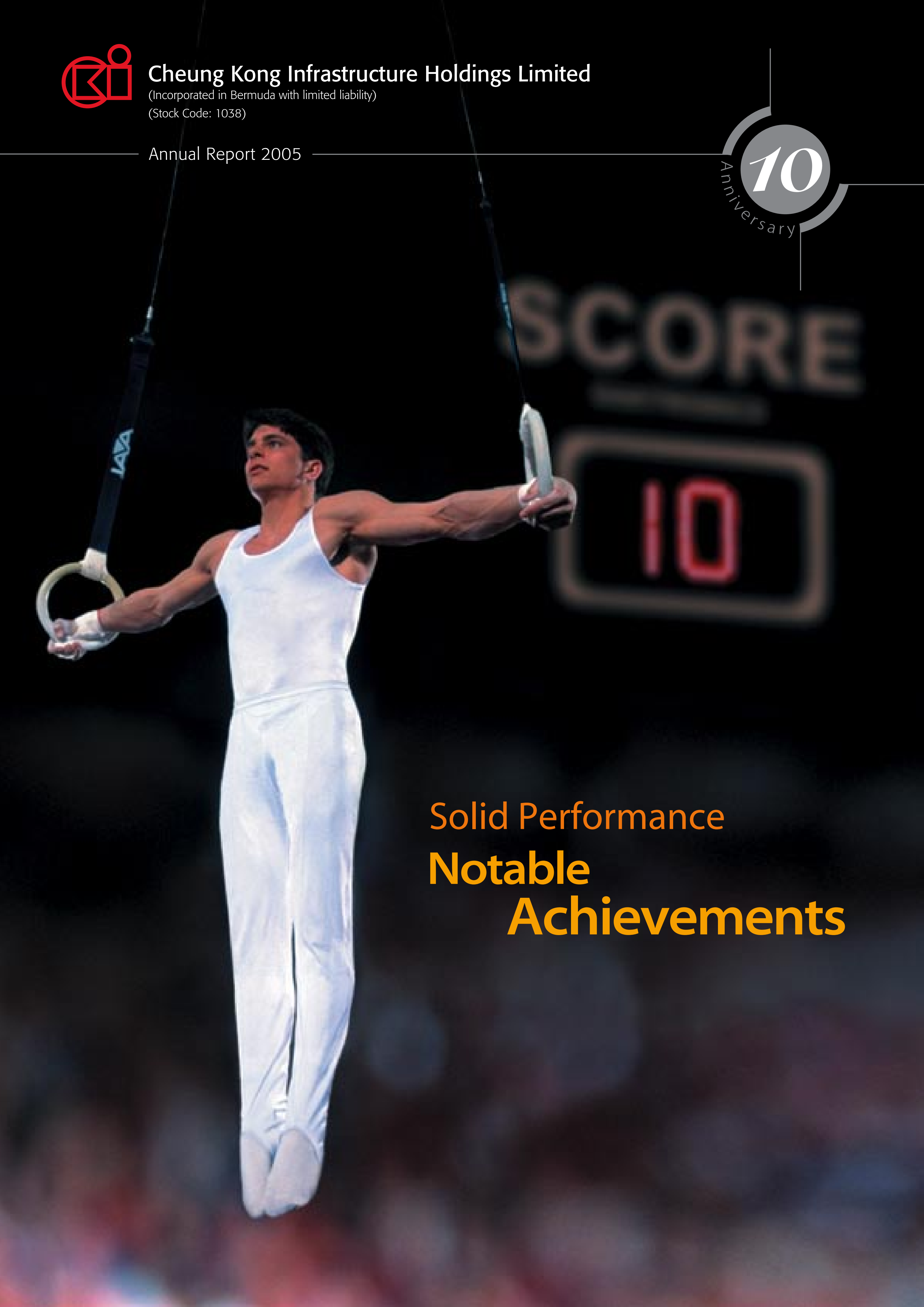
Cheung Kong Infrastructure Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 1038)

Annual Report 2005

10 Anniversary



Solid Performance
Notable Achievements

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

FINANCIAL CALENDAR

Annual Results Announcement	16th March, 2006
Closure of Register of Members	4th to 11th May, 2006 (both days inclusive)
Record Date for Final Dividend	11th May, 2006
Payment of 2005 Final Dividend	16th May, 2006

THE YEAR AT A GLANCE

Profit attributable to shareholders (HK$million)	6,007
Earnings per share (HK$)	2.66
Dividends per share (HK$)	0.948

10 Anniversary

CONTENTS

TEN-YEAR FINANCIAL SUMMARY

Consolidated Income Statement Summary

for the year ended 31st December

HK$ million	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Turnover	**4,750**	4,460	4,309	4,256	4,422	3,938	3,209	3,372	3,377	3,013
Profit attributable to shareholders	**6,007**	3,523	3,271	3,199	3,081	3,128	3,043	2,770	2,353	854
Dividends										
Interim dividend paid	**541**	496	485	485	473	451	293	271	225	–
Proposed final dividend	**1,596**	1,285	1,127	1,048	947	902	654	586	496	361
	2,137	1,781	1,612	1,533	1,420	1,353	947	857	721	361

Consolidated Balance Sheet Summary

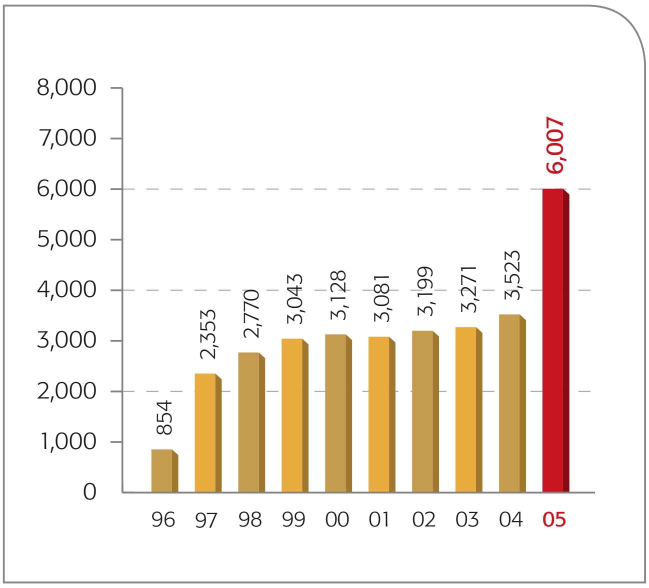
as at 31st December

HK$ million	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Property, plant and equipment	**919**	1,864	1,410	1,587	1,721	1,840	1,890	1,887	1,279	1,197
Investment properties	**59**	–	–	–	–	–	–	–	–	–
Leasehold land	**326**	383	394	405	416	427	438	449	421	430
Interests in associates	**26,911**	25,261	23,334	22,012	17,863	18,466	10,881	8,888	8,188	95
Interests in jointly controlled entities	**4,337**	4,801	4,836	4,538	4,606	4,791	2,591	2,276	1,629	1,000
Interests in infrastructure project investments	**579**	1,855	1,948	2,465	3,469	4,294	6,280	7,056	5,989	3,762
Investments in securities	**2,092**	1,188	2,091	803	759	754	676	–	–	–
Derivative financial instruments	**447**	–	–	–	–	–	–	–	–	–
Goodwill	**175**	257	–	–	–	–	–	–	–	–
Other non-current assets	**9**	14	36	43	43	39	11	6	4	2
Current assets	**8,701**	10,070	8,077	8,121	5,193	4,034	3,171	2,838	3,689	4,873
Total assets	**44,555**	45,693	42,126	39,974	34,070	34,645	25,938	23,400	21,199	11,359
Current liabilities	**(1,221)**	(1,314)	(2,009)	(2,939)	(4,726)	(4,526)	(609)	(686)	(727)	(2,639)
Non-current liabilities	**(9,798)**	(13,399)	(11,230)	(10,487)	(4,591)	(7,087)	(4,055)	(3,203)	(3,210)	(157)
Total liabilities	**(11,019)**	(14,713)	(13,239)	(13,426)	(9,317)	(11,613)	(4,664)	(3,889)	(3,937)	(2,796)
Minority interests	**(38)**	(206)	(209)	(219)	(224)	(256)	(253)	(256)	(10)	(5)
Equity attributable to shareholders	**33,498**	30,774	28,678	26,329	24,529	22,776	21,021	19,255	17,252	8,558

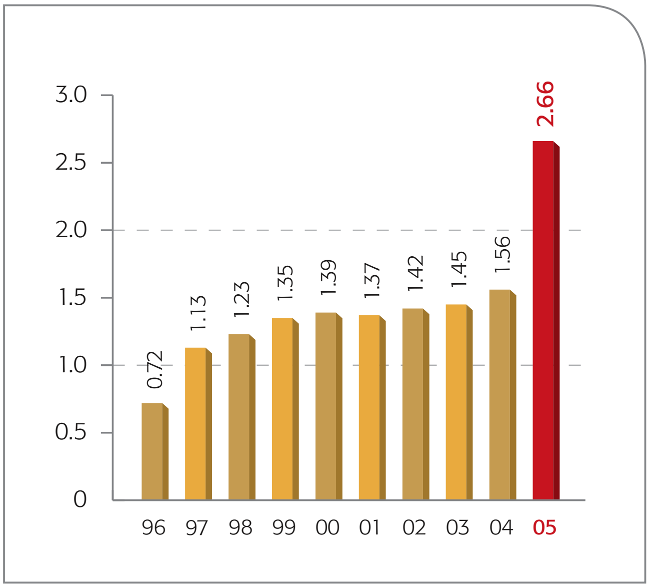
Per Share Data

HK$	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Earnings per share	**2.66**	1.56	1.45	1.42	1.37	1.39	1.35	1.23	1.13	0.72
Dividends per share	**0.948**	0.79	0.715	0.68	0.63	0.60	0.42	0.38	0.32	0.16
Shareholders' book value per share	**14.86**	13.65	12.72	11.68	10.88	10.10	9.33	8.54	7.65	6.26

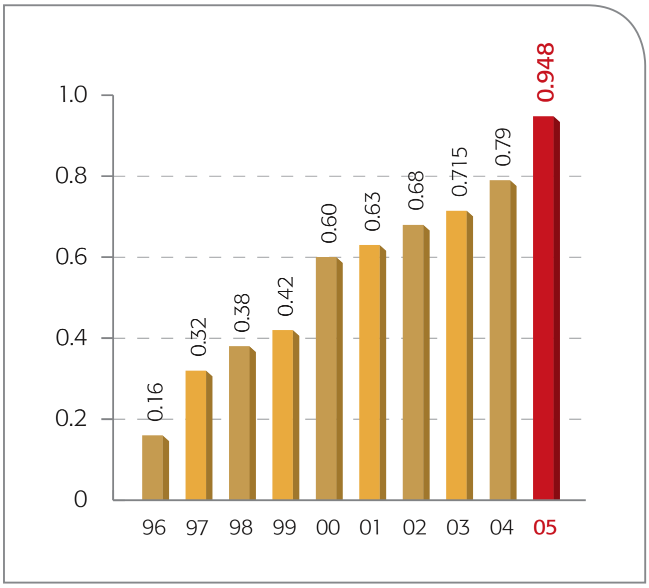
Profit Attributable to Shareholders (HK$million)



Earnings Per Share (HK$)

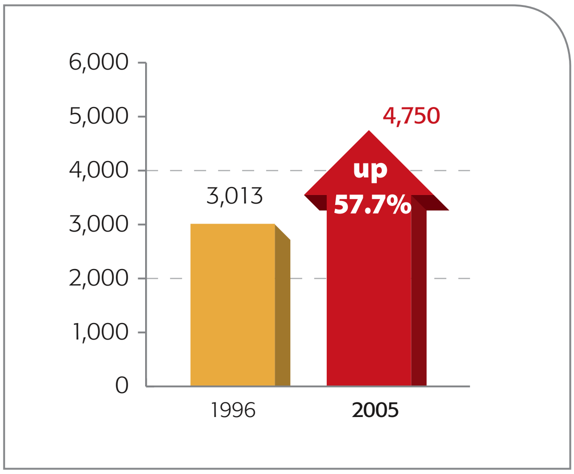


Dividends Per Share (HK$)

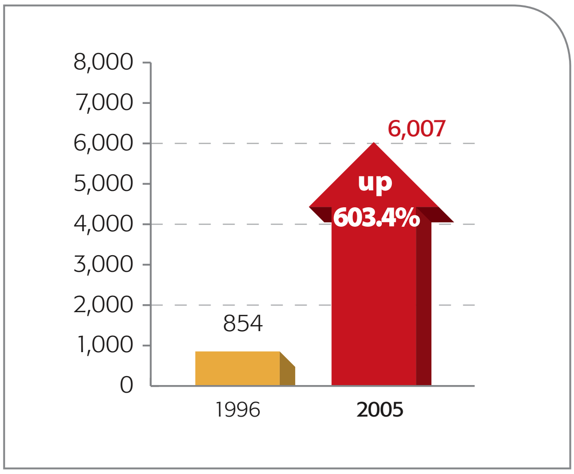


Financial Parameters

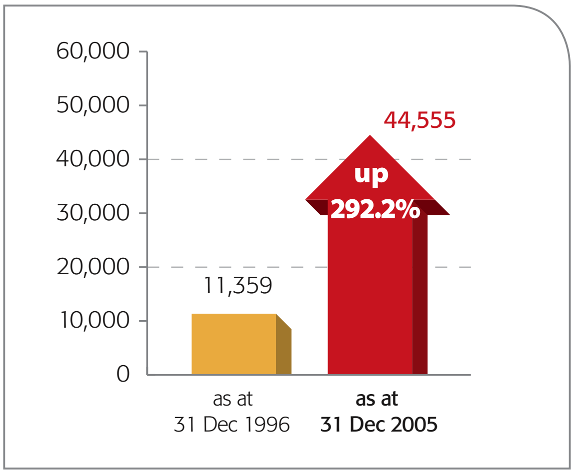
Turnover (HK$million)



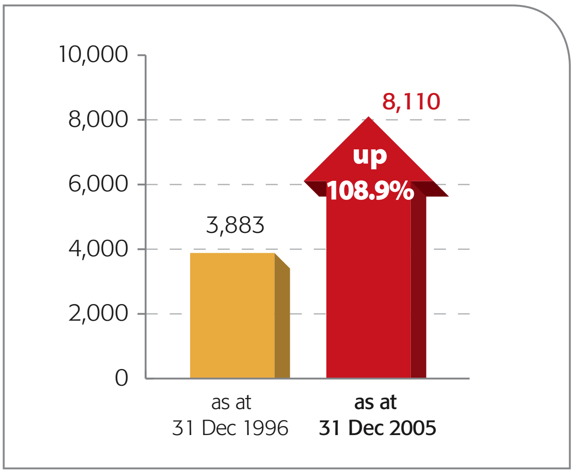
Profit attributable to shareholders (HK$million)



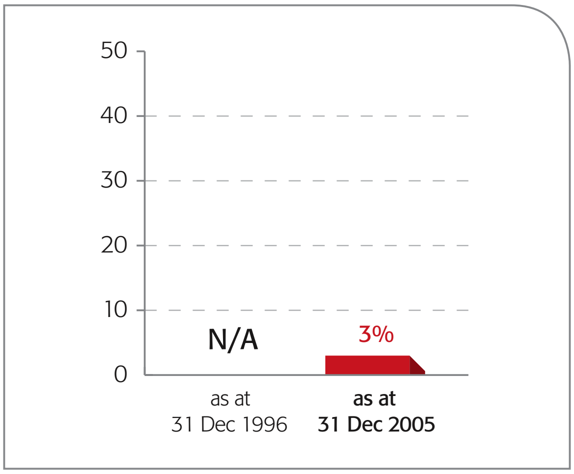
Total assets (HK$million)



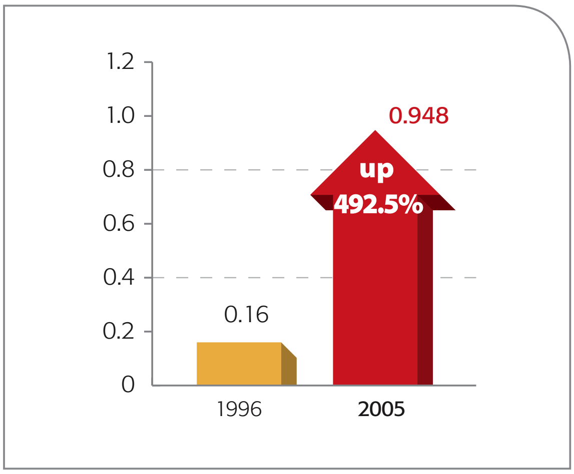
Cash on hand (HK$million)



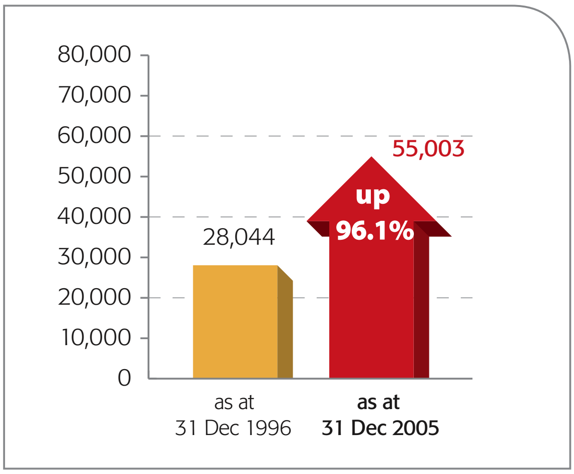
Net debt to equity ratio (%)



Dividends per share (HK$)

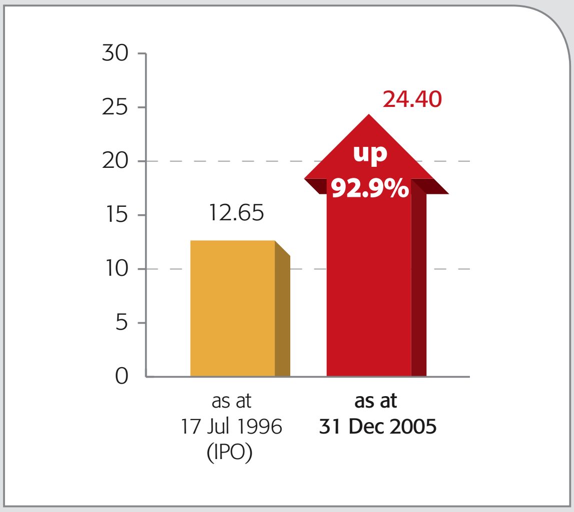


Market capitalization (HK$million)

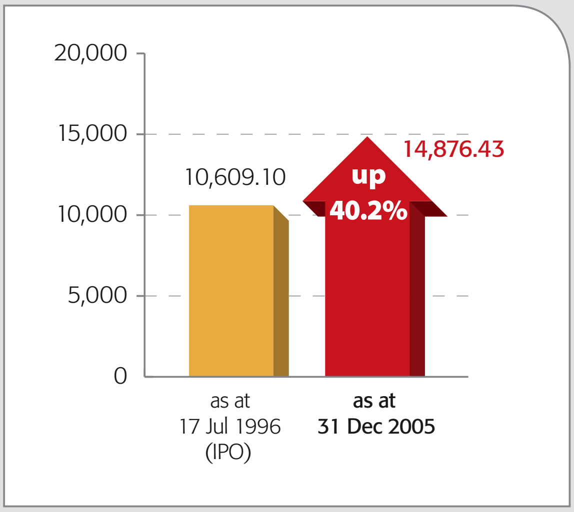


Share Price Performance (excluding dividends)

CKI (HK$/share)



Hang Seng Index



2005 – Solid Performance; Notable Achievements

Highlights

- Record high in profitability – profit after tax attributable to shareholders was HK$6 billion
- Substantial income of HK$3.7 billion from listing of Spark Infrastructure
- Continuing profit contribution of HK$2.5 billion generated by Hongkong Electric
- Profit contribution from infrastructure investments up by 140% to HK$4.9 billion
- Sizeable impairments of HK$1,727 million were made against infrastructure materials and certain infrastructure investments
- Balance sheet stronger than ever, with ample resources to fund expansion:
  - Cash on hand of over HK$8.1 billion
  - Net debt to equity ratio of 3%
  - S&P ratings of "A-" reaffirmed
- Final dividend of HK$0.708 per share

As we embark upon our tenth year since listing on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), Cheung Kong Infrastructure Holdings Limited ("CKI" or the "Group") is pleased to report continued growth momentum for the year under review. An overall good performance was achieved by the Group in 2005. Profit after tax attributable to shareholders increased by an outstanding 71 per cent. to HK$6,007 million. Earnings per share were HK$2.66.

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK$0.708 per share. Together with the interim dividend of HK$0.24 per share, this will bring the total dividend for the year to HK$0.948 per share, an increase of 20 per cent. from 2004. The proposed dividend will be paid on 16th May, 2006 following approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members on 11th May, 2006.

Unprecedented Performance – Exceptional Returns

The Year in Review

During the year under review, an overall good performance has been recorded. Operations in Hong Kong, Mainland China, Australia, and the United Kingdom all experienced satisfactory organic growth, and a sizeable one-off gain from the listing of Spark Infrastructure Group ("Spark Infrastructure") on the Australian Stock Exchange Limited (the "Australian Stock Exchange") significantly boosted our profits for 2005.

The key operating highlights of 2005 are as follows:

1. Hongkong Electric Holdings Limited ("Hongkong Electric") continued to be an important profit contributor for the Group due to the continued success of its overseas diversification strategy. A profit contribution of HK$2,492 million was recorded in 2005.

2. Operations in Mainland China delivered a steady performance for the year under review:

   - The Zhuhai Power Plant remains the top performer of CKI's China portfolio. Units of electricity sold far exceeded the annual minimum quantity as stipulated in the power off-take contract. The Group also entered into a joint venture for the construction and operation of Units 3 and 4 extension to the Zhuhai Power Plant. The financing of the extension has been completed and construction works on the Units have made good progress.

   - The Group's portfolio of toll roads in Mainland China also continued to deliver solid returns. Of particular note, the Guangzhou East-South-West Ring Road registered double-digit growth in traffic volume and toll revenue.

CHAIRMAN'S LETTER

3. Powercor Australia Limited ("Powercor"), CitiPower I Pty Ltd. ("CitiPower") and ETSA Utilities – three prime assets in the Group's Australian power portfolio – recorded 40 per cent. growth in contributions (after including tax adjustments). In 2005, the three asset companies have completed the 5-year tariff reset process as required under the respective government regulations. As a result, CKI can expect price certainty and stable returns for the next five years.

4. Cambridge Water PLC contributed its first full-year of profit in 2005.

5. Completion of the acquisition of Northern Gas Networks Limited took place during the year under review, and the profit contribution from this project commenced during the course of 2005. A substantial one-off gain was also booked during the year under review from the sale of a 9.9 per cent. stake in the asset.

6. In August 2005, the Sydney Cross City Tunnel opened two months ahead of schedule.

7. One of the major highlights of 2005 was the listing of Spark Infrastructure on the Australian Stock Exchange:

   - Through selling a 49 per cent. stake in Powercor, CitiPower and ETSA Utilities to Spark Infrastructure, the underlying values of these prime assets were realised. A significant one-off gain of HK$3.7 billion was generated.

   - On completion of the deal, CKI owns a 9.9 per cent. stake in Spark Infrastructure, which represents an indirect stake of 4.9 per cent. in the three assets. The fund is managed by a Manager, in which CKI holds a 50 per cent. interest. The Group will retain a direct 51 per cent. shareholding in the three assets together with Hongkong Electric.

   - This deal is a significant milestone for CKI. As a result, our balance sheet and financial position is stronger than ever. There will be substantial resources retained for new capital intensive investments and it is expected that we will continue to book recurring income from our stake in Spark Infrastructure and the three power assets.

