



The Growth Roadmap

Energy

Transportation

Infrastructure Materials

CKI is the largest publicly listed infrastructure company in Hong Kong with diversified investments in Energy Infrastructure, Transportation Infrastructure and Infrastructure Related Business. Operating in Hong Kong, Mainland China, Australia, Canada and the Philippines, it is also a leading player in the global infrastructure arena.

The Year at a Glance

Profit attributable to shareholders (HK\$ million)	3,349
Earnings per share (HK\$)	1.49
Dividends per share (HK\$)	0.715

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Eight-Year Financial Summary

Consolidated Income Statement Summary

for the year ended 31st December

HK\$ million	2003	2002	2001	2000	1999	1998	1997	1996
Turnover	3,454	3,595	3,838	3,345	3,187	3,372	3,377	3,013
Profit attributable to shareholders	3,349	3,326	3,152	3,114	3,043	2,770	2,353	854
Dividends								
Interim dividend paid	485	485	473	451	293	271	225	–
Proposed final dividend	1,127	1,048	947	902	654	586	496	361
	1,612	1,533	1,420	1,353	947	857	721	361

Consolidated Balance Sheet Summary

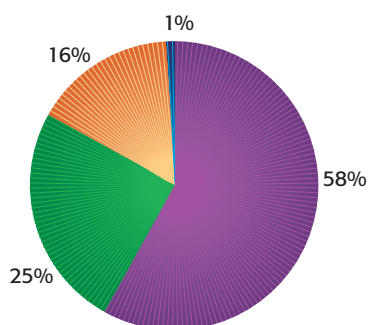
as at 31st December

HK\$ million	2003	2002	2001	2000	1999	1998	1997	1996
Property, plant and equipment	1,804	1,992	2,137	2,267	2,328	2,336	1,700	1,627
Interests in associates	23,681	22,213	17,925	18,457	10,881	8,888	8,188	95
Interests in jointly controlled entities	4,836	4,538	4,606	4,791	2,591	2,276	1,629	1,000
Interests in infrastructure project investments	1,948	2,465	3,469	4,294	6,280	7,056	5,989	3,762
Investments in securities	2,091	803	759	754	676	–	–	–
Other non-current assets	36	43	43	39	11	6	4	2
Current assets	8,077	8,121	5,193	4,034	3,171	2,838	3,689	4,873
Total assets	42,473	40,175	34,132	34,636	25,938	23,400	21,199	11,359
Current liabilities	(2,009)	(2,939)	(4,726)	(4,526)	(609)	(686)	(727)	(2,639)
Non-current liabilities	(11,230)	(10,487)	(4,591)	(7,087)	(4,055)	(3,203)	(3,210)	(157)
Minority interests	(209)	(219)	(224)	(256)	(253)	(256)	(10)	(5)
Total liabilities	(13,448)	(13,645)	(9,541)	(11,869)	(4,917)	(4,145)	(3,947)	(2,801)
Net assets	29,025	26,530	24,591	22,767	21,021	19,255	17,252	8,558

Per Share Data

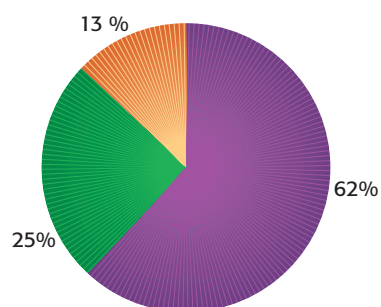
HK\$	2003	2002	2001	2000	1999	1998	1997	1996
Earnings per share	1.49	1.48	1.40	1.38	1.35	1.23	1.13	0.72
Dividends per share	0.715	0.68	0.63	0.60	0.42	0.38	0.32	0.16
Net book value per share	12.88	11.77	10.91	10.10	9.33	8.54	7.65	6.26

2003 Profit Contribution by Business Segment



- Investment in Hongkong Electric
- Infrastructure Investments – Australia
- Infrastructure Investments – Mainland China & Others
- Infrastructure Related Business

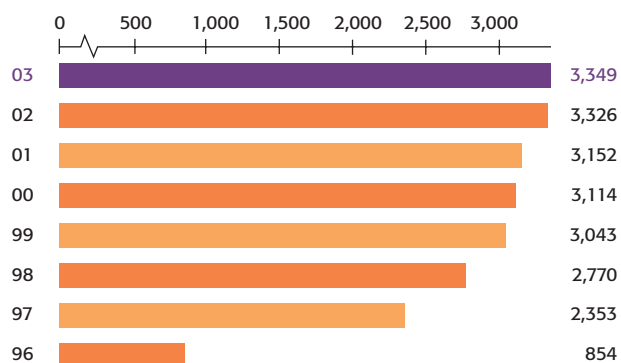
2003 Profit Contribution by Geographic Region



- Hong Kong
- Australia
- Mainland China & Others

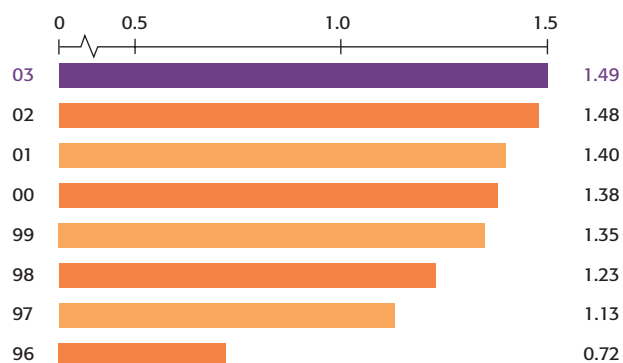
Profit Attributable to Shareholders

HK\$ million



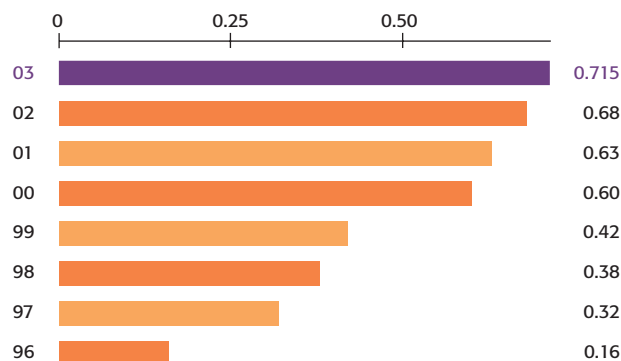
Earnings Per Share

HK\$



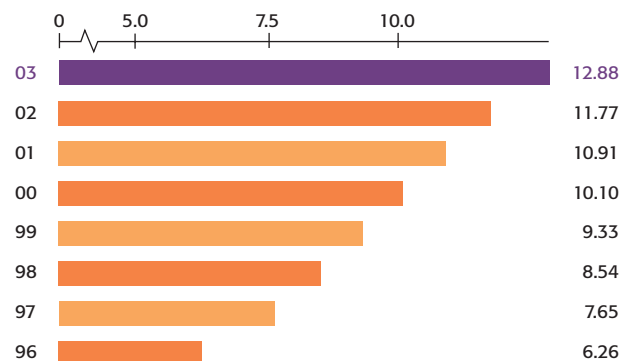
Dividends Per Share

HK\$



Net Book Value Per Share

HK\$



Chairman's Letter



“2003 is a year of realignment and satisfactory organic growth for CKI.”

Highlights

In 2003,

- Profit before tax was HK\$4,185 million, an increase of 8%
- Profit after tax attributable to shareholders was HK\$3,349 million, an increase of 1%
- Annual dividend growth of 5%

Seven consecutive years of sustained growth

Hongkong Electric generated a substantial profit contribution: HK\$2,281 million

Infrastructure investments achieved YoY profit contribution growth of 21%

- 28% profit contribution growth in Australian infrastructure projects
- 13% profit contribution growth in China investments

Strong financial platform, poised for future growth

- Cash-on-hand of HK\$7.2 billion
- Net debt to equity ratio of 18%

Driving Our Core Businesses

CKI continues to be the largest diversified infrastructure investment company listed on the Stock Exchange of Hong Kong, and has established a strong position as a significant player in the global infrastructure arena. This is attributable to the steady performance and effective management of our core businesses of energy, transportation and infrastructure related business.

1. Energy – Powering Our Strong Foundations

Hongkong Electric continues to be a major profit contributor to the Group. In 2003, contribution was HK\$2,281 million, accounting for 58 per cent. of the Group's total profit contribution. Compared to last year, this represents a drop of 11 per cent. This was largely caused by a change in accounting standards relating to deferred tax which led to a substantial one-off provision, an increase in the corporate tax rate; and a soft domestic economy caused by the SARS epidemic. The fundamentals of Hongkong Electric remain sound, and its overseas investments continue to perform very well.

Profit contribution from our energy businesses in 2003 was HK\$1,461 million, representing 37 per cent. of the Group's total profit contribution. The portfolio of Australian energy investments showed improved performance in 2003 with an increase of 28 per cent. in profit contribution as compared to 2002. Gas distributor, Envestra Limited, as well as power distributors, ETSA Utilities, Powercor Australia Limited and CitiPower I Pty Ltd. ("CitiPower"), have provided solid revenue streams during the year. The strong performance was attributable to organic growth, a first full-year contribution from CitiPower, and the strength of the Australian dollar.

Energy investments in the Mainland delivered another year of growth, contributing HK\$476 million to the Group, an increase of 14 per cent. from the previous year. This represents 12 per cent. of the Group's total profit contribution. Zhuhai Power Plant, our largest power investment in the Mainland, surpassed power targets and has recorded its best performance to date. The other three coal-fire plants, namely Fushun Cogen Power Plants in Liaoning, Qinyang Power Plants in Henan and Siping Cogen Power Plants in Jilin, operated smoothly and made steady contributions during the year.

THE GROWTH ROADMAP

We are pleased to report that Cheung Kong Infrastructure Holdings Limited ("CKI" or the "Group") achieved another year of growth in 2003. Profit before tax was HK\$4,185 million, an increase of 8 per cent. over last year; and profit after tax attributable to shareholders was HK\$3,349 million, an increase of 1 per cent. from the previous year. In 2003, the results of Hongkong Electric Holdings Limited ("Hongkong Electric"), an associate of CKI, were adversely affected by tax related issues including an increase in tax rate, and the substantial one-off provision for deferred tax due to a change in accounting standards. The Group's profit after tax was therefore affected. Earnings per share were HK\$1.49.

The Board of Directors is recommending a final dividend of HK\$0.50 per share. Together with the interim dividend of HK\$0.215 per share, this will bring the total dividend for the year to HK\$0.715 per share, a 5 per cent. increase from the HK\$0.68 per share paid for 2002. The proposed dividend will be paid on 18th May, 2004 following approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members on 13th May, 2004.

In a year of worldwide turmoil characterised by war, the threat of terrorism and Severe Acute Respiratory Syndrome ("SARS"), a year-on-year profit growth has been maintained for the seventh consecutive year. Hongkong Electric continued to provide a substantial profit contribution to the Group, and strong performance in the Australian and Chinese operations provided steady overall growth.

“The Group is eminently positioned to invest in new infrastructure projects in 2004.”

“Our investments in the Mainland and Australia are well placed for strong growth as the economies of both countries continue to thrive.”

2. Transportation – Steering Towards Future Growth

Against the backdrop of China's growing economy and soaring GDP, our transportation business in the Mainland continued to report organic growth in 2003. More than half of our transportation projects in the Mainland generated double-digit growth in toll revenue. In particular, toll revenue from the Guangzhou East-South-West Ring Road, and the National Highway 107 at Zhumadian increased 20 per cent. and 34 per cent. respectively over last year.

In Australia, the construction of the Sydney Cross City Tunnel, a two-kilometre cross city tollway tunnel linking Sydney's eastern suburbs with the western side of the city, is making steady progress. Under effective management control, the project is proceeding on budget and construction is ahead of schedule.

3. Infrastructure Related Business – Solidifying Market Leadership Position

2003 was another challenging year for the Group's infrastructure related business. Infrastructure materials have faced competitive prices and downward volume trends in the region and this has impacted on contribution from this sector. With the general economy picking up and the property markets showing signs of recovery, the demand for cement, concrete and aggregate is expected to increase. The Group looks forward to better prospects for its materials business.

A merger of the concrete and quarry operations of Anderson Asia (Holdings) Limited (“Anderson Asia”) and the Hong Kong operations of Hanson PLC, one of the leading building materials suppliers in the world, was announced in early 2004. This move will create the

largest concrete and quarry supplier in Hong Kong strengthening the Group's market standing in the supply of infrastructure materials. It will also lead to consolidation and maximisation of operational efficiency.

