



CKI AR-2002

CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Six Consecutive Years of Sustained Growth

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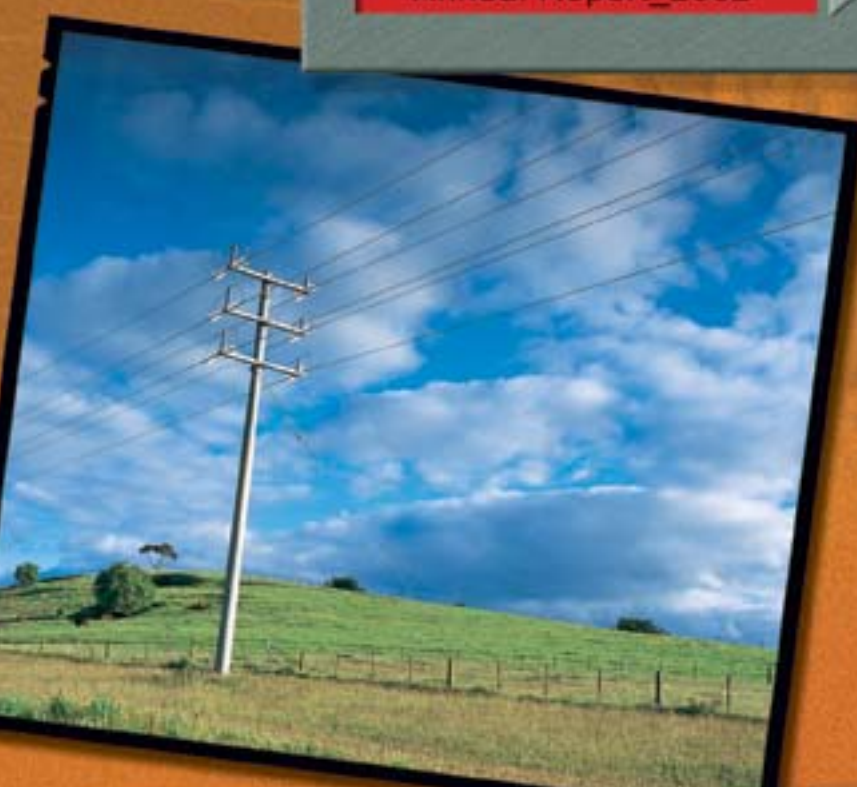
Annual Report_2002

ENTER

Investment in
Hongkong Electric

Infrastructure
Investments

Infrastructure Materials and
Infrastructure-related Businesses





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.

Year at a Glance

	2002	2001	change
Profit attributable to shareholders (HK\$ million)	3,425	3,323	+ 3%
Earnings per share (HK\$)	1.52	1.47	+ 3%
Dividends per share (HK\$)	0.68	0.63	+ 8%

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Seven-Year Financial Summary

Consolidated Income Statement Summary

for the year ended 31st December

HK\$ million	2002	2001	2000	1999	1998	1997	1996
Turnover	3,595	3,838	3,345	3,187	3,372	3,377	3,013
Profit attributable to shareholders	3,425	3,323	3,228	3,141	2,855	2,411	886
Dividends							
Interim dividend paid	485	473	451	293	271	225	–
Proposed final dividend	1,048	947	902	654	586	496	361
	1,533	1,420	1,353	947	857	721	361

Consolidated Balance Sheet Summary

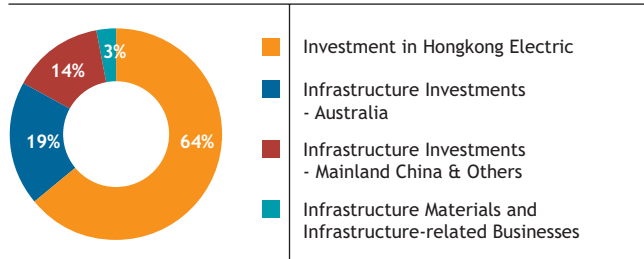
as at 31st December

HK\$ million	2002	2001	2000	1999	1998	1997	1996
Property, plant and equipment	1,992	2,137	2,267	2,328	2,336	1,700	1,627
Interests in associates	24,425	20,035	20,378	12,609	10,450	9,657	95
Interests in jointly controlled entities	4,538	4,606	4,791	2,591	2,276	1,629	1,000
Interests in infrastructure project investments	2,465	3,469	4,294	6,280	7,056	5,989	3,762
Investments in securities	803	759	754	676	–	–	–
Other non-current assets	43	43	39	11	6	4	2
Current assets	8,121	5,193	4,034	3,171	2,838	3,689	4,873
Total assets	42,387	36,242	36,557	27,666	24,962	22,668	11,359
Current liabilities	(2,939)	(4,726)	(4,526)	(609)	(686)	(727)	(2,639)
Non-current liabilities	(10,376)	(4,505)	(7,011)	(3,967)	(3,107)	(3,106)	(4)
Minority interests	(219)	(224)	(256)	(253)	(256)	(10)	(5)
Total liabilities	(13,534)	(9,455)	(11,793)	(4,829)	(4,049)	(3,843)	(2,648)
Net assets	28,853	26,787	24,764	22,837	20,913	18,825	8,711

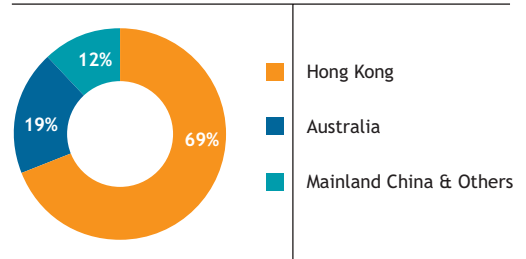
Per Share Data

HK\$	2002	2001	2000	1999	1998	1997	1996
Earnings per share	1.52	1.47	1.43	1.39	1.27	1.15	0.75
Dividends per share	0.68	0.63	0.60	0.42	0.38	0.32	0.16
Net book value per share	12.80	11.88	10.99	10.13	9.28	8.35	6.37

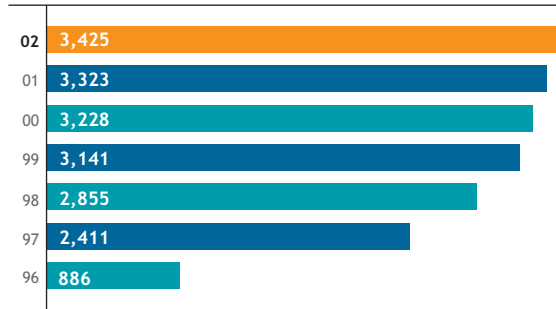
2002 Profit Contribution by Business Segment



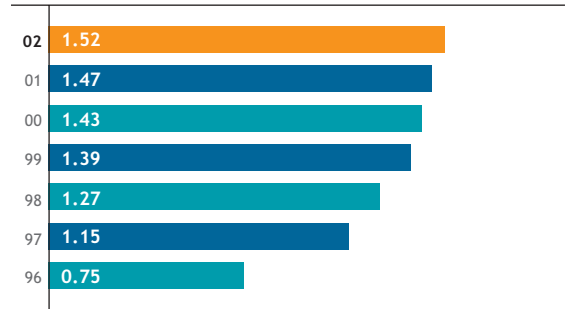
2002 Profit Contribution by Geographic Region



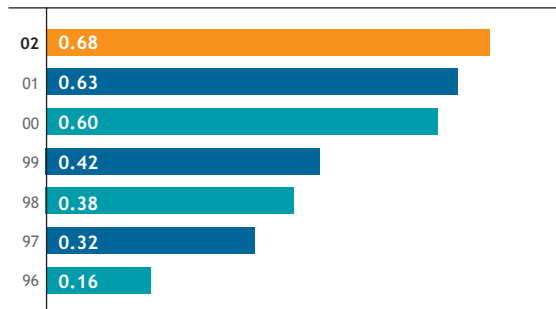
Profit Attributable to Shareholders HK\$ million



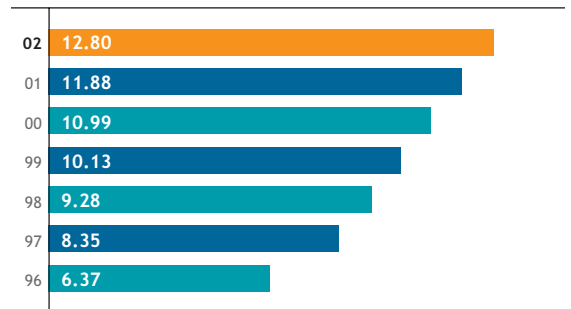
Earnings Per Share HK\$



Dividends Per Share HK\$



Net Book Value Per Share HK\$



Chairman's Letter

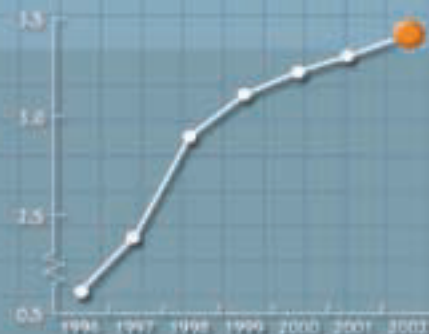


Highlights

LI TZAR KUOI, VICTOR
Chairman

Six Consecutive Years of Sustained Growth

Net Profit
(HK\$ billion)



Sustained Growth for the Sixth Consecutive Year

	2002	Change
Net profit (HK\$)	3.4 billion	+3%
Dividends per share (HK\$)	0.68	+8%

Strong 2002 Achievements Due to

- Strong Hongkong Electric performance
- Better than planned returns from Australian portfolio
- Additional income from newly acquired CitiPower investment
- Stable income from China infrastructure portfolio

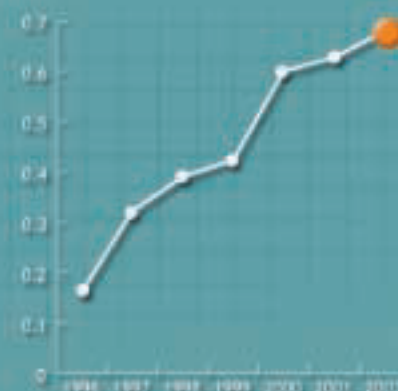
Strong Financials

- Net debt-to-equity ratio 19%
- Cash on hand approximately HK\$7 billion

Aim to Sustain Growth Through

- Continuing to invest
- Continuing to consolidate assets and businesses

Dividends per Share
(HK\$)



To Our Shareholders

We are pleased to report that Cheung Kong Infrastructure Holdings Limited ("CKI") recorded another year of profit in 2002. This marks the sixth consecutive year of sustained growth in profit for the Group since listing. The Group's audited consolidated profit attributable to shareholders for the year ended 31st December, 2002 was HK\$3,425 million, an increase of 3 per cent. from the previous year. Earnings per share were HK\$1.52.

The Board of Directors is recommending a final dividend of HK\$0.465 per share. Together with the interim dividend of HK\$0.215 per share, this will bring the total dividend for the year to HK\$0.68 per share, a 8 per cent. increase from the HK\$0.63 per share paid in 2001. This also represents the sixth consecutive year of dividend growth subsequent to listing. The proposed dividend will be paid on 20th May, 2003 following approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members on 15th May, 2003.

2002 was a challenging and unsettling year. Despite the unfavourable global environment, the Group successfully capitalised on each growth opportunity and showed good progress. A satisfactory performance was achieved and high returns to shareholders generated. Most encouraging of all, the Group has maintained a year-on-year profit and dividend growth for six consecutive years since listing in 1996.

Core Businesses Form Steady Income Base

CKI's core businesses continued to record a strong performance, forming a solid revenue base for the Group. This steady income stream provided ample funding for the Group's development and contributed greatly to reinforcing the Group's financial strength:

1. Investment in Hongkong Electric

- Hongkong Electric Holdings Limited ("Hongkong Electric") has been a long-term and reliable cash income base for the Group. It continued to be the biggest revenue stream contributing approximately 60 per cent. of the Group's profit for 2002.
- Apart from organic growth in its core businesses, Hongkong Electric's co-investment with CKI in Australia in ETSA Utilities, Powercor Australia Limited ("Powercor") and CitiPower 1 Pty Ltd. ("CitiPower") generated further significant returns.

2. Infrastructure Investment

- CKI's infrastructure investments in Australia continued to report satisfactory progress. Construction of the Cross City Tunnel in Sydney has commenced, and the three existing projects - Envestra Limited, ETSA Utilities and Powercor - continued to provide steady and significant income for the Group. Additional revenue was also derived from the newly acquired CitiPower investment. The Australian portfolio, which accounted for approximately 20 per cent. of the Group's profit contribution for the year, has become increasingly significant to the Group's earnings base as a whole.

- In the Mainland, power plants, toll roads and bridges spanning across different provinces and cities continued to generate significant cash income and profit for the Group. During the year, electricity generated by the Zhuhai Power Plant exceeded the contractual minimum power purchasing quantity of 6.8 billion kWh. It also attained an excellent safety record of "over 300 days of safe plant operation" in the Guangdong Power Network. The performance marked an important milestone for power plant operation in the Mainland.

3. Infrastructure Materials and Infrastructure-related Businesses

- The construction industry remained sluggish and the operating environment has yet to recuperate. Business in CKI's infrastructure materials and infrastructure-related businesses stabilised during the year after adjustments were made to production volume and prices. Respectable profit contributions were recorded following continued efforts to further streamline the operations.

Solid Financials Enable Sustained Growth

- The Group continued to maintain a healthy balance sheet, a relatively low gearing ratio, and a strong cash position. At the end of 2002, the Group recorded a net debt-to-equity ratio of 19 per cent. and cash on hand of approximately HK\$7 billion - an exceptionally strong financial position highly favourable for future growth.
- The Group's borrowings consisted of mainly medium to long term debt.
- The "A-" credit rating with "Stable" outlook was reaffirmed by Standard & Poor's ("S&P").

Mainland Asset Consolidation Reaps Benefits

The Group's asset consolidation efforts in the Mainland made good progress in 2002. Not only has the cash income generated from the consolidation further reinforced the Group's financial strength, the efforts also mitigated the impact caused by policy changes in "guaranteed-return" and power industry reforms.

- Zengcheng Lixin Road was sold for HK\$132 million, achieving an internal rate of return of 20 per cent.
- The divestment of Shantou Power Plants was concluded at HK\$239 million, generating an internal rate of return of 10 per cent.
- The sale of Nanhai Road Network, which was largely completed at the end of 2002, recouped approximately HK\$1,400 million and is expected to generate an internal rate of return of about 8 per cent.

Overseas Investments Mark New Progress

Many investment opportunities emerged from the global economic turmoil. Leveraging on its solid financial strength, the Group continued its globalisation strategy and actively pursued new investment opportunities around the world in the past year. The performance of the Group's investments in Australia was particularly noteworthy:

1. CitiPower in Melbourne

- In July 2002, CKI and Hongkong Electric completed the acquisition of CitiPower for A\$1,418 million. This electricity distributor serves approximately 265,000 customers in Melbourne, Victoria and its surrounding suburbs.

- According to a recent report by KPMG, this transaction was the third largest acquisition involving Hong Kong listed companies during 2002.
- Upon completion of the transaction, CitiPower's S&P credit rating was upgraded to "A-" from "BBB+" signifying S&P's confidence in the new shareholders, CKI and Hongkong Electric.
- CitiPower is CKI and Hongkong Electric's second investment in electricity distribution in the state of Victoria, Australia. Together with the earlier acquisition of Powercor, the largest power distributor in Victoria, and ETSA Utilities, the sole power distributor in South Australia, CKI and Hongkong Electric have become the largest electricity distributor in the country, serving a total of 1.65 million customers.

