI recently extended into electronic infrastructure businesses. In January 2000, CKI formed a joint venture with German-listed Israeli-based On Track Innovations Ltd. (OTI) to launch the innovative contactless smart card technology in Hong Kong and the Asia Pacific Region.

To this, the Group shall continue its endeavours in the electronic and technology infrastructure arena.

Committed as Always to the Environment

As an international infrastructure player, CKI has always actively participated in a number of environmental initiatives. This includes the pioneering use of fly ash, a potentially hazardous waste produced during power generation, and MARPOL, a waste residue from the fuel tanks of ocean-going vessels, for cement production for many years. Presently, around 40 per cent. of the fuel used by Green Island Cement is waste-derived.

As a further extension to its environmental initiatives, CKI acquired interests in Legend Power Limited to develop and launch the latest energy-saving technology. The company's patented energy-saving device has been proven to save electricity as well as the lifespan of electrical apparatus.

Mr Victor Li and Mr H.L. Kam met the press together with South Australian Premier John Olsen when he was in Hong Kong in January 2000.

Consul General of Israel, Hong Kong and Macau, Mr Uri Halfon (left), performed the officiating ceremony together with Mr Oded Bashan of OTI and Mr H.L. Kam at the CKI-OTI contactless smart card launch event.

AS AN INFRASTRUCTURE PLAYER, CKI HAS ALWAYS PARTICIPATED IN A NUMBER OF ENVIRONMENTAL INITIATIVES.

A racing track paved with polymer modified asphalts using Polyphalt technology.

The Future Outlook

CKI shall continue to build upon its existing core infrastructure businesses, while exploring new investment opportunities as well as strategic initiatives in other related arenas. As a leading infrastructure player in the region, CKI's diversification strategy will widen and deepen its already significant business portfolio to include electronic, technology and environmental initiatives.

BUILDING BLOCKS FOR PHENOMENAL GROWTH

The forward-looking and integrated strategy of globalisation and diversification will continue to contribute to CKI's future development. By means of an expansion both by industry and by geography, together with its strong roots in Hong Kong and Mainland China, CKI seeks to explore and establish strategic acquisitions, long-term partnerships as well as new investment opportunities around the world.

The steady growth achieved reflected the Group's solid foundations both in terms of resources and expertise in its existing infrastructure portfolio. With this enviable combination of strong financial base, product and technical expertise, sound management approach as well as comprehensive industry knowledge, CKI is well positioned to advance forward and reach new heights in the 21st century.

CKI ENERGY

ENERGY, ONE OF CKI'S THREE CORE BUSINESSES, IS THE MAJOR CONTRIBUTOR TO THE GROUP'S PROFITS. ITS OVER 10 POWER STATIONS IN HONG KONG AND MAINLAND CHINA HAVE AN INSTALLED CAPACITY OF APPROXIMATELY 6,000 MW. DURING THE YEAR UNDER REVIEW, THE ENERGY DIVISION ALSO PIONEERED THE GROUP'S GLOBALISATION EFFORTS.

THE PIONEER

OF CKI'S GLOBALISATION EFFORTS

The Shantou Power Plants, with total capacity of 280 MW, play an important role in the power generation industry of Guangdong province.

AUSTRALIAN ENERGY

In July 1999, with the acquisition of a 19.97 per cent. stake in Envestra Limited, the largest listed natural gas distributor in Australia, the Group became Envestra's biggest shareholder along with Origin Energy Limited (previously known as Boral Limited). Envestra operates 17,000 km of distribution networks and 1,200 km of transmission pipelines, serving every mainland state in Australia, except Western Australia and the Australian Capital Territory. The consideration for the acquisition was A$103.5 million (approximately HK$520 million). This transaction marked two new milestones in the Group's development – its first investment outside Asia as well as its first initiative in diversifying into the natural gas business.

While bringing high cash yield and high growth potential to shareholders, Envestra is also characterized by low risk and steady income like any conventional utility company. The venture's high return makes it comparable to any of CKI's existing investments in Hong Kong and Mainland China.

In December 1999, the 50:50 venture formed by CKI and Hongkong Electric was awarded the right to operate ETSA Utilities, South Australia's first privatisation project in energy for 200 years. The consideration of the acquisition was A$3.25 billion (approximately HK$16 billion) and the EBITDA multiple was 9 times, a sound investment for the Group.

ETSA Utilities, the only electricity distributor in South Australia, is a very secure investment offering stable, healthy and solid returns for the Group. The transaction was completed on 28th January, 2000, and the project has already started to generate revenue for the Group. The project was recently rated A- by Standard & Poor's.

The gas network operated by Envestra includes 17,000 km of distribution network and 1,200 km of transmission pipelines located in every mainland State, except Western Australia and the Australian Capital Territory.

Hongkong Electric initiated Account-On-Line services in 1999. Apart from applying for supply of electricity, customers can also pay their bills on line.

HONGKONG ELECTRIC

In 1999, Hongkong Electric reported a net profit of HK$5,286 million, a 6.4 per cent. increase over 1998. Because of Hongkong Electric's strong position, secure income and a relatively low price/earnings ratio at current price, CKI continued to increase its stake in this attractive power investment from 36.11 per cent. at the end of 1998 to 37.63 per cent. at the end of 1999 through script dividend and accumulation. To CKI, Hongkong Electric is a prime asset, a meaningful power investment and a steady income generator.

Hongkong Electric provides reliable, environmentally friendly energy and excellent customer service to the people of Hong Kong. In 1999, making use of new information technology, Hongkong Electric introduced Account On-Line services which allows customers to apply for supply of electricity as well as settlement of power bills on-line.

CHINA POWER

The two by 700 MW-unit Zhuhai Power Plant is expected to be completed and generate significant revenue by mid-2000. All equity injections by investing parties have been completed; and the Japanese export credit, commercial and associated RMB loans have been drawn down according to project schedule.

The Group's three Shantou Power Plants have entered into their sixth year of operations. These three plants have a total installed capacity of 280 MW, and are the major power plants of the city of Shantou. They are also leaders of the power supply industry in the eastern part of Guangdong Province.

Shantou Tuopu Power Plant

The Shantou Power Plants as well as the Nanhai Power Plant I have made continual efforts in technical modifications and energy-saving programs to improve efficiency. Fuel consumption has been lowered to a more efficient level, and operations have been streamlined.

Heading further north, the Fushun Cogen Power Plants have been in operation since 1996 and have been generating steady income. In the city of Siping, with the completion of the third generator unit, the 200 MW Siping Cogen Power Plants commenced full operation in December 1999. With all three units now in operation, the plants supply electricity and centralised heating to 500,000 square metres of housing, and are expected to generate greater revenue in 2000.

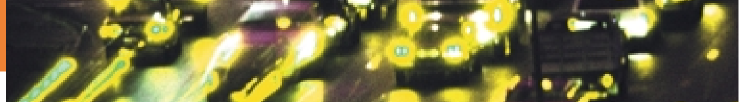
As for the Qinyang Power Plants, they are poised to benefit from an abundant and inexpensive supply of coal due to its proximity to the coal-producing provinces of Shanxi and Henan. Coupled with the relatively low labour costs and on-going energy saving measures, the coal-fueled plants remain highly competitive, and are in a good position to deliver good investment return for CKI.

CKI TRANSPORTATION

THE TRANSPORTATION DIVISION EXPERIENCED STRONG GROWTH OF 29 PER CENT., ACCOUNTING FOR 15 PER CENT. OF THE GROUP'S PROFIT CONTRIBUTION IN 1999. MOST OF THE PROJECTS IN THE TRANSPORTATION PORTFOLIO HAVE BECOME OPERATIONAL AND ARE GENERATING REVENUE.

Ya Ji Sha Bridge has a main span of 360 metres across the Pearl River, the world's largest for this type of design.

HIGH GROWTH BUSINESS



GUANGDONG ROADS

The 140-km Shen-Shan Highway (Eastern Division) registered substantial growth in toll revenue in 1999. With the upcoming completion of ancillary facilities along the highway, it is expected that more traffic will be generated in the coming year.

1999 has been a milestone year for the Shantou Bay Bridge. In recognition of its world class management and operation, the joint venture company owning and operating the bridge was awarded ISO9002 certificate for excellent toll management, and electrical and mechanical maintenance – the first bridge project in China to receive this certification. It also won the "National Civilised and Youth Award" for the company's social contributions, the first award of its kind won by a sino-foreign joint venture in China.

The speed of construction of the Guangzhou East-South-West Ring Road is a record in itself. The East-South segment of the road commenced operation in February 1999, six months ahead of schedule, while the main route of the West-South segment opened for trial operation in December. With the completion of the Ya Ji Sha Bridge in mid-2000, the entire Ring Road is expected to be operational in July 2000, a year ahead of schedule.

In addition to its construction speed record, another breakthrough was made on the Guangzhou Ring Road project. The 360-meter Ya Ji Sha Bridge which spans across the Pearl River was constructed with a unique technology involving the rotation of two halves of the steel arch bridge structure from shore and connected at mid-span. This technology breakthrough in bridge construction has won wide acclaim from industry professionals worldwide.

Some of the most advanced engineering and construction technologies were applied in the construction of Ya Ji Sha Bridge.

The Shantou Bay Bridge received ISO9002 certification from the Hong Kong Quality Assurance Agency for its operation and maintenance standards – the first bridge project in China to receive this certification.

As for CKI's road projects in Jiangmen, both the 21-km Jiangsha Highway and the dual two-lane 20-km Jianghe Highway posted steady growth in traffic and toll revenue. Toll revenue of the Chaolian Bridge in Jiangmen also reported significant growth following the opening of the connecting Hetong Bridge in Xinhui, the neighboring city.

The 30-km Class 1 highway project in Zengcheng, Lixin Highway, continued to show steady growth in toll revenue.

In December 1999, CKI added another project to its China transportation portfolio. The Group acquired a 40 per cent. stake in Beidou Bridge in Panyu. As the second bridge in Panyu connecting the northern and southern parts of the city, the Beidou Bridge is expected to ease traffic congestion and facilitate the economic development of Panyu after it is constructed. The bridge and connecting roads, totaling 3.25 km, are expected to be completed by end of year 2000.

OTHER CHINA ROADS

The Group's China transportation portfolio also include toll roads in Henan, Hebei, Hunan and Liaoning provinces.

Toll revenue from the 114-km Zhumadian section of National Highway 107 in Henan increased substantially in 1999 as a result of improved road conditions and tightened toll management. This dual two-lane Class 2 highway is a part of the National Trunk Road and has generated favourable returns for the Group since its opening in 1997.
In Hebei province, a computerised toll system was installed in late-1998 for the 100-km Tangshan Tangle Road, and there has been steady growth in toll revenue. The Group's investment in Changsha of Hunan, the Wujialing Bridge and Wuyilu Bridge, also produced healthy revenue. These bridges recorded substantial toll revenue growth due to improved toll management and traffic growth.

CKI's various road projects in Shenyang, the key economic city in Northeastern China, all performed well in 1999.

The MTR operates mass transit trains through the 2.2 km Eastern Harbour Crossing Rail Tunnel.

EASTERN HARBOUR CROSSING RAIL TUNNEL

In June 1999, CKI made its first foray in Hong Kong by acquiring a 50 per cent. stake in the Eastern Harbour Crossing Company Limited, the concessionaire holder operating the rail tunnel that connects the eastern parts of Hong Kong and Kowloon. With attractive returns, low risk, and reliable and steady cash flow, this quality asset meets CKI's prudent investment criteria perfectly.

CKI MATERIALS

CONSOLIDATION

FOR THE FUTURE

DURING THE FISCAL YEAR UNDER REVIEW, CKI MATERIALS RECORDED A HIGHER GROSS PROFIT MARGIN THAN IN 1998 THOUGH THE MARKET ENVIRONMENT WAS NOT A FAVOURABLE ONE. IN THE FACE OF ECONOMIC DOWNTURN AND LOWER INFRASTRUCTURE SPENDING, THE MATERIALS DIVISION FOCUSED ON IMPROVING EFFICIENCY AND REDUCING OPERATING EXPENSES.

Guangdong Yunfu Cement Plant is one of the few plants in Mainland China capable of producing high performance cement needed for infrastructure and modern high-rise construction.

The Group remains optimistic towards the materials business for 2000 and beyond. The Hong Kong SAR Government's plan to invest HK$240 billion, an amount exceeding the Airport Core Programme, in domestic infrastructure development within the next five years, as well as the impending construction of several major new projects, such as the Cyberport, the Hong Kong Disneyland and Science Park, will provide CKI Materials with opportunities to maintain a strong order book.

It is also anticipated that spending on infrastructure in China will increase with the admission of China to the WTO, and with the cooperation between Hong Kong and Mainland China gaining momentum. The Hong Kong-Mainland Cross-Boundary Major Infrastructure Coordinating Committee is already working on the design and construction of new links such as bridges and railways to cater for the increasingly heavy cross-boundary traffic between Guangdong and Hong Kong. These projects will create significant growth potential and opportunities for the cement market.

Green Island Cement and Anderson Asia are expected to maintain their leading market positions in Hong Kong, and expand their presence in Mainland China. CKI Materials will continue to provide stability to, and generate income for, the Group by taking advantage of infrastructure opportunities in Hong Kong and Mainland China.

CEMENT MARKET

Cement consumption in Hong Kong for 1999 was relatively flat at approximately 4.6 million tonnes, a decline of 6 per cent. over the previous year. This marks the third consecutive year of volume reduction. While 1999 was characterised by a very slow start due to the economic downturn, there were signs of a pick up in the fourth quarter suggesting the bottoming out of the current cycle.

