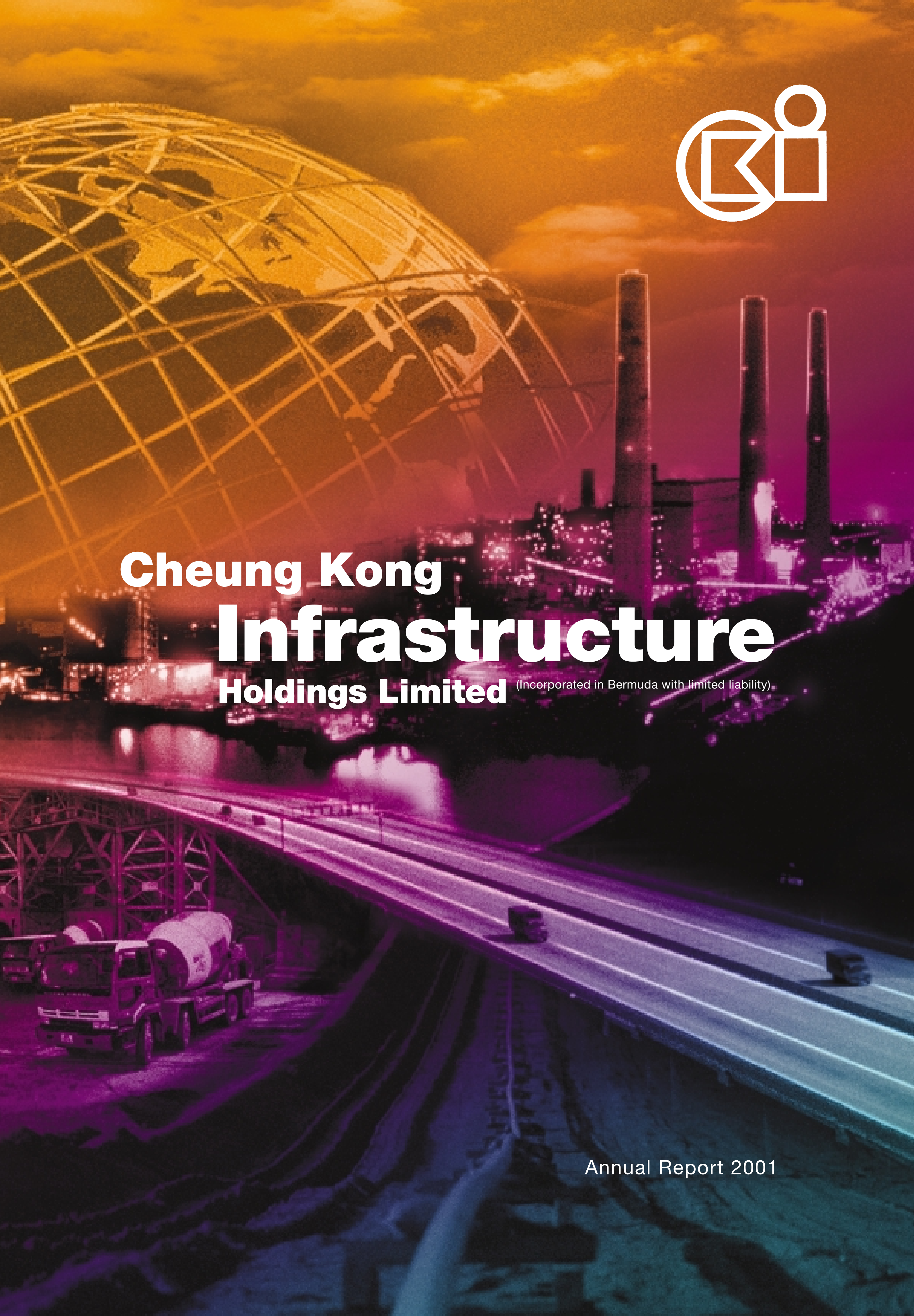


Cheung Kong Infrastructure Holdings Limited

(Incorporated in Bermuda with limited liability)

Annual Report 2001

Content

Global Investment

CKI is the largest publicly listed infrastructure company in Hong Kong with investment in Hongkong Electric, infrastructure investments, infrastructure materials and infrastructure-related businesses. The Company has operations in Hong Kong, Mainland China, Australia, Canada and the Philippines.

Investment in
Hongkong Electric

Hongkong Electric has been supplying Hong Kong with electricity for more than a century. It is a listed company with market capitalisation of HK$62 billion as at 31st December, 2001. CKI currently holds 38.87 per cent. of the company.