2. Cross City Tunnel in Sydney

- In December 2002, a consortium led by CKI with a 50 per cent. interest was awarded the Cross City Tunnel project. The A\$1 billion toll tunnel will link Sydney's eastern suburbs with the western side of the city upon completion. Construction has commenced at the beginning of 2003, with completion scheduled for 2006.
- The Cross City Tunnel denotes an important breakthrough for CKI's infrastructure investments in terms of geography as well as business scope. The tunnel is the Group's first infrastructure project in the state of New South Wales, and also the first transportation investment outside of the Mainland and Hong Kong.

Build from Solid Foundations, Capitalise on New Opportunities

Since the Group's listing in 1996, the Group's assets have been steadily increasing. Expansion has been made in both scope and scale. CKI has continued to make solid, steady progress, recording good performances year on year, both in the boom times of the infrastructure industry and during the more difficult recent business climate. Today, CKI is one of the world leading infrastructure companies, a global player investing and operating in a comprehensive range of infrastructure businesses.

2003 is expected to be another challenging and unsettling year. CKI is one of the few ready, willing and capable infrastructure investors in the world. Leveraging on the Group's strong financial position, solid experience in infrastructure, and sharp business acumen, CKI will continue to study new infrastructure opportunities around the world and make appropriate investment decisions. In addition, the Group will carry out appropriate asset consolidation and streamline operations to maximise returns for shareholders.

From its current solid foundations, CKI looks forward to years of sustained growth in the future ensuring a solid leadership position in the global infrastructure arena.

I would like to take this opportunity to thank the Board of Directors and our staff for their dedication and contribution, and to all the shareholders for their support and confidence in the Group.

LI TZAR KUOI, VICTOR

Chairman

Hong Kong, 13th March, 2003

Group Managing Director's Report



H.L. KAM
Group Managing Director

2002 was another year of strong achievements for CKI. It was the seventh consecutive year in which the Group has recorded successful results since listing in 1996. With such a solid foundation, CKI expects to maintain this encouraging trend in the years ahead.

Strong Performance in 2002

The Group's strong profit performance in 2002 can be attributed to two main factors:

1. Organic Growth

Hongkong Electric, the electricity company serving Hong Kong Island and Lamma Island in Hong Kong, is a reliable and steady income driver for CKI. This prime asset experienced 4.9 per cent. growth during the year, bringing HK\$2.6 billion profit contribution to the Group, accounting for 64 per cent. of the year's profit contribution.

A substantial increase in revenue was also generated by CKI's power and transportation projects in China. Performance of the Group's largest power investment in China, the Zhuhai Power Plant, exceeded targets; and transportation projects in Guangdong Province reported double digit revenue growth.

The energy projects in Australia continued to make meaningful contributions to growth. Gas distributor, Envestra Limited; as well as power distributors, ETSA Utilities and Powercor, provided solid, recurring revenue streams during the year. Profit contribution during the year was over HK\$700 million.

2. New Investment

The acquisition of Australian electricity distributor, CitiPower, in August generated immediate revenue

From Strength to Strength

for the Group upon completion of the transaction, providing an additional profit contribution during the year.

Solid Foundation Built Throughout the Years

The Group's performance in 2002 was the result of building on the sustained business achievements of the past seven years. They were the fruit of making sound investments and managing the Group's operations efficiently and effectively throughout the years.

During the past seven years, the world economy has experienced slowdowns, deflation, major business collapses, financial crises, and other unsettling turmoils. In spite of this challenging global investment climate, CKI has continued to make major investments almost every year. The Group has taken a consistently prudent approach in analysing investments to ensure that the risks are minimised and the returns to shareholders improved. Only prime assets generating secure income and returns were acquired.

CKI took a controlling stake in Hongkong Electric in 1997 and has since then increased its shareholding from 35 per cent. to the current 38.87 per cent. This prime asset has recorded growth every year and has always been a major profit contributor. It has provided CKI with strong, predictable recurrent income, and has strengthened the Group's capital base and financing capacity, which is a key driver for success in the capital intensive infrastructure market.

Privatisation schemes, overseas asset disposals by major US infrastructure companies, and similarities in the regulatory environment with Hong Kong have led CKI to make a number of quality investments in Australia. Since acquiring Envestra Limited, the largest listed natural gas distributor in the country, in 1999, the Group has followed up with swift investments in two other major prime assets. These were ETSA Utilities, the sole electricity distributor for the State of South Australia; and Powercor, one of the largest electricity distributors for the State of Victoria.

In 2002, CKI, together with Hongkong Electric, acquired CitiPower, the electricity distributor serving Melbourne and the surrounding suburbs in Victoria, Australia at a consideration of HK\$6.3 billion. This is another project which contributes steady, secure income for the Group, and another illustration of CKI's prudent investment strategy.

All of the Australian investments have performed better than budget. They widened the Group's steady income base and generated solid, secure revenue for CKI every year. These quality investments also expanded CKI's geographic reach, making a mark for the Group in the international infrastructure arena. CKI together with Hongkong Electric, who co-invested in the electricity distributors with CKI, is now the largest electricity distributor in Australia, reinforcing the Group's major infrastructure player position in the global scene.

The Group's first transportation project outside Hong Kong and Mainland China – the Sydney Cross City Tunnel – was awarded to CKI in 2002. This investment is an important milestone in CKI's development as it signifies the Group's diversification to transportation internationally, and is CKI's first project in the State of New South Wales. This project is expected to generate immediate revenue to the Group upon commencement of service scheduled to take place in 2006, and returns are to be in the high teens.

The Group's total investment in Australia now stands at HK\$17 billion.

CKI's investments in China were made in the years of massive demand for infrastructure investments in the country. As China's need for foreign financing decreased and policy changes were introduced, timely divestments were made of some of the Group's projects. These exercises recouped capital for the Group as well as mitigated impacts of uncertainties caused by regulatory changes. In 2002, three projects were disposed – the Zengcheng Lixin Road project achieved an internal rate of return of 20 per cent.; the Shantou Power Plants 10 per cent.; and the Nanhai Road Network about 8 per cent. At the end of the year, projects in CKI's China portfolio amounted to HK\$7 billion. They all performed well and provided substantial cash income for the Group.

The infrastructure materials division continued to generate good cashflow for the Group despite the recent sluggish market. The leadership positions of Green Island Cement and Anderson Asia remain intact, and are expected to stay strong in future years.

The three pillars of CKI's business strategy are built on the strong foundations of seven years of achievements:

- reliable, steady income generated year on year from organic growth in the Group's prime assets – the 38.87 per cent. shareholding in the HK\$63 billion* Hongkong Electric, the HK\$7 billion China projects, and the \$17 billion secure and reliable Australian investments are strong revenue streams of the Group;

- timely consolidation of assets and businesses strengthening the Group's asset base; and
- adoption of an aggressive yet prudent approach in making investments – every major acquisition was made to ensure reliable, secure recurrent income and returns for the Group; over-priced biddings would not be considered.

Growth Trend to Sustain

Going forward, CKI will continue with these proven strategies.

In today's international infrastructure investment arena, many opportunities have arisen due to disposal of overseas assets by infrastructure companies, and privatisation and public private partnership programmes offered by various governments. On the other hand, there are only a few qualified investors with extensive infrastructure investment experience and solid financial capabilities, and CKI is one of them. The Group has now become a prime prospect for major infrastructure programmes worldwide and is frequently invited to participate in tenders and negotiations.

With cash in hand of over HK\$7 billion, a roomy balance sheet with "A-" credit rating from Standard & Poor's, and 19 per cent. net debt to equity ratio, CKI is ready to aggressively pursue quality investment opportunities. The Group will not be bound by infrastructure type nor geographic location. In addition to continuously looking for investment opportunities on gas, electricity and toll road projects in Hong Kong, Mainland China and Australia, the Group will also explore opportunities in markets like Europe and North America, and industries like water and airport. At the same time, CKI will continue to ensure that its established portfolio is well-managed through organic growth and will make timely consolidation of assets and businesses if and when appropriate.

The key ingredients are all in place – prime assets in hand, strong financing capacity, competent management and a pool of investment opportunities around the globe. I am confident that despite the prolonged unsettling economic environment, the growth momentum of the Group will be sustained in 2003 and beyond.

H.L. KAM

Group Managing Director

Hong Kong, 13th March 2003

* Market capitalisation of Hongkong Electric as at 31st December, 2002



BUSINESS REVIEW

► **Infrastructure Materials
and Infrastructure-related
Businesses**

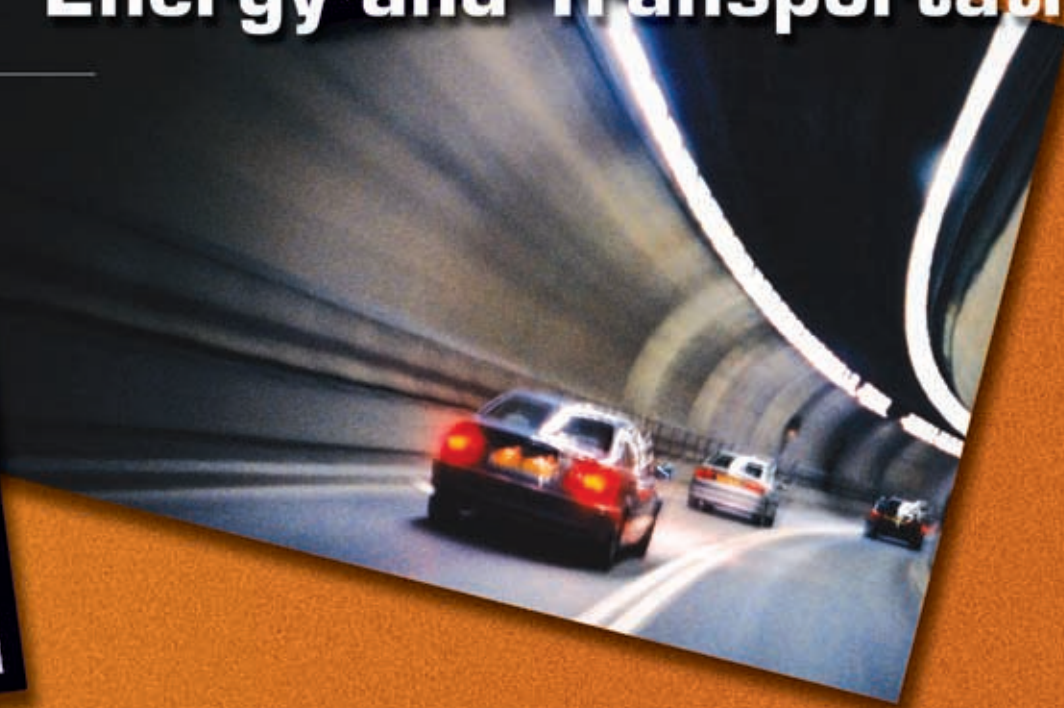




▶ Investment in Hongkong Electric



▶ Infrastructure Investments Energy and Transportation





Hongkong Electric has been a premium asset for CKI, providing reliable cash income and stable earnings over the years. It is one of the two electricity suppliers in Hong Kong, serving Hong Kong Island, Ap Lei Chau and Lamma Island. CKI currently holds a 38.87 per cent. stake in the company.



>> Hongkong Electric imports coal to its power station from diverse sources.

Hongkong Electric

In 2002, Hongkong Electric reported a net profit of HK\$6,827 million, a 4.9 per cent. increase over 2001. The investment of the 38.87 per cent. stake in Hongkong Electric accounted for over 60 per cent. of CKI's profit contribution.

The strong growth and significant contribution were attributable to stable income from Hongkong Electric's domestic business under the Scheme of Control, as well as significant returns from its overseas investments in Australia, including the continued outstanding performance of ETSA Utilities and Powercor, and the immediate contribution from CitiPower upon completion of the acquisition in August 2002.

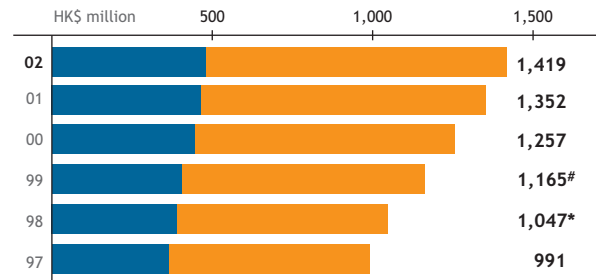


>> The turbine hall of Lamma Power Station



>> Bird's-eye view of Hongkong Electric

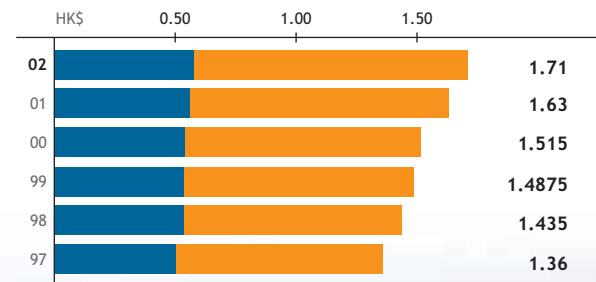
Total Dividend Entitlement from CKI's Investment in Hongkong Electric



■ Interim Dividend Received
 ■ Final Dividend Proposed

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

Dividends per Share Declared by Hongkong Electric

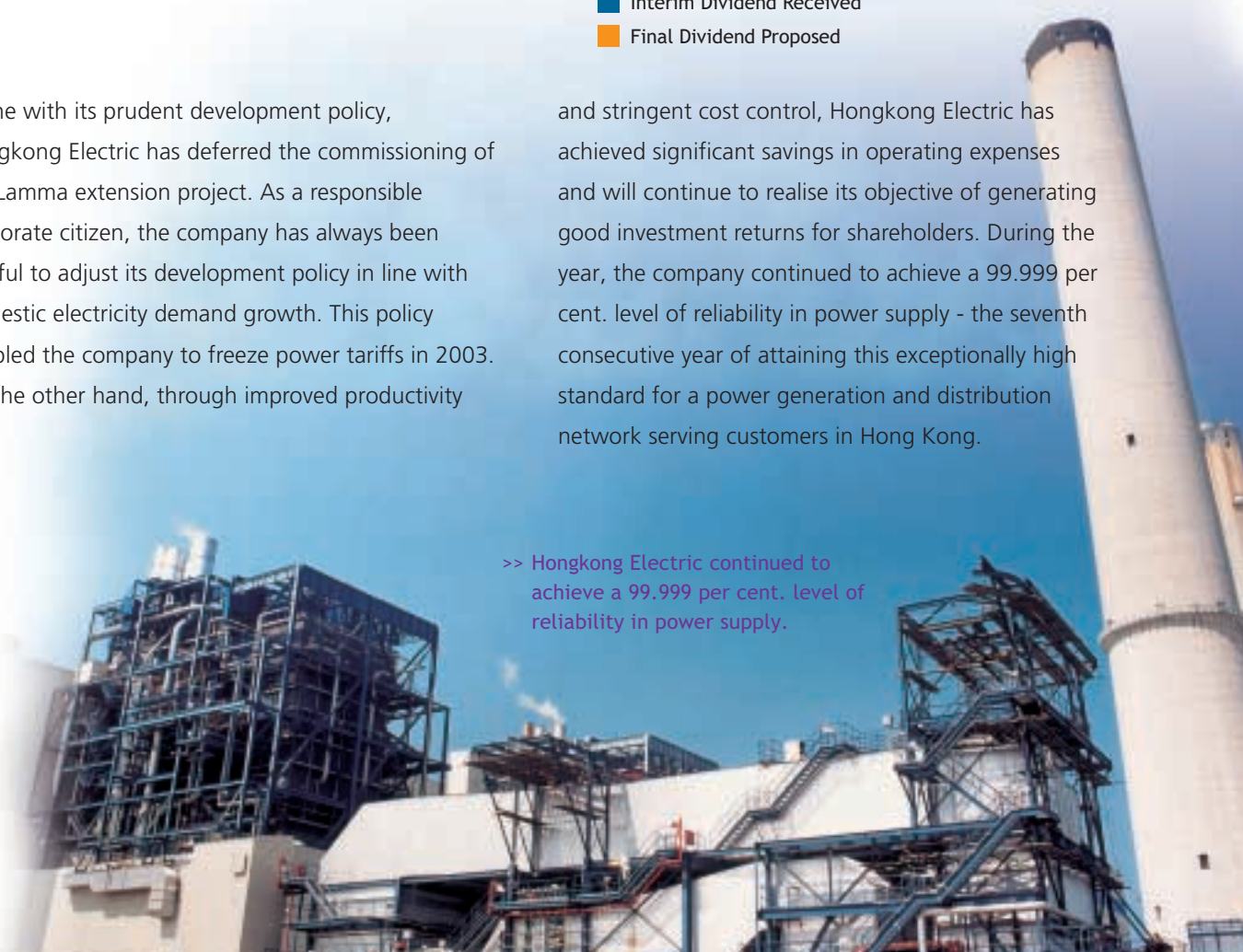


■ Interim Dividend Received
 ■ Final Dividend Proposed

In line with its prudent development policy, Hongkong Electric has deferred the commissioning of the Lamma extension project. As a responsible corporate citizen, the company has always been careful to adjust its development policy in line with domestic electricity demand growth. This policy enabled the company to freeze power tariffs in 2003. On the other hand, through improved productivity

and stringent cost control, Hongkong Electric has achieved significant savings in operating expenses and will continue to realise its objective of generating good investment returns for shareholders. During the year, the company continued to achieve a 99.999 per cent. level of reliability in power supply - the seventh consecutive year of attaining this exceptionally high standard for a power generation and distribution network serving customers in Hong Kong.