8. Depressed conditions in the materials market continued to pose challenges for our materials business. A one-off asset impairment of HK$790 million was made, resulting in a loss of HK$845 million being reported.

9. In addition, one-off impairments of HK$937 million were made against certain infrastructure assets and investments.

Coming of Age in the Infrastructure Arena

A Decade in Review

CKI has come a long way in the ten years since listing on the Hong Kong Stock Exchange in 1996. The Group has evolved from a Greater China-focused company into one of the world's leading infrastructure players. Our investments now span Hong Kong, Mainland China, Australia and the United Kingdom. We have attained global reach across four continents. The breadth of our business has also expanded – our diverse range of investments now encompass energy, toll roads, water, materials and environmental initiatives. The size of our assets is now HK$44.6 billion versus HK$11.4 billion ten years ago.

The Group's earnings reached HK$6 billion in 2005 as compared to HK$854 million in 1996. It is clear that the Group has achieved continuous and sustained growth over the last ten years. Our exceptional performance in 2005 marks a high point in our endeavours. We are proud of the milestones that we have achieved in our first decade and look forward to more growth and development in the coming years.

A Preview

With our strong position in the infrastructure industry, and formidable financial resources that include cash on hand of over HK$8.1 billion and a net debt to equity ratio of 3 per cent., CKI is well-placed to benefit from opportunities that arise in the global infrastructure arena. Our businesses are healthy and sound. We are confident of achieving continued growth in the future based on our strong foundations. We look forward to growing CKI's business by further expanding our market presence and aggressively making more acquisitions.

During the year under review, Mr. George Magnus retired as Deputy Chairman and an Executive Director of CKI. He has been with the Group since its listing in 1996 and has been an instrumental force in our growth. I would like to extend my thanks and appreciation for his contribution to CKI over the years, and look forward to the benefits of Mr. Magnus' expertise and experience as a Non-executive Director of the Company.

I would like to take this opportunity to thank the Board, management and staff of CKI for their commitment and efforts, as well as our shareholders for their support and confidence in the Group.

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 16th March, 2006

CKI's Road to Success

As the Group embarks upon its tenth year since listing, the time is ripe to reflect on our achievements to date. CKI has earned a reputation for quality infrastructure projects, good financial returns and a strong balance sheet. Through hard work and shrewd investments, we have become one of the leading players on the global infrastructure stage, and I am pleased to share CKI's story with you.

The Birth of CKI as a Listed Entity

CKI was listed on the Main Board of The Stock Exchange of Hong Kong in 1996 as a spin-off vehicle for the Cheung Kong Group's infrastructure businesses. Named "Deal of the Year" by *Institutional Investor* magazine, the Group's IPO was more than 20 times over-subscribed and widely distributed internationally. At this point, our portfolio was mainly focused on Hong Kong and Mainland China. Our businesses included toll roads, toll bridges and power plants on the Mainland, and infrastructure-related businesses in cement, concrete, asphalt and aggregates in Hong Kong and Mainland China. As at 31st December, 1996, the Group's market capitalization was HK$28 billion and ranked the 19th largest company listed on the Hong Kong Stock Exchange. Within a year of listing, CKI was named a constituent stock of the Hang Seng Index – an impressive feat for such a young company.

Cheung Kong Group Reorganization Strengthens CKI

In 1997, the Cheung Kong Group underwent a major reorganization to consolidate the different business areas of its listed entities. As a result, CKI acquired a controlling shareholding in Hongkong Electric Holdings Limited, the sole electricity generator and distributor to Hong Kong Island and Lamma Island. At the same time, CKI also became a subsidiary of Hutchison Whampoa Limited. The reorganization was crucial in making the Group a stronger infrastructure company. The acquisition of Hongkong Electric substantially increased CKI's recurring income and capital base, thereby fortifying our financing capacity for capturing future growth opportunities. Hongkong Electric has been the Group's largest profit contributor ever since.

Embarking on a Strategy of Diversification and Globalization

Infrastructure opportunities around the world were plentiful in the late '90s. Privatization was one of the key industry watchwords. At the same time, a large number of companies had decided to return to their core business and divest their non-core interests. As a result, there were numerous opportunities for infrastructure investment in solid markets such as Australia and the UK. The Group grasped these possibilities and adapted its business strategy to suit the changing global infrastructure market. A strategy of diversification and globalization to drive future growth was embarked upon.

The First Foray Into Australia

The Group expanded into the Australian market for the first time in 1999 with the acquisition of a 19.97% stake in Envestra Limited, the largest listed natural gas distributor in the country. With a distribution network spanning over 18,700 kilometres and serving approximately 960,000 customers, Envestra is a prime asset. It continues to represent a stable, high yield investment that generates double-digit cash returns to the Group.

Expansion of Australian Energy Portfolio

Since the acquisition of Envestra, CKI has found the infrastructure market in Australia to be a very sound landscape for investment. The government policy of privatization has presented numerous investment opportunities for the Group. With a stable regulatory environment, strong rule of law, and booming economic growth, Australia has been a very fruitful market for us. From 2000 onwards, CKI quickly built up an impressive portfolio of energy assets in Australia with a series of joint 50/50 acquisitions together with Hongkong Electric: CitiPower I Pty Ltd., which distributes electricity to the central business district and inner suburban areas of Melbourne; Powercor Australia Limited, the largest electricity distributor in the state of Victoria that serves approximately 65% of the state with approximately 643,000 customers; and ETSA Utilities, the sole electricity distributor in the state of South Australia with a customer base of approximately 768,000. These investments have been profoundly successful, generating robust double-digit cash returns to the Group. They also significantly altered the Group's profit contribution by business segment and geographic region.

CKI Sparks

The success of our Australian investments culminated in the listing of Spark Infrastructure on the Australian Stock Exchange at the end of 2005. The listing represented an unprecedented corporate finance initiative for CKI. It also marked the first time that the Group has extended its operations to managing an infrastructure fund. As part of the transaction, CKI sold a stake in CitiPower, Powercor and ETSA Utilities to Spark Infrastructure, thereby realizing the value of our assets in the market. On completion of the entire deal that includes acquisition of part of Hongkong Electric's interests in the assets, CKI, together with Hongkong Electric, retains a 51% majority shareholding in CitiPower, Powercor and ETSA Utilities; and CKI itself holds a 9.9% stake in Spark Infrastructure, as well as booked a one-off gain of HK$3.7 billion.

Transportation a Growth Driver in Australia

In addition to energy, the Group has also embarked on transportation projects in Australia. The Cross City Tunnel in Sydney, which heralds CKI's first transportation project outside China, commenced operation in August 2005. Over the course of the next 30 years, the Group expects to reap steadily growing cash returns from this investment. The Group also holds a 40% equity stake in the Lane Cove Tunnel, which is poised to complete Sydney's new ring road system. The Tunnel, now under construction, is on schedule to be completed.

Diversification Into the UK Market

The Group further extended its global footprint in 2004 by diversifying into the United Kingdom's gas sector. CKI won the tender for Northern Gas Networks Limited, one of the eight major distribution networks in the United Kingdom that serves a total population of 6.7 million. The project was worth around GBP1.4 billion (approximately HK$20 billion). Completion of the acquisition took place in 2005 and double-digit returns on equity and cash yields are expected to be booked from this premium asset.

Water – A New Business Area

Also in 2004, CKI diversified into the global water industry through acquisitions in Australia and the United Kingdom. A 49% stake was acquired in AquaTower, the exclusive potable water supplier of four regional towns in Victoria. The Group made its first foray into water assets in the United Kingdom with the 100% acquisition of Cambridge Water, a pedigree water distributor that supplies a population of approximately 300,000.

CKI Comes of Age

In our relatively short history, the Group has truly come of age as a global player in the infrastructure arena. We have grown from a Greater China-focused company into an international infrastructure enterprise with diverse businesses across the world. Our market capitalization stood at HK$55,003 million as at 31st December, 2005 as compared to HK$28,044 million as at 31st December, 1996, and the size of our assets amounts to HK$44,555 million versus HK$11,359 million ten years ago. To adapt to changing market conditions, we have matured in a pragmatic and responsive way. Our prudent investment philosophy and strict acquisition criteria have ensured the success of all of our major projects. All performance indicators show the leaps and bounds made by the Group over the last ten years.

A Bright Future for CKI

We now look forward to the next ten years with relish and optimism. With our strong financials, renowned deal-making reputation and the tremendous expertise of our management team, continued business expansion and diversification are expected. In the capital-intensive infrastructure industry, we are one of the few companies in the world with the capabilities and keen interest. We will keep a close eye on developments in the Asian, North American, Australian and European infrastructure markets and will aim to continue the strong growth momentum we achieved over the past ten years.

H L Kam

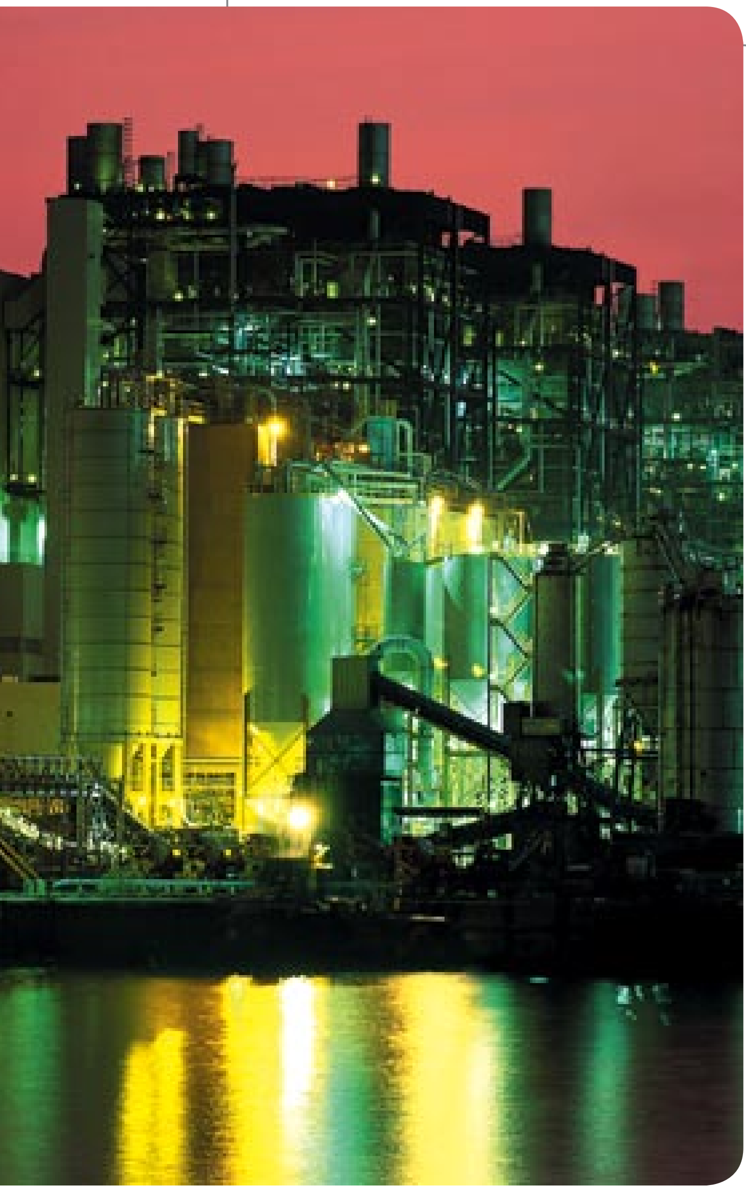
Group Managing Director

Hong Kong, 16th March, 2006

INVESTMENT IN HONGKONG ELECTRIC

CKI holds a 38.87% stake in Hongkong Electric, a premium asset with the core business of generating, transmitting and distributing power to Hong Kong Island and Lamma Island. Hongkong Electric serves over 550,000 customers in the territory and has attained outstanding supply reliability in excess of 99.999%.

INVESTMENT IN HONGKONG ELECTRIC



Hong Kong Electric's Lamma Power Station has a total installed capacity of 3,420 MW, serving customers on Hong Kong Island and Lamma Island with reliable energy.

Hongkong Electric reported a mixed performance for 2005. The core electricity supply business in Hong Kong reported stagnant growth as compared with the previous year, while overseas investments generated excellent results and helped to achieve a profit level of over HK$8 billion.

Hong Kong Operations

For 2005, Hongkong Electric reported unit sales growth in electricity of 1.5%. Of the 10,755 million kWh of electricity sold, commercial sales made up 73.2%, domestic sales 22.7% and industrial sales 4.1%. The maximum demand in 2005 was 2,565 MW as compared with 2,588 MW in 2004. Supply reliability was in excess of 99.999%, the ninth consecutive year such level has been achieved.

During the year, Hongkong Electric completed construction for Hong Kong's first wind turbine, a good renewable energy showcase. Situated on Lamma Island, the 800 kW turbine started to generate electricity in September 2005.

As part of Hongkong Electric's continuing programme to lower emissions and reduce dependence on its coal-fired plant, substantial headway was made in the construction of natural gas facilities. The Liquefied Natural Gas Terminal in Shenzhen is under construction and the laying of the 93 kilometre submarine gas pipeline from Shenzhen to Lamma Power Station was completed with preparation work being carried out for receiving gas.

Hongkong Electric completed construction for Hong Kong's first wind turbine, which started to generate electricity in 2005.

The price of coal remained high for most of 2005, presenting challenges for Hongkong Electric. This was mitigated in part by the adjustment of the varieties of coal burned.

Work on Unit L9, a new 300 MW class gas-fired combined-cycle unit at Lamma Power Station, has progressed steadily and is on schedule for completion.

Overseas Operations

The Australian operations of Hongkong Electric, which includes ETSA Utilities, Powercor and CitiPower, continued to perform well in 2005. Through a combination of increased electricity consumption and customer growth, as well as a continued focus on operational efficiency, a solid financial performance was achieved. In December 2005, Hongkong Electric sold 22.07% of its attributable interest in the three Australian power assets, realizing a gain of HK$1.56 billion. It will continue to benefit from the earnings generated by the remaining 27.93% ownership in the companies.

The acquisition of a 19.9% stake in Northern Gas Networks in the United Kingdom was completed in June 2005. Additionally, financial arrangements for the construction of a 1,400 MW gas fired power station in Ratchaburi Province, Thailand were concluded in early 2005. Hongkong Electric will hold a 25% interest in the project. Construction is scheduled to commence in 2006.

For the ninth consecutive year, Hongkong Electric achieved supply reliability in excess of 99.999%.

INFRASTRUCTURE INVESTMENTS – ENERGY

CKI's strong portfolio of energy investments has continued to generate steady cash flow and lucrative returns. The reach of the Group's infrastructure investments in the arena of energy now span across Australia, Mainland China and the United Kingdom.

INFRASTRUCTURE INVESTMENTS – ENERGY

ETSA Utilities is the sole electricity distributor in South Australia, serving approximately 768,000 customers.

Australian Energy

ETSA Utilities

ETSA Utilities is the sole electricity distributor in the state of South Australia, serving approximately 768,000 customers. During 2005, the business has surpassed its key financial targets and maintained good safety performance.

A satisfactory power distribution tariff reset was concluded during the year. With pricing details for the five-year period from 1st July, 2005 confirmed, stable revenues and returns are expected.

CHEDHA Holdings Pty Ltd.

CHEDHA is the holding company of Powercor and CitiPower. The regular five-year power distribution tariff reset exercise for these two power distribution companies was concluded in October 2005. Price certainty and stable returns are expected for the next five years (2006-2010).

Powercor Australia Limited
Powercor is the largest electricity distributor in Victoria, serving approximately 643,000 customers. Despite some severe weather during 2005, Powercor recorded its best-ever year in terms of supply reliability, exceeding all regulatory benchmarks.

CitiPower I Pty Ltd.
Through its distribution network, CitiPower delivers electricity to over 280,000 premises across Melbourne's central business district and inner suburbs. New records were set for supply reliability during the year.

Spark Infrastructure Group

In December 2005, CKI sold a 49% stake in ETSA Utilities, Powercor and CitiPower to Spark Infrastructure Group, which was subsequently listed on the Australian Stock Exchange. A significant one-off gain of over HK$3.7 billion was booked from this disposal in the fiscal year 2005.

CKI owns a 9.9% direct stake in Spark Infrastructure, as well as acts as a Manager of the Fund.

After the disposal, CKI bought approximately 22.07% of these assets from Hongkong Electric.

Upon the completion of the transactions, the Group, along with Hongkong Electric, retains a direct 51% shareholding in the power distribution assets.

The Spark transaction was a significant milestone for CKI. It realized the underlying value of the prime Australian investments made since 2000. The transaction also strengthens CKI's financial resources, allowing the Group to pursue more capital-intensive investments in the global infrastructure arena.

Envestra distributes natural gas to around 960,000 customers in Australia.

Envestra Limited

Envestra is the largest listed natural gas distributor in Australia with a distribution network that serves approximately 960,000 customers and spans over 18,700 kilometres.

Currently, the Group holds a 17.14% stake in this company, which has been contributing a double-digit cash yield to the Group for the past seven years.

CitiPower delivers electricity to over 280,000 premises across Melbourne's central business district and inner suburbs.

INFRASTRUCTURE INVESTMENTS – ENERGY

Zhuhai Power Plant reported an outstanding performance in 2005 with electricity sales around 24% over the annual minimum quantity stipulated in the power purchase contract.

China Power

CKI's power portfolio in China continues to be a substantial profit generator for the Group, providing secure double-digit returns.

The Group holds a 45% stake in Phase 1 (Units 1&2) of the Zhuhai Power Plant, which consists of 2 x 700 MW coal-fired units. In 2005, Phase 1 reported another year of outstanding performance as electricity sales reached around 24% over the annual minimum quantity stipulated in the power purchase contract. With a record 934 days of safe operation, the Zhuhai Power Plant represents one of the most efficient, reliable and safe plants in the country. With the national demand for power surging by 13% in 2005, it is expected that the Zhuhai Power Plant will continue to play a vital role in the economic development of the region.

In June 2005, CKI and its partner, Guangdong Yudean, extended the scope of its cooperation with an agreement to build and operate Units 3&4 of the Zhuhai Power Plant. The construction work for the extension, which features two 600 MW power generation units, is now progressing smoothly.

CKI also holds a 45% stake in the Siping Cogen Power Plants, which comprise three generator sets of 200 MW in total capacity. In 2005, the plant generated 1,104 million kWh of electricity and supplied 2.16 million GJ of heat, breaking the records set in 2004. Supplying reliable power to the Jilin power grid, the plant has operated safely without accident for a consecutive period of 1,965 days. In spite of increasing price pressure on coal, the Group managed to contain its costs and assured returns were achieved for CKI.

The construction work for the extension to the Zhuhai Power Plant (Units 3&4), which features two 600 MW power generation units, is now progressing smoothly.

Northern Gas Networks is poised to be a substantial revenue generator for CKI.

UK Gas

The acquisition of Northern Gas Networks Limited was completed in June 2005. CKI owns a 40% stake in this GBP1.4 billion capital-intensive investment which is generating a predictable strong project cashflow and double-digit equity returns to shareholders. This significant addition to the Group's energy portfolio is poised to be a substantial revenue generator in the future.

Northern Gas Networks is engaged in the safe and continuous delivery of gas through 36,000 kilometres of pipelines to 2.5 million users in the North of England, serving major cities such as Leeds, Newcastle, Sunderland, Bradford and Middlesborough.

Since the completion of CKI's acquisition, Northern Gas Networks has met or exceeded a range of business performance targets, covering mains replacement, delivery of emergency services, customer services and financial goals.

INFRASTRUCTURE INVESTMENTS – TRANSPORTATION

CKI holds a diverse portfolio of investments in transportation infrastructure projects in Mainland China, Hong Kong and Australia. These investments continue to drive solid returns and steady cashflow for the Group.

INFRASTRUCTURE INVESTMENTS – TRANSPORTATION

The return on investment for the Shantou Bay Bridge project has remained respectable.

China Transportation

CKI's portfolio of toll roads in Mainland China continued to deliver a solid performance in 2005.

The Group's transportation projects in Guangdong Province have generally enjoyed solid growth during the year. The Guangzhou East-South-West Ring Road continued to register double-digit growth in traffic volume and toll revenue, as compared with last year. A very respectable performance has also been posted by the Panyu Beidou Bridge. The joint venture companies of Jiangsha Highway and the Chaolian Bridge in Jiangmen have continued to perform well, deriving steady income from government-sponsored payments for the implementation of the annual fee system in Jiangmen.

The major rehabilitation programme undertaken for a 39-kilometre section of the Shenzhen-Shantou Highway (East) has now been completed. Through careful scheduling of lane closures, the impact of the rehabilitation work on the project has been kept to a minimum. The return on investment for the Shantou Bay Bridge project has remained respectable.

Outside of Guangdong, the joint venture companies of the Changsha Bridge projects have continued to generate secure double-digit cash returns to the Group. For the National Highway 107 (Zhumadian sections), an increase in toll rates has been approved. However, because of highway rehabilitation work and traffic diversion to a nearby expressway, the performance of the Zhumadian project has fallen short of expectations this year. The buyback transactions for the Shenyang Road project by CKI's joint venture partners have proceeded according to the completion schedule in the buyback agreement.

Hongkong Eastern Harbour Crossing Tunnel

CKI possesses a 50% stake in the Eastern Harbour Crossing Company Limited, the owner and operator of the rail tunnel which connects eastern Hong Kong Island with Kowloon. In 2005, the tunnel continued to generate stable cash returns to the Group.

Steady progress is being made on the construction work for the Lane Cove Tunnel in Sydney, Australia.

Australian Toll Road Projects

The Sydney Cross City Tunnel

CKI is a 50% shareholder in the Cross City Tunnel, which is designed to improve east-west travel across the central business district in Sydney. The A$1 billion project opened ahead of schedule in August 2005.

The Lane Cove Tunnel

The Group is the biggest shareholder of the Lane Cove Tunnel Company Pty Ltd. with a 40% equity stake. The Lane Cove Tunnel will run under Epping Road and will complete the crucial link between Gore Hill Freeway and the M2 Motorway at North Ryde, representing the final stage of the most significant ring road built for Sydney. Steady progress is being made on the construction work.

The A$1 billion Cross City Tunnel in Sydney, Australia opened two months ahead of schedule in August 2005.

INFRASTRUCTURE INVESTMENTS – WATER

CKI expanded into the global water industry in 2004 and now has a presence in Australia and the United Kingdom with two robust businesses that have generated stable profit contribution to the Group.

INFRASTRUCTURE INVESTMENTS – WATER

Cambridge Water's new pricing structure is to be in place for the next five years through to 31st March, 2010.

Cambridge Water

100% owned by the Group, Cambridge Water supplies a population of approximately 300,000 in an area that spans over 1,100 square kilometres. It has an integrated distribution system, made up of 7 service reservoirs, 10 water towers and 2,200 kilometres of water mains.

2005 represents the first full-year of contribution from Cambridge Water. During the year under review, Cambridge Water commenced its new price review with a price increase of 11.8% (before taking into account the Consumer Price Index adjustment). This new pricing structure is to be in place for five years from 1st April, 2005 until 31st March, 2010. CKI has been very pleased with the double-digit returns achieved so far.

AquaTower

CKI holds a 49% stake in AquaTower, the exclusive potable water supplier of four regional towns in Victoria, Australia. Serving a population of approximately 50,000 people, this asset has brought stable returns to the Group.

A secure and prime water plant asset, AquaTower serves a population of approximately 50,000 people.

Cambridge Water supplies a population of approximately 300,000 in an area that spans over 1,100 square kilometres.

INFRASTRUCTURE RELATED BUSINESS

CKI is the market leader in the infrastructure materials sector in Hong Kong. While market conditions remain challenging, the Group has consolidated its position and made adjustments according to the economic climate.