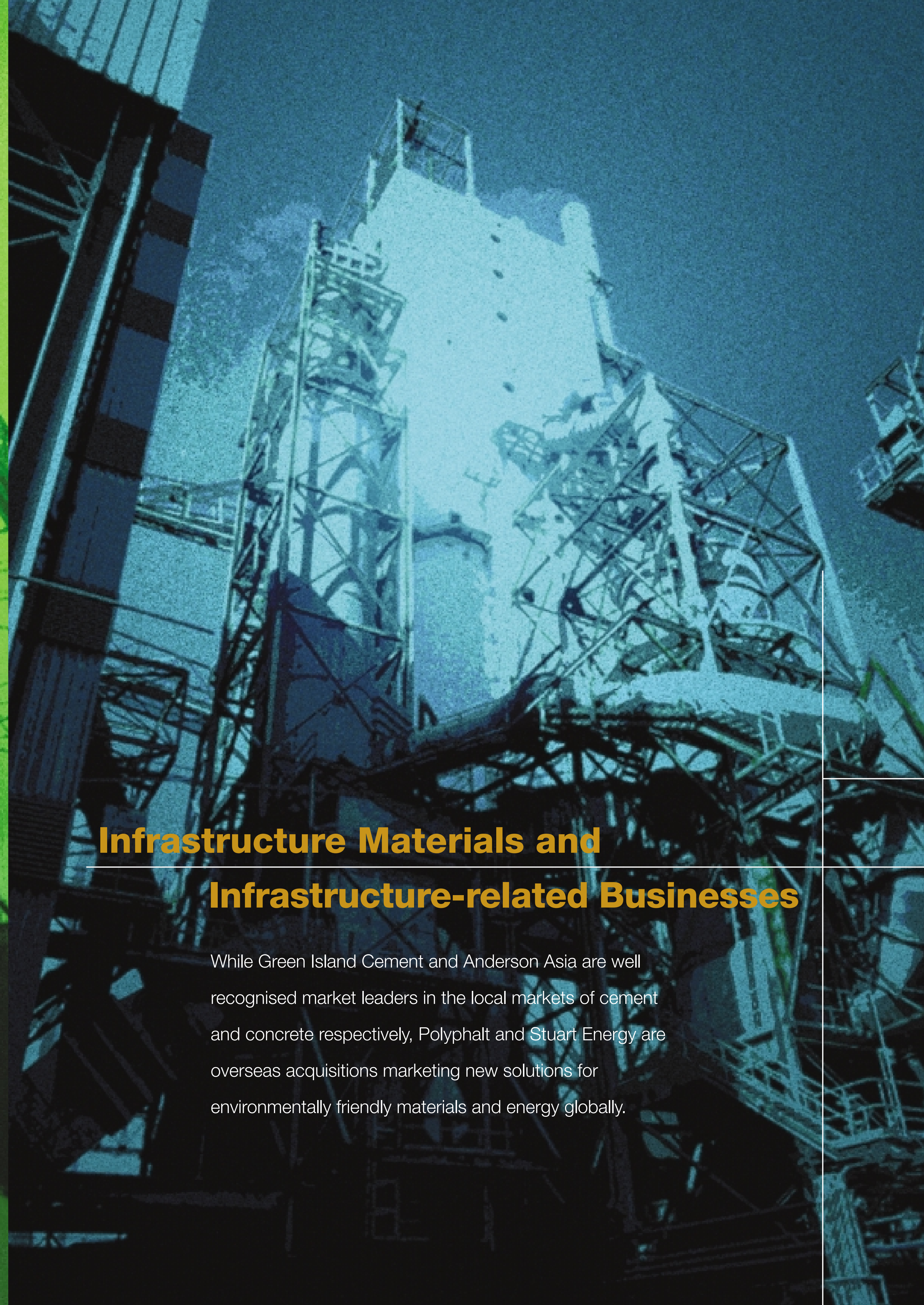
Infrastructure Investments
Energy

Through the acquisitions of ETSA Utilities and Powercor, CKI and Hongkong Electric have become the largest electricity distributor in Australia. CKI also owns a 19 per cent. stake in Envestra, the largest listed natural gas company in Australia; and has interests in a power portfolio of over 2,000 MW in gross capacity in Mainland China.

Infrastructure Investments

Transportation

CKI's joint ventures in Mainland China own and operate approximately 500 km of toll roads and bridges spanning the provinces of Guangdong, Hunan, Henan, Hebei and Liaoning. CKI also owns a 50 per cent. stake in the Eastern Harbour Crossing Company Limited.



Infrastructure Materials and Infrastructure-related Businesses

While Green Island Cement and Anderson Asia are well recognised market leaders in the local markets of cement and concrete respectively, Polyphalt and Stuart Energy are overseas acquisitions marketing new solutions for environmentally friendly materials and energy globally.

Five-Year Financial Summary

Consolidated Income Statement Summary

for the year ended 31st December

HK$ million	**2001**	2000	1999	1998	1997
Turnover	**3,838**	3,345	3,187	3,372	3,377
Profit attributable to shareholders	**3,323**	3,228	3,141	2,855	2,411
Dividends					
Interim dividend paid	**473**	451	293	271	225
Proposed final dividend	**947**	902	654	586	496
	1,420	1,353	947	857	721

Consolidated Balance Sheet Summary

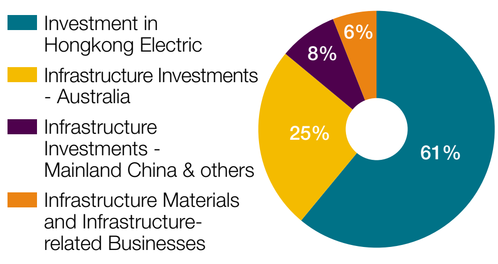
as at 31st December

HK$ million	**2001**	2000	1999	1998	1997
Property, plant and equipment	**2,137**	2,267	2,328	2,336	1,700
Interests in associates	**20,035**	20,378	12,609	10,450	9,657
Interests in jointly controlled entities	**4,606**	4,791	2,591	2,276	1,629
Interests in infrastructure project investments	**3,469**	4,294	6,280	7,056	5,989
Investments in securities	**759**	754	676	-	-
Other non-current assets	**43**	39	11	6	4
Current assets	**5,193**	4,034	3,171	2,838	3,689
Total assets	**36,242**	36,557	27,666	24,962	22,668
Current liabilities	**(4,726)**	(4,526)	(609)	(686)	(727)
Non-current liabilities	**(4,505)**	(7,011)	(3,967)	(3,107)	(3,106)
Minority interests	**(224)**	(256)	(253)	(256)	(10)
Total liabilities	**(9,455)**	(11,793)	(4,829)	(4,049)	(3,843)
Net assets	**26,787**	24,764	22,837	20,913	18,825

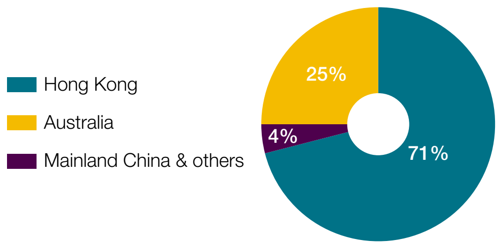
Per Share Data

HK$	**2001**	2000	1999	1998	1997
Earnings per share	**1.47**	1.43	1.39	1.27	1.15
Dividends per share	**0.63**	0.60	0.42	0.38	0.32
Net book value per share	**11.88**	10.99	10.13	9.28	8.35