>> Hongkong Electric continued to achieve a 99.999 per cent. level of reliability in power supply.





CKI's energy investments in both Australia and China have achieved significant milestones in the year 2002. In Australia, together with Hongkong Electric, CKI successfully completed the acquisition of CitiPower I Pty Ltd (CitiPower) in August 2002, which generated additional income upon completion of transaction. In China, the Zhuhai Power Plant has generated electricity in excess of the contractual minimum power purchasing quantity, achieving an excellent investment return for shareholders.

CitiPower

CitiPower is the electricity distributor serving 265,000 customers in the central business district and inner suburban areas of Melbourne, Victoria. CKI and Hongkong Electric acquired CitiPower for a consideration of A\$1,418 million. Upon completion of the transaction, Standard & Poor's upgraded CitiPower's credit rating to "A-" from "BBB+" with "Stable" outlook.

Following the earlier acquisitions of Powercor in Victoria, and ETSA Utilities in South Australia, CKI, in partnership with Hongkong Electric, has a total power investment of approximately A\$7 billion in Australia and serves a total of 1.65 million customers. This makes CKI/Hongkong Electric the largest electricity distributor and one of the biggest overseas investors in Australia.

In February 2003, CitiPower successfully completed an A\$675 million refinancing programme in tenors of four, seven and 10 years via the domestic capital markets.

>> About 18,000 new customer connections were made by Powercor in 2002.





>> CitiPower is the electricity distributor serving the central business district and inner suburban area of Melbourne, Victoria.

Powercor

Strong housing growth in the State of Victoria contributed to an enlarged customer base and increased power demand for Powercor. About 18,000 new customer connections were made in 2002, representing organic growth of 3 per cent. Additional profits were generated from January to May as a result

of fulfilling the one-year transitional services to the purchaser of Powercor's retail business.

Powercor has provided an outstanding power distribution service in Victoria in terms of reliability, productivity and customer services, and it is a low risk and high yield investment for CKI.

ETSA Utilities

ETSA Utilities is CKI/Hongkong Electric's first power investment in Australia. The privatisation of South Australia's power industry gave CKI the opportunity to establish a presence in Australia's electricity distribution business back in 2000. ETSA Utilities serves the entire State of South Australia with ownership of over 90 per cent. of the state's power distribution network. It is a secure and premium long-term investment for the Group.

Envestra

CKI's investment in natural gas began with Envestra Limited, which it acquired in 1999. Envestra is the largest listed natural gas distributor in Australia, serving 900,000 customers nationwide and capturing approximately 30 per cent. of Australia's total gas consumption. While contributing to CKI a high cash yield of almost 11 per cent. p.a., Envestra is characterised by the low risk and steady income profile, features common to all CKI's regulated business investments.

In 2002, through Envestra's share purchasing programme, CKI maintained the largest shareholder position with a 19.14 per cent. stake, and an aggregate investment of A\$118 million.

China Power

2002 was the first full year of operations for the Zhuhai Power Plant's 2 x 700MW coal-fired units. In addition to setting a record of "over 300 days of safe operations" in the Guangdong power network, the plant generated an amount of electricity in excess of the minimum purchase requirement of 6.8 billion kWh stipulated in the power off-take contract. The safe, reliable and efficient operation of the Zhuhai Power Plant is a key driving force behind the economic development in the Zhuhai City hinterland and the Pearl River Delta Region.



from top to bottom:

>> ETSA Utilities is CKI/Hongkong Electric's first power investment in Australia.

>> CKI currently owns a 19.14 per cent. stake in Envestra Limited.

>> CKI's cogen power plant investment in Siping, Jilin.

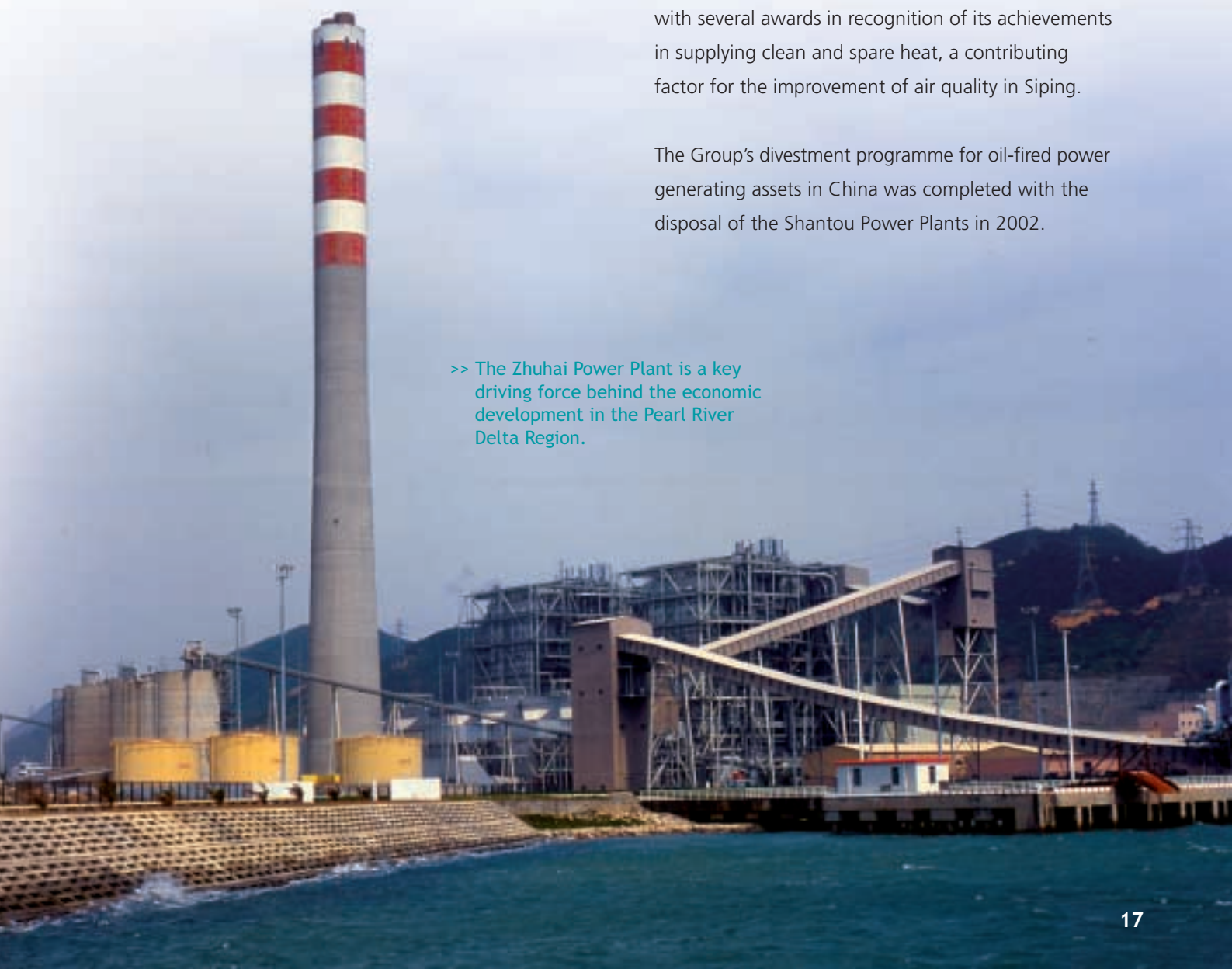


The Zhuhai Power Plant is CKI's largest power investment in the Mainland. Apart from being able to generate enough cash revenue to service the Japanese export credit and the syndicated commercial loans, the investment has provided shareholders with a high return and accounted for 9 per cent. of CKI's 2002 profit contribution.

CKI's other power projects in China also performed well, with all units operating safely and smoothly throughout the year. Power output from the Fushun Cogen Power Plants increased by 6.4 per cent. over 2001, while the Qinyang Power Plants' electricity generation was about 17 per cent. more than required under the contractual power off-take agreement. In addition, the Siping Cogen Power Plants was honored with several awards in recognition of its achievements in supplying clean and spare heat, a contributing factor for the improvement of air quality in Siping.

The Group's divestment programme for oil-fired power generating assets in China was completed with the disposal of the Shantou Power Plants in 2002.

>> The Zhuhai Power Plant is a key driving force behind the economic development in the Pearl River Delta Region.





>> The Cross City Tunnel will be linking Sydney's eastern suburbs with the west side of the city.



An exciting milestone achievement of CKI Transportation in 2002 was the winning of the tender for the Sydney Cross City Tunnel project. The tunnel is CKI's first infrastructure investment in New South Wales, Australia, and is also the Group's first step in expanding its transportation portfolio beyond Hong Kong and Mainland China. The transportation division has followed the successful formula of the energy division by diversifying its business and expanding geographically. Apart from roads and bridges, the Group has explored other transportation investments such as airports and cable-car transit systems.



>> The Guangzhou Ring Road is a key expressway surrounding the eastern, southern and western areas of the Guangzhou City.

The Sydney Cross City Tunnel

In December 2002, the Cross City Motorway Consortium, in which CKI has a 50 per cent. interest, was awarded the Cross City Tunnel project in Sydney by the New South Wales Government. Construction work began in early 2003 and is targeted for completion in 2006.

The A\$1 billion toll tunnel will be over two kilometers long, linking Sydney's eastern suburbs with the west side of the city. It is expected to carry about 90,000 vehicles per day at opening, forming a vital part of Sydney's future transportation planning.

The financing of the investment was arranged with 55 per cent. non-recourse project loans, and shareholders' equity was funded by guaranteed project loans. According to this financing model, no funding cost will be carried by the Group during the construction period. This investment is expected to be another premium asset for CKI, delivering a favourable investment return upon completion.

Road Projects in Guangdong

The spectacular growth and development of Guangdong, particularly in the Pearl River Delta, has led to an increase in privately-owned vehicles and goods transportation activities. All the toll roads and bridges owned and operated by CKI have benefited from increased economic activities and the consequent growth in traffic flow, resulting in double digit increment in toll revenue.

Other Transportation Projects in Mainland China

Government policies and major road rehabilitation programmes were introduced on transportation projects outside Guangdong. Nevertheless, CKI's investment targets for these projects were largely met.

Consolidation of China Infrastructure Portfolio

During the year, the Zengcheng Lixin Road was sold for HK\$132 million and generated a gain of approximately HK\$50 million; disposal of the Nanhai Road Network was also largely completed with about HK\$1.4 billion recouped.

The Group's consolidation strategy also includes the impending sales of the Shenyang Roads and Bridges and the Jiangmen Jianghe Highway, which are expected to be concluded in 2003. In accordance with new government regulations, some of the Group's assured-return contracts will be converted into new joint-venture contracts on risk sharing basis. CKI's consolidation of its infrastructure investments in China will soon be completed.

Hong Kong Eastern Harbour Crossing Tunnel

In Hong Kong, the Group took 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.

>> The Shantou Bay Bridge recorded double digit growth in toll revenue in 2002.



Infrastructure Materials and Infrastructure-related Businesses encompass both the Group's on-going operations in infrastructure materials and new initiatives in environmental and electronic infrastructure. While Green Island Cement and Anderson Asia are well recognised market leaders in the domestic cement and concrete industries, the Group's ventures in selective infrastructure-related businesses, such as environmentally friendly hydrogen system technology and electronic infrastructure initiatives are also growing in importance.

>> Electronic security systems involving smart card and biometrics have gained broader recognition and acceptance.



Infrastructure Materials

As a result of the deflationary environment and declining property market, both domestic consumption of and prices for cement, concrete and aggregates suffered further declines in 2002. The slowdown of public housing works and the recent decision to stop all government ownership-housing programmes are expected to further dampen infrastructure materials prices and volumes in 2003.

In such a challenging market, Green Island Cement and Anderson Asia have continued to impose stringent cost control measures, while striving to deliver the best possible customer service and most reliable product supply for users. Though profit contribution further reduced and represented a modest percentage of CKI's total profit contribution, both Green Island Cement and Anderson Asia maintained strong cash balances due to slim capital expenditure programmes and strong cash inflow from non-cash items such as depreciation expenses.

As with the Hong Kong domestic market, Green Island Cement's infrastructure materials business in Mainland China also faced strong price pressure and so saw a further reduction of profit margin. An over-supply situation continued in many cities amid a slowdown in construction activities.

>> Green Island Cement is the market leader in the domestic cement industry.

During the year, Anderson Asphalt continued to maintain its market share and contributed a satisfactory profit as budgeted. The order book on



>> **Hydrogen generation and supply system for hydrogen vehicle fuelling.**

hand remains healthy and the business is expected to continue to be profitable in 2003.

Environmental Commitments

During the year, the Group continued to focus on environmental initiatives in waste handling and recycling, waste to energy conversion and clean energy.

