



**CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED ANNUAL REPORT 2000**  
(Incorporated in Bermuda with limited liability)



# The Year at a Glance



CKI is the largest publicly listed infrastructure company in Hong Kong with three core businesses—energy, transportation and infrastructure materials and infrastructure-related businesses.

The Company has investments in Hong Kong, the Mainland, Australia, Canada and the Philippines.



## ETSA Utilities / Powercor

ETSA Utilities and Powercor have made CKI and Hongkong Electric the largest power distributor in Australia.

## Hongkong Electric

A premium asset, CKI increased its stake in Hongkong Electric to 38.87%.

## Zhuhai Power Plant

Zhuhai Power Plant has become operational starting April, 2000. CKI's interest in the China power portfolio aggregates to over 2,500 MW.

## Guangzhou E-S-W Ring Road

CKI's largest transportation investment in the Mainland, the Guangzhou E-S-W Ring Road was completed more than one year ahead of schedule.

## Panyu Beidou Bridge

The Panyu Beidou Bridge and its connecting roads were operational in January 2001.

## Environmental Awards

Green Island Cement and Anderson Asphalt won awards in environmental performance.

## Polyphalt

Polyphalt completed CKI's asphalt product range and created good synergy with CKI's transportation business.

## Stuart Energy

CKI is a cornerstone shareholder of Stuart Energy, the Canadian hydrogen fuelling technology company, and the holder of its Asia Pacific exclusive distribution right.

## LPG Business

CKI holds a 51% stake in a joint venture to operate LPG business and vehicle conversion facilities in Shenyang.

## e-Smart

CKI and OTI formed a 50:50 joint venture to launch contactless smart card technology in Asia Pacific.

# 2000

	2000	% change
Profit attributable to shareholders (HK\$ Million)	3,228	3%
Earnings per share (HK\$)	1.43	3%
Dividend per share (HK\$)	0.60	43%





# Global Portfolio



## China

### Northern China

Fushun Cogen Power Plants  
Shenyang Changqing Bridge  
Shenyang Da Ba Road and South-West Elevated Sections  
Shenyang Gongnong Bridge  
Shenyang LPG Business  
Shenyang Shensu Expressway  
Siping Cogen Power Plants  
Tangshan Tangle Road

### Central China

Changsha Wujialing and Wuyilu Bridges  
National Highway 107 (Zhumadian Sections)  
Qinyang Power Plants  
Yueyang Water Plants

### Southern China

Guangzhou East-South-West Ring Road  
Jiangmen Chaolian Bridge  
Jiangmen Jianghe Highway  
Jiangmen Jiangsha Highway  
Nanhai Power Plant I  
Nanhai Road Network  
Panyu Beidou Bridge  
Shantou Bay Bridge  
Shantou Cement Grinding Plant  
Shantou Chaoyang Power Plant  
Shantou Chenghai Power Plant  
Shantou Tuopu Power Plant  
Shen-Shan Highway (Eastern Section)  
Yunfu Cement Plant  
Zengcheng Lixin Road  
Zhuhai Power Plant

### Hong Kong

Anderson Asphalt, Anderson Asia  
Asia Stone, Anderson Asia  
Bonntile, Anderson Asia  
Eastern Harbour Crossing  
Rail Tunnel  
e-Smart  
Green Island Cement  
Hongkong Electric  
Ready Mixed Concrete, Anderson Asia

### Australia

Envestra  
ETSA Utilities  
Powercor

### Canada

Polyphalt  
Stuart Energy

### Philippines

Siquijor Limestone Quarry

## FIVE-YEAR FINANCIAL SUMMARY

### CONSOLIDATED INCOME STATEMENT SUMMARY

for the year ended 31st December

HK\$ million	2000	1999	1998	1997	1996
Turnover	<b>3,345</b>	3,187	3,372	3,377	3,013
Profit attributable to shareholders	<b>3,228</b>	3,141	2,855	2,411	886
Dividends	<b>(1,353)</b>	(947)	(857)	(721)	(361)
Profit for the year retained	<b>1,875</b>	2,194	1,998	1,690	525

### CONSOLIDATED BALANCE SHEET SUMMARY

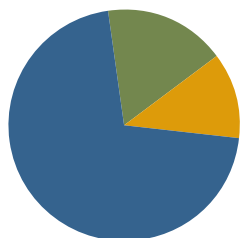
as at 31st December

HK\$ million	2000	1999	1998	1997	1996
Property, plant and equipment	<b>2,267</b>	2,328	2,336	1,700	1,627
Interests in associates	<b>20,378</b>	12,609	10,450	9,657	95
Interests in jointly controlled entities	<b>4,791</b>	2,591	2,276	1,629	1,000
Infrastructure project investments	<b>4,294</b>	6,280	7,056	5,989	3,762
Investments in securities	<b>754</b>	676	-	-	-
Other non-current assets	<b>39</b>	11	6	4	2
Current assets	<b>4,034</b>	3,171	2,838	3,689	4,873
Total assets	<b>36,557</b>	27,666	24,962	22,668	11,359
Current liabilities	<b>(5,428)</b>	(1,263)	(1,272)	(1,223)	(3,000)
Non-current liabilities	<b>(7,011)</b>	(3,967)	(3,107)	(3,106)	(4)
Minority interests	<b>(256)</b>	(253)	(256)	(10)	(5)
Total liabilities	<b>(12,695)</b>	(5,483)	(4,635)	(4,339)	(3,009)
Net assets	<b>23,862</b>	22,183	20,327	18,329	8,350

### PER SHARE DATA

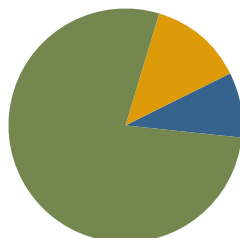
HK\$	2000	1999	1998	1997	1996
Earnings per share	<b>1.43</b>	1.39	1.27	1.15	0.75
Dividends per share	<b>0.60</b>	0.42	0.38	0.32	0.16
Net book value per share	<b>10.59</b>	9.84	9.02	8.13	6.10

**2000 TURNOVER  
BY BUSINESS SEGMENT**



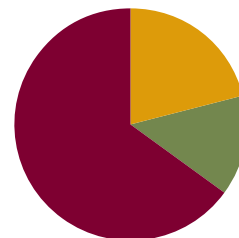
CKI Energy	24%
CKI Transportation	16%
CKI Materials & others	60%

**2000 PROFIT CONTRIBUTION  
BY BUSINESS SEGMENT**



CKI Energy	78%
CKI Transportation	13%
CKI Materials & others	9%

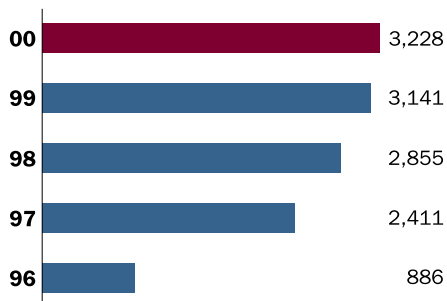
**2000 PROFIT CONTRIBUTION  
BY GEOGRAPHIC REGION**



Hong Kong	65%
Mainland China	21%
Australia, Canada & others	14%

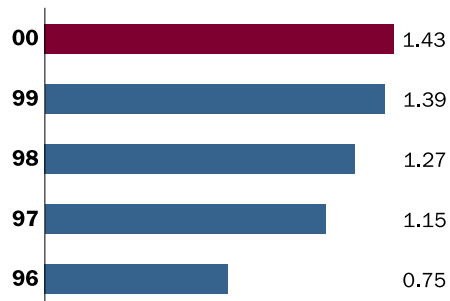
**PROFIT ATTRIBUTABLE  
TO SHAREHOLDERS**

HK\$ million



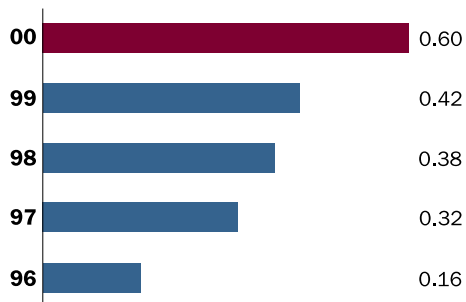
**EARNINGS PER SHARE**

HK\$



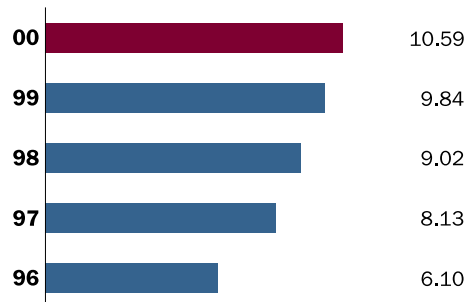
**DIVIDENDS PER SHARE**

HK\$



**NET BOOK VALUE PER SHARE**

HK\$





Li Tzar Kuoi, Victor (Chairman)

## TO OUR SHAREHOLDERS

**We are pleased to report that Cheung Kong Infrastructure Holdings Limited (“CKI”) continued to grow steadily in year 2000. Net profit for the year ended 31st December, 2000 was HK\$3,228 million, an increase of 3 per cent. from the previous year. Earnings per share were HK\$1.43.**

The Board of Directors is recommending a final dividend of HK\$0.40 per share. Together with the interim dividend of HK\$0.20 per share, this will bring the total dividend for the year to HK\$0.60 per share, a 43 per cent. increase from the HK\$0.42 per share paid in respect of 1999. The proposed dividend will be paid on 15th May, 2001 following approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members on 10th May, 2001.

The year 2000 witnessed the bursting of the New Economy bubble and signs of a slowdown in the US and global economies. CKI’s prudent financial management has enabled us to weather the

## Globalisation and Diversification on Solid Foundations

situation and maintain a steady growth during the year. Our strategy of "Globalisation and Diversification on Solid Foundations" has played an important role in helping us build on our existing businesses :

### 1. Overall Performance

The Group's full-year net profit continued to record steady growth during the year, rising 3 per cent. The respective growth of profit contribution of the three core businesses was as follows:

Infrastructure Materials and Infrastructure-related Businesses	- 44%
Energy	+ 52%
Transportation	+ 9%

### 2. Infrastructure Materials and Infrastructure-related Businesses

The Group's infrastructure materials business continued to record a profit, notwithstanding a larger than expected drop of 44 per cent. in profit contribution. This impact, resulting from the slowdown of infrastructure materials business, has been mitigated through the development and growth of our other infrastructure-related businesses:

- The decline of our infrastructure materials business during the year under review was the result of a general business downturn in the construction industry led by reductions in government-subsidised housing and slowdown in the construction of infrastructure projects. The impact posed upon our subsidiaries, Green Island Cement (Holdings) Limited and Anderson Asia (Holdings) Limited, who are market leaders in the local materials industry, were therefore unavoidably great.
- In response to cyclical movements in the local infrastructure materials industry, challenging market conditions and further price erosion in the materials industry, the Group continued to launch plans to improve its business operations locally while exploring new opportunities overseas. The Group acquired a 63.7 per cent. stake in Polyphalt Inc., a Canadian-listed company engaged in the development and commercialisation of polymer modified asphalt products in March 2000. This acquisition has extended CKI Materials businesses from Hong Kong, the Mainland and the Philippines to Canada in North America.



## Chairman's Letter (cont'd)

- Besides geographical expansion, the Group also made remarkable strides in venturing into new industries. The belief that commercial interests and environmental concerns can produce a win/win formula is the primary impetus behind CKI's drive into the environmental protection industry. Our investments in environmentally friendly fuel projects in the Mainland and Canada are good examples. CKI entered into the LPG business in Shenyang in early 2000, a move which complemented the Mainland Chinese Government's active promotion for the use of environmentally friendly fuel.

In August last year, CKI acquired a 12.9 per cent. stake in and formed a joint venture with Canadian-listed Stuart Energy Systems Corporation ("Stuart"), a global leader in the development and provision of fuel-grade hydrogen generation systems. A CKI subsidiary was also granted the exclusive rights in the Asia Pacific Region for the marketing of Stuart's hydrogen fuel technology.

- Electronic infrastructure is another new investment area of CKI. Earlier last year, CKI and German-listed Israeli-based On Track Innovations Limited formed a joint venture to develop the patented "EYECON" microprocessor-based contactless smart card business in Hong Kong and the Asia Pacific Region.

### 3. Energy

The energy division remained the largest profit contributor accounting for 78 per cent. of the Group's profit contribution. This represents a rise of 52 per cent. as compared to 1999. This strong growth is a prime example of the success of our strategy of "Globalisation and Diversification on Solid Foundations".

- Hongkong Electric Holdings Limited ("Hongkong Electric"), a listed company in Hong Kong, continued to provide steady earnings and cash income for the Group. Its profit increased by

4.7 per cent. in 2000. During the year under review, CKI increased its holding in Hongkong Electric from 37.63 per cent. to 38.87 per cent.

- Power investments in Mainland China continued to be another source of steady earnings for the Group. The Zhuhai power station, a RMB1.4 billion investment, commenced operation in 2000 and has begun to make profit contributions.
- In addition to our investments in Hong Kong and the Mainland, another major factor for the strong growth in the energy division is the profit contribution from our three major investments in Australia. The investment in Envestra Limited in mid-1999, our first venture beyond Asia, made CKI the single largest shareholder of the largest listed natural gas distribution company in Australia. In 2000, CKI together with Hongkong Electric, acquired two Australian power operators – ETSA Utilities which has the right to operate electricity distribution in the state of South Australia for a period of 200 years; and Powercor Australia Limited, an electricity distributor and retail operator in the state of Victoria. The two investments, which amount to a total of A\$5.6 billion (approximately HK\$24 billion), made CKI and Hongkong Electric the largest electricity distributor in Australia, serving over 1.3 million customers. Since all three Australian projects stated above were in operations when CKI made the investments, they immediately provided steady income for the Group upon acquisitions, and became new sources of profit contribution.

### 4. Transportation

A number of projects in CKI Transportation have reached harvesting stage and are providing long-term recurrent income for the Group. Year 2000 was another year of satisfactory growth for the division, with profit contribution rising 9 per cent. compared to 1999.

The Guangzhou East-South-West Ring Road, a RMB2 billion investment of the Group, commenced operation in the middle of 2000, one year ahead of schedule. As an important part of Guangdong province's transportation network, the Ring Road has become a solid income generator for CKI Transportation since its opening. The 3.25 km Beidou Bridge in Panyu was also completed on schedule at the end of 2000.

## **5. Financial Management**

As a leading global infrastructure company, CKI has investments outside Hong Kong totalling HK\$23 billion as at the end of 2000 of which investments in the Mainland and in Australia amount to HK\$11 billion and HK\$12 billion respectively. The Group's net debt-to-equity ratio stood at 35 per cent., with cash on hand of over HK\$2 billion and debt of HK\$11 billion. With a solid financial position and strong cash flow, the Group has the financial strengths to ensure continuous steady growth and the capability to aggressively pursue high quality capital-intensive infrastructure projects.