2001 Profit Contribution by Business Segment

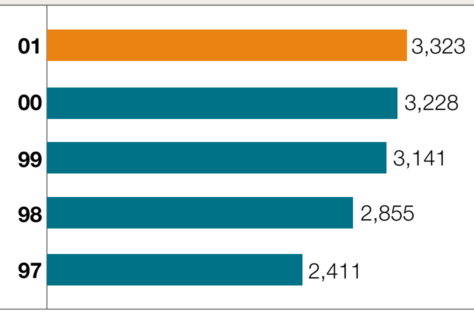


2001 Profit Contribution by Geographic Region



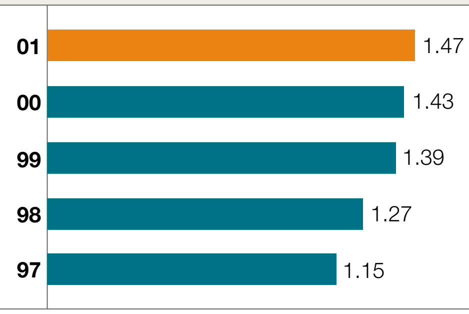
Profit Attributable to Shareholders

HK$ million



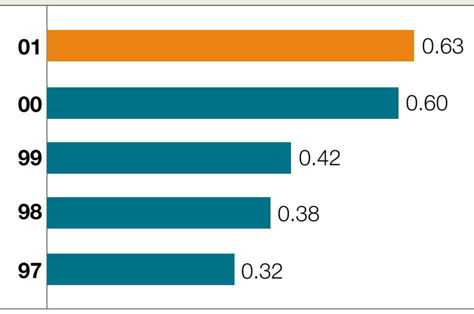
Earnings Per Share

HK$



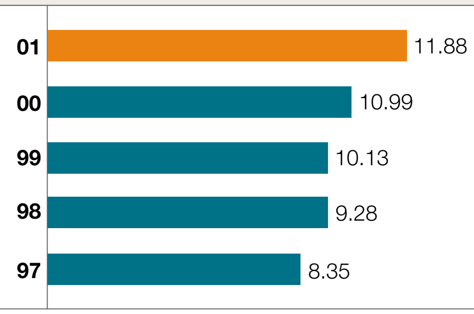
Dividends Per Share

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")'s audited consolidated profit attributable to shareholders for the year ended 31st December, 2001 was HK$3,323 million, an increase of 3 per cent. from the previous year. Earnings per share were HK$1.47.

Grow from Solid Foundations Venture towards New Heights

The Board of Directors is recommending a final dividend of HK$0.42 per share. Together with the interim dividend of HK$0.21 per share, this will bring the total dividend for the year to HK$0.63 per share, a 5 per cent. increase from the HK$0.60 per share paid in 2000. The proposed dividend will be paid on 14th May, 2002 following approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members on 9th May, 2002.

Despite a year of difficulties for economies worldwide and in the absence of new acquisitions, CKI has recorded several achievements in 2001 which have enabled the Group to capture new investment opportunities.

1. Solid Revenue Base

- Investment in Hongkong Electric Holdings Limited has continued to generate a high profit contribution during the year due to the exceptional gain from its overseas investment.

- Profit contributions from Australian infrastructure business operations exceeded initial projections.

- Significant revenue and cash contribution from China infrastructure operations continued.

2. Divestment Gains

- A one-off gain of HK$351 million was generated from the sale of Powercor Australia Limited ("Powercor")'s retail business.

- The disposal of Nanhai Power Plant I realised a profit of HK$221 million for the Group.

- Further divestment of underperforming assets continues to be carried out, in particular, the disposal of the Nanhai Road Network and Shantou Power Plants which are being finalised.

3. Efficient Cost and Operating Structure

- The Group's cement and concrete businesses continued to be adversely affected by a deflationary economy and sluggish construction sector, and reported negative growth during the year. CKI's infrastructure-materials operations and systems were further streamlined resulting in a more efficient cost and operating structure, improved productivity and modest profit.

- With continued leadership in the cement and concrete sectors, the Group's infrastructure-materials business is poised to resume its prominence when the market rebounds.

4. Prudent Financial Management

- A prudent HK$500 million provision has been made against the HK$8 billion China infrastructure portfolio.

- Commitments from major international banking groups have been secured to refinance the HK$3.8 billion syndicated loan.

- A strong balance sheet with net debt-to-equity of 16 per cent. and cash in hand of HK$4 billion have been recorded at the end of 2001.

- Standard and Poor's A– rating has been maintained.

Outlook

The current global recessionary environment continues to provide CKI with many investment opportunities. Government initiatives to privatise state-owned assets and other capital-intensive government infrastructure initiatives, combined with the secondary sales of quality assets of other global infrastructure players form an area of opportunity for the Group. Since the listing of CKI and the string of notable acquisitions, the Group has become a prominent player in the infrastructure industry worldwide. Going forward into 2002, CKI is in a uniquely strong position to capitalise on any suitable investment opportunities that may arise in view of the following:

1. CKI's current portfolio of investments in energy, transportation, and other infrastructure-related businesses provides a strong and secure revenue base for the Group giving it ample financial resources for investment expansion.

2. Divestment of the Group's China infrastructure portfolio and the sale of Powercor's retail operations further strengthen the solid balance sheet and strong cash position.

3. The wealth of expertise acquired from the various infrastructure investments has equipped our management team with the judgement, wisdom and experience to take on new opportunities.

4. Connections and relationships forged amongst business associates and relevant government departments in many countries worldwide will facilitate considerably the acquisition and operation of new infrastructure investments.