Waste Material Recycling

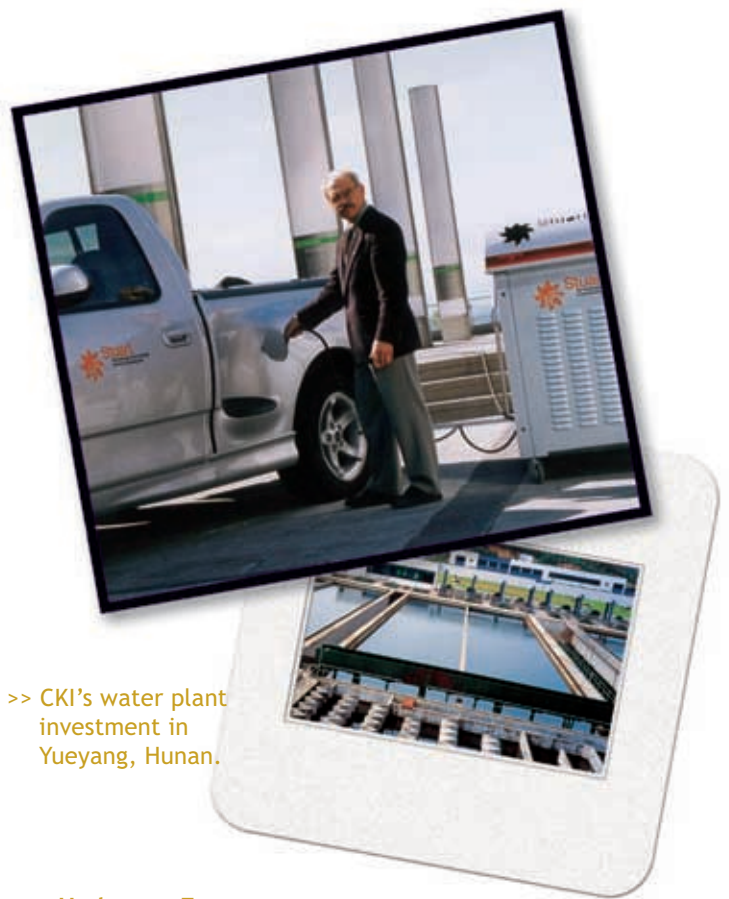
Green Island International has been working with the Hong Kong University of Science and Technology on a 24-month pilot programme to study "integrated co-combustion cement manufacturing facility for waste minimisation and energy optimisation". The research programme studies waste handling via a thermal process at 1,200 degree Celsius, an extremely high temperature made possible using a burning kiln rather than a conventional incinerator. The heat generated can also be picked up and converted into electricity to drive cement production facilities, and the residual ash can be recycled as raw material for cement manufacturing.

Water Treatment

In China, CKI has a water treatment joint venture committed to providing quality water supply in Yueyang, Hunan Province. The tariff was raised in 2002.

Polymer Modified Asphalt

In Canada, CKI has a 63.4 per cent. stake in Polyphalt Inc., a technology company that develops and commercialises polymer modified asphalt products and technology for North American and international markets. During the year, the Liaohe Refinery in Liaoning Province started polymer modified asphalt production as planned.



>> **CKI's water plant investment in Yueyang, Hunan.**

Hydrogen Energy

While new shares were issued for the acquisition of Vandenborre Technologies, N.V., CKI's investment in Stuart Energy Systems Corp., the leading global developer and supplier of integrated hydrogen solutions, was slightly diluted to around 9 per cent. Other than conventional industrial hydrogen applications, the alternative clean energy will also cover distributed energy and hydrogen fuelled vehicle markets.

In addition to the equity investment, CKI also holds an exclusive distribution right for the hydrogen fuelling technology in Asia Pacific until 2012.

Electronic Infrastructure

Electronic security systems involving smart cards and biometrics have gained broader recognition and acceptance as a result of increasing concerns about security. The Group has been working with different technology providers to develop and deliver one-stop security solutions by integrating different electronic biometrics and security technologies.

Financial Review

Financial Resources, Treasury Activities and Gearing Ratio

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

As at 31st December, 2002, total borrowings of the Group amounted to HK\$12,645 million, which included Hong Kong dollar syndicated loan of HK\$3.8 billion, foreign currency borrowings of HK\$8,754 million and RMB bank loans of HK\$91 million. Of the total borrowings, 18 per cent. were repayable in 2003, 66 per cent. repayable in 2004 to 2007 and 16 per cent. repayable beyond 2007. The Group's financing activities continue to be well received and fully supported by its bankers.

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

As at 31st December, 2002, the Group maintained a gearing ratio of 19 per cent. which was based on its net debt of HK\$5,454 million and equity of HK\$28,853 million. This ratio was higher than the gearing ratio of 16 per cent. at the year end of 2001 due to drawdown of a short-term Australian dollars bridging loan of HK\$1,823 million for the acquisition of CitiPower I Pty Ltd. during the year. For potential project financing requirements from business growth, the Group issued foreign currency fixed rate notes totalling HK\$1,813 million in March 2002 under the Group's US\$2 billion medium term note programme established in March 2001. In addition, the Group entered into a syndicated loan facility agreement of HK\$3.8 billion in May 2002 which was fully drawn in September 2002 to refinance the HK\$3.1 billion syndicated loan.

To minimise currency risk exposure in respect of its investments in other countries, the Group has a policy of hedging those investments with the appropriate level of borrowings denominated in the local currencies of those countries. As at 31st December, 2002, the Group has swapped the floating interest rates of its borrowings totalling HK\$6,539 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, 2002:

- certain of the Group's land and buildings and other assets with carrying values totalling HK\$78 million were pledged to secure bank borrowings totalling HK\$24 million; and
- the Group's interests in an affiliated company with carrying value of HK\$1,982 million were pledged as part of the security to secure bank borrowings totalling HK\$4,778 million granted to the affiliated company.

Contingent Liabilities

As at 31st December, 2002, the Group was subject to the following contingent liabilities:

HK\$ million

Guarantees in respect of bank loans drawn by affiliated companies	1,031
Performance bonds	25
Total	1,056

Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,898 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$370 million. The Group ensures that the pay levels of its employees are competitive and that its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

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

Board and Senior Management



Victor Li, H.L. Kam
(from left to right)

Directors' Biographical Information

LI Tzar Kuoi, Victor

aged 38, has been the Chairman of the Company since its incorporation in May 1996. He is also the Chairman of CK Life Sciences Int'l., (Holdings) Inc., 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. Mr. Li is a member of the 9th Chinese People's Political Consultative Conference ("CPPCC") and a member of the Standing Committee of the 10th CPPCC. He is also a member of the Commission on Strategic Development and the Business Advisory Group for the Hong Kong Special Administrative Region. He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering.

KAM Hing Lam

aged 56, has been the Group Managing Director of the Company since its incorporation in May 1996. He has also been the Deputy Managing Director of Cheung Kong (Holdings) Limited since February 1993. He is also the President and Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc., 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.

George Colin MAGNUS

aged 67, 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.



George Magnus, Dominic Chan, Eric Kwan
(from left to right)



Barrie Cook, Ivan Chan, Edmond Ip
(from left to right)

FOK Kin Ning, Canning

aged 51, 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, Hutchison Harbour Ring Limited and Partner Communications Company Ltd., the Co-Chairman of Husky Energy Inc. and 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.

IP Tak Chuen, Edmond

aged 50, has been an Executive Director of the Company since its incorporation in May 1996 and Deputy Chairman of the Company since February 2003. He has also been an executive director of Cheung Kong (Holdings) Limited since September 1993. He is also the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc. and a non-executive director of TOM.COM LIMITED. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

KWAN Bing Sing, Eric

aged 58, has been an Executive Director of the Company since January 2000 and the Deputy Managing Director of the Company since November 2002. 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.

CHOW WOO Mo Fong, Susan

aged 49, 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.

Frank John SIXT

aged 51, 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, the 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.

TSO Kai Sum

aged 71, 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 60, 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 Council for Sustainable Development and the Convenor of the Business Coalition on the Environment. He has previously chaired the Hong Kong Government's Waste Reduction Committee, the Environmental Committee of the Hong Kong General Chamber of Commerce and was a member of the Hong Kong Government's Advisory Council on the Environment.

CHEONG Ying Chew, Henry

aged 55, 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 GEM Listing Committee, Main Board Listing Committee and 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 54, 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 active in public service and currently serves on a number of statutory, advisory and appeal committees. She is also a director of a number of other listed companies in Hong Kong.

Senior Management's Biographical Information

CHAN Kee Ham, Ivan

aged 40, Senior Manager, Planning and Investment, has been with the Cheung Kong Group since September 1999. He has over 16 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 42, the Company Secretary, has been with the Cheung Kong Group since August 1994. She is also the Corporate Business Counsel & Company Secretary of Cheung Kong (Holdings) Limited and the Company Secretary of CK Life Sciences Int'l., (Holdings) Inc. 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 also holds a Master's degree in Business Administration.

CHAN Loi Shun, Dominic

aged 40, Financial Controller, 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 58, General Manager, Technology Development, has been with the Cheung Kong Group since January 1994. He is also an executive director of CK Life Sciences Int'l., (Holdings) Inc. He holds a Doctor of Philosophy degree in Mechanical Engineering and is a member of the American Society of Mechanical Engineers.

YUEN Ming Kai, Clement

aged 56, 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 46, 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 56, Managing Director of Green Island Cement (Holdings) Limited and Anderson Asia (Holdings) Limited, has been with the two companies for over 20 years. He is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Society of Accountants, a fellow of the Institute of Quarrying (UK) and the past chairman of the Institute of Quarrying, Hong Kong Branch.

YU Siu Lim, Gary

aged 47, Managing Director of Green Island International Limited, 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.

Donald William JOHNSTON

aged 60, 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, 2002.

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, 2002 are set out in the consolidated income statement on page 44.

The Directors recommend the payment of a final dividend of HK\$0.465 per share which, together with the interim dividend of HK\$0.215 per share paid on 4th October, 2002, makes a total dividend of HK\$0.68 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 61.

Reserves

Details of changes in the reserves of the Company and the Group are set out in note 24 to the financial statements on pages 70 and 71.

Group Financial Summary

Results, assets and liabilities of the Group for the last seven years are summarised on pages 2 and 3.

Properties

Particulars of major properties held by the Group are set out in Appendix 5 on page 88.

Directors

The Directors of the Company are listed on page 100. The Directors' biographical information is set out on pages 24 to 26.

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. Kwan Bing Sing, Eric, Mr. Tso Kai Sum and Mr. Barrie Cook retire from office and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Directors' Interests

As at 31st December, 2002, 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	–	–	1,086,770 (Note 4)	2,140,672,773 (Note 2)	2,141,759,543
	Kam Hing Lam	60,000	–	–	–	60,000
	George Colin Magnus	990,100	9,900	–	–	1,000,000
	Fok Kin Ning, Canning	–	–	2,010,875 (Note 5)	–	2,010,875
	Chow Woo Mo Fong, Susan	50,000	–	–	–	50,000
	Frank John Sixt	50,000	–	–	–	50,000
	Lee Pui Ling, Angelina	38,500	–	–	–	38,500
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	100,000	–	1,000,000 (Note 5)	–	1,100,000
		134,000	–	1,340,001	–	1,474,001
		5.5% Unsecured Convertible Notes due 2007	–	5.5% Unsecured Convertible Notes due 2007 (Note 5)	–	5.5% Unsecured Convertible Notes due 2007
Hongkong Electric Holdings Limited	Li Tzar Kuoi, Victor	–	151,000	–	829,599,612 (Note 3)	829,750,612
	Lee Pui Ling, Angelina	8,800	–	–	–	8,800
Hutchison Harbour Ring Limited	Fok Kin Ning, Canning	–	–	5,000,000 (Note 5)	–	5,000,000

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

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Husky Energy Inc.	Li Tzar Kuoi, Victor	-	-	-	137,474,244	137,474,244
					(Note 6)	
		-	-	-	205,774	205,774
					Transferable Warrants	Transferable Warrants
					(Note 6)	
	Fok Kin Ning, Canning	-	-	300,000	-	300,000
				(Note 5)		
Partner Communications Company Ltd.	Li Tzar Kuoi, Victor	-	-	US\$7,000,000	US\$31,080,000	US\$38,080,000
				13% Bonds due 2010	13% Bonds due 2010	13% Bonds due 2010
				(Note 7)	(Note 8)	
	George Colin Magnus	25,000	-	-	-	25,000
	Fok Kin Ning, Canning	-	-	225,000	-	225,000
				(Note 5)		
		-	-	US\$3,000,000	-	US\$3,000,000
				13% Unsecured Senior Subordinated Notes due 2010		13% Unsecured Senior Subordinated Notes due 2010
				(Note 5)		
Hutchison Whampoa International (01/11) Limited	Li Tzar Kuoi, Victor	-	-	US\$7,000,000	-	US\$7,000,000
				7% Notes due 2011		7% Notes due 2011
				(Note 7)		
	Fok Kin Ning, Canning	-	-	US\$30,000,000	-	US\$30,000,000
				7% Notes due 2011		7% Notes due 2011
				(Note 5)		

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 2,140,672,773 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) 10,470,000 shares are held by a unit trust and company controlled by such 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 10,470,000 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.
- (4) These shares are beneficially owned by certain companies in which Mr. Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
- (5) These interests are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.
- (6) These interests 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 and transferable warrants by virtue of his interests as a discretionary beneficiary of certain discretionary trusts as described in Note 2(b) above.
- (7) Such interests are held by a company in which Mr. Li Tzar Kuoi, Victor is entitled to control one-third or more of the voting rights at its general meetings.
- (8) Such interests are held by a subsidiary of Cheung Kong Holdings. By virtue of being a Director of the Company and the interests in the shares of Cheung Kong Holdings taken to be held by Mr. Li Tzar Kuoi, Victor under the SDI Ordinance as described in Note 1(a) above which represent more than one-third of the issued share capital of Cheung Kong Holdings, Mr. Li Tzar Kuoi, Victor is also deemed to be interested in the 13% Bonds issued by Partner Communications Company Ltd., an associated company of the Company, held through Cheung Kong Holdings under the SDI Ordinance.

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 securities of subsidiaries and associated companies of the Company held through the Company and in those securities 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, 2002 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, 2002 as required to be recorded in the register maintained under Section 16(1) of the SDI Ordinance:

- (i) 1,906,681,945 shares of the Company are held by Hutchison Infrastructure Holdings Limited, a subsidiary of Hutchison Whampoa. Its interests are duplicated in the interests of Hutchison Whampoa in the Company described in (ii) below.
- (ii) Hutchison Whampoa is deemed to be interested in the 1,906,681,945 shares of the Company referred to in (i) above as it holds more than one-third of the issued share capital of Hutchison International Limited, which holds more than one-third of the issued share capital of Hutchison Infrastructure Holdings Limited.
- (iii) Cheung Kong Holdings is deemed to be interested in the 1,906,681,945 shares of the Company referred to in (ii) above as certain subsidiaries of Cheung Kong Holdings hold more than one-third of the issued share capital of Hutchison Whampoa.
- (iv) TUT as trustee of the LKS Unity Trust is deemed to be interested in those shares of the Company described in (iii) above as TUT and companies it controls as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong Holdings and in the 3,603,000 shares and 1,825,000 shares of the Company respectively held by Pennywise and Triumphant as Pennywise and Triumphant are companies controlled by TUT as trustee of the LKS Unity Trust.
- (v) Each of Mr. Li Ka-shing, Li Ka-Shing Unity Holdings Limited and Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust is deemed to be interested in the same block of shares TUT as trustee of the LKS Unity Trust is deemed to be interested in as referred to in (iv) above as all issued and outstanding units in the LKS Unity Trust are held by the Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and by another discretionary trust. More than one-third of the issued share capital of TUT and of the trustees of the said discretionary trusts are owned by Li Ka-Shing Unity Holdings Limited. Mr. Li Ka-shing owns more than one-third of the issued share capital of Li Ka-Shing Unity Holdings Limited.

Connected Transactions

The following transactions of the Group constituted continuing connected transactions which are normally subject to the disclosure and/or shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") during the financial year ended 31st December, 2002:

- (i) 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 a deed of counter-indemnity given by the Company in favour of Cheung Kong Holdings and Hutchison Whampoa, 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.
- (ii) Cheung Kong Holdings, Hutchison Whampoa, Pennywise and Triumphant (together, the "Warrantors") 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. Under the deed of indemnity, no claim may be made against the Warrantors in respect of the said indemnity unless written notice of the claim is given to the Warrantors before 12th July, 2002. Since the said expiry date has passed and no claims were notified before such expiry date, all rights and obligations in respect of the indemnity under the deed of indemnity lapsed as from 12th July, 2002.