Over the past year, the Group has followed its principle of prudent financial management. Appropriate financing schemes were also implemented to manage currency risks and to maintain proper gearing to generate better shareholder returns. In April 2000, the Group successfully arranged an A\$2.05 billion debt financing programme for ETSA Utilities in capital markets.

## **Outlook**

In recent years, the continuing slowdown of the infrastructure materials market has caused an impact on the Group. We are pleased to say that our strong analytical abilities, steadfast enterprising spirit and flexible approach have helped CKI weather this rough transitional period. We will draw on the experience gained during this period and continue to implement our strategy of "Globalisation and Diversification on Solid Foundations" to drive the Group's future growth.

Looking ahead, China's impending WTO entry, the prospect of lower interest rates worldwide and other favourable factors should stimulate flagging economies and present plentiful business opportunities for the Group, enabling us to further pursue our ongoing initiatives of globalisation and diversification.

For CKI, our geographical expansion plan will continue. Investments beyond Hong Kong and the Mainland will grow as they already have in the case of the Group's investments in Australia. The Group first started investments in Australia in 1999 and by now, Australian investments already account for more than 50 per cent. of the Group's total investments outside of Hong Kong. Going forward, CKI will be keeping a close eye on opportunities in the Asian, North American and European infrastructure markets. With our strong financial position, we will seize upon every opportunity to consolidate our position as a leading multi-national infrastructure company.

Following our past success formula of geographical expansion from Hong Kong and the Mainland to Australia, and industry diversification from power generation to power distribution, CKI will continue to grow based on our existing businesses. The Infrastructure Materials division will be repositioned to become an integral part of the larger "Infrastructure Materials and Infrastructure-related Businesses" division, which includes our ventures in the electronic infrastructure and environmental industries initiated last year. We will continue to explore new business grounds and target to attain new heights.

I would like to thank the Board of Directors and our staff for their hard work and dedication. I would also like to thank our shareholders for their continued support of our vision.

## **LI TZAR KUOI, VICTOR**

Chairman

Hong Kong, 15th March, 2001



**H.L. Kam** (Group Managing Director)

**Cheung Kong Infrastructure Holdings Limited (CKI) was listed on the Hong Kong Stock Exchange in 1996. Since then, CKI has become Hong Kong's largest infrastructure company in terms of market capitalisation. The Group has recorded continuous year on year growth over the past five years and instigated significant development in its core businesses. During this time, the Group has also extended its footprint from Mainland China and Hong Kong to Canada and Australia.**

**Much of this development is attributable to CKI's "Globalisation and Diversification" strategy started two years ago. The Group embarked on this effort to expand beyond Mainland China and Hong Kong, and to carry out initiatives to enrich its investment portfolio by incorporating businesses which could create synergies with existing ones.**



# Group Managing Director's Report

## Solid Portfolio Global Infrastructure Sound Financial Strategy Business Diversity

### **Year 2000 Review**

The year 2000 reflected CKI's successful consolidation and evolutionary changes with a number of milestone achievements.

### **Energy: Distinguished Achievements**

With a premium asset like that of Hongkong Electric Holdings Limited (Hongkong Electric), CKI Energy has been the Group's largest profit contributor over the years. Profit contribution growth from this division during the year was 52%. One major reason of this strong growth was the milestone achievement of the Group's acquisitions in Australia following its globalisation strategy.

CKI's energy projects in Mainland China and Hong Kong continued to record satisfactory performance. A substantial increase in profit contribution was achieved in this business segment last year, due to the completion of one of the largest power plants in China - the Zhuhai Power Plant, which had been planned for since 1993. The completion of the plant marked the full operation of all of the Group's power projects in the Mainland.

During the past year, the power industry in China witnessed continued high oil prices along with pressure to reduce power tariffs. In view of the circumstances, CKI started to consolidate its China power portfolio – one such move was the sale of the Nanhai Jiangnan Power Plant at a premium. At the same time, CKI has also launched programmes to strengthen the operations of its other power projects, in anticipation of the growing market demand post China's WTO entry. This reflects CKI's flexible investment philosophy of implementing timely expansion or consolidation decisions as appropriate.

## Group Managing Director's Report (cont'd)

Hongkong Electric continues to be a stable source of revenue stream for CKI. During the year 2000, the Group further increased its stake in Hongkong Electric to 38.87 per cent. A 50:50 partnership was also formed between CKI and Hongkong Electric to acquire ETSA Utilities and Powercor Australia Limited (Powercor) in Australia.

The acquisition of ETSA Utilities, South Australia's sole electricity distributor, and Powercor, Victoria's electricity distributor and retailer, were testaments to the Group's globalisation strategy in action. Together with the earlier investment in Australia's largest natural gas distributor Envestra Limited (Envestra) in 1999, the Group has now invested close to A\$3 billion (approximately HK\$12 billion) in Australia. This made Australia the Group's largest investment market outside Hong Kong within a span of one-and-a-half years.

Envestra's investment marked CKI's first foray into the gas industry; the subsequent acquisition of ETSA Utilities and Powercor marked its diversification from power generation to power distribution. These moves markedly enriched CKI's energy portfolio.

As all three Australian projects had already been operational for many years, they started generating profit contribution for the Group immediately after the transactions were completed.

The Australian investment demonstrates the success of the Group's "Globalisation and Diversification" strategy. Going forward, CKI will continue to apply its experience and expertise in the energy industry to capture further opportunities in the existing markets of Mainland China, Hong Kong and Australia, and also fresh opportunities in North America and Europe.

### **Transportation: A Mature Portfolio**

In 2000, the Group's transportation business continued to perform satisfactorily, recording nine per cent. growth in profit contribution. An important milestone accomplishment during the year was the completion of the Guangzhou East-South-West Ring Road a year ahead of schedule. As the Group's largest transportation investment in the Mainland, the Ring Road has now become an important source of revenue. The Beidou Bridge in Panyu also commenced service during the year. With the completion of these two projects, transportation has now become a mature portfolio of the Group.

CKI's other toll roads and bridges in the Mainland have all reported satisfactory results and have provided steady income for the Group. While new projects were developed, the transportation division also consolidated its business by reducing its interest in the Shenyang road joint ventures.

The transportation division will follow the success formula of the energy division by diversifying its business and expanding geographically. The Group will continue to identify new transportation opportunities in Hong Kong, Mainland China, South Korea, Australia and other territories around the globe.

### **Infrastructure Materials – A New Positioning**

Amongst the three core group businesses, the materials division underwent the most changes.

The reduction in public housing and the slowdown in the construction of infrastructure projects resulted in a 44 per cent. decline in profit contribution of the Group's materials division. Nevertheless, the Group's subsidiaries Green Island Cement (Holdings) Limited (Green Island Cement) and Anderson Asia (Holdings) Limited – market leaders in the industry – managed to continue generating respectable profit by streamlining its operations.

The materials industry is a cyclical business which follows closely the trend of the economy. The Group anticipated the downturn at an early stage and took strategic steps to mitigate the potential adverse impact. While focusing on increasing operational efficiency for the infrastructure materials business, the Group also re-positioned this business division under a broader scope of "Infrastructure Materials and Infrastructure-related Businesses". The portfolio under this business division will be widened to include hi-tech infrastructure materials, environmental projects and electronic infrastructure investments.

In March last year, the Group made an investment in the Canadian-listed polymer modified asphalt developer and distributor Polyphalt Inc. In August 2000, the Group acquired a stake in the world leader in hydrogen fuel technology – Canadian-listed Stuart Energy Systems Corporation (Stuart Energy), and formed a joint venture to distribute its hydrogen products in Asia Pacific on an exclusive basis. The Group also participated in the Liquefied Petroleum Gas (LPG) business in Shenyang, China last year. With the growing concern for environmental protection and increasing demand for related industries, it is expected that there will be great market potential in this arena. The Group is currently conducting negotiations on various projects in this direction.

The Group has also made forays in the electronic infrastructure business. Early last year, CKI and German-listed Israeli-based leader in smart card technology, On Track Innovations Limited (OTI), formed a joint venture to bring OTI's "EYECON" contactless smart card technology to Asia Pacific on an exclusive basis. The Group is currently actively pursuing electronic infrastructure opportunities in biometrics and other smart card related technologies.

### **Looking Ahead**

During the past year, the Group has followed its two key strategic directions closely: "Globalisation" and "Diversification". The strategy for the coming year will remain the same.

#### **Globalisation and Diversification on Solid Foundations**

Geographically, Hong Kong accounted for 65 per cent. of the profit contribution of the Group in 2000. While this proportion has decreased due to its globalisation initiatives, Hong Kong will continue to be an important base for the Group's business in the foreseeable future.

The Group's HK\$10 billion investment in the Mainland is expected to generate steady cash flow. China's impending entry into the WTO and the upcoming developments in western China will provide a plethora of opportunities for the Group in the coming years.



Investments in Australia and Canada marked the starting point of the Group's globalisation initiatives, fully demonstrating the Group's diversity of its investment strategy.

The acquisition of Envestra helped the Group establish a foothold in the Australian market and marked its first foray into the natural gas business. Investment in ETSA Utilities and Powercor broke further ground for the Group's power business. CKI's diversification efforts from electricity to natural gas, and from power generation to electricity distribution, as well as its geographic expansion from Mainland/Hong Kong to Australia, fully illustrate the Group's strategic direction of "Globalisation and Diversification". Within one and a half years, the Group's investment in Australia has surpassed that in the Mainland.

In Canada, the Group obtained a solid headstart in the North American market by becoming major shareholders of Canadian-listed Polyphalt Inc. and Stuart Energy. The strategy is to invest in listed companies and then make plans to develop large-scale projects based on experience generated from the investments.

The successful globalisation initiatives have broadened the Group's horizons. CKI will continue to actively pursue suitable business opportunities in Hong Kong, Mainland China, Australia and Canada, as well as other parts of the world.

### **Consolidation and Growth**

The Group has a well-defined set of strategies for future development. The energy and transportation sectors have matured. It is anticipated that they would continue to grow organically and geographically following the "Globalisation and Diversification" strategy. The infrastructure materials and infrastructure-related businesses sector has just been re-positioned and is well poised to develop further in the environmental industry, electronic infrastructure and other infrastructure related businesses.

The Group's strong financial position is the key to maintaining continued growth. Organic growth of existing projects and the addition of new investments will strengthen the Group's profit base. CKI is well-prepared to meet new challenges and to explore new investment opportunities in anticipation of high returns in the future.

"Knowing when to expand and when to consolidate" is another of the Group's operating philosophy. CKI's growth strategy includes maintaining steady returns from its existing projects as well as consolidating its existing portfolio. There were times in the past when capital was scarce and interest rates were high in the Mainland, which led to the formation of many Sino-foreign joint ventures. Today, capital has become more readily available and interest rates have come down. Many Mainland joint venture partners are offering preferential terms to buy back their operations. The case of Nanhai Jiangnan Power Plant is an example of such a move where CKI sold back its interest to the Chinese partner at a premium.

### **Award-winning Excellence in Management**

Throughout the years, CKI has been widely recognised for its prudent financial management, acute market sense and visionary foresight. In 2000, the Group received high ratings from influential credit-rating agencies along with accolades from various organisations, reaffirming that the Group's management and business philosophies are evolving in the right direction.

### **Acknowledgment**

Derek K.C. Liu, Managing Director of Green Island Cement, has resigned from the Group to pursue a future in the academic field. Mr Liu joined the Company in 1992 and has made valuable contributions to the Group's development during his tenure. After his departure, he will act as the Group's consultant in environmental initiatives and will continue to share his experience and expertise with us. His dedication and loyalty have been highly appreciated. I would like to thank Mr. Liu and wish him all the best.

Lastly, I would like to take this opportunity to express my gratitude to the Board, Management and all the employees at CKI for their concerted efforts in contributing to the Group's success.

### **H.L. KAM**

Group Managing Director

Hong Kong, 15th March, 2001





# Review of Operations

## ENERGY

In the energy sector, CKI has a 38.87 per cent. shareholding in Hongkong Electric Holdings Limited. 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. The acquisition of ETSA Utilities in the State of South Australia and Powercor Australia Limited in the State of Victoria has made CKI the largest electricity distributor in Australia. CKI is the largest shareholder in Envestra Limited, the largest listed natural gas distributor in Australia, which supplies gas to over 850,000 consumers nationwide.

## TRANSPORTATION

With the early completion of the entire 39-km Guangzhou East-South-West Ring Road, and the on-schedule opening of Panyu Beidou Bridge in January 2001, CKI's entire transportation portfolio of over 600 km of toll roads and bridges in five provinces in China are in operation. The Group also holds a 50 per cent stake in Eastern Harbour Crossing Company Limited, the concessionaire holder operating the rail part of the Hong Kong Eastern Harbour Crossing Tunnel.

## INFRASTRUCTURE MATERIALS AND INFRASTRUCTURE-RELATED BUSINESSES

Amid a consolidation of the regional infrastructure materials market, Green Island Cement (Holdings) Limited and Anderson Asia (Holdings) Limited continue to maintain leading market positions in the cement and concrete businesses. Following the strategy of globalisation and diversification, CKI invested during the year in the Canadian-listed asphalt technology company Polyphalt Inc.; the Canadian-listed hydrogen fuelling technology company Stuart Energy Systems Corporation and the environmentally friendly LPG business in Shenyang, China. Coupled with the pioneering electronic infrastructure business of OTI's "EYECON" contactless smart card, a new business division under "Infrastructure Materials and Infrastructure-related Businesses" was formed to cover the fast expanding and more diversified initiatives of infrastructure materials, environmental business, electronic infrastructure and other infrastructure-related activities.

# Energy

**ETSA Utilities and Powercor together have made CKI-Hongkong Electric the largest electricity distributor in Australia, serving over 1.3 million customers in the states of South Australia and Victoria.**









# Energy

## Leapfrog Increase in Profit Contribution

CKI Energy reported a leapfrog increase in profit contribution of 52 per cent. in 2000. The amount generated also accounted for 78 per cent. of the Group's total profit contribution during the year. The strong performance is testament of the Group's strategy of "Globalisation and Diversification on Solid Foundations".

During the year, CKI Energy has established three stable and sizeable revenue streams which include Hongkong Electric, China Power, and Australian Energy. These three strong pillars provide a solid foundation from which CKI Energy builds a broad-based portfolio of reliable cashflow. Further expansion opportunities will be sought from (i) the geographical base of these revenue streams – Hong Kong, the Mainland, and Australia – as well as North America, Europe and other

Hongkong Electric continued to improve its existing facilities with expansion plans calling for a 1,800 MW extension of the Lamma Island power station. In the Mainland, Hongkong Electric acquired a 3 per cent. stake in the Guangdong Liquefied Natural Gas (LNG) project, the first LNG receiving terminal project in the country. It also took up a strategic investment stake in CNOOC Limited, which was recently listed in Hong Kong and New York.