CKI is in a strong position to embark on quality infrastructure investments and enhance the shareholder value further, given its keen interest to invest, its solid balance sheet, and its cash-rich position. Many capital-intensive projects around the globe are currently under review by the Group. A number of projects are in the final stage of discussion. One recent case in point is the Sydney Cross City Tunnel project.

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

LI TZAR KUOI, VICTOR
Chairman

Hong Kong, 14th March, 2002

Financial Resources, Treasury Activities and Gearing Ratio

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

The Group maintained bank balances and cash totalling HK$4,046 million as at 31st December, 2001, of which more than 90 per cent. were denominated in Hong Kong dollars or U.S. dollars.

As at 31st December, 2001, total borrowings of the Group amounted to HK$8,435 million, which included Hong Kong dollar syndicated loan of HK$3,800 million, foreign currency bank and other borrowings of HK$4,513 million and RMB bank loans of HK$122 million. Of the total borrowings, 47 per cent. were repayable in 2002, 4 per cent. repayable in 2003 and the remaining portion repayable in 2004 to 2006. Committed borrowing facilities available to the Group, but not yet drawn as at 31st December, 2001, amounted to HK$49 million. Of these undrawn facilities, 68 per cent. will expire in 2002 and the remaining portion will expire in 2003. The Group's financing activities continue to be well received and fully supported by its bankers.

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise 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 reviewed regularly. The Group will consider new financing while maintaining an appropriate level of gearing in anticipation of new investments or maturity of bank loans.

As at 31st December, 2001, the Group maintained a gearing ratio at 16 per cent. which was based on its net debt of HK$4,389 million and equity of HK$26,787 million. This ratio was lower than the gearing ratio of 34 per cent. at the year end of 2000, mainly because of the repayment of a short-term Australian dollar bridging loan during the year. For 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 and secured the refinancing of HK$3,800 million syndicated loan maturing in September 2002.

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 local currencies of those countries. As at 31st December, 2001, the Group has swapped the floating interest rates of its borrowings totalling HK$4,320 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, 2001, certain of the Group's land and buildings, fixed deposit and other assets with carrying values totalling HK$139 million were pledged to secure bank borrowings and a performance bond totalling HK$71 million.

Contingent Liabilities

As at 31st December, 2001, the Group was subject to the following contingent liabilities:

HK$ million	
Guarantee in respect of bank loan drawn by an affiliated company	682
Performance bonds	25
Total	707

Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,177 employees. Employees' cost (excluding directors' emoluments) amounted to HK$448 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.

H.L. KAM (Group Managing Director)

Year 2001 Review

With a globalised and diversified business portfolio, 2001 has been a year of both harvest and consolidation for CKI.

Hongkong Electric

Hongkong Electric has been a reliable revenue base for CKI and its profit contributions have borne great significance to the Group's overall financial strength. With a dividend pay-out ratio of approximately 60 per cent., it has been the largest revenue stream for CKI over the years.

CKI currently holds 38.87 per cent. of Hongkong Electric and will continue to derive major profit contributions from this investment.

Australian Infrastructure

CKI's Australian investments comprising Envestra, ETSA Utilities and Powercor, all performed to our satisfaction during the year.

Envestra, the largest listed natural gas distributor in Australia, of which CKI is the biggest shareholder, generated a double-digit cash yield to CKI last year. ETSA Utilities, the sole electricity distributor in the State of South Australia, and Powercor, the largest electricity distributor in the State of Victoria, also delivered a year of strong operating performance. In 2001, the entire portfolio in Australia accounted for approximately one quarter of the Group's total profit contribution.

All three Australian assets are regulated and capital intensive businesses which provide secure returns. Their strong performance suggest that capital intensive projects with reliable and steady returns under a regulatory regime are in line with CKI's investment criteria.

China Portfolio

With the completion of the Zhuhai Power Plant in February 2001, CKI's HK$8 billion China portfolio came into full operation. Currently, we have interests in a power portfolio of over 2,000 MW in gross capacity and a transportation portfolio spanning approximately 500 km of toll roads and bridges. During the year, CKI's China assets have performed satisfactorily and generated meaningful cash flow and earnings for the Group, despite a prudent provision made for the divestment of certain assets.

Infrastructure Materials and Infrastructure-related Businesses

Although profit contributions from the infrastructure materials division saw a drop of 35 per cent. amid a year of continued depression in the construction industry, it remains a profitable business delivering good cash inflow for the Group. During the year, rigorous cost control measures were implemented; and we are fully prepared to take on new opportunities when the market rebounds.

The Group's Canadian investments, Polyphalt and Stuart Energy, faced a difficult year due to slow economic growth in North America. The situation is expected to improve with a prospective market recovery.

Consolidation of the Group's Infrastructure Investments

During the year, the disposal of Nanhai Power Plant I investment and Powercor's retail business has generated one-off gains of HK$221 million and HK$351 million respectively to the Group.

As a prudent accounting measure, a provision of HK$500 million has been put aside against China investments.

Future Outlook

In 2001, CKI continued to enjoy profit growth for the sixth consecutive year since its listing. Looking ahead, we will continue our active search for new capital intensive investment opportunities around the globe.

Strong Financial Position

CKI has a sufficiently strong financial capacity to pursue new infrastructure investments and acquisitions.

- Cash in hand of over HK$4 billion as of end 2001 resulting from strong on-going cash inflow from our businesses and one-off gains from our divestment activities
- Strong balance sheet in a low gearing position of 16 per cent. (net debt to equity), and an equity base of approximately HK$26.8 billion as of end 2001
- "A - " credit rating by Standard & Poor's, with "Stable" outlook reaffirmed

Increasing Infrastructure Opportunities

Recently, we have witnessed the emergence of a number of new investment opportunities in many parts of the world, some of which are privatisation of state-owned assets while others are secondary sales of privately-owned assets. A number of these opportunities are either regulated businesses, offering secure returns, or capital intensive infrastructure projects which provide steady revenue stream and favourable returns. The Group's project development team has been working closely on a number of transportation projects and regulated assets, with a few already in the final negotiation stage.