On Course on the Growth Roadmap

2003 represented a year of consolidation and re-alignment for CKI. Given the unsettling macro landscape of last year, we sustained satisfactory organic growth. Looking ahead, as the economy improves in Hong Kong, it is expected that Hongkong Electric and the infrastructure related business will benefit during the recovery. Our investments in the Mainland and Australia are well placed for strong growth as the economies of both countries continue to thrive. With our strong financials, cash-on-hand of HK\$7.2 billion and low net debt to equity ratio of 18 per cent., the Group is very well positioned to make new, secure and profitable investments as we progress along our growth roadmap.

Mr. Barrie Cook has retired as an Executive Director of the Company. He has been with the Group for the last 21 years developing the materials division which comprises Green Island Cement (Holdings) Limited and Anderson Asia. Barrie has been one of Hong Kong's leading pioneers of environmental sustainability and has introduced a number of major environmental initiatives to both CKI and Hong Kong. I would like to extend my thanks and appreciation to him for his diligent efforts and am pleased to say that he will remain as part of CKI as a Non-executive Director.

Finally, I would like to offer my thanks to the Board of Directors and our staff for their commitment, dedication and hard work, and to all our shareholders for their support and confidence in the Group.

LI TZAR KUOI, VICTOR

Chairman

Hong Kong, 9th March, 2004

Business Review



“In 2003, CKI’s overseas investments recorded an impressive performance. Profit contribution from the Group’s projects in Australia and Mainland China was HK\$1.6 billion, an increase of 27 per cent. over last year. This significant contribution generated from investments outside of Hong Kong helped alleviate the impact of Hongkong Electric’s rare decline in profit.

Benefiting from the fast paced economic development in Mainland China and Australia, our energy and transportation infrastructure investments achieved substantial organic growth. The strong growth of these investments managed to offset Hongkong Electric’s decline in profit and generated an 8 per cent. increase in profit before tax and a 1 per cent. increase in profit after tax attributable to shareholders. 2003 marked the eighth year of continued profit growth for the Group.

Hongkong Electric is CKI’s largest investment. During the year, Hongkong Electric’s profit was affected by a one-off tax provision due to a change in accounting policy, an increase in corporate tax and the outbreak of SARS. Profit generated by Hongkong Electric dropped 8.6 per cent., while Hongkong Electric’s profit contribution to CKI decreased by 11 per cent. Despite such challenges, CKI continued to report satisfactory profits, reflecting the Group’s portfolio of strong and solid investments.

Hongkong Electric is indeed a prime asset. It possesses the characteristics of a classic public utility, generating substantial steady income. It has brought reliable profit contributions to CKI year after year. As the negative factors that occurred in 2003 were mostly one-off incidences, Hongkong Electric will continue to be a solid and secure investment of the Group. It is anticipated that the performance of investments in Australia and Mainland China will continue to benefit from the thriving economies of both countries. Growth prospects for the future are bright.

Over the years, CKI has made investments in infrastructure projects in a number of places around the world and has developed into a major infrastructure player in the global arena. The Group has a solid foundation and a strong financial base. Looking forward, it is expected that the worldwide economy will brighten up and more investment opportunities will emerge. With cash on hand of HK\$7.2 billion and a low net debt to equity ratio of 18 per cent., CKI will proactively seek quality investment projects, and continue its course on the growth roadmap.”

H.L. Kam

Group Managing Director
Hong Kong, 9th March, 2004





Business Review

Investment in Hongkong Electric



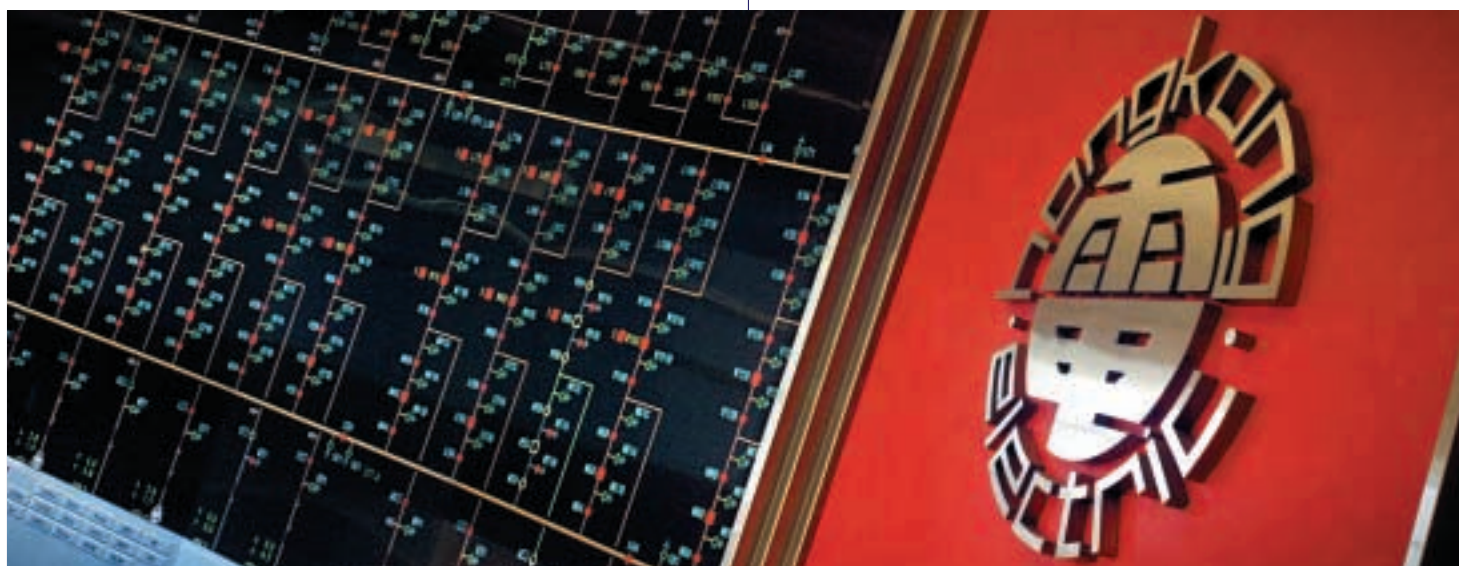
Hongkong Electric plays a major role in supplying reliable power to Hong Kong Island, Ap Lei Chau and Lamma Island. With a 38.87% interest in Hongkong Electric, CKI benefits from a stable income generated by the public utility year after year.

Investment in Hongkong Electric

the clock for the eighth consecutive year and achieved or surpassed all of its pledged service standards. In the process, it was able to control costs and improve productivity in an effort to maximise shareholder value.

The unexpected onset of the SARS epidemic had a major negative impact on Hong Kong's economy, local business, and the livelihood of the Company's customers, particularly those in the retail, restaurant, hotel and business services

The state-of-the-art Supervisory Control and Data Acquisition (SCADA) system at Ap Lei Chau uses some of the most advanced remote control and monitoring technologies to help Hongkong Electric maintain exceptional reliability around the clock.



Hongkong Electric reported a net profit of HK\$6,057 million in 2003, representing an 8.6% drop over 2002. The performance of Hongkong Electric was affected by a change in accounting rules relating to deferred tax, an increase in the corporate tax rate, as well as a soft domestic economy caused by the Severe Acute Respiratory Syndrome ("SARS") epidemic. Despite these factors, Hongkong Electric continued to generate a substantial profit contribution of 58% for the Group in 2003.

Hong Kong Operations

Hongkong Electric performed steadily in 2003 despite a challenging year for its core business of generating, transmitting and distributing power to Hong Kong Island, Ap Lei Chau and Lamma Island. Hongkong Electric maintained the exceptionally high reliability rating of 99.999% around

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Regular inspection of turbine generators is a part of Hongkong Electric's continuous, preventive maintenance schedule. This constant attention to detail underpins Hongkong Electric's impressive 99.999% reliability rating.

sectors. As a result, consumption of electricity declined during the SARS period and unit sales were only 0.4% above that of 2002. Low consumption growth was the major contributing factor to the Company's inability to earn its full Permitted Return for 2003 in accordance with the provisions of the Scheme of Control.

The other significant factor affecting earnings in 2003 was an increase in tax charges and provisions resulting from the introduction of the new Statement of Standard Accounting Practice on Income Taxes and an increase in tax rate. This resulted in a HK\$94 million increase in current tax and a non-cash accounting item for a one-off provision for deferred tax of HK\$431 million.

Work on the extension of the Lamma Power Station continued in 2003. Site formation work and piling for the first 300 MW power unit was substantially completed, although commissioning will be deferred by one year to 2006 because of less than expected maximum demand growth.

Overseas Operations

Hongkong Electric's Australian operations continued to register strong financial growth in 2003. The contribution to the Group from ETSA Utilities, Powercor and CitiPower – all owned in equal partnership with CKI – increased by 30% over last year.



(above) With total installed capacity of 3,305 MW, Lamma Power Station provides clean, reliable energy to Hongkong Electric's many customers.

(right) Lamma Power Station at night showing important environmental protection facilities: ash silos (foreground) and boilers fitted with low NOx burners (background).

(below) Hong Kong's spectacular nightview is powered by Hongkong Electric, the sole electricity supplier on Hong Kong Island.







Business Review

Infrastructure Investments – Energy



CKI has a strong portfolio of infrastructure investments in the energy sector.

Providing solid and steady cash flow from their predominantly regulated returns, these investments have proven to be secure sources of profit contribution for the Group. CKI, together with Hongkong Electric, is one of the biggest overseas investors in Australia with a portfolio worth over HK\$40 billion, serving over 2.5 million customers and employing over 2,600 staff. The Group has also invested HK\$3 billion in China's rapidly growing power sector.

Infrastructure Investments – Energy

Australia Energy

CitiPower I Pty Limited

CitiPower was jointly acquired by CKI and Hongkong Electric in 2002 and is engaged in the operation of the electricity distribution network in the central business district and inner suburban areas of Melbourne. CitiPower, which serves over 270,000 customers, is the most reliable power distribution network in Australia with a reliability rating of 99.994%.



Regular power line maintenance ensures optimal performance for ETSA Utilities, the sole electricity distributor for South Australia.

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CitiPower is the most reliable power distribution network in Australia with a reliability rating of 99.994%.

2003 represented CitiPower's first full year of ownership under CKI and Hongkong Electric. The company has recorded a strong financial performance with a 2% growth in electricity consumption, and 9% growth in network revenue as well as continued improvements in productivity.

ETSA Utilities

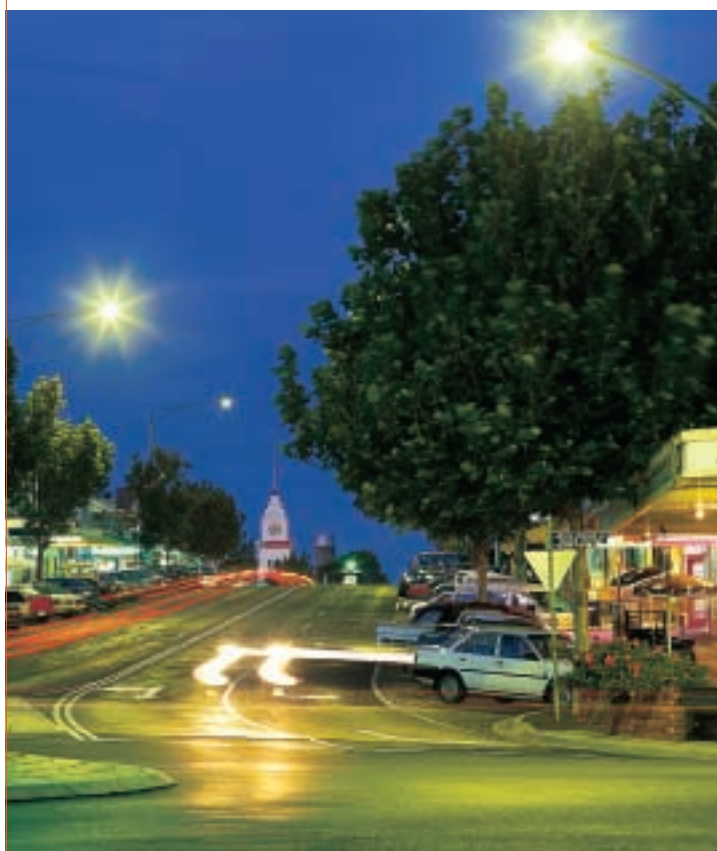
ETSA Utilities has been jointly owned by CKI and Hongkong Electric since 2000 and has proven to be a secure and premium investment. As the sole electricity distributor in the state of South Australia with a customer base of over 760,000 users, ETSA Utilities has recorded another year of solid financial and operational performance in 2003.

Powercor Australia Limited

Powercor was acquired by CKI and Hongkong Electric in 2000 and is the largest electricity distributor in the state of Victoria. With a network that reaches approximately 65% of the state and serving over 620,000 customers, Powercor has established itself as a secure and high yield investment for the Group.

2003 marked a year of continued growth for Powercor as strong growth in the real estate and housing sector in Victoria boosted demand. 16,000 new customer connections as well as a best-ever achievement in supply reliability were recorded during the year.