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

On 12th August, 1996, the Hong Kong Stock Exchange granted conditional waivers (the "Waivers") to the Company from strict compliance with the disclosure and shareholders' approval requirements under Chapter 14 of the Listing Rules in respect of, inter alia, the Continuing Connected Transactions (the "Transactions") subject to the following conditions:

- (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 the 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 of directors 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 Continuing Connected Transactions have been reviewed and approved by the Directors of the Company (including the independent non-executive directors). The independent non-executive directors of the Company have confirmed that for the year 2002 the Continuing Connected Transactions were conducted in the manner as stated in condition (1) above or in accordance with the terms of the respective agreements governing the Continuing Connected Transactions.

The auditors of the Company have also confirmed that for the year 2002 the Continuing Connected Transactions received the approval of the Company's Board of Directors; and the Continuing Connected Transactions have been entered into on normal commercial terms or in accordance with the terms of the respective agreements governing the Continuing Connected Transactions.

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 was made to the Hong Kong Stock Exchange to confirm that such Waivers shall continue to be effective despite the change of circumstances which were resulted from the implementation of the Cheung Kong Group Restructuring. The Hong Kong Stock Exchange indicated that such waiver shall continue to be effective on the same conditions as referred to above.

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.

(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)
	CK Life Sciences Int'l., (Holdings) Inc.	Chairman	(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)
	CK Life Sciences Int'l., (Holdings) Inc.	President and Chief Executive Officer	(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)
Fok Kin Ning, Canning	Cheung Kong (Holdings) Limited	Non-executive Director	(4), (5) & (6)
	Hutchison Whampoa Limited	Group Managing Director	(4), (5) & (6)
	Hutchison Harbour Ring Limited	Chairman	(6)
	Hongkong Electric Holdings Limited	Deputy Chairman	(1), (4), (5) & (6)
	Hanny Holdings Limited	Non-executive Director	(4), (5) & (6)

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

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Executive Director	(4), (5) & (6)
	CK Life Sciences Int'l., (Holdings) Inc.	Senior Vice President and Chief Investment Officer	(5) & (6)
	TOM.COM LIMITED	Non-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)
	Shougang Concord International Enterprises Company Limited	Non-executive Director	(4) & (5)
	Trasy Gold Ex Limited	Non-executive Director	(4), (5) & (6)
	Town Health International Holdings Company Limited	Non-executive Director <i>(resigned on 5th August, 2002)</i>	(4), (5) & (6)
Chow Woo Mo Fong, Susan	Hutchison Whampoa Limited	Deputy Group Managing Director	(4), (5) & (6)
	Hutchison Harbour Ring Limited	Executive Director	(6)
	Hongkong Electric Holdings Limited	Non-executive Director	(1), (4), (5) & (6)
	TOM.COM 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)
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.

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.

Donations

Donations made by the Group during the year amounted to HK\$381,000.

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 2002.

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, 2002. The facility will mature in 2007. 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 under the section headed "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. The obligation has been complied with.
- (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, 2002. The facility will mature in late March 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, 2002. The facility will mature in late March 2003. Under the provision of the loan agreement, it is an event of default if Hutchison Whampoa ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.
- (e) The Group has entered into a long term syndicated facility agreement of A\$500 million of which the whole amount was drawn as at 31st December, 2002. 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, 2002. 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) The Group has entered into a long term syndicated facility agreement of A\$405 million of which the whole amount was drawn as at 31st December, 2002. The facility will mature in 2006. 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.

- (h) As at 31st December, 2002, the Group has granted relevant advances to certain affiliated companies totalling HK\$10,181 million, equivalent to approximately 35 per cent. of the Group's net assets. Proforma combined balance sheet of the affiliated companies as at 31st December, 2002 is set out below:

HK\$ million

Non-current assets	41,661
Current assets	2,651
Current liabilities	(1,974)
Non-current liabilities	(41,818)
Net assets	520
Share capital	1,611
Reserves	(1,091)
Capital and reserves	520

As at 31st December, 2002, the consolidated attributable interest of the Group in these affiliated companies amounted to HK\$10,089 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, 13th March, 2003

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 44 to 87 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, 2002 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, 13th March, 2003

Consolidated Income Statement

for the year ended 31st December

<i>HK\$ million</i>	Notes	2002	2001
Turnover	3		
Group turnover		1,872	2,316
Share of turnover of jointly controlled entities		1,723	1,522
		3,595	3,838
Group turnover	3	1,872	2,316
Other revenue	4	1,039	2,049
Operating costs	5	(2,051)	(3,846)
Operating profit	6	860	519
Finance costs	7	(624)	(551)
Share of results of associates		3,201	3,307
Share of results of jointly controlled entities		453	408
Profit before taxation		3,890	3,683
Taxation	8	(470)	(392)
Profit after taxation		3,420	3,291
Minority interests		5	32
Profit attributable to shareholders	9	3,425	3,323
Earnings per share	10	HK\$1.52	HK\$1.47
Dividends	11		
Interim dividend paid		485	473
Proposed final dividend		1,048	947
		1,533	1,420

Balance Sheets

as at 31st December

<i>HK\$ million</i>	Notes	Group		Company	
		2002	2001	2002	2001
Property, plant and equipment	12	1,992	2,137	4	6
Interests in subsidiaries	13	–	–	28,421	28,195
Interests in associates	14	24,425	20,035	–	–
Interests in jointly controlled entities	15	4,538	4,606	–	–
Interests in infrastructure project investments	16	2,465	3,469	–	–
Investments in securities	17	803	759	–	–
Other non-current assets	18	43	43	–	–
Total non-current assets		34,266	31,049	28,425	28,201
Inventories	19	188	206	–	–
Retention receivables		20	16	–	–
Debtors and prepayments	20	722	925	7	5
Dividend receivable		–	–	1,682	1,655
Bank deposit, pledged		–	23	–	–
Bank balances and deposits		7,191	4,023	4	1
Total current assets		8,121	5,193	1,693	1,661
Bank loans	21	2,269	3,930	–	–
Creditors and accruals	22	571	695	152	142
Taxation		99	101	–	–
Total current liabilities		2,939	4,726	152	142
Net current assets		5,182	467	1,541	1,519
Total assets less current liabilities		39,448	31,516	29,966	29,720
Bank and other loans	21	10,376	4,499	–	–
Debentures		–	6	–	–
Total non-current liabilities		10,376	4,505	–	–
Minority interests		219	224	–	–
Net assets		28,853	26,787	29,966	29,720
Representing:					
Share capital	23	2,254	2,254	2,254	2,254
Reserves	24	26,599	24,533	27,712	27,466
Capital and reserves		28,853	26,787	29,966	29,720

LI TZAR KUOI, VICTOR
Director

IP TAK CHUEN, EDMOND
Director

13th March, 2003

Consolidated Statement of Changes in Equity

for the year ended 31st December

<i>HK\$ million</i>	Note	2002	2001
Total equity at 1st January		26,787	24,764
(Deficit)/surplus on revaluation of non-trading securities	24	(9)	73
Exchange translation differences	24	172	(14)
Net gain not recognised in the consolidated income statement		163	59
Net profit for the year	24	3,425	3,323
Previously recognised revaluation (surplus)/deficit realised upon disposals of non-trading securities	24	(90)	16
Final dividend for the year 2001/2000 paid	24	(947)	(902)
Interim dividend for the year 2002/2001 paid	24	(485)	(473)
Total equity at 31st December		28,853	26,787

Consolidated Cash Flow Statement

for the year ended 31st December

<i>HK\$ million</i>	Notes	2002	2001
OPERATING ACTIVITIES			
Cash generated from operations	25(a)	1,212	1,022
Income taxes paid		(14)	(48)
Net cash from operating activities		1,198	974
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(111)	(87)
Disposals of property, plant and equipment		3	5
Disposals of subsidiaries	25(b)	803	495
Acquisitions of subsidiaries		–	(4)
Advances to associates		(2,309)	(1,641)
Repayments from associates		48	3,173
Advances from an associate		15	26
Investments in jointly controlled entities		–	(63)
Loans to jointly controlled entities		–	(8)
Repayments from jointly controlled entities		–	338
Deposits received for disposals of infrastructure projects		–	160
Purchases of securities		(333)	(55)
Disposals of listed securities		246	133
Repayments from finance lease debtors		14	14
Acquisitions of assets for leasing		–	(20)
Acquisitions of patents		(3)	(1)
Pledge of bank deposit		–	(23)
Release of pledged bank deposit		23	52
Dividends received from associates		1,379	1,289
Distributions received from listed stapled securities		53	44
Dividends received from other listed securities		–	2
Interest received		300	289
Finance lease income received		5	7
Net cash from investing activities		133	4,125
Net cash before financing activities		1,331	5,099
FINANCING ACTIVITIES			
New bank and other loans		7,405	1,684
Repayments of bank loans		(3,915)	(3,300)
Redemption of debentures		(6)	–
Finance costs paid		(215)	(202)
Dividends paid		(1,432)	(1,375)
Net cash from/(utilised in) financing activities		1,837	(3,193)
Net increase in cash and cash equivalents		3,168	1,906
Cash and cash equivalents at 1st January		4,023	2,117
Cash and cash equivalents at 31st December		7,191	4,023
Representing:			
Bank balances and deposits at 31st December		7,191	4,023

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 Hong Kong Stock Exchange.

The Group's principal activities are the development, investment and operation of infrastructure businesses in Hong Kong, Mainland China 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), 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 from the effective dates of acquisitions or up to the effective dates of disposals.

b) Goodwill

Goodwill represents the excess of costs of acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the subsidiaries, associates and jointly controlled entities acquired.

The Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill previously eliminated against reserves prior to 1st January, 2001. Accordingly, such goodwill continues to be held in reserves and will be charged to the income statement on disposal of the relevant subsidiary, associate or jointly controlled entity or at such time as further impairment losses are identified.

Goodwill arising on acquisition on or after 1st January, 2001 is capitalised and amortised using the straight-line method over its estimated useful life. On disposal of the relevant subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

The carrying amount of the goodwill, including that previously eliminated against reserves, is reduced to recognise any identified impairment loss in the value of individual acquisitions.

Notes to the Financial Statements

2. Principal Accounting Policies (Cont'd)

c) Subsidiaries

A subsidiary is a company that is controlled by the Company, where the Company has the power to govern the financial and operating policies of such company so as to obtain benefits from its activities. Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

d) Associates

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

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 identified impairment loss 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 identified impairment loss in the value of individual investments.

f) Infrastructure Project Investments

Investments in infrastructure projects which do not fall into the definition of subsidiaries, associates and jointly controlled entities are classified as infrastructure project investments if the Group's return to be derived therefrom is predetermined in accordance with the provisions of the relevant agreements and the venturers' share of net assets are not in proportion to their capital contribution ratios but 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 relevant contract period on a straight-line basis from commencement of operation of the project or from commencement of the Group's entitlement to income. The carrying amount of such interests is reduced to recognise any identified impairment loss in the value of individual investments. Income from these interests is recognised when the Group's right to receive payment is established.

Notes to the Financial Statements

2. Principal Accounting Policies (Cont'd)

g) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. 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.

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 3½% or over the unexpired lease terms of the land, whichever is the higher
Plant and machinery	3½% to 33½%
Others	5% to 33½%

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) Patents and Licenses

Expenditure on acquired patents or licenses is capitalised and amortised using the straight-line method over its estimated useful life.

The carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

i) 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 condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated costs to completion and selling expenses.

Notes to the Financial Statements

2. Principal Accounting Policies (Cont'd)

j) 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.

k) Investments in Securities

Non-trading securities intended to be held long-term are stated at their fair values at the balance sheet date. The gains or losses arising from changes in the fair values of a security are dealt with as movements in investment revaluation 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.

Other securities are stated at fair value in the balance sheet. Changes in fair value are dealt with in the income statement.

l) Revenue Recognition

(i) Sales of goods

Revenue from sales 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 projects and investments in securities

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

(iv) Interest income

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

(v) Charterhire service income

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

Notes to the Financial Statements

2. Principal Accounting Policies (Cont'd)

m) 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.

n) 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.

o) 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.

p) 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.

q) Employee Retirement Benefits

The Group operates defined contribution and defined benefit retirement plans for its employees.

The costs of defined contribution plans are charged to the income statement as and when the contributions fall due.

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. The principal effect of the implementation of SSAP 34 is in connection with the recognition of costs for the Group's defined benefit retirement plan.

Notes to the Financial Statements

2. Principal Accounting Policies (Cont'd)

q) Employee Retirement Benefits (Cont'd)

Under SSAP 34, the cost of providing retirement benefits under the Group's defined benefit retirement plan is determined using the projected unit credit method, with actuarial valuations being carried out annually. Actuarial gains and losses which exceed 10 per cent. of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees participating in the plan. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. In prior years, the costs of the defined benefit plan, which were determined using the attained age funding method, were 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 participating in the plan. The Group did not recognise any liability under the defined benefit retirement plan previously.

As a result of the changes described above, the Group has determined the transitional liability for its defined benefit plan at the date of adoption of SSAP 34 to be HK\$13 million. This amount will be recognised on a straight-line basis over five years from 1st January, 2002. The change in accounting policy has resulted in a decrease in the profit for the year ended 31st December, 2002 of HK\$3 million (2001: Nil).

r) Borrowing Costs

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

s) Cash Flow Statements

In accordance with SSAP 15 (revised) "Cash Flow Statements", the Group now classifies its cash flows under three headings – operating, investing and financing, rather than the previous five headings. Returns received from jointly controlled entities and infrastructure project investments, which were previously included in the heading "Returns on Investments and Servicing of Finance", are now classified as operating cash flows. Returns from other long-term investments, dividends and interest income received, which were previously included in the aforesaid heading, are now classified as investing cash flows. Finance costs and dividends paid, which were also included in the aforesaid heading previously, are now classified as financing cash flows. Cash flows arising from taxes on income, which were previously reported under the heading "Profits Tax Paid", are now classified as operating cash flows. Certain comparative figures have been reclassified to conform to the current year's presentation.

Notes to the Financial Statements

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 is not included.

By business segment

for the year ended 31st December

<i>HK\$ million</i>	Group turnover	2002 Share of turnover of jointly controlled entities	Total	Group turnover	2001 Share of turnover of jointly controlled entities	Total
Infrastructure investments	277	1,723	2,000	362	1,522	1,884
Infrastructure materials and infrastructure-related businesses	1,595	–	1,595	1,954	–	1,954
Total	1,872	1,723	3,595	2,316	1,522	3,838

By geographic region

for the year ended 31st December

<i>HK\$ million</i>	Group turnover	2002 Share of turnover of jointly controlled entities	Total	Group turnover	2001 Share of turnover of jointly controlled entities	Total
Hong Kong	1,194	–	1,194	1,574	–	1,574
Mainland China	600	1,723	2,323	703	1,522	2,225
Others	78	–	78	39	–	39
Total	1,872	1,723	3,595	2,316	1,522	3,838

Notes to the Financial Statements

4. Other Revenue

Other revenue includes the following:

<i>HK\$ million</i>	2002	2001
Interest income	748	674
Finance lease income	5	7
Distributions from listed stapled securities	53	44
Dividends from other listed securities	–	2
Gain on disposals of subsidiaries	51	222
Gain on disposals of listed securities	97	36
Charterhire service income	28	1,007

5. Operating Costs

<i>HK\$ million</i>	2002	2001
Changes in inventories of finished goods and work-in-progress	15	(3)
Raw materials and consumables used	459	596
Staff costs including directors' remuneration	399	476
Provision against interests in infrastructure project investments	–	500
Depreciation	193	194
Impairment loss recognised in respect of property, plant and equipment	53	43
Amortisation of patents and licenses	1	1
Amortisation of costs of investments in infrastructure projects	138	171
Cost of charterhire services rendered	28	1,007
Other operating expenses	765	861
Total	2,051	3,846

Notes to the Financial Statements

6. Operating Profit

<i>HK\$ million</i>	2002	2001
Operating profit is arrived at after crediting:		
Contract revenue	236	41
and charging:		
Operating lease rental		
Land and buildings	51	52
Vessels	28	1,007
Directors' remuneration (note 28)	29	28
Auditors' remuneration	3	3
Loss on disposals of property, plant and equipment	7	1
Unrealised holding loss on other securities	91	–
Net exchange loss	88	5

7. Finance Costs

<i>HK\$ million</i>	2002	2001
Interest and other finance costs on		
Bank borrowings wholly repayable within five years	556	551
Notes not repayable within five years	68	–
Total	624	551

8. Taxation

Hong Kong Profits Tax is provided for at the rate of 16 per cent. (2001: 16 per cent.) on the estimated assessable profits for the year.