Powercor's network covers seven of Victoria's eight largest provincial centres providing electricity to an area of over 150,000 square km i.e. over half of the state.

Envestra owns about 17,250 kilometres of natural gas distribution networks and 1,110 kilometres of transmission pipelines.



ENERGY
Hongkong Electric, Hong Kong
Envestra Limited, New South Wales, Australia
ETSA Utilities, South Australia, Australia
Powercor Australia Ltd, Victoria, Australia
Fushun Cogen Power Plants, Liaoning
Nanghai Power Plant I, Guangdong
Qinyang Power Plants, Henan
Shantou Chaoyang Power Plant, Guangdong
Shantou Chenghai Power Plant, Guangdong
Shantou Tuopu Power Plant, Guangdong
Siping Cogen Power Plants, Jilin
Zhuhai Power Plant, Guangdong

parts of Asia; and (ii) the diversification of industry from the business nature of these pillars – electricity generation, electricity distribution, and gas distribution.

### Hongkong Electric

Hongkong Electric is a premium asset for CKI. Last year Hongkong Electric brought in stable cash revenue which constituted over half of the Group's energy investment return. In view of Hongkong Electric's secure nature and bright prospects, CKI continued to increase its stake in Hongkong Electric from 37.63 per cent. in 1999 to 38.87 per cent. in 2000 through scrip dividend and accumulation.

### China Power

The commencement of the Zhuhai Power Plant operation is an important milestone for CKI's China power portfolio. It marked the completion of all of CKI's power plants in the provinces of Guangdong, Liaoning, Henan and Jilin. The Group's interest in the China power portfolio aggregates to over 2,500 MW.

The Zhuhai Power Plant is the Group's largest power investment in the Mainland. The first unit of the 2x700 MW Zhuhai Power Plant was completed in April 2000. During the peak summer season in 2000, it set an impressive record of over 100 days of continuous and safe operation. Since February 2001, the second unit has also been fully operational. The successful operation of the Zhuhai Power Plant demonstrates the Group's strong capabilities in planning, constructing and managing quality, efficient and reliable power projects in the Mainland.

The China power market presents opportunities as well as challenges in the coming year. With the impending accession of China to the WTO and the increasing demand for electricity in the Mainland, an increasing number of investment opportunities for power plants is foreseen. CKI will closely follow such opportunities and make appropriate investments as they arise.

High oil price environment, tightening power tariff regulatory policy, and the

ETSA Utilities is a secure and premium long-term investment for the Group. Since the company was already in operation upon its privatisation, ETSA Utilities generated immediate and steady profit for the Group upon completion of transaction. An A\$2.05 billion off-balance sheet financing was arranged successfully for the investment, enabling the Group a favourable equity return in the investment. Shortly after the acquisition, ETSA Utilities received a credit rating of A- by Standard & Poor's, and A3 by Moody's, the highest ratings received by a

Victoria. Performance of both operations has exceeded the initial projection of the Group. As both operations are of common ownership, incremental returns could be generated from potential synergetic values between the adjoining networks as well as non-regulated revenues such as telecommunications and field services through existing infrastructure and installation of additional optical fibre.



Hongkong Electric continued to improve its existing facilities with expansion plans calling for a 1,800-MW extension of the Lamma Island Power Station.

The successful operation of the Zhuhai Power Plant demonstrates the Group's strong capabilities in planning, constructing and managing quality, efficient and reliable power projects in the Mainland.



gradual establishment of power pool with competitive grid tariffs have put increasing pressure on the execution of some of the offtake contracts and the enforcement of assured-return guarantees. To alleviate the situation, CKI began divestments of certain plants at a premium; one such move was the disposal of the Group's 36.4 per cent. interest in the Nanhai Jiangnan Power Plant to the Chinese partner at a capital gain.

### Australian Energy

The privatisation of South Australia's power industry gave CKI an opportunity to establish a foothold in Australia's electricity distribution business. In December 1999, CKI and Hongkong Electric formed a 50:50 joint venture to acquire ETSA Utilities, South Australia's electricity distribution business, under a 200-year lease arrangement.

privately owned Australian electricity distributor. Domestic medium term note issue in an aggregate of A\$1.6 billion, one of the largest non-government financing transactions in Australia, was successfully arranged in the domestic capital markets and won several major awards in the Australian financial sector.

In August 2000, the CKI and Hongkong Electric 50:50 partnership acquired Powercor Australia Ltd., largest of five electricity distributors and retailers in the state of Victoria. A low-risk business, the company received high credit ratings of A- from Standard & Poor's and A3 from Moody's subsequent to the acquisition.

ETSA Utilities and Powercor together have made the CKI-Hongkong Electric partnership the largest electricity distributor in Australia serving over 1.3 million customers in South Australia and

CKI has branched out to the gas industry through the acquisition of Envestra Limited, the largest listed natural gas distributor in Australia which serves over 850,000 customers throughout the country.

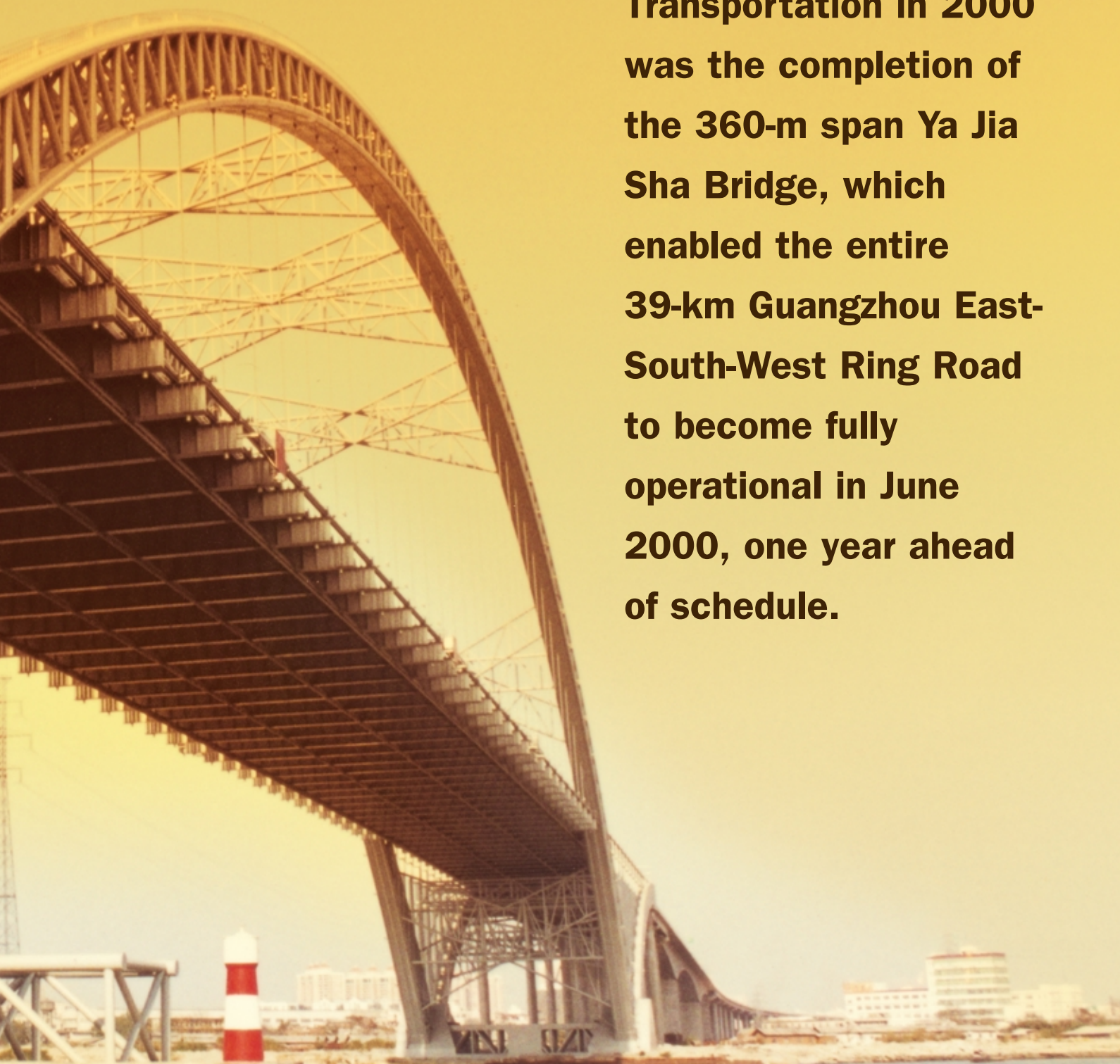
At present, CKI Energy's investment in Australia amounts to A\$2.9 billion (approximately HK\$12 billion). These new acquisitions were key factors leading to the leapfrog growth in contribution from the energy sector in 2000.



# Transportation







**An exciting milestone achievement of CKI Transportation in 2000 was the completion of the 360-m span Ya Jia Sha Bridge, which enabled the entire 39-km Guangzhou East-South-West Ring Road to become fully operational in June 2000, one year ahead of schedule.**



# Transportation

## A Mature Portfolio

CKI Transportation reported profit contribution growth of 9 per cent. over the previous year, mainly arising from existing projects' organic growth and revenue from newly completed projects. The Group's transportation investments have reached harvesting phase and this business division is expected to become an increasingly significant revenue contributor to the Group in the coming years.

An exciting milestone achievement of CKI Transportation in 2000 was the completion of the 360-m span Ya Jia Sha Bridge in June 2000. This enabled the entire 39-km Guangzhou East-South-West Ring Road, the Group's largest transportation investment in the PRC, to become fully operational in June 2000, one year ahead of schedule. This Ring Road is a vital trunk route uniting the eastern, western and southern parts of Guangzhou, and provides a key link with major transportation corridors such as the Guang-Fo Expressway and Guang-Shen Expressway. Traffic flow



← The Guangzhou East-South-West Ring Road is a vital trunk route uniting the eastern, western and southern parts of Guangzhou, and provides a key link with major transportation corridors such as the Guang-Fo Expressway and Guang-Shen Expressway.

In Panyu, the Beidou Bridge and its connecting roads totalling 3.25km were completed last year on schedule and on budget.



TRANSPORTATION
Eastern Harbour Crossing Rail Tunnel, Hong Kong
Changsha Wujialing and Wuyilu Bridges, Hunan
Guangzhou East-South-West Ring Road, Guangdong
Jiangmen Chaolian Bridge, Guangdong
Jiangmen Jianghe Highway, Guangdong
Jiangmen Jiangsha Highway, Guangdong
Nanhai Road Network, Guangdong
National Highway 107 (Zhumadian Sections), Henan
Panyu Beidou Bridge, Guangdong
Shantou Bay Bridge, Guangdong
Shen-Shan Highway (Eastern Section), Guangdong
Shenyang Changqing Bridge, Liaoning
Shenyang Da Ba Road and South-West Elevated Sections, Liaoning
Shenyang Gongnong Bridge, Liaoning
Shenyang Shensu Expressway, Liaoning
Tangshan Tangle Road, Hebei
Zengcheng Lixin Road, Guangdong

CKI's joint ventures in the PRC own and operate over 600 km of toll roads and bridges spanning the provinces of Guangdong, Hunan, Henan, Hebei, and Liaoning. In Hong Kong, the Group owns a 50 per cent. stake in the Eastern Harbour Crossing Company Limited, the concessionaire holder operating the rail part of the Hong Kong Eastern Harbour Crossing Tunnel.

## Guangdong Roads

With improvements in economic development in Guangdong Province, all the Guangdong toll roads and bridges owned and operated by CKI's PRC joint ventures reported double-digit percentage growth in toll revenue in 2000.

and toll revenue on the Ring Road recorded satisfactory growth since operation commenced. Continued increase in revenue is expected as new highways connecting the Ring Road to other major highways are completed within the Pearl River Delta.

Another accomplishment was the ISO 9002 certification awarded by the Hong Kong Quality Assurance Agency (HKQAA) to the joint venture company which owns and operates the Ring Road. The award, a first for a toll expressway in the Mainland, reflects the Group's continued emphasis on quality management and operational efficiency.

In Panyu, the Beidou Bridge and its connecting roads totalling 3.25-km were completed last year on schedule and on budget. The Bridge and roads are currently fully operational. The Bridge, which connects the southern and northern parts of Panyu, will facilitate the economic development of the City, a key transportation hub in Guangdong Province.

On the eastern part of Guangdong Province, the Group's Shantou Bay Bridge and Shen-Shan Highway recorded double-digit growth in toll revenues.

In Henan, the joint venture company which operates the 114-km Zhumadian section of the dual two-lane Class Two National Highway 107 contributed favourable returns in spite of increased expenditure on maintenance and upgrading work since its opening in 1997. In Hunan, the Wujialing Bridge and Wuyilu Bridge reported steady growth in operating revenue.

Other road and bridge projects in Shenyang, Liaoning and the 100-km Tangshan Tangle Road in Hebei also recorded healthy revenue growth.

**Geographical Expansion, Industry Diversification**

The impending accession of China to the WTO, which is expected to drive higher economic growth and increase demand for more and better infrastructure developments in the Mainland, will provide CKI with great opportunities in this core transportation business.

Following CKI Energy's strategy of industry diversification from power to gas, and geographical expansion from Hong Kong and the Mainland to



← CKI owns a 50 per cent stake in the Eastern Harbour Crossing Company Limited, the concessionaire holder operating the rail part of the Hong Kong Eastern Harbour Crossing Tunnel.

All the Guangdong toll roads and bridges owned and operated by CKI's PRC joint ventures reported double-digit percentage growth in toll revenue in 2000. →



In the heart of the province, toll revenues from the dual two-lane Jianghe Highway and the Chaolian Bridge in Jiangmen almost doubled, while the 21-km Jiangsha Highway and the 30-km Class One Zengcheng Lixin Highway also recorded solid performance and growth.

**Other China Toll Roads**

Despite changes in economic conditions and government policies in some provinces, the overall performance of CKI Transportation's toll roads and bridges in other provinces in China posted satisfactory results.

**Eastern Harbour Crossing Company Limited, Hong Kong**

Since CKI's acquisition in 1999 of a 50 per cent. stake in the Eastern Harbour Crossing Company Limited, which owns the rail tunnel connecting eastern Hong Kong and eastern Kowloon, the Tunnel has been generating satisfactory returns and a stable cash flow for the Group.

Australia, CKI Transportation has active plans to diversify into other transportation businesses such as railways, and expand its footprint into other markets such as South Korea.