Powercor lights up around 65% of Victoria, providing reliable electricity supply to over 620,000 customers.





Envestra serves the natural gas needs of over 900,000 consumers in every Australian state except Western Australia through an extensive gas distribution network.

Envestra Limited

CKI has held a 19% stake in Envestra, the largest listed natural gas distributor in Australia, since 1999. With a natural gas distribution network that spans over 18,000 kilometres and over 1,110 kilometres of transmission pipelines, Envestra serves over 900,000 consumers across all states except Western Australia; this accounts for 30% of Australia's total gas consumption.

In 2003, CKI's fifth year of investment, Envestra continued to generate an attractive cash yield, amounting to approximately 11% p.a.

China Power

The Group's China power investment portfolio comprises assets that generate over 1,900 MW in gross capacity. In 2003, these investments performed well, delivered considerable cash inflow and generated satisfactory profits for CKI.

CKI holds a 45% stake in the Zhuhai Power Station, which consists of two 700 MW coal-fired units. 2003 represented a year of strong growth for the operations and a new electricity generation record of 8.6 billion kWh was set. This exceeded the minimum purchase requirement stipulated in the power off-take contract of 6.8 billion kWh by 27%. The plant also achieved an excellent safety record of over 200 days of safe operation. The safe, reliable and efficient operation of the Zhuhai Power Plant plays a contributing role in the economic development in Zhuhai City and the Pearl River Delta region.

The Group also holds a 45% stake in the Siping Cogen Power Project, comprising three generator sets totalling 200 MW. This project supplies reliable power to the Jilin power grid in northeastern China and operated accident-free for a consecutive period of 1,208 days as of December 31, 2003. The Qinyang Power Plants, of which CKI has a 49% stake, performed well in 2003. During the year, the equivalent of 6,512 full load operating hours was generated; this represented 18.4% more than the annual minimum capacity of the off-take contract. At the Fushun Cogen Power Plants in Liaoning, a marginal drop of 4% in power generation was recorded, while total heat sold during the year posted an 8.5% growth though the winter of 2003 was unusually warm.

Zhuhai Power Plant, CKI's largest energy investment in China, performed strongly in 2003 and enjoyed an excellent safety record.







Business Review

Infrastructure Investments – Transportation



CKI's transportation infrastructure projects continued to drive profits for the Group in 2003. The Group's transportation operations in China recorded double-digit growth in toll revenue during the year; and construction of the Sydney Cross City Tunnel is ahead of schedule.

Infrastructure Investments – Transportation

transportation investment in China, increased 21% over last year. Comparable growth is anticipated in 2004 as new highways connecting to the Ring Road are near completion. The Panyu Beidou Bridge located south of Guangzhou also achieved 21% growth in toll revenue over last year while the Shenzhen-Shantou Highway (Eastern Section) and the Shantou Bay Bridge registered 14% and 9% year-on-year growth respectively. The Chaolian Bridge posted 30% toll revenue growth; the Jianghe Highway reported double-digit toll revenue growth; and the Jiangsha Highway continued to provide good investment returns for the Group in 2003.



The Shantou Bay Bridge was a steady performer for the Group with a 9% rise in toll revenue in 2003.

China Transportation

China's economy continued to boom and vehicle ownership soared in 2003. This phenomenon has fuelled the growth of CKI's China transportation projects.

Guangdong Province has become an engine of growth for southern China. The majority of CKI's toll roads and bridges in Guangdong have benefited from increased economic activities and the consequent surge in traffic flow led to double-digit growth in 2003. Toll revenue from the Guangzhou East-South-West Ring Road, the Group's largest

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CKI's transportation business comprises investments in 500 km of toll roads and bridges in five provinces in China.

Outside of Guangdong, CKI's toll roads also achieved strong performance. The Tangle Highway in Tangshan, Hebei posted a 13% growth in toll revenue due to increased activities at the nearby Jing-Tang Port. In Henan, with the completion of a major road rehabilitation programme, the traffic flow on the 107 National Highway at Zhumadian increased significantly, resulting in a considerable revenue growth of 34% over last year. In Shenyang and Changsha, the toll roads and bridges continued to show a steady performance.



Benefiting from increased car ownership and better economic conditions, the Panyu Beidou Bridge in Guangdong registered a 21% increase in toll revenue.

The ground breaking ceremony for the A\$1 billion Sydney Cross City Tunnel project marked CKI's first diversification in transportation outside of Hong Kong and Mainland China.

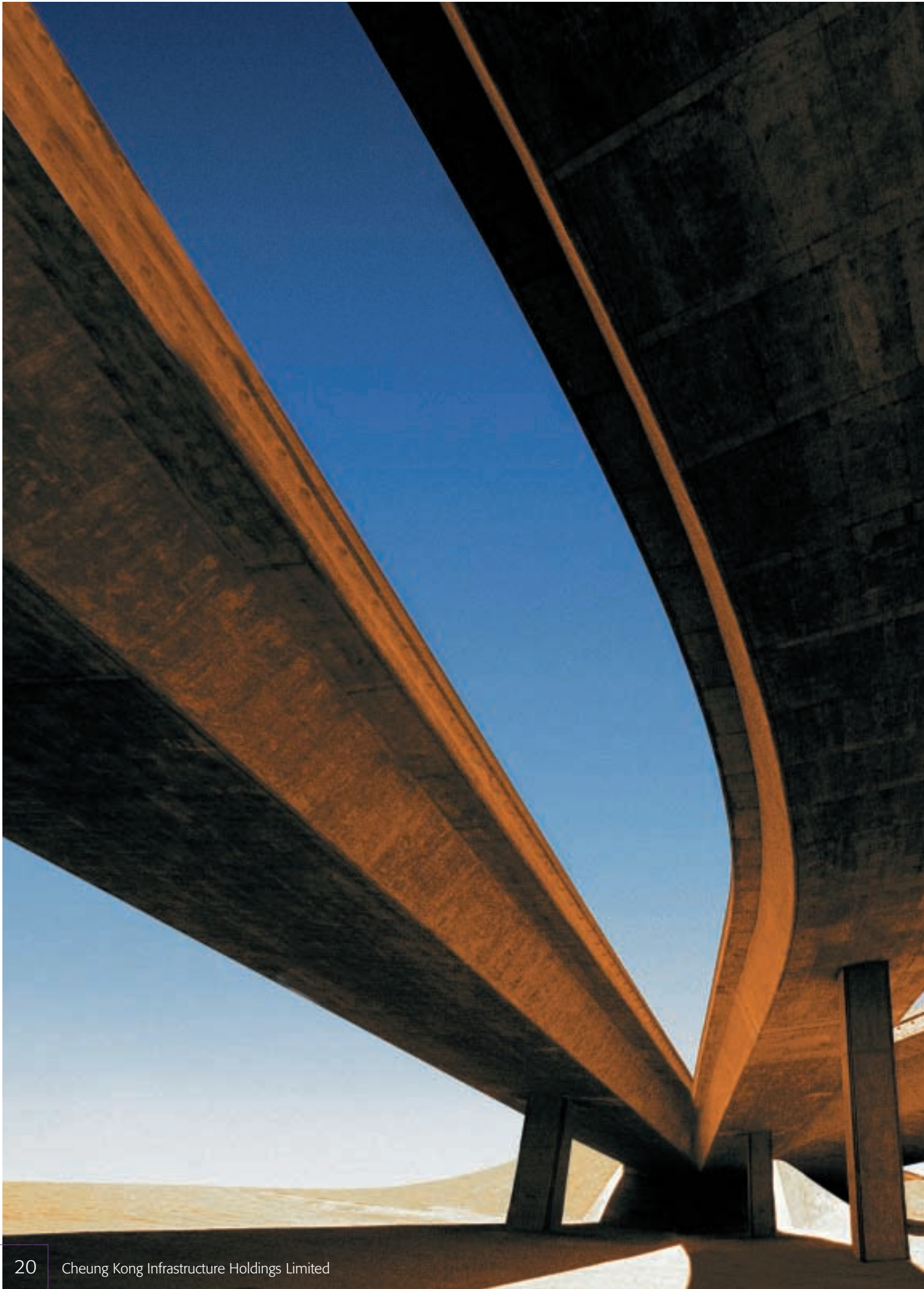
Hong Kong Eastern Harbour Crossing Tunnel

CKI has a 50% stake in the Eastern Harbour Crossing Company Limited, which owns the rail tunnel connecting eastern Hong Kong with eastern Kowloon. During the year, the tunnel continued to provide satisfactory returns and steady cash flow for the Group.

The Sydney Cross City Tunnel

Construction for the Sydney Cross City Tunnel is within budget and ahead of schedule. This A\$1 billion toll tunnel, of which CKI has a 50% stake, represents the Group's first diversification in the transportation sector outside of Hong Kong and Mainland China. Once completed, the Cross City Tunnel will improve east-west travel across Sydney's central business district, reduce travel time, improve access for all commuters and help improve air quality in the city. It is expected that a favourable investment return will be generated from this premium asset.







Business Review

Infrastructure Related Business



CKI has been a market leader in infrastructure materials for many years.

Due to the slowdown in construction, the Group's infrastructure materials business faced a challenging year in 2003. The Group has also launched a number of environmental initiatives over the past few years. They are expected to play a meaningful role in environmental protection as sustainable development increases in importance on the global agenda.

Infrastructure Related Business

Infrastructure Materials

Hong Kong Cement, Concrete and Aggregates

The challenging market conditions that have affected Hong Kong in recent years continued to adversely impact the cement and concrete industries in 2003. Weak construction activities caused both volume and prices to decline. This was exacerbated by the Government's cut back in the construction and provision of public housing. The unfavourable market conditions drove total cement consumption in Hong Kong down to a new low. Concrete consumption was also very weak due to a lack of new projects in the territory.

In light of the difficult times, both Green Island Cement and Anderson Asia made every effort to continue reducing costs and improving efficiency and productivity. Although representing a modest percentage of CKI's total profit contribution, they continued to maintain strong cash balances and inflow.

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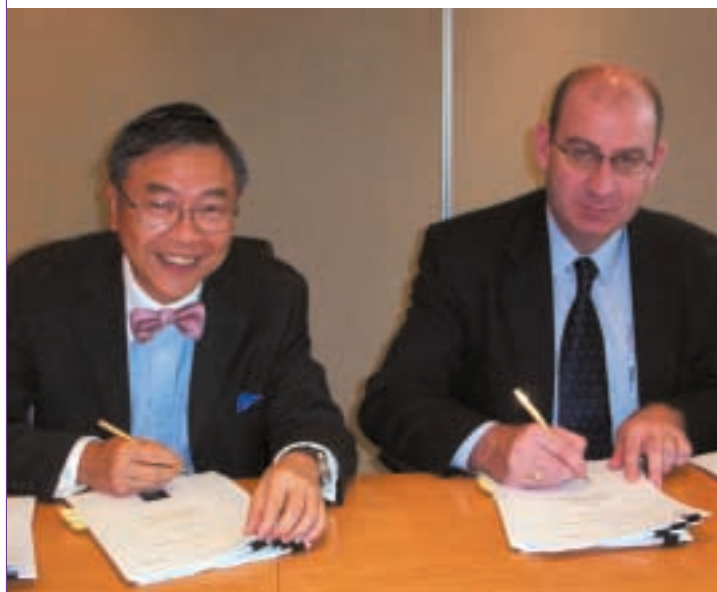
While demand for concrete and cement was down in 2003, both Green Island Cement and Anderson Asia still attained strong cash balances and inflow.

Merger between Anderson Asia and Hanson

In a key strategic move to further solidify its market position and counteract a bearish business environment, Anderson Asia is in the process of merging with the Hong Kong operations of Hanson PLC, one of the leading building materials suppliers in the world.

The new company – Alliance Construction Materials Limited – will become Hong Kong's largest supplier of concrete and aggregates and is estimated to account for approximately one-third of the territory's market share. The merger will facilitate the maximisation of cost savings and efficiency enhancement. The new company will now have four quarries in Hong Kong and Mainland China with an aggregate reserve adequate for consumption for the next decade. Completion of the merger is scheduled to take place within 2004.

The Anderson Asia-Hanson merger will facilitate the maximisation of cost savings and efficiency.





Green Island Cement is a pioneer in the recycling of waste products, using over 10% of waste-derived materials in its cement production.

Asphalt

Profits for Anderson Asphalt, one of Hong Kong's largest asphalt producers, pavement contractors and recyclers, improved year-on-year in 2003 on the strength of its contracting operations in Mainland China, Hong Kong and the Philippines. During the year, Anderson Asphalt completed paving mastic, a niche asphalt product specially designed for bridge paving, for the Jiangyin Bridge in Jiangsu province. The project yielded good profit contribution for Anderson Asphalt and plans to seek similar opportunities in China are in place. The refurbishment of the North Luzon Expressway in the Philippines is also progressing smoothly.