Local Cement Market

Though the local cement market came under pressure with a sharp reduction in demand, the Group's main cement works at Tap Shek Kok continued to improve its operating efficiency with further cost reductions. These improvements enhanced overall performance and contributed to the plant's being awarded ISO9002 certification as well as four commendations and awards from both the Occupational Safety & Health Council and Labour Department.

The Company has always been committed to environmental consciousness, and has been a leader in the field of transferring potentially hazardous waste into cost effective raw materials. Its environmental efforts were commended at 1999's Pacific Basin Economic Council (PBEC) meeting and was presented the first ever PBEC Environmental Award.

Mastic asphalt were laid on the deck of the Tsing Ma Bridge in Hong Kong.

Belt conveyors are extensively used in the Tap Shek Kok cement plant for bulk material transportation.

In addition to cement facilities in Hong Kong, the Group is well supported by the Siquijor Limestone Quarry in the Philippines. Since its first full year of operation in 1998, the Quarry, with an annual production capacity of 5 million tonnes, has supplied the Group's cement plants and other industrial users with high-quality limestone.

Guangdong Cement Market

Cement demand in Guangdong accelerated in 1999 due to the implementation of the infrastructure stimulus package. Demand for ready-mixed concrete in key cities grew by 40 per cent. However, despite the increase in demand, rising surplus capacity hit credit terms and prices.

This situation of oversupply is expected to ease in 2000 as the PRC government introduces measures to shut down cement production plants with low-grade shaft kilns due to environmental considerations. A market turnaround is anticipated in 2000.

With the commissioning of the Shantou cement grinding plant in addition to the Yunfu operations, the Group's total annual cement capacity in Hong Kong and Guangdong has increased to approximately 3.8 million tonnes.

CONCRETE, ASPHALT, AGGREGATES AND SPRAY COATING MARKET

Despite market downturn and heightened competition, all four businesses under Anderson Asia – Ready Mixed Concrete, Anderson Asphalt, Asia Stone and Bonntile Industries – performed satisfactorily. Ready Mixed Concrete maintains its leading position in Hong Kong's concrete market despite a slight decline in production volume as a result of subdued construction activities in 1999.

A slurry blender plant which can batch up to 300 cubic metre per hour.

During the year, Anderson Asphalt was awarded ISO14001 accreditation for excellence in environmental conservation, a testament of the Company's environmental achievements.

The Company has also launched a number of globalisation drives. Based on the high-performance mastic asphalt paving experience the company gained when performing the work for Tsing Ma Bridge in Hong Kong and Jiangyin Bridge in Jiangsu province, the Company secured a contract earlier in 2000 for paving a suspension bridge in northeast Kazakhstan. A tender for the refurbishment of 83 km of North Luzon Expressway in the Philippines has also been won lately.

Bonntile Industries gained ISO9002 accreditation for its quality management system in 1999. This is a special achievement for the Company as Bonntile is the first and only contractor in Hong Kong's spray coating industry to earn this recognition.
In 2000, Bonntile plans to expand further in

DIRECTORS' BIOGRAPHICAL INFORMATION

LI Tzar Kuoi, Victor, aged 35, has been the Chairman of the Company since its incorporation in May 1996. He is also the Managing Director and Deputy Chairman of Cheung Kong Holdings, Deputy Chairman of Hutchison Whampoa, an executive director of Hongkong Electric and a director of The Hongkong and Shanghai Banking Corporation Limited. He is a member of the Chinese People's Political Consultative Conference, the Commission on Strategic Development and the Business Advisory Group. He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering.

George Colin MAGNUS, aged 64, has been Deputy Chairman of the Company since its incorporation in May 1996. He has also been an executive director of Cheung Kong Holdings since 1980 and Deputy Chairman of Cheung Kong Holdings since 1985. He is also the Chairman of Hongkong Electric and an executive director of Hutchison Whampoa. He holds a Master's degree in Economics.

FOK Kin Ning, Canning, aged 48, has been an Executive Director and Deputy Chairman of the Company since March 1997. Mr. Fok is currently the Group Managing Director of Hutchison Whampoa. He is the Chairman of Hutchison Telecommunications (Australia) Limited and Partner Communications Company Ltd. and the Deputy Chairman of Hongkong Electric. He is also a director of Cheung Kong Holdings, VoiceStream Wireless Corporation and Global Crossing Ltd., and a member of the supervisory board of Mannesmann AG. He holds a Bachelor of Arts degree and is a member of the Australian Institute of Chartered Accountants.

KAM Hing Lam, aged 53, has been the Group Managing Director of the Company since its incorporation in May 1996. He has also been Deputy Managing Director of Cheung Kong Holdings since February 1993. He is also an executive director of Hutchison Whampoa and Hongkong Electric. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration.

IP Tak Chuen, Edmond, aged 47, has been an Executive Director of the Company since its incorporation in May 1996. He has also been an executive director of Cheung Kong Holdings since September 1993 and is currently a director of tom.com limited. He holds a Master of Science degree in Business Administration and a Bachelor of Arts degree in Economics.

Frank John SIXT, aged 48, has been an Executive Director of the Company since its incorporation in May 1996. He has also been a director of Cheung Kong Holdings since 1991. Mr. Sixt is the Chairman of tom.com limited, Group Finance Director of Hutchison Whampoa and an executive director of Hongkong Electric. He is also a director of Hutchison Telecommunications (Australia) Limited, Partner Communications Company Ltd., VoiceStream Wireless Corporation and Husky Oil Ltd. Mr. Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

CHOW WOO Mo Fong, Susan, aged 46, has been an Executive Director of the Company since March 1997. She is the Deputy Group Managing Director of Hutchison Whampoa, a director of Hongkong Electric and a director of tom.com limited. She is a solicitor and holds a Bachelor's degree in Business Administration.

TSO Kai Sum, aged 68, has been an Executive Director of the Company since March 1997. He is the Group Managing Director of Hongkong Electric. He has broad experience in property development and power generation. He holds a Bachelor of Science degree in Engineering and is also a Chartered Engineer.

Barrie COOK, aged 57, has been an Executive Director of the Company since January 2000. He holds a Bachelor of Science degree in Civil Engineering and is a Chartered Engineer, a fellow of the Institute of Management and a member of the Chartered Institute of Marketing. He is the Chairman of the East Asian Cement Forum, the Hong Kong Construction Materials Association, the Hong Kong Cement Association and the past Chairman of the Environment Committee of the Hong Kong General Chamber of Commerce. He is a member of the Hong Kong Government's Advisory Council on the Environment, the Chairman of the Hong Kong Government's Waste Reduction Committee and the Convenor of the Hong Kong Business Coalition on the Environment.

KWAN Bing Sing, Eric, aged 55, has been an Executive Director of the Company since January 2000. He joined the Company in 1996 and has been with the Cheung Kong Group since February 1994. He holds a Master's degree in Business Administration and is a Chartered Engineer. He is also a member of the Institution of Electrical Engineers and Institute of Management of UK.

CHEONG Ying Chew, Henry, aged 52, is an Independent Non-executive Director of the Company. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management. He is a director of certain other listed companies in Hong Kong and also a member of the Corporate Advisory Council of the Hong Kong Securities Institute.

LEE Pui Ling, Angelina, aged 51, is an Independent Non-executive Director of the Company. She is a practising solicitor, has a Bachelor of Laws degree and is a Fellow of the Institute of Chartered Accountants in England and Wales. She is a director of certain other listed companies in Hong Kong and is active in public service. Her current public commitments include membership on a number of Hong Kong Government advisory and appeal boards.

SENIOR MANAGEMENT'S BIOGRAPHICAL INFORMATION

HEAD OFFICE

CHAN Kee Ham, Ivan, aged 37, Senior Manager, Planning and Investment, has been with the Cheung Kong Group since September 1999. He has over 13 years of experience in investment, banking and finance. He holds a Bachelor's degree in Science, a Bachelor's degree in Chinese Law and a Master's degree in Business Administration.

Executive Committee:
(Centre front) Victor Li
(Middle row) H.L. Kam, Edmond Ip
(Back row from left) Ivan Chan, Barrie Cook, Eric Kwan, George Magnus, Dominic Chan

YEUNG, Eirene, aged 39, Company Secretary, has been with the Cheung Kong Group since August 1994. She is a solicitor of the High Court of the Hong Kong Special Administrative Region and of the Supreme Court of Judicature in England and Wales.

CHAN Loi Shun, Dominic, aged 37, Group Finance Manager, joined Hutchison Whampoa in January 1992 and has been with the Cheung Kong Group since May 1994. He is an associate of the Hong Kong Society of Accountants and a fellow of the Association of Chartered Certified Accountants.

CHU Kee Hung, aged 55, General Manager, Technology Development, has been with the Cheung Kong Group since January 1994. He holds a Doctor of Philosophy degree in Mechanical Engineering and is a member of the American Society of Mechanical Engineers.

LEE Chack Fan, aged 54, General Manager, Infrastructure Development, has been with the Cheung Kong Group since February 1994. He holds a Doctorate in Geotechnical Engineering and is a Chartered Engineer.

YEUNG Yat-Hong, Stephen, aged 47, General Manager, Technology Development, joined Hutchison Whampoa in 1994 and has been with Cheung Kong Infrastructure since March 1997. He holds a Master's degree in Business Administration and is a member of the Canadian Institute of Chartered Accountants.

YUEN Ming Kai, Clement, aged 53, General Manager, China Transportation, has been with Cheung Kong Infrastructure since January 1997. He holds a Bachelor's degree in Civil and Structural Engineering, and a Doctor of Philosophy degree in Geotechnical Engineering. He is a Chartered Engineer.

LUN Pak Lam, aged 43, General Manager, China Energy, joined Hutchison Whampoa and Cheung Kong Holdings in May 1993 and June 1994 respectively and has been with Cheung Kong Infrastructure since July 1996. He holds a Master's degree in Engineering.

GREEN ISLAND CEMENT

LIU Kam Chuen, Derek, aged 48, joined Green Island Cement in 1992 and has been the Managing Director of Green Island Cement since April 1998. He holds a Bachelor of Commerce degree and is an associate of the Institute of Chartered Accountants (Australia).

YU Siu Lim, Gary, aged 44, joined Green Island Cement in 1993 and has been an Executive Director of Green Island Cement since April 1998. He holds a Bachelor of Computer Science degree. Before joining Green Island Cement, he worked for over ten years with various companies of the Cheung Kong Group.

ANDERSON ASIA

LEUNG Ying Wah, Lambert, aged 53, re-joined Anderson Asia in July 1993 and has been the Managing Director of Anderson Asia since April 1998. Before re-joining Anderson Asia, he was with a leading investment bank in Hong Kong, prior to which he was with Anderson Asia for 14 years. He is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Society of Accountants, a fellow of the Institute of Quarrying (UK) and the past chairman of the Institute of Quarrying, Hong Kong Branch.

John LAM, aged 49, re-joined Anderson Asia as Deputy Managing Director in March 1998. He previously worked with Anderson Asia for nine years. Prior to re-joining Anderson Asia, he was with a leading civil engineering company in Hong Kong. He holds a Master's degree in Business Administration. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants.

Donald William JOHNSTON, aged 57, joined Anderson Asphalt in 1988 and is now a Director of Anderson Asia and the General Manager of Anderson Asphalt. He has a Bachelor's degree in Civil Engineering, and is a member of the Institute of Engineers (Australia), a fellow of the Institute of Quarrying (UK) and the past chairman of the Institute of Quarrying, Hong Kong Branch.

The Directors are pleased to present shareholders with the annual report together with the audited financial statements of the Company and of the Group for the year ended 31st December, 1999.

PRINCIPAL ACTIVITIES

The Company's principal activities are the development, investment and operation of infrastructure businesses in Hong Kong, the Mainland and other countries in the Asia-Pacific region.

RESULTS AND DIVIDENDS

Results of the Group for the year ended 31st December, 1999 are set out in the consolidated income statement on page 49.

The Directors recommend the payment of a final dividend of HK$0.29 per share which, together with the interim dividend of HK$0.13 per share paid on 12th October, 1999, makes a total dividend of HK$0.42 per share for the year.

FIXED ASSETS

Movements in the Group's fixed assets during the year are set out in note 13 to the financial statements on page 60.

RESERVES

Details of changes in the reserves of the Company and the Group are set out in note 25 to the financial statements on page 64.

GROUP FINANCIAL SUMMARY

Results, assets and liabilities of the Group for the last five years are summarised on page 4.

PROPERTIES

Particulars of major properties held by the Group are set out in Appendix 5 on page 75.

DIRECTORS

The Directors of the Company are listed on page 88. The Directors' biographical information is set out on page 34.