Grow from Solid Foundations, Venture towards New Heights

In the current environment of increasing investment opportunities and with its solid foundation supported by a strong balance sheet and rich cash position, CKI plans to continue with its globalisation strategy and venture towards new heights.

Finally, I would like to take this opportunity to thank the Board, management and all of our employees for their contributions to the results we achieved.

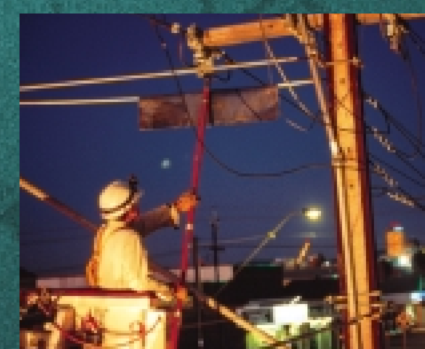
H.L. KAM
Group Managing Director

Hong Kong, 14th March, 2002




Review of Operations






Investment in Hongkong Electric

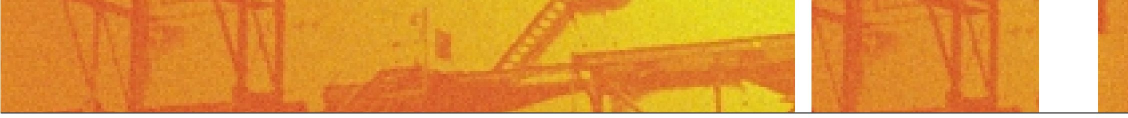
Hongkong Electric has consistently maintained a reliability of supply of 99.999%.

In 2001, more than half of CKI's profits were attributable to contributions from Hongkong Electric Holdings Limited ("Hongkong Electric"). Over the years, Hongkong Electric has been a premium asset to CKI, providing a reliable and secure income base to the Group. Responsible for the generation, transmission and distribution of power to Hong Kong Island, Ap Lei Chau and Lamma Island, Hongkong Electric is one of the two electricity suppliers in Hong Kong. It is a listed company with a market capitalisation of HK$62 billion as at 31st December, 2001. Hongkong Electric has a total installed capacity of 3,305 MW. CKI currently holds 38.87 per cent. of the company.

Hongkong Electric

Hongkong Electric reported a net profit of HK$6,507 million in 2001, a 17.6 per cent. increase from 2000.

The substantial increment is a result of both organic growth of the company's core business in Hong Kong as well as the exceptional performance of Hongkong Electric's overseas investments. In Hong Kong, there was increased demand for electricity during the year despite depressing economic conditions. From abroad, a one-off gain was generated through the sale of the non-core retail business of Powercor Australia Limited; in addition to strong operating performance from the Australian electricity distribution businesses of ETSA Utilities and Powercor throughout the year.



CKI has increased its stake in Hongkong Electric, a premium asset generating stable and secure cash revenue to the Group, from about 35 per cent. at the time of acquisition in 1997 to 38.87 per cent. in 2000. Over the years, the investment has proven to be a reliable earning base to the Group, as well as a key source of cash through steady dividend growth every year.

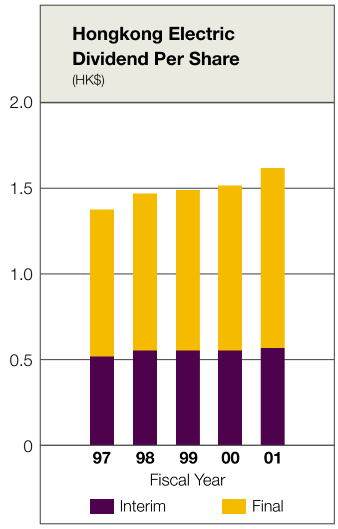
Hongkong Electric is one of the two electricity suppliers in Hong Kong serving Hong Kong Island, Ap Lei Chau and Lamma Island. The company has an installed capacity of 3,305 MW, and has plans to expand its power generation capacity with the 1,800 MW extension of the Lamma Power Station.

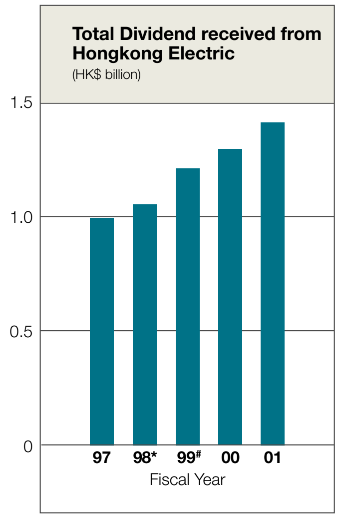
In 2000, Hongkong Electric initiated its investments overseas. Together with CKI, Hongkong Electric acquired ETSA Utilities and Powercor. Hongkong Electric has also taken a strategic stake in the Guangdong Liquefied Natural Gas project in Shenzhen in 2000.

Hongkong Electric is committed to minimising the impact of its operations on the environment.

"As a major public utility in Hong Kong, Hongkong Electric is committed to not only providing a reliable, efficient and adequate electricity supply to our customers, but also to striving for excellence in customer service and in all aspects of our operation."