Environmental Sustainability Initiatives

The Group continued to pursue initiatives on environmental sustainability in 2003. A study is conducted by Green Island International together with the Hong Kong University of Science and Technology regarding the conversion of municipal solid waste into energy using a high temperature co-combustion process. Another environmental initiative involves a clean energy pilot project for Hong Kong, which features a small hydrogen generator at Tap Shek Kok and a 41-seater bus driven by a hydrogen-powered internal combustion engine.

The Lam Tei Quarry operated by Anderson Asia produces aggregates to meet the needs of the local construction industry.



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, 2003, total borrowings of the Group amounted to HK\$12,337 million, which included Hong Kong dollar syndicated loan of HK\$3.8 billion, foreign currency borrowings of HK\$8,478 million and RMB bank loans of HK\$59 million. Of the total borrowings, 10 per cent. were repayable in 2004, 72 per cent. repayable in 2005 to 2008 and 18 per cent. repayable beyond 2008. 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 U.S. dollars, Hong Kong dollars or Australian dollars. The Group's liquidity and financing requirements are reviewed regularly. The Group will consider new financing while maintaining an appropriate level of gearing in anticipation of new investments or maturity of bank loans.

As at 31st December, 2003, the Group maintained a gearing ratio of 18 per cent. which was based on its net debt of HK\$5,094 million and equity of HK\$29,025 million. This ratio was lower than the gearing ratio of 21 per cent. at the year end of 2002 mainly because of the repayment of Australian dollar bank loans totalling A\$428 million. In addition, the Group entered into a syndicated loan facility agreement of A\$400 million which was fully drawn in December 2003 to repay a short-term Australian dollar bridging loan and partially refinance an Australian dollar 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, 2003, the Group has swapped the floating interest rates of its borrowings totalling HK\$6,062 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, 2003, the Group's interests in an affiliated company with carrying value of HK\$1,888 million were pledged as part of the security to secure bank borrowings totalling HK\$4,268 million granted to the affiliated company.

Contingent Liabilities

As at 31st December, 2003, the Group was subject to the following contingent liabilities:

HK\$ million

Guarantees in respect of bank loans drawn by affiliated companies	1,900
Performance bonds	36
Total	1,936

Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,678 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$321 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 Directors' Biographical Information

LI Tzar Kuoi, Victor, aged 39, 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 serves as a member of the Standing Committee of the 10th Chinese People's Political Consultative Conference. He is also a member of the Commission on Strategic Development and the Economic and Employment Council of 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 57, 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 68, has been Deputy Chairman of the Company since its incorporation in May 1996. He has also been an executive director of Cheung Kong (Holdings) Limited since 1980 and Deputy Chairman of Cheung Kong (Holdings) Limited since 1985. He is also the Chairman of Hongkong Electric Holdings Limited and an executive director of Hutchison Whampoa Limited. He holds a Master's degree in Economics.

FOK Kin Ning, Canning, aged 52, 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 Harbour Ring Limited, Hutchison Telecommunications (Australia) Limited, Hutchison Global Communications Holdings 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 51, 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 Group Limited. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

KWAN Bing Sing, Eric, aged 59, 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 of UK, Chartered Management Institute of UK, and the Institution of Engineers of Australia.



Executive Committee

Ivan Chan

Edmond Ip

Lambert Leung

Victor Li

Eric Kwan

H. L. Kam

Dominic Chan

George Magnus

CHOW WOO Mo Fong, Susan, aged 50, 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 and Hutchison Global Communications Holdings Limited, a director of Hongkong Electric Holdings Limited and Partner Communications Company Ltd. and a non-executive director of TOM Group Limited. She is a solicitor and holds a Bachelor's degree in Business Administration.

Frank John SIXT, aged 52, 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 Group Limited and TOM Online Inc., the Group Finance Director of Hutchison Whampoa Limited and an executive director of Hutchison Global Communications Holdings Limited and Hongkong Electric Holdings Limited. He is also a director of Hutchison Telecommunications (Australia) Limited, Husky Energy Inc. and Partner Communications Company Ltd. Mr. Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

TSO Kai Sum, aged 72, 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 power business and property development. He holds a Bachelor of Science degree in Engineering and is also a Chartered Engineer.

CHEONG Ying Chew, Henry, aged 56, 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 55, 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.

Barrie COOK, aged 61, acted as an Executive Director of the Company from 2000 to September 2003 and has been a Non-executive Director of the Company since October 2003. He is the Honorary Chairman of the Hong Kong Construction Materials Association, the Convenor of the Hong Kong Business Coalition on the Environment and a member of the Hong Kong Government's Council on Sustainable Development. Mr. Cook is a past Chairman of the East Asian Cement Forum, the Hong Kong Cement Association, the Hong Kong Government's Waste Reduction Committee and the Environment, Africa and Asia/Africa Committees. He was previously a member of the Hong Kong Government's Advisory Council on the Environment. Mr. Cook was very active in community affairs through his work with the Hong Kong General Chamber of Commerce.

Board and Senior Management

Senior Management's Biographical Information

CHAN Kee Ham, Ivan, aged 41, Senior Manager, Planning and Investment, has been with the Cheung Kong Group since September 1999. He has over 17 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 43, 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 41, 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 59, 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 57, 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 47, 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 57, Chief Executive Officer of Cheung Kong Infrastructure Materials. 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.

Donald William JOHNSTON, aged 61, Executive Director of Anderson Asia (Holdings) Limited, Green Island Cement (Holdings) Limited and Green Island International Limited, 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, 2003.

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, 2003 are set out in the consolidated income statement on page 42.

The Directors recommend the payment of a final dividend of HK\$0.50 per share which, together with the interim dividend of HK\$0.215 per share paid on 3rd October, 2003, makes a total dividend of HK\$0.715 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 pages 58 and 59.

Reserves

Details of changes in the reserves of the Company and the Group are set out in note 25 to the financial statements on pages 68 and 69.

Group Financial Summary

Results, assets and liabilities of the Group for the last eight 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 84.

Directors

The Directors of the Company in office at the date of this report are listed on page 96 and their biographical information is set out on pages 26 and 27.

Mr. Barrie Cook re-designated as a Non-executive Director of the Company on 1st October, 2003.

In accordance with the Company's bye-laws, the Directors of the Company (other than the Chairman and the Managing Director) retire in each year by rotation. Mr. Fok Kin Ning, Canning, Mrs. Chow Woo Mo Fong, Susan and Mr. Cheong Ying Chew, Henry retire from office and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Directors' Emoluments

Directors' emoluments comprise payments to the Company's Directors by the Group in connection with the management of the affairs of the Group. The emoluments of the Company's Directors for the year ended 31st December, 2003, excluding emoluments received from the Group's associates, are as follows:

HK\$ million	Fees	Basic Salaries, Allowances and Other Benefits	Bonuses	Provident Fund Contributions	Inducement or Compensation Fees	Total Emoluments 2003
Li Tzar Kuoi, Victor	0.05	–	5.52	–	–	5.57
Kam Hing Lam	0.05	4.20	2.64	–	–	6.89
George Colin Magnus	0.05	–	–	–	–	0.05
Fok Kin Ning, Canning	0.05	–	–	–	–	0.05
Ip Tak Chuen, Edmond	0.05	1.80	2.47	–	–	4.32
Kwan Bing Sing, Eric	0.05	4.84	2.00	0.48	–	7.37
Chow Woo Mo Fong, Susan	0.05	–	–	–	–	0.05
Frank John Sixt	0.05	–	–	–	–	0.05
Tso Kai Sum	0.05	–	–	–	–	0.05
Cheong Ying Chew, Henry	0.10	–	–	–	–	0.10
Lee Pui Ling, Angelina	0.10	–	–	–	–	0.10
Barrie Cook	0.05	4.37	3.00	0.34	–	7.76
	0.70	15.21	15.63	0.82	–	32.36

During the year, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mr. Fok Kin Ning, Canning, Mrs. Chow Woo Mo Fong, Susan, Mr. Frank John Sixt and Mr. Tso Kai Sum each received directors' fees of HK\$50,000, and Mr. George Colin Magnus received director's fees of HK\$100,000 from Hongkong Electric Holdings Limited, a listed associate of the Group. The directors' fees totalling HK\$400,000 were then paid back to the Company.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31st December, 2003, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

1. Long Positions in Shares

Name of Company	Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
			Personal Interests	Family Interests	Corporate Interests	Other Interests		
Company	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	1,912,109,945 (Note 1)	1,912,109,945	84.82%
	Kam Hing Lam	Beneficial owner	100,000	–	–	–	100,000	≈ 0%
Hutchison Whampoa Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation & beneficiary of trusts	–	–	1,086,770 (Note 3)	2,141,698,773 (Note 2)	2,142,785,543	50.26%
	Kam Hing Lam	Beneficial owner	60,000	–	–	–	60,000	≈ 0%
	George Colin Magnus	Beneficial owner & interest of child or spouse	990,100	9,900	–	–	1,000,000	0.02%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	2,110,875 (Note 5)	–	2,110,875	0.05%
	Chow Woo Mo Fong, Susan	Beneficial owner	150,000	–	–	–	150,000	≈ 0%
	Frank John Sixt	Beneficial owner	50,000	–	–	–	50,000	≈ 0%
	Lee Pui Ling, Angelina	Beneficial owner	38,500	–	–	–	38,500	≈ 0%
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	100,000	–	1,000,000 (Note 5)	–	1,100,000	0.16%
Hongkong Electric Holdings Limited	Li Tzar Kuoi, Victor	Interest of child or spouse & beneficiary of trusts	–	151,000	–	829,599,612 (Note 4)	829,750,612	38.88%
	Lee Pui Ling, Angelina	Beneficial owner	8,800	–	–	–	8,800	≈ 0%
Hutchison Harbour Ring Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	5,000,000 (Note 5)	–	5,000,000	0.07%

2. Long Positions in Underlying Shares

Name of Company	Name of Director	Capacity	Number of Underlying Shares				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	134,000 underlying shares under 134,000 5.5% Unsecured Convertible Notes due 2007	–	1,340,001 underlying shares under 1,340,001 5.5% Unsecured Convertible Notes due 2007 (Note 5)	–	1,474,001 underlying shares under 1,474,001 5.5% Unsecured Convertible Notes due 2007

3. Long Positions in Debentures

Name of Company	Name of Director	Capacity	Amount of Debentures				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
Hutchison Whampoa International (01/11) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US\$2,000,000 7% Notes due 2011 (Note 3)	–	US\$2,000,000 7% Notes due 2011
Hutchison Whampoa International (03/13) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US\$11,000,000 6.5% Notes due 2013 (Note 3)	–	US\$11,000,000 6.5% Notes due 2013
Hutchison Whampoa Finance (03/13) Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	Euro31,900,000 5.875% Notes due 2013 (Note 5)	–	Euro31,900,000 5.875% Notes due 2013

Notes:

- (1) The 1,912,109,945 shares in the Company comprise 1,906,681,945 shares held by a subsidiary of Hutchison Whampoa Limited ("HWL") and 5,428,000 shares held by Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1").

The discretionary beneficiaries of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2") are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. TUT1 as trustee of UT1 and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("TUT1 related companies") hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited ("CKH"). Certain subsidiaries of CKH in turn together hold more than one-third of the issued share capital of HWL.

The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

Notes (Cont'd):

By virtue of the above and as a discretionary beneficiary of each of DT1 and DT2 and as a Director of CKH, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the shares of CKH held by TUT1 as trustee of UT1 and TUT1 related companies, the shares of HWL held by the subsidiaries of CKH and the shares of the Company held by each of the subsidiary of HWL and TUT1 as trustee of UT1 under the SFO as a Director of the Company. Although Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco and is a discretionary beneficiary of each of DT1 and DT2, he is not a director of CKH and has no duty of disclosure in relation to the shares of CKH held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO.

(2) The 2,141,698,773 shares in HWL comprise:

- (a) 2,130,202,773 shares held by certain subsidiaries of CKH. By virtue of the interests in shares of CKH in relation to which Mr. Li Tzar Kuoi, Victor has a duty of disclosure under the SFO in the issued share capital of CKH as described in Note (1) above and as a Director of the Company, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HWL under the SFO.
- (b) 11,496,000 shares held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3"). The discretionary beneficiaries of each of the two discretionary trusts ("DT3" and "DT4") are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of the trustees of DT3 and DT4 holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust.

The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of HWL by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of HWL independently without any reference to Castle Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Castle Holdco as aforesaid.

By virtue of the above and as a discretionary beneficiary of each of DT3 and DT4 and as a Director of HWL, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HWL held by TUT3 as trustee of UT3 under the SFO as a Director of the Company. Although Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco and is a discretionary beneficiary of each of DT3 and DT4, he is not a director of the Company and has no duty of disclosure in relation to the shares of HWL held by TUT3 as trustee of UT3 under the SFO.