In accordance with the Company's bye-laws, the Directors of the Company (other than the Chairman and the Managing Director) retire in each year by rotation. Mr. Tso Kai Sum, Mr. Cheong Ying Chew, Henry, Mr. Barrie Cook and Mr. Kwan Bing Sing, Eric retire from office and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' INTERESTS

As at 31st December, 1999, the interests of the Directors in the shares of the Company and its associated corporations as required to be recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

NO. OF ORDINARY SHARES

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Company	Li Tzar Kuoi, Victor	–	–	–	1,912,109,945 (Note 1)	1,912,109,945
	Kam Hing Lam	100,000	–	–	–	100,000
Hutchison Whampoa	Li Tzar Kuoi, Victor	–	–	610,000 (Note 5)	1,944,547,978 (Note 2)	1,945,157,978
	George Colin Magnus	800,000	9,000	–	–	809,000
	Fok Kin Ning, Canning	875,089	–	–	–	875,089
	Lee Pui Ling, Angelina	35,000	–	–	–	35,000
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	100,000	–	–	–	100,000
Hongkong Electric	Li Tzar Kuoi, Victor	–	–	–	784,707,677 (Note 3)	784,707,677
	Lee Pui Ling, Angelina	8,800	–	–	–	8,800
Partner Communications Company Ltd.	George Colin Magnus	25,000	–	–	–	25,000
	Fok Kin Ning, Canning	–	–	25,000 (Note 6)	–	25,000
Believewell Limited	Li Tzar Kuoi, Victor	–	–	–	1,000 (Note 4)	1,000
Queboton Limited	Li Tzar Kuoi, Victor	–	–	–	1,000 (Note 4)	1,000

Notes:

(1) The 1,912,109,945 shares in the Company comprise:

(a) 1,906,681,945 shares are held by a subsidiary of Hutchison Whampoa Limited ("Hutchison Whampoa"). Certain subsidiaries of Cheung Kong (Holdings) Limited ("Cheung Kong Holdings") hold more than one-third of the issued share capital of Hutchison Whampoa. Li Ka-Shing Unity Trustee Company Limited ("TUT") as trustee of The Li Ka-Shing Unity Trust (the "LKS Unity Trust") and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong Holdings. All issued and outstanding units in the LKS Unity Trust are held by Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and by another discretionary trust. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, his wife and daughter, and Mr. Li Tzar Kai, Richard. Mr. Li Tzar Kuoi, Victor, as a discretionary beneficiary of such discretionary trusts and a Director of the Company, is taken to be interested in those shares of Cheung Kong Holdings and in those shares of Hutchison Whampoa as held by the subsidiaries of Cheung Kong Holdings and in those shares of the Company as held by the subsidiary of Hutchison Whampoa as aforesaid.

(b) 3,603,000 shares are held by Pennywise Investments Limited ("Pennywise") and 1,825,000 shares are held by Triumphant Investments Limited ("Triumphant"). Pennywise and Triumphant are companies controlled by TUT as trustee of the LKS Unity Trust. Mr. Li Tzar Kuoi, Victor is deemed to be interested in such shares of the Company held by Pennywise and Triumphant by virtue of his interests as a discretionary beneficiary of certain discretionary trusts as described in Note 1(a) above and as a Director of the Company.

(2) The 1,944,547,978 shares in Hutchison Whampoa comprise:

(a) 1,936,547,978 shares are held by certain subsidiaries of Cheung Kong Holdings. Mr. Li Tzar Kuoi, Victor, as a Director of the Company, is taken to be interested in such shares in Hutchison Whampoa held by the subsidiaries of Cheung Kong Holdings by virtue of his deemed interests in the shares of Cheung Kong Holdings as a discretionary beneficiary of certain discretionary trusts as described in Note 1(a) above; and

(b) 8,000,000 shares are held by a unit trust. All issued and outstanding units of such unit trust are held by discretionary trusts. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, his wife and daughter, and Mr. Li Tzar Kai, Richard. Accordingly Mr. Li Tzar Kuoi, Victor, as a Director of the Company, is deemed to be interested in such 8,000,000 shares in Hutchison Whampoa by virtue of his interests as described in this paragraph as a discretionary beneficiary of certain discretionary trusts.

(3) The 784,707,677 shares in Hongkong Electric Holdings Limited ("Hongkong Electric") are held by certain subsidiaries of the Company. Mr. Li Tzar Kuoi, Victor, as a Director of the Company, is taken to be interested in such shares in Hongkong Electric held by the subsidiaries of the Company by virtue of his deemed interests in the shares of the Company as a discretionary beneficiary of certain discretionary trusts as described in Note 1(a) above.

(4) These companies are associated companies of Hutchison Whampoa. By virtue of being a Director of the Company and his interests as a discretionary beneficiary of certain discretionary trusts as described in Note 1(a) above, Mr. Li Tzar Kuoi, Victor is deemed to be interested in those shares of subsidiaries and associated companies of the Company and Hutchison Whampoa which are held by TUT (and companies it controls) as trustee of the LKS Unity Trust.

(5) These shares are beneficially owned by companies in which Mr. Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings.

(6) These interests are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

As at 31st December,1999, Mr. Fok Kin Ning, Canning had a corporate interest in a notional amount of US$7,500,000 in the 6.95% Notes due 2007 issued by Hutchison Whampoa Finance (CI) Limited held through a company which is equally owned by him and his wife.

Mr. Li Tzar Kuoi, Victor, by virtue of being a Director of the Company and his interests in the share capital of the Company as a discretionary beneficiary of certain discretionary trusts as described in Note 1(a) above, is deemed to be interested in those shares of subsidiaries and associated companies of the Company held through the Company and in those shares of the subsidiaries and associated companies of Hutchison Whampoa held through Hutchison Whampoa under the provisions of the SDI Ordinance.

Apart from the above, as at 31st December, 1999 there was no other interest or right recorded in the register required to be kept under Section 29 of the SDI Ordinance.

No other contracts of significance to which the Company or a subsidiary was a party and in which a Director had a material interest subsisted at the balance sheet date or at any time during the year.

At no time during the year was the Company or subsidiary a party to any arrangements which enabled any Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

None of the Directors has any service contract with the Company or any of its subsidiaries.

SUBSTANTIAL SHAREHOLDERS

In addition to the interests disclosed above in respect of the Directors, the Company was notified of the following interests in the issued ordinary share capital of the Company as at 31st December, 1999 as required to be recorded in the register maintained under Section 16(1) of the SDI Ordinance:

(i) 1,906,681,945 shares of the Company are held by Hutchison Infrastructure Holdings Limited, a subsidiary of Hutchison Whampoa. Its interests are duplicated in the interests of Hutchison Whampoa in the Company described in (ii) below.

(ii) Hutchison Whampoa is deemed to be interested in the 1,906,681,945 shares of the Company referred to in (i) above as it holds more than one-third of the issued share capital of Hutchison International Limited, which holds more than one-third of the issued share capital of Hutchison Infrastructure Holdings Limited.

(iii) Cheung Kong Holdings is deemed to be interested in the 1,906,681,945 shares of the Company referred to in (ii) above as certain subsidiaries of Cheung Kong Holdings hold more than one-third of the issued share capital of Hutchison Whampoa.

(iv) TUT as trustee of the LKS Unity Trust is deemed to be interested in those shares of the Company described in (iii) above as TUT and companies it controls as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong Holdings and in the 3,603,000 shares and 1,825,000 shares of the Company respectively held by Pennywise and Triumphant as Pennywise and Triumphant are companies controlled by TUT as trustee of the LKS Unity Trust.

(v) Each of Mr. Li Ka-shing, Li Ka-Shing Unity Holdings Limited and Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust is deemed to be interested in the same block of shares TUT as trustee of the LKS Unity Trust is deemed to be interested in as referred to in (iv) above as all issued and outstanding units in the LKS Unity Trust are held by the Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and by another discretionary trust. More than one-third of the issued share capital of TUT and of the trustees of the said discretionary trusts are owned by Li Ka-Shing Unity Holdings Limited. Mr. Li Ka-shing owns more than one-third of the issued share capital of Li Ka-Shing Unity Holdings Limited.

CONNECTED TRANSACTIONS

The Group has from time to time conducted transactions with persons who are “connected persons” for the purposes of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The following transactions which are normally subject to the disclosure and/or shareholders’ approval requirements under Chapter 14 of the Listing Rules occurring during the financial year ended 31st December, 1999 will continue or will or may occur between the Group and the Hutchison Whampoa Group:

(i) Two term loan facility agreements were entered into in relation to Nanhai Power Plant I project in April 1995, one in respect of US$40,000,000 (approximately HK$309 million) and the other in respect of US$90,000,000 (approximately HK$696 million), and the borrower under such loans is the PRC project company undertaking the Nanhai Power Plant I. A shareholder support agreement (the “Shareholder Support Agreement”) was entered into between Cheung Kong Holdings, Hutchison Whampoa and Pennywise as obligors (the “Obligors”) and CEF (Capital Markets) Limited as agent for the lenders whereby each Obligor has undertaken, inter alia:

(a) to procure Cheung Kong Hutchison Nanqiao Power Company Limited (the “Nanhai Foreign Party”), the foreign party to the PRC project company, to comply with its obligations under a construction and completion undertaking; and

(b) to provide funds or assistance that the Nanhai Foreign Party may require in order to comply with its obligations under such undertaking in the following percentages:

Cheung Kong Holdings	68 per cent.
Hutchison Whampoa	23 per cent.
Pennywise	9 per cent.

and the maximum aggregate liability of the Obligors in respect of all claims for breaches of the provisions of the Shareholder Support Agreement shall not exceed the obligations of the borrower under the US$40,000,000 facility and the liability of each Obligor shall be several and limited to the percentage set out against its name above.

The lenders in question have required the Shareholder Support Agreement to remain in place following the restructuring of the Company approved by the shareholders at the Special General Meeting of the Company held on 3rd March, 1997 (the "Cheung Kong Group Restructuring"). Pursuant to a deed of counter-indemnity given by the Company in favour of Cheung Kong Holdings, Hutchison Whampoa and Pennywise, the Company agreed with each of Cheung Kong Holdings, Hutchison Whampoa and Pennywise to meet all future funding obligations of each of them which may be required under the Shareholder Support Agreement and to counter-indemnify each of Cheung Kong Holdings, Hutchison Whampoa and Pennywise in respect of any sum provided by each of them and generally in respect of each of their liabilities and obligations under the Shareholder Support Agreement.

(ii) A sponsors/shareholders' undertaking has been provided by each of Cheung Kong Holdings and Hutchison Whampoa in relation to the loan facilities in relation to the Zhuhai Power Plant. Pursuant to the sponsors/shareholders' undertaking, each of Cheung Kong Holdings and Hutchison Whampoa shall be severally liable for 50 per cent. of certain obligations of the foreign party (the "Zhuhai Foreign Party") to the PRC project company undertaking the Zhuhai Power Plant. The Zhuhai Foreign Party, which is an indirect wholly-owned subsidiary of the Company, has a 45 per cent. interest in the PRC project company. Pursuant to the deed of counter-indemnity referred to in paragraph (i) above, the Company has agreed with each of Cheung Kong Holdings and Hutchison Whampoa to meet all future funding obligations of each of them which may be required under such sponsors/shareholders' undertaking and to counter-indemnify each of Cheung Kong Holdings and Hutchison Whampoa in respect of any sum provided by each of them and generally in respect of each of their liabilities and obligations under such sponsors/shareholders' undertaking.

(iii) Each of Cheung Kong Holdings, Hutchison Whampoa, Pennywise and Triumphant had given representations and warranties to the Company under the restructuring agreement dated 1st July, 1996 (the "Restructuring Agreement") entered into, among others, Cheung Kong Holdings, Hutchison Whampoa, Pennywise, Triumphant and the Company in relation to ownership of certain shares and in relation to the companies in the Group, and undertakings to indemnify the Company against liabilities incurred as a result of breach of warranties given by each of them subject to certain limitations and matters disclosed in respect of the Restructuring Agreement. Under this arrangement, the Company will be indemnified in respect of certain breaches, which indemnity is for the benefit of the shareholders of the Company.

(iv) Cheung Kong Holdings, Hutchison Whampoa, Pennywise and Triumphant had, pursuant to a deed of indemnity, agreed to indemnify the Company pro rata in the proportions of 94.22 per cent., 5.24 per cent., 0.36 per cent. and 0.18 per cent., respectively, in respect of Hong Kong estate duty which might be payable by any member of the Group by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of the Group on or before the date on which the placing and new issue of shares by the Company pursuant to the prospectus of the Company dated 4th July, 1996 (the "Prospectus") in respect of the restructuring becomes unconditional. Under this arrangement, the Group will be indemnified in respect of estate duty, which indemnity is for the benefit of the shareholders of the Company.

In the opinion of the Directors of the Company, the transactions referred to above are in the ordinary and usual course of business of the Company, on normal commercial terms or on terms no less favourable than terms available to (or from) independent third parties, and are fair and reasonable so far as the shareholders of the Company are concerned, having regard to the circumstances in which they were entered into.

On 12th August, 1996, the Hong Kong Stock Exchange granted waivers (the "Waivers") from strict compliance with the disclosure and shareholders' approval requirements under Chapter 14 of the Listing Rules in respect of, inter alia, the abovementioned transactions (the "Transactions") on the following bases:

(1) the Transactions have been entered into or the terms of the respective agreements governing such Transactions are (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable than terms available to (or from) independent third parties; and (iii) fair and reasonable so far as shareholders of the Company are concerned;

(2) brief details of such Transactions as set out in Rule 14.25(1)(A) to (D) of the Listing Rules shall be disclosed in the 1996 annual report and each successive annual report; and

(3) the independent non-executive directors of the Company shall review annually the Transactions and confirm in the 1996 annual report and each successive annual report that the Transactions are conducted in the manner as stated in condition (1) above or in accordance with the terms of the respective agreements governing such Transactions.

As a further condition of granting the Waivers, the Company is required to engage its auditors to provide the Board with a letter (the "Auditors' Letter") in respect of the Transactions occurring during the financial year ended 31st December, 1996. Where the Transactions will extend beyond one financial year, those requirements will apply for each successive financial year. The Auditors' Letter is to be provided by the Company to the Hong Kong Stock Exchange.