# Infrastructure Materials and Infrastructure-related Businesses





**Commitment to the Environment:  
Green Island Cement won the 2000 Hong Kong  
Award for Industry: Environmental Performance,  
which is the top honour for this category.**





# Infrastructure Materials and Infrastructure-related Businesses

## Consolidation and Diversification

2000 was a challenging year for the infrastructure materials business. Following a cyclical business downturn, aggravated by the reduction in government housing and slow down in infrastructure activities, the demand for infrastructure materials in the year was generally on the decline and prices were further eroded. As leading players in the industry, Green Island Cement (Holdings) Limited (GIC) and Anderson Asia (Holdings) Limited (AAH) were strongly affected. To mitigate the impact brought about by the infrastructure materials

business, the Group has adopted a strategy of consolidation and diversification. On one hand, the Group has consolidated the infrastructure materials business, streamlining operations and implementing cost control measures to further improve cost efficiency and productivity; on the other hand, it diversified into other infrastructure-related businesses such as those in the areas of environmental business, and electronic infrastructure. A new business division under "Infrastructure Materials and Infrastructure-related Businesses" has been formed to include the

America by acquiring a 63.7 per cent. stake in the Canadian-listed asphalt technology company Polyphalt Inc. The company is engaged in the development and commercialisation of polymer modified asphalt (PMA) and other raw materials made from recycled substances. Another special feature of PMA is that it can prolong the usage of road surfaces and reduce maintenance cost.

The acquisition helped GIC complete its existing asphalt product range and created good synergy with CKI's



Green Island Cement won the 2000 Hong Kong Award for Industry: Environmental Performance; Anderson Asphalt won the 2000 Hong Kong Awards for Industry Private Sector Committee on the Environment (PSCE) Certificate of Merit in Environmental Performance.

The Group's joint venture water treatment operation in Yueyang in Hunan, China, reported good performance last year.



## INFRASTRUCTURE MATERIALS AND INFRASTRUCTURE-RELATED BUSINESSES

- Anderson Asphalt, Anderson Asia, Hong Kong
- Asia Stone, Anderson Asia, Hong Kong
- Bonntile, Anderson Asia, Hong Kong
- Ready Mixed Concrete, Anderson Asia, Hong Kong
- Green Island Cement, Hong Kong
- Shantou Cement Grinding Plant, Guangdong
- Yunfu Cement Plant, Guangdong
- Siquijor Limestone Quarry, Philippines
- Polyphalt Inc., Canada
- Stuart Energy Systems Corp., Canada
- Shenyang LPG Business, Liaoning
- Yueyang Water Plants, Hunan
- e-Smart System Inc., Hong Kong

materials business and the new infrastructure-related initiatives.

## INFRASTRUCTURE MATERIALS

### Cement and Asphalt Market

Overall the price and volume of cement decreased due to a sluggish market. GIC recorded a decline in sales volume last year. Strong competition from lowered rates and surplus supply in the region also contributed to a drop in profit margin, which is forecast to decline further in 2001.

In the Philippines, the Group's limestone quarry continues to supply part of the Group's own requirement for the production of clinker.

While the Group streamlined domestic operations and implemented cost control measures, it broadened its infrastructure materials business footprint to North

transportation businesses. By combining the Group's extensive financial resources with Polyphalt's advanced technology, the Group looks forward to good contributions from Polyphalt.

### Concrete, Aggregates and Spray Coating Market

Facing strong competition, a shrinking construction market and lower government contracting rates in Hong Kong, the Group's subsidiary recorded a decline in profit contribution in its concrete, aggregates and spray coating businesses.

AAH continues to enhance competitiveness by raising cost efficiency and productivity. The construction of several large infrastructure projects which are coming up in the next few years in Hong Kong are expected to contribute revenues in this sector in the near future.

The declining public housing market also affected the spray coating business under Bonntile Industries (HK) Ltd. While the company downsized its operations in Hong Kong and switched its marketing focus to the development of private properties last year, it plans to expand into the Mainland. The business environment is expected to improve in 2001.

Merit in Environmental Performance. These accolades are a clear recognition of the Group's contribution to the environment while creating shareholder value in a win-win formula.

**Liquefied Petroleum Gas**

In early 2000, CKI concluded an agreement to hold a 51 per cent. stake in a joint venture with Petro China's subsidiary Liaoning Petroleum Industrial Company and Shenyang Transport Bureau's Shenyang Road Main Hub Group Company Limited, to operate liquefied petroleum gas (LPG) business and vehicle conversion facilities in Shenyang.

and purity needed for clean energy applications such as transportation and regenerative power.

As an environmentally friendly alternative to fossil fuel, hydrogen is a cost-effective, zero-emission energy solution for the 21st century.

**Water Business**

The Group's joint venture water treatment operation in Yueyang in Hunan, China, reported good performance last year, contributing a steady profit. Other water treatment projects in the Mainland and other markets are being studied.



Smart cards can be used on multiple applications such as stored value, fare collection, access control, time and attendance record, loyalty programmes, web transactions, and national identification.

Stuart Energy, through its proprietary water electrolysis technology, is a world leader in the development and production of hydrogen fuel appliances which supply hydrogen at the pressure and purity needed for clean energy applications.



**INFRASTRUCTURE-RELATED BUSINESSES**

**Commitment to the Environment**

During the past few years, the Group's environmental initiatives have revolved in the areas of waste material recycling, reduction of natural resources usage, and reduction of emissions to the environment. New environmental projects concluded and under development are the results of the Group's long-term strategy.

In 2000, GIC won the 2000 Hong Kong Award for Industry: Environmental Performance, which is the top honour for this category. This is an additional accolade to the Asia Pacific Economic Council (APEC) Environmental Award obtained by the company in 1999. Furthermore, another company within the Group, Anderson Asphalt Limited, won the 2000 Hong Kong Awards for Industry Private Sector Committee on the Environment (PSCE) Certificate of

This investment enables the development of the potentially lucrative LPG market in the Mainland and creates synergies with the Group's transportation and energy businesses.

**Hydrogen Fuel**

CKI's investments in environmental energy expanded beyond Asia last year with the Group's acquisition of a 12.9 per cent. stake in the Canadian-listed hydrogen fuelling technology company, Stuart Energy Systems Corporation (Stuart Energy). To introduce and develop the application of the technology into this part of the world, an exclusive distribution right of Stuart Energy's hydrogen fuelling technology was extended to a joint venture of Stuart Energy and CKI for the Asia Pacific Region for a period of 12 years.

Stuart Energy, through its proprietary water electrolysis technology, is a world leader in the development and production of hydrogen fuel appliances which supply hydrogen at the pressure

**Smart Card**

Technology is an integral part of the Group's diversification initiatives. Last year, CKI established a 50:50 joint venture, e-Smart System, Inc., with German-listed, Israeli-based On Track Innovations (OTI) to deliver the patented "EYECON" microprocessor-based contactless smart card technology to Asia Pacific.

Smart cards can be used on multiple applications such as stored value, fare collection, access control, time and attendance record, loyalty, web transactions, and national identification.

Riding along CKI's participation in smart card technology, further efforts on integrating smart card applications into biometrics and other electronic infrastructure initiatives are under development.

## BOARD AND SENIOR MANAGEMENT

### DIRECTORS' BIOGRAPHICAL INFORMATION

**LI Tzar Kuoi, Victor**, aged 36, 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) Limited, Deputy Chairman of Hutchison Whampoa Limited, an executive director of Hongkong Electric Holdings Limited, the Co-Chairman of Husky Energy Inc. 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 65, has been Deputy Chairman of the Company since its incorporation in May 1996. He has also been an executive director of Cheung Kong (Holdings) Limited since 1980 and Deputy Chairman of Cheung Kong (Holdings) Limited since 1985. He is also the Chairman of Hongkong Electric Holdings Limited and an executive director of Hutchison Whampoa Limited. He holds a Master's degree in Economics.

**FOK Kin Ning, Canning**, aged 49, 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 Limited. He is the Chairman of Hutchison Telecommunications (Australia) Limited and Partner Communications Company Ltd., the Co-Chairman of Husky Energy Inc. and the Deputy Chairman of Hongkong Electric Holdings Limited. He is also a director of Cheung Kong (Holdings) Limited, VoiceStream Wireless Corporation. He holds a Bachelor of Arts degree and is a member of the Australian Institute of Chartered Accountants.

**KAM Hing Lam**, aged 54, 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) Limited since February 1993. He is also an executive director of Hutchison Whampoa Limited and Hongkong Electric (Holdings) Limited. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration.

**IP Tak Chuen, Edmond**, aged 48, 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) Limited since September 1993 and is currently a non-executive 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 49, has been an Executive Director of the Company since its incorporation in May 1996. He has also been a director of Cheung Kong (Holdings) Limited since 1991. Mr. Sixt is the Chairman of TOM.COM LIMITED, Group Finance Director of Hutchison Whampoa Limited and an executive director of Hongkong Electric Holdings Limited. He is also a director of Hutchison Telecommunications (Australia) Limited, Partner Communications Company Ltd., VoiceStream Wireless Corporation and Husky Energy Inc. 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 47, has been an Executive Director of the Company since March 1997. She is the Deputy Group Managing Director of Hutchison Whampoa Limited, a director of Hongkong Electric Holdings Limited and a non-executive director of TOM.COM LIMITED. She is a solicitor and holds a Bachelor's degree in Business Administration.

**TSO Kai Sum**, aged 69, has been an Executive Director of the Company since March 1997. He is the Group Managing Director of Hongkong Electric Holdings Limited. 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 58, 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.





Executive Committee

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

**KWAN Bing Sing, Eric**, aged 56, 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 53, 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. Mr. Cheong is a member of the Process Review Panel for the Securities and Futures Commission, a member of the Derivatives Market Consultative Panel of the Hong Kong Exchanges and Clearing Limited and also a member of the Corporate Advisory Council of the Hong Kong Securities Institute.

**LEE Pui Ling, Angelina**, aged 52, 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

**CHAN Kee Ham, Ivan**, aged 38, Senior Manager, Planning and Investment, has been with the Cheung Kong Group since September 1999. He has over 14 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.

**YEUNG, Eirene**, aged 40, 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 38, Group Finance Manager, joined Hutchison Whampoa Limited 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 56, 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 55, 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.

**YUEN Ming Kai, Clement**, aged 54, General Manager, China Transportation, has been with the Company 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 44, General Manager, China Energy, joined Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited in May 1993 and June 1994 respectively and has been with the Company since July 1996. He holds a Bachelor's and a Master's degree in Engineering.

**LEUNG Ying Wah, Lambert**, aged 54, Managing Director of Green Island Cement (Holdings) Limited since September 2000, re-joined Anderson Asia (Holdings) Limited in July 1993. Prior to re-joining Anderson Asia (Holdings) Limited where he previously worked for 14 years, he was with a leading investment bank in Hong Kong. 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.

**YU Siu Lim, Gary**, aged 45, Managing Director of Green Island International Limited and Director of Polyphalt Inc., has been with Green Island Cement (Holdings) Limited since 1993. Before joining Green Island Cement (Holdings) Limited, he worked for over 10 years with various companies of the Cheung Kong Group. He holds a Bachelor of Computer Science degree.

**John LAM**, aged 50, Managing Director of Anderson Asia (Holdings) Limited, re-joined Anderson Asia (Holdings) Limited in March 1998. Prior to re-joining Anderson Asia (Holdings) Limited where he previously worked for 9 years, 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 58, Director of Anderson Asia (Holdings) Limited, Green Island International Limited and Polyphalt Inc., has been with the Cheung Kong Group since 1988. He holds a Master's degree in Business Administration and a Bachelor's degree in Civil Engineering and is a Chartered Professional Engineer. He is a member of the Institute of Engineers (Australia) and a fellow of the Institute of Quarrying.

## **REPORT OF THE DIRECTORS**

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, 2000.

### **PRINCIPAL ACTIVITIES**

The Company's principal activities during the year are development, investment and operation of infrastructure businesses in Hong Kong, the Mainland and Australia.

### **RESULTS AND DIVIDENDS**

Results of the Group for the year ended 31st December, 2000 are set out in the consolidated income statement on page 47.

The Directors recommend the payment of a final dividend of HK\$0.40 per share which, together with the interim dividend of HK\$0.20 per share paid on 12th October, 2000, makes a total dividend of HK\$0.60 per share for the year.

### **FIXED ASSETS**

Movements in the Group's fixed assets during the year are set out in note 12 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 27 to the financial statements on pages 68 and 69.

### **GROUP FINANCIAL SUMMARY**

Results, assets and liabilities of the Group for the last five years are summarised on pages 4 and 5.

### **PROPERTIES**

Particulars of major properties held by the Group are set out in Appendix 5 on page 82.

### **DIRECTORS**

The Directors of the Company are listed on page 96. The Directors' biographical information is set out on page 30.

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. Fok Kin Ning, Canning, Mrs. Chow Woo Mo Fong, Susan and Mrs. Lee Pui Ling, Angelina retire from office and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

## REPORT OF THE DIRECTORS (Cont'd)

### DIRECTORS' INTERESTS

As at 31st December, 2000, the interests of the Directors in the shares and debentures 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/Amount of Debentures

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 Limited	Li Tzar Kuoi, Victor	–	–	971,000 (Note 5)	2,139,002,773 (Note 2)	2,139,973,773
	George Colin Magnus	880,000	9,900	–	–	889,900
	Fok Kin Ning, Canning	962,597	–	48,278 (Note 6)	–	1,010,875
	Lee Pui Ling, Angelina	38,500	–	–	–	38,500
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	100,000	–	–	–	100,000
Hongkong Electric Holdings Limited	Li Tzar Kuoi, Victor	–	–	–	829,599,612 (Note 3)	829,599,612
	Lee Pui Ling, Angelina	8,800	–	–	–	8,800
Husky Energy Inc.	Li Tzar Kuoi, Victor	–	–	–	137,103,086 (Note 7)	137,103,086
	Fok Kin Ning, Canning	–	–	300,000 (Note 6)	–	300,000
Partner Communications Company Ltd.	George Colin Magnus	25,000	–	–	–	25,000
	Fok Kin Ning, Canning	–	–	225,000 (Note 6)	–	225,000
Believewell Limited	Li Tzar Kuoi, Victor	–	–	–	1,000 (Note 4)	1,000



## REPORT OF THE DIRECTORS (Cont'd)

### No. of Ordinary Shares/Amount of Debentures (Cont'd)

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Hutchison Whampoa Finance (CI) Limited	Fok Kin Ning, Canning	–	–	US\$11,000,000 6.95% Notes due 2007 (Note 6)	–	US\$11,000,000 6.95% Notes due 2007
Hutchison Delta Finance Limited	Frank John Sixt	US\$530,000 7% convertible bond due 2001	–	–	–	US\$530,000 7% convertible bond due 2001

#### 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 two daughters, 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 2,139,002,773 shares in Hutchison Whampoa comprise:

(a) 2,130,202,773 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) 8,800,000 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 two daughters, 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 8,800,000 shares in Hutchison Whampoa by virtue of his interests as described in this paragraph as a discretionary beneficiary of certain discretionary trusts.