- (3) Such interests are held by certain companies of which Mr. Li Tzar Kuoi, Victor is interested in the entire issued share capital.
- (4) By virtue of being a Director of the Company and his deemed interest in those shares of the Company as described in Note (1) above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to those shares of Hongkong Electric Holdings Limited held through the Company under the SFO.
- (5) These interests are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

Mr. Li Tzar Kuoi, Victor, by virtue of being a Director of the Company and his interests in the share capital of the Company as a discretionary beneficiary of certain discretionary trusts as described in Note (1) 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 of HWL held through HWL under the SFO.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31st December, 2003, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

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.

Interests and Short Positions of Shareholders Discloseable under the SFO

So far as is known to any Director or chief executives of the Company, as at 31st December, 2003, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions of Substantial Shareholders in the Shares of the Company

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Hutchison Infrastructure Holdings Limited	Beneficial owner	1,906,681,945 (Note i)	84.58%
Hutchison International Limited	Interest of controlled corporation	1,906,681,945 (Note ii)	84.58%
Hutchison Whampoa Limited	Interest of controlled corporations	1,906,681,945 (Note ii)	84.58%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	1,906,681,945 (Note iii)	84.58%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	1,912,109,945 (Note iv)	84.82%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of trust	1,912,109,945 (Note v)	84.82%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of trust	1,912,109,945 (Note v)	84.82%
Li Ka-shing	Founder of discretionary trusts	1,912,109,945 (Note v)	84.82%

Notes:

- (i) 1,906,681,945 shares of the Company are held by Hutchison Infrastructure Holdings Limited, a subsidiary of HWL. Its interests are duplicated in the interests of HWL in the Company described in (ii) below.
- (ii) HWL 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) CKH is deemed to be interested in the 1,906,681,945 shares of the Company referred to in (ii) above as certain subsidiaries of CKH hold more than one-third of the issued share capital of HWL.
- (iv) TUT1 as trustee of UT1 is deemed to be interested in those shares of the Company described in (iii) above as TUT1 as trustee of UT1 and TUT1 related companies hold more than one-third of the issued share capital of CKH and in the 5,428,000 shares of the Company held by TUT1 as trustee of UT1.
- (v) Each of Mr. Li Ka-shing, TDT1 as trustee of DT1 and TDT2 as trustee of another discretionary trust is deemed to be interested in the same block of shares TUT1 as trustee of UT1 is deemed to be interested in as referred to in (iv) above as all issued and outstanding units in UT1 are held by TDT1 as trustee of DT1 and by TDT2 as trustee of another discretionary trust. More than one-third of the issued share capital of TUT1 and of the trustees of the said discretionary trusts are owned by Unity Holdco. Mr. Li Ka-shing owns one-third of the issued share capital of Unity Holdco.

Save as disclosed above, as at 31st December, 2003, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Connected Transaction

The following transaction of the Group constituted a continuing connected transaction which is 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 "Stock Exchange") during the financial year ended 31st December, 2003:

A sponsors/shareholders' undertaking has been provided by each of CKH and HWL in relation to the loan facilities in relation to the Zhuhai Power Plant. Pursuant to the sponsors/shareholders' undertaking, each of CKH and HWL 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 CKH and HWL, the Company has agreed with each of CKH and HWL 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 CKH and HWL 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.

In the opinion of the Directors of the Company, the transaction referred to above ("Continuing Connected Transaction") is 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 is fair and reasonable so far as the shareholders of the Company are concerned, having regard to the circumstances in which it was entered into.

On 12th August, 1996, the 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 Transaction (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 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 agreements 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 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 Stock Exchange.

Connected Transaction (Cont'd)

The Continuing Connected Transaction has 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 2003 the Continuing Connected Transaction was conducted in the manner as stated in condition (1) above or in accordance with the terms of the agreement governing the Continuing Connected Transaction.

The auditors of the Company have also confirmed that for the year 2003 the Continuing Connected Transaction received the approval of the Company's Board of Directors; and the Continuing Connected Transaction has been entered into on normal commercial terms or in accordance with the terms of the agreement governing the Continuing Connected Transaction.

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 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 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, 33.5 per cent. of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounting for 17.7 per cent. of the Group's purchases. The Group's turnover attributable to the Group's five largest customers was less than 30 per cent.

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

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)

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

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
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)
	Hongkong Electric Holdings Limited	Deputy Chairman	(1), (4), (5) & (6)
	Hutchison Harbour Ring Limited	Chairman	(6)
	Vanda Systems & Communications Holdings Limited <i>(to be renamed Hutchison Global Communications Holdings Limited)</i>	Chairman	(6)
	Hanny Holdings Limited	Non-executive Director	(4), (5) & (6)
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 Group 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	(1), (4) & (5)
	Trasy Gold Ex Limited	Non-executive Director <i>(resigned on 28th May, 2003)</i>	(4), (5) & (6)
Chow Woo Mo Fong, Susan	Hutchison Whampoa Limited	Deputy Group Managing Director	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Non-executive Director	(1), (4), (5) & (6)
	TOM Group Limited	Non-executive Director	(4), (5) & (6)
	Hutchison Harbour Ring Limited	Executive Director	(6)
	Vanda Systems & Communications Holdings Limited <i>(to be renamed Hutchison Global Communications Holdings Limited)</i>	Executive Director	(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 Group 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.

Rule 8.08 of the Listing Rules

As announced by the Company on 8th January, 1997 and 17th February, 1997, the Stock Exchange has granted a waiver from strict compliance with Rule 8.08 of the Listing Rules to the Company on 9th January, 1997 subject to approximately not less than 15.2 per cent. of the issued share capital of the Company being held in public hands. Based on information available and within the knowledge of the Directors, the obligation has been complied with.

Donations

Donations made by the Group during the year amounted to HK\$1,756,000.

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 2003.

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.

Chapter 13 to the Stock Exchange Listing Rules

The following information is disclosed in accordance with the Chapter 13 of the Listing Rules:

- (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, 2003. The facility will mature in 2007. Under the provision of the loan agreement, it is an event of default if HWL (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 under the section headed "Connected Transaction" has been provided by HWL, 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 CKH and HWL 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 long term syndicated facility agreement of A\$500 million, of which the amount has been fully drawn with outstanding loan balance of A\$165 million as at 31st December, 2003. The facility will mature in 2004. Under the provision of the loan agreement, it is an event of default if HWL 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 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, 2003. The facilities will mature in 2004 and 2005, respectively. Under the provision of the loan agreements, it is an event of default if HWL 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\$405 million, of which the whole amount was drawn as at 31st December, 2003. The facility will mature in 2006. Under the provision of the loan agreement, it is an event of default if HWL ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.
- (f) The Group has entered into a long term syndicated facility agreement of A\$400 million, of which the whole amount was drawn as at 31st December, 2003. The facility will mature in 2008. Under the provision of the loan agreement, it is an event of default if HWL ceases to own (directly or indirectly) at least 30 per cent. of the issued share capital of the Company. The obligation has been complied with.

Chapter 13 to the Stock Exchange Listing Rules (Cont'd)

- (g) As at 31st December, 2003, the Group has granted relevant advances to certain affiliated companies totalling HK\$11,145 million, equivalent to approximately 26 per cent. of the Group's total assets. Proforma combined balance sheet of the affiliated companies as at 31st December, 2003 is set out below:

HK\$ million	
Non-current assets	55,397
Current assets	3,013
Current liabilities	(2,328)
Non-current liabilities	(54,798)
Net assets	1,284
Share capital	1,922
Reserves	(638)
Capital and reserves	1,284

As at 31st December, 2003, the consolidated attributable interest of the Group in these affiliated companies amounted to HK\$10,301 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, 9th March, 2004

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 Shareholders of Cheung Kong Infrastructure Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 42 to 83 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 solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

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, 2003 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, 9th March, 2004

Consolidated Income Statement

for the year ended 31st December

<i>HK\$ million</i>	Notes	2003	Restated 2002
Turnover	3		
Group turnover		1,613	1,872
Share of turnover of jointly controlled entities		1,841	1,723
		3,454	3,595
Group turnover	3	1,613	1,872
Other revenue	4	1,196	1,039
Operating costs	5	(1,807)	(2,051)
Operating profit	6	1,002	860
Finance costs	7	(630)	(624)
Share of results of associates		3,202	3,201
Share of results of jointly controlled entities		611	453
Profit before taxation		4,185	3,890
Taxation	8	(846)	(569)
Profit after taxation		3,339	3,321
Minority interests		10	5
Profit attributable to shareholders	9	3,349	3,326
Earnings per share	10	HK\$1.49	HK\$1.48
Dividends	11		
Interim dividend paid		485	485
Proposed final dividend		1,127	1,048
		1,612	1,533

Balance Sheets

as at 31st December

HK\$ million	Notes	Group		Company	
		2003	Restated 2002	2003	2002
Property, plant and equipment	12	1,804	1,992	2	4
Interests in subsidiaries	13	–	–	28,573	28,421
Interests in associates	14	23,681	22,213	–	–
Interests in jointly controlled entities	15	4,836	4,538	–	–
Interests in infrastructure project investments	16	1,948	2,465	–	–
Investments in securities	17	2,091	803	–	–
Other non-current assets	18	36	43	–	–
Total non-current assets		34,396	32,054	28,575	28,425
Inventories	19	164	188	–	–
Retention receivables		21	20	–	–
Debtors and prepayments	20	649	722	7	7
Dividend receivable		–	–	1,709	1,682
Bank balances and deposits		7,243	7,191	4	4
Total current assets		8,077	8,121	1,720	1,693
Bank loans	21	1,258	2,269	–	–
Creditors and accruals	22	642	571	159	152
Taxation		109	99	–	–
Total current liabilities		2,009	2,939	159	152
Net current assets		6,068	5,182	1,561	1,541
Total assets less current liabilities		40,464	37,236	30,136	29,966
Bank and other loans	21	11,079	10,376	–	–
Deferred tax liabilities	23	151	111	–	–
Total non-current liabilities		11,230	10,487	–	–
Minority interests		209	219	–	–
Net assets		29,025	26,530	30,136	29,966
Representing:					
Share capital	24	2,254	2,254	2,254	2,254
Reserves	25	26,771	24,276	27,882	27,712
Capital and reserves		29,025	26,530	30,136	29,966

LI TZAR KUOI, VICTOR

Director

IP TAK CHUEN, EDMOND

Director

9th March, 2004

Consolidated Statement of Changes in Equity

for the year ended 31st December

<i>HK\$ million</i>	2003	Restated 2002
Total equity at 1st January, as previously reported	28,853	26,787
Prior year adjustment (note 2 (m))	(2,323)	(2,196)
Total equity at 1st January, as restated	26,530	24,591
Surplus/(deficit) on revaluation of non-trading securities	44	(9)
Deferred tax charges on revaluation surplus of non-trading securities	(23)	(18)
Exchange translation differences	675	162
Deferred tax charges arising from change in applicable tax rate on the revaluation surplus from acquisitions of subsidiaries and associates in prior years	(36)	–
Net gain not recognised in the consolidated income statement	660	135
Profit for the year	3,349	3,326
Goodwill charged to income statement on disposal of a subsidiary	19	–
Previously recognised revaluation surplus realised upon disposals of non-trading securities	–	(90)
Final dividend for the year 2002/2001 paid	(1,048)	(947)
Interim dividend for the year 2003/2002 paid	(485)	(485)
Total equity at 31st December	29,025	26,530

Consolidated Cash Flow Statement

for the year ended 31st December

<i>HK\$ million</i>	Notes	2003	2002
Operating activities			
Cash generated from operations	26(a)	1,264	1,212
Income taxes refunded/(paid)		2	(14)
Net cash from operating activities		1,266	1,198
Investing activities			
Purchases of property, plant and equipment		(90)	(111)
Disposals of property, plant and equipment		66	3
Disposals of subsidiaries	26(b)	(11)	803
Advances to associates		(352)	(2,309)
Repayments from associates		2,108	48
Advances from an associate		–	15
Advance to a jointly controlled entity		(15)	–
Disposal of infrastructure project investment		61	–
Purchases of securities		(1,037)	(333)
Disposals of listed securities		–	246
Repayments from finance lease debtors		11	14
Acquisitions of other non-current assets		(2)	(3)
Dividends received from associates		1,422	1,379
Distributions received from listed stapled securities		63	53
Interest received		456	300
Finance lease income received		4	5
Release of pledged bank deposit		–	23
Net cash from investing activities		2,684	133
Net cash before financing activities		3,950	1,331
Financing activities			
New bank and other loans		2,125	7,405
Repayments of bank loans		(4,311)	(3,915)
Redemption of debentures		–	(6)
Finance costs paid		(179)	(215)
Dividends paid		(1,533)	(1,432)
Net cash (utilised in)/from financing activities		(3,898)	1,837
Net increase in cash and cash equivalents		52	3,168
Cash and cash equivalents at 1st January		7,191	4,023
Cash and cash equivalents at 31st December		7,243	7,191
Representing:			
Bank balances and deposits at 31st December		7,243	7,191

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 Financial Reporting Standards ("HKFRS"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The term of HKFRS is inclusive of Hong Kong Statements of Standard Accounting Practice ("SSAPs") and interpretations issued by the Hong Kong Society of Accountants. 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.