The Auditors' Letter must state that:

- The Transactions received the approval of the Company's Board of Directors; and
- The Transactions have been entered into on normal commercial terms or in accordance with the terms of the agreement governing the Transactions, or where there is no such agreement, on terms no less favourable than terms available to (or from) independent third parties.

The Hong Kong Stock Exchange reserves the right to revoke or modify any waiver granted by the Waivers in the event of any change in the terms of the Transactions for which such waivers were granted (including any extension or renewal of the agreements evidencing such Transactions) or in the circumstances under which such waivers were granted. In any such case, the Company has to comply with provisions of Chapter 14 of the Listing Rules dealing with connected transactions unless it applies for and obtains a separate waiver from the Hong Kong Stock Exchange.

The Transactions have been reviewed by the Directors of the Company (including the independent non-executive directors). The Directors of the Company have confirmed that the Transactions have been entered into or the terms of the respective agreements governing such Transactions are (a) in the ordinary and usual course of business of the Company; (b) on normal commercial terms or on terms no less favourable than terms available to (or from) independent third parties; and (c) fair and reasonable so far as the shareholders of the Company are concerned.

The independent non-executive directors of the Company have confirmed that for the year 1999 the Transactions were conducted in the manner as stated in condition (1) above or in accordance with the terms of the respective agreements governing such Transactions.

The auditors of the Company have also confirmed that for the year 1999 the Transactions received the approval of the Company's Board of Directors; and the Transactions have been entered into on normal commercial terms or in accordance with the terms of the agreement governing the Transactions, or where there is no such agreement, on terms no less favourable than terms available to (or from) independent third parties.

In view of the fact that the Waivers were only granted on the basis of the facts and circumstances described in the Prospectus and the original submission made by the Company prior to its listing, an application has been made to the Hong Kong Stock Exchange to confirm that such Waivers shall continue to be effective despite the change of circumstances which may result from the implementation of the Cheung Kong Group Restructuring. The Hong Kong Stock Exchange has indicated that such waiver shall continue to be effective on the same bases as referred to above.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's purchases attributable to the Group's five largest suppliers were less than 20 per cent. of the Group's purchases and 30.71 per cent. of the Group's sales recognised were attributable to the Group's five largest customers combined, with the largest customer accounting for 13.04 per cent. of the Group's sales.

Apart from the above, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5 per cent. of the Company's issued share capital) has any interest in the Group's five largest customers.

GROUP'S LIQUIDITY AND FINANCING

The Group's capital expenditure and investments for the year were funded from cash on hand, internal cash generation, proceeds from the syndicated loans drawn in September 1997, and Australian dollar loans drawn during the year. As at the end of 1999, the Group's borrowing, net of cash, were HK$2,533 million. Committed borrowing facilities available to the Group, but not drawn as at 31st December, 1999, amounted to HK$9,291 million. The Group's solid recurring cash flow from operations and a conservatively low gearing ratio enable the Group to face the current economic situation with strong financial resources and capacity to grow.

TREASURY POLICIES

The Group adopts conservative treasury policies in cash management and risk control. The Group's treasury activities are centralised. Cash is generally placed in short term deposits denominated in either Hong Kong or U.S. dollars. The Group endeavours to hedge its investments in other countries with the appropriate level of borrowing denominated in the currencies of those countries. Interest and currency swaps transactions are entered into to hedge against currency and interest rate exposures when considered appropriate. At 31st December, 1999, the Group has no significant exposure under interest or currency swaps.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws although there are no restrictions against such rights under the laws of Bermuda.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

EMPLOYEES

The Group, including its subsidiaries but excluding associated companies, employs a total of 2,575 employees. Employees' costs (excluding directors' emoluments) amounted to HK$469.5 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 had been given to its 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 flotation of the Company. The Group does not have any share option scheme for employees.

DONATIONS

Donations made by the Group during the year amounted to HK$20,991,047.

CODE OF BEST PRACTICE

The Company has complied with Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by this annual report.

AUDIT COMMITTEE

Pursuant to the requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, an Audit Committee of the Company was established in December 1998 with reference to "A Guide For The Formation Of An Audit Committee" issued by the Hong Kong Society of Accountants. Regular meetings have been held by the Committee since its establishment and the Committee met once in 2000.

The Audit Committee is answerable to the Board and the principal duties of the Committee include the review and supervision of the Company's financial reporting process and internal controls.

PRACTICE NOTE 19 TO THE STOCK EXCHANGE LISTING RULES

The following information is disclosed in accordance with the Practice Note 19:

(a) The Group has entered into a syndicated loan facility agreement of HK$3.8 billion of which HK$3.4 billion was drawn as at the end of 1999. The facility will mature in 2002. Under the provision of the loan agreement, it is an event of default if Hutchison Whampoa (the Company's controlling shareholder) ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.

(b) A sponsors/shareholders' undertaking referred to in paragraph (ii) of the Connected Transactions has been provided by Hutchison Whampoa, the Zhuhai Foreign Party and the other parties in relation to two loan facilities of the PRC project company undertaking the Zhuhai Power Plant. The two loans, in the amounts of US$125.5 million and US$670 million are repayable by installments with the final repayment due in 2008 and 2012 respectively. It is an event of default for both facilities if Cheung Kong Holdings and Hutchison Whampoa collectively own directly or indirectly less than 51 per cent. of the shareholding in the Zhuhai Foreign Party. Pursuant to the sponsors/shareholders' undertaking, Hutchison Whampoa, together with the other parties, shall undertake certain obligations and inter alia, shall be severally liable for providing funds for cost overrun of the Zhuhai Power Plant, if any. The liabilities and obligations of Hutchison Whampoa have been counter-indemnified by the Company pursuant to the deed of counter-indemnity referred to in paragraph (ii) of the Connected Transactions. There is no breach in respect of all of the obligations under the sponsors/shareholders' undertaking.

(c) The Group has entered into a transferable loan facility agreement of A$33 million of which the whole of the loan amount was drawn as at the end of 1999. The facility will mature in 2003. Under the provision of the loan agreement, it is an event of default if Hutchison Whampoa ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.

(d) The Group has entered into a loan facility agreement of A$75 million of which A$3.6 million remained undrawn as at the end of 1999. The facility will mature in 2003. Under the provision of the loan agreement, it is an event of default if Hutchison Whampoa ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.

(e) The Group has entered into a short term syndicated facility agreement of A$1,250 million of which no drawdown was made as at the end of 1999. The facility will mature in 2000. Under the provision of the loan agreement, it is an event of default if Hutchison Whampoa ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.

(f) The Group has entered into a long term syndicated facility agreement of A$500 million of which no drawdown was made as at the end of 1999. The facility will mature in 2004. Under the provision of the loan agreement, it is an event of default if Hutchison Whampoa ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.

(g) On 12th December, 1999, CKI Utilities Development Limited, HEI Utilities Development Limited and Utilities Management Pty Ltd (collectively as "Purchasers"), affiliated companies being ultimately owned as to 50 per cent. by the Company and 50 per cent. by Hongkong Electric, entered into agreements with the vendors, namely, the State of South Australia and ETSA Utilities for the acquisition of the right to manage and operate ETSA Utilities for 200 years. To fund the acquisition, a wholly owned subsidiary of the Company advanced A$1,750 million (approximately HK$8,873 million, equivalent to about 40 per cent. of the Group's net assets as at 31st December, 1999) to the Purchasers on 28th January, 2000. The aforesaid advance is funded by the two facilities obtained by the Group as set out in paragraphs (e) and (f) above. Details of the facilities are set out in paragraphs (e) and (f). Under each of the said facilities, the Company guarantees the due and punctual payment of all amounts due under the facilities.

MILLENNIUM ISSUE

The Group is aware of the importance of a Year 2000 compliance programme which is targeted to ensure all major systems, computer applications, software and hardware devices owned or developed by the Group will accurately calculate date data prior to, through and beyond year 2000.

A central programme office has been established by the Group in 1997 to monitor the Year 2000 compliance programme and to devise and implement remedial and contingency plans. Progress reports of the Year 2000 compliance programme have been submitted to the Executive Committee by the central programme office on a regular basis.

The Group (including the Company and its subsidiaries) has completed on schedule its Year 2000 compliance programme. All of the critical systems of the Group were Year 2000 compliant as at 31st December, 1999. Notwithstanding the completion of our Year 2000 compliance programme, the Group relies upon and interfaces with systems of parties such as suppliers, customers, business partners, operators and service providers. The Group has been actively assessing the commitment of such parties in achieving Year 2000 compliance.

Extensive contingency plans have been prepared by the Group with a view to responding to any interruption in a speedy and organised manner. These plans include measures mitigating the effects of any future disruption to critical business systems and business resumption contingency plans to address the perceived risks associated with the Year 2000 issue.

The Year 2000 readiness programme of the associated Hongkong Electric has been completed on schedule by 30th June, 1999, and contingency plans have been established to minimise potential risks arising from unexpected circumstances. Hongkong Electric did not encounter any disruption before, during and after the transition of year 1999 to 2000.

Over the millennium change and various relevant dates in the year 2000, the central programme office carried out various tests on and closely monitored the performance of all major systems. No business disruption has been experienced by the Group before, during and after the millennium change.

The total budget costs for the Year 2000 compliance programme are estimated to be HK$16 million, and HK$18 million was incurred with no significant commitment outstanding as at 31st December, 1999. Most of these costs have been recognised as expenses.

AUDITORS

The financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu who retire and offer themselves for re-appointment.

On behalf of the Board
LI TZAR KUOI, VICTOR
Chairman

Hong Kong, 16th March, 2000

Deloitte Touche Tohmatsu

德勤·關黃陳方
會計師行

Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

REPORT OF THE AUDITORS TO THE MEMBERS OF CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 49 to 74 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants

Hong Kong, 16th March, 2000

for the year ended 31st December

HK$ million	Notes	1999	1998
Turnover	3	3,063	3,291
Other revenue	4	268	212
Operating costs	5	(1,869)	(2,269)
Finance costs	6	(131)	(112)
Operating profit	7	1,331	1,122
Share of results of associates		2,004	1,971
Share of results of jointly controlled entities		49	33
Profit before taxation	8	3,384	3,126
Taxation	9	(245)	(273)
Profit after taxation		3,139	2,853
Minority interests		2	2
Profit attributable to shareholders	10	3,141	2,855
Dividends	11	(947)	(857)
Profit for the year retained		2,194	1,998
Earnings per share	12	HK$1.39	HK$1.27

BALANCE SHEETS

as at 31st December

HK$ million	Notes	Group 1999	Group 1998	Company 1999	Company 1998
Property, plant and equipment	13	2,328	2,336	6	–
Interests in subsidiaries	14	–	–	27,717	27,241
Interests in associates	15	12,609	10,450	–	–
Interests in jointly controlled entities	16	2,583	2,267	–	–
Infrastructure project investments	17	6,189	6,935	–	–
Investments in securities	18	676	–	–	–
Other non-current assets	19	110	136	–	–
Total non-current assets		24,495	22,124	27,723	27,241
Inventories	20	209	163	–	–
Amounts due from customers for contract work	21	2	3	–	–
Retention receivables		5	3	–	–
Debtors and prepayments		1,512	1,285	2	3
Dividend receivable		–	–	1,219	1,356
Investments in securities	18	–	53	–	–
Bank balances and cash		1,443	1,331	1	1
Total current assets		3,171	2,838	1,222	1,360
Bank loans	22	17	–	–	–
Creditors and accruals		494	620	13	10
Provision for taxation		98	66	–	–
Proposed dividends		654	586	654	586
Total current liabilities		1,263	1,272	667	596
Net current assets		1,908	1,566	555	764
Bank loans	22	3,959	3,100	–	–
Deferred taxation	23	8	7	–	–
Total non-current liabilities		3,967	3,107	–	–
Minority interests		253	256	–	–
Net assets		22,183	20,327	28,278	28,005
Representing:					
Share capital	24	2,254	2,254	2,254	2,254
Reserves	25	19,929	18,073	26,024	25,751
Capital and reserves		22,183	20,327	28,278	28,005

LI TZAR KUOI, VICTOR
Director

IP TAK CHUEN, EDMOND
Director

16th March, 2000

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 31st December

HK$ million	1999	1998
Deficit on revaluation of non-trading securities not recognised in the income statement	(43)	–
Net profit for the year	3,141	2,855
Total recognised gains and losses	3,098	2,855
Elimination of goodwill against reserves arising from acquisition of interest in an associate	(295)	–
	2,803	2,855

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December

HK$ million	Notes	1999	1998
Net cash inflow from operating activities	26(a)	510	706
Returns on investments and servicing of finance			
Interest received		105	125
Interest paid		(228)	(192)
Dividends received from a listed associate		–	1,014
Distribution received from listed stapled securities		22	–
Dividends paid		(879)	(767)
Dividends paid to minority shareholders		(1)	(1)
Interest received from jointly controlled entities		67	45
Returns from infrastructure project investments		749	586
Finance lease income received		3	2
Net cash (outflow)/inflow from returns on investments and servicing of finance		(162)	812
Profits tax paid		(27)	(84)
Net cash inflow before investing activities		321	1,434
Investing activities			
Purchases of property, plant and equipment		(142)	(816)
Disposals of property, plant and equipment		17	1
Disposal of a subsidiary	26(b)	79	–
Purchases of interest in associates		(374)	–
Advances to associates		(261)	(14)
Loans to jointly controlled entities		(282)	(611)
Investments in infrastructure projects		(4)	(1,262)
Disposals of infrastructure project investments		524	–
Purchases of listed securities		(666)	(53)
Acquisition of assets for leasing		(14)	–
Repayments from finance lease debtors		8	6
Deferred expenditure recovered		30	–
Net cash (outflow) from investing activities		(1,085)	(2,749)
Net cash (outflow) before financing		(764)	(1,315)
Financing	26(c)		
Bank loans		897	400
Repayment of bank loans		(21)	(400)
Contributions from minority shareholders		–	249
Net cash inflow from financing		876	249
Net increase/(decrease) in cash and cash equivalents		112	(1,066)
Cash and cash equivalents at 1st January		1,331	2,397
Cash and cash equivalents at 31st December		1,443	1,331
Representing:			
Bank balances and cash at 31st December		1,443	1,331

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on Hong Kong Stock Exchange. The Directors consider that the Company's ultimate holding company is Hutchison Whampoa, a company incorporated in Hong Kong with limited liability, the shares of which are listed on Hong Kong Stock Exchange.