<i>HK\$ million</i>	2002	2001
Company and subsidiaries		
Current taxation – Hong Kong Profits Tax	12	43
Deferred taxation	–	(4)
	12	39
Share of taxation attributable to		
Associates	422	353
A jointly controlled entity	36	–
	458	353
Total	470	392

Notes to the Financial Statements

9. Profit Attributable to Shareholders and Segment Information

Of the Group's profit attributable to shareholders for the year, HK\$1,678 million (2001: HK\$1,646 million) has been dealt with in the financial statements of the Company.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographic regions as the secondary reporting format.

By business segment

for the year ended 31st December

<i>HK\$ million</i>	Investment in Hongkong Electric*		Infrastructure investments		Infrastructure materials and infrastructure- related businesses		Unallocated items		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Segment revenue										
Group turnover	-	-	277	362	1,595	1,954	-	-	1,872	2,316
Charterhire service income	-	-	-	-	28	1,007	-	-	28	1,007
Others	-	-	15	23	42	34	-	-	57	57
	-	-	292	385	1,665	2,995	-	-	1,957	3,380
Segment result										
Provision against interests in infrastructure project investments	-	-	-	(500)	-	-	-	-	-	(500)
Gain on disposals of subsidiaries and listed securities	-	-	51	232	-	-	97	26	148	258
Interest and finance lease income	-	-	608	538	88	101	57	42	753	681
Other revenue	-	-	53	46	-	-	-	-	53	46
Net corporate overheads	-	-	-	-	-	-	(242)	(262)	(242)	(262)
Operating profit										
Finance costs	-	-	-	-	-	-	(624)	(551)	(624)	(551)
Share of results of associates and jointly controlled entities	3,021	2,806	633	909	-	-	-	-	3,654	3,715
Taxation	(389)	(302)	(69)	(51)	(12)	(33)	-	(6)	(470)	(392)
Minority interests	-	-	-	-	5	32	-	-	5	32
Profit attributable to shareholders										
	2,632	2,504	1,377	1,323	128	247	(712)	(751)	3,425	3,323

Notes to the Financial Statements

9. Profit Attributable to Shareholders and Segment Information (Cont'd)

By business segment (Cont'd)

for the year ended 31st December

HK\$ million	Investment in Hongkong Electric*		Infrastructure investments		Infrastructure materials and infrastructure- related businesses		Unallocated items		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Assets										
Segment assets	-	-	3,287	4,220	3,892	3,972	-	-	7,179	8,192
Interests in associates and jointly controlled entities	16,329	15,031	12,497	9,388	137	222	-	-	28,963	24,641
Unallocated corporate assets	-	-	-	-	-	-	6,245	3,409	6,245	3,409
Total assets	16,329	15,031	15,784	13,608	4,029	4,194	6,245	3,409	42,387	36,242
Liabilities										
Segment liabilities	-	-	11	40	372	506	-	-	383	546
Taxation and unallocated corporate liabilities	-	-	-	-	17	12	12,915	8,673	12,932	8,685
Minority interests	-	-	-	-	219	224	-	-	219	224
Total liabilities	-	-	11	40	608	742	12,915	8,673	13,534	9,455
Other information										
Capital expenditure	-	-	-	-	111	86	-	1	111	87
Depreciation and amortisation	-	-	138	171	192	192	2	3	332	366

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

Notes to the Financial Statements

9. Profit Attributable to Shareholders and Segment Information (Cont'd)

By geographic region

for the year ended 31st December

HK\$ million	Hong Kong		Mainland China		Australia		Others		Unallocated items		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Segment revenue												
Group turnover	1,194	1,574	600	703	-	-	78	39	-	-	1,872	2,316
Charterhire service income	-	40	-	109	-	6	28	852	-	-	28	1,007
Others	31	21	16	24	-	-	10	12	-	-	57	57
	1,225	1,635	616	836	-	6	116	903	-	-	1,957	3,380
Segment result	146	283	20	44	-	-	(18)	(31)	-	-	148	296
Provision against interests in infrastructure project investments	-	-	-	(500)	-	-	-	-	-	-	-	(500)
Gain on disposals of subsidiaries and listed securities	-	10	51	222	-	-	-	-	97	26	148	258
Interest and finance lease income	87	100	1	-	608	538	-	1	57	42	753	681
Other revenue	-	2	-	-	53	44	-	-	-	-	53	46
Net corporate overheads	-	-	-	-	-	-	-	-	(242)	(262)	(242)	(262)
Operating profit	233	395	72	(234)	661	582	(18)	(30)	(88)	(194)	860	519
Finance costs	-	-	-	-	-	-	-	-	(624)	(551)	(624)	(551)
Share of results of associates and jointly controlled entities	3,042	2,832	453	408	159	475	-	-	-	-	3,654	3,715
Taxation	(403)	(337)	(36)	-	(31)	(49)	-	-	-	(6)	(470)	(392)
Minority interests	-	-	(1)	28	-	-	6	4	-	-	5	32
Profit attributable to shareholders	2,872	2,890	488	202	789	1,008	(12)	(26)	(712)	(751)	3,425	3,323
Assets												
Segment assets	2,731	2,713	3,788	4,894	573	435	87	150	-	-	7,179	8,192
Interests in associates and jointly controlled entities	16,447	15,160	4,538	4,587	7,851	4,703	127	191	-	-	28,963	24,641
Unallocated corporate assets	-	-	-	-	-	-	-	-	6,245	3,409	6,245	3,409
Total assets	19,178	17,873	8,326	9,481	8,424	5,138	214	341	6,245	3,409	42,387	36,242
Other information												
Capital expenditure	91	73	14	13	-	-	6	-	-	1	111	87

Notes to the Financial Statements

10. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$3,425 million (2001: HK\$3,323 million) and on 2,254,209,945 shares (2001: 2,254,209,945 shares) in issue during the year.

Diluted earnings per share has not been shown as there was no dilutive effect on the earnings per share if the convertible debentures outstanding during the years ended 31st December, 2002 and 2001 were fully converted into shares of a non-wholly owned subsidiary which issued the debentures.

11. Dividends

<i>HK\$ million</i>	2002	2001
Interim dividend paid of HK\$0.215 (2001: HK\$0.21) per share	485	473
Proposed final dividend of HK\$0.465 (2001: HK\$0.42) per share	1,048	947
Total	1,533	1,420

Notes to the Financial Statements

12. Property, Plant and Equipment

<i>HK\$ million</i>	Medium term leasehold land and buildings in Hong Kong	Medium term leasehold land and buildings outside Hong Kong	Plant and machinery	Furniture, fixtures and others	Total
Group					
Cost					
At 1st January, 2002	863	405	2,044	264	3,576
Additions	–	–	107	4	111
Disposals	–	(2)	(74)	(8)	(84)
Transfer between categories	1	1	(2)	–	–
At 31st December, 2002	864	404	2,075	260	3,603
Accumulated depreciation and impairment					
At 1st January, 2002	271	40	950	178	1,439
Charge for the year	28	11	132	22	193
Impairment loss	–	27	26	–	53
Disposals	–	(2)	(64)	(8)	(74)
At 31st December, 2002	299	76	1,044	192	1,611
Net book value					
At 31st December, 2002	565	328	1,031	68	1,992
At 31st December, 2001	592	365	1,094	86	2,137

Notes to the Financial Statements

12. Property, Plant and Equipment (Cont'd)

<i>HK\$ million</i>	Medium term leasehold land and buildings in Hong Kong	Medium term leasehold land and buildings outside Hong Kong	Plant and machinery	Furniture, fixtures and others	Total
Company					
Cost					
At 1st January and 31st December, 2002	–	–	–	14	14
Accumulated depreciation					
At 1st January, 2002	–	–	–	8	8
Charge for the year	–	–	–	2	2
At 31st December, 2002	–	–	–	10	10
Net book value					
At 31st December, 2002	–	–	–	4	4
At 31st December, 2001	–	–	–	6	6

At 31st December, 2002, certain of the Group's land and buildings with a net book value of HK\$64 million (2001: HK\$64 million) have been pledged to secure bank loans granted to the Group (note 21).

13. Interests in Subsidiaries

<i>HK\$ million</i>	Company	
	2002	2001
Unlisted shares, at cost	22,757	22,757
Amounts due by subsidiaries	5,664	5,438
At 31st December	28,421	28,195

Particulars of the principal subsidiaries are set out in Appendix 1 on pages 81 and 82.

Notes to the Financial Statements

14. Interests in Associates

<i>HK\$ million</i>	Group	
	2002	2001
Share of net assets		
Listed associate	16,329	15,031
Unlisted associates	733	550
	17,062	15,581
Amounts due by unlisted associates	7,363	4,454
At 31st December	24,425	20,035
Market value of listed associate	24,473	24,058

Included in the amounts due by unlisted associates, HK\$4,597 million (2001: HK\$4,139 million) are subordinated loans. The rights in respect of these loans are subordinated to the rights of any other lenders to the associates.

Particulars of the principal associates are set out in Appendix 2 on pages 83 and 84.

An extract of the published financial statements of Hongkong Electric, a principal associate of the Group, for the year ended 31st December, 2002, is shown in Appendix 4 on pages 86 and 87.

15. Interests in Jointly Controlled Entities

<i>HK\$ million</i>	Group	
	2002	2001
Investment costs	2,098	2,079
Shareholders' loans to jointly controlled entities	1,942	1,880
Share of undistributed post-acquisition results	498	647
At 31st December	4,538	4,606

The Group's interests in a jointly controlled entity with carrying value of HK\$1,982 million as at 31st December, 2002 (2001: HK\$1,991 million) have been pledged as part of the security to secure certain bank borrowings granted to the jointly controlled entity.

Particulars of the principal jointly controlled entities are set out in Appendix 3 on page 85.

Notes to the Financial Statements

16. Interests in Infrastructure Project Investments

<i>HK\$ million</i>	Group	
	2002	2001
Investments	3,026	4,389
Accumulated amortisation	(616)	(883)
Infrastructure project receivables	405	463
	2,815	3,969
Provision	(350)	(500)
At 31st December	2,465	3,469

17. Investments in Securities

<i>HK\$ million</i>	Group	
	2002	2001
Non-trading securities		
Equity investments, listed overseas, at market value	32	67
Debt investments, listed overseas, at market value	19	257
Stapled securities, listed overseas, at market value	573	435
	624	759
Other securities		
Unlisted equity securities	179	–
Total	803	759

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.

18. Other Non-current Assets

<i>HK\$ million</i>	Group	
	2002	2001
Finance lease debtors – non-current portion	23	37
Employee retirement benefit assets (note 27)	12	–
Patents and licenses	8	6
At 31st December	43	43

Notes to the Financial Statements

18. Other Non-current Assets (Cont'd)

Details of finance lease debtors are shown below:

<i>HK\$ million</i>	Group	
	2002	2001
Gross investment in leases receivable:		
Within one year	17	18
In the second to fifth year, inclusive	28	44
After five years	–	2
	45	64
Unearned finance lease income	(10)	(15)
Present value of finance lease debtors	35	49
Portion receivable:		
Within one year – current portion	12	12
In the second to fifth year, inclusive	23	35
After five years	–	2
Non-current portion	23	37
Total	35	49

Details of patents and licenses are further shown below:

<i>HK\$ million</i>	Group
Cost	
At 1st January, 2002	9
Additions	3
At 31st December, 2002	12
Amortisation	
At 1st January, 2002	3
Charge for the year	1
At 31st December, 2002	4
Net book value	
At 31st December, 2002	8
At 31st December, 2001	6

The patents and licenses are amortised over their estimated useful lives ranging from five to twelve years.

Notes to the Financial Statements

19. Inventories

<i>HK\$ million</i>	Group	
	2002	2001
Raw materials	41	31
Work-in-progress	7	12
Stores, spare parts and supplies	115	129
Finished goods	23	33
	186	205
Contract work-in-progress	2	1
Total	188	206
Contract work-in-progress		
Costs plus recognised profits less recognised losses	106	35
Progress billing	(104)	(34)
	2	1

Included above are stores, spare parts and supplies of HK\$53 million (2001: HK\$57 million) and finished goods of HK\$2 million (2001: HK\$3 million) carried at net realisable value.

The cost of inventories charged to the Group's income statement during the year was HK\$1,117 million (2001: HK\$1,371 million).

20. Debtors and Prepayments

<i>HK\$ million</i>	Group		Company	
	2002	2001	2002	2001
Trade debtors and infrastructure project receivables	589	750	–	–
Prepayments, deposits and other receivables	133	175	7	5
Total	722	925	7	5

Notes to the Financial Statements

20. Debtors and Prepayments (Cont'd)

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

<i>HK\$ million</i>	2002	2001
Current	367	511
One month	104	139
Two to three months	48	52
Over three months	208	258
Gross total	727	960
Provision	(138)	(210)
Total after provision	589	750

Trade with customers is carried out 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.

Notes to the Financial Statements

21. Bank and Other Loans

<i>HK\$ million</i>	Group	
	2002	2001
Unsecured bank loans repayable:		
Within one year	2,250	3,894
In the second year	2,409	354
In the third to fifth year, inclusive	5,988	4,139
	10,647	8,387
Secured bank loans repayable:		
Within one year	19	36
In the third to fifth year, inclusive	5	6
	24	42
Unsecured notes, 3.5%, repayable after five years	1,974	–
Total	12,645	8,429
Portion classified as:		
Current liabilities	2,269	3,930
Non-current liabilities	10,376	4,499
Total	12,645	8,429

Interest rates on the loans are either fixed or floating and determined with reference to Hong Kong Interbank Offered Rate or Australian Bank Bill Swap Reference Rate:

<i>HK\$ million</i>	Group	
	2002	2001
Fixed rate loans and loans swapped to fixed rate	8,610	4,449
Floating rate loans	4,035	3,980
Total	12,645	8,429

Details of the charges on the Group's assets for the above-mentioned secured bank loans are summarised below:

<i>HK\$ million</i>	Group	
	2002	2001
Land and buildings	64	64
Others	14	14
Total	78	78

Notes to the Financial Statements

22. Creditors and Accruals

<i>HK\$ million</i>	Group		Company	
	2002	2001	2002	2001
Trade creditors	90	141	–	–
Amount due to an unlisted associate	131	113	131	113
Other payables and accruals	350	441	21	29
Total	571	695	152	142

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

<i>HK\$ million</i>	2002	2001
Current	30	82
One month	20	19
Two to three months	9	6
Over three months	31	34
Total	90	141

23. Share Capital

<i>HK\$ million</i>	2002	2001
Authorised:		
4,000,000,000 shares of HK\$1 each	4,000	4,000
Issued and fully paid:		
2,254,209,945 shares of HK\$1 each	2,254	2,254

Notes to the Financial Statements

24. Reserves

Group

<i>HK\$ million</i>	Share premium	Contributed surplus	Investment revaluation reserve	Exchange translation reserve	Retained profits	Proposed dividends	Total
At 1st January, 2001	3,836	7,632	19	(8)	10,129	902	22,510
Final dividend for the year							
2000 paid	–	–	–	–	–	(902)	(902)
Surplus on revaluation of							
non-trading securities	–	–	73	–	–	–	73
Deficit realised on disposals of							
non-trading securities	–	–	16	–	–	–	16
Exchange translation differences	–	–	–	(14)	–	–	(14)
Profit for the year	–	–	–	–	3,323	–	3,323
Proposed interim dividend	–	–	–	–	(473)	473	–
Interim dividend paid	–	–	–	–	–	(473)	(473)
Proposed final dividend	–	–	–	–	(947)	947	–
At 31st December, 2001	3,836	7,632	108	(22)	12,032	947	24,533
Final dividend for the year							
2001 paid	–	–	–	–	–	(947)	(947)
Deficit on revaluation of							
non-trading securities	–	–	(9)	–	–	–	(9)
Surplus realised on disposals of							
non-trading securities	–	–	(90)	–	–	–	(90)
Exchange translation differences	–	–	–	172	–	–	172
Profit for the year	–	–	–	–	3,425	–	3,425
Proposed interim dividend	–	–	–	–	(485)	485	–
Interim dividend paid	–	–	–	–	–	(485)	(485)
Proposed final dividend	–	–	–	–	(1,048)	1,048	–
At 31st December, 2002	3,836	7,632	9	150	13,924	1,048	26,599

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\$6,754 million (2001: HK\$5,274 million) and HK\$498 million (2001: HK\$647 million) respectively.