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.

Notes to the Financial Statements

2. Principal Accounting Policies (Cont'd)

g) Property, Plant and Equipment (Cont'd)

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

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

h) Inventories

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

i) Contract Work

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

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

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

j) Investments in Securities

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.

Notes to the Financial Statements

2. Principal Accounting Policies (Cont'd)

k) 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.

l) Foreign Currencies

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

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

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

m) Deferred Taxation

In accordance with SSAP 12 (Revised) "Income Taxes" which became effective from 1st January, 2003, deferred taxation is provided using balance sheet liability method, on all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit of the corresponding period. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Financial Statements

2. Principal Accounting Policies (Cont'd)

m) Deferred Taxation (Cont'd)

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

In prior years, tax deferred or accelerated by the effects of timing differences was provided at the prevalent income tax rate, using income statement liability method, to the extent that it was probable that a liability or an asset would crystallise in the foreseeable future. The timing differences were calculated based on the differences between profits as computed for tax purposes and the profits as stated in the financial statements.

In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively by means of a prior year adjustment. Cumulative effects from this change in accounting policy on the Group's balances at 1st January, 2003 include an increase in deferred tax liabilities by HK\$111 million (2002: HK\$86 million), decreases in interests in associates, retained profits, contributed surplus, investment revaluation reserve and exchange translation reserve by HK\$2,212 million, HK\$713 million, HK\$1,553 million, HK\$46 million and HK\$11 million (2002: HK\$2,110 million, HK\$614 million, HK\$1,553 million, HK\$28 million and HK\$1 million) respectively. In addition, the effects of the change on the Group's results, contributed surplus, investment revaluation reserve, and exchange translation reserve for the current year are an increased charge to taxation of HK\$237 million (2002: HK\$99 million), a deferred tax charge of HK\$36 million (2002: Nil), a deferred tax charge of HK\$23 million (2002: HK\$18 million), and an increased charge to exchange translation differences of HK\$41 million (2002: HK\$10 million). Certain comparative figures have been restated accordingly.

n) Operating Leases

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

o) Finance Leases

Leases that 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.

Notes to the Financial Statements

2. Principal Accounting Policies (Cont'd)

p) 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.

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.

q) Borrowing Costs

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

3. Turnover

Group turnover represents net sales from infrastructure materials business, 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	2003 Share of turnover of jointly controlled entities	Total	Group turnover	2002 Share of turnover of jointly controlled entities	Total
Infrastructure investments	212	1,841	2,053	277	1,723	2,000
Infrastructure related business	1,401	–	1,401	1,595	–	1,595
Total	1,613	1,841	3,454	1,872	1,723	3,595

Notes to the Financial Statements

3. Turnover (Cont'd)

By geographic region

for the year ended 31st December

<i>HK\$ million</i>	Group turnover	2003 Share of turnover of jointly controlled entities	Total	Group turnover	2002 Share of turnover of jointly controlled entities	Total
Hong Kong	1,012	–	1,012	1,194	–	1,194
Mainland China	564	1,841	2,405	600	1,723	2,323
Others	37	–	37	78	–	78
Total	1,613	1,841	3,454	1,872	1,723	3,595

4. Other Revenue

Other revenue includes the following:

<i>HK\$ million</i>	2003	2002
Interest income	967	748
Finance lease income	4	5
Distributions from listed stapled securities	63	53
Gain on disposal of infrastructure project investment	11	–
Gain on disposals of subsidiaries	–	51
Unrealised holding gain on other securities	40	–
Gain on disposals of listed securities	–	97

Notes to the Financial Statements

5. Operating Costs

<i>HK\$ million</i>	2003	2002
Changes in inventories of finished goods and work-in-progress	4	15
Raw materials and consumables used	386	459
Staff costs including directors' remuneration	353	399
Depreciation	181	193
Impairment loss recognised in respect of property, plant and equipment	30	53
Amortisation of other non-current assets	1	1
Amortisation of costs of investments in infrastructure projects	107	138
Unrealised holding loss on other securities	–	91
Other operating expenses	745	702
Total	1,807	2,051

6. Operating Profit

<i>HK\$ million</i>	2003	2002
Operating profit is arrived at after crediting:		
Contract revenue	232	236
Net exchange gain	13	–
and charging:		
Operating lease rental		
Land and buildings	37	51
Vessels	–	28
Directors' remuneration (note 28)	32	29
Auditors' remuneration	2	3
Loss on disposals of property, plant and equipment	4	7
Loss on disposal of a subsidiary	19	–
Net exchange loss	–	88

7. Finance Costs

<i>HK\$ million</i>	2003	2002
Interest and other finance costs on		
Bank borrowings wholly repayable within five years	558	556
Notes not repayable within five years	72	68
Total	630	624

Notes to the Financial Statements

8. Taxation

Hong Kong Profits Tax is provided for at the rate of 17.5 per cent. (2002: 16 per cent.) on the estimated assessable profits for the year.

<i>HK\$ million</i>	2003	2002
Company and subsidiaries		
Current taxation – Hong Kong Profits Tax	9	12
Deferred taxation (note 23)	(4)	4
	5	16
Share of taxation attributable to		
Associates	780	517
Jointly controlled entities	61	36
	841	553
Total	846	569

The charge for the year can be reconciled to the profit per the income statement as follows:

<i>HK\$ million</i>	2003	2002
Profit before taxation	4,185	3,890
Tax at the weighted average effective rate of 15.3% (2002: 13.9%)	642	540
Tax impact on:		
Income not subject to tax	(132)	(163)
Expenses not deductible for tax purpose	122	115
Tax losses and other temporary differences not recognised	22	50
Utilisation of previously unrecognised tax losses	(8)	(3)
Undistributed reserves of associates	32	27
Change in tax rate attributable to deferred tax liabilities brought forward from prior years	169	–
Others	(1)	3
Taxation charge	846	569

The weighted average effective tax rate changes to 15.3% in 2003 from 13.9% in 2002 mainly due to increase in Hong Kong Profits Tax Rate by 1.5% and change of profit mix from countries and regions of different tax jurisdictions.

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\$1,703 million (2002: HK\$1,678 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 related business		Unallocated items		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Segment revenue										
Group turnover	-	-	212	277	1,401	1,595	-	-	1,613	1,872
Others	-	-	20	15	81	70	-	-	101	85
	-	-	232	292	1,482	1,665	-	-	1,714	1,957
Segment result	-	-	80	101	(49)	47	-	-	31	148
Net gain/(loss) on disposals of infrastructure project investment, subsidiaries and listed securities	-	-	11	51	(19)	-	-	97	(8)	148
Interest and finance lease income	-	-	792	608	81	88	98	57	971	753
Other revenue	-	-	63	53	-	-	-	-	63	53
Corporate overheads and others	-	-	-	-	-	-	(55)	(242)	(55)	(242)
Operating profit	-	-	946	813	13	135	43	(88)	1,002	860
Finance costs	-	-	-	-	-	-	(630)	(624)	(630)	(624)
Share of results of associates and jointly controlled entities	2,942	3,021	877	633	(6)	-	-	-	3,813	3,654
Taxation	(661)	(465)	(182)	(89)	2	(15)	(5)	-	(846)	(569)
Minority interests	-	-	-	-	10	5	-	-	10	5
Profit attributable to shareholders	2,281	2,556	1,641	1,357	19	125	(592)	(712)	3,349	3,326
Other information										
Capital expenditure	-	-	-	-	90	111	-	-	90	111
Depreciation and amortisation	-	-	107	138	180	192	2	2	289	332

Notes to the Financial Statements

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

By business segment (Cont'd)

as at 31st December

<i>HK\$ million</i>	Investment in Hongkong Electric*		Infrastructure investments		Infrastructure related business		Unallocated items		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Assets										
Segment assets	-	-	2,845	3,287	3,775	3,892	-	-	6,620	7,179
Interests in associates and jointly controlled entities	15,195	14,198	13,205	12,416	117	137	-	-	28,517	26,751
Unallocated corporate assets	-	-	-	-	-	-	7,336	6,245	7,336	6,245
Total assets	15,195	14,198	16,050	15,703	3,892	4,029	7,336	6,245	42,473	40,175
Liabilities										
Segment liabilities	-	-	15	11	285	372	-	-	300	383
Taxation, deferred taxation and unallocated corporate liabilities	-	-	86	47	82	81	12,771	12,915	12,939	13,043
Minority interests	-	-	-	-	209	219	-	-	209	219
Total liabilities	-	-	101	58	576	672	12,771	12,915	13,448	13,645

* 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	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	Segment revenue											
Group turnover	1,012	1,194	564	600	-	-	37	78	-	-	1,613	1,872
Others	60	31	41	16	-	-	-	38	-	-	101	85
	1,072	1,225	605	616	-	-	37	116	-	-	1,714	1,957
Segment result	64	146	49	20	-	-	(82)	(18)	-	-	31	148
Net gain/(loss) on disposals of infrastructure project investment, subsidiaries and listed securities	-	-	11	51	-	-	(19)	-	-	97	(8)	148
Interest and finance lease income	81	87	-	1	792	608	-	-	98	57	971	753
Other revenue	-	-	-	-	63	53	-	-	-	-	63	53
Corporate overheads and others	-	-	-	-	-	-	-	-	(55)	(242)	(55)	(242)
Operating profit	145	233	60	72	855	661	(101)	(18)	43	(88)	1,002	860
Finance costs	-	-	-	-	-	-	-	-	(630)	(624)	(630)	(624)
Share of results of associates and jointly controlled entities	2,962	3,042	610	453	247	159	(6)	-	-	-	3,813	3,654
Taxation	(663)	(482)	(61)	(36)	(117)	(51)	-	-	(5)	-	(846)	(569)
Minority interests	-	-	1	(1)	-	-	9	6	-	-	10	5
Profit attributable to shareholders	2,444	2,793	610	488	985	769	(98)	(12)	(592)	(712)	3,349	3,326
Other information												
Capital expenditure	44	91	46	14	-	-	-	6	-	-	90	111

as at 31st December

HK\$ million	Hong Kong		Mainland China		Australia		Others		Unallocated items		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	Assets											
Segment assets	2,743	2,731	3,054	3,788	771	573	52	87	-	-	6,620	7,179
Interests in associates and jointly controlled entities	15,340	14,316	4,821	4,538	8,263	7,770	93	127	-	-	28,517	26,751
Unallocated corporate assets	-	-	-	-	-	-	-	-	7,336	6,245	7,336	6,245
Total assets	18,083	17,047	7,875	8,326	9,034	8,343	145	214	7,336	6,245	42,473	40,175

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\$3,349 million (2002: HK\$3,326 million) and on 2,254,209,945 shares (2002: 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 year ended 31st December 2002 were fully converted into shares of a non-wholly owned subsidiary which issued the debentures.

11. Dividends

<i>HK\$ million</i>	2003	2002
Interim dividend paid of HK\$0.215 (2002: HK\$0.215) per share	485	485
Proposed final dividend of HK\$0.5 (2002: HK\$0.465) per share	1,127	1,048
Total	1,612	1,533

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, 2003	864	404	2,075	260	3,603
Exchange translation differences	–	1	1	1	3
Additions	4	–	64	22	90
Disposals	(2)	(19)	(93)	(119)	(233)
At 31st December, 2003	866	386	2,047	164	3,463
Accumulated depreciation and impairment					
At 1st January, 2003	299	76	1,044	192	1,611
Charge for the year	30	10	124	17	181
Impairment loss	–	15	15	–	30
Disposals	(1)	(4)	(67)	(91)	(163)
At 31st December, 2003	328	97	1,116	118	1,659
Net book value					
At 31st December, 2003	538	289	931	46	1,804
At 31st December, 2002	565	328	1,031	68	1,992

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, 2003	–	–	–	14	14
Accumulated depreciation					
At 1st January, 2003	–	–	–	10	10
Charge for the year	–	–	–	2	2
At 31st December, 2003	–	–	–	12	12
Net book value					
At 31st December, 2003	–	–	–	2	2
At 31st December, 2002	–	–	–	4	4

13. Interests in Subsidiaries

<i>HK\$ million</i>	Company	
	2003	2002
Unlisted shares, at cost	22,757	22,757
Amounts due by subsidiaries	5,816	5,664
At 31st December	28,573	28,421

Particulars of the principal subsidiaries are set out in Appendix 1 on pages 77 and 78.