(3) The 829,599,612 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.

## REPORT OF THE DIRECTORS (Cont'd)

- (4) This company is an associated company 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 a company 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.
- (7) These shares are held by a company in respect of which a trust company as trustee of The Li Ka-Shing Castle Discretionary Trust is indirectly entitled to substantially all the net assets thereof. Mr. Li Tzar Kuoi, Victor may be deemed to be interested in such shares by virtue of his interests as a discretionary beneficiary of certain discretionary trusts as described in Note 2(b) above.

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, 2000 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, 2000 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.

## REPORT OF THE DIRECTORS (Cont'd)

- (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, 2000 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\$312 million) and the other in respect of US\$90,000,000 (approximately HK\$702 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%
Hutchison Whampoa	23%
Pennywise	9%

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.



## REPORT OF THE DIRECTORS (Cont'd)

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.

## REPORT OF THE DIRECTORS (Cont'd)

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.

## REPORT OF THE DIRECTORS (Cont'd)

The independent non-executive directors of the Company have confirmed that for the year 2000 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 2000 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 Waivers shall continue to be effective on the same bases as referred to above.

(v) On 3rd June, 2000, the Group entered into an agreement with a third party to establish a joint venture, in which the Group would hold a 60% interest. In accordance with the agreement, the Group granted to the joint venture a working capital loan facility up to approximately HK\$23 million. The third party is a connected person of the Group by virtue of his 40% interest in the joint venture. The loan facility remained undrawn at 31st December, 2000.

### **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the Group's recognised sales attributable to the Group's five largest customers were less than 30 per cent. of the Group's sales and the Group's purchases attributable to the Group's five largest suppliers were less than 30 per cent. of the Group's purchases.

### **COMPETING BUSINESS INTERESTS OF DIRECTORS**

During the year, the interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (the "Competing Business") as required to be disclosed pursuant to the Listing Rules were as follows:

#### **(a) Core business activities of the Group**

- (1) Development, investment and operation of power plants and distribution facilities.
- (2) Development, investment and operation of toll roads, toll bridges, tunnel and ancillary businesses and services.
- (3) Development, investment and operation and commercialisation of infrastructure materials including cement, concrete and asphalt products.
- (4) Investment holding and project management.
- (5) Securities investment.
- (6) Information technology, e-commerce and new technology.



REPORT OF THE DIRECTORS (Cont'd)

(b) Interests in Competing Business

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Li Tzar Kuoi, Victor	Cheung Kong (Holdings) Limited	Managing Director and Deputy Chairman	(4), (5) & (6)
	Hutchison Whampoa Limited	Deputy Chairman	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Executive Director	(1), (4), (5) & (6)
George Colin Magnus	Cheung Kong (Holdings) Limited	Deputy Chairman	(4), (5) & (6)
	Hutchison Whampoa Limited	Executive Director	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Chairman	(1), (4), (5) & (6)
	Paul Y.-ITC Construction Holdings Limited	Non-executive Director	(4), (5) & (6)
Fok Kin Ning, Canning	Cheung Kong (Holdings) Limited	Non-executive Director	(4), (5) & (6)
	Hutchison Whampoa Limited	Group Managing Director	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Deputy Chairman	(1), (4), (5) & (6)
	Hanny Holdings Limited	Non-executive Director	(4), (5) & (6)
	Paul Y.-ITC Construction Holdings Limited	Non-executive Director	(4), (5) & (6)
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director	(4), (5) & (6)
	Hutchison Whampoa Limited	Executive Director	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Executive Director	(1), (4), (5) & (6)
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Executive Director	(4), (5) & (6)
	CATIC International Holdings Limited	Non-executive Director	(4) & (5)
	Excel Technology International Holdings Limited	Non-executive Director	(4), (5) & (6)
	Hanny Holdings Limited	Non-executive Director	(4), (5) & (6)
	Paul Y.-ITC Construction Holdings Limited	Non-executive Director	(4) & (5)
	Shougang Concord International Enterprises Company Limited	Executive Director	(4) & (5)
	TOM.COM LIMITED	Non-executive Director	(4), (5) & (6)
	Town Health International Holdings Company Limited	Non-executive Director	(4), (5) & (6)
	Trasy Gold Ex Limited	Non-executive Director	(4), (5) & (6)
Frank John Sixt	Cheung Kong (Holdings) Limited	Non-executive Director	(4), (5) & (6)
	Hutchison Whampoa Limited	Group Finance Director	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Executive Director	(1), (4), (5) & (6)
	TOM.COM LIMITED	Chairman	(4), (5) & (6)

## REPORT OF THE DIRECTORS (Cont'd)

### (b) Interests in Competing Business (Cont'd)

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Chow Woo Mo Fong, Susan	Hutchison Whampoa Limited	Deputy Group Managing Director	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Non-executive Director	(1), (4), (5) & (6)
	TOM.COM LIMITED	Non-executive Director	(4), (5) & (6)
Tso Kai Sum	Hongkong Electric Holdings Limited	Group Managing Director	(1), (4), (5) & (6)

Note: Such businesses may be made through subsidiaries, associated companies or by way of other forms of investments.

Save as disclosed above, none of the Directors is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

### FINANCIAL RESOURCES, TREASURY ACTIVITIES AND GEARING RATIO

The Group's capital expenditure and investments for the year were funded from cash on hand, internal cash generation, the syndication loan drawn since September 1997 and new project loans drawn during the year.

The Group maintained bank balances and cash totalling HK\$2,169 million as at 31st December, 2000, of which more than 90 per cent. were denominated in Hong Kong dollars or U.S. dollars.

At the end of 2000, total borrowings of the Group amounted to HK\$10,546 million, which included Hong Kong dollar syndication loan of HK\$3,800 million, foreign currency bank borrowings of HK\$6,628 million, RMB bank loans of HK\$113 million and Canadian dollar debentures of HK\$5 million. Of the total borrowings, 34 per cent. were repayable in 2001, 37 per cent. repayable in 2002 and the remaining portion repayable in 2003 to 2005. Committed borrowing facilities available to the Group, but not yet drawn as at 31st December, 2000, amounted to HK\$311 million. Of these undrawn facilities, 95 per cent. will expire in 2001 and the remaining portion will expire in 2003. Given the positive responses from local and overseas bankers on the Group's financing activities during the year, the Group believes that its bankers will continue to support the Group's future financing needs.

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

## REPORT OF THE DIRECTORS (Cont'd)

As at 31st December, 2000, the Group maintained a gearing ratio at 35 per cent. which was based on its net debt of HK\$8,377 million and equity of HK\$23,862 million. This ratio was higher than the gearing ratio of 11 per cent. at the year end of 1999 as a result of the new financing requirements for the acquisitions of ETSA Utilities and Powercor Australia Limited during the year of 2000. As at 31st December, 2000, HK\$6,165 million of the loans related to these two projects remained outstanding, including a short-term Australian dollar bridging loan of approximately HK\$3,421 million which will be repaid in 2001. In view of the expiry of the HK\$3,800 million syndication loan in 2002 and potential project financing requirements from business growth, the Group has established a medium term note programme of up to US\$2 billion in March 2001.

To minimise currency risk exposure, the Group has a policy of hedging its investments in other countries with the appropriate level of borrowings denominated in the currencies of those countries. As at 31st December, 2000, the Group has swapped the floating interest rates of its borrowings totalling HK\$4,717 million into fixed interest rates. The Group will consider entering into further interest and currency swap transactions to hedge against its interest rate and currency risk exposures, as appropriate.

### **CHARGE ON GROUP ASSETS**

As at 31st December, 2000, a bank deposit of HK\$52 million and certain of the Group's land and buildings with a net book value of HK\$51 million were pledged to secure the Group's bank loans totalling HK\$89 million. Moreover, the assets of a non-wholly owned subsidiary with net book value of HK\$50 million were pledged as a floating charge to secure the debentures with face value totalling HK\$5 million issued by the aforesaid subsidiary.

### **CONTINGENT LIABILITIES**

As at 31st December, 2000, the Group was subject to outstanding performance bonds totalling HK\$5 million.

### **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 2,363 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$449 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 in 1996. The Group does not have any share option scheme for employees.

### **DONATIONS**

Donations made by the Group during the year amounted to HK\$22,346,000.



## REPORT OF THE DIRECTORS (Cont'd)

### **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 twice 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 the whole amount was drawn as at 31st December, 2000. 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 31st December, 2000. 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\$4 million remained undrawn as at 31st December, 2000. 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.

## REPORT OF THE DIRECTORS (Cont'd)

- (e) The Group has entered into a long term syndicated facility agreement of A\$500 million of which the whole amount was drawn as at 31st December, 2000. 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.
- (f) The Group has entered into two long term loan facility agreements of A\$45 million and A\$90 million respectively, of which the whole amounts were drawn as at 31st December, 2000. The facilities will mature in 2004 and 2005 respectively. Under the provision of the loan agreements, 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) As at 31st December, 2000, the Group has granted to certain affiliated companies loans and advances totalling HK\$8,704 million, equivalent to approximately 36 per cent. of the Group's net assets. Proforma combined balance sheet of the affiliated companies as at 31st December, 2000 is set out below:

HK\$ million	
Non-current assets	32,941
Current assets	3,427
Current liabilities	(11,053)
Non-current liabilities	(25,913)
<b>Net assets</b>	<b>(598)</b>
Share capital	840
Reserves	(1,438)
<b>Capital and reserves</b>	<b>(598)</b>

As at 31st December, 2000, the consolidated attributable interest of the Group in these affiliated companies amounted to HK\$9,105 million.

### 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, 15th March, 2001

## REPORT OF THE AUDITORS

### 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

#### 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 47 to 81 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, 2000 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, 15th March, 2001



## CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK\$million	Notes	2000	1999
<b>Turnover</b>	3		
Group turnover		<b>2,567</b>	3,063
Share of turnover of jointly controlled entities		<b>778</b>	124
		<b>3,345</b>	3,187
<b>Group turnover</b>	3	<b>2,567</b>	3,063
Other revenue	4	<b>1,373</b>	268
Operating costs	5	<b>(2,819)</b>	(1,869)
Finance costs	6	<b>(621)</b>	(131)
<b>Operating profit</b>	7	<b>500</b>	1,331
Share of results of associates		<b>2,413</b>	2,004
Share of results of jointly controlled entities		<b>588</b>	49
<b>Profit before taxation</b>		<b>3,501</b>	3,384
Taxation	8	<b>(288)</b>	(245)
<b>Profit after taxation</b>		<b>3,213</b>	3,139
Minority interests		<b>15</b>	2
<b>Profit attributable to shareholders</b>	9	<b>3,228</b>	3,141
Dividends	10	<b>(1,353)</b>	(947)
<b>Profit for the year retained</b>		<b>1,875</b>	2,194
<b>Earnings per share</b>	11	<b>HK\$1.43</b>	HK\$1.39

## BALANCE SHEETS

as at 31st December

HK\$million	Notes	Group		Company	
		2000	1999	2000	1999
Property, plant and equipment	12	2,267	2,328	8	6
Interests in subsidiaries	13	–	–	27,891	27,717
Interests in associates	14	20,378	12,609	–	–
Interests in jointly controlled entities	15	4,791	2,591	–	–
Infrastructure project investments	16	4,294	6,280	–	–
Investments in securities	17	754	676	–	–
Other non-current assets	18	39	11	–	–
<b>Total non-current assets</b>		<b>32,523</b>	24,495	<b>27,899</b>	27,723
Inventories	19	222	209	–	–
Amounts due from customers for contract work	20	2	2	–	–
Retention receivables		21	5	–	–
Debtors and prepayments	21	1,620	1,512	29	2
Dividend receivable		–	–	1,628	1,219
Bank balance, pledged		52	–	–	–
Bank balances and cash on hand		2,117	1,443	5	1
<b>Total current assets</b>		<b>4,034</b>	3,171	<b>1,662</b>	1,222
Bank loans	22	3,539	17	–	–
Creditors and accruals	23	881	494	112	13
Provision for taxation		106	98	–	–
Proposed dividends		902	654	902	654
<b>Total current liabilities</b>		<b>5,428</b>	1,263	<b>1,014</b>	667
<b>Net current (liabilities)/assets</b>		<b>(1,394)</b>	1,908	<b>648</b>	555
<b>Total assets less current liabilities</b>		<b>31,129</b>	26,403	<b>28,547</b>	28,278
Bank loans	22	7,002	3,959	–	–
Debentures	24	5	–	–	–
Deferred taxation	25	4	8	–	–
<b>Total non-current liabilities</b>		<b>7,011</b>	3,967	–	–
<b>Minority interests</b>		<b>256</b>	253	–	–
<b>Net assets</b>		<b>23,862</b>	22,183	<b>28,547</b>	28,278
Representing:					
Share capital	26	2,254	2,254	2,254	2,254
Reserves	27	21,608	19,929	26,293	26,024
<b>Capital and reserves</b>		<b>23,862</b>	22,183	<b>28,547</b>	28,278

LI TZAR KUOI, VICTOR

Director

IP TAK CHUEN, EDMOND

Director

15th March, 2001

## CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 31st December

HK\$million	2000	1999
Surplus/(deficit) on revaluation of non-trading securities	62	(43)
Exchange translation differences	(8)	–
Net gain/(loss) not recognised in the consolidated income statement	54	(43)
Net profit for the year	3,228	3,141
Total recognised gains and losses	3,282	3,098
Elimination of goodwill against reserves arising from acquisition of a subsidiary	(20)	–
Elimination of goodwill against reserves arising from acquisition of interest in an associate	(230)	(295)
	3,032	2,803



## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December

HK\$million	Notes	2000	1999
<b>Net cash inflow from operating activities</b>	28(a)	<b>396</b>	510
Returns on investments and servicing of finance			
Interest received		191	105
Interest paid		(278)	(228)
Dividends received from associates		532	–
Distribution received from listed stapled securities		48	22
Dividends received from other listed securities		2	–
Dividends paid		(1,105)	(879)
Dividends paid to minority shareholders		–	(1)
Interest received from jointly controlled entities		68	67
Returns from infrastructure project investments		570	749
Finance lease income received		5	3
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>		<b>33</b>	(162)
<b>Profits tax paid</b>		<b>(38)</b>	(27)
<b>Net cash inflow before investing activities</b>		<b>391</b>	321
Investing activities			
Purchases of property, plant and equipment		(150)	(142)
Disposals of property, plant and equipment		21	17
Acquisition of a subsidiary	28(b)	(1)	–
Disposal of a subsidiary	28(c)	–	79
Acquisition of interest in a subsidiary from a minority shareholder	28(d)	(1)	–
Purchases of interest in associates		(309)	(374)
Advances to associates		(12,295)	(261)
Repayments/advance from associates		6,157	–
Investments in jointly controlled entities		(81)	–
Loans to jointly controlled entities		(127)	(282)
Repayments from jointly controlled entities		16	–
Investments in infrastructure projects		(72)	(4)
Deposits received for disposal of infrastructure project investments		429	–
Disposals of infrastructure project investments		–	524
Purchases of listed securities		(93)	(666)
Acquisition of assets for leasing		(38)	(14)
Repayments from finance lease debtors		13	8
Acquisition of patents		(1)	–
Deferred expenditure recovered		–	30
Pledge of bank deposit	22	(52)	–
<b>Net cash (outflow) from investing activities</b>		<b>(6,584)</b>	(1,085)
<b>Net cash (outflow) before financing</b>		<b>(6,193)</b>	(764)
Financing	28(d)		
New bank loans		12,765	897
Repayment of bank loans		(5,898)	(21)
<b>Net cash inflow from financing</b>		<b>6,867</b>	876
<b>Net increase in cash and cash equivalents</b>		<b>674</b>	112
Cash and cash equivalents at 1st January		1,443	1,331
<b>Cash and cash equivalents at 31st December</b>		<b>2,117</b>	1,443
Representing:			
<b>Bank balances and cash on hand at 31st December</b>		<b>2,117</b>	1,443

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

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

The Group’s principal activities during the year are development, investment and operation of infrastructure businesses in Hong Kong, the Mainland and Australia.