Notes to the Financial Statements

24. Reserves (Cont'd)

Company					
<i>HK\$ million</i>	Share premium	Contributed surplus	Retained profits	Proposed dividends	Total
At 1st January, 2001	3,836	20,810	1,647	902	27,195
Final dividend for the year 2000 paid	–	–	–	(902)	(902)
Profit for the year	–	–	1,646	–	1,646
Proposed interim dividend	–	–	(473)	473	–
Interim dividend paid	–	–	–	(473)	(473)
Proposed final dividend	–	–	(947)	947	–
At 31st December, 2001	3,836	20,810	1,873	947	27,466
Final dividend for the year 2001 paid	–	–	–	(947)	(947)
Profit for the year	–	–	1,678	–	1,678
Proposed interim dividend	–	–	(485)	485	–
Interim dividend paid	–	–	–	(485)	(485)
Proposed final dividend	–	–	(1,048)	1,048	–
At 31st December, 2002	3,836	20,810	2,018	1,048	27,712

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.

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\$23,876 million as at 31st December, 2002 (2001: HK\$23,630 million).

Notes to the Financial Statements

25. Notes to Consolidated Cash Flow Statement

(a) Cash generated from operations

<i>HK\$ million</i>	2002	2001
Profit before taxation	3,890	3,683
Share of results of associates	(3,201)	(3,307)
Share of results of jointly controlled entities	(453)	(408)
Interest income	(748)	(674)
Finance lease income	(5)	(7)
Income from infrastructure project investments	(277)	(362)
Distributions from listed stapled securities	(53)	(44)
Dividends from other listed securities	–	(2)
Finance costs	624	551
Depreciation	193	194
Impairment loss recognised in respect of property, plant and equipment	53	43
Loss on disposals of property, plant and equipment	7	1
Gain on disposals of subsidiaries	(51)	(222)
Provision against amounts due by unlisted associates	19	38
Provision against interests in jointly controlled entities	19	–
Provision against interests in infrastructure project investments	–	500
Amortisation of costs of investments in infrastructure projects	138	171
Gain on disposals of listed securities	(97)	(36)
Unrealised holding loss on other securities	91	–
Pension costs of defined benefit retirement plan	9	–
Amortisation of patents and licenses	1	1
Unrealised exchange loss on borrowings	161	–
Returns received from jointly controlled entities	562	326
Returns received from infrastructure project investments	396	431
Contributions to defined benefit retirement plan	(21)	–
Operating cash flows before changes in working capital	1,257	877
Decrease in inventories	18	18
(Increase)/decrease in retention receivables	(4)	5
Decrease in debtors and prepayments	129	164
Decrease in creditors and accruals	(179)	(42)
Exchange translation differences	(9)	–
Cash generated from operations	1,212	1,022

Notes to the Financial Statements

25. Notes to Consolidated Cash Flow Statement (Cont'd)

(b) Disposals of subsidiaries

<i>HK\$ million</i>	2002	2001
Net assets disposed of:		
Interests in a jointly controlled entity	3	–
Interests in infrastructure project investments	1,162	633
Debtors and prepayments	–	6
Creditors and accruals	–	(7)
	1,165	632
Gain on disposals of subsidiaries	51	222
Total	1,216	854
Satisfied by:		
Cash	1,216	854
Analysis of the net cash inflow arising on the disposals:		
<i>HK\$ million</i>	2002	2001
Cash consideration	1,216	854
Deposits received in prior years	(413)	(359)
Net cash inflow arising from the disposals	803	495

Notes to the Financial Statements

26. Deferred Taxation

The Group's potential deferred tax (assets)/liabilities which have not been (recognised)/provided in the financial statements are as follows:

<i>HK\$ million</i>	For the year		As at 31st December	
	2002	2001	2002	2001
Excess/(shortfall) of tax allowances over depreciation	2	(10)	61	59
Unutilised tax losses	(5)	3	(138)	(133)
Others	3	(6)	(9)	(12)
Net potential deferred tax assets unprovided	–	(13)	(86)	(86)

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

27. Retirement Plans

The Group provides defined contribution retirement plans for its eligible employees except for a defined benefit plan for the employees of certain subsidiaries.

Contributions to the defined contribution plans are made by either the employer only at 10 per cent. of the employees' monthly basic salaries or by both the employer and the employees each at 10 or 15 per cent. of the employees' monthly basic salaries. The Group's Hong Kong subsidiaries also participate in master trust Mandatory Provident Fund ("MPF") schemes operated by independent service providers. Mandatory contributions to these MPF schemes are made by both the employers and employees at 5 per cent. of the employees' monthly relevant incomes each capped at HK\$20,000. As the Group's retirement plans in Hong Kong, including the defined benefit plan mentioned above, are all MPF-exempted recognised occupational retirement schemes ("ORSO schemes"), except for certain subsidiaries of which the new Hong Kong employees have to join the MPF schemes, the Group offers an option to its new Hong Kong employees to elect between the ORSO schemes and the MPF schemes.

Notes to the Financial Statements

27. Retirement Plans (Cont'd)

Contributions to the defined benefit plan are made by the employees at either 5 or 7 per cent. of the employees' salaries and contributions made by the employer are based on the recommendations of an independent actuary according to a periodic actuarial valuation of the plan.

The Group's costs in respect of defined contribution plans for the year amounted to HK\$12 million (2001: HK\$16 million). Forfeited contributions and earnings for the year under the defined contribution plans amounting to HK\$4 million (2001: HK\$2 million) were used to reduce the existing level of contributions. At 31st December, 2002, forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution plans in future years amounted to HK\$1 million (2001: HK\$1 million).

Actuarial valuations of the defined benefit plan according to SSAP 34 "Employee Benefits" were carried out at 1st January and 31st December, 2002, respectively by Mr. Joseph K.L. Yip of Watson Wyatt Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations, the related current service cost and past service cost, if any, were measured using the Projected Unit Credit Method. The principal actuarial assumptions used are as follows:

Discount rate at 1st January, 2002	7% per annum
Discount rate at 31st December, 2002	5.5% per annum
Expected return on plan assets	7% per annum
Expected rate of salary increases	Nil to 5% per annum for the next five years and 5% per annum thereafter

Amounts charged/(credited) to the consolidated income statement for the year ended 31st December, 2002 in respect of the defined benefit plan are as follows:

HK\$ million

Current service cost	6
Interest cost	9
Expected return on plan assets	(9)
Amortisation of transitional liability	3
Net amount charged to consolidated income statement	9

Notes to the Financial Statements

27. Retirement Plans (Cont'd)

The amount has been charged as operating costs to the consolidated income statement for the current year.

The actual return on plan assets for the year ended 31st December, 2002 is a loss of HK\$3 million.

The amount included in the consolidated balance sheet at 31st December, 2002 arising from the Group's obligations in respect of its defined benefit plan is as follows:

HK\$ million

Present value of defined benefit obligations	157
Unrecognised actuarial losses	(23)
Fair value of plan assets	(136)
Unrecognised transitional liability	(10)
Employee retirement benefit assets included in the consolidated balance sheet	(12)

Movements in the Group's net asset recognised in the consolidated balance sheet are as follows:

HK\$ million

At 1st January, 2002	–
Employers' contributions	(21)
Amount charged to consolidated income statement	9
At 31st December, 2002	(12)

The Group has implemented SSAP 34 "Employee Benefits" with effect from 1st January, 2002. As at that date, the Group determined the transitional liability for its defined benefit plan to be HK\$13 million and the Group did not recognise any liability under this plan in prior years. This amount is being recognised on a straight-line basis over a period of five years from 1st January, 2002. A charge of HK\$3 million was recognised in the current year. As at 31st December, 2002, transitional liability of HK\$10 million remained unrecognised.

Notes to the Financial Statements

27. Retirement Plans (Cont'd)

Another actuarial valuation was completed at 1st January, 2003 by Mr. Joseph K.L. Yip, the same actuary as mentioned above, to determine the funding rates to be adopted by the Group in accordance with requirements of Occupational Retirement Schemes Ordinance. The actuarial method adopted was Attained Age Funding Method. The major assumptions used were the long-term average annual rate of investment return on the plan assets at 7 per cent. per annum, and the average annual salary increases at nil to 5 per cent. per annum for the next five years and 5 per cent. per annum thereafter. The actuarial valuation showed that the fair value of the plan assets attributable to the Group of HK\$136 million at 31st December, 2002 represents 87 per cent. of the present value of the obligations as at that day. 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.

28. Remuneration of Directors and Senior Executives

(a) Directors' Remuneration

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

<i>HK\$ million</i>	2002	2001
Salaries, benefits in kind and fees	15	15
Contributions to retirement plans	1	1
Bonuses	13	12
Total	29	28

The directors' remuneration for the year includes directors' fees of HK\$600,000 (2001: HK\$600,000) of which HK\$100,000 (2001: HK\$100,000) have been paid to independent non-executive directors of the Company. Other than the directors' fees, fees of HK\$100,000 (2001: HK\$100,000) have been paid to the independent non-executive directors for participation in the Company's Audit Committee during the year.

Notes to the Financial Statements

28. Remuneration of Directors and Senior Executives (Cont'd)

(a) Directors' Remuneration (Cont'd)

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

Remuneration band	2002	2001
Nil – HK\$1,000,000	7	7
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	–
HK\$6,000,001 – HK\$6,500,000	1	1
HK\$6,500,001 – HK\$7,000,000	1	1
HK\$7,000,001 – HK\$7,500,000	1	1

(b) Senior Executives' Remuneration

Of the five individuals with the highest emoluments in the Group, four (2001: four) are directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining one (2001: one) individual is as follows:

HK\$ million	2002	2001
Salaries and benefits in kind	2	2
Contributions to retirement plan	1	1
Bonuses	1	1
Total	4	4

The remaining one (2001: one) individual with the highest emoluments is within the following band:

Remuneration band	2002	2001
HK\$4,000,001 – HK\$4,500,000	1	1

Notes to the Financial Statements

29. Commitments

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

<i>HK\$ million</i>	Contracted but not provided for		Authorised but not contracted for	
	2002	2001	2002	2001
Investments	976	45	–	–
Plant and machinery	13	14	146	153
Others	–	–	–	2
Total	989	59	146	155

- (b) At 31st December, the Group and the Company had outstanding commitments under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

<i>HK\$ million</i>	Group		Company	
	2002	2001	2002	2001
Within one year	41	38	6	4
In the second to fifth year, inclusive	78	82	9	16
After five years	22	33	–	–
Total	141	153	15	20

30. Contingent Liabilities

<i>HK\$ million</i>	Group		Company	
	2002	2001	2002	2001
Guarantees in respect of bank and other loans drawn by subsidiaries	–	–	12,549	8,293
Guarantee in respect of bank loans drawn by an associate	335	–	335	–
Guarantee in respect of bank loans drawn by a jointly controlled entity	696	682	696	682
Performance bonds	25	25	–	–
Total	1,056	707	13,580	8,975

Notes to the Financial Statements

31. Material Related Party Transactions

During the year, there were no advances to and repayments from jointly controlled entities. In the prior year, the Group advanced HK\$8 million to certain jointly controlled entities by way of shareholders' loans and received repayments totalling HK\$338 million from other jointly controlled entities. The total outstanding loan balances as at 31st December, 2002 amounted to HK\$1,942 million (2001: HK\$1,880 million), of which HK\$905 million (2001: HK\$887 million) bears interest with reference to Hong Kong dollar prime rate, and HK\$1,037 million (2001: HK\$993 million) are interest-free. The loans have no fixed terms of repayment.

The Group advanced HK\$2,309 million (2001: HK\$1,641 million) to its unlisted associates, and received repayments totalling HK\$48 million (2001: HK\$3,173 million) during the year. The total outstanding loan balances as at 31st December, 2002 amounted to HK\$7,363 million (2001: HK\$4,454 million), of which HK\$7,002 million (2001: HK\$4,139 million) bears interest with reference to Australian Bank Bill Swap Reference Rate and HK\$361 million (2001: HK\$315 million) are interest-free. Interest income contributed from the associates during the year amounted to HK\$608 million (2001: HK\$538 million). The loans have no fixed terms of repayment.

32. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 13th March, 2003.

Principal Subsidiaries

Appendix 1

The table below shows the subsidiaries as at 31st December, 2002 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.

Name	Share capital issued Number	Par value per share	Proportion of nominal value of issued capital held by the Group (per cent.)	Principal activities
Incorporated and operating in Hong Kong				
Anderson Asia (Holdings) Limited	2 ordinary	HK\$0.5	100	Investment holding
	65,780,000 non-voting deferred	HK\$0.5	–	
Anderson 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

Principal Subsidiaries

Appendix 1 (Cont'd)

Name	Share capital issued Number	Par value per share	Proportion of nominal value of issued capital held by the Group (per cent.)	Principal activities
Incorporated and operating in Hong Kong				
Ready Mixed Concrete (H.K.) Limited	50,000,000 ordinary	HK\$1	100	Production and sale of concrete and investment holding
Incorporated in British Virgin Islands and operating in Hong Kong				
Cheung Kong Infrastructure Finance (BVI) Limited	50,000 ordinary	US\$1	100	Financing
Green Island International (BVI) Limited	1 ordinary	US\$1	100	Investment holding
Incorporated in Hong Kong and operating in Mainland China				
Cheung Kong China Infrastructure Limited	2 ordinary	HK\$1	100	Investment holding and investment in infrastructure projects in Mainland China
Incorporated and operating in Australia				
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
CKI Distribution Finance (Australia) Pty Ltd	100 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 as at 31st December, 2002 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.

Name	Share capital issued Number	Par value per share	Approximate share of equity shares held by the Group (per cent.)	Principal activities
Incorporated and operating in Hong Kong				
Hongkong Electric Holdings Limited (note 1)	2,134,261,654 ordinary	HK\$1	39	Electricity generation and distribution
Eastern Harbour Crossing Company Limited	35,000,000 ordinary	HK\$10	50	Exercise of a franchise to operate the rail section of a tunnel
Incorporated and operating in Australia				
ETSA Utilities Partnership (note 2)	N/A	N/A	50	Electricity distribution
CKI/HEI Electricity Distribution Holdings (Australia) Pty Limited (note 3)	200 ordinary	A\$1	50	Investing holding
CKI/HEI Electricity Distribution Pty Limited (note 4)	200 ordinary	A\$1	50	Electricity distribution
CKI/HEI Electricity Distribution Two Pty Limited (note 5)	200 ordinary	A\$1	50	Electricity distribution
CrossCity Motorway Holdings Pty Limited (note 6)	3,339,969 ordinary	A\$0.01	50	Construction and operation of Cross City Tunnel
CrossCity Motorway Holdings Trust (note 6)	N/A	N/A	50	Construction and operation of Cross City Tunnel
Incorporated in British Virgin Islands				
CKI/HEI Electricity Assignment Limited	2 ordinary	US\$1	50	Investment holding

Principal Associates

Appendix 2 (Cont'd)

Notes:

1. The associate is listed on Hong Kong Stock Exchange.
2. ETSA Utilities Partnership, an unincorporated body, is formed by the following companies:

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

CKI Utilities Development Limited is a subsidiary of the Group and the other four companies are associates of the Group.