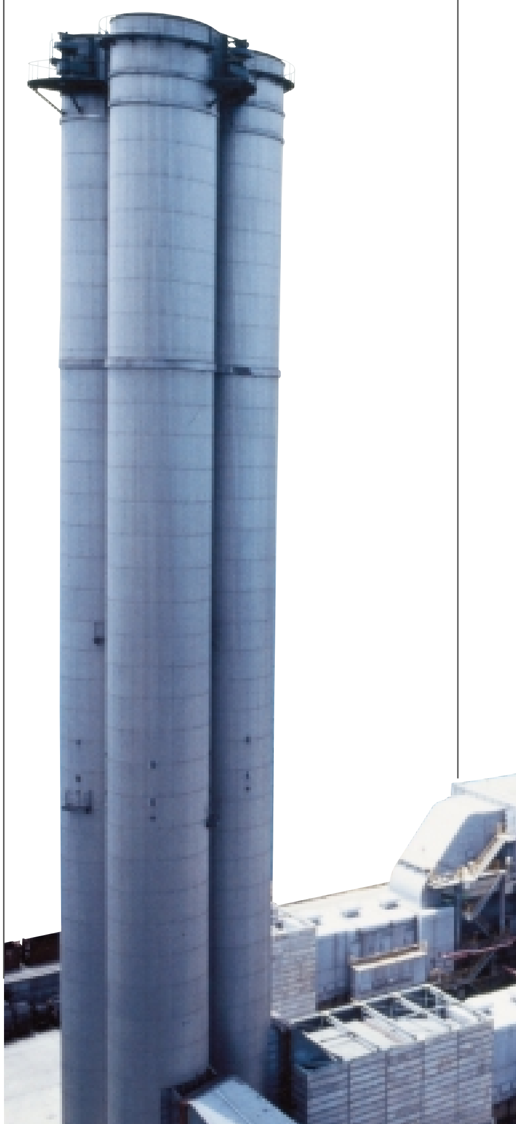
K.S. Tso, *Group Managing Director, Hongkong Electric Holdings Limited.*





* Final dividend in form of scrip (FY98)
\# Interim and final dividends in form of scrip (FY99)

Design and planning for the construction of the first gas-fired combined cycle unit for the Lamma Power Station extension is well underway.



Infrastructure Investments

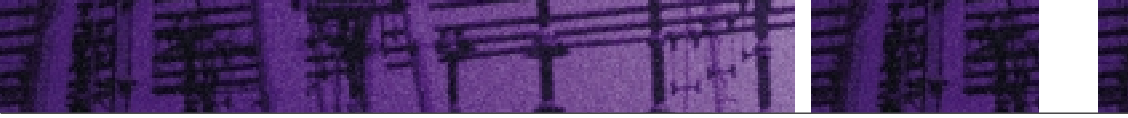
CKI's Infrastructure Investments currently comprise energy and transportation investments in Australia and China. In Australia, the CKI - Hongkong Electric partnership has become the largest electricity distributor with the acquisitions of ETSA Utilities and Powercor, serving over 1.3 million customers in the states of South Australia and Victoria. In China, the Group's assets in Infrastructure Investments amount to HK$8 billion. Infrastructure Investments have become the Group's second biggest profit contributor, and plans are in place to continue to expand as more new investments such as the Sydney Cross City Tunnel project in Australia materialise.

ETSA serves the entire State of South Australia with customers amounting to 747,000.

Australian Infrastructure accounted for one quarter of the Group's revenue

CKI made its first infrastructure investment in Australia in 1999 when it became one of the largest shareholders of Envestra Limited, the largest listed natural gas distributor in Australia. Since then, CKI has steadily expanded its infrastructure portfolio in Australia and acquired ETSA Utilities and Powercor Australia Limited in January 2000 and September 2000 respectively in partnership with Hongkong Electric.

Revenues from the Group's Australian assets totalled over HK$1 billion in the year, accounting for approximately 25 per cent. of CKI's total profit contribution. This satisfactory growth is attributable to the better than forecast operational performance of the Australian businesses in 2001, as well as the disposal of the unregulated retail portion of Powercor.



"Our focus on managing and maintaining the distribution network enables us to concentrate our efforts on achieving high levels of service, reliability, safety and efficiency for our customers."

Basil Scarsella
Chief Executive Officer, ETSA Utilities

ETSA Utilities

In January 2000, through a privatisation programme, CKI together with Hongkong Electric acquired the regulated power distribution business of ETSA Utilities at a consideration of A$3.25 billion. The lease period is for 200 years. The company serves a total of 747,000 customers in the entire State of South Australia with power distribution network covering over 178,200 square km.

Powercor's network covers seven of Victoria's eight provincial centers providing electricity to an area of over 150,000 square km.

During the year, ETSA Utilities was reaffirmed with ratings of "A-/Stable" by Standard & Poor's and "A3" by Moody's with "Stable" outlook.

Powercor Australia Limited

Powercor was acquired by CKI and Hongkong Electric in September 2000 at a consideration of A$2.315 billion. At the time of acquisition, it comprised the regulated power distribution business, covering an area of over 150,000 square km, with 590,000 customers in the State of Victoria; and the retail operations.

In June 2001, a one-off gain totalling HK$700 million to CKI and Hong Kong Electric was achieved through the disposal of the unregulated retail portion at a consideration of A$315 million. In addition to the sales proceeds, Powercor will also achieve additional profits by providing a one-year transitional service to the purchaser, Origin Energy Limited, until May 2002.

During the year, Powercor continued to receive favourable credit rating of "A3" by Moody's with "Stable" outlook, and reaffirmed with rating of "A-" by Standard & Poor's with an improved outlook to "Positive".

Investment in Envestra Limited

Envestra is the largest listed natural gas distributor in Australia, capturing approximately 30 per cent. of Australia's gas consumption. It is a low risk investment with strong and secure cash flows under the stapled securities financial structure.

Envestra owns distribution networks and transmission pipelines that deliver natural gas to 875,000 homes and businesses around the nation.

In the fiscal year ended 30th June, 2001, a total distribution of A$0.0925/share was paid out, providing a cash yield of approximately 10.5 per cent. p.a. to CKI.

In March 2002, CKI subscribed additional new shares through the Company's share placement exercise and maintained its shareholding at the 19 per cent. level.

"Powercor Australia's strategic vision is to be a leader in the distribution business in Australia with outstanding performance. We strive to excel in financial performance, productivity, supply reliability, customer services, and community perception."