The Group's principal activities are the development, investment and operation of infrastructure businesses in Hong Kong, Mainland China and other countries in the Asia-Pacific region.

2 PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention as modified for the revaluation of investments in securities.

The financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP"s), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The principal accounting policies adopted are set out below:

a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December together with the Group's interests in associates and jointly controlled entities on the basis set out in (d) and (e) below, respectively.

Results of subsidiaries, associates and jointly controlled entities acquired or disposed of during the year are accounted for as from or up to the effective dates of acquisition or disposal.

b) Goodwill

Goodwill represents the excess of costs of acquisition over the fair value of the Group's share of the net assets of subsidiaries, associates and jointly controlled entities acquired and is written off against reserves in the year of acquisition.

On the disposal of an investment in a subsidiary, an associate or jointly controlled entity, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

c) Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, has a long-term equity interest of over 50 per cent. or the Company controls more than half of its voting power or the composition of its board of directors. Investments in subsidiaries are carried at cost less provision for any permanent diminution in value where appropriate.

d) Associates

An associate is a company, other than a subsidiary or jointly controlled entity, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

Investments in associates are stated in the consolidated balance sheet at the Group's share of their net assets, after attributing fair values to their underlying net assets at the date of acquisition. Income from associates is stated in the consolidated income statement at the Group's share of the post-acquisition results of the associates.

e) Joint Ventures

A joint venture is a contractual arrangement whereby the venturers undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Jointly controlled entities are joint ventures which involve the establishment of a separate entity. The Group's interests in jointly controlled entities are included in the consolidated balance sheet at cost plus the Group's share of the post-acquisition results of the jointly controlled entities less distribution and provision, where appropriate. Results from the jointly controlled entities are stated in the consolidated income statement at the Group's share of their post-acquisition results.

f) Infrastructure Project Investments

Investments in infrastructure projects which do not fall into the definition of subsidiaries, associates and jointly controlled entities are classified as infrastructure project investments if the Group's return to be derived therefrom is predetermined in accordance with the provisions of the relevant agreements and the venturers' share of net assets are not in proportion to their capital contribution ratios but is as defined in the contracts and in respect of which the Group is not entitled to share the assets at the end of the investment period.

The Group's interests in the infrastructure project investments are recorded at cost less amortisation over the respective contract period on a straight line basis upon commencement of operation of the project or upon commencement of the Group's entitlement to income. Where the estimated recoverable amount of these investments falls below their carrying value, the carrying value is written down to the recoverable amount. Income from these investments is recognised when the Group's right to receive payment is established.

g) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use.

Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement in the period in which it is incurred.

In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets.

When the acquisition of an asset involves significant dismantling, removal or restoration costs at the end of the asset's useful life, those costs are recognised as an expense over the life of the asset.

Where the recoverable amount of an asset has declined below its recoverable amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation of property, plant and equipment is calculated to write off their depreciable amount over their estimated useful lives using the straight-line method, at the following rates per annum:

Land	Over the unexpired lease terms of the land
Buildings	2% to 3-1/3% or over the unexpired lease terms of the land, whichever is the higher
Plant and machinery	3-1/3% to 33-1/3%
Others	5% to 33-1/3%

When an asset is disposed of or retired, any gain or loss, representing the difference between the carrying value and the sales proceeds, if any, is included in the income statement.

h) Inventories

Inventories are stated at the lower of cost, computed on a weighted-average or a first-in first-out basis, and net realisable value. Cost includes cost of purchase and where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and conditions. Net realisable value is determined on the basis of anticipated sales proceeds less estimated costs to completion and selling expenses.

i) Contract Work

When the outcome of a contract can be estimated reliably, revenue and costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date, that is the proportion that contract costs incurred for work performed to date bears to the estimated total contract costs.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

When it is probable that total contract costs will exceed total revenue, the expected loss is recognised as an expense immediately.

j) Investments in Securities

Investments in securities intended to be held long term are stated at their fair values at the balance sheet date. The gains or losses arising from changes in the fair values of a security are dealt with as movements in investment revaluation reserves, until the security is disposed of, or is determined to be impaired, when the cumulative gain or loss is included in the income statement in accordance with SSAP 24 “Accounting for Investments in Securities” issued by the Hong Kong Society of Accountants which became effective from 1st January, 1999. The adoption of this statement does not have any significant effect on amounts reported in the prior year financial statements, and accordingly, no prior year adjustment is required.

k) Revenue Recognition

(i) Sales of goods

Revenue from sale of goods is recognised at the time when the goods are delivered or title to the goods passes to the customers. Revenue is arrived at after deduction of any sales returns and discounts and does not include sales taxes.

(ii) Contract revenue

Income from long-term contracts is recognised according to the stage of completion.

(iii) Income from infrastructure project and other investments

Income from infrastructure project and other investments is recognised when the Group's right to receive payment is established. Income from infrastructure project investments is calculated in accordance with the terms and conditions of the relevant contracts.

(iv) Interest income

Interest income is recognised on a time proportion basis by reference to the principal outstanding and the interest rate applicable.

l) Foreign Currencies

The income statements and cash flow statements of overseas subsidiaries, associates and jointly controlled entities are translated into Hong Kong dollars using average rates of exchange. Balance sheets are translated at closing rates.

Exchange differences arising on the translation at closing rates of the opening net assets and the profits for the year retained by overseas subsidiaries, associates and jointly controlled entities are taken to reserves.

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the relevant transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising therefrom are dealt with in the income statement.

m) Deferred Taxation

Tax deferred or accelerated by the effects of timing differences is provided, using the liability method, to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

n) Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable under operating leases are recorded in the income statement on a straight-line basis over the respective lease terms.

o) Finance Leases

Leases that substantially transfer all the risks and rewards of ownership of the leased assets to the lessees are accounted for as finance leases. The amounts due from the lessees under finance lease contracts are recorded as finance lease debtors. The finance lease debtors comprise the minimum lease payments under the finance lease contracts less gross earnings allocated to future accounting periods. Gross earnings from finance leases are recognised, on a straight-line basis, over the terms of the respective leases.

p) Deferred Expenditure

Deferred expenditure, which represents pre-operating expenses incurred prior to commercial operation of the projects, is amortised on a straight-line basis over a period of ten years commencing from the date of revenue contribution or commercial operation of the respective projects, whichever is the earlier.

q) Retirement Benefits

The Group operates defined contribution and defined benefit retirement schemes for its employees. The costs of defined contribution schemes are charged to the income statement as and when the contributions fall due. The costs of defined benefit schemes are charged to the income statement on a systematic basis with any surpluses and deficits allocated so as to spread them over the expected remaining service lives of the employees affected.

r) Borrowing Costs

Borrowing costs are expensed in the income statement in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the financing of the Group's infrastructure projects up to the commencement of revenue contribution or upon commencement of operation of the projects, whichever is the earlier.

3 TURNOVER

Turnover represents net sales from infrastructure materials businesses, return on investments and interest income received and receivable from infrastructure project investments, net of withholding tax, where applicable, and is analysed as follows:

HK$ million	1999	1998
Net sales from infrastructure materials businesses	2,160	2,361
Income from infrastructure project investments		
Investment returns	826	822
Interest income, net of withholding tax where applicable	77	108
	903	930
Total	3,063	3,291

Turnover is geographically analysed as follows:

HK$ million	1999	1998
Hong Kong	1,843	2,119
Mainland China	1,204	1,172
Others	16	–
Total	3,063	3,291

4 OTHER REVENUE

Other revenue includes the followings:

HK$ million	1999	1998
Interest income	114	125
Finance lease income	3	2
Distribution from listed stapled securities	22	–

5 OPERATING COSTS

HK$ million	1999	1998
Changes in inventories of finished goods and work-in-progress	(6)	(3)
Raw materials and consumables used	563	788
Staff costs	485	488
Depreciation	166	175
Amortisation of deferred expenditure	1	2
Amortisation of costs of infrastructure project investments	209	223
Other operating expenses	451	596
Total	1,869	2,269

6 FINANCE COSTS

HK$ million	1999	1998
Interest on bank borrowings wholly repayable within five years	214	190
Less: Amount capitalised	(83)	(78)
Total	131	112

Interests capitalised during the year are calculated at rates ranging from 5% to 7% per annum.

7 OPERATING PROFIT

HK$ million	1999	1998
Operating profit is arrived at after crediting:		
Contract revenue	193	145
Gain on disposals of property, plant and equipment	–	6
and charging:		
Loss on disposals of property, plant and equipment	1	–
Operating lease rental		
Land and buildings	47	40
Vessels	91	64
Directors' remuneration (note 28)	15	13
Auditors' remuneration	2	2

8 PROFIT BEFORE TAXATION

Profit before taxation is geographically analysed as follows:

HK$ million	1999	1998
Hong Kong	2,698	2,560
Mainland China	662	566
Others	24	–
Total	3,384	3,126

9 TAXATION

HK$ million	1999	1998
Company and Subsidiaries		
Hong Kong profits tax – current	59	94
– deferred	1	1
	60	95
Associates		
Hong Kong profits tax – current	182	178
– deferred	3	–
	185	178
Total	245	273

Hong Kong profits tax is provided for at the rate of 16 per cent. (1998: 16 per cent.) on the estimated assessable profits for the year less available tax relief for losses brought forward.

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders dealt with in the financial statements of the Company amounted to HK$1,220 million (1998: HK$1,358 million).

11 DIVIDENDS

HK$ million	1999	1998
Interim dividend paid of HK$0.13 (1998: HK$0.12) per share	293	271
Proposed final dividend of HK$0.29 (1998: HK$0.26) per share	654	586
Total	947	857

12 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK$3,141 million (1998: HK$2,855 million) and on 2,254,209,945 shares (1998: 2,254,209,945 shares) in issue during the year.

13 PROPERTY, PLANT AND EQUIPMENT

HK$ million	Medium term leasehold land and buildings in Hong Kong	Medium term leasehold land and buildings in Mainland China	Short term leasehold land and buildings in Hong Kong	Plant and machinery	Furniture, fixtures and others	Total
Group						
Cost						
At 1st January, 1999	851	271	90	1,941	296	3,449
Additions	5	–	–	155	16	176
Disposals	(3)	(1)	(90)	(35)	(34)	(163)
At 31st December, 1999	853	270	–	2,061	278	3,462
Accumulated depreciation						
At 1st January, 1999	190	7	89	671	156	1,113
Charge for the year	27	6	1	99	33	166
Disposals	(1)	–	(90)	(31)	(23)	(145)
At 31st December, 1999	216	13	–	739	166	1,134
Net book value						
At 31st December, 1999	637	257	–	1,322	112	2,328
At 31st December, 1998	661	264	1	1,270	140	2,336
Company						
Cost						
Additions during the year and at 31st December, 1999	–	–	–	–	8	8
Accumulated depreciation						
Charge for the year and at 31st December, 1999	–	–	–	–	2	2
Net book value						
At 31st December, 1999	–	–	–	–	6	6

14 INTERESTS IN SUBSIDIARIES

	Company	
HK$ million	1999	1998
Unlisted shares, at cost	22,757	22,757
Amounts due by subsidiaries	4,960	4,484
At 31st December	27,717	27,241

Particulars of the principal subsidiaries are set out in Appendix 1 on page 70.

15 INTERESTS IN ASSOCIATES

	Group	
HK$ million	1999	1998
Share of net assets:		
Listed associate	12,040	10,282
Unlisted associates	162	22
	12,202	10,304
Amounts due by unlisted associates	407	146
At 31st December	12,609	10,450
Market value of listed associate	19,069	17,146

Particulars of the principal associates of the Group are set out in Appendix 2 on page 71.

An extract of the published financial statements of Hongkong Electric, a principal associate of the Group, for the year ended 31st December, 1999, is shown in Appendix 4 on pages 73 and 74.

16 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
HK$ million	1999	1998
Registered capital	439	387
Shareholders' loans to jointly controlled entities	2,099	1,817
Share of undistributed post-acquisition results	45	63
At 31st December	2,583	2,267

Particulars of the Group's interests in the principal jointly controlled entities are set out in Appendix 3 on page 72.

17 INFRASTRUCTURE PROJECT INVESTMENTS

	Group	
HK$ million	1999	1998
Investments	6,807	7,381
Accumulated amortisation	(618)	(446)
At 31st December	6,189	6,935

18 INVESTMENTS IN SECURITIES

HK$ million	Group 1999	1998
Non-trading securities:		
Listed equity investments, at market value:		
Hong Kong	42	–
Listed debt investments, at market value:		
Overseas	157	–
Listed stapled securities, at market value:		
Overseas	477	–
Total	676	–
Trading securities:		
Listed debt investments, at market value:		
Overseas	–	53

The stapled security comprises a subordinated loan note and a fully paid ordinary share. It is quoted at a single combined price and cannot be traded separately.