The partnership operates and manages the electricity distribution business in the State of South Australia of Australia.

3. CKI/HEI Electricity Distribution Holdings (Australia) Pty Limited owns 100 per cent. interests in CKI/HEI Electricity Distribution Pty Limited and CKI/HEI Electricity Distribution Two Pty Limited.
4. CKI/HEI Electricity Distribution Pty Limited owns 100 per cent. interests in the following companies ("the Powercor Group"):

Powercor Proprietary Limited
Powercor Australia Limited Liability Company
Powercor Australia Holdings Pty Limited
Powercor Australia Limited

The Powercor Group operates and manages an electricity distribution business in the State of Victoria of Australia.

5. CKI/HEI Electricity Distribution Two Pty Limited owns 100 per cent. interests in CitiPower I Pty Ltd, which is one of five electricity distributors in the State of Victoria of Australia.
6. CrossCity Motorway Holdings Limited or CrossCity Motorway Holdings Trust own 100 per cent. interests in the following companies ("the Cross City Tunnel Group"):

CrossCity Motorway Pty Limited
CrossCity Motorway Property Trust
CrossCity Motorway Finance Pty Limited

The Cross City Tunnel Group is engaged to construct and operate the Cross City Tunnel in Sydney of Australia.

Principal Jointly Controlled Entities

Appendix 3

The table below shows the jointly controlled entities as at 31st December, 2002 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	Percentage of interest held by the Group	Profit sharing percentage	Principal activities
Incorporated and operating in Mainland China			
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
Guangdong 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*	Operation of Guangzhou East South West Ring Road

* Years from 2012 to 2021, inclusive : 37.5 per cent.
Thereafter : 32.5 per cent.

Extracts of Financial Statements of Hongkong Electric

Appendix 4

The following is a summary of the audited consolidated profit and loss account and consolidated balance sheet of Hongkong Electric, a principal associate of the Company, for the year ended 31st December, 2002, as extracted from the 2002 published financial statements of Hongkong Electric.

Consolidated Profit and Loss Account

for the year ended 31st December

<i>HK\$ million</i>	2002	2001
Turnover	11,605	10,867
Direct costs	(3,728)	(3,663)
	7,877	7,204
Other revenue and net income	878	663
Other operating costs	(513)	(457)
Finance costs	(565)	(695)
Operating profit	7,677	6,715
Share of results of associates	163	472
Profit before taxation	7,840	7,187
Taxation	(1,001)	(776)
Profit after taxation	6,839	6,411
Scheme of Control transfers		
(To)/From:		
Development Fund	(1)	111
Rate Reduction Reserve	(11)	(15)
Profit attributable to shareholders	6,827	6,507
Dividends		
Interim dividend paid	1,238	1,195
Proposed final dividend	2,412	2,284
	3,650	3,479
Earnings per share	HK\$3.20	HK\$3.05
Dividends per share	HK\$1.71	HK\$1.63

Extracts of Financial Statements of Hongkong Electric

Appendix 4 (Cont'd)

Consolidated Balance Sheet

as at 31st December

<i>HK\$ million</i>	2002	2001
Fixed assets		
Property, plant and equipment	42,049	39,360
Assets under construction	3,153	4,595
Interest in associates	7,982	4,836
Other financial assets	405	393
Employee retirement benefit assets	228	–
Current assets	2,823	2,922
Current liabilities	(5,049)	(3,510)
Non-current liabilities	(14,291)	(14,691)
Rate reduction reserve	(10)	(9)
Development fund	(139)	(138)
Net assets	37,151	33,758
Share capital	2,134	2,134
Reserves	35,017	31,624
Capital and reserves	37,151	33,758

Schedule of Major Properties

Appendix 5

Location	Lot Number	Group's Interest (per cent.)	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

Project Profiles Hongkong Electric / Infrastructure Investments



Hongkong Electric, Hong Kong

CKI shareholding	38.87%
Installed capacity	3,305 MW
Business	Exclusive right to generate and distribute electricity to Hong Kong Island, Ap Lei Chau and Lamma Island
2002 net profit	HK\$6,827 million

CitiPower I Pty Limited, Victoria, Australia

CKI shareholding	50% (another 50% held by Hongkong Electric)
Business	To operate the electricity distribution network in the central business district and inner suburban areas of Melbourne, Victoria
Electricity distribution network	5,054 km (41% underground cables)
Consumer coverage	265,000 customers



Envestra Limited, Australia

CKI shareholding	19.14%
Business	Distribution of natural gas in the states of South Australia, Queensland, the Northern Territory, Victoria and New South Wales
Natural gas distribution network	17,750 km
Consumer coverage	900,000 customers

ETSA Utilities, South Australia, Australia

CKI shareholding	50% (another 50% held by Hongkong Electric)
Business	To operate the electricity distribution network in the state of South Australia for 200 years
Electricity distribution network	73,111 km
Consumer coverage	734,000 customers



Powercor Australia Limited, Victoria, Australia

CKI shareholding	50% (another 50% held by Hongkong Electric)
Business	To operate the electricity distribution network covering an area of over 150,000 square km in the state of Victoria
Electricity distribution network	80,000 km
Consumer coverage	600,000 customers

Project Profiles

Infrastructure Investments



Fushun Cogen Power Plants, Liaoning

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

Qinyang Power Plants, Henan

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



Siping Cogen Power Plants, Jilin

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

Zhuhai Power Plant, Guangdong

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



Project Profiles Infrastructure Investments



Eastern Harbour Crossing Rail Tunnel, Hong Kong

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

Sydney Cross City Tunnel, New South Wales, Australia

CKI shareholding	50%
Road type	Tunnel
Length	2 km
No. of lanes	Dual two-lane
Operational status	Construction commencing Jan 2003
Completion	2006
Total project cost	A\$1 billion



Changsha Wujialing and Wuyilu Bridges, Hunan

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

Guangzhou East-South-West Ring Road, Guangdong

Location	Guangzhou, Guangdong Province
Road type	Expressway
Length	39 km
No. of lanes	Dual three-lane
Joint venture contract date	1997
Joint venture expiring	2032
Operational status	Operational
Total project cost	HK\$4,220 million
CKI's interest	HK\$1,169 million
Interest in JV	44.4%



Project Profiles

Infrastructure Investments



Jiangmen Chaolian Bridge, Guangdong

Location	Jiangmen, Guangdong Province
Road type	Bridge
Length	2 km
No. of lanes	Dual two-lane
Joint venture contract date	1997
Joint venture expiring	2027
Operational status	Operational
Total project cost	HK\$130 million
CKI's interest	HK\$65 million
Interest in JV	50%

Jiangmen Jianghe Highway, Guangdong

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



Jiangmen Jiangsha Highway, Guangdong

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

National Highway 107 (Zhumadian Sections), Henan

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





Panyu Beidou Bridge, Guangdong

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

Shantou Bay Bridge, Guangdong

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



Shen-Shan Highway (Eastern Section), Guangdong

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

Shenyang Changqing Bridge, Liaoning

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



Project Profiles Infrastructure Investments



Shenyang Da Ba Road and South-West Elevated Sections, Liaoning

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

Shenyang Gongnong Bridge, Liaoning

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



Shenyang Shensu Expressway, Liaoning

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

Tangshan Tangle Road, Hebei

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



Project Profiles Infrastructure Materials and Infrastructure-related Businesses



Asia Stone, Anderson Asia, Hong Kong

- Total capacity: 1.5 million tonnes per annum
- Origins date back to 1968
- One of Hong Kong's four contract quarries
- Sole distributor of a Mainland China 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 Mainland China for a leading Japanese spray-coating manufacturer since 1998



Ready Mixed Concrete, Anderson Asia, Hong Kong

- Total capacity: 3.5 million cubic meters per annum
- One of Hong Kong's largest concrete producers
- 8 strategically-located batching plants throughout Hong Kong
- Over 175 mixer trucks
- The only commercial producer of high performance and strength concrete (100+ MPa) since 1997
- Leader in product innovation, technology and customer service

Anderson Asphalt, Hong Kong

- Total asphalt capacity: 2.8 million tonnes per annum
- Founded in 1977
- Operations in Hong Kong, Mainland China, the Philippines and the Bahamas
- Specially designed mastic asphalt for Tsing Ma Bridge (Hong Kong), Jiangyin Bridge (Mainland China) and Irtys River Bridge (Kazakhstan)
- One of Hong Kong's largest asphalt producers, pavement contractors and recyclers
- Operations in the Philippines carrying out re-furbishing of the North Luzon Expressway using asphalt recycling technology. Operations in Mainland China on Class 1 Expressways built in Hebei, Henan, Shandong, Shanxi, Hunan and Fujian



Project Profiles 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
Only producer of high early strength and low alkaline cement in Hong Kong

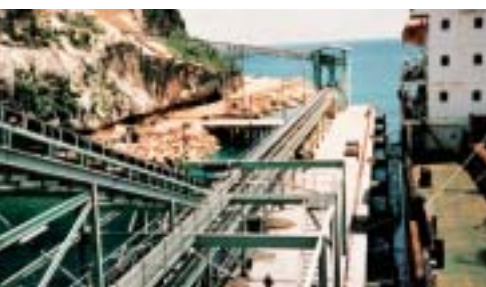
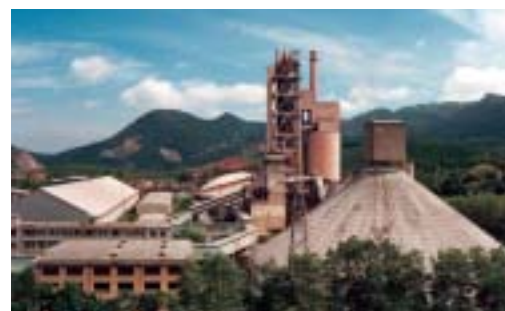


Shantou Cement Grinding Plant, Guangdong

Location: Shantou, Guangdong Province
Total capacity: 600,000 tonnes per annum
Clinker grinding facilities, commissioning 1999
Produce blended cement under the Golden Eagle brand name
CKI's interest: 100%

Guangdong GITIC Green Island Cement Co. Ltd., Guangdong

Location: Yunfu, Guangdong Province
Total capacity: 680,000 tonnes per annum
Cement production facilities upgraded in 1998 to produce high-quality cement
CKI's interest: 67%



Siquijor Limestone Quarry, Philippines

Location: Siquijor, Philippines
Total capacity: 5 million tonnes per annum
Limestone quarry acquired in 1995 for 25 years
CKI's interest: 40%

Polyphalt Inc., Canada

CKI shareholding	63.5%
Business	Develops and commercialises polymer modified asphalt technology, products and services. The Company blends several of its asphalt technologies by mixing bitumen with plastics and rubbers, including recycled materials. Polyphalt is also a manufacturer of coating, adhesive and maintenance products to the roofing, building and road repair sectors.
Licensee locations	12 licensees have been issued to North America, Northern Europe, Australia and Asia.





Stuart Energy Systems Corp., Canada

CKI shareholding	9.2%
Business	Develops and supplies hydrogen generation & backup power supply systems through its proprietary water electrolysis technology
CKI's distribution right	To market Stuart Energy's technology and products in Asia Pacific on an exclusive basis until 2012

Yueyang Water Plants, Hunan

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

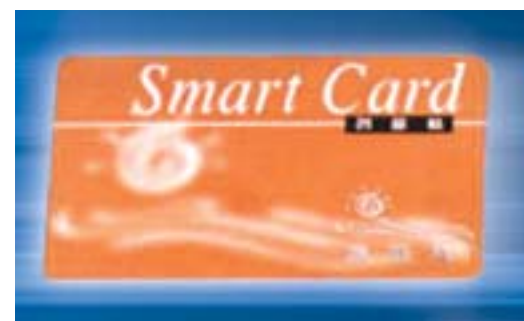


bioSecure Systems Limited, Hong Kong

CKI shareholding	62%
Business	Develops and supplies biometrics products and systems (including the exclusively licensed fingerprint matching technology from the Chinese University of Hong Kong and through partnership with world leading biometrics technology providers).
Applications	Multiple security applications including access control, time and attendance records, smart ID cards, law enforcement system, e-commerce, etc.

e-Smart System Inc., Hong Kong

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



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, Hung Hom, Kowloon, Hong Kong on Thursday, 15th May, 2003 at 2:20 p.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2002.
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

- (1) **"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 Resolution until the next Annual General Meeting."
- (2) **"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:
 - (i) the conclusion of the next Annual General Meeting of the Company;
 - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
 - (iii) 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."

- (3) “**THAT** the general mandate granted to the Directors to issue and dispose of additional shares pursuant to Ordinary Resolution No. 5(1) 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 No. 5(2) 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, 13th March, 2003

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. Any such member who is a holder of two or more shares may appoint more than one 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, 8th May, 2003 to Thursday, 15th May, 2003, 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, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 7th May, 2003.
3. Concerning Ordinary Resolution No. 5(1) 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 Ordinary Resolution No. 5(2) 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 2002 Annual Report.

Corporate Information

Directors

LI Tzar Kuoi, Victor Chairman

KAM Hing Lam Group Managing Director

George Colin MAGNUS Deputy Chairman

FOK Kin Ning, Canning Deputy Chairman

IP Tak Chuen, Edmond Deputy Chairman

KWAN Bing Sing, Eric Deputy Managing Director

CHOW WOO Mo Fong, Susan Executive Director

Frank John SIXT Executive Director

TSO Kai Sum Executive Director

Barrie COOK Executive Director

CHEONG Ying Chew, Henry* Independent
Non-executive Director

LEE Pui Ling, Angelina* Independent
Non-executive Director

* Members of Audit Committee

Company Secretary

Eirene YEUNG

Solicitors

Woo, Kwan, Lee & Lo

Auditors

Deloitte Touche Tohmatsu

Bankers

Canadian Imperial Bank of Commerce

BNP Paribas

The Hongkong and Shanghai Banking
Corporation Limited

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 Fund Services (Bermuda) Limited,
Rosebank Centre,
11 Bermudiana Road,
Pembroke,
Bermuda

Branch Share Registrars and Transfer Office

Computershare Hong Kong Investor Services Limited,
Rooms 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

Share Listing

The Company's shares are listed on
The Stock Exchange of Hong Kong Limited.

The stock codes are:

The Stock Exchange of Hong Kong Limited -1038;
Reuters -1038.HK;
Bloomberg -1038 HK.

Investor Relations

For further information about
Cheung Kong Infrastructure Holdings Limited,
please contact:

Ivan CHAN

Cheung Kong Infrastructure Holdings Limited,
12th Floor, Cheung Kong Center,
2 Queen's Road Central, Hong Kong
Telephone: (852) 2122 3986
Facsimile: (852) 2501 4550
Email: contact@cki.com.hk

This annual report (“Annual Report”) is available in both English and Chinese. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the language different from that has been received by writing to the Company’s Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

The Annual Report (in both English and Chinese versions) has been posted on our Company’s website at <http://www.cki.com.hk>. Shareholders may at any time choose to change your choice of the language of the Company’s Corporate Communication by notice in writing to the Company’s Branch Share Registrars.

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