### 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), the 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 acquisitions or disposals.

#### b) Goodwill

Goodwill represents the excess of costs of acquisition over the fair value of the Group’s share of the separable net assets of subsidiaries, associates and jointly controlled entities acquired and is written off against reserves in the year of acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of subsidiaries, associates and jointly controlled entities over the purchase consideration is credited to reserves.

On the disposal of an investment in a subsidiary, an associate or a 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 diminution in value other than temporary 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 financial and operating policy decisions.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### d) Associates (cont'd)

The results and assets and liabilities of associates are incorporated in the Group's financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

#### 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 results and assets and liabilities of jointly controlled entities are incorporated in the Group's financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

#### f) Infrastructure Project Investments

Investments in infrastructure projects which do not fall into the definition of subsidiaries, associates or 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' shares of net assets are not in proportion to their capital contribution ratios but are 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 its 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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### g) Property, Plant and Equipment (cont'd)

Where the recoverable amount of an asset has declined below its carrying 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 as appropriate, 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 will probably 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 the investment revaluation reserve, until the security is disposed of, or is determined to be impaired, when the cumulative gain or loss is included in the income statement.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### 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 at the interest rate applicable.

##### (v) Charterhire service income

Charterhire service income is recognised on a straight-line basis over the terms of the respective charter hire.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### o) Finance Leases

Leases that transfer substantially 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 gross investment in leases less unearned finance lease income allocated to future accounting periods. The unearned finance lease income is allocated to future accounting periods so as to reflect constant periodic rates of return on the Group's net investments outstanding in respect of the leases, in accordance with SSAP 14 (revised) "Leases" issued by the Hong Kong Society of Accountants in February 2000. Except for certain comparative amounts which have been reclassified to conform to the current year's presentation, the adoption of this statement does not have any significant effect on amounts reported in the prior year financial statements of the Group, and accordingly, no prior year adjustment is required. Previously, the Group allocated unearned finance lease income to future accounting periods on a straight-line basis over the remaining terms of the respective leases.

#### p) 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.

#### q) 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

Group 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.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**3. TURNOVER** (cont'd)

**By business segment**

HK\$million	2000			1999		
	Group turnover	Share of turnover of jointly controlled entities	Total	Group turnover	Share of turnover of jointly controlled entities	Total
Materials	2,024	–	2,024	2,160	–	2,160
Energy	180	618	798	384	–	384
Transportation	363	160	523	519	124	643
<b>Total</b>	<b>2,567</b>	<b>778</b>	<b>3,345</b>	<b>3,063</b>	<b>124</b>	<b>3,187</b>

**By geographic region**

HK\$million	2000			1999		
	Group turnover	Share of turnover of jointly controlled entities	Total	Group turnover	Share of turnover of jointly controlled entities	Total
Hong Kong	1,681	–	1,681	1,843	–	1,843
The Mainland	863	778	1,641	1,204	124	1,328
Others	23	–	23	16	–	16
<b>Total</b>	<b>2,567</b>	<b>778</b>	<b>3,345</b>	<b>3,063</b>	<b>124</b>	<b>3,187</b>

**4. OTHER REVENUE**

Other revenue includes the following:

HK\$million	2000	1999
Interest income	665	114
Finance lease income	5	3
Distribution from listed stapled securities	48	22
Dividends from other listed securities	2	–
Charterhire service income	561	51

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**5. OPERATING COSTS**

HK\$million	2000	1999
Changes in inventories of finished goods and work-in-progress	(7)	(6)
Raw materials and consumables used	593	563
Staff costs including directors' remuneration	478	485
Depreciation	196	166
Amortisation of patents and licenses	2	–
Amortisation of costs of investments in infrastructure projects	179	210
Costs of charterhire services rendered	559	51
Other operating expenses	819	400
<b>Total</b>	<b>2,819</b>	<b>1,869</b>

**6. FINANCE COSTS**

HK\$million	2000	1999
Interest on bank borrowings wholly repayable within five years	659	214
Less: Amount capitalised	(38)	(83)
<b>Total</b>	<b>621</b>	<b>131</b>

Interests capitalised during the year are calculated at rates ranging from 6% to 7% per annum.

**7. OPERATING PROFIT**

HK\$million	2000	1999
<b>Operating profit is arrived at after crediting:</b>		
Contract revenue	197	193
Gain on disposals of property, plant and equipment	5	–
<b>and charging:</b>		
Loss on disposal of property, plant and equipment	–	1
Operating lease rental		
Land and buildings	60	47
Vessels	607	91
Directors' remuneration (note 30)	29	15
Auditors' remuneration	2	2



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**8. TAXATION**

HK\$million	2000	1999
<b>Company and subsidiaries</b>		
Hong Kong profits tax – current	46	59
– deferred	(4)	1
	<b>42</b>	60
<b>Associates</b>		
Hong Kong profits tax – current	246	182
– deferred	–	3
	<b>246</b>	185
<b>Total</b>	<b>288</b>	245

Hong Kong profits tax is provided for at the rate of 16 per cent. (1999: 16 per cent.) on the estimated assessable profits for the year less available tax relief for losses brought forward.

**9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

Of the Group's profit attributable to shareholders for the year, HK\$1,622 million (1999: HK\$1,220 million) has been dealt with in the financial statements of the Company.

The Group's profit attributable to shareholders is analysed as follows:

**By business segment**

HK\$million	2000			1999		
	Company and subsidiaries	Associates and jointly controlled entities	Total	Company and subsidiaries	Associates and jointly controlled entities	Total
Materials	371	10	381	696	(16)	680
Energy	527	2,608	3,135	248	1,821	2,069
Transportation	383	137	520	413	63	476
	<b>1,281</b>	<b>2,755</b>	<b>4,036</b>	1,357	1,868	3,225
Finance costs	(621)	–	(621)	(131)	–	(131)
Net corporate overheads	(187)	–	(187)	47	–	47
<b>Profit attributable to shareholders</b>	<b>473</b>	<b>2,755</b>	<b>3,228</b>	1,273	1,868	3,141

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS** (cont'd)

**By geographic region**

HK\$million	2000			1999		
	Company and subsidiaries	Associates and jointly controlled entities	Total	Company and subsidiaries	Associates and jointly controlled entities	Total
Hong Kong	483	2,159	2,642	694	1,835	2,529
The Mainland	247	588	835	628	49	677
Australia	567	–	567	22	–	22
Others	(16)	8	(8)	13	(16)	(3)
	<b>1,281</b>	<b>2,755</b>	<b>4,036</b>	1,357	1,868	3,225
Finance costs	(621)	–	(621)	(131)	–	(131)
Net corporate overheads	(187)	–	(187)	47	–	47
<b>Profit attributable to shareholders</b>	<b>473</b>	<b>2,755</b>	<b>3,228</b>	1,273	1,868	3,141

**10. DIVIDENDS**

HK\$million	2000	1999
Interim dividend paid of HK\$0.2 (1999: HK\$0.13) per share	451	293
Proposed final dividend of HK\$0.4 (1999: HK\$0.29) per share	902	654
<b>Total</b>	<b>1,353</b>	947

**11. EARNINGS PER SHARE**

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$3,228 million (1999: HK\$3,141 million) and on 2,254,209,945 shares (1999: 2,254,209,945 shares) in issue during the year.

Diluted earnings per share for the year ended 31st December, 2000 has not been shown as there was no dilutive effect on the earnings per share if the convertible debentures outstanding during the year were fully converted into shares of a non-wholly owned subsidiary which issued the debentures (note 24).

Diluted earnings per share for the year ended 31st December, 1999 has not been calculated as no dilutive potential ordinary shares existed during the year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**12. PROPERTY, PLANT AND EQUIPMENT**

HK\$million	Medium term leasehold land and buildings in Hong Kong	Medium term leasehold land and buildings in the Mainland	Plant and machinery	Furniture, fixtures and others	Total
<b>Group</b>					
Cost					
At 1st January, 2000	853	270	2,061	278	3,462
Additions	2	3	119	26	150
Disposals	–	–	(44)	(39)	(83)
Acquisition of a subsidiary	–	–	1	–	1
Transfer between categories	–	112	(122)	10	–
At 31st December, 2000	855	385	2,015	275	3,530
Accumulated depreciation					
At 1st January, 2000	216	13	739	166	1,134
Charge for the year	27	12	128	29	196
Disposals	–	–	(43)	(24)	(67)
At 31st December, 2000	243	25	824	171	1,263
Net book value					
<b>At 31st December, 2000</b>	<b>612</b>	<b>360</b>	<b>1,191</b>	<b>104</b>	<b>2,267</b>
At 31st December, 1999	637	257	1,322	112	2,328
<b>Company</b>					
Cost					
At 1st January, 2000	–	–	–	8	8
Additions	–	–	–	5	5
At 31st December, 2000	–	–	–	13	13
Accumulated depreciation					
At 1st January, 2000	–	–	–	2	2
Charge for the year	–	–	–	3	3
At 31st December, 2000	–	–	–	5	5
Net book value					
<b>At 31st December, 2000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8</b>	<b>8</b>
At 31st December, 1999	–	–	–	6	6

At 31st December, 2000, certain of the Group's land and buildings with a net book value of HK\$51 million (1999: nil) have been pledged to secure a bank loan granted to the Group (note 22).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**13. INTERESTS IN SUBSIDIARIES**

HK\$million	Company	
	2000	1999
Unlisted shares, at cost	<b>22,757</b>	22,757
Amounts due by subsidiaries	<b>5,134</b>	4,960
<b>At 31st December</b>	<b>27,891</b>	27,717

Particulars of the principal subsidiaries are set out in Appendix 1 on pages 76 and 77.

**14. INTERESTS IN ASSOCIATES**

HK\$million	Group	
	2000	1999
Share of net assets:		
Listed associate	<b>13,801</b>	12,040
Unlisted associates	<b>115</b>	162
	<b>13,916</b>	12,202
Amounts due by unlisted associates	<b>6,462</b>	407
<b>At 31st December</b>	<b>20,378</b>	12,609
<b>Market value of listed associate</b>	<b>23,892</b>	19,069

The amounts due by unlisted associates include loans of HK\$4,493 million (1999: nil) to certain associates, the repayment of which to the Group are subordinated to other lenders of these associates.

Particulars of the principal associates of the Group are set out in Appendix 2 on page 78.

An extract of the published financial statements of Hongkong Electric Holdings Limited ("Hongkong Electric"), a principal associate of the Group, for the year ended 31st December, 2000, is shown in Appendix 4 on pages 80 and 81.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**15. INTERESTS IN JOINTLY CONTROLLED ENTITIES**

HK\$million	2000	Group 1999
Investment costs	2,016	447
Shareholders' loans to jointly controlled entities	2,210	2,099
Share of undistributed post-acquisition results	565	45
<b>At 31st December</b>	<b>4,791</b>	<b>2,591</b>

Particulars of the Group's interests in the principal jointly controlled entities are set out in Appendix 3 on page 79.

**16. INFRASTRUCTURE PROJECT INVESTMENTS**

HK\$million	2000	Group 1999
Investments	5,092	6,899
Accumulated amortisation	(798)	(619)
<b>At 31st December</b>	<b>4,294</b>	<b>6,280</b>

**17. INVESTMENTS IN SECURITIES**

HK\$million	2000	Group 1999
<b>Non-trading securities:</b>		
Listed equity investments, at market value:		
Hong Kong	41	42
Overseas	128	–
Listed debt investments, at market value:		
Overseas	181	157
Listed stapled securities, at market value:		
Overseas	404	477
<b>Total</b>	<b>754</b>	<b>676</b>

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**18. OTHER NON-CURRENT ASSETS**

HK\$million	2000	Group 1999
Patents and licenses	6	–
Finance lease debtors – non-current portion	33	11
<b>At 31st December</b>	<b>39</b>	<b>11</b>

Details of finance lease debtors are further shown below:

HK\$million	2000	Group 1999
Gross investment in leases receivable:		
within one year	15	9
in the second to fifth year, inclusive	39	14
after the fifth year	3	–
	<b>57</b>	23
Unearned finance lease income	(14)	(5)
<b>Present value of finance lease debtors</b>	<b>43</b>	<b>18</b>
Portion receivable:		
within one year – current portion	10	7
in the second to fifth year, inclusive	30	11
after the fifth year	3	–
Non-current portion	33	11
<b>Total</b>	<b>43</b>	<b>18</b>

**19. INVENTORIES**

HK\$million	2000	Group 1999
Raw materials	58	54
Work-in-progress	11	17
Stores, spare parts and supplies	117	115
Finished goods	31	18
	<b>217</b>	204
Completed properties for resale	5	5
<b>Total</b>	<b>222</b>	<b>209</b>

The cost of inventories charged to the Group's income statement during the year is HK\$1,371 million (1999: HK\$1,245 million).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**20. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK**

HK\$million	Group	
	2000	1999
Costs plus recognised profits less recognised losses	67	138
Progress billing	(65)	(136)
<b>Due from customers</b>	<b>2</b>	<b>2</b>

**21. DEBTORS AND PREPAYMENTS**

HK\$million	Group		Company	
	2000	1999	2000	1999
Trade debtors and infrastructure project receivables	1,275	1,350	–	–
Prepayments, deposits and other receivables	345	162	29	2
<b>Total</b>	<b>1,620</b>	<b>1,512</b>	<b>29</b>	<b>2</b>

The ageing analysis of the Group's trade debtors and infrastructure project receivables is as follows:

HK\$million	2000	1999
Current	797	1,162
One month	56	37
Two to three months	21	10
Three months and more	607	277
<b>Gross total</b>	<b>1,481</b>	<b>1,486</b>
Provision	(206)	(136)
<b>Total after provision</b>	<b>1,275</b>	<b>1,350</b>

Tradings with customers are largely on credit, except for new customers and customers with unsatisfactory payment records, where payment in advance is normally required. Invoices are normally payable within one month of issuance, except for certain well-established customers, where the terms are extended to two months, and certain customers with disputed items, where the terms are negotiated individually. Each customer has a maximum credit limit, which was granted and approved by senior management in accordance with the laid-down credit review policy and procedures.