Notes to the Financial Statements

14. Interests in Associates

<i>HK\$ million</i>	Group	
	2003	2002
Share of net assets		
Listed associate	15,195	14,198
Unlisted associates	960	652
	16,155	14,850
Amounts due by unlisted associates	7,526	7,363
At 31st December	23,681	22,213
Market value of listed associate	25,469	24,473

Included in the amounts due by unlisted associates are subordinated loan of HK\$6,310 million (2002: HK\$4,597 million). 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 79 and 80.

An extract of the published financial statements of Hongkong Electric, a principal associate of the Group, for the year ended 31st December, 2003, is shown in Appendix 4 on pages 82 and 83.

15. Interests in Jointly Controlled Entities

<i>HK\$ million</i>	Group	
	2003	2002
Investment costs	2,505	2,098
Shareholders' loans to jointly controlled entities	1,957	1,942
Share of undistributed post-acquisition results	374	498
At 31st December	4,836	4,538

The Group's interests in a jointly controlled entity with carrying value of HK\$1,888 million as at 31st December, 2003 (2002: HK\$1,982 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 81.

Notes to the Financial Statements

16. Interests in Infrastructure Project Investments

<i>HK\$ million</i>	Group	
	2003	2002
Investments	2,550	3,026
Accumulated amortisation	(624)	(616)
Infrastructure project receivables	156	405
	2,082	2,815
Provision	(134)	(350)
At 31st December	1,948	2,465

17. Investments in Securities

<i>HK\$ million</i>	Group	
	2003	2002
Non-trading securities		
Equity investments, listed overseas, at market value	46	32
Debt investments, listed overseas, at market value	1,055	19
Stapled securities, listed overseas, at market value	771	573
	1,872	624
Other securities		
Unlisted equity securities	219	179
Total	2,091	803

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

Notes to the Financial Statements

18. Other Non-current Assets

<i>HK\$ million</i>	2003	Group 2002
Finance lease debtors – non-current portion	13	23
Employee retirement benefit assets (note 27)	23	12
Others	–	8
At 31st December	36	43

Details of finance lease debtors are shown below:

<i>HK\$ million</i>	2003	Group 2002
Gross investment in leases receivable:		
Within one year	14	17
In the second to fifth year, inclusive	15	28
	29	45
Unearned finance lease income	(5)	(10)
Present value of finance lease debtors	24	35
Portion receivable:		
Within one year – current portion	11	12
In the second to fifth year, inclusive – non-current portion	13	23
Total	24	35

Notes to the Financial Statements

19. Inventories

<i>HK\$ million</i>	Group	
	2003	2002
Raw materials	31	41
Work-in-progress	3	7
Stores, spare parts and supplies	107	115
Finished goods	23	23
	164	186
Contract work-in-progress	–	2
Total	164	188
Portion carried at net realisable value		
Raw materials	1	–
Stores, spare parts and supplies	65	53
Finished goods	–	2
Total	66	55
Contract work-in-progress		
Costs plus recognised profits less recognised losses	89	106
Progress billing	(89)	(104)
Net amount	–	2

The cost of inventories charged to the Group's income statement during the year was HK\$1,075 million (2002: HK\$1,117 million).

Notes to the Financial Statements

20. Debtors and Prepayments

<i>HK\$ million</i>	Group		Company	
	2003	2002	2003	2002
Trade debtors and infrastructure project receivables	417	589	–	–
Prepayments, deposits and other receivables	232	133	7	7
Total	649	722	7	7

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

<i>HK\$ million</i>	2003	2002
Current	218	367
One month	107	104
Two to three months	38	48
Over three months	204	208
Gross total	567	727
Provision	(150)	(138)
Total after provision	417	589

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	
	2003	2002
Unsecured bank loans repayable:		
Within one year	1,258	2,250
In the second year	514	2,409
In the third to fifth year, inclusive	8,396	5,988
	10,168	10,647
Secured bank loans repayable:		
Within one year	–	19
In the third to fifth year, inclusive	–	5
	–	24
Unsecured notes, 3.5%, repayable after five years	2,169	1,974
Total	12,337	12,645
Portion classified as:		
Current liabilities	1,258	2,269
Non-current liabilities	11,079	10,376
Total	12,337	12,645

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	
	2003	2002
Fixed rate loans and loans swapped to fixed rate	8,231	8,610
Floating rate loans	4,106	4,035
Total	12,337	12,645

Notes to the Financial Statements

22. Creditors and Accruals

<i>HK\$ million</i>	Group		Company	
	2003	2002	2003	2002
Trade creditors	117	90	–	–
Amount due to an unlisted associate	133	131	133	131
Other payables and accruals	392	350	26	21
Total	642	571	159	152

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

<i>HK\$ million</i>	2003	2002
Current	36	30
One month	25	20
Two to three months	13	9
Over three months	43	31
Total	117	90

23. Deferred Tax Liabilities

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior years:

<i>HK\$ million</i>	Accelerated tax depreciation	Tax Losses	Revaluation of investments in securities	Total
At 1st January, 2002, as previously reported	–	–	–	–
Prior year adjustment (note 2(m))	119	(61)	28	86
At 1st January, 2002, as restated	119	(61)	28	86
Charge against profit for the year	–	4	–	4
Charge against investment revaluation reserve	–	–	18	18
Exchange translation differences	–	–	3	3
At 31st December, 2002	119	(57)	49	111
(Credit to)/charge against profit for the year	(11)	7	–	(4)
Charge against investment revaluation reserve	–	–	23	23
Change in applicable tax rate on the revaluation surplus from acquisitions of subsidiaries in prior years	6	–	–	6
Exchange translation differences	–	–	15	15
At 31st December, 2003	114	(50)	87	151

Notes to the Financial Statements

23. Deferred Tax Liabilities (Cont'd)

For the purpose of balance sheet presentation, all deferred tax assets have been offset against deferred tax liabilities in accordance with the conditions set out in SSAP12 (Revised).

Apart from the unused tax losses of which the deferred tax assets have been recognised as presented above, the Group has unused tax losses and other unused tax credits totalling HK\$397 million (2002: HK\$450 million) at the balance sheet date. No deferred tax asset has been recognised in respect of these tax losses and tax credits due to the unpredictability of future profit streams to utilise the available tax losses and tax credits. An analysis of the expiry dates of the tax losses and tax credits is as follows:

<i>HK\$ million</i>	2003	2002
Within one year	14	25
In the second year	45	20
In the third to fifth year, inclusive	117	146
After five years	–	15
No expiry date	221	244
Total	397	450

24. Share Capital

<i>HK\$ million</i>	2003	2002
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

25. Reserves

Group

<i>HK\$ million</i>	Share premium	Contributed surplus	Investment revaluation reserve	Exchange translation reserve	Retained profits	Proposed dividends	Total
At 1st January, 2002, as previously reported	3,836	7,632	108	(22)	12,032	947	24,533
Prior year adjustment (note 2 (m))	–	(1,553)	(28)	(1)	(614)	–	(2,196)
At 1st January, 2002, as restated	3,836	6,079	80	(23)	11,418	947	22,337
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)
Deferred tax charge on revaluation surplus of non-trading securities	–	–	(18)	–	–	–	(18)
Exchange translation differences	–	–	–	162	–	–	162
Profit for the year	–	–	–	–	3,326	–	3,326
Proposed interim dividend	–	–	–	–	(485)	485	–
Interim dividend paid	–	–	–	–	–	(485)	(485)
Proposed final dividend	–	–	–	–	(1,048)	1,048	–
At 31st December, 2002	3,836	6,079	(37)	139	13,211	1,048	24,276
Final dividend for the year 2002 paid	–	–	–	–	–	(1,048)	(1,048)
Deferred tax charges arising from change in applicable tax rate on the revaluation surplus from acquisitions of subsidiaries and associates in prior years	–	(36)	–	–	–	–	(36)
Goodwill charged to income statement on disposal of a subsidiary	–	19	–	–	–	–	19
Surplus on revaluation of non-trading securities	–	–	44	–	–	–	44
Deferred tax charge on revaluation surplus of non-trading securities	–	–	(23)	–	–	–	(23)
Exchange translation differences	–	–	–	675	–	–	675
Profit for the year	–	–	–	–	3,349	–	3,349
Proposed interim dividend	–	–	–	–	(485)	485	–
Interim dividend paid	–	–	–	–	–	(485)	(485)
Proposed final dividend	–	–	–	–	(1,127)	1,127	–
At 31st December, 2003	3,836	6,062	(16)	814	14,948	1,127	26,771

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\$6,957 million (2002: HK\$6,037 million) and HK\$374 million (2002: HK\$498 million) respectively.

Notes to the Financial Statements

25. Reserves (Cont'd)

Company	Share premium	Contributed surplus	Retained profits	Proposed dividends	Total
<i>HK\$ million</i>					
At 1st January, 2002	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
Final dividend for the year 2002 paid	–	–	–	(1,048)	(1,048)
Profit for the year	–	–	1,703	–	1,703
Proposed interim dividend	–	–	(485)	485	–
Interim dividend paid	–	–	–	(485)	(485)
Proposed final dividend	–	–	(1,127)	1,127	–
At 31st December, 2003	3,836	20,810	2,109	1,127	27,882

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. interest in Hongkong Electric.

Total distributable reserves of the Company amounted to HK\$24,046 million as at 31st December, 2003 (2002: HK\$23,876 million).

Notes to the Financial Statements

26. Notes to Consolidated Cash Flow Statement

(a) Cash generated from operations

<i>HK\$ million</i>	2003	2002
Profit before taxation	4,185	3,890
Share of results of associates	(3,202)	(3,201)
Share of results of jointly controlled entities	(611)	(453)
Interest income	(967)	(748)
Finance lease income	(4)	(5)
Income from infrastructure project investments	(212)	(277)
Distributions from listed stapled securities	(63)	(53)
Finance costs	630	624
Depreciation	181	193
Impairment loss recognised in respect of property, plant and equipment	30	53
Loss on disposals of property, plant and equipment	4	7
Gain on disposal of infrastructure project investment	(11)	–
Loss/(gain) on disposals of subsidiaries	19	(51)
Provision against amounts due by unlisted associates	49	19
Provision against interests in jointly controlled entities	–	19
Amortisation of costs of investments in infrastructure projects	107	138
Gain on disposals of listed securities	–	(97)
Unrealised holding (gain)/loss on other securities	(40)	91
Pension costs of defined benefit retirement plan	9	9
Amortisation of other non-current assets	1	1
Loss on disposals of other non-current assets	9	–
Unrealised exchange loss on borrowings	195	161
Returns received from jointly controlled entities	744	562
Returns received from infrastructure project investments	262	396
Contributions to defined benefit retirement plan	(20)	(21)
Operating cash flows before changes in working capital	1,295	1,257
Decrease in inventories	24	18
Increase in retention receivables	(1)	(4)
(Increase)/decrease in debtors and prepayments	(60)	129
Increase/(decrease) in creditors and accruals	53	(179)
Exchange translation differences	(47)	(9)
Cash generated from operations	1,264	1,212

Notes to the Financial Statements

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

(b) Disposals of subsidiaries

<i>HK\$ million</i>	2003	2002
Net assets disposed of:		
Interests in a jointly controlled entity	–	3
Interests in infrastructure project investments	–	1,162
Debtors and prepayments	1	–
Bank balances and deposits	11	–
Creditors and accruals	(12)	–
	–	1,165
Attributable goodwill	19	–
(Loss)/gain on disposals of subsidiaries	(19)	51
Total consideration	–	1,216
Satisfied by:		
Cash	–	1,216

Analysis of the net cash flow arising on the disposals:

<i>HK\$ million</i>	2003	2002
Cash consideration	–	1,216
Deposits received in prior years	–	(413)
Bank balances and deposits disposed of	(11)	–
Net cash (outflow)/inflow arising from the disposals	(11)	803

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 Company and its 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 (2002: HK\$12 million). Forfeited contributions and earnings for the year under the defined contribution plans amounting to HK\$1 million (2002: HK\$4 million) were used to reduce the existing level of contributions. At 31st December, 2003, 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 (2002: HK\$1 million).

Actuarial valuations of the defined benefit plan according to SSAP 34 "Employee Benefits" were carried out at 1st January, 2004, 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:

	2003	2002
Discount rate at 31st December	3.75% per annum	5.5% per annum
Expected return on plan assets	7% per annum	7% per annum
Expected rate of salary increase	3% per annum for the next two years and 5% per annum thereafter	Nil to 5% for the next five years and 5% per annum thereafter

Amounts charged/(credited) to the consolidated income statement in respect of the defined benefit plan are as follows:

<i>HK\$ million</i>	2003	2002
Current service cost	7	6
Interest cost	8	9
Expected return on plan assets	(9)	(9)
Net actuarial loss recognised	1	–
Amortisation of transitional liability	2	3
Net amount charged to consolidated income statement	9	9

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, 2003 is a gain of HK\$12 million (2002: loss of HK\$3 million).