19 OTHER NON-CURRENT ASSETS

HK$ million	Group 1999	1998
Deferred expenditure	99	130
Finance lease debtors – non-current portion	11	6
At 31st December	110	136

Details of finance lease debtors are further shown below:

HK$ million	Group 1999	1998
Total outstanding finance lease debtors	18	12
Less : Amounts due within one year included in current assets	(7)	(6)
	11	6
Cost of assets acquired for leasing under finance leases	40	26

20 INVENTORIES

HK$ million	Group 1999	1998
Raw materials	54	49
Work-in-progress	17	20
Stores, spare parts and supplies	115	80
Finished goods	18	9
	204	158
Completed properties for resale	5	5
Total	209	163

The cost of inventories charged to the Group's income statement during the year was HK$1,245 million (1998: HK$1,412 million).

21 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

HK$ million	Group 1999	1998
Costs plus recognised profits less recognised losses	138	76
Progress billing	(136)	(73)
Due from customers	2	3

22 BANK LOANS

HK$ million	Group 1999	1998
Unsecured bank loans repayable:		
within one year	17	–
in the third to fifth years, inclusive	3,959	3,100
Total	3,976	3,100

The above balances consist of syndication loans of HK$3,400 million (1998: HK$3,100 million) which bear interest at Hong Kong Interbank Offered Rate plus a spread, Australia Dollar loans totalling HK$512 million (1998: nil) which bear interest at the average bid rate in respect of Australian Bill Bank Swap Reference Rate plus a spread, and Reminbi loans totalling HK$64 million (1998: nil) which bear a fixed interest rate.

23 DEFERRED TAXATION

Deferred tax has been provided in respect of material timing differences arising from depreciation allowances claimed for taxation purposes in excess of depreciation charges in the financial statements. The potential deferred tax liabilities/(assets) which have not been provided for are as follows:

	Group			
	For the year		As at 31st December	
HK$ million	1999	1998	1999	1998
Depreciation allowances claimed for taxation purpose in excess of related depreciation charge	13	10	76	63
Unutilised tax losses	(10)	(16)	(30)	(20)
Net potential liabilities/(assets) unprovided	3	(6)	46	43

The Group does not expect the unprovided potential deferred tax liabilities to crystallise in the foreseeable future.

The Company had no significant deferred tax assets or liabilities at the balance sheet date.

24 SHARE CAPITAL

HK$ million	1999	1998
Authorised:		
4,000,000,000 shares of HK$1 each	4,000	4,000
Issued and fully paid:		
2,254,209,945 shares of HK$1 each	2,254	2,254

25 RESERVES

	Group				
HK$ million	Share premium	Contributed surplus	Investment revalution reserves	Retained profits	Total
At 1st January, 1998	3,836	8,177	–	4,062	16,075
Profit for the year retained	–	–	–	1,998	1,998
At 31st December, 1998	3,836	8,177	–	6,060	18,073
Deficit on revaluation of investments in securities	–	–	(43)	–	(43)
Goodwill on acquisition of interest in an associate	–	(295)	–	–	(295)
Profit for the year retained	–	–	–	2,194	2,194
At 31st December, 1999	3,836	7,882	(43)	8,254	19,929

The retained profits of the Group included the Group's share of the undistributed retained profits of its associates and jointly controlled entities amounting to HK$2,662 million (1998: HK$1,907 million) and HK$45 million (1998: HK$63 million), respectively.

	Company			
HK$ million	Share premium	Contributed surplus	Retained profits	Total
At 1st January, 1998	3,836	20,810	604	25,250
Profit for the year retained	–	–	501	501
At 31st December, 1998	3,836	20,810	1,105	25,751
Profit for the year retained	–	–	273	273
At 31st December, 1999	3,836	20,810	1,378	26,024

Contributed surplus of the Company arose when the Company issued shares in exchange for shares of subsidiaries and associates being acquired pursuant to the IPO Reorganisation in July 1996 and the Cheung Kong Group Restructuring in March 1997, and represents the difference between the value of net assets of the companies acquired and the nominal value of the Company's shares issued. Under the Company Act of 1981 of Bermuda (as amended), the contributed surplus is available for distribution to the shareholders.

Total distributable reserves of the Company amounted to HK$22,188 million as at 31st December, 1999 (1998: HK$21,915 million).

26 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow from operating activities

HK$ million	1999	1998
Profit before taxation	3,384	3,126
Share of results of associates	(2,004)	(1,971)
Share of results of jointly controlled entities	(49)	(33)
Interest income	(114)	(125)
Finance lease income	(3)	(2)
Income from infrastructure project investments	(903)	(930)
Distribution received from listed stapled securities	(22)	–
Interest expenses	131	112
Depreciation	166	175
Loss/(gain) on disposals of property, plant and equipment	1	(6)
(Gain) on disposal of a subsidiary	(5)	–
Amortisation of costs of infrastructure project investments	209	223
Amortisation of deferred expenditure	1	2
(Increase) in inventories	(46)	(15)
Decrease/(increase) in amounts due from customers for contract work	1	(3)
(Increase) in retention receivables	(2)	–
(Increase)/decrease in debtors and prepayments	(123)	202
(Decrease) in creditors and accruals	(112)	(49)
Net cash inflow from operating activities	510	706

(b) Disposal of a subsidiary

HK$ million	1999	1998
Net assets disposed of :		
Infrastructure project investment	47	–
Amount due by infrastructure project investment	27	–
	74	–
Gain on disposal of a subsidiary	5	–
Total	79	–
Satisfied by:		
Cash	79	–

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiary:

HK$ million	1999	1998
Cash consideration	79	–
Bank balances and cash disposed of	–	–
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	79	–

The subsidiary disposed of did not make any contribution to the Group's net operating cash flows and cash flows in respect of the investing activities, financing activities, net returns on investments and servicing of finance and taxation during the current year.

(b) Disposal of a subsidiary (continued)

The subsidiary disposed of contributed HK$9 million to turnover and HK$5 million to the consolidated profit after taxation for the year.

(c) Analysis of changes in financing during the year

HK$ million	Bank loans	Minority interests
At 1st January, 1998	3,100	10
Net cash inflow from financing	–	249
Minority's share of loss	–	(2)
Dividends paid to minority shareholders	–	(1)
At 31st December, 1998	3,100	256
Net cash inflow from financing	876	–
Minority's share of loss	–	(2)
Dividends paid to minority shareholders	–	(1)
At 31st December, 1999	3,976	253

(d) Major non-cash transaction

During the year, the Group received from the listed associate scrip dividends totalling HK$1,064 million.

27 RETIREMENT SCHEME

The Group provides defined contribution retirement schemes for its eligible employees with the exception of a subsidiary which provides a defined benefit scheme. Contributions to the defined contribution schemes are made by either the employer only at 10 per cent. of the employee's basic monthly salary or by both the employer and the employees each at 10 per cent. of the employees' monthly basic salary. Contributions to the defined benefit scheme are made by the employees at either 5 per cent. or 7 per cent. on the employees' salary and contributions made by the employer are based on the recommendations of an independent actuary according to the periodic actuarial valuation of the scheme.

The latest actuarial valuation of the defined benefit scheme was completed as at 1st January, 1999 by Joseph K. L. Yip, F.S.A., a fellow member of the Society of Actuaries, of The Watson Wyatt Hong Kong Limited. The actuarial method adopted was Attained Age Funding Method and the main assumptions used were the long-term average annual rate of investment return on the scheme assets at 9 per cent. per annum and the long-term average annual salary increases at 7 per cent. per annum.

The net asset value of the defined benefit scheme's assets as at 31st December, 1998 was HK$92 million and the latest actuarial valuation showed that the scheme's assets covered 67 per cent. of the actuarial accrued liabilities at the valuation date. The Group's future annual contribution is designed to fund the shortfall over a period of time and the employer funding rates have therefore been maintained at the same level as in 1998. The funding rates are subject to annual review.

Forfeited contributions and earnings for the year under the defined contribution schemes amounting to HK$1 million (1998: HK$1 million) have been used to reduce the existing level of contributions. The Group's costs on employees retirement schemes for the year amount to HK$36 million (1998: HK$35 million).
At 31st December, 1999, forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution scheme in future years amounts to HK$1 million (1998: nil).

28 REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

(a) Directors' Remuneration
The following table shows the remuneration of the Company's Directors:

HK$ million	1999	1998
Salaries, benefits in kind and fees	6	7
Contribution to retirement schemes	–	–
Bonuses	9	6
Total	15	13

The Directors' remuneration for the year included fees of HK$500,000 (1998: HK$500,000) of which HK$100,000 (1998: HK$100,000) were paid to Independent Non-executive Directors of the Company.

The table below shows the number of Directors whose remuneration was within the following bands:

Remuneration band	1999	1998
Nil - HK$1,000,000	7	
7		
HK$2,500,001 - HK$3,000,000	–	1
HK$3,000,001 - HK$3,500,000	1	1
HK$4,500,001 - HK$5,000,000	1	–
HK$6,000,001 - HK$6,500,000	–	1
HK$6,500,001 - HK$7,000,000	1	–

(b) Senior Executives' Remuneration
Of the five individuals with the highest emoluments in the Group, two (1998: one) are Directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining three (1998: four) individuals are as follows:

HK$ million	1999	1998
Salaries and benefits in kind	10	13
Contributions to retirement schemes	1	1
Bonuses	7	7
Total	18	21

The remaining three (1998: four) individuals with the highest emoluments are within the following bands:

Remuneration band	1999	1998
HK$4,000,001 - HK$4,500,000	–	1
HK$4,500,001 - HK$5,000,000	–	1
HK$5,000,001 - HK$5,500,000	–	1
HK$5,500,001 - HK$6,000,000	2	–
HK$6,000,001 - HK$6,500,000	–	1
HK$6,500,001 - HK$7,000,000	1	–

29 COMMITMENTS

(a) The Group's capital commitments outstanding at 31st December and not provided for in the financial statements are as follows:

HK$ million	Contracted but not provided for 1999	1998	Authorised but not contracted for 1999	1998
Investment in an associate	15	–	–	–
Investments in jointly controlled entities	519	795	–	–
Infrastructure investments in Mainland China	181	449	–	–
Plant and machinery	38	17	276	250
Others	8,626	–	11	–
Total	9,379	1,261	287	250

The 1999 capital commitments for others above includes the Group's share of commitment for the acquisition of ETSA Power and ETSA Utilities in Australia. In December 1999, the Group, together with Hongkong Electric on a 50/50 basis, entered into agreements with the State of South Australia and the state-controlled companies, ETSA Power and ETSA Utilities, for the acquisition of ETSA Power and the right to manage and operate ETSA Utilities for 200 years at a total consideration of HK$17,238 million (A$3,400 million). The acquisition for ETSA Utilities by the Group and Hongkong Electric at a consideration of HK$16,478 million (A$3,250 million) was completed on 28th January, 2000, and ETSA Power was acquired by an independent third party on the same date.

(b) At the balance sheet date, the Group had commitments under operating leases payable in the following year as follows:

HK$ million	Land and buildings 1999	1998
Leases expiring:		
within one year	9	8
in the second to fifth years, inclusive	13	16
Total	22	24

30 CONTINGENT LIABILITIES

HK$ million	Group 1999	1998
Performance bonds	285	–

The amount includes a performance bond of HK$254 million in connection with the acquisition of ETSA Power and ETSA Utilities as mentioned in 29(a) above. The subject performance bond has expired on 31st January, 2000.

31 MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group advanced HK$282 million (1998: HK$611 million) into jointly controlled entities by way of shareholders' loans, bringing the total outstanding loan balances to HK$2,099 million as at 31st December, 1999 (1998: HK$1,817 million), of which HK$955 million (1998: HK$1,817 million) bears interest with reference to Hong Kong dollar prime rate and United States dollar prime rate, and HK$1,144 million (1998: nil) is interest-free. The loans have no fixed term of repayment.

The Group also advanced HK$261 million (1998: HK$14 million) into its unlisted associates during the year. The amounts due by these associates totalling HK$407 million as at 31st December, 1999 (1998: HK$146 million) are interest-free and have no fixed terms of repayment.

32 COMPARATIVE FIGURES

The presentation of current year's financial statements have been changed in order to conform with the requirements of the SSAP1 (revised) "Presentation of financial statements" which became effective for and as from the current year. As a result, additional line items and analyses of income and expenditure have been presented in the income statement and certain assets and liabilities have been reclassified in the balance sheets. Comparative figures have been reclassified to conform with the current year's presentation.

33 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 16th March, 2000.

PRINCIPAL SUBSIDIARIES

APPENDIX 1

The table below shows the subsidiaries which, in the opinion of the Directors, principally affect the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

As at 31st December, 1999	Share capital issued Number	Par value per share	Proportion of nominal value of issued capital held by the Group (per cent.)	Principal activities
Incorporated in Hong Kong				
Anderson Asia (Holdings) Limited	2 ordinary	HK$0.5	100	Investment holding
	65,780,000 non-voting deferred	HK$0.5	–	
Anderson Asphalt Limited	36,000 ordinary	HK$100	100	Production and laying of asphalt and investment holding
Anderson Asia Concrete Limited	800,000 ordinary	HK$1	100	Investment holding
Asia Stone Company, Limited	33,000,000 ordinary	HK$1	100	Quarry operation and manufacture of aggregates
Cheung Kong China Infrastructure Limited	2 ordinary	HK$1	100	Investment holding and investment in infrastructure projects in Mainland
China Cement Company (International) Limited	1,000,000 ordinary	HK$1	70	Investment holding
Green Island Cement Company, Limited	76,032,000 ordinary	HK$2	100	Manufacturing, sale and distribution of cement and property investment
Green Island Cement (Holdings) Limited	101,549,457 ordinary	HK$2	100	Investment holding
Ready Mixed Concrete (H.K.) Limited	50,000,000 ordinary	HK$1	100	Production and sale of concrete and investment holding
Cheung Kong Infrastructure Finance Company Limited	2 ordinary	HK$1	100	Financing

Note (1) The shares of all the above subsidiaries are indirectly held by the Company.