Infrastructure project receivables are mainly derived from return from infrastructure project investments, which is predetermined in accordance with provisions of the relevant agreements. The return is contractually payable annually or semi-annually to the Group within a specified period, mostly of two to three months from the financial period end dates of the infrastructure project investments.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**22. BANK LOANS**

HK\$million	2000	Group 1999
<b>Unsecured bank loans repayable:</b>		
within one year	<b>3,450</b>	17
in the second year	<b>3,847</b>	–
in the third to fifth year, inclusive	<b>3,155</b>	3,959
	<b>10,452</b>	3,976
<b>Secured bank loans repayable:</b>		
within one year	<b>89</b>	–
<b>Total</b>	<b>10,541</b>	3,976
Portion classified as:		
current liabilities	<b>3,539</b>	17
non-current liabilities	<b>7,002</b>	3,959
<b>Total</b>	<b>10,541</b>	3,976

At 31st December, 2000, a bank deposit of HK\$52 million (1999: nil) and certain of the Group's land and buildings with a net book value of HK\$51 million (1999: nil) have been pledged to secure the Group's bank loans totalling HK\$89 million (1999: nil).

Other particulars of the bank loans are summarised below:

HK\$million	2000	Group 1999
HK\$ syndication loans, bearing interest at Hong Kong Interbank Offered Rate plus a spread	<b>3,800</b>	3,400
A\$ syndication and term loans, bearing interest at the average bid rate in respect of Australian Bill Bank Swap Reference Rate plus a spread	<b>6,576</b>	512
RMB loans, bearing interest at fixed rates	<b>113</b>	64
C\$ loans, bearing interest at London Interbank Offered Rate plus a spread	<b>52</b>	–
<b>Total</b>	<b>10,541</b>	3,976

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**23. CREDITORS AND ACCRUALS**

HK\$million	Group		Company	
	2000	1999	2000	1999
Trade creditors	<b>166</b>	136	–	–
Amount due to an unlisted associate	<b>82</b>	–	<b>82</b>	–
Other payables and accruals	<b>633</b>	358	<b>30</b>	13
<b>Total</b>	<b>881</b>	494	<b>112</b>	13

The ageing analysis of the Group's trade creditors is as follows:

HK\$million	2000	1999
Current	<b>88</b>	91
One month	<b>9</b>	10
Two to three months	<b>6</b>	7
Three months and more	<b>63</b>	28
<b>Total</b>	<b>166</b>	136

**24. DEBENTURES**

The debentures, which have been issued by a non-wholly owned subsidiary acquired by the Company during the year ended 31st December, 2000, bear interest at the rate of 5% per annum on face value totalling HK\$5 million. The debentures are secured by a floating charge on the assets of the subsidiary with net book value of HK\$50 million as at 31st December, 2000. These debentures are convertible into shares of the subsidiary at the option of the holders at any time prior to the debentures' maturity date on 31st January, 2002.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 25. 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 (assets)/liabilities which have not been provided in the financial statements are as follows:

HK\$million	Group			
	For the year		As at 31st December	
	2000	1999	2000	1999
(Shortfall)/excess of tax allowances over depreciation	(5)	13	71	76
Unutilised tax losses	(12)	(10)	(42)	(30)
<b>Net potential (assets)/liabilities unprovided</b>	<b>(17)</b>	<b>3</b>	<b>29</b>	<b>46</b>

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.

### 26. SHARE CAPITAL

HK\$million	2000	1999
<b>Authorised:</b>		
4,000,000,000 shares of HK\$1 each	4,000	4,000
<b>Issued and fully paid:</b>		
2,254,209,945 shares of HK\$1 each	2,254	2,254

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**27. RESERVES**

HK\$million	Group					Total
	Share premium	Contributed surplus	Investment revaluation reserve	Exchange translation reserve	Retained profits	
At 1st January, 1999	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
Surplus on revaluation of investments						
in securities	–	–	62	–	–	62
Goodwill on acquisition of a subsidiary	–	(20)	–	–	–	(20)
Goodwill on acquisition of interest in						
an associate	–	(230)	–	–	–	(230)
Exchange translation differences	–	–	–	(8)	–	(8)
Profit for the year retained	–	–	–	–	1,875	1,875
<b>At 31st December, 2000</b>	<b>3,836</b>	<b>7,632</b>	<b>19</b>	<b>(8)</b>	<b>10,129</b>	<b>21,608</b>

The retained profits of the Group include the Group's share of the undistributed retained profits of its associates and jointly controlled entities amounting to HK\$3,609 million (1999: HK\$2,662 million) and HK\$565 million (1999: HK\$45 million) respectively.

HK\$million	Company			Total
	Share premium	Contributed surplus	Retained profits	
At 1st January, 1999	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
Profit for the year retained	–	–	269	269
<b>At 31st December, 2000</b>	<b>3,836</b>	<b>20,810</b>	<b>1,647</b>	<b>26,293</b>

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 (see below) 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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 27. RESERVES (cont'd)

Cheung Kong Group Restructuring is the reorganisation involving Cheung Kong (Holdings) Limited, Hutchison Whampoa, the Company and Hongkong Electric pursuant to which the transactions relating to the Company 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.

Total distributable reserves of the Company amounted to HK\$22,457 million as at 31st December, 2000 (1999: HK\$22,188 million).

### 28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

HK\$million	2000	1999
Profit before taxation	3,501	3,384
Share of results of associates	(2,413)	(2,004)
Share of results of jointly controlled entities	(588)	(49)
Interest income	(665)	(114)
Finance lease income	(5)	(3)
Income from infrastructure project investments	(543)	(903)
Distribution from listed stapled securities	(48)	(22)
Other dividends	(2)	–
Interest expenses	621	131
Depreciation	196	166
(Gain)/loss on disposals of property, plant and equipment	(5)	1
(Gain) on disposal of a subsidiary	–	(5)
Provision against amounts due by unlisted associates	32	–
Amortisation of costs of investments in infrastructure projects	179	210
Amortisation of patents and licenses	2	–
(Increase) in inventories	(13)	(46)
Decrease in amounts due from customers for contract work	–	1
(Increase) in retention receivables	(16)	(2)
(Increase) in debtors and prepayments	(117)	(123)
Increase/(decrease) in trade creditors, other payables and accruals	280	(112)
<b>Net cash inflow from operating activities</b>	<b>396</b>	<b>510</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT** (cont'd)

**(b) Acquisition of a subsidiary**

HK\$million	2000	1999
<b>Net assets acquired:</b>		
Property, plant and equipment	1	–
Patents and licenses	7	–
Debtors and prepayments	1	–
Bank balances and cash	53	–
Creditors and accruals	(4)	–
Debentures	(5)	–
Minority interests	(19)	–
	<b>34</b>	–
<b>Goodwill</b>	<b>20</b>	–
<b>Total consideration</b>	<b>54</b>	–
<b>Satisfied by:</b>		
Cash	54	–

Analysis of the net cash outflow arising from the acquisition:

HK\$million	2000	1999
Cash consideration	(54)	–
Bank balances and cash acquired	53	–
Net cash (outflow) arising from the acquisition	(1)	–

During the year since the acquisition, the subsidiary has utilised HK\$6 million and HK\$2 million on operating and investing activities respectively.

The subsidiary has also contributed HK\$2 million to the Group's turnover and generated a loss of HK\$2 million to the Group's profit attributable to shareholders during the year since the acquisition.

**28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT** (cont'd)

**(c) Disposal of a subsidiary**

HK\$million	2000	1999
<b>Net assets disposed of:</b>		
Infrastructure project investment	–	47
Amount due by infrastructure project investment	–	27
	–	74
<b>Gain on disposal of a subsidiary</b>	–	5
<b>Total</b>	–	79
<b>Satisfied by:</b>		
Cash	–	79

Analysis of the net cash inflow arising on the disposal:

HK\$million	2000	1999
Cash consideration	–	79
Bank balances and cash disposed of	–	–
<b>Net cash inflow arising from the disposal</b>	–	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 prior year.

The subsidiary disposed of contributed HK\$9 million to the Group's turnover and HK\$5 million to the Group's profit attributable to shareholders for the prior year.



**28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT** (cont'd)

**(d) Analysis of changes in financing during the year**

HK\$million	Bank loans	Minority interests
At 1st January, 1999	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
Net cash inflow from financing	6,867	–
Minority's share of loss	–	(15)
Arising from acquisition of a subsidiary	–	19
Acquisition of interest in a subsidiary from a minority shareholder	–	(1)
Exchange translation difference	(302)	–
<b>At 31st December, 2000</b>	<b>10,541</b>	<b>256</b>

**(e) Major non-cash transaction**

During the year, the Group received from the listed associate scrip dividends totalling HK\$757 million (1999: HK\$1,064 million).

**29. 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 employees' monthly basic 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, 2000 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 for the actuarial valuation of the defined benefit scheme as at 31st December, 1999 was HK\$120 million and the latest actuarial valuation showed that the scheme's assets covered 81 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 been increased since 1st January, 1998. The funding rates are subject to annual review.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 29. RETIREMENT SCHEME (cont'd)

Forfeited contributions and earnings for the year under the defined contribution schemes amounting to HK\$3 million (1999: 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\$34 million (1999: HK\$36 million). At 31st December, 2000, there was no forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution scheme in future years (1999: HK\$1 million).

With the implementation of Mandatory Provident Fund ("MPF") Schemes Ordinance on 1st December, 2000 in Hong Kong, the Group also participates in master trust MPF schemes operated by independent service providers. Mandatory contributions to these MPF schemes are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK\$20,000. As the Group's retirement schemes in Hong Kong are all MPF-exempted recognised occupational retirement schemes ("ORSO schemes"), all the existing members were given an option to elect between the ORSO schemes and the MPF schemes. Except for certain subsidiaries of which the new employees have to join the MPF schemes, the Group offers an option to its Hong Kong employees who commenced employment after 30th November, 2000 to elect between the ORSO schemes and the MPF schemes.

### 30. REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

#### (a) Directors' Remuneration

The following table shows the remuneration of the Company's Directors:

HK\$million	2000	1999
Salaries, benefits in kind and fees	14	6
Contribution to retirement schemes	1	–
Bonuses	14	9
<b>Total</b>	<b>29</b>	<b>15</b>

The Directors' remuneration for the year includes fees of HK\$600,000 (1999: HK\$500,000) of which HK\$100,000 (1999: HK\$100,000) have been 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	2000	1999
Nil – HK\$1,000,000	7	7
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$4,500,001 – HK\$5,000,000	1	1
HK\$6,500,001 – HK\$7,000,000	2	1
HK\$7,000,001 – HK\$7,500,000	1	–

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**30. REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES** (cont'd)

**(b) Senior Executives' Remuneration**

Of the five individuals with the highest emoluments in the Group, four (1999: two) are Directors whose emoluments are disclosed above. The aggregate emoluments in respect of the remaining one (1999: three) individual are as follows:

HK\$million	2000	1999
Salaries and benefits in kind	3	10
Contributions to retirement schemes	1	1
Bonuses	2	7
<b>Total</b>	<b>6</b>	<b>18</b>

The remaining one (1999: three) individual with the highest emolument is within the following bands:

Remuneration band	2000	1999
HK\$5,500,001 – HK\$6,000,000	1	2
HK\$6,500,001 – HK\$7,000,000	–	1

**31. 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		Authorised but not contracted for	
	2000	1999	2000	1999
Investment in an associate	16	15	–	–
Investments in jointly controlled entities	433	519	–	–
Infrastructure investments in the Mainland	29	181	–	–
Plant and machinery	29	38	218	276
Others	–	8,626	6	11
<b>Total</b>	<b>507</b>	<b>9,379</b>	<b>224</b>	<b>287</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 31. COMMITMENTS (cont'd)

(b) At the balance sheet date, the Group had total future minimum lease payments under noncancellable operating leases for the following periods:

HK\$million	Land and buildings	
	2000	1999
Within one year	32	22
In the second to fifth year, inclusive	30	49
<b>Total</b>	<b>62</b>	<b>71</b>

### 32. CONTINGENT LIABILITIES

HK\$million	Group	
	2000	1999
Performance bonds	5	285

### 33. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group advanced HK\$127 million (1999: HK\$282 million) to its jointly controlled entities by way of shareholders' loans and received repayments totalling HK\$16 million (1999: nil) from a jointly controlled entity. The total outstanding loan balances as at 31st December, 2000 amounted to HK\$2,210 million (1999: HK\$2,099 million), of which HK\$939 million (1999: HK\$955 million) bore interest with reference to Hong Kong dollar prime rate or United States dollar prime rate, and HK\$1,271 million (1999: 1,144 million) were interest-free. The loans had no fixed term of repayment.

The Group advanced HK\$12,295 million (1999: HK\$261 million) to its unlisted associates, and received repayments totalling HK\$6,078 million (1999: nil) during the year. The total outstanding loan balances as at 31st December, 2000 amounted to HK\$6,462 million (1999: HK\$407 million), of which HK\$6,177 million (1999: nil) bore interest with reference to average bid rate in respect of Australian Bill Bank Swap Reference Rate or Hong Kong dollar prime rate, and HK\$285 million (1999: HK\$407 million) were interest-free. The loans had no fixed terms of repayment.

The Group also received advance of HK\$79 million (1999: nil) from an unlisted associate during the year, which bore interest with reference to Hong Kong Interbank Offered Rate.