Notes to the Financial Statements

27. Retirement Plans (Cont'd)

The amount included in the consolidated balance sheet at 31st December, 2003 and 2002 arising from the Group's obligations in respect of its defined benefit plan is as follows:

<i>HK\$ million</i>	2003	2002
Present value of defined benefit obligations	172	157
Unrecognised actuarial losses	(37)	(23)
Fair value of plan assets	(150)	(136)
Unrecognised transitional liability	(8)	(10)
Employee retirement benefit assets included in the consolidated balance sheet	(23)	(12)

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

<i>HK\$ million</i>	2003	2002
At 1st January	(12)	–
Employers' contributions	(20)	(21)
Amount charged to consolidated income statement	9	9
At 31st December	(23)	(12)

Since 1st January, 2002, the Group has adopted SSAP 34 "Employee Benefits". As at that date, the Group determined the transitional liability for its defined benefit plan to be HK\$13 million. This amount is being recognised on a straight-line basis over a period of five years from 1st January, 2002. A charge of HK\$2 million (2002: HK\$3 million) was recognised in the current year. As at 31st December, 2003, transitional liability of HK\$8 million (2002: HK\$10 million) remained unrecognised.

Another actuarial valuation was completed at 1st January, 2004 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 3 per cent. per annum for the next two 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\$150 million at 31st December, 2003 represents 98 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.

Notes to the Financial Statements

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>	2003	2002
Salaries, benefits in kind and fees	16	15
Contributions to retirement plans	1	1
Bonuses	15	13
Total	32	29

The directors' remuneration for the year includes directors' fees of HK\$700,000 (2002: HK\$600,000) of which HK\$200,000 (2002: HK\$100,000) have been paid to independent non-executive directors of the Company.

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

Remuneration band	2003	2002
Nil – HK\$1,000,000	7	7
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$4,000,001 – HK\$4,500,000	1	–
HK\$5,500,001 – HK\$6,000,000	1	1
HK\$6,000,001 – HK\$6,500,000	–	1
HK\$6,500,001 – HK\$7,000,000	1	1
HK\$7,000,001 – HK\$7,500,000	1	1
HK\$7,500,001 – HK\$8,000,000	1	–

During the year, certain directors of the Company received directors' fees totalling HK\$400,000 (2002: HK\$400,000) from Hongkong Electric, which were then paid back to the Company.

Further details of remuneration to the Company's directors are set out in Report of the Directors.

Notes to the Financial Statements

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

(b) Senior Executives' Remuneration

Of the five individuals with the highest emoluments in the Group, four (2002: four) are directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining one (2002: one) individual is as follows:

<i>HK\$ million</i>	2003	2002
Salaries and benefits in kind	2	2
Contributions to retirement plan	1	1
Bonuses	2	1
Total	5	4

The remaining one (2002: one) individual with the highest emoluments is within the following band:

Remuneration band	2003	2002
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	1	–

29. Commitments

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

<i>HK\$ million</i>	Contracted but not provided for		Authorised but not contracted for	
	2003	2002	2003	2002
Investments	1,711	976	–	–
Plant and machinery	9	13	84	146
Others	–	–	12	–
Total	1,720	989	96	146

- (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	
	2003	2002	2003	2002
Within one year	21	41	4	6
In the second to fifth year, inclusive	20	78	2	9
After five years	13	22	–	–
Total	54	141	6	15

Notes to the Financial Statements

30. Contingent Liabilities

<i>HK\$ million</i>	Group		Company	
	2003	2002	2003	2002
Guarantees in respect of bank and other loans drawn by subsidiaries	–	–	12,337	12,549
Guarantee in respect of bank loans drawn by an associate	1,204	335	1,204	335
Guarantee in respect of bank loans drawn by a jointly controlled entity	696	696	696	696
Performance bonds	36	25	–	–
Total	1,936	1,056	14,237	13,580

31. Material Related Party Transactions

During the year, the Group advanced HK\$15 million (2002: Nil) to a jointly controlled entity. The total outstanding loan balances as at 31st December, 2003 amounted to HK\$1,957 million (2002: HK\$1,942 million), of which HK\$905 million (2002: HK\$905 million) bears interest with reference to Hong Kong dollar prime rate, and HK\$1,052 million (2002: HK\$1,037 million) are interest-free. Except for a loan of HK\$4 million which is repayable within one year, the loans have no fixed terms of repayment.

The Group advanced HK\$352 million (2002: HK\$2,309 million) to its unlisted associates, and received repayments totalling HK\$2,108 million (2002: HK\$48 million) during the year. The total outstanding loan balances as at 31st December, 2003 amounted to HK\$7,526 million (2002: HK\$7,363 million), of which HK\$7,061 million (2002: HK\$7,002 million) bears interest with reference to Australian Bank Bill Swap Reference Rate or fixed rate, and HK\$465 million (2002: HK\$361 million) are interest-free. Interest income contributed from the associates during the year amounted to HK\$792 million (2002: HK\$608 million). Except for a loan of HK\$94 million which is repayable within eighteen years, the loans have no fixed terms of repayment.

32. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 9th March, 2004.

Principal Subsidiaries

Appendix 1

The table below shows the subsidiaries as at 31st December, 2003 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 65,780,000 non-voting deferred	HK\$0.5 HK\$0.5	100 –	Investment holding
Anderson Asia Concrete Limited	800,000 ordinary	HK\$1	100	Investment holding
Anderson Asphalt Limited	36,000 ordinary	HK\$100	100	Production and laying of asphalt and investment holding
Asia Stone Company, Limited	33,000,000 ordinary	HK\$1	100	Quarry operation and manufacture of aggregates
Cheung Kong Infrastructure Finance Company Limited	2 ordinary	HK\$1	100	Financing
China Cement Company (International) Limited	1,000,000 ordinary	HK\$1	70	Investment holding
Green Island Cement Company, Limited	76,032,000 ordinary	HK\$2	100	Manufacturing, sale and distribution of cement and property investment
Green Island Cement (Holdings) Limited	101,549,457 ordinary	HK\$2	100	Investment holding
Ready Mixed Concrete (H.K.) Limited	50,000,000 ordinary	HK\$1	100	Production and sale of concrete and investment holding

Principal Subsidiaries

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 in British Virgin Islands and operating in Hong Kong				
Cheung Kong Infrastructure Finance (BVI) Limited	1 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, 2003 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, 2003 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, 2003, as extracted from the 2003 published financial statements of Hongkong Electric.

Consolidated Profit and Loss Account

for the year ended 31st December

<i>HK\$ million</i>	2003	Restated 2002
Turnover	11,250	11,605
Direct costs	(3,915)	(3,728)
	7,335	7,877
Other revenue and net income	1,283	878
Other operating costs	(578)	(513)
Finance costs	(646)	(565)
Operating profit	7,394	7,677
Share of results of associates	241	163
Profit before taxation	7,635	7,840
Income tax:		
Current	(1,092)	(971)
Deferred	(619)	(233)
Profit after taxation	5,924	6,636
Scheme of Control transfers		
From/(To):		
Development Fund	139	(1)
Rate Reduction Reserve	(6)	(11)
Profit attributable to shareholders	6,057	6,624
Dividends		
Interim dividend paid	1,238	1,238
Proposed final dividend	2,412	2,412
	3,650	3,650
Earnings per share	HK\$2.84	HK\$3.10
Dividends per share	HK\$1.71	HK\$1.71

Extracts of Financial Statements of Hongkong Electric

Appendix 4 (Cont'd)

Consolidated Balance Sheet

as at 31st December

<i>HK\$ million</i>	2003	Restated 2002
Fixed assets		
Property, plant and equipment	42,024	42,049
Assets under construction	3,000	3,153
Interest in associates	8,425	7,910
Other investments	7	405
Employee retirement benefit assets	236	228
Current assets	3,020	2,823
Current liabilities	(3,865)	(5,049)
Non-current liabilities	(17,531)	(18,890)
Rate Reduction Reserve	(5)	(10)
Development Fund	–	(139)
Net assets	35,311	32,480
Share capital	2,134	2,134
Reserves	33,177	30,346
Capital and reserves	35,311	32,480

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 Investment in Hongkong Electric



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
2003 net profit	HK\$6,057 million

Project Profiles Infrastructure Investments – Energy



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	3,789 km (43.6% underground cables)
Consumer coverage	275,000 customers



Envestra Limited, Australia

CKI shareholding	18.55%
Business	Distribution of natural gas in the states of South Australia, Queensland, the Northern Territory, Victoria and New South Wales
Natural gas distribution network	18,000 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 covering an area of 178,200 square km in the state of South Australia for 200 years
Electricity distribution network	79,286 km
Consumer coverage	765,000 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	82,882 km
Consumer coverage	622,000 customers

Project Profiles

Infrastructure Investments – Energy



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	2019
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 – Transportation



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 – Transportation



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%

Project Profiles

Infrastructure Investments – Transportation



Panyu Beidou Bridge, Guangdong

Location	Panyu, Guangdong Province
Road type	Bridge
Length	3 km
No. of lanes	Dual three-lane
Joint venture contract date	1999
Joint venture expiring	2024
Operational status	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 – Transportation



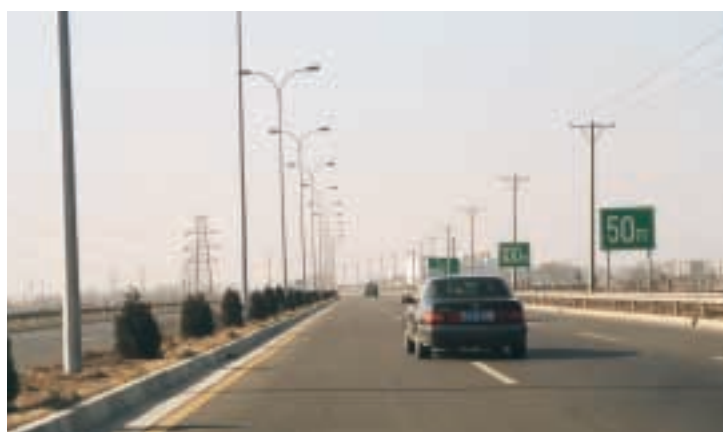
Shenyang Da Ba Road and South-West Elevated Section, Liaoning

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 Related Business



Asia Stone, Anderson Asia, Hong Kong

Total capacity: 1.5 million tonnes per annum
 Origins date back to 1968
 One of Hong Kong's three 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
 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
 7 strategically-located batching plants throughout Hong Kong
 Over 150 mixer trucks
 The only commercial producer of high performance and strength concrete (100+MPa)
 Leader in product innovation, technology and customer service



Anderson Asphalt, Hong Kong

Total asphalt capacity: 2.8 million tonnes per annum
 Total recycling capacity: 0.5 million tonnes per annum
 Total sub-basic capacity: 1.6 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

Project Profiles

Infrastructure Related Business



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 GITC Green Island Cement Co. Ltd., Guangdong

Location: Yunfu, Guangdong Province

Total cement capacity: 800,000 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: 2 million tonnes per annum

Limestone quarry acquired in 1995 for 25 years

CKI's interest: 40%

Project Profiles

Infrastructure Related Business



Stuart Energy Systems Corp., Canada

CKI shareholding	7.16%
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



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 records, 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, 13th May, 2004 at 2:20 p.m. for the following purposes:

1. To receive the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2003.
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, 9th March, 2004

Notes:

1. At the Annual General Meeting, the Chairman of the Meeting will exercise his power under the Company's Bye-law 66 to put each of the above resolutions to the vote by way of a poll.
2. 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.
3. The Register of Members will be closed from Thursday, 6th May, 2004 to Thursday, 13th May, 2004, 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 Share 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, 5th May, 2004.
4. Concerning Ordinary Resolution No. 3 above, Mr. Fok Kin Ning, Canning, Mrs. Chow Woo Mo Fong, Susan and Mr. Cheong Ying Chew, Henry will retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting. Details of the above Directors will be set out in a circular (the "Circular") to be enclosed with the Annual Report 2003.
5. 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").
6. 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 members 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 the Circular.

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
CHEONG Ying Chew, Henry*	Independent Non-executive Director
LEE Pui Ling, Angelina*	Independent Non-executive Director
Barrie COOK	Non-executive Director

* Members of Audit Committee

Company Secretary

Eirene YEUNG

Solicitors

Woo, Kwan, Lee & Lo

Auditors

Deloitte Touche Tohmatsu

Bankers

Bank of China (Hong Kong) Limited
BNP Paribas
The Hongkong and Shanghai Banking Corporation Limited
National Australia Bank

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 2003 (“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 the 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 (including but not limited to annual report, summary financial report (where applicable), interim report, notice of meeting and circular) 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