INFRASTRUCTURE RELATED BUSINESS

CKI is the market leader in the infrastructure materials sector in Hong Kong, where market conditions remain challenging.

Cement and Asphalt

In Hong Kong, the cement market remained depressed as construction activity in the territory reached new lows during the year. The volume of sales is still low and there is increasing pressure from rising energy and transportation costs. The overall operating landscape has been very weak, impacting on the Group's business. In spite of these conditions, Green Island Cement continues to be a cash generating business for CKI.

As for the Group's cement operations in Yunfu, Mainland China, business was adversely affected by an oversupply situation, increasing competition and a deteriorating operating environment.

In view of the continual weakening of the market and business conditions, an impairment of HK$790 million has been made against certain infrastructure materials assets in Hong Kong and Mainland China during the year.

Concrete and Aggregates

2005 represents the first full year after the merger between Anderson Asia's concrete and aggregates operations and the Hong Kong arm of Hanson PLC. The new company, Alliance Construction Materials Limited, is the market leader in the territory's struggling concrete and aggregates industries. After a series of cost cutting measures, the asset reported its first year of operating profit.

Green Island International's patented technology for the innovative thermal treatment of waste has been developed together with the Hong Kong University of Science and Technology.

Alliance Construction Materials Limited reported operating profit in 2005.

Waste Treatment Initiatives

Working with the Hong Kong University of Science and Technology, Green Island International has developed a home-grown patented technology known as "co-combustion", an innovative thermal treatment for waste. The emission results from Green Island International's pilot plant have been excellent. When combined with the Group's cement plant operations, the co-combustion process represents an effective viable solution to Hong Kong's waste disposal problems. Green Island International is now studying the feasibility of commercializing the project on a larger scale.

Financial Resources, Treasury Activities and Gearing Ratio

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

As at 31st December, 2005, total borrowings of the Group amounted to HK$9,056 million, which included Hong Kong dollar syndicated loan of HK$3.8 billion and foreign currency borrowings of HK$5,256 million. Of the total borrowings, 78 per cent. were repayable between 2007 and 2010 and 22 per cent. repayable beyond 2010. 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, 2005, the Group maintained a gearing ratio of 3 per cent. which was based on its net debt of HK$946 million and shareholders' equity of HK$33,498 million. This ratio was significantly lower than the gearing ratio of 14 per cent. at the year end of 2004, mainly due to proceeds from divestment of interests in certain Australian energy projects in December 2005.

To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of those countries. The Group also entered into certain interest rate and currency swaps to mitigate interest rate and other currency exposure risks. As at 31st December, 2005, the contractual notional amounts of these derivative instruments amounted to HK$8,123 million.

Adoption of New and Revised Financial Reporting Standards

Due to the requirement to adopt the new and revised Hong Kong Financial Reporting Standards on 1st January, 2005, the Group has incorporated prior year and opening adjustments in its 2005 Financial Statements, mainly related to the change in accounting policy in respect of interests in associates, restatement of certain assets at fair values and recognition of derivative financial instruments at market values. These adjustments have resulted in a restating of the shareholders' equity on 1st January, 2005 to HK$29,670 million, which does not have any impact on the Group's cashflow position. Further details of the implications have been provided in notes 2 and 3 to the 2005 Financial Statements of the Group on pages 94 to 99.

Charge on Group Assets

As at 31st December, 2005, the Group's interests in an affiliated company with carrying value of HK$1,736 million were pledged as part of the security to secure bank borrowings totalling HK$3,249 million granted to the affiliated company. Moreover, the Group's obligations under finance leases totalling HK$35 million were secured by charge over the leased assets with carrying value of HK$199 million.

Contingent Liabilities

As at 31st December, 2005, the Group was subject to the following contingent liabilities:

HK$ million	
Guarantee in respect of a bank loan drawn by an affiliated company	644
Performance bonds	20
Total	664

Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,077 employees. Employees' cost (excluding directors' emoluments) amounted to HK$279 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 subscribed 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.

DIRECTORS' BIOGRAPHICAL INFORMATION

Executive Committee

Front (From Left to Right)
Edmond Ip
Victor Li
H L Kam
Eric Kwan

Back (From Left to Right)
Dominic Chan
Ivan Chan
Lambert Leung

LI Tzar Kuoi, Victor, aged 41, has been the Chairman of the Company since its incorporation in May 1996. He is the Chairman of the Remuneration Committee of the Company. 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. Victor Li serves as a member of the Standing Committee of the 10th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Executive Committee of the Commission on Strategic Development of the Hong Kong Special Administrative Region. He acts as a director of the substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), namely Cheung Kong (Holdings) Limited, Hutchison Whampoa Limited and Hutchison International Limited. He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering. Mr. Victor Li is son of Mr. Li Ka-shing, a substantial shareholder of the Company within the meaning of Part XV of the SFO, and nephew of Mr. Kam Hing Lam, the Group Managing Director of the Company.

KAM Hing Lam, aged 59, 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, and a Non-executive Director of Spark Infrastructure Group. He acts as a director of the substantial shareholders of the Company within the meaning of Part XV of the SFO, namely Cheung Kong (Holdings) Limited, Hutchison Whampoa Limited and Hutchison International Limited. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is uncle of Mr. Li Tzar Kuoi, Victor, the Chairman of the Company.

IP Tak Chuen, Edmond, aged 53, has been an Executive Director of the Company since its incorporation in May 1996 and Deputy Chairman of the Company since February 2003. He is also Deputy Managing Director of Cheung Kong (Holdings) Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO. In addition, he is the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc., a Non-executive Director of TOM Group Limited, and a Director of ARA Asset Management (Singapore) Limited and ARA Trust Management (Suntec) Limited. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

DIRECTORS' BIOGRAPHICAL INFORMATION

FOK Kin Ning, Canning, aged 54, has been an Executive Director and Deputy Chairman of the Company since March 1997. He is currently the Group Managing Director of Hutchison Whampoa Limited and a Director of Cheung Kong (Holdings) Limited, both being substantial shareholders of the Company within the meaning of Part XV of the SFO. In addition, Mr. Fok is the Chairman of Hutchison Harbour Ring Limited, Hutchison Telecommunications (Australia) Limited, Hutchison Telecommunications International Limited, Hongkong Electric Holdings Limited and Partner Communications Company Ltd. and the Co-Chairman of Husky Energy Inc. He also acts as a director of Hutchison International Limited, which is also a substantial shareholder of the Company within the meaning of Part XV of the SFO. He holds a Bachelor of Arts degree and is a member of the Australian Institute of Chartered Accountants.

KWAN Bing Sing, Eric, aged 61, 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 is also a Non-executive Director of Spark Infrastructure Group. 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.

CHOW WOO Mo Fong, Susan, aged 52, has been an Executive Director of the Company since March 1997. She is the Deputy Group Managing Director of Hutchison Whampoa Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO. She is also an Executive Director of Hutchison Harbour Ring Limited, a Director of Hutchison Telecommunications (Australia) Limited, Hongkong Electric Holdings Limited and Partner Communications Company Ltd. and a Non-executive Director of TOM Group Limited. She also acts as a director of Hutchison Infrastructure Holdings Limited, and Hutchison International Limited, which are also substantial shareholders of the Company within the meaning of Part XV of the SFO. She is a solicitor and holds a Bachelor's degree in Business Administration.

Frank John SIXT, aged 54, has been an Executive Director of the Company since its incorporation in May 1996. He is a Director of Cheung Kong (Holdings) Limited and the Group Finance Director of Hutchison Whampoa Limited, both being substantial shareholders of the Company within the meaning of Part XV of the SFO. He is also the Chairman of TOM Group Limited and TOM Online Inc., an Executive Director of Hongkong Electric Holdings Limited, a Director of Hutchison Telecommunications (Australia) Limited, Hutchison Telecommunications International Limited, Husky Energy Inc. and Partner Communications Company Ltd. He also acts as a director of Hutchison Infrastructure Holdings Limited, Hutchison International Limited, Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust, all being substantial shareholders of the Company within the meaning of Part XV of the SFO. He 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 74, has been an Executive Director of the Company since March 1997. He is also 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 58, has been an Independent Non-executive Director of the Company since its incorporation in May 1996. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee 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 also an Independent Non-executive Director of Cheung Kong (Holdings) Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO. In addition, he is an Independent Non-executive Director of Excel Technology International Holdings Limited, Forefront International Holdings Limited and TOM Group Limited, all being listed companies in Hong Kong, and Jade Asia Pacific Fund Inc., a listed company in Ireland. Mr. Cheong is a member of the Process Review Panel for the Securities and Futures Commission ("SFC"), a member of the Committee on Real Estate Investment Trusts of the SFC, a member of 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.

KWOK Eva Lee, aged 63, has been an Independent Non-executive Director of the Company since September 2004. She is also an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc. and a Director of Li Ka Shing (Canada) Foundation. She currently serves as the Chair and Chief Executive Officer of Amara International Investment Corporation. Mrs. Kwok also acts as an Independent Director for Husky Energy Inc., Bank of Montreal and Shoppers Drug Mart Corporation. Mrs. Kwok currently sits on the Audit Committee and Conduct Review Committee of the Bank of Montreal, the Compensation Committee and Corporate Governance Committee of Husky Energy Inc., the Nominating and Governance Committee of Shoppers Drug Mart Corporation, and the Audit Committee and the Remuneration Committee of CK Life Sciences Int'l., (Holdings) Inc. and the Audit Committee of the Company. She is also a member of the Conference Board of Canada's Advisory Board for the National Awards in Governance. In addition, she previously sat on the Independent Committee of Directors and Human Resources Committee of Telesystems International Wireless (TIW) Inc., the Independent Committee of Directors and the Corporate Governance Committee of Fletcher Challenge Canada Ltd., the Audit and Corporate Governance Committees of Clarica Life Insurance Company and the Corporate Governance Committee of Air Canada.

DIRECTORS' BIOGRAPHICAL INFORMATION

SNG Sow-Mei (PHOON Sui Moy, alias POON Sow Mei), aged 64, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since September 2004. She has been an Independent Director of ARA Asset Management (Singapore) Limited since 23rd June, 2003, an Independent Director of ARA Trust Management (Suntec) Limited since 28th October, 2004 and an Independent Non-executive Director of ARA Asset Management (Prosperity) Limited since 2nd October, 2005. Mrs. Sng is currently the Senior Consultant (International Business) of Singapore Technologies Electronics Ltd., a member of the Singapore Technologies Engineering Ltd. which is listed on the Singapore Exchange Limited (SGX). Concurrently, she is an Advisor of InfoWave Pte Ltd., an associated company of ST Electronics (Info-Comm Systems) Pte Ltd., which is a wholly-owned subsidiary of Singapore Technologies Electronics Ltd. Mrs. Sng was the Director, Special Projects (North East Asia) in 2000 and a Consultant in 2001 with the Singapore Technologies Pte Ltd. Prior to these appointments, she was the Managing Director of CapitaLand Hong Kong Ltd. for investments in Hong Kong and the region including Japan and Taiwan. Mrs. Sng has spent 15 years from 1983 to 1997 in Hong Kong as the Centre Director and then as Regional Director of the Singapore Economic Development Board and Trade Development Board respectively, during which she promoted bi-lateral investment and trade between Singapore, Hong Kong and southern China. Mrs. Sng was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997. Mrs. Sng holds a Bachelor of Arts degree from the Nanyang University in Singapore and has wide experience in various fields of industrial investment, business development, strategic and financial management, especially in property investment and management. In 1996, Mrs. Sng was conferred the title of PPA(P) – Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver) by the former President of Singapore, Mr. Ong Teng Cheong, in recognition of her service.

Colin Stevens RUSSEL, aged 65, has been an Independent Non-executive Director and a member of the Audit Committee and the Remuneration Committee of the Company since January 2005. He is also an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc. He is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organisations on business strategy and planning, market development, competitive positioning and risk management. He was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asia Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries. Mr. Russel is a Professional Engineer and Qualified Commercial Mediator. He received his Master's degree in Business Administration and a degree in electronics engineering from McGill University, Canada.

LAN Hong Tsung, David, aged 65, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since February 2005. He is also an Independent Non-executive Director of Hutchison Harbour Ring Limited and ARA Asset Management (Prosperity) Limited. He is currently the Chairman of David H T Lan Consultants Ltd. and holds directorships at Nanyang Commercial Bank Ltd. and other companies, as well as a Senior Advisor of Mitsui & Co. (H.K.) Ltd. Mr. Lan was the Secretary for Home Affairs of the Hong Kong Special Administrative Region Government until his retirement in July 2000. He had served as civil servant in various capacities for 39 years. He was awarded the Gold Bauhinia Star Medal (GBS) on 1st July, 2000. In January 2003, he was appointed National Committee Member of the Chinese People's Political Consultative Conference of the People's Republic of China. Mr. Lan is a Chartered Secretary and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He received his Bachelor of Arts degree in Economics and Law from the University of London and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston.

LEE Pui Ling, Angelina, aged 57, acted as an Independent Non-executive Director of the Company from May 1996 to September 2004 and has been a Non-executive Director of the Company since September 2004. 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 an Independent Non-executive Director of Great Eagle Holdings Limited and a Non-executive Director of Henderson Land Development Company Limited and TOM Group Limited, all being listed companies in Hong Kong.

Barrie COOK, aged 63, 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 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. He was previously a member of the Hong Kong Government's Advisory Council on the Environment and was the Convenor of the Hong Kong Business Coalition on the Environment. Mr. Cook was very active in community affairs through his work with the Hong Kong General Chamber of Commerce. Mr. Cook holds a Bachelor of Science Degree in Civil Engineering, and he is a Member of the Institution of Civil Engineers of the United Kingdom and a Fellow of the Chartered Management Institute of the United Kingdom.

George Colin MAGNUS, aged 70, acted as an Executive Director and Deputy Chairman of the Company from May 1996 to October 2005 and has been a Non-executive Director of the Company since November 2005. He is also a Non-executive Director of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited, all being substantial shareholders of the Company within the meaning of Part XV of the SFO. In addition, he is a Non-executive Director of Hongkong Electric Holdings Limited. He holds a Master's degree in Economics.

SENIOR MANAGEMENT'S BIOGRAPHICAL INFORMATION

CHAN Kee Ham, Ivan, aged 43, Chief Planning and Investment Officer, has been with the Cheung Kong Group since September 1999. He has over 19 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 45, the Company Secretary, has been with the Cheung Kong Group since August 1994. She is also Director, Corporate Strategy Unit and Company Secretary of Cheung Kong (Holdings) Limited and the Company Secretary of CK Life Sciences Int'l., (Holdings) Inc. Ms. Yeung is a solicitor of the High Court of the Hong Kong Special Administrative Region ("HKSAR") and of the Supreme Court of Judicature in England and Wales. She holds a Bachelor's degree in Laws, a Master's degree in Business Administration and a Master of Science degree in Finance. She is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, and a Part-time Member of the Central Policy Unit of the HKSAR Government (for 2005 and 2006).

CHAN Loi Shun, Dominic, aged 43, Chief Financial Officer, joined Hutchison Whampoa Limited in January 1992 and has been with the Cheung Kong Group since May 1994. He is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

TONG BARNES Wai Che, Wendy, aged 45, Chief Corporate Affairs Officer, joined the Cheung Kong Group in March 1999. She is also the Chief Corporate Affairs Officer of Cheung Kong (Holdings) Limited and CK Life Sciences Int'l., (Holdings) Inc. She has over 21 years of experience in public relations and corporate affairs. She holds a Bachelor's degree in Business Administration.

LUN Pak Lam, aged 48, Head of China Infrastructure, 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.

CHEN Tsien Hua, Joanna, aged 43, Head of Business Development, joined Hutchison Whampoa Limited in August 1992, and has been with the Company since July 1996. She holds a Bachelor's degree in Social Sciences and a Master's Degree in Business Administration.

LEUNG Ying Wah, Lambert, aged 59, 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 Institute of Certified Public 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 63, 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.

TSANG Pak Chung, Eddy, aged 48, Executive Director of Green Island Cement (Holdings) Limited, Green Island International Limited and Anderson Asia (Holdings) Limited, joined the Cheung Kong Group in January 2005. Prior to this appointment, he was Vice Chairman of two listed companies. He is a member of each of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secretaries and Administrators. He holds a Master's degree in Commerce and a Bachelor's degree in Economics.

REPORT OF THE DIRECTORS

The Directors are pleased to present shareholders with the annual report together with the audited financial statements of the Group for the year ended 31st December, 2005.

Principal Activities

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

Results and Dividends

Results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 90.

The Directors recommend the payment of a final dividend of HK$0.708 per share which, together with the interim dividend of HK$0.24 per share paid on 30th September, 2005, makes the total dividend of HK$0.948 per share for the year.

Property, Plant and Equipment and Leasehold Land

Movements in the Group's property, plant and equipment and leasehold land during the year are set out in notes 18 and 20 to the financial statements on pages 120 to 122.

Reserves

Details of changes in the reserves of the Group are set out in the consolidated statement of changes in equity on page 92.

Group Financial Summary

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

Properties

Particulars of major properties held by the Group are set out in Appendix 4 on page 156.

Directors

The Directors of the Company in office at the date of this report are listed on page 166 and their biographical information is set out on pages 38 to 43.

On 1st January, 2005, Mr. Colin Stevens Russel was appointed as Independent Non-executive Director. On 21st February, 2005, Mr. Lan Hong Tsung, David was appointed as Independent Non-executive Director. In accordance with the Company's Bye-laws, Mr. Colin Stevens Russel and Mr. Lan Hong Tsung, David were re-elected as Independent Non-executive Directors at the Company's last annual general meeting held on 12th May, 2005.

On 1st November, 2005, Mr. George Colin Magnus was re-designated as a Non-executive Director of the Company.

In accordance with the Company's Bye-laws, the Directors of the Company (including Non-executive Directors) shall be subject to retirement by rotation at each annual general meeting. Accordingly, Mr. Fok Kin Ning, Canning, Mr. Kwan Bing Sing, Eric, Mr. Tso Kai Sum, Mr. Cheong Ying Chew, Henry and Mr. Barrie Cook will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

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

As at 31st December, 2005, 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

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (Cont'd)

SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the "Model Code"), 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: Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate % of Shareholding
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	0.004%
Hutchison Whampoa Limited	Li Tzar Kuoi, Victor	Interest of controlled corporations & 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	0.001%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	4,310,875 (Note 5)	–	4,310,875	0.10%
	Chow Woo Mo Fong, Susan	Beneficial owner	150,000	–	–	–	150,000	0.003%
	Frank John Sixt	Beneficial owner	50,000	–	–	–	50,000	0.001%
	Lan Hong Tsung, David	Beneficial owner	20,000	–	–	–	20,000	0.0004%
	Lee Pui Ling, Angelina	Beneficial owner	38,500	–	–	–	38,500	0.0009%
	George Colin Magnus	Beneficial owner, interest of child or spouse & founder & beneficiary of a discretionary trust	40,000	9,900	–	950,100 (Note 6)	1,000,000	0.02%
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	0.0004%
Hutchison Harbour Ring Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	5,000,000 (Note 5)	–	5,000,000	0.07%
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	4,100,000	–	1,000,000 (Note 5)	–	5,100,000	0.75%
	Frank John Sixt	Beneficial owner	1,000,000	–	–	–	1,000,000	0.15%

(2) Long Positions in Underlying Shares

Name of Company	Name of Director	Capacity	Number of Underlying Shares: Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Company	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	31,644,803 (Note 7)	31,644,803
Hutchison Whampoa Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	18,613,202 (Note 8)	18,613,202
Hongkong Electric Holdings Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	20,990,201 (Note 9)	20,990,201
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	134,000	–	1,340,001 (Note 5)	–	1,474,001 (Note 10)

(3) Short Positions in Underlying Shares

Name of Company	Name of Director	Capacity	Number of Underlying Shares: Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Company	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	31,644,801 (Note 7(b))	31,644,801
Hutchison Whampoa Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	18,613,202 (Note 8)	18,613,202
Hongkong Electric Holdings Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	20,990,201 (Note 9)	20,990,201

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (Cont'd)

(4) Long Positions in Debentures

			Amount of Debentures				
Name of Company	Name of Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Hutchison Whampoa International (01/11) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US$12,000,000 7% Notes due 2011 (Note 3)	–	US$12,000,000 7% Notes due 2011
Hutchison Whampoa International (03/13) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US$21,000,000 6.5% Notes due 2013 (Note 3)	–	US$21,000,000 6.5% Notes due 2013
Hutchison Whampoa International (03/33) Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	US$6,500,000 6.25% Notes due 2014 (Note 5)	–	US$6,500,000 6.25% Notes due 2014
Hutchison Whampoa Finance (05) Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	Euro 12,600,000 4.125% Notes due 2015 (Note 5)	–	Euro 12,600,000 4.125% Notes due 2015

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.

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; and

(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.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (Cont'd)

Notes (Cont'd):

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 ("Hongkong Electric") 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.

6. Such interests are indirectly held by a trust of which Mr. George Colin Magnus is the settlor and a discretionary beneficiary.

7. Such underlying shares of the Company are held by an indirect wholly-owned subsidiary of CKH comprising:

   (a) 2 underlying shares by virtue of the HK$300,000,000 capital guaranteed notes due 2009; and

   (b) 31,644,801 underlying shares by virtue of the HK Dollar equity-linked notes due 2007 issued under HK$10,000,000,000 retail note issuance programme.

   By virtue of the interests in the shares of CKH taken to have by Mr. Li Tzar Kuoi, Victor under the SFO 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 interest and short position in the underlying shares of the Company under the SFO.

8. Such underlying shares of HWL are held by an indirect wholly-owned subsidiary of CKH comprising:

   (a) 10,463,201 underlying shares by virtue of the HK Dollar equity-linked notes due 2007 issued under HK$10,000,000,000 retail note issuance programme; and

   (b) 8,150,001 underlying shares by virtue of the HK Dollar equity-linked notes due 2008 issued under HK$10,000,000,000 retail note issuance programme.

   By virtue of the interests in the shares of CKH taken to have by Mr. Li Tzar Kuoi, Victor under the SFO 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 interest and short position in the underlying shares of HWL under the SFO.

9. Such underlying shares of Hongkong Electric are held by an indirect wholly-owned subsidiary of CKH by virtue of the HK Dollar equity-linked notes due 2007 issued under HK$10,000,000,000 retail note issuance programme.

   By virtue of the interests in the shares of CKH taken to have by Mr. Li Tzar Kuoi, Victor under the SFO 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 interest and short position in the underlying shares of Hongkong Electric under the SFO.

10. Such underlying shares in Hutchison Telecommunications (Australia) Limited are derived from the listed and physically settled 5.5% unsecured convertible notes due 2007 issued by Hutchison Telecommunications (Australia) Limited.

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, 2005, 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 Model Code.

No other contracts of significance to which the Company or a subsidiary was a party and in which a Director of the Company 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 of the Company 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 of the Company has any service contract with the Company or any of its subsidiaries.

Interests and Short Positions of Shareholders

So far as is known to any Directors or chief executives of the Company, as at 31st December, 2005, 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:

(1) Long Positions of Substantial Shareholders in the Shares and Underlying Shares of the Company

Name	Capacity	Number of Ordinary Shares	Number of Underlying Shares	Total	Approximate % of Shareholding
Hutchison Infrastructure Holdings Limited	Beneficial owner	1,906,681,945 (Note i)	–	1,906,681,945	84.58%
Hutchison International Limited	Interest of controlled corporation	1,906,681,945 (Note ii)	–	1,906,681,945	84.58%
Hutchison Whampoa Limited	Interest of controlled corporations	1,906,681,945 (Note ii)	–	1,906,681,945	84.58%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	1,906,681,945 (Note iii)	31,644,803 (Note vi)	1,938,326,748	85.98%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	1,912,109,945 (Note iv)	31,644,803 (Note vi)	1,943,754,748	86.22%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	1,912,109,945 (Note v)	31,644,803 (Note vi)	1,943,754,748	86.22%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	1,912,109,945 (Note v)	31,644,803 (Note vi)	1,943,754,748	86.22%
Li Ka-shing	Founder of discretionary trusts	1,912,109,945 (Note v)	31,644,803 (Note vi)	1,943,754,748	86.22%

(2) Short Positions of Substantial Shareholders in the Underlying Shares of the Company

Name	Capacity	Number of Underlying Shares
Cheung Kong (Holdings) Limited	Interest of controlled corporation	31,644,801 (Note vi(b))
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	31,644,801 (Note vi(b))
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	31,644,801 (Note vi(b))
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	31,644,801 (Note vi(b))
Li Ka-shing	Founder of discretionary trusts	31,644,801 (Note vi(b))

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 Note ii below.

ii. HWL is deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note 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 Note 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 Note 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 TUT1 as trustee of UT1 holds 5,428,000 shares of the Company.

v. By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each DT1 and DT2 for the purpose of the SFO, TDT1 as trustee of DT1 and TDT2 as trustee of DT2 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 Note iv above as all issued and outstanding units in UT1 are held by TDT1 as trustee of DT1 and by TDT2 as trustee of DT2. 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.

Interests and Short Positions of Shareholders (Cont'd)

Notes (Cont'd):

vi. Such underlying shares of the Company are held by an indirect wholly-owned subsidiary of CKH comprising:

(a) 2 underlying shares by virtue of the HK$300,000,000 capital guaranteed notes due 2009; and

(b) 31,644,801 underlying shares by virtue of the HK Dollar equity-linked notes due 2007 issued under HK$10,000,000,000 retail note issuance programme.

By virtue of the SFO, each of Mr. Li Ka-shing, TDT1, TDT2 and TUT1 is deemed to be interested in the same block of interest and short position in the 31,644,803 underlying shares and 31,644,801 underlying shares of the Company respectively held by CKH as described in Note v above.

Save as disclosed above, as at 31st December, 2005, 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.

Continuing Connected Transactions

The following transactions of the Group constituted continuing connected transactions ("Continuing Connected Transactions") under the Listing Rules during the financial year ended 31st December, 2005:

(a) 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.

(b) On 16th December, 2005, the Company had entered into a tenancy agreement with Turbo Top Limited ("Turbo Top"), which is a connected person of the Company within the meaning of the Listing Rules by virtue of its being a wholly-owned subsidiary of HWL, which in turn is a substantial shareholder of the Company, in respect of the lease of Office Unit 1202, 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong with a lettable floor area of approximately 10,079 square feet as the principal business office of the Group in Hong Kong for a term of three years commencing from 1st September, 2005 to 31st August, 2008 at a monthly rental of HK$360,829, exclusive of Government rates and other charges. The aggregate rent and service charges payable under the tenancy agreement are subject to an annual cap of HK$5,355,000 taking into account of the possible adjustment on the service charges. During the year, HK$671,262 has been paid/payable by the Company to Turbo Top pursuant to the aforesaid tenancy agreement.

On 12th August, 1996, the Stock Exchange granted conditional waivers to the Company from strict compliance with the disclosure and shareholders' approval requirements under the Listing Rules in respect of the above transaction in paragraph (a) on, inter alia, a condition that brief details of the transaction shall be disclosed in the Company's subsequent annual report for financial years in which the transaction is subsisting. An announcement (the "Announcement") in respect of the above transaction in paragraph (b) was published in the newspapers on 19th December, 2005 in accordance with the Listing Rules.

The Continuing Connected Transactions have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that for the year 2005 the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or on terms no less favourable to the Company than terms available to (or from) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the auditors of the Company to perform certain factual finding procedures in respect of the Continuing Connected Transactions of the Group in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings on these procedures to the Board of Directors and confirmed that for the year 2005 the Continuing Connected Transactions (i) have received the approval of the Board of Directors of the Company; and (ii) have been entered into in accordance with the relevant agreements governing the transactions; and the Continuing Connected Transaction in paragraph (b) above has not exceeded the cap as disclosed in the Announcement.

Major Customers and Suppliers

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

Competing Business Interests of Directors

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

(a) Core Business Activities of the Group

(1) Development, investment and operation of energy infrastructure;

(2) Development, investment and operation of transportation infrastructure;

(3) Development, investment and operation of water infrastructure;

(4) Development, investment and operation and commercialisation of infrastructure related business;

(5) Investment holding and project management;

(6) Securities investment; and

(7) 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	(5), (6) & (7)
	Hutchison Whampoa Limited	Deputy Chairman	(5), (6) & (7)
	Hongkong Electric Holdings Limited	Executive Director	(1), (5), (6) & (7)
	CK Life Sciences Int'l., (Holdings) Inc.	Chairman	(6) & (7)
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director	(5), (6) & (7)
	Hutchison Whampoa Limited	Executive Director	(5), (6) & (7)
	Hongkong Electric Holdings Limited	Executive Director	(1), (5), (6) & (7)
	CK Life Sciences Int'l., (Holdings) Inc.	President and Chief Executive Officer	(6) & (7)
	Spark Infrastructure Group	Non-executive Director	(1) & (5)
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Deputy Managing Director	(5), (6) & (7)
	CK Life Sciences Int'l., (Holdings) Inc.	Senior Vice President and Chief Investment Officer	(6) & (7)
	TOM Group Limited	Non-executive Director	(5), (6) & (7)
	CATIC International Holdings Limited	Non-executive Director	(5) & (6)
	Excel Technology International Holdings Limited	Non-executive Director	(5), (6) & (7)
	Shougang Concord International Enterprises Company Limited	Non-executive Director	(1), (5) & (6)
	Hanny Holdings Limited	Non-executive Director *(retired on 1st September, 2005)*	(5), (6) & (7)
Fok Kin Ning, Canning	Cheung Kong (Holdings) Limited	Non-executive Director	(5), (6) & (7)
	Hutchison Whampoa Limited	Group Managing Director	(1), (5), (6) & (7)
	Hongkong Electric Holdings Limited	Chairman	(1), (5), (6) & (7)
	Hutchison Harbour Ring Limited	Chairman	(7)
	Hutchison Telecommunications International Limited	Chairman	(7)
	Hanny Holdings Limited	Non-executive Director *(retired on 1st September, 2005)*	(5), (6) & (7)

Competing Business Interests of Directors (Cont'd)

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

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Kwan Bing Sing, Eric	Spark Infrastructure Group	Non-executive Director	(1) & (5)
Chow Woo Mo Fong, Susan	Hutchison Whampoa Limited	Deputy Group Managing Director	(5), (6) & (7)
	Hongkong Electric Holdings Limited	Non-executive Director	(1), (5), (6) & (7)
	TOM Group Limited	Non-executive Director	(5), (6) & (7)
	Hutchison Harbour Ring Limited	Executive Director	(7)
	Hutchison Telecommunications International Limited	Alternate Director	(7)
	TOM Online Inc.	Alternate Director	(7)
Frank John Sixt	Cheung Kong (Holdings) Limited	Non-executive Director	(5), (6) & (7)
	Hutchison Whampoa Limited	Group Finance Director	(5), (6) & (7)
	Hongkong Electric Holdings Limited	Executive Director	(1), (5), (6) & (7)
	Hutchison Telecommunications International Limited	Non-executive Director	(7)
	TOM Group Limited	Chairman	(5), (6) & (7)
	TOM Online Inc.	Chairman	(7)
Tso Kai Sum	Hongkong Electric Holdings Limited	Group Managing Director	(1), (5), (6) & (7)
Lee Pui Ling, Angelina	TOM Group Limited	Non-executive Director	(5), (6) & (7)
George Colin Magnus	Cheung Kong (Holdings) Limited	Non-executive Director	(5), (6) & (7)
	Hutchison Whampoa Limited	Non-executive Director	(5), (6) & (7)
	Hongkong Electric Holdings Limited	Non-executive Director	(1), (5), (6) & (7)

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 ended 31st December, 2005. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Public Float

As announced by the Company on 8th January, 1997 and 17th February, 1997, the Stock Exchange 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$738,000.

Disclosure under Chapter 13 of the Listing Rules

The following information is disclosed in accordance with Rules 13.21 and 13.22 of 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, 2005. 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.

Disclosure under Chapter 13 of the Listing Rules (Cont'd)

(b) A sponsors/shareholders' undertaking referred to under the section headed "Continuing Connected Transactions" has been provided by HWL, the Zhuhai Foreign Party and the other parties in relation to two loan facilities of US$125.5 million and US$670 million granted to the PRC project company undertaking the Zhuhai Power Plant. The two loans with the outstanding amounts of US$28.4 million and US$388.2 million as at 31st December, 2005, 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$400 million with the loan balance of A$209.9 million remained outstanding as at 31st December, 2005. 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.

(d) The Group has entered into a long term syndicated facility agreement of A$300 million, of which the whole amount was drawn as at 31st December, 2005. The facility will mature in 2009. 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.

(e) The Group provided a guarantee to a bank for facilities of up to an aggregate amount of approximately A$215 million granted to its indirect wholly-owned subsidiary expiring in 2006. As a term of the facilities, it was 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 was complied with. The guarantee and the bank facilities have been terminated since 9th March, 2006.

(f) As at 31st December, 2005, the Group's financial assistance to certain affiliated companies and its guarantee given for a facility granted to an affiliated company together in aggregate exceeded the assets ratio of 8%. A combined balance sheet of the affiliated companies as at 31st December, 2005 is set out below:

HK$ million	
Non-current assets	57,372
Current assets	4,532
Current liabilities	(3,656)
Non-current liabilities	(56,394)
Net assets	1,854
Share capital	1,057
Reserves	797
Capital and reserves	1,854

As at 31st December, 2005, the consolidated attributable interest of the Group in these affiliated companies amounted to HK$6,778 million.

Audit Committee

The Group's annual report for the year ended 31st December, 2005 has been reviewed by the Audit Committee. Information on the work of Audit Committee and its composition are set out in the Corporate Governance Report on pages 79 to 83.

Auditors

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

On behalf of the Board

LI TZAR KUOI, VICTOR

Chairman

Hong Kong, 16th March, 2006

CORPORATE GOVERNANCE REPORT

The Board of Directors ("Board") and the management of the Company are committed to the establishment of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") throughout the year ended 31st December, 2005.

Key corporate governance principles and corporate governance practices of the Company are summarised below:

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.	**DIRECTORS**		
A.1	The Board		
	Corporate Governance Principle The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.		
A.1.1	Regular board meetings at least four times a year involving active participation, either in person or through other electronic means of communication, of majority of directors	√	• The Board meets regularly and held meetings in March, May, August and November 2005. • Details of Directors' attendance records in 2005:

Members of the Board	Attendance
Executive Directors	
LI Tzar Kuoi, Victor (Chairman)	4/4
KAM Hing Lam (Group Managing Director)	4/4
IP Tak Chuen, Edmond	4/4
FOK Kin Ning, Canning	3/4
KWAN Bing Sing, Eric	3/4
CHOW WOO Mo Fong, Susan	3/4
Frank John SIXT	3/4
TSO Kai Sum	3/4

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.1.1 (Cont'd)			**Members of the Board** / **Attendance** *Independent Non-executive Directors* CHEONG Ying Chew, Henry — 4/4 KWOK Eva Lee — 4/4 SNG Sow-Mei (PHOON Sui Moy, alias POON Sow Mei) — 4/4 Colin Stevens RUSSEL — 4/4 LAN Hong Tsung, David — 4/4 *Non-executive Directors* LEE Pui Ling, Angelina — 3/4 Barrie COOK — 4/4 George Colin MAGNUS* — 4/4 Note: * Re-designated from an Executive Director to Non-executive Director on 1st November, 2005. • The Directors can attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) in accordance with the Company's Bye-laws.
A.1.2	All directors are given an opportunity to include matters in the agenda for regular board meetings.	√	• All Directors are consulted as to whether they may want to include any matter in the agenda before the agenda for each regular Board meeting is issued.
A.1.3	- At least 14 days notice for regular board meetings - Reasonable notice for other board meetings	√ √	• Regular Board meetings of a particular year are usually scheduled towards the end of the preceding year to give all Directors adequate time to plan their schedules to attend. • At least 14 days formal notice would be given before each regular meeting.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.1.4	All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.	√	• Directors have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board for ensuring that Board procedures are followed. • Memos are issued to Directors from time to time on updating of legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.
A.1.5	- Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting. - Such minutes should be open for inspection at any reasonable time on reasonable notice by any director.	√ √	• The Company Secretary prepares written resolutions or minutes and keeps records of matters discussed and decisions resolved at all Board and Board Committee meetings. • Board minutes/resolutions are sent to all Directors within a reasonable time (generally within 14 days) after each Board and Board Committee meeting. • Board minutes/resolutions are available for inspection by Directors/Board Committee members.
A.1.6	- Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached. - Draft and final versions of board minutes for all directors to comment and to keep records within a reasonable time after the board meeting.	√ √	• Minutes record in sufficient detail the matters considered by the Board/Board Committees and decisions reached. • Directors are given an opportunity to comment on draft Board minutes. • Final version of Board minutes are placed on record within a reasonable time after the Board meeting.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.1.7	- A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense.	√	• Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.
	- The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/their duties to the company.	√	
A.1.8	- If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee but a board meeting should be held.	√	• Important matters are usually dealt with by way of written resolutions so that all Directors (including Independent Non-executive Directors) can note and comment, as appropriate, the matters before approval is granted. • Director must declare his/her interest in the matters to be passed in the resolution, if applicable.
	- Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.	√	• If a substantial shareholder or a Director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.2	**Chairman and Chief Executive Officer**		
	Corporate Governance Principle There should be a clear division of responsibilities between the Chairman and the Group Managing Director of the Company to ensure a balance of power and authority.		
A.2.1	- Separate roles of chairman and chief executive officer not to be performed by the same individual. - Division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.	√ √	• The positions of the Chairman of the Board and the Group Managing Director are currently held by separate individuals. • The Chairman determines the broad strategic direction of the Group in consultation with the full Board and is responsible for macro high-level oversight of management. • The Group Managing Director, with the support of the Executive Directors, is responsible for strategic planning of different business functions and day-to-day management and operation of the Group.
A.2.2	The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	√	• With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis. • In addition to regular Board meetings, the Chairman has meetings with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of Executive Directors at least once every year.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.2.3	The chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.	√	• The Board papers including supporting analysis and related background information are normally sent to the Directors at least three days before Board meetings. • Communications between Non-executive Directors (including Independent Non-executive Directors) on the one hand, and the Company Secretary as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and further supporting information and/or documentation is provided if appropriate.

A.3 Board composition

Corporate Governance Principle

The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.3.1	Independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the company.	√	• The composition of the Board, by category and position of Directors including names of Chairman, Executive Directors, Non-executive Directors and Independent Non-executive Directors, is disclosed in all corporate communications. • The Board consists of a total of sixteen Directors, comprising eight Executive Directors, three Non-executive Directors and five Independent Non-executive Directors. More than one Independent Non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise. • Details of the composition of the Board are set out on page 166. • The Directors' biographical information and the relationships among the Directors are set out on pages 38 to 43. • Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.4	**Appointments, re-election and removal** *Corporate Governance Principle* There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.		
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election.	√	• All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-laws and the Code on CG Practices.
A.4.2	- All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. - Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	√ √	• In accordance with the Company's Bye-laws, newly appointed Directors are required to offer themselves for re-election at the first annual general meeting following their appointment. • The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by shareholders at the annual general meeting of the Company. Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a vacancy or as an addition to the Board. Any such new Director shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at the same annual general meeting. • All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-laws and the Code on CG Practices. • The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company. The independence of the Independent Non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules. • Each of the Independent Non-executive Directors makes an annual confirmation of independence pursuant to the requirements of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5	Responsibilities of directors		
	Corporate Governance Principle Every Director is required to keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.		
A.5.1	- Every newly appointed director of the company should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary.	√	• The Company Secretary and key officers of the Company Secretarial Department liaise closely with newly appointed Directors both immediately before and after his/her appointment to acquaint the newly appointed Director with the duties and responsibilities as a Director of the Company and the business operation of the Company.
	- To ensure that he has a proper understanding of the operations and business of the company and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the company.	√	• A package compiled and reviewed by the Company's legal advisers setting out such duties and responsibilities under the Listing Rules, Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong is also provided to each newly appointed Director. • Regular memos are issued to the Directors on updating of legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.
A.5.2	The functions of non-executive directors include:		• Non-executive Directors seek guidance and direction from the Chairman, the Group Managing Director and Executive Directors on the future business direction and strategic plan so as to better understand the business of the Company and to exercise their independent judgement.
	- independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings	√	• Non-executive Directors review the financial information and operational performance of the Company on a regular basis.
	- take the lead on potential conflicts of interests	√	• Independent Non-executive Directors are invited to serve on the Audit and Remuneration Committees of the Company.
	- serve on the audit, remuneration, nomination and other governance committees, if invited	√	
	- scrutinise the company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance	√	

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5.3	Every director should ensure that he can give sufficient time and attention to the affairs of the company and should not accept the appointment if he cannot do so.	√	• There is satisfactory attendance at Board meetings in 2005. • Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he/she is charged with. Appropriate attention to the affairs of the Company is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his/her necessary knowledge and expertise.
A.5.4	- Directors must comply with the Model Code. - Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees.	√ √	• The Company has adopted the model code for securities transactions by directors of listed issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions, effective 31st March, 2004. • Confirmation has been sought from all Directors that they have complied with the required standards set out in the Model Code for the year ended 31st December, 2005. • Written guidelines of no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Employee Handbook of the Company.

A.6 Supply of and access to information

Corporate Governance Principle

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.

A.6.1	- Send agenda and full board papers to all directors at least 3 days before regular board or board committee meeting. - So far as practicable for other board or board committee meetings.	√ √	• Board papers are circulated not less than three days before the regular Board/Board Committee meetings to enable the Directors to make informed decisions on matters to be raised at the Board/Board Committee meetings.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.6.2	- Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. - The board and each director should have separate and independent access to the company's senior management for making further enquiries where necessary.	√ √	• The Company Secretary and the Qualified Accountant attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters. • Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided if appropriate.
A.6.3	- All directors are entitled to have access to board papers and related materials. - Steps must be taken to respond as promptly and fully as possible to queries raised by directors.	√ √	• Same as A.6.2 above.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The level and make-up of remuneration and disclosure

Corporate Governance Principle

There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
B.1.1	Establish a remuneration committee with specific written terms of reference comprising a majority of independent non-executive directors.	√	• In accordance with the Code on CG Practices, the Company has set up a remuneration committee ("Remuneration Committee") with a majority of the members being Independent Non-executive Directors. • The Company established its Remuneration Committee on 1st January, 2005. • The existing Remuneration Committee comprises the Chairman of the Board, Mr. Li Tzar Kuoi, Victor (Chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely, Mr. Colin Stevens Russel and Mr. Cheong Ying Chew, Henry. • Since the setting up of the Remuneration Committee on 1st January, 2005, an orientation meeting and the first meeting of the Remuneration Committee were held in May 2005 and January 2006 respectively. Details of the attendance of the members of the Remuneration Committee are as follows: Members of the Remuneration Committee — Attendance LI Tzar Kuoi, Victor (Chairman of the Remuneration Committee) — 2/2 Colin Stevens RUSSEL — 2/2 CHEONG Ying Chew, Henry — 2/2 Note: The members of the Remuneration Committee can attend meetings in person, by phone or through other means of electronic communication or by their alternates (if applicable) in accordance with the Company's Bye-laws. • The following is a summary of the work for the Remuneration Committee during the said meetings: (1) Review of the remuneration policy for 2005/2006; (2) Review of the remuneration of Non-executive Directors; and (3) Review of the annual performance bonus policy.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
B.1.2	The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.	√	• The Remuneration Committee has consulted the Chairman and/or the Group Managing Director about proposals relating to the remuneration packages and other human resources issues of the Directors and senior management. • The emoluments of Directors are based on the skill, knowledge, involvement in the Company's affairs and the performance of each Director, together with reference to the profitability of the Company, remuneration benchmarks in the industry, and prevailing market conditions.
B.1.3	Terms of reference of the remuneration committee include: - determine specific remuneration packages of all executive directors and senior management - review and approve performance-based remuneration and the compensation payable on loss or termination of office or appointment - ensure that no director or any of his associates is involved in deciding his own remuneration	√	• The terms of reference of the Remuneration Committee, which follow closely the requirements of the code provisions and have been adopted by the Board, are posted on the Company's website.
B.1.4	The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	√	• The terms of reference of the Remuneration Committee are posted on the Company's website. • The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.
B.1.5	The remuneration committee should be provided with sufficient resources to discharge its duties.	√	• The Human Resources Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.	**ACCOUNTABILITY AND AUDIT**		
C.1	**Financial reporting** *Corporate Governance Principle* The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.		
C.1.1	Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.	√	• Directors are provided with a review of the Group's major business activities and detailed financial information on a quarterly basis.
C.1.2	- The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts.	√	• The Directors annually acknowledge in writing their responsibility for preparing the financial statements of the Group. • Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.2 of the Code on CG Practices.
	- There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements.	√	• With the assistance of the Finance and Accounting Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the financial statements of the Group are prepared in accordance with statutory requirements and applicable accounting standards.
	- Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary.	√	• The Directors also ensure the publication of the financial statements of the Group is in a timely manner.
	- When the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern, such uncertainties should be clearly and prominently set out and discussed at length in the Corporate Governance Report.	N/A	• The statement by the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on page 89.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.1.3	The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.	√	• The Board aims to present a clear, balanced and understandable assessment of the Group's performance and position in all shareholder communications. • The Board is aware of the requirements under the applicable rules and regulations about timely disclosure of price-sensitive information or matters regarding the Company and will authorise the publication of such announcements as and when the occasion arises. The Company Secretary and key officers of the Company Secretarial Department work closely and in consultation with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.

C.2 Internal controls

Corporate Governance Principle

The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.

C.2.1	- Directors to review effectiveness of system of internal control of the company and its subsidiaries at least annually and to report that they have done so in the Corporate Governance Report. - The review should cover all material controls, including financial, operational and compliance controls and risk management functions.	√ √	• The Board is ultimately responsible for the Group's internal control system and for review of its effectiveness. • The internal control system is designed to help the achievement of business objectives in the following categories: (1) Effectiveness and efficiency of operations which include safeguarding assets against unauthorised use or disposition; (2) Reliability of financial and operational reporting; and (3) Compliance with applicable laws, regulations, and internal policies and procedures. • The system is formulated to manage risk that may impede the achievement of the Group's business objectives rather than to eliminate that risk, and can only provide reasonable, not absolute, assurance against material errors, losses or fraud. The concept of reasonable assurance recognises that the cost of control procedure should not exceed the expected benefits.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.2.1 (Cont'd)			*Internal Control Process* • The Board is overall responsible for monitoring the operations of the businesses within the Group. Executive Directors are appointed to the boards of all significant operating subsidiaries and associates to attend the board meetings and to oversee the operations. Monitoring activities include the review and approval of business strategies, budgets and plans, and setting of key performance indicators. • There are defined organisational structures and authority to operate various business units is delegated to respective managements within limits set by the Executive Directors. • Operating and management reporting standards are established by the head office management for use by all business units. Each business unit also has its own operating policies and procedures that are tailor-made to specific operational environment. • Five-year plans are prepared by individual business unit which form the foundation of annual budgets and plans. All these plans/budgets have to be approved by the Executive Directors. Monitoring the actual results against the budgets are done monthly via the Executives' and management meetings at the Group and business unit levels, and appropriate actions are taken, if necessary. • A formal annual confirmation is provided by the Chief Executive Officer and Chief Financial Officer of each business unit to acknowledge review of their control systems and highlighting any weaknesses. • The Group Internal Audit, reporting directly to the Audit Committee and the Group Managing Director, performs independent assessment of the internal control systems. Using a risk based methodology, Internal Audit prepares its audit plan in consultation with, but independent of, management, and it is reviewed by the Audit Committee. The audit work focuses on those areas of the Group's activities with the greatest perceived risk. Ad hoc review will also be performed on areas of concern identified by the Audit Committee and management. Management of individual business unit will be informed of the areas for improvement, and Internal Audit is responsible for monitoring the corrective actions. • Reports from the external auditors, Deloitte Touche Tohmatsu ("Deloitte"), on internal controls and relevant financial reporting matters, are presented to the Audit Committee and management.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.2.1 (Cont'd)			*Effectiveness of Internal Control System* • The Board, through the Audit Committee of the Company, has conducted an annual review of the effectiveness of internal control system operating in the Group and considers it is adequate and effective. The review covers all material controls, including financial, operational and compliance controls, and risk management functions. The Board is not aware of any significant areas of concern which may affect the shareholders. The Board is satisfied that the Group has fully complied with the code provisions on internal controls as set forth in the Code on CG Practices. *Controls on Price-sensitive Information* • Regarding the procedures and internal controls for handling and dissemination of price-sensitive information, the Group: (1) is well aware of its obligations under the Listing Rules to announce any information that is considered to be price-sensitive; (2) reference is made to the "Guide on Disclosure of Price-sensitive Information" issued by the Stock Exchange in 2002; (3) has implemented policy and procedure which strictly prohibit unauthorised use of confidential and sensitive information, and has communicated to all staff; and (4) requires that only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs.

C.3 Audit Committee

Corporate Governance Principle

The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.1	- Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting.	√	• Minutes drafted by the Company Secretary are circulated to members of the Audit Committee within a reasonable time after each meeting.
	- Draft and final versions of minutes for all members of the audit committee to comment and to keep records within a reasonable time after the meeting.	√	• Audit Committee meetings were held in March and August 2005. Details of the attendance record of the members of the Audit Committee are as follows:

Members of the Audit Committee	Attendance
CHEONG Ying Chew, Henry (Chairman of the Audit Committee)	2/2
KWOK Eva Lee	2/2
SNG Sow-Mei (PHOON Sui Moy, alias POON Sow Mei)	2/2
Colin Stevens RUSSEL	2/2
LAN Hong Tsung, David	2/2

Note: The members of the Audit Committee can attend meetings in person, by phone or through other means of electronic communication or by their alternates (if applicable) in accordance with the Company's Bye-laws.

• The following is a summary of the work of the Audit Committee during 2005:

(1) Review of the financial reports for 2004 annual results and 2005 interim results;

(2) Review of the findings and recommendations of the Group Internal Audit on the work of various divisions/departments and related companies;

(3) Review of the effectiveness of the internal control system;

(4) Review of the external auditors' audit findings; and

(5) Review of the 2004 audit fees.

• After due and careful consideration of reports from management and the internal and external auditors, the Audit Committee was of the view that no suspected fraud or irregularities, significant internal control deficiencies, or suspected infringement of laws, rules, or regulations had been found, and concluded at the meeting held on 14th March, 2006 that the system of internal controls was adequate and effective.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.1 (Cont'd)			• On 14th March, 2006, the Audit Committee met to review the Group's 2005 consolidated financial statements, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors. After review and discussions with the management, internal auditors and external auditors, the Audit Committee endorsed the accounting treatment adopted by the Company, and the Audit Committee had to the best of its ability assured itself that the disclosure of the financial information in the 2005 Annual Report complies with the applicable accounting standards and Appendix 16 to the Listing Rules. The Audit Committee therefore recommended the Board's approval of the consolidated financial statements for the year ended 31st December, 2005. • The Audit Committee also recommended to the Board the re-appointment of Deloitte as the Company's external auditors for 2006 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2006 annual general meeting. • The Group's Annual Report for the year ended 31st December, 2005 has been reviewed by the Audit Committee.
C.3.2	A former partner of existing auditing firm shall not act as a member of the committee for 1 year after he ceases to be a partner of or to have any financial interest in, the firm, whichever is the later.	√	• No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm.
C.3.3	Terms of reference of the audit committee include: - recommendation to the board on the appointment and removal of external auditors and approval of their terms of engagement - review and monitor external auditors' independence and effectiveness of audit process - review of financial information of the company - oversight of the company's financial reporting system and internal control procedures	√	• Terms of reference of the Audit Committee, which follow closely the requirements of the code provisions and have been adopted by the Board, are posted on the Company's website.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.4	The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	√	• The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established the Audit Committee in December 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). • In accordance with the requirements of the Code on CG Practices, the terms of reference of the Audit Committee were revised on 1st January, 2005 in terms substantially the same as the provisions set out in the Code on CG Practices. The revised terms of reference of the Audit Committee are available on the Company's website. • The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company. Regular meetings have been held by the Audit Committee since its establishment. • The Audit Committee comprises five Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Audit Committee), Mrs. Kwok Eva Lee, Mrs. Sng Sow-Mei (Phoon Sui Moy, alias Poon Sow Mei), Mr. Colin Stevens Russel and Mr. Lan Hong Tsung, David. The Audit Committee held two meetings in 2005.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.5	Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	N/A	• The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Deloitte be re-appointed as the Company's external auditors for 2006. • For the year ended 31st December, 2005, the external auditors of the Company received approximately HK$5 million for annual audit service, approximately HK$20 million for audit-related services rendered in connection with acquisitions and disposals of certain investments of the Group, and approximately HK$2 million for tax and other non-audit services.
C.3.6	The audit committee should be provided with sufficient resources to discharge its duties.	√	• The Audit Committee has been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should the seeking of such advice be considered necessary by such Directors.

D. DELEGATION BY THE BOARD

D.1 Management functions

Corporate Governance Principle

The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.

D.1.1	When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the company.	√	• Executive Directors are in charge of different businesses and functional divisions in accordance with their respective areas of expertise. • Please refer to the Management Structure Chart set out on page 88.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
D.1.2	Formalise functions reserved to the board and those delegated to management. It should review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the company.	√	• The Board, led by the Chairman, is responsible for the Group's future development directions; overall strategies and policies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. • Management is responsible for the day-to-day operations of the Group under the leadership of the Group Managing Director.

D.2 Board Committees

Corporate Governance Principle

Board Committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

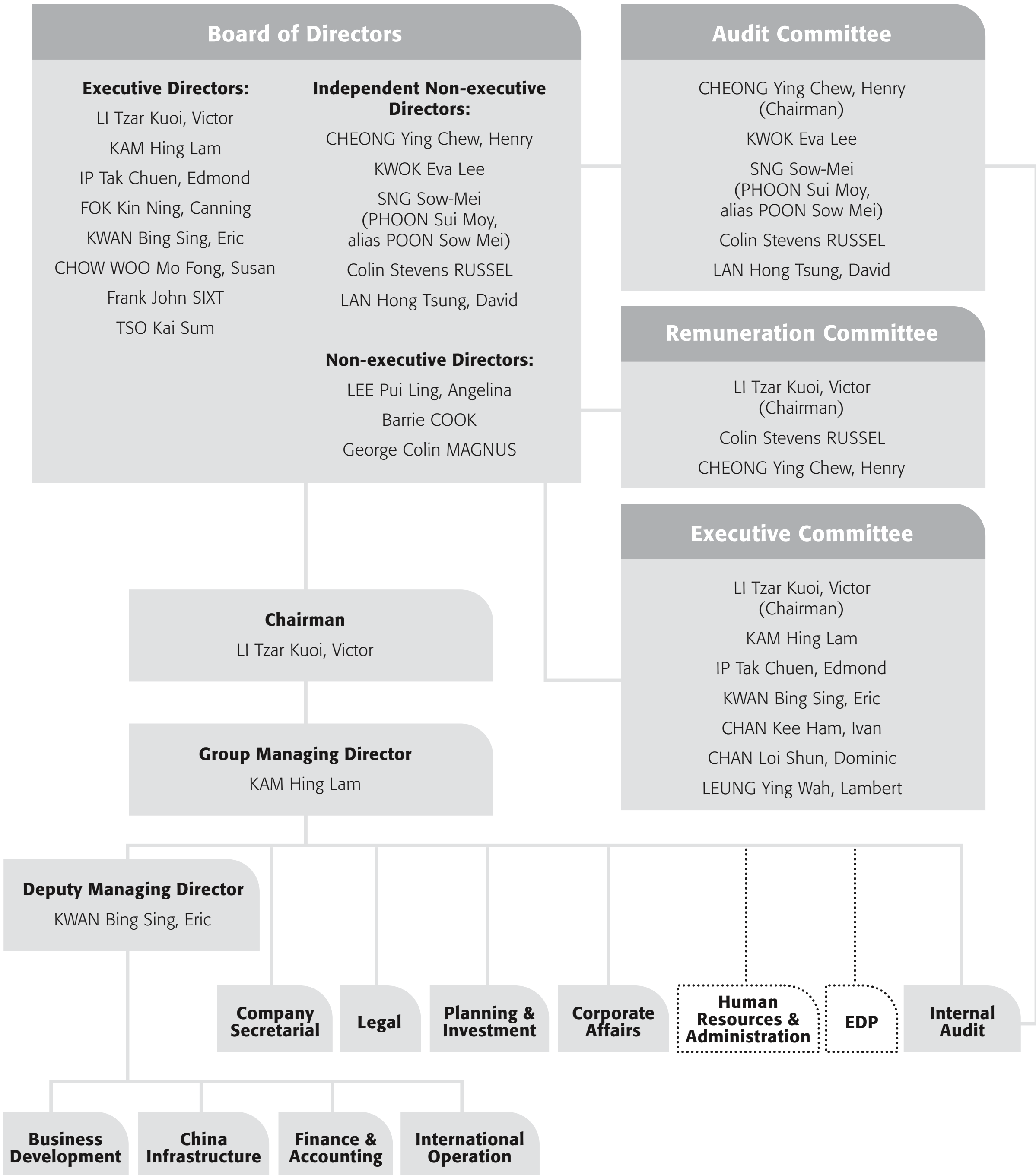
Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
D.2.1	Where board committees are established to deal with matters, the board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.	√	• Three Board Committees, i.e. Audit Committee, Remuneration Committee and Executive Committee have been established with specific terms of reference.
D.2.2	The terms of reference of board committees should require such committees to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	√	• Each Board Committee reports to the Board after each meeting.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.	**COMMUNICATION WITH SHAREHOLDERS**		
E.1	**Effective communication**		
	Corporate Governance Principle The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.		
E.1.1	In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.	√	• Separate resolutions are proposed at the general meeting on each substantially separate issue, including the election of individual directors.
E.1.2	- The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee to be available to answer questions at the annual general meeting. - The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.	√ √	• In 2005, the Chairmen of the Board, Chairman of the Audit Committee and Chairman of the Remuneration Committee attended the annual general meeting and were available to answer questions. • The Company establishes different communication channels with shareholders and investors including: (i) regular despatch of printed copies of corporate communication (including but not limited to annual report, interim report, notice of meeting, circular and proxy form) required under the Listing Rules to the shareholders of the Company; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board, (iii) updated and key information on the Group is available on the website of the Company, (iv) the Company's website offers a communication channel between the Company and its shareholders and investors, (v) regular press conferences and briefing meetings with analysts from the investment sectors are set up from time to time on updated performance information of the Group, and (vi) the Company's Branch Share Registrars deal with shareholders for share registration and related matters.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.2	**Voting by Poll** *Corporate Governance Principle* The Company should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company.		
E.2.1	- The chairman of a meeting should ensure disclosure in the circulars of the procedures for and the rights of shareholders to demand a poll. - The chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. - If a poll is required under such circumstances, the chairman of the meeting should disclose to the meeting the total number of votes represented by all proxies held by directors indicating an opposite vote to the votes cast at the meeting on a show of hands.	√ √ √	• In 2005, the right to demand a poll was set out in all the circulars issued during the year. • In 2005, the Chairman of the general meeting exercised his power under the Bye-laws of the Company to put each resolution set out in the notice to be voted by way of a poll.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.2.2	- The company should count all proxy votes and, except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. - The company should ensure that votes cast are properly counted and recorded.	√ √	• Representatives of the Branch Share Registrars of the Company were appointed as scrutineers to monitor and count the poll votes casted at the annual general meeting. • Poll results were announced at the adjourned meeting, posted on the websites of the Company and the Stock Exchange, and also published in Hong Kong newspapers on the business day following the annual general meeting of the Company.
E.2.3	The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of: - the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and - the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.	 √ √	• At the 2005 annual general meeting, the Chairman of the meeting explained the detailed procedures for conducting a poll, which had also been set out in the circular containing the notice of annual general meeting, and then answered any questions from shareholders. • At the 2005 annual general meeting, the Chairman of the meeting exercised his power under the Bye-laws of the Company to put each resolution set out in the notice to be voted by way of a poll.

Management Structure Chart



REPORT OF THE AUDITORS

Deloitte.
德勤

TO THE MEMBERS OF CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Cheung Kong Infrastructure Holdings Limited (the "Company") and its subsidiaries (the "Group") on pages 90 to 155 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 consolidated financial statements which give a true and fair view. In preparing consolidated 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 financial 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of 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 consolidated financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 16th March, 2006

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK$ million	Notes	2005	Restated 2004
Turnover	7		
Group turnover		2,247	2,507
Share of turnover of jointly controlled entities		2,503	1,953
		4,750	4,460
Group turnover	7	2,247	2,507
Other income	8	592	361
Operating costs	9	(1,729)	(1,867)
Finance costs	10	(732)	(644)
Gain on disposals of associates	11	3,763	–
Impairment losses	12	(1,727)	(250)
Share of results of associates		3,183	2,842
Share of results of jointly controlled entities		311	573
Profit before taxation	13	5,908	3,522
Taxation	14	(67)	(2)
Profit for the year	15	5,841	3,520
Attributable to:			
Shareholders of the Company		6,007	3,523
Minority interests		(166)	(3)
		5,841	3,520
Earnings per share	16	HK$2.66	HK$1.56
Dividends	17		
Interim dividend paid		541	496
Proposed final dividend		1,596	1,285
		2,137	1,781

CONSOLIDATED BALANCE SHEET

as at 31st December

HK$ million	Notes	2005	Restated 2004
Property, plant and equipment	18	919	1,864
Investment properties	19	59	–
Leasehold land	20	326	383
Interests in associates	21	26,911	25,261
Interests in jointly controlled entities	22	4,337	4,801
Interests in infrastructure project investments	23	579	1,855
Investments in securities	24	2,092	1,188
Derivative financial instruments	25	447	–
Goodwill	26	175	257
Other non-current assets	27	9	14
Total non-current assets		35,854	35,623
Inventories	28	105	163
Interests in infrastructure project investments	23	86	–
Derivative financial instruments	25	12	–
Debtors and prepayments	29	388	878
Bank balances and deposits		8,110	9,029
Total current assets		8,701	10,070
Bank and other loans	30	11	371
Creditors and accruals	31	1,105	839
Taxation		105	104
Total current liabilities		1,221	1,314
Net current assets		7,480	8,756
Total assets less current liabilities		43,334	44,379
Bank and other loans	30	9,045	13,040
Derivative financial instruments	25	370	–
Deferred tax liabilities	32	362	344
Other non-current liabilities	33(c)	21	15
Total non-current liabilities		9,798	13,399
Net assets		33,536	30,980
Representing:			
Share capital	34	2,254	2,254
Reserves		31,244	28,520
Equity attributable to shareholders of the Company		33,498	30,774
Minority interests		38	206
Total equity		33,536	30,980

LI TZAR KUOI, VICTOR
Director

IP TAK CHUEN, EDMOND
Director

16th March, 2006

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December

HK$ million	Share capital	Share premium	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Proposed dividends	Sub-total	Minority interests	Total
	Attributable to shareholders of the Company											
At 1st January, 2004, as previously stated	2,254	3,836	6,062	–	(16)	–	814	14,948	1,127	29,025	209	29,234
Prior year adjustments (note3(b))	–	–	–	–	–	–	(85)	(262)	–	(347)	–	(347)
Transfer	–	–	–	–	–	–	–	1,127	(1,127)	–	–	–
At 1st January, 2004, as restated	2,254	3,836	6,062	–	(16)	–	729	15,813	–	28,678	209	28,887
Surplus on revaluation of non-trading securities	–	–	–	–	144	–	–	–	–	144	–	144
Deferred tax charge on revaluation surplus of non-trading securities	–	–	–	–	(39)	–	–	–	–	(39)	–	(39)
Exchange translation differences	–	–	–	–	–	–	125	–	–	125	–	125
Net gain recognised directly in equity	–	–	–	–	105	–	125	–	–	230	–	230
Revaluation surplus realised upon disposals of non-trading securities	–	–	–	–	(54)	–	–	–	–	(54)	–	(54)
Impairment loss recognised in respect of non-trading securities	–	–	–	–	20	–	–	–	–	20	–	20
Profit for the year	–	–	–	–	–	–	–	3,523	–	3,523	(3)	3,520
Total recognised income and expense for the year	–	–	–	–	71	–	125	3,523	–	3,719	(3)	3,716
Final dividend for the year 2003 paid	–	–	–	–	–	–	–	(1,127)	–	(1,127)	–	(1,127)
Interim dividend paid	–	–	–	–	–	–	–	(496)	–	(496)	–	(496)
At 31st December, 2004	2,254	3,836	6,062	–	55	–	854	17,713	–	30,774	206	30,980
Opening adjustments arising from adoption of HKAS 39 (note 3(b))	–	–	–	–	–	(356)	–	(748)	–	(1,104)	–	(1,104)
At 1st January, 2005	2,254	3,836	6,062	–	55	(356)	854	16,965	–	29,670	206	29,876
Surplus on revaluation of properties upon transfer to investment properties	–	–	–	12	–	–	–	–	–	12	–	12
Deficit from fair value changes of available-for-sale financial assets	–	–	–	–	(36)	–	–	–	–	(36)	–	(36)
Gain from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	323	–	–	–	323	–	323
Exchange translation differences	–	–	–	–	–	–	(360)	–	–	(360)	–	(360)
Net gain /(loss) recognised directly in equity	–	–	–	12	(36)	323	(360)	–	–	(61)	–	(61)
Revaluation deficit and exchange translation surplus released upon disposal of available-for-sale financial assets	–	–	–	–	15	–	(15)	–	–	–	–	–
Disposal of associates	–	–	–	–	–	34	(326)	–	–	(292)	–	(292)
Profit for the year	–	–	–	–	–	–	–	6,007	–	6,007	(166)	5,841
Total recognised income and expense for the year	–	–	–	12	(21)	357	(701)	6,007	–	5,654	(166)	5,488
Final dividend for the year 2004 paid	–	–	–	–	–	–	–	(1,285)	–	(1,285)	–	(1,285)
Interim dividend paid	–	–	–	–	–	–	–	(541)	–	(541)	–	(541)
Dividend paid to minority shareholders of a non wholly-owned subsidiary	–	–	–	–	–	–	–	–	–	–	(2)	(2)
At 31st December, 2005	**2,254**	**3,836**	**6,062**	**12**	**34**	**1**	**153**	**21,146**	**–**	**33,498**	**38**	**33,536**

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December

HK$ million	Notes	2005	2004
OPERATING ACTIVITIES			
Cash generated from operations	35(a)	2,010	1,329
Income taxes paid		(17)	(22)
Net cash from operating activities		1,993	1,307
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(77)	(77)
Disposals of property, plant and equipment		46	44
Acquisitions of subsidiaries	35(b)	–	(705)
Disposals of subsidiaries	35(c)	–	50
Acquisitions of associates		(9,989)	(132)
Disposal of associates		12,013	–
Advances to associates		(81)	(42)
Repayments from associates		1	–
Acquisition of a jointly controlled entity		(581)	(10)
Advance to a jointly controlled entity		–	(179)
Repayments from jointly controlled entities		453	15
Disposal of an infrastructure project investment		196	–
Purchases of securities		(1,023)	(78)
Disposals of listed securities		–	1,132
Repayments from finance lease debtors		8	10
Loan note repayments of stapled securities		48	–
Dividends received from associates		1,604	1,423
Interest received		282	207
Finance lease income received		2	3
Net cash from investing activities		2,902	1,661
Net cash before financing activities		4,895	2,968
FINANCING ACTIVITIES			
New bank and other loans		747	2,511
Repayments of bank and other loans		(4,499)	(1,888)
Finance costs paid		(234)	(182)
Dividends paid		(1,826)	(1,623)
Dividend paid to minority shareholders a non wholly-owned subsidiary		(2)	–
Net cash utilised in financing activities		(5,814)	(1,182)
Net increase in cash and cash equivalents		(919)	1,786
Cash and cash equivalents at 1st January		9,029	7,243
Cash and cash equivalents at 31st December		8,110	9,029
Representing:			
Bank balances and deposits at 31st December		8,110	9,029

1. General

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 addresses of its registered office and principal place of business are disclosed in the section headed "Corporate information" of the Group's Annual Report. The Directors consider that the Company's ultimate holding company is Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on Hong Kong Stock Exchange.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Group's principal activities are the development, investment and operation of infrastructure businesses in Hong Kong, Mainland China , Australia and the United Kingdom.

2. Changes in Accounting Policies

In the current year, the Group has adopted a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The adoption of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates and jointly controlled entities have been changed. The changes in presentation have been applied retrospectively. Moreover, the adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have material impacts on how the Group's financial position and/or results are prepared and presented:

(a) Leasehold Land

Prior to 1st January, 2005, the Group's leasehold land was included in property, plant and equipment and measured at cost less accumulated depreciation using the straight-line method over the unexpired lease terms of the land.

From 1st January, 2005 onwards, the Group's leasehold land is separated from property, plant and equipment and accounted for as prepaid operating leases pursuant to HKAS 17 "Leases", which are amortised over the unexpired lease terms using the straight-line method. The change in accounting policy has been adopted retrospectively, and the Group applied a prior year adjustment to separate leasehold land of HK$383 million from property, plant and equipment on the balance sheet as at 31st December, 2004.

2. Changes in Accounting Policies (Cont'd)

(b) Interests in Associates and Interests in Jointly Controlled Entities

Prior to 1st January, 2005, the Group discontinued recognising its share of further loss of an associate or jointly controlled entity with the applicable share of cumulative losses in excess of the Group's equity interest in the associate or jointly controlled entity.

From 1st January, 2005 onwards, the Group recognises its share of cumulative losses (if any) to the extent of the Group's equity and other long term interests in that associate or jointly controlled entity, which in substance represent the Group's investment in that associate or jointly controlled entity, pursuant to HKAS 28 "Investments in Associates" and HKAS 31 "Interests in Joint Ventures". The change in accounting policy has been adopted retrospectively and the Group has applied prior year adjustments of HK$295 million and HK$101 million to reduce retained profits and exchange translation reserve as at 31st December, 2004, respectively, for recognition of its share of relevant losses of certain associates and jointly controlled entities.

(c) Financial Instruments

In the current year, the Group has adopted HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application whereas HKAS 39, which is effective for the accounting periods beginning on or after 1st January, 2005, generally does not permit restatement of comparative information on a retrospective basis. The application of HKAS 32 has no material effect on the presentation of financial instruments in the financial statements of the Group. The principal effects resulting from the application of HKAS 39 on different categories of the Group's assets or liabilities are summarised below:

Infrastructure project investments
Prior to 1st January, 2005, the Group's interests in the infrastructure project investments were stated at cost less amortisation over the relevant contract periods on a straight-line basis from commencement of operation of the projects or from commencement of the Group's entitlement to income. The carrying amount of such interests was reduced to recognise any identified impairment losses in the values of individual investments. Income from these investments and related infrastructure project receivables were recognised when the Group's right to receive payments was established.

2. Changes in Accounting Policies (Cont'd)

(c) Financial Instruments (Cont'd)

Infrastructure project investments (Cont'd)
From 1st January, 2005 onwards, the Group's interests in the infrastructure project investments and related infrastructure project receivables are combined and classified as "loans and receivables" under HKAS 39 and are subsequently measured at amortised cost using the effective interest rate method. Accordingly, the Group applied an opening adjustment of HK$559 million to reduce the Group's retained profits as at 1st January, 2005 for restating the carrying amounts of its infrastructure project investments.

Investments in securities
Prior to 1st January, 2005, the Group's non-trading securities intended to be held long-term were stated at fair values, with gains or losses arising from changes in their fair values dealt with as movements in investment revaluation reserve. Other securities were stated at fair values in the balance sheet, with changes in their fair values dealt with in the income statement.

From 1st January, 2005 onwards, the Group's investments in securities are classified as either "financial assets at fair value through profit or loss" or "available-for-sale financial assets" in accordance with HKAS 39, and are measured at fair values. Where securities are designated as "financial assets at fair value through profit or loss", gains or losses arising from changes in fair values are dealt with in the income statement. For "available-for-sale financial assets", gains and losses arising from changes in fair value are dealt with as movements in investment revaluation reserve.

Under the relevant transitional provisions of HKAS 39, certain investments which were previously disclosed as non-trading securities were re-designated as "financial assets at fair value through profit or loss" since 1st January, 2005. Changes in fair values of these investments are now recognised in income statement. In previous years, changes in fair values of these non-trading securities were dealt with as movements in investment revaluation reserve. Such re-designation and change in accounting policy applicable to these investments have been adopted prospectively and no adjustments are applied on the Group's results for previous years or balance sheet items as at 31st December, 2004 or 1st January, 2005.

2. Changes in Accounting Policies (Cont'd)

(c) Financial Instruments (Cont'd)

Derivative financial instruments and hedge accounting
Prior to 1st January, 2005, the Group did not recognise any derivatives on balance sheet.

From 1st January, 2005 onwards, all the Group's derivatives covered by HKAS 39 are carried at fair value on balance sheet. Subsequent changes in their values are recognised in the income statement, except for derivatives which qualify as effective hedging instruments and are designated as cash flow hedges where the subsequent changes in fair values are dealt with as movements in hedging reserve. Pursuant to the relevant transitional provisions in HKAS 39, the Group has applied opening adjustments of HK$189 million and HK$356 million to reduce retained profits and hedging reserve as at 1st January, 2005, respectively, for recognition of the Group's and its share of associates' derivative financial instruments.

3. Summary of the Effects of the Changes in Accounting Policies

(a) Consolidated Income Statement Items

For the year ended 31st December

HK$ million	2005	2004
Decrease in group turnover	(29)	–
Increase in other income	71	–
Decrease in operating costs	128	7
Increase in gain on disposal of associates	271	–
Increase/(decrease) in share of results of associates	261	(308)
Decrease in share of results of jointly controlled entities	(160)	(57)
Increase/(decrease) in profit before taxation	542	(358)
(Increase)/decrease in taxation	(23)	325
Increase/(decrease) in profit attributable to shareholders	519	(33)

3. Summary of the Effects of the Changes in Accounting Policies (Cont'd)

(b) Consolidated Balance Sheet Items

HK$ million	As at 31st December, 2004, as previously stated	Effect of adopting HKAS 17	Effect of adopting HKASs 28 & 31	As at 31st December, 2004, as restated	Effect of adopting HKAS 39	As at 1st January, 2005
Property, plant and equipment	2,247	(383)	–	1,864	–	1,864
Leasehold land	–	383	–	383	–	383
Interests in associates	25,657	–	(396)	25,261	(545)	24,716
Interests in infrastructure project investments						
– non-current assets	1,855	–	–	1,855	(646)	1,209
– current assets	–	–	–	–	158	158
Derivative financial instruments						
– non-current assets	–	–	–	–	369	369
– current assets	–	–	–	–	354	354
Debtors and prepayments	878	–	–	878	(68)	810
Derivative financial instruments						
– non-current liabilities	–	–	–	–	(398)	(398)
– current liabilities	–	–	–	–	(373)	(373)
Creditors and accruals	(839)	–	–	(839)	45	(794)
Total effects on assets and liabilities	**29,798**	**–**	**(396)**	**29,402**	**(1,104)**	**28,298**
Exchange translation reserve	955	–	(101)	854	–	854
Hedging reserve	–	–	–	–	(356)	(356)
Retained profits	18,008	–	(295)	17,713	(748)	16,965
Total effects on equity attributable to shareholders	**18,963**	**–**	**(396)**	**18,567**	**(1,104)**	**17,463**

As 1st January, 2004 (disclosure of impact on equity only)

HK$ million	As previously stated	Effect of adopting HKAS 28	As restated
Exchange translation reserve	814	(85)	729
Retained profits	16,075*	(262)	15,813
Total effects on equity attributable to shareholders	**16,889**	**(347)**	**16,542**

* Including balance of proposed dividend previously presented as separate item under equity.

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of the Effects of the Changes in Accounting Policies (Cont'd)

The Group has not early adopted the following new HKFRSs issued by HKICPA that are effective for accounting periods beginning on or after 1st January, 2006. The Directors anticipate that the adoption of these HKFRSs will have no material impact on the Group's financial statements.

HKAS 1 (Amendment)	"Capital Disclosures"
HKAS 19 (Amendment)	"Actuarial Gains and Losses, Group Plans and Disclosures"
HKAS 21 (Amendment)	"Net Investment in a Foreign Operation"
HKAS 39 (Amendment)	"Cash Flow Hedge Accounting of Forecast Intragroup Transaction"
HKAS 39 (Amendment)	"The Fair Value Option"
HKAS 39 and HKFRS 4 (Amendment)	"Financial Guarantee Contracts"
HKFRS 6	"Exploration for and Evaluation of Mineral Resources"
HKFRS 7	"Financial Instruments: Disclosures"
HKFRS - Int 4	"Determining whether an Arrangement Contains a Lease"
HKFRS - Int 5	"Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"
HK (IFRIC) - Int 6	"Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipments"
HK (IFRIC) - Int 7	"Applying the Restatement Approach under HKAS 29 Financial Report in Hyperinflationary Economies"

4. Principal Accounting Policies

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Hong Kong Stock Exchange and by the Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the principal accounting policies 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) below.

The results of subsidiaries, associates and jointly controlled entities acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisitions or up to the effective dates of disposals, as appropriate.

(b) Goodwill

Goodwill represents the excess of costs of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the subsidiaries, associates and jointly controlled entities acquired. Goodwill is recognised as an asset or included in interests in associates or jointly controlled entities (as appropriate) at cost less any identified impairment loss.

The Group has applied the relevant transitional provisions in HKFRS 3 "Business Combination". Goodwill recognised in reserves prior to 1st January, 2001 continues to be held in the reserves and are transferred to retained profits when the business to which the goodwill relates is disposed of or becomes impaired.

4. Principal Accounting Policies (Cont'd)

(b) Goodwill (Cont'd)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

(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.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities, where appropriate, are recognised at their fair values at the acquisition date.

(d) Associates and Jointly Controlled Entities

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.

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. A jointly controlled entity is the joint venture which involves the establishment of a separate entity.

4. Principal Accounting Policies (Cont'd)

(d) Associates and Jointly Controlled Entities (Cont'd)

The results and assets and liabilities of associates/jointly controlled entities are incorporated in the Group's financial statements using the equity method of accounting. Under the equity method, investments in associates/jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates/jointly controlled entities, less impairment in the values of individual investments.

Loss of an associate/jointly controlled entity in excess of the Group's interest in that associate/jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's investment in the associate/jointly controlled entity) are not recognised.

(e) Property, Plant and Equipment

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

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

Buildings	$1\frac{1}{4}\%$ to $3\frac{1}{3}\%$ or over the unexpired lease terms of the land, whichever is the higher
Mains, pipes, other plant and machinery	$3\frac{1}{3}\%$ to $33\frac{1}{3}\%$
Others	5% to $33\frac{1}{3}\%$

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.

4. Principal Accounting Policies (Cont'd)

(f) Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement for the period in which they arise.

(g) 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.

(h) 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.

(i) Financial Instruments

Interests in infrastructure project investments
Investments in joint ventures are classified as infrastructure project investments, where the Group's return 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 periods.

4. Principal Accounting Policies (Cont'd)

(i) Financial Instruments (Cont'd)

Interests in infrastructure project investments (Cont'd)
The Group's interests in the infrastructure project investments are recorded at amortised cost using effective interest rate method. The carrying amount of such interests is reduced to recognise any identified impairment losses in the values of individual investments.

Investments in securities
The Group's investments in securities are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets, and are measured at fair value.

Where securities classified as financial assets at fair value through profit or loss, gains and losses arising from changes in fair values are dealt with in the income statement.

For available-for-sale financial assets, gains and losses arising from changes in fair values are dealt with as movements in investment revaluation reserve, until the assets are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in the reserve is included in the income statement for the period. Impairment losses recognised in the income statement for available-for-sale financial assets are not subsequently reversed in the income statement.

Derivative financial instruments and hedge accounting
Derivative financial instruments are initially measured at fair values on the contract dates, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair values of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in hedging reserve. Any ineffective portion is recognised immediately in the income statement.

Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or the hedge no longer qualifies for hedge accounting.

4. Principal Accounting Policies (Cont'd)

(i) Financial Instruments (Cont'd)

Trade debtors

Trade debtors are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the assets are impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank and other loans

Interest-bearing bank and other loans are initially measured at fair values, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the terms of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Trade creditors

Trade creditors are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

(j) Revenue Recognition

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.

4. Principal Accounting Policies (Cont'd)

(j) Revenue Recognition (Cont'd)

Return from infrastructure project investments
Return from infrastructure project investments is accrued on a time basis, by reference to the carrying amount and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the infrastructure project to that project's net carrying amount at initial recognition.

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Income from investments in securities
Dividend and other incomes from investments in securities are recognised when the Group's right to receive payment is established.

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

(k) Foreign Currencies

The individual financial information of each group entity is presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial information, the result and financial position of each entity are expressed in Hong Kong Dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial information.

4. Principal Accounting Policies (Cont'd)

(k) Foreign Currencies (Cont'd)

In preparing the financial information of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair values are included in the income statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong Dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange translation reserve. Such translation differences are recognised in the income statement in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4. Principal Accounting Policies (Cont'd)

(l) Deferred Taxation

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 year. 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 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.

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 year when the liability is settled or the asset is 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.

(m) 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.

(n) 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.

4. Principal Accounting Policies (Cont'd)

(n) Finance Leases (Cont'd)

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.

Assets held under finance leases are recognised as assets at their fair values at the dates of acquisition. The corresponding liabilities to the lessor are shown within bank and other loans in the balance sheet as obligations under finance leases. Finance costs are charged to the income statement over the terms of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(o) 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 plans 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 plans. 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. Any assets resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plans.

(p) 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.

5. Key Sources of Estimation Uncertainty

The key assumption concerning the future, and other key sources of estimation uncertainty at 31st December, 2005, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Impairment of Property, Plant and Equipment

Property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The net book value of property, plant and equipment as at 31st December, 2005 is HK$919 million, after an impairment loss of HK$769 million is recognised for the current year.

(b) Impairment of Interests in Infrastructure Project Investments

Determining whether interests in infrastructure project investments are impaired requires an estimation of the recoverable amounts of infrastructure project investments, which represent the present values of estimated future cash flows from those investments, discounted at the original effective interest rates. The carrying amount of interests in infrastructure project investments as at 31st December, 2005 is HK$665 million, after an impairment loss of HK$95 million is recognised for the current year.

(c) Impairment of Cash-generating Units/Goodwill

Determining whether a cash-generating unit/goodwill is impaired requires an estimation of the value in use of the relevant cash-generating unit. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and suitable discount rate in order to calculate the present value. Impairment losses are recognised by the Group as follows after impairment tests conducted for various cash-generating units:

HK$ million	Impairment loss recognised for the current year	Carrying value at 31st December, 2005 after impairment loss
Interests in associates	578	26,911
Interests in jointly controlled entities	214	4,337
Goodwill	50	175

6. Financial Risk Management Objectives and Policies

The Group's major financial instruments include interests in infrastructure project investments, investments in securities, bank balances and deposits, bank and other loans and debtors and creditors. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Currency Risk

Several subsidiaries of the Company have dividend income, bank deposits and borrowings determined in foreign currency, which expose the Group to foreign currency risk. The management considers that the foreign currency risk is offset by foreign currency income generated from foreign operations.

(b) Interest Rate Risk

The Group's interest rate risk relates primarily to floating rate bank borrowings. In relation to these floating rate borrowings, the Group aims at keeping borrowings at fixed rates. In order to achieve this result, the Group entered into interest rate swaps to hedge against certain exposures to changes in interest rates of the borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings. These interest rate swaps are designated as effective cash flow hedges of interest rate risk.

(c) Credit Risk

The Group's maximum exposure to credit risk in the event of the counter parties failure to perform their obligations as at 31st December, 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, local management teams of subsidiaries are responsible for monitoring the procedures to ensure that follow-up actions are taken to recover overdue debts of the subsidiaries. In addition, the teams review the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counter parties and customers.

(d) Price Risk

The Group's investment in securities are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

7. Turnover

Group turnover represents net sales of infrastructure materials, income from the supply of water, return and interest from infrastructure project investments, interest income from loans granted to associates, and distribution from investments in securities classified as infrastructure 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.

The turnover for the current year is analysed as follows:

HK$ million	2005	2004
Sales of infrastructure materials	992	1,243
Income from the supply of water	237	149
Return from infrastructure project investments	138	178
Interest income from loans granted to associates	856	863
Distribution from investments in securities	24	74
Group turnover	2,247	2,507
Share of turnover of jointly controlled entities	2,503	1,953
Total	4,750	4,460

8. Other Income

Other income includes the following:

HK$ million	2005	2004
Interest income from banks	259	132
Interest income from investments in securities	–	42
Finance lease income	2	3
Gain on disposal of infrastructure project investment	14	–
Change in fair values of investment properties	3	–
Change in fair values of investments in securities	16	–
Change in fair values of derivative financial instruments	26	–
Gain on disposals of subsidiaries	–	22
Gain on disposals of listed securities	1	85

9. Operating Costs

HK$ million	2005	2004
Staff costs including directors' emoluments	311	326
Depreciation of property, plant and equipment	134	160
Amortisation of prepayment for leasehold land	11	11
Amortisation of costs of infrastructure project investments	–	85
Raw materials and consumables used	347	505
Changes in inventories of finished goods and work-in-progress	(10)	–
Change in fair values of investments in securities	–	61
Other operating expenses	936	719
Total	1,729	1,867

10. Finance Costs

HK$ million	2005	2004
Interest and other finance costs on		
Bank borrowings wholly repayable within 5 years	658	566
Notes repayable after 5 years	74	78
Total	732	644

11. Gain on Disposals of Associates

HK$ million	2005	2004
Disposal of 49% interests in ETSA Utilities, Powercor and CitiPower	3,699	–
Disposal of 9.9% interest in Northern Gas Networks Holdings Limited	64	–
Total	3,763	–

Prior to December 2005, the Group and Hongkong Electric Holdings Limited (an associate of the Group) held 100% interests, on a 50/50 basis, in 3 associate groups of companies, ETSA Utilities, Powercor and CitiPower, which operate and manage various electricity distribution businesses in Australia. In December 2005, the Group sold its 49% interests in these associate groups to Spark Infrastructure Fund, a stapled group listed in the Australian Stock Exchange Limited, at a consideration of approximately A$2.2 billion.

12. Impairment Losses

During the current year, the Group recognised impairment losses of the following assets:

HK$ million	2005	2004
Property, plant and equipment (note 18)	769	230
Leasehold land (note 20)	21	–
Interests in associates (note 21)	578	–
Interests in jointly controlled entities (note 22)	214	–
Interests in infrastructure project investments (note 23)	95	–
Investments in securities	–	20
Goodwill (note 26)	50	–
Total	1,727	250

13. Profit Before Taxation

HK$ million	2005	2004
Profit before taxation is arrived at after (crediting)/charging:		
Contract revenue	(172)	(139)
Gain on disposals of property, plant and equipment	(9)	(3)
Net exchange (gain)/loss	(168)	1
Operating lease rental for land and buildings	12	16
Directors' emoluments (note 36)	32	28
Auditors' remuneration	5	3
Share of tax of associates (included in share of results of associates)	(65)	326
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	153	50

14. Taxation

Hong Kong Profits Tax is provided for at the rate of 17.5 per cent. (2004: 17.5 per cent.) on the estimated assessable profits less available tax losses. Overseas tax is provided for at the applicable tax rate on the estimated assessable profits less available tax losses.

HK$ million	2005	2004
Current taxation		
– Hong Kong Profits Tax	5	5
– Overseas tax	15	6
Deferred taxation (note 32)	47	(9)
Total	67	2

Reconciliation between tax charge and accounting profit at Hong Kong Profits Tax Rate:

HK$ million	2005	2004
Profit before taxation	5,908	3,522
Less: share of results of associates	(3,183)	(2,842)
share of results of jointly controlled entities	(311)	(573)
Total	2,414	107
Tax at 17.5% (2004: 17.5%)	422	19
Tax impact on:		
Different domestic rates of subsidiaries operating in other tax jurisdictions	230	(81)
Income not subject to tax	(1,148)	(30)
Expenses not deductible for tax purpose	294	89
Tax losses and other temporary differences not recognised	245	24
Utilisation of previously unrecognised tax losses	–	(9)
Others	24	(10)
Tax charge	67	2

15. Profit for the Year and Segment Information

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

	Investment in Hongkong Electric*		Infrastructure investments		Infrastructure related business		Unallocated items		Consolidated	
HK$ million	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Turnover										
Group turnover	–	–	1,255	1,264	992	1,243	–	–	2,247	2,507
Share of turnover of jointly controlled entities	–	–	1,996	1,953	507	–	–	–	2,503	1,953
	–	–	3,251	3,217	1,499	1,243	–	–	4,750	4,460
Segment revenue										
Group turnover	–	–	1,255	1,264	992	1,243	–	–	2,247	2,507
Others	–	–	33	25	70	52	–	–	103	77
	–	–	1,288	1,289	1,062	1,295	–	–	2,350	2,584
Segment result	–	–	1,037	1,045	(253)	(143)	–	–	784	902
Net gain on disposals of infrastructure project investment, subsidiaries and listed securities	–	–	14	–	1	22	–	85	15	107
Change in fair values of investments in securities and derivative financial instruments	–	–	75	–	(23)	–	(10)	(61)	42	(61)
Interest and finance lease income	–	–	1	1	102	77	158	99	261	177
Exchange gain/(loss)	–	–	–	–	–	–	168	(1)	168	(1)
Corporate overheads and others	–	–	–	–	–	–	(160)	(123)	(160)	(123)
Finance costs	–	–	(21)	(6)	–	–	(711)	(638)	(732)	(644)
Gain on disposals of associates	–	–	3,763	–	–	–	–	–	3,763	–
Impairment losses	–	–	(937)	–	(790)	(250)	–	–	(1,727)	(250)
Share of results of associates and jointly controlled entities	2,492	2,396	1,046	1,024	(44)	(5)	–	–	3,494	3,415
Profit/(loss) before taxation	2,492	2,396	4,978	2,064	(1,007)	(299)	(555)	(639)	5,908	3,522
Taxation	–	–	(58)	(14)	(4)	17	(5)	(5)	(67)	(2)
Profit/(loss) for the year	2,492	2,396	4,920	2,050	(1,011)	(282)	(560)	(644)	5,841	3,520
Attributable to:										
Shareholders of the Company	2,492	2,396	4,920	2,050	(845)	(279)	(560)	(644)	6,007	3,523
Minority interests	–	–	–	–	(166)	(3)	–	–	(166)	(3)
	2,492	2,396	4,920	2,050	(1,011)	(282)	(560)	(644)	5,841	3,520
Other information										
Capital expenditure	–	–	41	41	36	36	–	–	77	77
Depreciation and amortisation	–	–	25	101	119	154	1	1	145	256

15. Profit for the Year and Segment Information (Cont'd)

By business segment (Cont'd)

as at 31st December

	Investment in Hongkong Electric*		Infrastructure investments		Infrastructure related business		Unallocated items		Consolidated	
HK$ million	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Assets										
Segment assets	–	–	3,585	4,339	2,336	3,296	–	–	5,921	7,635
Interests in associates and jointly controlled entities	17,682	16,037	13,352	13,759	214	266	–	–	31,248	30,062
Unallocated corporate assets	–	–	–	–	–	–	7,386	7,996	7,386	7,996
Total assets	17,682	16,037	16,937	18,098	2,550	3,562	7,386	7,996	44,555	45,693
Liabilities										
Segment liabilities	–	–	819	513	250	265	–	–	1,069	778
Taxation, deferred taxation and unallocated corporate liabilities	–	–	319	304	147	57	9,484	13,574	9,950	13,935
Total liabilities	–	–	1,138	817	397	322	9,484	13,574	11,019	14,713

* 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.

15. Profit for the Year and Segment Information (Cont'd)

By geographic region

for the year ended 31st December

	Hong Kong		Mainland China		Australia		Others		Unallocated items		Consolidated	
HK$ million	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Turnover												
Group turnover	699	890	421	531	880	937	247	149	–	–	2,247	2,507
Share of turnover of jointly controlled entities	401	–	2,102	1,953	–	–	–	–	–	–	2,503	1,953
	1,100	890	2,523	2,484	880	937	247	149	–	–	4,750	4,460
Segment revenue												
Group turnover	699	890	421	531	880	937	247	149	–	–	2,247	2,507
Others	40	51	32	17	–	–	31	9	–	–	103	77
	739	941	453	548	880	937	278	158	–	–	2,350	2,584
Segment result	(133)	(51)	(24)	13	880	937	61	3	–	–	784	902
Net gain on disposals of infrastructure project investment, subsidiaries and listed securities	–	22	14	–	–	–	1	–	–	85	15	107
Change in fair values of investments in securities and derivative financial instruments	–	–	–	–	75	–	(23)	–	(10)	(61)	42	(61)
Interest and finance lease income	102	77	–	–	–	–	1	1	158	99	261	177
Exchange gain/(loss)	–	–	–	–	–	–	–	–	168	(1)	168	(1)
Corporate overheads and others	–	–	–	–	–	–	–	–	(160)	(123)	(160)	(123)
Finance costs	–	–	–	–	–	–	(21)	(6)	(711)	(638)	(732)	(644)
Gain on disposals of associates	–	–	–	–	3,699	–	64	–	–	–	3,763	–
Impairment losses	(308)	(140)	(774)	(90)	(578)	–	(67)	(20)	–	–	(1,727)	(250)
Share of results of associates and jointly controlled entities	2,549	2,405	272	580	685	429	(12)	1	–	–	3,494	3,415
Profit/(loss) before taxation	2,210	2,313	(512)	503	4,761	1,366	4	(21)	(555)	(639)	5,908	3,522
Taxation	(4)	17	–	–	(23)	(1)	(35)	(13)	(5)	(5)	(67)	(2)
Profit/(loss) for the year	2,206	2,330	(512)	503	4,738	1,365	(31)	(34)	(560)	(644)	5,841	3,520
Attributable to:												
Shareholders of the Company	2,206	2,330	(346)	506	4,738	1,365	(31)	(34)	(560)	(644)	6,007	3,523
Minority interests	–	–	(166)	(3)	–	–	–	–	–	–	(166)	(3)
	2,206	2,330	(512)	503	4,738	1,365	(31)	(34)	(560)	(644)	5,841	3,520
Other information												
Capital expenditure	30	15	6	21	–	–	41	41	–	–	77	77

15. Profit for the Year and Segment Information (Cont'd)

By geographic region (Cont'd)

as at 31st December

	Hong Kong		Mainland China		Australia		Others		Unallocated items		Consolidated	
HK$ million	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Assets												
Segment assets	1,987	2,328	911	3,218	1,977	885	1,046	1,204	–	–	5,921	7,635
Interests in associates and jointly controlled entities	18,022	16,330	4,154	4,650	5,950	8,978	3,122	104	–	–	31,248	30,062
Unallocated corporate assets	–	–	–	–	–	–	–	–	7,386	7,996	7,386	7,996
Total assets	20,009	18,658	5,065	7,868	7,927	9,863	4,168	1,308	7,386	7,996	44,555	45,693

16. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK$6,007 million (2004: HK$3,523 million) and on 2,254,209,945 shares (2004: 2,254,209,945 shares) in issue during the year.

17. Dividends

HK$ million	2005	2004
Interim dividend paid of HK$0.24 (2004: HK$0.22) per share	541	496
Proposed final dividend of HK$0.708 (2004: HK$0.57) per share	1,596	1,285
Total	2,137	1,781

18. Property, Plant and Equipment

HK$ million	Freehold land and buildings outside Hong Kong	Medium term leasehold land and buildings in Hong Kong	Medium term leasehold land and buildings outside Hong Kong	Buildings	Mains, pipes, other plant and machinery	Furniture, fixtures and others	Total
Cost							
At 1st January, 2004, as previously reported	–	866	386	–	2,047	164	3,463
Prior year adjustments	–	(866)	(386)	749	–	–	(503)
At 1st January, 2004, as restated	–	–	–	749	2,047	164	2,960
Additions	–	–	–	3	71	3	77
Disposals	(7)	–	–	(10)	(166)	(45)	(228)
Relating to subsidiaries acquired	11	–	–	–	964	3	978
Relating to subsidiaries disposed of	–	–	–	–	(72)	(9)	(81)
Exchange translation differences	1	–	–	–	75	–	76
Transfers	–	–	–	5	(5)	–	–
At 31st December, 2004	5	–	–	747	2,914	116	3,782
Additions	–	–	–	7	62	1	70
Disposals	–	–	–	(4)	(100)	(76)	(180)
Exchange translation differences	–	–	–	8	(93)	1	(84)
Transfers*	(2)	–	–	(18)	5	(4)	(19)
At 31st December, 2005	3	–	–	740	2,788	38	3,569
Accumulated depreciation and impairment							
At 1st January, 2004, as previously reported	–	328	97	–	1,116	118	1,659
Prior year adjustments	–	(328)	(97)	316	–	–	(109)
At 1st January, 2004, as restated	–	–	–	316	1,116	118	1,550
Charge for the year	–	–	–	26	120	14	160
Impairment loss	–	–	–	30	190	10	230
Disposals	–	–	–	(5)	(150)	(41)	(196)
Relating to subsidiaries acquired	–	–	–	–	229	2	231
Relating to subsidiaries disposed of	–	–	–	–	(68)	(8)	(76)
Exchange translation differences	–	–	–	–	19	–	19
At 31st December, 2004	–	–	–	367	1,456	95	1,918
Charge for the year	–	–	–	24	104	6	134
Impairment loss	–	–	–	275	485	9	769
Disposals	–	–	–	(3)	(70)	(69)	(142)
Exchange translation differences	–	–	–	3	(25)	1	(21)
Transfers	–	–	–	14	(18)	(4)	(8)
At 31st December, 2005	–	–	–	680	1,932	38	2,650
Net book value							
At 31st December, 2005	**3**	**–**	**–**	**60**	**856**	**–**	**919**
At 31st December, 2004	5	–	–	380	1,458	21	1,864

* During the year, certain properties of the Group were transferred to investment properties with revaluation surplus of HK$5 million.

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

The net book value of the Group's mains, pipes, other plant and machinery includes an amount of HK$199 million (2004: HK$220 million) in respect of assets held under finance leases.

The Directors reviewed the Group's property, plant and equipment based on value in use calculation. The discount rate used was 8.5 per cent. Moreover, certain part of the Group's property, plant and equipment were revaluated by GZAA Incorporated, an independent qualified professional valuer not connected with the Group. GZAA Incorporated is a member of the China Appraisal Society with appropriate qualifications and recent experiences in the valuation of similar location. The valuation, which conforms to International Valuation Standards, was completed by reference to market evidence of transaction prices for similar location.

Accordingly, an aggregate impairment loss of HK$769 million has been recognised for the property, plant and equipment due to physical damage and technical obsolescence. The recoverable amounts of the impaired items are the higher of their fair values less costs to sell and values in use.

19. Investment Properties

HK$ million	
Fair values, medium term leases in Hong Kong	
Transfer from property, plant and equipment and leasehold land	56
Change in fair values	3
At 31st December, 2005	**59**

The fair values of the Group's investment properties at 31st December, 2005 are determined based on a valuation carried out by DTZ Debenham Tie Leung, an independent qualified professional valuer not connected with the Group. DTZ Debenham Tie Leung is a member of the Institute of Valuers with appropriate qualifications and recent experiences in the valuation of similar locations. The valuation, which conforms to International Valuation Standards, was completed by reference to market evidence of transaction prices for similar properties.

20. Leasehold Land

HK$ million	Medium term leasehold land in Hong Kong	Medium term leasehold land outside Hong Kong	Total
Operating lease prepayment			
At 1st January, 2004, as previously reported	–	–	–
Prior year adjustments	458	45	503
At 31st December, 2004, as restated	458	45	503
Additions	7	–	7
Transfers*	(35)	–	(35)
Exchange translation differences	–	1	1
At 31st December, 2005	430	46	476
Accumulated amortisation and impairment			
At 1st January, 2004, as previously reported	–	–	–
Prior year adjustments	100	9	109
At 1st January, 2004, as restated	100	9	109
Charge for the year	10	1	11
At 31st December, 2004	110	10	120
Charge for the year	10	1	11
Impairment loss	–	21	21
Transfers	(2)	–	(2)
At 31st December, 2005	118	32	150
Net book value			
At 31st December, 2005	**312**	**14**	**326**
At 31st December, 2004	348	35	383

* During the year, certain leasehold land of the Group was transferred to investment properties with revaluation surplus of HK$7 million.

An impairment loss of HK$21 million was recognised for the Group's leasehold land outside Hong Kong based on a valuation at 31st December, 2005 carried out by GZAA Incorporated, an independent qualified professional valuer not connected with the Group. GZAA Incorporated is a member of the China Appraisal Society with appropriate qualifications and recent experiences in the valuation of similar location. The valuation, which conforms to International Valuation Standards, was completed by reference to market evidence of transaction prices for similar location.

21. Interests in Associates

HK$ million	2005	2004
Investment costs	14,937	8,931
Share of post-acquisition reserves	8,704	8,436
	23,641	17,367
Impairment loss	(578)	–
	23,063	17,367
Amounts due by unlisted associates	3,848	7,894
At 31st December	**26,911**	25,261
Market value of investment in a listed associate	**31,857**	29,451

Included in the amounts due by unlisted associates are subordinated loans of HK$3,369 million (2004: HK$6,589 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the associates.

The Directors reviewed certain associates' operations and financial positions as at 31st December, 2005 based on value in use calculation. An impairment loss of HK$578 million against interests in associates, which operated the Cross City Tunnel in Sydney, Australia, was recognised in view of lower projected toll revenue. A discount rate of 9.5 per cent. was applied on projected cash flows for value in use calculation in respect of this investment.

Summarised financial information in respect of the Group's associates is set out below:

HK$ million	2005	2004
Total assets	153,621	132,039
Total liabilities	(91,663)	(87,458)
Net assets	61,958	44,581
Total turnover	25,445	22,620
Total profit for the year	11,033	7,211
Shared by the Group:		
Net assets of the associates	23,641	17,367
Profit of the associates for the year	3,183	2,842

Particulars of the principal associates are set out in Appendix 2 on pages 152 to 154.

22. Interests in Jointly Controlled Entities

HK$ million	2005	2004
Investment costs	3,385	2,497
Share of post-acquisition reserves	(458)	204
	2,927	2,701
Impairment loss	(214)	–
	2,713	2,701
Shareholders' loans to jointly controlled entities	1,624	2,100
At 31st December	4,337	4,801

The Group's interests in a jointly controlled entity with carrying value of HK$1,736 million as at 31st December, 2005 (2004: HK$1,896 million) have been pledged as part of the security to secure certain bank borrowings granted to the jointly controlled entity.

The Directors reviewed certain jointly controlled entities' operations and financial positions as at 31st December, 2005 based on value in use calculation. An impairment loss of HK$214 million against interests in jointly controlled entities, which operated the National Highway 107 (Zhumadian Sections) in Henan, Mainland China, was recognised in view of significant drop in projected toll revenue. A discount rate of 9 per cent. was applied on projected cash flows for value in use calculation in respect of this infrastructure project.

Summarised financial information in respect of the Group's jointly controlled entities is set out below:

HK$ million	2005	2004
Total assets	18,687	16,191
Total liabilities	(13,019)	(12,182)
Net assets	5,668	4,009
Total turnover	5,844	4,980
Total profit for the year	1,157	1,007
Shared by the Group:		
Net assets of the jointly controlled entities	2,927	2,701
Profit of jointly controlled entities for the year	311	573

Particulars of the principal jointly controlled entities are set out in Appendix 3 on page 155.

23. Interests in Infrastructure Project Investments

HK$ million	2005	2004
Investments	760	2,550
Accumulated amortisation	–	(709)
Infrastructure project receivables	–	148
	760	1,989
Allowance	–	(134)
	760	1,855
Impairment loss	(95)	–
At 31st December	665	1,855
Portion classified as:		
Non-current assets	579	1,855
Current assets	86	–
At 31st December	665	1,855

The Directors reviewed certain infrastructure projects' operations and financial positions as at 31st December, 2005 based on the present values of estimated future cash flows from those investments, discounted at the original effective interest rates. An impairment loss of HK$47 million against the investment in Qinyang Power Plants, Henan in Mainland China was recognised in view of the close-down of the power plant as at 31st December, 2005, and an impairment loss of HK$48 million against the investment in Fushun Cogen Power Plants, Liaoning in Mainland China was recognised in view of continuing loss in operation.

24. Investments in Securities

HK$ million	2005	2004
Financial assets at fair value through profit or loss		
Stapled securities, listed overseas	867	–
Unlisted equity securities	200	–
Equity investments, listed overseas	44	–
Available-for-sale financial assets		
Stapled securities, listed overseas	981	–
Non-trading securities		
Stapled securities, listed overseas	–	885
Equity investments, listed overseas	–	67
Other securities		
Unlisted equity securities	–	236
Total	2,092	1,188

A stapled security comprises various subordinated loan notes and fully paid ordinary shares. It is quoted at a single combined price and cannot be traded separately.

25. Derivative Financial Instruments

HK$ million	At 31st December, 2005 Assets	Liabilities
Forward foreign exchange contracts	459	(360)
Interest rate swaps	–	(10)
	459	(370)
Portion classified as:		
Non-current	447	(370)
Current	12	–
	459	(370)

Currency Derivatives

During the current year, the Group utilised currency derivatives to hedge significant future transactions and cash flows. The Group is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposures.

The total notional amount of outstanding forward foreign exchange contracts committed by the Group are as follows:

HK$ million	At 31st December, 2005
Forward foreign exchange contracts	
Buy	5,115
Sell	4,904

At 31st December, 2005, the total fair value of the Group's currency derivatives is estimated to be approximately HK$99 million (net assets to the Group). These amounts are based on quoted market prices for equivalent instruments at 31st December, 2005, comprising HK$459 million assets and HK$360 million liabilities.

The fair values of the above currency derivatives that are designated and effective as cash flow hedges totalling HK$77 million (net assets to the Group) have been deferred in equity at 31st December, 2005.

Change in fair values of non-hedging currency derivatives amounting to HK$26 million has been credited to the income statement for the current year.

25. Derivative Financial Instruments (Cont'd)

Interest Rate Swaps

During the current year, the Group utilised interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The notional principal amounts of the interest rate swap contracts outstanding as at 31st December, 2005, their remaining terms and estimated total fair value are as follows:

HK$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount	Estimated fair value
Contracts maturing in 2010	BBSW or LIBOR*	5.63%	1,560	(10)
Fair value deferred in equity at 31st December, 2005				**(10)**

* BBSW – Australian Bank Bill Swap Reference Rate
   LIBOR – London Interbank Offered Rate

The fair value estimation covering the above interest rate swap contracts is based on quoted market prices for equivalent instruments at 31st December, 2005. All of the above interest rate swaps are designated and effective as cash flow hedges and the fair values (net liabilities to the Group) have been deferred in equity.

26. Goodwill

HK$ million	2005	2004
At 1st January	257	–
Relating to a subsidiary acquired	–	238
Impairment loss	(50)	–
Exchange difference	(32)	19
At 31st December	**175**	257

26. Goodwill (Cont'd)

The goodwill was recognised on acquisition of 100 per cent. interest in Cambridge Water PLC ("Cambridge Water"), the water supplier in South Cambridgeshire of the United Kingdom.

The Group tests goodwill annually for impairment, or more frequently if there are indications that the goodwill might be impaired.

The recoverable amount of Cambridge Water, which covers the above goodwill, are determined from value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rate, growth rates, and expected changes to selling prices and direct costs during the period. The Group estimates discount rate using the rate that reflect current market assessments of the time value of money and the risks specific to Cambridge Water. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the relevant markets.

The Group prepares cash flow forecasts derived from Cambridge Water's approved budget for 2006 to 2010 and extrapolates cash flows for the subsequent 10 years using same cashflow as that in 2010. The rate used to discount the forecast cash flows is 8 per cent. per annum.

As Cambridge Water's principal operation is supply of water which is regulated in nature, the Group considers that cash flow projection for 15 years and low growth rates are appropriate for the impairment test review.

Due to higher operating costs, more capital expenditure and lower profitability anticipated, the recoverable value of Cambridge Water was reduced through recognition of an impairment loss of HK$50 million against its goodwill at 31st December, 2005.

27. Other Non-current Assets

HK$ million	2005	2004
Finance lease debtors – non-current portion	–	6
Employee retirement benefit assets (note 33(b))	9	8
At 31st December	9	14

Details of finance lease debtors are shown below:

HK$ million	2005	2004
Gross investment in leases receivable:		
Within 1 year	7	9
In the 2nd to 5th year, inclusive	–	8
	7	17
Unearned finance lease income	(1)	(3)
Present value of finance lease debtors	6	14
Portion receivable:		
Within 1 year – current portion	6	8
In the 2nd to 5th year, inclusive – non-current portion	–	6
Total	6	14

28. Inventories

HK$ million	2005	2004
Raw materials	44	38
Work-in-progress	6	3
Stores, spare parts and supplies	11	93
Finished goods	30	23
	91	157
Contract work-in-progress	14	6
Total	105	163
Contract work-in-progress		
Costs plus recognised profits less recognised losses	140	94
Progress billing	(126)	(88)
Net amount	14	6

The cost of inventories charged to the Group's income statement during the year was HK$928 million (2004: HK$1,082 million).

29. Debtors and Prepayments

HK$ million	2005	2004
Trade debtors	217	301
Infrastructure project receivables	–	78
Prepayments, deposits and other receivables	171	499
Total	388	878

29. Debtors and Prepayments (Cont'd)

The aging analysis of the Group's trade debtors is as follows:

HK$ million	2005	2004
Current	85	114
1 month	60	78
2 to 3 months	24	28
Over 3 months	175	187
Gross total	344	407
Allowance	(127)	(106)
Total after allowance	217	301

Trade with customers for infrastructure materials is carried out largely on credit, except for new customers and customers with unsatisfactory payment records, where payment in advance is normally required. Trade with metered customers for water supply is carried out largely on credit and with unmetered customers largely by payment in advance. Invoices are normally payable within 1 month of issuance, except for certain well-established customers, where the terms are extended to 2 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.

The Directors consider that the carrying amount of debtors and prepayments approximates their fair values.

30. Bank and Other Loans

HK$ million	2005	2004
Unsecured bank and other loans repayable:		
Within 1 year	–	357
In the 2nd year	3,800	2,414
In the 3rd to 5th year, inclusive	3,223	7,972
After 5 years	3	369
	7,026	11,112
Obligations under finance leases repayable:		
Within 1 year	11	14
In the 2nd year	12	13
In the 3rd to 5th year, inclusive	9	21
After 5 years	3	7
	35	55
Unsecured notes, 3.5%, repayable after 5 years	1,995	2,244
Total	9,056	13,411
Portion classified as:		
Current liabilities	11	371
Non-current liabilities	9,045	13,040
Total	9,056	13,411

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	HK$		RMB		AU$		GBP		JPY		Total	
HK$ million	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Bank and other loans	3,800	3,800	–	357	2,886	6,586	340	369	–	–	7,026	11,112
Finance leases	–	–	–	–	–	–	35	55	–	–	35	55
Notes	–	–	–	–	–	–	–	–	1,995	2,244	1,995	2,244
Total	3,800	3,800	–	357	2,886	6,586	375	424	1,995	2,244	9,056	13,411

The average interest rate of the Group's loan portfolio is 4.76 per cent. (2004: 4.58 per cent.) for the current year.

30. Bank and Other Loans (Cont'd)

The Group's notes of HK$1,995 million (2004: HK$2,244 million) as at 31st December, 2005 were arranged at fixed interest rate and expose the Group to fair value interest rate risk. Other borrowings were arranged at floating rates, thus exposed the Group to cash flow interest rate risk.

At 31st December, 2005, interest rates on the bank and other loans (except for the fixed rate notes) were floating and determined with reference to Hong Kong Interbank Offered Rate, Australian Bank Bill Swap Reference Rate or London Interbank Offered Rate.

Details of the present value of the minimum finance lease payments are shown below:

HK$ million	2005	2004
Minimum lease payments:		
Within 1 year	13	16
In the 2nd year	13	15
In the 3rd to 5th year, inclusive	11	23
After 5 years	4	8
	41	62
Less: future finance charges	(6)	(7)
Present value of lease payments	35	55

At 31st December, 2005, the remaining weighted average lease term was 3.2 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

The Directors consider that the carrying amount of the bank and other loans approximates their fair values.

31. Creditors and Accruals

HK$ million	2005	2004
Trade creditors	149	160
Amount due to an unlisted associate	140	135
Other payables and accruals	816	544
Total	1,105	839

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

HK$ million	2005	2004
Current	83	66
1 month	31	17
2 to 3 months	15	19
Over 3 months	20	58
Total	149	160

The Directors consider that the carrying amount of creditors and accruals approximates their fair values.

32. 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:

HK$ million	Accelerated tax depreciation	Tax losses	Fair value changes in securities	Others	Total
At 1st January, 2004	114	(50)	87	–	151
Credit to profit for the year	(3)	(6)	–	–	(9)
Charge against investment revaluation reserve	–	–	39	–	39
Relating to subsidiaries acquired and disposed of	152	–	–	(3)	149
Exchange translation differences	11	–	3	–	14
At 31st December, 2004	274	(56)	129	(3)	344
(Credit)/Debit to profit for the year	(26)	55	22	(4)	47
Exchange translation differences	(24)	–	(6)	1	(29)
At 31st December, 2005	**224**	**(1)**	**145**	**(6)**	**362**

For the purpose of balance sheet presentation, all deferred tax assets have been offset against deferred tax liabilities.

Apart from the unused tax losses of which the deferred tax assets were recognised as presented above, the Group had unused tax losses and other unused tax credits totalling HK$1,504 million (2004: HK$490 million) at 31st December, 2005. 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:

HK$ million	2005	2004
Within 1 year	41	45
In the 2nd year	39	41
In the 3rd to 5th year, inclusive	89	88
No expiry date	1,335	316
Total	**1,504**	490

33. Retirement Plans

(a) Defined Contribution Retirement Plans

The Group provides defined contribution retirement plans for its eligible employees except for 2 defined benefit plans for the employees of certain subsidiaries as detailed in (b) and (c) below.

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 income each capped at HK$20,000.

As the Group's retirement plans in Hong Kong, including the defined benefit plan mentioned in (b) below, 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.

The Group's costs in respect of defined contribution plans for the year amounted to HK$11 million (2004: HK$9 million). Forfeited contributions and earnings for the year under the defined contribution plans amounting to HK$1 million (2004: HK$1 million) were used to reduce the existing level of contributions. At 31st December, 2005, there was no forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution plans in future years (2004: nil).

(b) Defined Benefit Retirement Plan operating in Hong Kong

Certain subsidiaries of the Group operate a defined benefit retirement plan in Hong Kong for their eligible employees. 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.

33. Retirement Plans (Cont'd)

(b) Defined Benefit Retirement Plan operating in Hong Kong (Cont'd)

Actuarial valuation of the defined benefit plan according to HKAS 19 "Employee Benefits" was carried out at 31st December, 2005, by Mr. Billy Y.L. Wong 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:

HK$ million	**2005**	2004
Discount rate at 31st December	**4.25% per annum**	3.25% per annum
Expected return on plan assets	**6.5% per annum**	7% per annum
Expected rate of salary increase	**5% per annum**	3% per annum for the next year and 5% per annum thereafter

The following amounts in respect of the defined benefit plan have been charged/(credited) to the consolidated income statement under operating costs:

HK$ million	**2005**	2004
Current service cost	**2**	5
Interest cost	**2**	4
Expected return on plan assets	**(4)**	(7)
Net actuarial loss recognised	**–**	2
Amortisation of transitional liability	**1**	2
Loss on curtailment and settlement	**–**	15
Reduction of net asset due to limit per paragraph 58(b) of HKAS 19	**1**	–
Net amount charged to consolidated income statement	**2**	21

During the year 2004, more than 40 per cent. of the participating employees left the plan due to reorganisation. This triggered a curtailment and settlement event which resulted in a charge of HK$15 million as included above.

The actual return on plan assets for the year ended 31st December, 2005 is a gain of HK$5 million (2004: HK$9 million).

NOTES TO THE FINANCIAL STATEMENTS

33. Retirement Plans (Cont'd)

(b) Defined Benefit Retirement Plan operating in Hong Kong (Cont'd)

The amount included in the consolidated balance sheet at 31st December, 2005 and 2004 arising from the Group's obligations in respect of its defined benefit plan in Hong Kong is as follows:

HK$ million	2005	2004
Present value of defined benefit obligations	56	62
Unrecognised actuarial losses	(3)	(8)
Fair value of plan assets	(62)	(60)
Unrecognised transitional liability	(1)	(2)
Reduction of net asset due to limit per paragraph 58(b) of HKAS 19	1	–
Employee retirement benefit assets included in the consolidated balance sheet (note 27)	**(9)**	(8)

Movements in the Group's assets in respect of the defined benefit plan recognised in the consolidated balance sheet are as follows:

HK$ million	2005	2004
At 1st January	(8)	(23)
Employers' contributions	(3)	(6)
Amount charged to consolidated income statement	2	21
At 31st December	**(9)**	(8)

On 1st January, 2002, the Group adopted Statement of Standard Accounting Practice 34 "Employee Benefits" and 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 5 years from 1st January, 2002. A charge of HK$1 million (2004: HK$2 million) was recognised in the current year. An additional charge of HK$4 million was recognised for the year ended 31st December, 2004 and included in the above loss on curtailment and settlement cost. As at 31st December, 2005, the transitional liability of HK$1 million (2004: HK$2 million) remained unrecognised.

33. Retirement Plans (Cont'd)

(b) Defined Benefit Retirement Plan operating in Hong Kong (Cont'd)

Another actuarial valuation was completed at 1st January, 2006 by Mr. Billy Y.L. Wong, 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 6 per cent. per annum, and the average annual salary increases at 5 per cent. per annum. The actuarial valuation showed that the fair value of the plan assets attributable to the Group of HK$62 million at 31st December, 2005 represents 119 per cent. of the present value of the obligations as at that date. Contributions to fund the obligations are based upon the recommendations of actuary to fully fund the retirement plan on an ongoing basis. The funding rates are subject to annual review.

(c) Defined Benefit Retirement Plan operating in the United Kingdom

Cambridge Water PLC, a wholly-owned subsidiary acquired by the Group on 28th April, 2004, operates a defined benefit retirement plan in the United Kingdom. The retirement plan is covered under the Water Companies Pension Scheme of which the Company is a member. Contributions to the defined benefit plan are made by the employees at 6 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.

Actuarial valuation of the defined benefit plan was updated to 31st December, 2005, by Mr. Stephen J Davies FIA of Lane Clark & Peacock LLP, who is a Fellow of the Institute 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:

	2005	2004
Discount rate at 31st December	**4.9% per annum**	5.3% per annum
Expected return on plan assets	**6.3% per annum**	6.3% per annum
Expected rate of pension increase	**2.8% per annum**	2.9% per annum
Expected rate of salary increase	**4.8% per annum**	4.9% per annum

33. Retirement Plans (Cont'd)

(c) Defined Benefit Retirement Plan operating in the United Kingdom (Cont'd)

The following amounts in respect of the defined benefit plan have been charged/(credited) to the consolidated income statement under operating costs:

HK$ million	2005	2004
Current service cost	8	7
Interest cost	19	19
Expected return on plan assets	(21)	(21)
Net actuarial gain/(loss) not recognised	6	(2)
Net amount charged to consolidated income statement	12	3

The actual return on plan assets for year ended 31st December, 2005 is a gain of HK$55 million (for the period from 28th April to 31st December, 2004 : HK$24 million).

The amount included in the consolidated balance sheet at 31st December, 2005 arising from the Group's obligations in respect of its defined benefit plan in the United Kingdom is as follows:

HK$ million	2005	2004
Present value of defined benefit obligations	395	388
Unrecognised actuarial losses	–	(10)
Fair value of plan assets	(374)	(363)
Employee retirement benefit liabilities classified as other non-current liabilities included in the consolidated balance sheet	21	15

33. Retirement Plans (Cont'd)

(c) Defined Benefit Retirement Plan operating in the United Kingdom (Cont'd)

Movements in the Group's liabilities in respect of the defined benefit plan recognised in the consolidated balance sheet are as follows:

HK$ million	2005	2004
At 1st January/acquisition date	15	14
Exchange translation differences	(1)	1
Employers' contributions	(5)	(3)
Amount charged to consolidated income statement	12	3
At 31st December	**21**	15

The above actuarial valuation showed that the fair value of the plan assets attributable to the Group of HK$374 million at 31st December, 2005 represents 94.7 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 April, 2005. The funding rates are subject to annual review.

34. Share Capital

HK$ million	2005	2004
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

35. Notes to Consolidated Cash Flow Statement

(a) Cash generated from operations

HK$ million	2005	2004
Profit before taxation	5,908	3,522
Gain on disposals of associates	(3,763)	–
Impairment losses	1,727	250
Share of results of associates	(3,183)	(2,842)
Share of results of jointly controlled entities	(311)	(573)
Interest income from loans granted to associates	(856)	(863)
Other interest income	(283)	(174)
Finance lease income	(2)	(3)
Return from infrastructure project investments	(138)	(178)
Finance costs	732	644
Depreciation of property, plant and equipment	134	160
Amortisation of prepayment for leasehold land	11	11
Change in fair values of investment properties	(3)	–
Gain on disposals of property, plant and equipment	(9)	(3)
Gain on disposal of infrastructure project investment	(14)	–
Gain on disposals of subsidiaries	–	(22)
Allowance for amounts due by unlisted associates	–	30
Allowance for investment in an associate	–	1
Amortisation of costs of infrastructure project investments	–	85
Gain on disposals of listed securities	(1)	(85)
Change in fair values of investments in securities	(16)	61
Pension costs of defined benefit retirement plans	14	24
Unrealised exchange (gain)/loss	(249)	113
Returns received from jointly controlled entities	924	751
Returns received from infrastructure project investments	346	188
Interest received from associates	443	406
Contributions to defined benefit retirement plans	(8)	(9)
Net cash paid at close of derivative financial instruments	(43)	–
Operating cash flows before changes in working capital	1,360	1,494
Decrease/(increase) in inventories	58	(3)
Decrease/(increase) in debtors and prepayments	506	(138)
Increase in creditors and accruals	101	5
Exchange translation differences	(15)	(29)
Cash generated from operations	**2,010**	1,329

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

(b) Acquisitions of subsidiaries during the year 2004

HK$ million	**At fair value**
Net assets acquired:	
Property, plant and equipment	747
Inventories	2
Debtors and prepayments	108
Bank balances and deposits	19
Creditors and accruals	(129)
Taxation	(5)
Bank and other loans	(92)
Deferred taxation	(150)
Other non-current liabilities	(14)
	486
Goodwill	238
Total consideration	724
Satisfied by:	
Cash	724

The values of the assets and liabilities presented above represent their respective book values at acquisition dates, except for the fair value of property, plant and equipment in which a surplus of HK$135 million is accounted for.

Analysis of the net cash flow arising on the acquisitions:

HK$ million	
Cash consideration	(716)
Other transaction costs paid	(8)
Bank balances and deposits acquired	19
Net cash outflow arising from the acquisitions	(705)

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

(c) Disposals of subsidiaries during the year 2004

HK$ million	
Net assets disposed of :	
Property, plant and equipment	5
Inventories	6
Debtors and prepayments	18
Bank balances and deposits	30
Creditors and accruals	(22)
Deferred taxation	(1)
	36
Allowance for interest in a jointly controlled entity	22
Gain on disposals of subsidiaries	22
Total consideration	80
Satisfied by:	
Cash	80

Analysis of the net cash flow arising on the disposals:

HK$ million	
Cash consideration	80
Bank balances and deposits disposed of	(30)
Net cash inflow arising from the disposals	50

36. Emoluments of Directors and Five Highest Paid Individuals

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 each of the Company's directors for the current year, 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 2005	Total Emoluments 2004
Li Tzar Kuoi, Victor(1)	0.07	–	8.00	–	–	8.07	6.31
Kam Hing Lam(1)	0.07	4.20	3.87	–	–	8.14	6.91
Ip Tak Chuen, Edmond	0.07	1.80	3.50	–	–	5.37	4.84
Fok Kin Ning, Canning(1)	0.07	–	–	–	–	0.07	0.07
Kwan Bing Sing, Eric	0.07	6.74	1.60	0.67	–	9.08	8.56
Chow Woo Mo Fong, Susan(1)	0.07	–	–	–	–	0.07	0.07
Frank John Sixt(1)	0.07	–	–	–	–	0.07	0.07
Tso Kai Sum(1)	0.07	–	–	–	–	0.07	0.07
Cheong Ying Chew, Henry(3)	0.16	–	–	–	–	0.16	0.14
Lee Pui Ling, Angelina	0.07	–	–	–	–	0.07	0.12
Barrie Cook(2)	0.07	0.32	–	–	–	0.39	0.39
Kwok Eva Lee(3)	0.14	–	–	–	–	0.14	0.04
Sng Sow-Mei(3)	0.14	–	–	–	–	0.14	0.04
Colin Stevens Russel(3)	0.16	–	–	–	–	0.16	–
Lan Hong Tsung, David(3)	0.12	–	–	–	–	0.12	–
George Colin Magnus(1) & (2)	0.07	–	–	–	–	0.07	0.07
Total for the year 2005	**1.49**	**13.06**	**16.97**	**0.67**	**–**	32.19	
Total for the year 2004	1.04	11.31	14.85	0.50	–		27.70

Notes:

(1) During the current year, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mrs. Chow Woo Mo Fong, Susan, Mr. Frank John Sixt and Mr. Tso Kai Sum each received directors' fees of HK$70,000 (2004: HK$70,000), Mr. Fok Kin Ning, Canning received director's fees of HK$78,334 (2004: HK$70,000) and Mr. George Colin Magnus received director's fees of HK$111,667 (2004: HK$120,000) from Hongkong Electric. Except for HK$11,667 received by Mr. George Colin Magnus for acting a non-executive director of Hongkong Electric for the period from 1st November, 2005 to 31st December, 2005, the directors' fees totalling HK$528,334 (2004: HK$540,000) were then paid back to the Company.

(2) Directors' fees received by these directors from a subsidiary of the Company were paid back to the Company and are not included in the amounts above.

(3) Independent non-executive directors ("INED"), audit committee members ("ACM") and remuneration committee members ("RCM") - During the current year, Mr. Cheong Ying Chew, Henry, Ms. Kwok Eva Lee and Ms. Sng Sow-Mei have acted as an INED and ACM of the Company. Mr. Colin Stevens Russel and Mr. David Lan have been appointed as INED and ACM of the Company since 1st January, 2005 and 21st February, 2005, respectively. Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel have been appointed as RCM of the Company since 1st January, 2005. The total emoluments paid to these INED, ACM and RCM during the current year are HK$720,440 (2004: HK$318,254).

36. Emoluments of Directors and Five Highest Paid Individuals (Cont'd)

Of the 5 individuals with the highest emoluments in the Group, 4 (2004: 4) are directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining 1 (2004: 1) individual falls within the band of HK$4,500,001 to HK$5,000,000, details of which is set out below:

HK$ million	2005	2004
Salaries and benefits in kind	2	2
Contributions to retirement plan	1	1
Bonuses	2	2
Total	5	5

37. Commitments

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

	Contracted but not provided for		Authorised but not contracted for	
HK$ million	2005	2004	2005	2004
Investments in associates and jointly controlled entities	1,328	6,299	–	–
Plant and machinery	8	10	39	71
Others	–	–	–	19
Total	1,336	6,309	39	90

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

HK$ million	2005	2004
Within 1 year	5	4
In the 2nd to 5th year, inclusive	7	5
After 5 years	–	7
Total	12	16

38. Contingent Liabilities

HK$ million	2005	2004
Guarantee in respect of bank loans drawn by a jointly controlled entity	644	685
Guarantee in respect of bank loans drawn by an associate	–	1,257
Guarantee in respect of performance bonds	20	–
Guarantee in respect of standby letter of credit	–	3
Total	664	1,945

39. Material Related Party Transactions

During the year, the Group advanced HK$81 million (2004: HK$42 million) to its unlisted associates. The Group received repayments totalling HK$1 million (2004: Nil) from unlisted associates. The total outstanding loan balances as at 31st December, 2005 amounted to HK$3,848 million (2004: HK$7,894 million), of which HK$3,394 million (2004: HK$7,370 million) bore interest with reference to Australian Bank Bill Swap Reference Rate or at fixed rates, and HK$454 million (2004: HK$524 million) was interest-free. As stated in note 7, interest from loans granted to associates during the year amounted to HK$856 million (2004: HK$863 million). Except for a loan of HK$94 million (2004: HK$94 million) which was repayable within sixteen years (2004: seventeen years), the loans had no fixed terms of repayment.

In the prior year, the Group advanced HK$179 million to a jointly controlled entity. During the current year, the Group received repayments totalling HK$453 million (2004: HK$15 million) from jointly controlled entities. The total outstanding loan balances as at 31st December, 2005 amounted to HK$1,624 million (2004: HK$2,100 million), of which HK$444 million (2004: HK$1,050 million) bore interest with reference to Hong Kong dollar prime rate, and HK$1,180 million (2004: HK$1,050 million) was interest-free. The loans had no fixed terms of repayment.

Moreover, the Group's sales and purchases of infrastructure materials to/from a jointly controlled entity for the current year amounted to HK$174 million (2004: HK$136 million) and HK$149 million (2004: HK$202 million), respectively.

The emoluments of key management have been presented in note 36 above.

40. Approval of Financial Statements

The financial statements set out on pages 90 to 155 were approved by the Board of Directors on 16th March, 2006.

PRINCIPAL SUBSIDIARIES

Appendix 1

The table below shows the subsidiaries as at 31st December, 2005 which, in the opinion of the Directors, principally affected 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	Issued share capital Number	Issued share capital Par value per share	Proportion of nominal value of issued capital held by the Group (per cent.)	Principal activities
Incorporated and operating in Hong Kong				
Anderson Asia (Holdings) Limited	2 ordinary	HK$0.5	100	Investment holding
	65,780,000 non-voting deferred	HK$0.5	–	
Anderson Asphalt Limited	36,000 ordinary	HK$100	100	Production and laying of asphalt and investment holding
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
Incorporated in British Virgin Islands and operating in Hong Kong				
Cheung Kong Infrastructure Finance (BVI) Limited	1 ordinary	US$1	100	Financing
Daredon Assets Limited	1 ordinary	US$1	100	Treasury
Green Island International (BVI) Limited	1 ordinary	US$1	100	Investment holding

PRINCIPAL SUBSIDIARIES

Appendix 1 (Cont'd)

Name	Issued share capital Number	Par value per share	Proportion of nominal value of issued capital held by the Group (per cent.)	Principal activities
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
Incorporated and operated in the United Kingdom				
Cambridge Water PLC	14,621,152 ordinary	£0.05	100	Water supply

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

Appendix 2

The table below shows the associates as at 31st December, 2005 which, in the opinion of the Directors, principally affected 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	Issued share capital 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	23	Electricity distribution
CKI/HEI Electricity Distribution Pty Limited (note 3)	810,000,000 ordinary	A$1	23	Electricity distribution
CKI/HEI Electricity Distribution Two Pty Limited (note 4)	180,000,000 ordinary	A$1	23	Electricity distribution
	37,188,524,600 ordinary	A$0.01		
CrossCity Motorway Holdings Pty Limited (note 5)	3,686,545 ordinary	A$0.01	50	Operation of Cross City Tunnel
CrossCity Motorway Holdings Trust (note 5)	N/A	N/A	50	Operation of Cross City Tunnel
Lane Cove Tunnel Holding Company Pty Limited (note 6)	42,827,999 ordinary	A$1	40	Construction and operation of Lane Cove Tunnel

PRINCIPAL ASSOCIATES

Appendix 2 (Cont'd)

Name	Issued share capital Number	Par value per share	Approximate share of equity shares held by the Group (per cent.)	Principal activities
Incorporated and operating in Australia (Cont'd)				
Lane Cove Tunnel Holding Trust (note 6)	N/A	N/A	40	Construction and operation of Lane Cove Tunnel
Incorporated and operated in the United Kingdom				
Northern Gas Networks Holdings Limited	571,670,979 ordinary	£1	40	Gas Distribution
	1 Special	£1		

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

   CKI Utilities Development Limited and HEI Utilities Development Limited, both of which are associates of the Group, own 51 per cent. interests in ETSA Utilities Partnership.

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

3. 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.

Appendix 2 (Cont'd)

Notes:

4. 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.

5. CrossCity Motorway Holdings Pty 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 operate the Cross City Tunnel in Sydney of Australia.

6. Lane Cove Tunnel Holding Company Pty Limited or Lane Cove Tunnel Holding Trust own 100 per cent. interests in the following companies ("the Lane Cove Tunnel Group"):

   Lane Cove Tunnel Company Pty Limited
   Lane Cove Tunnel Trust
   Lane Cove Tunnel Finance Company Pty Limited

   The Lane Cove Tunnel Group is engaged to construct and operate the Lane Cove Tunnel in Sydney of Australia.

PRINCIPAL JOINTLY CONTROLLED ENTITIES

Appendix 3

The table below shows the jointly controlled entities as at 31st December, 2005 which, in the opinion of the Directors, principally affected 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
Incorporated and operating in Hong Kong			
Alliance Construction Materials Limited	50	50	Quarry operation and production and sale of concrete and aggregates

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

Appendix 4

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	5,528	C	Medium

I : Industrial C : Commercial

PROJECT PROFILES

Investment in Hongkong Electric

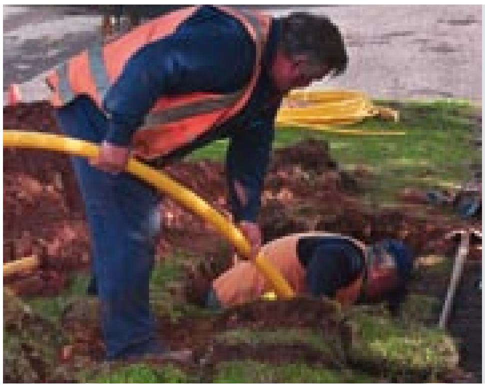
Hongkong Electric Holdings Limited, Hong Kong

CKI shareholding	38.87%
Installed capacity	3,420 MW
Business	Exclusive right to generate and distribute electricity to Hong Kong Island and Lamma Island
2005 net profit	HK$8,562 million

Infrastructure Investments – Energy

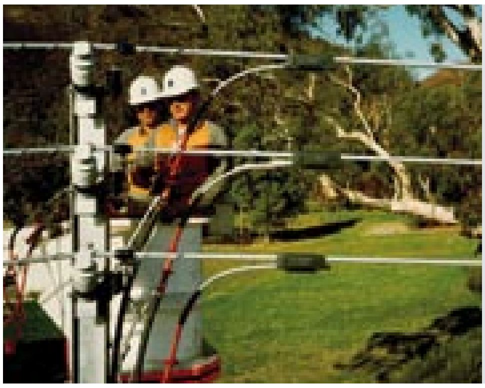
CitiPower I Pty Ltd., Victoria, Australia

CKI shareholding	23.07% (another 27.93% 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	4,013 km
Consumer coverage	280,000 customers



Envestra Limited, Australia

CKI shareholding	17.14%
Business	Australia's largest distributor of natural gas
Natural gas distribution network	18,700 km
Consumer coverage	960,000 customers



ETSA Utilities, South Australia, Australia

CKI shareholding	23.07% (another 27.93% held by Hongkong Electric)
Business	To operate the electricity distribution network, covering an area of 178,200 sq km, in the state of South Australia for 200 years
Electricity distribution network	80,103 km
Consumer coverage	768,000 customers

Infrastructure Investments – Energy

Northern Gas Networks, the United Kingdom

CKI shareholding	40% (another 19.9% held by Hongkong Electric)
Business	One of the eight major gas distribution networks in the United Kingdom
Natural gas distribution network	36,000 km
Consumer coverage	2.5 million consumers (serves a total population of 6.7 million)

Powercor Australia Limited, Victoria, Australia

CKI shareholding	23.07% (another 27.93% held by Hongkong Electric)
Business	To operate the electricity distribution network, covering an area of over 150,000 sq km, in the state of Victoria
Electricity distribution network	81,271 km
Consumer coverage	643,000 customers

Spark Infrastructure Group, Australia

CKI shareholding	9.9%
CKI's investment	A$180 million
Business	An infrastructure fund listed in Australia with seed assets being a 49% stake in each of CitiPower, ETSA Utilities and Powercor
Manager	CKI owns 50% interest in the management company

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%

Infrastructure Investments – Energy

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 (Unit 1 & 2)

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%

Zhuhai Power Plant, Guangdong (Unit 3 & 4)

Location	Zhuhai, Guangdong Province
Total capacity	1,200 MW
Joint venture contract date	2005
Joint venture expiring	2035
Operational status	Under construction, operation commencing 2007
Total project cost	HK$5,741 million
CKI's interest	Approx. HK$700 million
Interest in JV	45%

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

Lane Cove Tunnel, Sydney, New South Wales, Australia

CKI shareholding	40%
Road type	Tunnel
Length	3.7 km
No. of lanes	Dual two/three-lane
Operational status	Construction commenced June 2004
Completion	Mid 2007
Total project cost	A$1.7 billion

Sydney Cross City Tunnel, New South Wales, Australia

CKI shareholding	50%
Road type	Tunnel
Length	2.1 km
No. of lanes	Dual two-lane
Operational status	Operational
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%

Infrastructure Investments – Transportation

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%

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 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%

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%

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%

Infrastructure Investments – Water

AquaTower Pty Limited, Australia

CKI shareholding	49%
Business	AquaTower has the exclusive rights until 2027 to provide potable water to four towns in Victoria
Consumer coverage	Serves a total population of 50,000

Cambridge Water PLC, the United Kingdom

CKI shareholding	100%
Business	Supplies fresh water to an area of 1,100 sq km in South Cambridgeshire
Water Distribution System	7 service reservoirs, 10 water towers and 2,200 km of water mains
Consumer coverage	Serves a total population of 300,000

Infrastructure Related Business

Alliance Construction Materials, Hong Kong

Concrete Division
Total capacity: 4 million cubic meters per annum
Hong Kong's largest concrete producer
6 strategically-located batching plants throughout Hong Kong
Over 200 mixer trucks
CKI's interest: 50%

Quarry Division
Total capacity (Aggregates): 7 million tones per annum
5 quarries in total: 3 in Hong Kong and 2 in Mainland China
CKI's interest: 50%

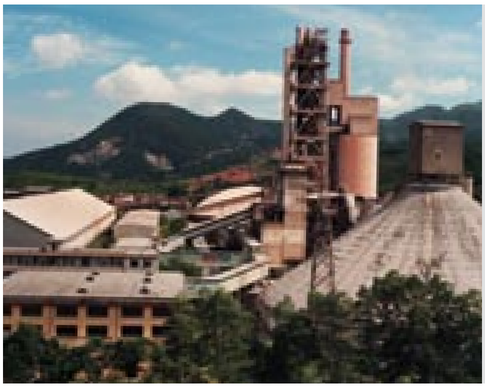
Anderson Asphalt, Hong Kong

Total asphalt capacity: 2.8 million tones per annum
Total recycling capacity: 0.5 million tones per annum
Total sub-base capacity: 1.6 million tones per annum
Founded in 1977
Operations in Hong Kong, Mainland China, the Philippines, the Bahamas and the Marshall Islands
Specially designed mastic asphalt for Tsing Ma Bridge and the Shenzhen Western Corridor Bridge (Hong Kong), Jiangyin Bridge (Mainland China) and Irtysh River Bridge (Kazakhstan)
One of Hong Kong's largest asphalt producers, pavement contractors and recyclers

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 market share in Hong Kong
Only producer of high early strength and low alkaline cement in Hong Kong



Guangdong GITIC Green Island Cement Co. Ltd., Guangdong

Location: Yunfu, Guangdong Province
Total cement: 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%

CORPORATE INFORMATION

DIRECTORS

Executive Directors

LI Tzar Kuoi, Victor (Chairman)

IP Tak Chuen, Edmond (Deputy Chairman)
FOK Kin Ning, Canning (Deputy Chairman)

KAM Hing Lam (Group Managing Director)

KWAN Bing Sing, Eric (Deputy Managing Director)

Independent Non-executive Directors

CHEONG Ying Chew, Henry
KWOK Eva Lee
SNG Sow-Mei (PHOON Sui Moy, alias POON Sow Mei)
Colin Stevens RUSSEL
LAN Hong Tsung, David

Executive Directors

CHOW WOO Mo Fong, Susan
Frank John SIXT
TSO Kai Sum

Non-executive Directors

LEE Pui Ling, Angelina
Barrie COOK
George Colin MAGNUS

COMPANY SECRETARY

Eirene YEUNG

QUALIFIED ACCOUNTANT

CHAN Loi Shun, Dominic

AUDIT COMMITTEE

CHEONG Ying Chew, Henry (Chairman)
KWOK Eva Lee
SNG Sow-Mei (PHOON Sui Moy, alias POON Sow Mei)
Colin Stevens RUSSEL
LAN Hong Tsung, David

REMUNERATION COMMITTEE

LI Tzar Kuoi, Victor (Chairman)
Colin Stevens RUSSEL
CHEONG Ying Chew, Henry

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bayerische Landesbank
Commonwealth Bank of Australia
The Hongkong and Shanghai Banking Corporation Limited
The Royal Bank of Scotland
Barclays Bank PLC
BNP Paribas
Deutsche Bank AG
National Australia Bank
Scotiabank

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 HM08,
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 2005 ("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, interim report, notice of meeting, circular and proxy form) by notice in writing to the Company's Branch Share Registrars.

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