### 34. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

### 35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 15th March, 2001.

## 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, 2000	Number	Share capital issued Par value per share	Proportion of nominal value of issued capital held by the Group (per cent.)	Principal activities
<b>Incorporated and operating in Hong Kong</b>				
Anderson Asia (Holdings) Limited	2 ordinary 65,780,000 non-voting deferred	HK\$0.5 HK\$0.5	100 –	Investment holding
Anderson Asia Concrete Limited	800,000 ordinary	HK\$1	100	Investment holding
Anderson Asphalt Limited	36,000 ordinary	HK\$100	100	Production and laying of asphalt and investment holding
Asia Stone Company, Limited	33,000,000 ordinary	HK\$1	100	Quarry operation and manufacture of aggregates
Cheung Kong Infrastructure Finance Company Limited	2 ordinary	HK\$1	100	Financing
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



## PRINCIPAL SUBSIDIARIES (Cont'd)

### APPENDIX 1 (Cont'd)

As at 31st December, 2000	Number	Share capital issued Par value per share	Proportion of nominal value of issued capital held by the Group (per cent.)	Principal activities
<b>Incorporated in Hong Kong and operating in Mainland China</b>				
Cheung Kong China Infrastructure Limited	2 ordinary	HK\$1	100	Investment holding and investment in infrastructure projects in Mainland China
<b>Incorporated and operating in Australia</b>				
Cheung Kong Infrastructure Finance (Australia) Pty Ltd	1 ordinary	A\$1	100	Financing
CKI Transmission Finance (Australia) Pty Ltd	12 ordinary	A\$1	100	Financing

Note: The shares of all the above subsidiaries are indirectly held by the Company.

## 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, 2000	Number	Share capital issued Par value per share	Approximate share of equity share held by the Group (per cent.)	Principal activities
<b>Incorporated and operating in Hong Kong</b>				
Hongkong Electric Holdings Limited (notes 1 and 2)	2,134,261,654 ordinary	HK\$1	39	Electricity generation and distribution
Eastern Harbour Crossing Company Limited (note 2)	35,000,000 ordinary	HK\$10	50	Exercise of a franchise to operate the rail section of a tunnel
<b>Incorporated and operating in Australia</b>				
ETSA Utilities Partnership (note 3)	N/A	N/A	50	Electricity distribution
CKI/HEI Electricity Distribution Pty Limited (note 4)	200	A\$1	50	Electricity distribution and retail

#### Notes:

- The associate is listed on Hong Kong Stock Exchange.
- The associates were not audited by Deloitte Touche Tohmatsu.
- ETSA Utilities Partnership, an unincorporated body, consists of five associates of the Group as follows:

CKI Utilities Development Limited  
 CKI Utilities Holdings Limited  
 CKI/HEI Utilities Distribution Limited  
 HEI Utilities Development Limited  
 HEI Utilities Holdings Limited

The partnership operates the electricity distribution network in the State of South Australia of Australia.

- CKI/HEI Electricity Distribution Pty Limited owns 100% equity shares in the following subsidiaries ("the Powercor Group"):

Powercor Australia Pty Limited (formerly "PacificCorp Australia Pty Limited")  
 Powercor Australia LLC (formerly "PacificCorp Australia LLC")  
 Powercor Australia Holdings Pty Limited (formerly "PacificCorp Australia Holdings Pty Limited")  
 Powercor Australia Limited

The Powercor Group operates the electricity distribution network in the State of Victoria of Australia and also manages the related electricity retailing business.

## PRINCIPAL JOINTLY CONTROLLED ENTITIES

### 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%	Operation of Shantou Bay Bridge
Guangdong Zhuhai Power Station Co., Ltd.	45%	45%	Operation of Zhuhai Power Station
Guang Dong Shenzhen-Shantou Highway (East) Co., Ltd.	33.5%	33.5%	Operation of Shenzhen-Shantou Highway (Eastern Section)
Guangzhou E-S-W Ring Road Co., Ltd.	44.5%	45%*	Construction and operation of Guangzhou East South West Ring Road

\* Years from 2012 to 2021, inclusive : 37.5%  
Thereafter : 32.5%

## EXTRACTS OF FINANCIAL STATEMENTS OF HONGKONG ELECTRIC HOLDINGS LIMITED

### 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, 2000, as extracted from the 2000 published financial statements of Hongkong Electric.

#### GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31st December

HK\$million	2000	1999
<b>Turnover</b>	<b>10,643</b>	9,690
<b>Operating profit</b>	<b>6,348</b>	5,545
Share of results of associates	(2)	3
<b>Profit before taxation</b>	<b>6,346</b>	5,548
Taxation	(637)	(496)
<b>Profit after taxation</b>	<b>5,709</b>	5,052
<b>Scheme of Control transfers</b>		
(To)/From:		
Development Fund	(160)	251
Rate Reduction Reserve	(14)	(17)
<b>Profit attributable to shareholders</b>	<b>5,535</b>	5,286
Dividends	(3,233)	(3,088)
<b>Retained profit for the year</b>	<b>2,302</b>	2,198
<b>Earnings per share</b>	<b>HK\$2.62</b>	HK\$2.58

Note: Interest income has been classified as other revenue in 2000. Comparative figure of turnover for the year ended 31st December, 1999 has been restated to exclude interest income to conform to the current year's presentation.

EXTRACTS OF FINANCIAL STATEMENTS OF HONGKONG ELECTRIC  
HOLDINGS LIMITED (Cont'd)

**APPENDIX 4** (Cont'd)

**CONSOLIDATED BALANCE SHEET**

as at 31st December

HK\$million	2000	1999
Fixed assets		
– Property, plant and equipment	<b>36,423</b>	35,702
– Assets under construction	<b>5,169</b>	3,959
Interest in associates	<b>6,326</b>	23
Investments in securities	<b>891</b>	84
Current assets	<b>2,841</b>	2,601
Current liabilities	<b>(7,956)</b>	(4,843)
Non-current liabilities	<b>(14,986)</b>	(12,429)
Rate reduction reserve	<b>(14)</b>	(21)
Development fund	<b>(249)</b>	(89)
<b>Net assets</b>	<b>28,445</b>	24,987
Share capital	<b>2,134</b>	2,085
Reserves	<b>26,311</b>	22,902
<b>Capital and reserves</b>	<b>28,445</b>	24,987



## SCHEDULE OF MAJOR PROPERTIES

### 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 OF ANNUAL GENERAL MEETING

**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 Thursday, 10th May, 2001 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, 2000.
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."

## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

(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, 15th March, 2001

### **Notes:**

1. Any Member entitled to attend and vote at the meeting is entitled to appoint a 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 Thursday, 3rd May, 2001 to Thursday, 10th May, 2001, 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 Wednesday, 2nd May, 2001.
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 2000 Annual Report.



**HONGKONG ELECTRIC, HONG KONG**

<b>CKI shareholding</b>	38.87%
<b>Installed capacity</b>	3,305 MW
<b>Business</b>	Exclusive right to generate and distribute electricity to Hong Kong Island, Ap Lei Chau and Lamma Island  Over 100 years of profitable operation since 1890  Scheme of Control renewed to 2008
<b>2000 net profit</b>	HK\$5,535 million

**ENVESTRA LIMITED, NEW SOUTH WALES, AUSTRALIA**

<b>CKI shareholding</b>	19.97%
<b>Business</b>	Distribution of natural gas in the states of South Australia, Queensland, the Northern Territory, Victoria and New South Wales
<b>Natural gas distribution network</b>	17,250 km
<b>Consumer coverage</b>	850,000 consumers



**ETSA UTILITIES, SOUTH AUSTRALIA, AUSTRALIA**

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

**POWERCOR AUSTRALIA LTD, VICTORIA, AUSTRALIA**

<b>CKI shareholding</b>	50% (another 50% held by Hongkong Electric)
<b>Business</b>	To operate the electricity distribution network covering an area of over 150,000 square km in the state of Victoria and retail operation in certain areas of Australia
<b>Electricity distribution network</b>	128,627 km
<b>Consumer coverage</b>	572,000 consumers



## Energy



### FUSHUN COGEN POWER PLANTS, LIAONING

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

### NANHAI POWER PLANT I, GUANGDONG

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



### QINYANG POWER PLANTS, HENAN

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

### SHANTOU CHAOYANG POWER PLANT, GUANGDONG

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





### SHANTOU CHENGHAI POWER PLANT, GUANGDONG

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

### SHANTOU TUOPU POWER PLANT, GUANGDONG

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



### SIPING COGEN POWER PLANTS, JILIN

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

### ZHUHAI POWER PLANT, GUANGDONG

<b>Location</b>	Zhuhai, Guangdong Province
<b>Total capacity</b>	1,400 MW
<b>Joint venture contract date</b>	1995
<b>Joint venture expiring</b>	2019
<b>Operational status</b>	Operational
<b>Total project cost</b>	HK\$9,493 million
<b>CKI's interest</b>	HK\$1,284 million
<b>Interest in JV</b>	45%





## Transportation



### EASTERN HARBOUR CROSSING RAIL TUNNEL, HONG KONG

<b>CKI shareholding</b>	50%
<b>Road type</b>	Rail tunnel
<b>Length</b>	2.2 km
<b>Rail franchise period</b>	1986 - 2008

### CHANGSHA WUJIALING AND WUYILU BRIDGES, HUNAN

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



### GUANGZHOU EAST-SOUTH-WEST RING ROAD, GUANGDONG

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

### JIANGMEN CHAOLIAN BRIDGE, GUANGDONG

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





### JIANGMEN JIANGHE HIGHWAY, GUANGDONG

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

### JIANGMEN JIANGSHA HIGHWAY, GUANGDONG

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



### NANHAI ROAD NETWORK, GUANGDONG

<b>Location</b>	Nanhai, Guangdong Province
<b>Road type</b>	Class 1 road
<b>Length</b>	140 km
<b>No. of lanes</b>	Dual two/three-lane
<b>Joint venture contract date</b>	1996
<b>Joint venture expiring</b>	2020 - 2024
<b>Operational status/ Operation commencing</b>	Operational/2001
<b>Total project cost</b>	HK\$2,552 million
<b>CKI's interest</b>	HK\$1,394 million
<b>Interest in JV</b>	49% - 64.4%

### NATIONAL HIGHWAY 107 (ZHUMADIAN SECTIONS), HENAN

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



## Transportation



### PANYU BEIDOU BRIDGE, GUANGDONG

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

### SHANTOU BAY BRIDGE, GUANGDONG

<b>Location</b>	Shantou, Guangdong Province
<b>Road type</b>	Bridge
<b>Length</b>	6 km
<b>No. of lanes</b>	Dual three-lane
<b>Joint venture contract date</b>	1993
<b>Joint venture expiring</b>	2028
<b>Operational status</b>	Operational
<b>Total project cost</b>	HK\$665 million
<b>CKI's interest</b>	HK\$200 million
<b>Interest in JV</b>	30%



### SHEN-SHAN HIGHWAY (EASTERN SECTION), GUANGDONG

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



### SHENYANG CHANGQING BRIDGE, LIAONING

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

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

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



### SHENYANG GONGNONG BRIDGE, LIAONING

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

## Transportation



### SHENYANG SHENSU EXPRESSWAY, LIAONING

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

### TANGSHAN TANGLE ROAD, HEBEI

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



### ZENGCHENG LIXIN ROAD, GUANGDONG



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



## Infrastructure Materials and Infrastructure-related Businesses



### ANDERSON ASPHALT, ANDERSON ASIA, HONG KONG

Total capacity: 1.5 million tonnes per annum

Founded in 1977

One of Hong Kong's largest asphalt producers

Specially designed mastic asphalt for Tsing Ma Bridge, Jiangyin Bridge and Irtys River Bridge

Operates in Hebei, Shandong and Jiangsu provinces in China

### ASIA STONE, ANDERSON ASIA, HONG KONG

Total capacity: 2 million tonnes per annum

Origins date back to 1968

One of Hong Kong's four contract quarries

Sole distributor of a PRC quarry in Hong Kong

Aggregates mainly for in-house purpose



### BONNTILE, ANDERSON ASIA, HONG KONG

Total capacity: 1.5 million square meters per annum

Established in 1973

Exterior wall spray-coating system specialist

Sole distributor for Hong Kong, Macau and the Mainland for a leading Japanese spray-coating manufacturer since 1998

### READY MIXED CONCRETE, ANDERSON ASIA, HONG KONG

Total capacity: 4.7 million cubic meters per annum

One of Hong Kong's largest concrete producers

11 strategically-located batching plants throughout Hong Kong

Over 220 mixer trucks

The only commercial producer of high performance and strength concrete (100+ MPa) since 1997

Leader in product innovation





## Infrastructure Materials and Infrastructure-related Businesses



### GREEN ISLAND CEMENT, HONG KONG

Total capacity: 1.5 million tonnes (clinker), 2.5 million tonnes (cement grinding) per annum
Origins date back to 1887
Hang Seng constituent stock prior to privatisation in 1987
Only integrated cement producer in Hong Kong
About one-third 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

### SHANTOU CEMENT GRINDING PLANT, GUANGDONG

<b>Location</b>	Shantou, Guangdong Province
<b>Total capacity</b>	600,000 tonnes per annum
<b>Operational status</b>	Operational
<b>Total project cost</b>	HK\$258 million
<b>CKI's interest</b>	100%



### YUNFU CEMENT PLANT, GUANGDONG

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

### SIQUIJOR LIMESTONE QUARRY, PHILIPPINES

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





### POLYPHALT INC., CANADA

<b>CKI shareholding</b>	63.7%
<b>Business</b>	Develops and commercialises polymer modified asphalt technology, products and services. The Company blends several of its asphalt technologies with plastics and rubbers, including recycled materials.
<b>Licensee locations</b>	12 licensees in North America, Northern Europe, Australia and Asia.

### STUART ENERGY SYSTEMS CORP., CANADA

<b>CKI shareholding</b>	12.9%
<b>Business</b>	Develops and supplies hydrogen generation & supply systems through its proprietary water electrolysis technology
<b>CKI's distribution right</b>	To market Stuart Energy's technology and products in Asia Pacific on an exclusive basis until 2012



### SHENYANG LPG BUSINESS, LIAONING

<b>Location</b>	Shenyang, Liaoning Province
<b>Business</b>	LPG filling stations and vehicle conversion facilities
<b>Joint venture contract date</b>	2000
<b>Joint venture expiring</b>	2030
<b>Operational status</b>	Under construction
<b>Total project cost</b>	HK\$47 million
<b>CKI's interest</b>	HK\$24 million
<b>Interest in JV</b>	51%

### YUEYANG WATER PLANTS, HUNAN

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



### e-SMART SYSTEM INC., HONG KONG

<b>CKI shareholding</b>	50%
<b>Business</b>	Applications of the patented "EYECON" microprocessor-based contactless smart card technology in the Asia Pacific Region.
<b>Applications</b>	Multiple applications including stored value, fare collection, access control, time and attendance record, loyalty programmes, web transactions, and national identification.

## 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

Canadian Imperial Bank of Commerce

BNP Paribas

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

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