Note (2) The principal place of operation of the above companies are in Hong Kong except Cheung Kong China Infrastructure Limited whose place of operation is Mainland China.

PRINCIPAL ASSOCIATES

APPENDIX 2

The table below shows the associates of the Group which, in the opinion of the Directors, principally affect the results or assets of the Group. To give details of all the associates would, in the opinion of the Directors, result in particulars of excessive length.

As at 31st December, 1999	Share capital issued Number	Par value per share	Approximate share of equity shares held by the Group (per cent.)	Principal activities
Incorporated and operating in Hong Kong				
Hongkong Electric Holdings Limited #	2,085,152,091 ordinary	HK$1	38	Electricity generation and distribution
Incorporated and operating in the Philippines				
Lazi Bay Resources Development Inc.	1,000,000 ordinary	1 Peso	40	Operating limestone reserves
	77,000,000 preferred	1 Peso	100	
Lo-Oc Limestone and Development Corporation	19,100,000 ordinary	1 Peso	28	Development of limestone reserves

#Listed on Hong Kong Stock Exchange

The above associates were not audited by Deloitte Touche Tohmatsu.

APPENDIX 3

The table below shows the jointly controlled entities of the Group which, in the opinion of the Directors, principally affect the results or assets of the Group. To give details of all the jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

Name of jointly controlled entities	Percentage of interest held by the Group	Profit sharing percentage	Principal activities
Guangdong Shantou Bay Bridge Co. Ltd.	30%	30%	Construction and operation of Shantou Bay Bridge
Guang Dong Shenzhen-Shantou Highway (East) Co., Ltd.	33.5%	33.5%	Construction and operation of Shenzhen-Shantou Highway (Eastern Section)
Guangzhou E-S-W Ring Road Co., Ltd.	44.5%	Under construction*	Construction and operation of Guangzhou East South West Ring Road

* 1st year of operation – 10th year	:	45%
11th – 20th year	:	37.5%
Thereafter	:	32.5%

APPENDIX 4

The following is a summary of the audited group profit and loss account and consolidated balance sheet of Hongkong Electric, a principal associate of the Company, for the year ended 31st December, 1999, as extracted from the 1999 published financial statements of Hongkong Electric.

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31st December

HK$ million	1999	1998
Turnover	9,731	9,765
Operating profit	5,545	5,483
Share of profit of associate	3	7
Profit before taxation	5,548	5,490
Taxation	(496)	(494)
Profit after taxation	5,052	4,996
Scheme of control transfers		
From/(To):		
Development Fund	251	(2)
Rate Reduction Reserve	(17)	(27)
Profit attributable to shareholders	5,286	4,967
Dividends	(3,088)	(2,899)
Retained profit for the year	2,198	2,068
Earnings per share	HK$2.58	HK$2.46

APPENDIX 4 (continued)

CONSOLIDATED BALANCE SHEET

as at 31st December

HK$ million	1999	1998
Fixed assets		
– Property, plant and equipment	35,702	32,928
– Assets under construction	3,959	4,717
Interest in associate	23	90
Other investments	84	168
Current assets	2,601	1,156
Current liabilities	(4,843)	(5,523)
Non-current liabilities	(12,429)	(11,861)
Rate reduction reserve	(21)	(62)
Development fund	(89)	(340)
	24,987	21,273
Share capital	2,085	2,020
Reserves	22,902	19,253
	24,987	21,273

APPENDIX 5

Location	Lot Number	Group's Interest	Approximate floor/site area attributable to the Group (sq. m.)	Existing Usage	Lease Term
14-18 Tsing Tim Street, Tsing Yi	TYTL 98	100%	3,355	I	Medium
TMTL 201 Tap Shek Kok	TMTL 201	100%	152,855	I	Medium
Certain units of Harbour Centre Tower 2, 8 Hok Cheung Street, Hunghom	KML113	100%	5,712	C	Medium

I : Industrial C : Commercial

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hunghom, Kowloon, Hong Kong on Wednesday, 10th May, 2000 at 2:20 p.m. for the following purposes:

1. To receive and consider the audited Financial Statements, the Group Managing Director's Report and the Reports of the Directors and Auditors for the year ended 31st December, 1999.
2. To declare a final dividend.
3. To elect Directors.
4. To appoint Auditors and authorise the Directors to fix their remuneration.
5. To consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

(i) "THAT a general mandate be and is hereby unconditionally given to the Directors to issue and dispose of additional shares not exceeding twenty per cent. of the existing issued share capital of the Company at the date of the said Resolution until the next Annual General Meeting."

(ii) "THAT:

(a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK$1.00 each in the capital of the Company in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(1) the conclusion of the next Annual General Meeting of the Company;

(2) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and

(3) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

(iii) "THAT the general mandate granted to the Directors to issue and dispose of additional shares pursuant to Ordinary Resolution (i) set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution (ii) set out in the notice convening this meeting, provided that such amount shall not exceed ten per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of the said Resolution."

By Order of the Board
EIRENE YEUNG
Company Secretary

Hong Kong, 16th March, 2000

Notes:

1. Any Member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote in his stead. A proxy need not be a Member of the Company.
2. The Register of Members will be closed from Wednesday, 3rd May, 2000 to Wednesday, 10th May, 2000, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Branch Registrars, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Tuesday, 2nd May, 2000.
3. Concerning item 5(i) above, the Directors wish to state that they have no immediate plans to issue any new shares of the Company. Approval is being sought from the Members as a general mandate for the purposes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").
4. Concerning item 5(ii) above, the Directors are not aware of any consequences which may arise under the Takeover Code as a result of any repurchase of shares of the Company. The Explanatory Statement containing the information necessary to enable the shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares, as required by the Listing Rules, will be set out in a separate letter from the Company to be enclosed with the 1999 Annual Report.

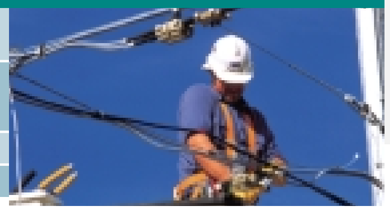
CKI ENERGY

HONGKONG ELECTRIC, HONG KONG

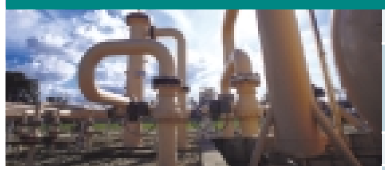
CKI shareholding	37.63% as at the end of 1999
Installed capacity	3,305 MW
Business	Exclusive right to generate and distribute electricity to Hong Kong Island Over 100 years of profitable operation since 1890 Scheme of Control renewed to 2008
1999 net profit	HK$5,286 million

ETSA UTILITIES, SOUTH AUSTRALIA, AUSTRALIA

CKI shareholding	50% (another 50% held by Hongkong Electric)
Business	To operate the electricity distribution network in the state of South Australia of Australia for 200 years
Electricity distribution network	72,633 km
Consumer coverage	730,000 consumers



ENVESTRA LIMITED, NEW SOUTH WALES, AUSTRALIA



CKI shareholding	19.97%
Business	Distribution of natural gas in South Australia, Queensland, the Northern Territory, Victoria and New South Wales of Australia
Natural gas distribution network	16,750 km
Consumer coverage	835,000 consumers

SIPING COGEN POWER PLANTS, JILIN

Location	Siping, Jilin Province
Total capacity	200 MW
Joint venture contract date	1997
Joint venture expiring	2018
Operational status	Operational
Total project cost	HK$1,610 million
CKI's interest	HK$725 million
Interest in JV	45%

SHANTOU CHENGHAI POWER PLANT, GUANGDONG

Location	Shantou, Guangdong Province
Total capacity	75 MW
Joint venture contract date	1993
Joint venture expiring	2010
Operational status	Operational
Total project cost	HK$320 million
CKI's interest	HK$192 million
Interest in JV	60%

SHANTOU CHAOYANG POWER PLANT, GUANGDONG

Location	Shantou, Guangdong Province
Total capacity	90 MW
Joint venture contract date	1993
Joint venture expiring	2010
Operational status	Operational
Total project cost	HK$383 million
CKI's interest	HK$230 million
Interest in JV	60%

SHANTOU TUOPU POWER PLANT, GUANGDONG

Location	Shantou, Guangdong Province
Total capacity	114 MW
Joint venture contract date	1993
Joint venture expiring	2010
Operational status	Operational
Total project cost	HK$485 million
CKI's interest	HK$291 million
Interest in JV	60%

NANHAI POWER PLANT I, GUANGDONG

Location	Nanhai, Guangdong Province
Total capacity	400 MW
Joint venture contract date	1994
Joint venture expiring	2012
Operational status	Operational
Total project cost	HK$1,766 million
CKI's interest	HK$227 million
Interest in JV	30%

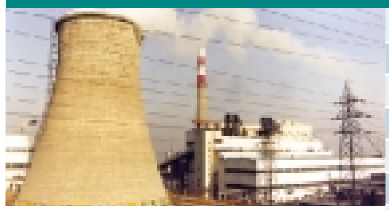
ZHUHAI POWER PLANT, GUANGDONG

Location	Zhuhai, Guangdong Province
Total capacity	1,400 MW
Joint venture contract date	1995
Joint venture expiring	2019
Operation commencing	2000
Total project cost	HK$9,493 million
CKI's interest	HK$1,284 million
Interest in JV	45%

QINYANG POWER PLANTS, HENAN

Location	Qinyang, Henan Province
Total capacity	110 MW
Joint venture contract date	1997
Joint venture expiring	2017
Operational status	Operational
Total project cost	HK$457 million
CKI's interest	HK$224 million
Interest in JV	49%

FUSHUN COGEN POWER PLANTS, LIAONING



Location	Fushun, Liaoning Province
Total capacity	150 MW
Joint venture contract date	1997
Joint venture expiring	2017
Operational status	Operational
Total project cost	HK$690 million
CKI's interest	HK$414 million
Interest in JV	60%

YUEYANG WATER PLANTS, HUNAN

Location	Yueyang, Hunan Province
Total capacity	400,000 tonnes per day
Joint venture contract date	1998
Joint venture expiring	2016
Operational status	Operational
Total project cost	HK$140 million
CKI's interest	HK$69 million
Interest in JV	49%

CKI TRANSPORTATION

PANYU BEIDOU BRIDGE, GUANGDONG

Location	Panyu, Guangdong Province
Road type	Bridge
Length	3 km
No. of lanes	Dual three-lane
Joint venture contract date	1999
Joint venture expiring	2024
Operational status	Under construction
Operation commencing	2001
Total project cost	HK$164 million
CKI's interest	HK$66 million
Interest in JV	40%

EASTERN HARBOUR CROSSING RAIL TUNNEL, HONG KONG

CKI shareholding	50%
Road type	Rail tunnel
Length	2.2 km
Rail franchise period	1986 – 2008

TANGSHAN TANGLE ROAD, HEBEI

Location	Tangshan, Hebei Province
Road type	Class 2 highway
Length	100 km
No. of lanes	Dual one-lane
Joint venture contract date	1997
Joint venture expiring	2019
Operational status	Operational
Total project cost	HK$187 million
CKI's interest	HK$95 million
Interest in JV	51%

SHENYANG GONGNONG BRIDGE, LIAONING

Location	Shenyang, Liaoning Province
Road type	Bridge
Length	1 km
No. of lanes	Dual three-lane
Joint venture contract date	1996
Joint venture expiring	2028
Operational status	Operational
Total project cost	HK$121 million
CKI's interest	HK$36 million
Interest in JV	30%

SHENYANG SHENSU EXPRESSWAY, LIAONING

Location	Shenyang, Liaoning Province
Road type	Class 1 highway
Length	12 km
No. of lanes	Dual three-lane
Joint venture contract date	1996
Joint venture expiring	2028
Operational status	Operational
Total project cost	HK$395 million
CKI's interest	HK$118 million
Interest in JV	30%

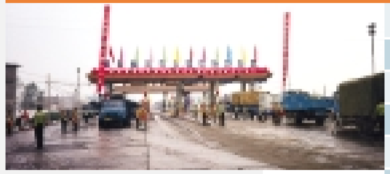
SHENYANG DA BA ROAD AND SOUTH-WEST ELEVATED SECTIONS, LIAONING

Location	Shenyang, Liaoning Province
Road type	Class 1 highway
Length	23 km
No. of lanes	Dual three-lane
Joint venture contract date	1996 & 1997
Joint venture expiring	2027
Operational status	Operational
Total project cost	HK$1,504 million
CKI's interest	HK$451 million
Interest in JV	30%

SHENYANG CHANGQING BRIDGE, LIAONING

Location	Shenyang, Liaoning Province
Road type	Bridge
Length	3 km
No. of lanes	Dual three-lane
Joint venture contract date	1996
Joint venture expiring	2028
Operational status	Operational
Total project cost	HK$269 million
CKI's interest	HK$81 million
Interest in JV	30%