C.T. Wan
Director & Chief Executive Officer, Powercor Australia Limited

Infrastructure Investments (Cont'd)

With the completion of the second unit of the Zhuhai Power Plant, CKI's China power portfolio has come into full operation.

Hong Kong Eastern Harbour Crossing Tunnel

In Hong Kong, the Group has taken up a 50 per cent. stake in the Eastern Harbour Crossing Company Limited, which owns the rail tunnel connecting eastern Hong Kong and eastern Kowloon. During the year, the tunnel generated satisfactory returns as well as stable cash flow for the Group.

China Transportation

Despite the global economic downturn, the Group's toll road and bridge investments in China continued to maintain satisfactory growth.

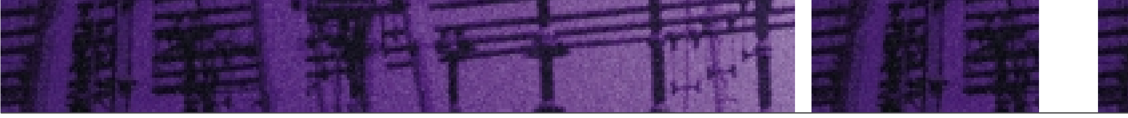
CKI's joint ventures in Mainland China own and operate approximately 500 km of toll roads and bridges spanning the provinces of Guangdong, Hunan, Henan, Hebei and Liaoning.

In Guangzhou, the Guangzhou East-South-West Ring Road is a vital route connecting 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. The Ring Road has reported steady growth in revenue since its opening in June 2000.

In Panyu, the Beidou Bridge and its connecting roads were opened to traffic on schedule in January 2001. Toll revenue showed a steady growth and operating results generally met with expectations. The current emphasis of the Guangzhou Government on accelerating and expanding the development of Panyu as a major economic unit of Guangzhou will lead to higher revenue growth for the Bridge, which is one of the key routes connecting the southern and northern parts of Panyu. An exciting milestone of this project was the ISO 9001 (year 2000 version) certification awarded by the Hong Kong Quality Assurance Association (HKQAA) during its first year of operation. The award, the first in Panyu, reflects the Group's continued commitment to quality management and operational efficiency.

In the Shantou areas, the opening of new connecting links to the Group's Shen-Shan Highway has boosted growth in its toll revenue as well as that of the connecting Shantou Bay Bridge, which is also owned and operated by CKI's PRC joint venture.

In Henan, the joint venture company which operates the 114-km Zhumadian section of the dual two-lane Class Two National Highway 107 reported significant growth in toll revenue from the previous year due to an increase in toll rates in April 2001. The project continued to contribute favourable returns to the Group. In Hunan, the Wujialing Bridge and the Wuyilu Bridge reported steady growth in operating revenue.



China Power

With the completion of the second unit of the Zhuhai Power Plant (2 x 700 MW coal-fired units) on 5th February, 2001, CKI's China Power portfolio of over 2,000 MW in gross capacity has come into full operation.

During the year, both units of the Zhuhai Power Plant have been operating smoothly and safely with profound reliability and efficiency, and have supplied power to the Guangdong Province in excess of the contractual annual minimum quantity. Apart from being able to service the project debts, the investment has provided shareholders better-than-expected returns.

CKI's joint venture in Mainland China own and operate approximately 500 km of toll roads and bridges spanning five provinces.

In Jilin Province, the Siping Cogen Power Plants were in their fourth year of operations with all three generator sets in stable operation and in full compliance with the domestic environmental requirements. In addition to power generation, the facilities also supply steam to the nearby commercial and residential community spreading over an area of two million square meters. In recognition of the achievement of the plants, the provincial power bureau has recently awarded the Siping Cogen Power Plants with the honourable accolade of "2001's First Class Fossil Power Plant of the Province".

Steady performances were maintained in the Fushun Cogen Power Plants and Qinyang Power Plants, similar to those of prior years.

Consolidation of China Portfolio and Prudent Provision

During the year, the disposal of Nanhai Power Plant I investment was completed and recorded a one-off gain of HK$221 million. The Group's consolidation strategy also involved impending sales of certain toll roads and power plant investments including the Nanhai Road Network and Shantou Power Plants.

Adopting a prudent accounting approach, the Group has decided to make a provision of HK$500 million against its China infrastructure portfolio of approximately HK$8 billion.

Although divestment of assets has inevitably led to a short-term decline in profit contributions from the China portfolio, it will enhance the Group's financial position and make room for capturing new investment opportunities.

An exciting milestone of Panyu Beidou Bridge was achieved when the project was awarded the ISO 9001 certification.

Infrastructure Materials and Infrastructure-related Businesses

Infrastructure Materials and Infrastructure-related Businesses encompass both the Group's established operations in infrastructure materials and new ventures in environmental and electronic infrastructure. While Green Island Cement and Anderson Asia are well recognised market leaders in the local markets of cement and concrete respectively, Polyphalt and Stuart Energy are overseas acquisitions marketing new solutions for environmentally friendly materials and energy globally.

Green Island Cement and Anderson Asia are well recognised market leaders in Hong Kong.

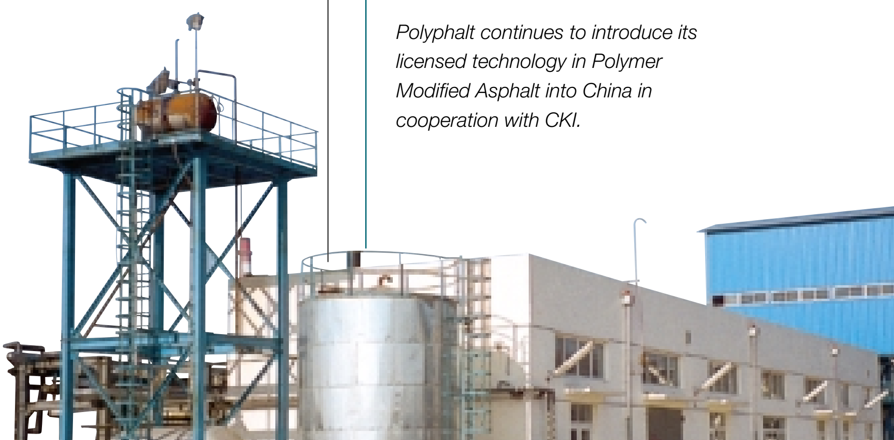
CKI Materials Operation

Consumption of infrastructure materials has been continually on the decline as a result of the shrinking construction market. Reduced demand has been accompanied by lower prices due to intense competition and strong deflationary pressure. Profit contribution of the CKI materials division suffered a reduction of 35 per cent.

In the face of such challenging market conditions, both Green Island Cement (Holdings) Limited and Anderson Asia (Holdings) Limited continued to maintain their respective leadership positions in the domestic cement and concrete market. Aggressive cost containment measures and operations streamlining exercises were implemented to further improve efficiency. The company is currently well prepared to seize new opportunities when the market recovers.

During the year, while the infrastructure materials industry remained sluggish in southern China as a result of the slackened construction industry, the demand for high performance cement and concrete needed for infrastructure

Polyphalt continues to introduce its licensed technology in Polymer Modified Asphalt into China in cooperation with CKI.



and modern high rise construction increased. Therefore, although the Group's products are priced at the top end of the market, our cement production facilities and concrete operations in China observed satisfactory growth in revenues.

Polyphalt Inc.

Performance of Polyphalt, a Canadian based asphalt technology company of which CKI holds a 63.5 per cent. stake, was below forecast in 2001 due to the slow economic situation in North America. Business is expected to turn around in the coming year in line with possible recovery ahead.

Polyphalt continues to introduce its licensed technology in Polymer Modified Asphalt into China in cooperation with CKI. In June 2001, a joint venture was established with Liaohe Refinery in Liaoning Province, the largest asphalt producing refiner in northern China under China National Petroleum Corporation.

Stuart Energy Systems Corp.

CKI holds a 12.5 per cent. stake in the Canadian-listed hydrogen fuelling technology company, Stuart Energy Systems Corp., as part of its investment in environmentally friendly energy. CKI is also the exclusive distributor for the hydrogen fuelling technology in the Asia Pacific market and has been working closely with Stuart Energy to develop and provide hydrogen solutions to the industrial, power and transportation markets.

Water Business

The Group's water treatment joint venture in Yueyang, Hunan Province reported satisfactory performance last year and contributed a steady profit. While water quality has shown further improvement, it is expected that the water tariff will be adjusted in 2002.

Electronic Infrastructure

The integration of smart cards and appropriate biometrics for security and identification applications has gained much prominence as people have become increasingly conscious about security nowadays. In 2001, riding on an exclusive licensing arrangement with the Chinese University of Hong Kong on its patented fingerprint matching technology, bioSecure Systems Limited was established for the development of biometrics applications such as facial recognition, fingerprint verification and hand geometry verification.

The annual growth rate of the biometrics market is forecast to exceed 60 per cent. in the next one to two years.

The Group's water treatment joint venture in Yueyang, Hunan Province, reported satisfactory performance last year.

Environmental Awards and Achievements

The Group received several environmental awards and achievements during the year; they include :

- Anderson Asphalt won the 2001 BEC Environmental Performance Award in the 2001 Hong Kong Award for Industry.
- Green Island Cement was awarded an ISO14001 accreditation for its environmental management system in the cement production facilities at Tap Shek Kok.
- Ready Mixed Concrete was awarded an ISO14001 accreditation for its excellence in environmental conservation for one of its batching plants.
- CKI won the 2001 Green Award at the Canadian Chamber of Commerce's Annual Business Excellence Awards.

Executive Committee

1 *Victor Li (left), H.L. Kam (right)*
2 *George Magnus (left), Dominic Chan (centre), Eric Kwan (right)*
3 *Barrie Cook (left), Ivan Chan (centre), Edmond Ip (right)*

Directors' Biographical Information

LI Tzar Kuoi, Victor, aged 37, 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 66, 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 50, 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 Hutchison Harbour Ring Limited and Husky Energy Inc. and the Deputy Chairman of Hongkong Electric Holdings Limited. He is also a director of Cheung Kong (Holdings) Limited. He holds a Bachelor of Arts degree and is a member of the Australian Institute of Chartered Accountants.

KAM Hing Lam, aged 55, 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 49, 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 50, 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. 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 48, has been an Executive Director of the Company since March 1997. She is the Deputy Group Managing Director of Hutchison Whampoa Limited. She is also an executive director of Hutchison Harbour Ring Limited, a director of Hongkong Electric Holdings Limited and Partner Communications Company Ltd. 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 70, 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 59, 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. He is the Chairman of the Hong Kong Construction Materials Association and a past Chairman of the East Asian Cement Forum and the Hong Kong Cement Association. He is a member of the Hong Kong Government's Advisory Council on the Environment and the Convenor of the Business Coalition on the Environment. He has previously chaired the Hong Kong Government's Waste Reduction Committee and the Environmental Committee of the Hong Kong General Chamber of Commerce.

KWAN Bing Sing, Eric, aged 57, 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 54, 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 and a member of the Derivatives Market Consultative Panel of the Hong Kong Exchanges and Clearing Limited.

LEE Pui Ling, Angelina, aged 53, 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 39, Senior Manager, Planning and Investment, has been with the Cheung Kong Group since September 1999. He has over 15 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 41, 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. She holds a Master's degree in Business Administration.

CHAN Loi Shun, Dominic, aged 39, 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 57, 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 56, 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 55, 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 45, 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 55, 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 46, 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's degree in Computer Science.

John LAM, aged 51, 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, a fellow of the Hong Kong Society of Accountants and a fellow of the Institute of Quarrying.

Donald William JOHNSTON, aged 59, 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.