NATIONAL HIGHWAY 107 (ZHUMADIAN SECTIONS), HENAN

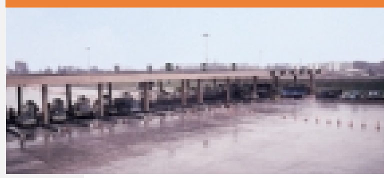


Location	Zhumadian, Henan Province
Road type	Class 2 highway
Length	114 km
No. of lanes	Dual two-lane
Joint venture contract date	1997
Joint venture expiring	2024
Operational status	Operational
Total project cost	HK$461 million
CKI's interest	HK$304 million
Interest in JV	66%

JIANGMEN CHAOLIAN BRIDGE, GUANGDONG

Location	Jiangmen, Guangdong Province
Road type	Bridge
Length	2 km
No. of lanes	Dual two-lane
Joint venture contract date	1997
Joint venture expiring	2028
Operational status	Operational
Total project cost	HK$130 million
CKI's interest	HK$65 million
Interest in JV	50%

GUANGZHOU EAST SOUTH WEST RING ROAD, GUANGDONG



Location	Guangzhou, Guangdong Province
Road type	Expressway
Length	39 km
No. of lanes	Dual three-lane
Joint venture contract date	1997
Joint venture expiring	2032
Operational status/ Operation commencing	Operational/2000
Total project cost	HK$4,220 million
CKI's interest	HK$1,875 million
Interest in JV	44.4%

NANHAI ROAD NETWORK, GUANGDONG

Location	Nanhai, Guangdong Province
Road type	Class 1 road
Length	140 km
No. of lanes	Dual two/three-lane
Joint venture contract date	1996
Joint venture expiring	2020-2024
Operational status/ Operation commencing	Operational/2000
Total project cost	HK$2,552 million
CKI's interest	HK$1,394 million
Interest in JV	49%-64.4%

JIANGMEN JIANGSHA HIGHWAY, GUANGDONG

Location	Jiangmen, Guangdong Province
Road type	Class 1 highway
Length	21 km
No. of lanes	Dual two-lane
Joint venture contract date	1996
Joint venture expiring	2026
Operational status	Operational
Total project cost	HK$207 million
CKI's interest	HK$103 million
Interest in JV	50%

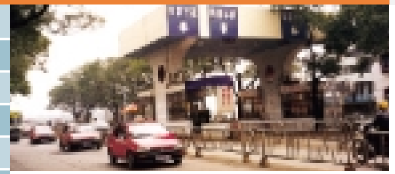
JIANGMEN JIANGHE HIGHWAY, GUANGDONG

Location	Jiangmen, Guangdong Province
Road type	Expressway
Length	20 km
No. of lanes	Dual two-lane
Joint venture contract date	1996
Joint venture expiring	2028
Operational status	Operational
Total project cost	HK$421 million
CKI's interest	HK$211 million
Interest in JV	50%

ZENGCHENG LIXIN ROAD, GUANGDONG

Location	Zengcheng, Guangdong Province
Road type	Class 1 highway
Length	30 km
No. of lanes	Dual two-lane
Joint venture contract date	1997
Joint venture expiring	2022
Operational status	Operational
Total project cost	HK$200 million
CKI's interest	HK$102 million
Interest in JV	51%

CHANGSHA WUJIALING AND WUYILU BRIDGES, HUNAN



Location	Changsha, Hunan Province
Road type	Bridge
Length	5 km
No. of lanes	Dual two-lane
Joint venture contract date	1997
Joint venture expiring	2022
Operational status	Operational
Total project cost	HK$465 million
CKI's interest	HK$206 million
Interest in JV	44.2%

SHEN-SHAN HIGHWAY (EASTERN SECTION), GUANGDONG

Location	Lufeng/Shantou, Guangdong Province
Road type	Expressway
Length	140 km
No. of lanes	Dual two-lane
Joint venture contract date	1993
Joint venture expiring	2028
Operational status	Operational
Total project cost	HK$2,619 million
CKI's interest	HK$877 million
Interest in JV	33.5%

SHANTOU BAY BRIDGE, GUANGDONG

Location	Shantou, Guangdong Province
Road type	Bridge
Length	11 km
No. of lanes	Dual three-lane
Joint venture contract date	1993
Joint venture expiring	2028
Operational status	Operational
Total project cost	HK$665 million
CKI's interest	HK$200 million
Interest in JV	30%

CKI MATERIALS

GREEN ISLAND CEMENT, HONG KONG

- Origins date back to 1887
- Hang Seng constituent stock prior to privatisation in 1987
- Annual production capacity: 1.5 million tonnes (clinker), 2.5 million tonnes (cement grinding)
- Only integrated cement producer in Hong Kong
- About 35% Hong Kong market share
- Largest road and marine cement tanker fleet in Southern China
- Only producer of high early strength and low alkaline cement in Hong Kong

YUNFU CEMENT PLANT, GUANGDONG

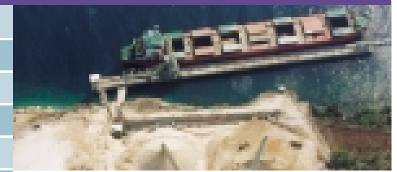
Location	Yunfu, Guangdong Province
Total capacity	680,000 tonnes per annum
Joint venture contract date	1997
Joint venture contract expiring	2031
Operational status	Operational
Total project cost	HK$654 million
CKI's interest	HK$435 million
Interest in JV	67%

SHANTOU CEMENT GRINDING PLANT, GUANGDONG

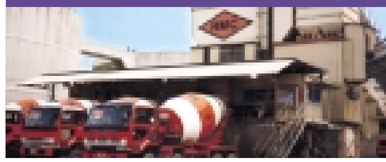
Location	Shantou, Guangdong Province
Total capacity	600,000 tonnes
Joint venture contract date	1993
Joint venture contract expiring	2027
Operational status	Operational
Total project cost	HK$258 million
CKI's interest	HK$245 million
Interest in JV	95%

SIQUIJOR LIMESTONE QUARRY, PHILIPPINES

Location	Siquijor, Philippines
Total capacity	5 million tonnes per annum
Joint venture contract date	1995
Joint venture expiring	2020
Operational status	Operational
Total project cost	HK$131 million
CKI's interest	HK$130 million
Interest in JV	40%



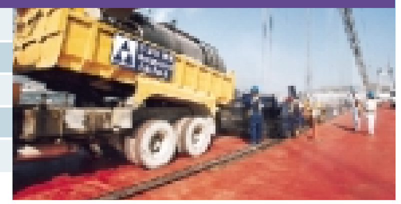
READY MIXED CONCRETE, ANDERSON ASIA, HONG KONG



- Annual capacity: 4.7 million cubic meters
- One of Hong Kong's largest concrete producers
- 11 strategically-located batching plants throughout Hong Kong
- Over 260 mixer trucks
- Only commercial producer of high performance and strength concrete (100+ MPa) since 1997
- Leader in product innovation

ANDERSON ASPHALT, ANDERSON ASIA, HONG KONG

- Annual capacity: 1.2 million tonnes
- Founded in 1977
- One of Hong Kong's largest asphalt producers
- Specially designed mastic asphalt for Tsing Ma Bridge and Jiangyin Bridge
- Operates in Hebei, Shandong and Jiangsu provinces in China

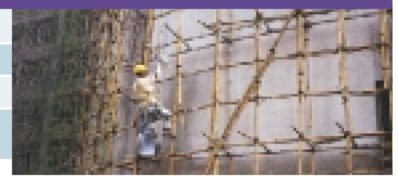


ASIA STONE, ANDERSON ASIA, HONG KONG

- Annual capacity: 2 million tonnes
- Origins date back to 1968
- One of Hong Kong's four contract quarries
- Sole distributorship of two PRC quarries in Hong Kong
- Aggregates mainly for in-house purpose

BONNTILE, ANDERSON ASIA, HONG KONG

- Annual capacity: 1.5 million square metres
- Established in 1973
- Exterior wall spray-coating system specialist
- Sole distributor in 1998 for Hong Kong, Macau and the Mainland for a leading Japanese spray-coating manufacturer



CORPORATE INFORMATION

DIRECTORS

LI Tzar Kuoi, Victor
Chairman

George Colin MAGNUS
Deputy Chairman

FOK Kin Ning, Canning
Deputy Chairman

KAM Hing Lam
Group Managing Director

IP Tak Chuen, Edmond
Executive Director

Frank John SIXT
Executive Director

CHOW WOO Mo Fong, Susan
Executive Director

TSO Kai Sum
Executive Director

Barrie COOK
Executive Director

KWAN Bing Sing, Eric
Executive Director

CHEONG Ying Chew, Henry
Independent Non-executive Director

LEE Pui Ling, Angelina
Independent Non-executive Director

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

BANKERS

Standard Chartered Bank
Canadian Imperial Bank of Commerce
Banque Nationale de Paris
HSBC

COMPANY SECRETARY

Eirene YEUNG

REGISTERED OFFICE

Clarendon House, Church Street,
Hamilton HM11, Bermuda

PRINCIPAL PLACE OF BUSINESS

12th Floor, Cheung Kong Center,
2 Queen's Road Central, Hong Kong

INTERNET ADDRESS

http://www.cki.com.hk

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Corporate Services Limited,
Rosebank Centre, 11 Bermudiana Road,
Pembroke, Bermuda

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Central Registration Hong Kong Limited,
Rooms 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

SHARE LISTING

The Company's shares are listed on
The Stock Exchange of Hong Kong Limited.
The stock codes are:
The Stock Exchange of Hong Kong Limited – 1038;
Reuters – 1038.HK;
Bloomberg – 1038 HK.

INVESTOR RELATIONS

For further information about
Cheung Kong Infrastructure Holdings Limited,
please contact:
Ivan CHAN
Cheung Kong Infrastructure Holdings Limited,
12th Floor, Cheung Kong Center,
2 Queen's Road Central, Hong Kong
Telephone : (852) 2122 3986
Facsimile : (852) 2501 4550
email : contact@cki.com.hk

GLOSSARY OF TERMS

GENERAL TERMS

A$
the lawful currency of Australia

Anderson Asia
Anderson Asia (Holdings) Limited

Anderson Asphalt
Anderson Asphalt Limited

Asia Stone
Asia Stone Company, Limited

Bonntile Industries
Bonntile Industries (H.K.) Limited

BVI
the British Virgin Islands

Cheung Kong Group
Cheung Kong Holdings, Hutchison Whampoa, CKI and Hongkong Electric and their respective subsidiaries and associated companies

Cheung Kong Group Restructuring
The reorganisation involving Cheung Kong Holdings, Hutchison Whampoa, CKI and Hongkong Electric pursuant to which the transactions relating to CKI were completed on 10th March, 1997 which resulted in the Company becoming an 84.6 per cent. subsidiary of Hutchison Whampoa and acquiring a 35.01 per cent. holding in Hongkong Electric. Details of the transactions had been set out in the circulars dated 15th February, 1997 issued by Cheung Kong Holdings, Hutchison Whampoa and the Company to their respective shareholders.

Cheung Kong Holdings
Cheung Kong (Holdings) Limited

Company or CKI
Cheung Kong Infrastructure Holdings Limited

Directors
Directors of the Company

Green Island Cement
Green Island Cement (Holdings) Limited

Group
CKI and its subsidiaries

HK$
the lawful currency of Hong Kong

Hongkong Electric
Hongkong Electric Holdings Limited

Hong Kong Stock Exchange
The Stock Exchange of Hong Kong Limited

Hutchison Whampoa
Hutchison Whampoa Limited

Hutchison Whampoa Group
Hutchison Whampoa and its subsidiaries and associated companies

IPO
the initial public offering of the Company on the Hong Kong Stock Exchange on 17th July, 1996

per cent.
percentage

PRC
the People's Republic of China

Rmb
the lawful currency of the PRC

US$
the lawful currency of the United States of America

TECHNICAL TERMS

aggregates
rock, generally granite, which has been crushed into different sizes for use in the construction industry

clinker
a semi-finished product in the cement production process

installed capacity
the highest level of output (generally expressed in MW) which a power plant is designed to be able to maintain indefinitely without causing damage to the plant

km
kilometre(s)

MPa
mega pascal(s), a unit of measurement of compressive strength

MW
megawatt(s), equal to 1,000 kilowatt

offtake contract
a contract signed between an electricity generating company and an electricity transmission company or a local power bureau which specifies a certain minimum amount of electricity to be purchased by the electricity transmission company or the local power bureau over a certain period of time at a pre-agreed price or profit, subject only to the occurrence of certain limited event specified in the contract

turnkey contract
a contract for construction and engineering projects whereby the contractor agrees to build and equip a factory, power plant or other projects to the extent where the purchaser can commence operation; such contracts generally reduce the purchaser's risk by making the contractor directly responsible for the work of any subcontractor

FINANCIAL TERMS

earnings per share
profit attributable to shareholders divided by the number of shares or weighted average number of shares in issue during the year, whichever appropriate

EBITDA
earnings before interest, tax, depreciation and amortisation

interest cover
net profit before net interest income/expenses and taxation divided by gross interest expenses

net debt to equity
total bank loans net of bank and cash balances divided by shareholders' equity

profit contribution
operating profit after taxation but before corporate overhead and net interest income/expenses, net of attributable operating expenses

total debt to total capitalisation
total bank loans divided by the sum total of shareholders' equity and total bank loans

Design & Production: Caribiner International (Asia) Limited
Principal Photography: Leong Ka-Tai

CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED

12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong