



Cheung Kong Infrastructure Holdings Limited

(Incorporated in Bermuda with limited liability)

Annual Report 2001

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Global

Investment

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



Investment in Hongkong Electric

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



Infrastructure Investments Energy


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



Infrastructure Investments

Transportation

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



Infrastructure Materials and

Infrastructure-related Businesses

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

Five-Year Financial Summary

Consolidated Income Statement Summary

for the year ended 31st December

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

Consolidated Balance Sheet Summary

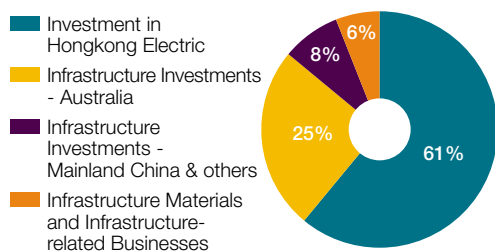
as at 31st December

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

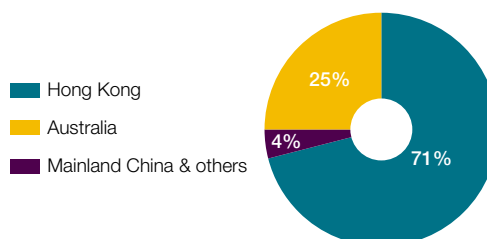
Per Share Data

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

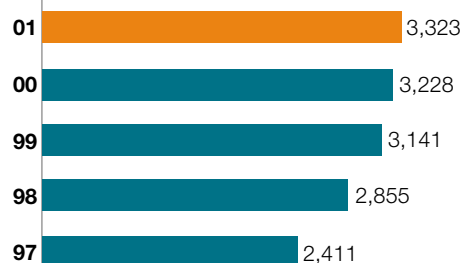
2001 Profit Contribution by Business Segment



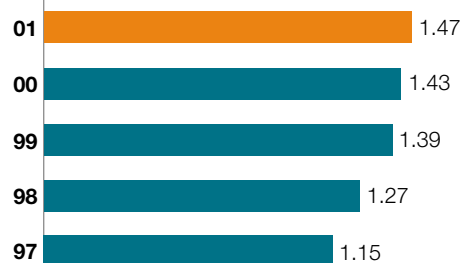
2001 Profit Contribution by Geographic Region



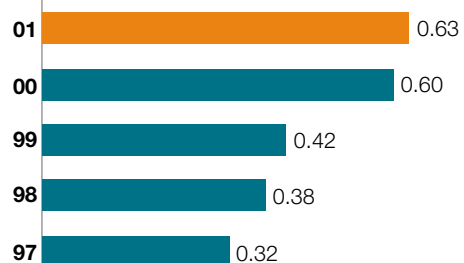
Profit Attributable to Shareholders HK\$ million



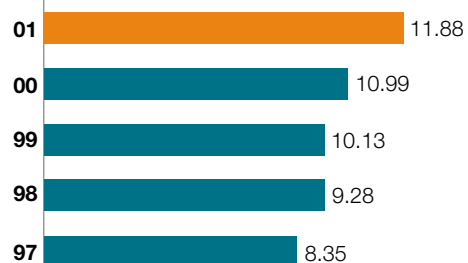
Earnings Per Share HK\$



Dividends Per Share HK\$



Net Book Value Per Share HK\$





LI TZAR KUOI, VICTOR (Chairman)

TO OUR SHAREHOLDERS

We are pleased to report that Cheung Kong Infrastructure Holdings Limited (“CKI”)’s audited consolidated profit attributable to shareholders for the year ended 31st December, 2001 was HK\$3,323 million, an increase of 3 per cent. from the previous year. Earnings per share were HK\$1.47.

Grow from Solid Foundations

Venture towards New Heights

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

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

1. Solid Revenue Base

- Investment in Hongkong Electric Holdings Limited has continued to generate a high profit contribution during the year due to the exceptional gain from its overseas investment.
- Profit contributions from Australian infrastructure business operations exceeded initial projections.
- Significant revenue and cash contribution from China infrastructure operations continued.

Chairman's Letter (Cont'd)

2. Divestment Gains

- A one-off gain of HK\$351 million was generated from the sale of Powercor Australia Limited ("Powercor")'s retail business.
- The disposal of Nanhai Power Plant I realised a profit of HK\$221 million for the Group.
- Further divestment of underperforming assets continues to be carried out, in particular, the disposal of the Nanhai Road Network and Shantou Power Plants which are being finalised.

3. Efficient Cost and Operating Structure

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

4. Prudent Financial Management

- A prudent HK\$500 million provision has been made against the HK\$8 billion China infrastructure portfolio.
- Commitments from major international banking groups have been secured to refinance the HK\$3.8 billion syndicated loan.
- A strong balance sheet with net debt-to-equity of 16 per cent. and cash in hand of HK\$4 billion have been recorded at the end of 2001.
- Standard and Poor's A- rating has been maintained.

Outlook

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

1. CKI's current portfolio of investments in energy, transportation, and other infrastructure-related businesses provides a strong and secure revenue base for the Group giving it ample financial resources for investment expansion.
2. Divestment of the Group's China infrastructure portfolio and the sale of Powercor's retail operations further strengthen the solid balance sheet and strong cash position.
3. The wealth of expertise acquired from the various infrastructure investments has equipped our management team with the judgement, wisdom and experience to take on new opportunities.
4. Connections and relationships forged amongst business associates and relevant government departments in many countries worldwide will facilitate considerably the acquisition and operation of new infrastructure investments.

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

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

LI TZAR KUOI, VICTOR

Chairman

Hong Kong, 14th March, 2002

Financial Review

Financial Resources, Treasury Activities and Gearing Ratio

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

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

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

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in Hong Kong or U.S. dollars. The Group's liquidity and financing

requirements are reviewed regularly. The Group will consider new financing while maintaining an appropriate level of gearing in anticipation of new investments or maturity of bank loans.

As at 31st December, 2001, the Group maintained a gearing ratio at 16 per cent. which was based on its net debt of HK\$4,389 million and equity of HK\$26,787 million. This ratio was lower than the gearing ratio of 34 per cent. at the year end of 2000, mainly because of the repayment of a short-term Australian dollar bridging loan during the year. For potential project financing requirements from business growth, the Group has established a medium term note programme of up to US\$2 billion in March 2001 and secured the refinancing of HK\$3,800 million syndicated loan maturing in September 2002.

To minimise currency risk exposure, the Group has a policy of hedging its investments in other countries with the appropriate level of borrowings denominated in the local currencies of those countries. As at 31st December, 2001, the Group has swapped the floating interest rates of its borrowings totalling HK\$4,320 million into fixed interest rates. The Group will consider entering into further interest and currency swap transactions to hedge against its interest rate and currency risk exposures, as appropriate.

Charge on Group Assets

As at 31st December, 2001, certain of the Group's land and buildings, fixed deposit and other assets with carrying values totalling HK\$139 million were pledged to secure bank borrowings and a performance bond totalling HK\$71 million.

Contingent Liabilities

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

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

Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,177 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$448 million. The Group ensures that the pay levels of its employees are competitive and that its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

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

Group Managing Director's Report



H.L. KAM (Group Managing Director)

Year 2001 Review

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

Hongkong Electric

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

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

Australian Infrastructure

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

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

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

China Portfolio

With the completion of the Zhuhai Power Plant in February 2001, CKI's HK\$8 billion China portfolio came into full operation. Currently, we have interests in a power portfolio of over 2,000 MW in gross capacity and a

transportation portfolio spanning approximately 500 km of toll roads and bridges. During the year, CKI's China assets have performed satisfactorily and generated meaningful cash flow and earnings for the Group, despite a prudent provision made for the divestment of certain assets.

Infrastructure Materials and Infrastructure-related Businesses

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

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

Consolidation of the Group's Infrastructure Investments

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

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

Future Outlook

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

Strong Financial Position

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

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

Increasing Infrastructure Opportunities

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

Grow from Solid Foundations, Venture towards New Heights

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

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

H.L. KAM

Group Managing Director

Hong Kong, 14th March, 2002



Review of Operations



Investment in Hongkong Electric



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

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

Hongkong Electric

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

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

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

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

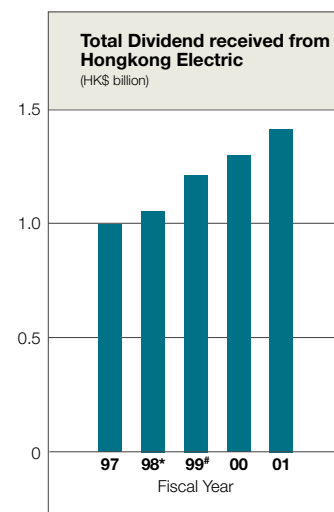
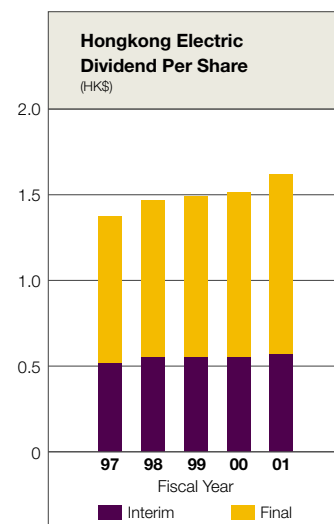
In 2000, Hongkong Electric initiated its investments overseas. Together with CKI, Hongkong Electric acquired ETSA Utilities and Powercor. Hongkong Electric has also taken a strategic stake in the Guangdong Liquefied Natural Gas project in Shenzhen in 2000.



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

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

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



* Final dividend in form of scrip (FY98)

Interim and final dividends in form of scrip (FY99)

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

Infrastructure Investments

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

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

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

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



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



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

Basil Scarsella

Chief Executive Officer, ETSA Utilities

ETSA Utilities

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

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

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

Powercor Australia Limited

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

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

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

Investment in Envestra Limited

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



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

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

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

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

C.T. Wan

Director & Chief Executive Officer, Powercor Australia Limited



Infrastructure Investments (Cont'd)



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

Hong Kong Eastern Harbour Crossing Tunnel

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

China Transportation

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

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

In Guangzhou, the Guangzhou East-South-West Ring Road is a vital route connecting the eastern, western and southern parts of Guangzhou and provides a key link with major transportation corridors such as the Guang-Fo Expressway and Guang-Shen Expressway. The Ring Road has reported steady growth in revenue since its opening in June 2000.

In Panyu, the Beidou Bridge and its connecting roads were opened to traffic on schedule in January 2001. Toll revenue showed a steady growth and operating results generally met with expectations. The current emphasis of the Guangzhou Government on accelerating and expanding the development of Panyu as a major economic unit of Guangzhou will lead to higher revenue growth for the Bridge, which is one of the key routes connecting the

southern and northern parts of Panyu. An exciting milestone of this project was the ISO 9001 (year 2000 version) certification awarded by the Hong Kong Quality Assurance Association (HKQAA) during its first year of operation. The award, the first in Panyu, reflects the Group's continued commitment to quality management and operational efficiency.

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

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



China Power

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

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

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

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

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

Consolidation of China Portfolio and Prudent Provision

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

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

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



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

Infrastructure Materials and Infrastructure-related Businesses

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



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

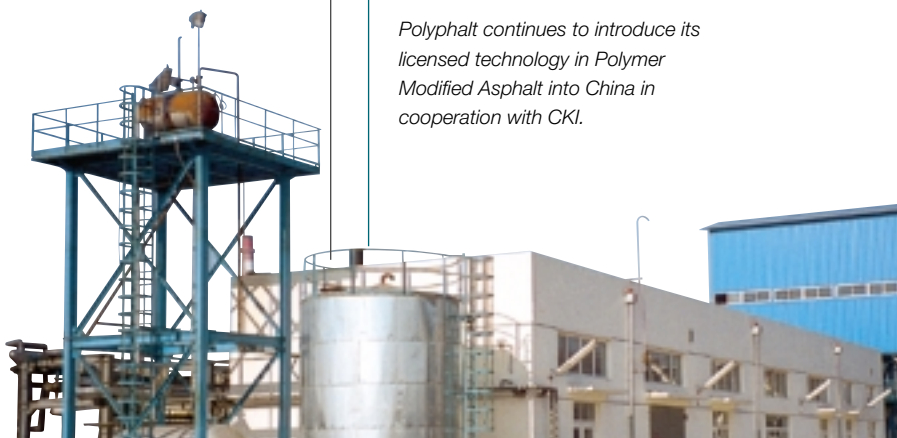
CKI Materials Operation

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

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

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

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



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

Polyphalt Inc.

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

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

Stuart Energy Systems Corp.

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

Water Business

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

Electronic Infrastructure

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



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



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

Environmental Awards and Achievements

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

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

Board and Senior Management



Executive Committee

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

Directors' Biographical Information

LI Tzar Kuoi, Victor, aged 37, has been the Chairman of the Company since its incorporation in May 1996. He is also the Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited, Deputy Chairman of Hutchison Whampoa Limited, an executive director of Hongkong Electric Holdings Limited, the Co-Chairman of Husky Energy Inc. and a director of The Hongkong and Shanghai Banking Corporation Limited. He is a member of the Chinese People's Political Consultative Conference, the Commission on Strategic Development and the Business Advisory Group. He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering.

George Colin MAGNUS, aged 66, has been Deputy Chairman of the Company since its incorporation in May 1996. He has also been an executive director of Cheung Kong (Holdings) Limited since 1980 and Deputy Chairman of Cheung Kong (Holdings) Limited since 1985. He is also the Chairman of Hongkong Electric Holdings Limited and an executive director of Hutchison Whampoa Limited. He holds a Master's degree in Economics.

FOK Kin Ning, Canning, aged 50, has been an Executive Director and Deputy Chairman of the Company since March 1997. Mr. Fok is currently the Group Managing Director of Hutchison Whampoa Limited. He is the Chairman of Hutchison Telecommunications (Australia) Limited and Partner Communications Company Ltd., the Co-Chairman of Hutchison Harbour Ring Limited and Husky Energy Inc. and the Deputy Chairman of Hongkong Electric Holdings Limited. He is also a director of Cheung Kong (Holdings) Limited. He holds a Bachelor of Arts degree and is a member of the Australian Institute of Chartered Accountants.

KAM Hing Lam, aged 55, has been the Group Managing Director of the Company since its incorporation in May 1996. He has also been Deputy Managing Director of Cheung Kong (Holdings) Limited since February 1993. He is also an executive director of Hutchison Whampoa Limited and Hongkong Electric Holdings Limited. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration.

IP Tak Chuen, Edmond, aged 49, has been an Executive Director of the Company since its incorporation in May 1996. He has also been an executive director of Cheung Kong (Holdings) Limited since September 1993 and is currently a non-executive director of TOM.COM LIMITED. He holds a Master of Science degree in Business Administration and a Bachelor of Arts degree in Economics.

Frank John SIXT, aged 50, has been an Executive Director of the Company since its incorporation in May 1996. He has also been a director of Cheung Kong (Holdings) Limited since 1991. Mr. Sixt is the Chairman of TOM.COM LIMITED, Group Finance Director of Hutchison Whampoa Limited and an executive director of Hongkong Electric Holdings Limited. He is also a director of Hutchison Telecommunications (Australia) Limited, Partner Communications Company Ltd. and Husky Energy Inc. Mr. Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

CHOW WOO Mo Fong, Susan, aged 48, has been an Executive Director of the Company since March 1997. She is the Deputy Group Managing Director of Hutchison Whampoa Limited. She is also an executive director of Hutchison Harbour Ring Limited, a director of Hongkong Electric Holdings Limited and Partner Communications Company Ltd. and a non-executive director of TOM.COM LIMITED. She is a solicitor and holds a Bachelor's degree in Business Administration.

TSO Kai Sum, aged 70, has been an Executive Director of the Company since March 1997. He is the Group Managing Director of Hongkong Electric Holdings Limited. He has broad experience in property development and power generation. He holds a Bachelor of Science degree in Engineering and is also a Chartered Engineer.

Barrie COOK, aged 59, has been an Executive Director of the Company since January 2000. He holds a Bachelor of Science degree in Civil Engineering and is a Chartered Engineer. He is the Chairman of the Hong Kong Construction Materials Association and a past Chairman of the East Asian Cement Forum and the Hong Kong Cement Association. He is a member of the Hong Kong Government's Advisory Council on the Environment and the Convenor of the Business Coalition on the Environment. He has previously chaired the Hong Kong Government's Waste Reduction Committee and the Environmental Committee of the Hong Kong General Chamber of Commerce.

KWAN Bing Sing, Eric, aged 57, has been an Executive Director of the Company since January 2000. He joined the Company in 1996 and has been with the Cheung Kong Group since February 1994. He holds a Master's degree in Business Administration and is a Chartered Engineer. He is also a member of the Institution of Electrical Engineers and Institute of Management of UK.

CHEONG Ying Chew, Henry, aged 54, is an Independent Non-executive Director of the Company. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management. He is a director of certain other listed companies in Hong Kong. Mr. Cheong is a member of the Process Review Panel for the Securities and Futures Commission and a member of the Derivatives Market Consultative Panel of the Hong Kong Exchanges and Clearing Limited.

LEE Pui Ling, Angelina, aged 53, is an Independent Non-executive Director of the Company. She is a practising solicitor, has a Bachelor of Laws degree and is a fellow of the Institute of Chartered Accountants in England and Wales. She is a director of certain other listed companies in Hong Kong and is active in public service. Her current public commitments include membership on a number of Hong Kong Government advisory and appeal boards.

Board and Senior Management (Cont'd)

Senior Management's Biographical Information

CHAN Kee Ham, Ivan, aged 39, Senior Manager, Planning and Investment, has been with the Cheung Kong Group since September 1999. He has over 15 years of experience in investment, banking and finance. He holds a Bachelor's degree in Science, a Bachelor's degree in Chinese Law and a Master's degree in Business Administration.

YEUNG, Eirene, aged 41, Company Secretary, has been with the Cheung Kong Group since August 1994. She is a solicitor of the High Court of the Hong Kong Special Administrative Region and of the Supreme Court of Judicature in England and Wales. She holds a Master's degree in Business Administration.

CHAN Loi Shun, Dominic, aged 39, Group Finance Manager, joined Hutchison Whampoa Limited in January 1992 and has been with the Cheung Kong Group since May 1994. He is an associate of the Hong Kong Society of Accountants and a fellow of the Association of Chartered Certified Accountants.

CHU Kee Hung, aged 57, General Manager, Technology Development, has been with the Cheung Kong Group since January 1994. He holds a Doctor of Philosophy degree in Mechanical Engineering and is a member of the American Society of Mechanical Engineers.

LEE Chack Fan, aged 56, General Manager, Infrastructure Development, has been with the Cheung Kong Group since February 1994. He holds a Doctorate in Geotechnical Engineering and is a Chartered Engineer.

YUEN Ming Kai, Clement, aged 55, General Manager, China Transportation, has been with the Company since January 1997. He holds a Bachelor's degree in Civil and Structural Engineering, and a Doctor of Philosophy degree in Geotechnical Engineering. He is a Chartered Engineer.

LUN Pak Lam, aged 45, General Manager, China Energy, joined Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited in May 1993 and June 1994 respectively and has been with the Company since July 1996. He holds a Bachelor's and a Master's degree in Engineering.

LEUNG Ying Wah, Lambert, aged 55, Managing Director of Green Island Cement (Holdings) Limited since September 2000, re-joined Anderson Asia (Holdings) Limited in July 1993. Prior to re-joining Anderson Asia (Holdings) Limited where he previously worked for 14 years, he was with a leading investment bank in Hong Kong. He is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Society of Accountants, a fellow of the Institute of Quarrying (UK) and the past chairman of the Institute of Quarrying, Hong Kong Branch.

YU Siu Lim, Gary, aged 46, Managing Director of Green Island International Limited and Director of Polyphalt Inc., has been with Green Island Cement (Holdings) Limited since 1993. Before joining Green Island Cement (Holdings) Limited, he worked for over 10 years with various companies of the Cheung Kong Group. He holds a Bachelor's degree in Computer Science.

John LAM, aged 51, Managing Director of Anderson Asia (Holdings) Limited, re-joined Anderson Asia (Holdings) Limited in March 1998. Prior to re-joining Anderson Asia (Holdings) Limited where he previously worked for 9 years, he was with a leading civil engineering company in Hong Kong. He holds a Master's degree in Business Administration. He is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Society of Accountants and a fellow of the Institute of Quarrying.

Donald William JOHNSTON, aged 59, Director of Anderson Asia (Holdings) Limited, Green Island International Limited and Polyphalt Inc., has been with the Cheung Kong Group since 1988. He holds a Master's degree in Business Administration and a Bachelor's degree in Civil Engineering and is a Chartered Professional Engineer. He is a member of the Institute of Engineers (Australia) and a fellow of the Institute of Quarrying.

Report of the Directors

The Directors are pleased to present shareholders with the annual report together with the audited financial statements of the Company and of the Group for the year ended 31st December, 2001.

Principal Activities

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

Results and Dividends

Results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 43.

The Directors recommend the payment of a final dividend of HK\$0.42 per share which, together with the interim dividend of HK\$0.21 per share paid on 11th October, 2001, makes a total dividend of HK\$0.63 per share for the year.

Fixed Assets

Movements in the Group's fixed assets during the year are set out in note 12 to the financial statements on page 60.

Reserves

Details of changes in the reserves of the Company and the Group are set out in note 26 to the financial statements on pages 71 and 72.

Group Financial Summary

Results, assets and liabilities of the Group for the last five years are summarised on pages 6 and 7.

Properties

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

Directors

The Directors of the Company are listed on page 104. The Directors' biographical information is set out on page 26.

In accordance with the Company's bye-laws, the Directors of the Company (other than the Chairman and the Managing Director) retire in each year by rotation. Mr. George Colin Magnus, Mr. Ip Tak Chuen, Edmond and Mr. Frank John Sixt retire from office and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Report of the Directors (Cont'd)

Directors' Interests

As at 31st December, 2001, the interests of the Directors in the shares and debentures of the Company and its associated corporations as required to be recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

No. of Ordinary Shares/Amount of Debentures

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Company	Li Tzar Kuoi, Victor	–	–	–	1,912,109,945 (Note 1)	1,912,109,945
	Kam Hing Lam	100,000	–	–	–	100,000
Hutchison Whampoa Limited	Li Tzar Kuoi, Victor	–	–	1,086,770 (Note 5)	2,140,672,773 (Note 2)	2,141,759,543
	George Colin Magnus	950,100	9,900	–	–	960,000
	Fok Kin Ning, Canning	–	–	1,260,875 (Note 6)	–	1,260,875
	Kam Hing Lam	60,000	–	–	–	60,000
	Frank John Sixt	50,000	–	–	–	50,000
	Chow Woo Mo Fong, Susan	50,000	–	–	–	50,000
	Lee Pui Ling, Angelina	38,500	–	–	–	38,500
	Fok Kin Ning, Canning	100,000	–	1,000,000 (Note 6)	–	1,100,000
Hutchison Telecommunications (Australia) Limited						
Hongkong Electric Holdings Limited	Li Tzar Kuoi, Victor	–	–	–	829,599,612 (Note 3)	829,599,612
	Lee Pui Ling, Angelina	8,800	–	–	–	8,800

Report of the Directors (Cont'd)

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

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Husky Energy Inc.	Li Tzar Kuoi, Victor	–	–	–	137,296,139 (Note 7)	137,296,139
		–	–	–	351,426 Transferable Warrants (Note 7)	351,426 Transferable Warrants
	Fok Kin Ning, Canning	–	–	300,000 (Note 6)	–	300,000
Partner Communications Company Ltd.	George Colin Magnus	25,000	–	–	–	25,000
	Fok Kin Ning, Canning	–	–	225,000 (Note 6)	–	225,000
Believewell Limited	Li Tzar Kuoi, Victor	–	–	–	1,000 (Note 4)	1,000
Hutchison Whampoa International (01/11) Limited	Li Tzar Kuoi, Victor	–	–	US\$5,000,000 7% Notes due 2011 (Note 8)	–	US\$5,000,000 7% Notes due 2011
	Fok Kin Ning, Canning	–	–	US\$32,500,000 7% Notes due 2011 (Note 6)	–	US\$32,500,000 7% Notes due 2011

Report of the Directors (Cont'd)

Notes:

(1) The 1,912,109,945 shares in the Company comprise:

- (a) 1,906,681,945 shares are held by a subsidiary of Hutchison Whampoa Limited ("Hutchison Whampoa"). Certain subsidiaries of Cheung Kong (Holdings) Limited ("Cheung Kong Holdings") hold more than one-third of the issued share capital of Hutchison Whampoa. Li Ka-Shing Unity Trustee Company Limited ("TUT") as trustee of The Li Ka-Shing Unity Trust (the "LKS Unity Trust") and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong Holdings. All issued and outstanding units in the LKS Unity Trust are held by Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and by another discretionary trust. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, his wife and two daughters, and Mr. Li Tzar Kai, Richard. Mr. Li Tzar Kuoi, Victor, as a discretionary beneficiary of such discretionary trusts and a Director of the Company, is taken to be interested in those shares of Cheung Kong Holdings and in those shares of Hutchison Whampoa as held by the subsidiaries of Cheung Kong Holdings and in those shares of the Company as held by the subsidiary of Hutchison Whampoa as aforesaid.
- (b) 3,603,000 shares are held by Pennywise Investments Limited ("Pennywise") and 1,825,000 shares are held by Triumphant Investments Limited ("Triumphant"). Pennywise and Triumphant are companies controlled by TUT as trustee of the LKS Unity Trust. Mr. Li Tzar Kuoi, Victor is deemed to be interested in such shares of the Company held by Pennywise and Triumphant by virtue of his interests as a discretionary beneficiary of certain discretionary trusts as described in Note 1(a) above and as a Director of the Company.

(2) The 2,140,672,773 shares in Hutchison Whampoa comprise:

- (a) 2,130,202,773 shares are held by certain subsidiaries of Cheung Kong Holdings. Mr. Li Tzar Kuoi, Victor, as a Director of the Company, is taken to be interested in such shares in Hutchison Whampoa held by the subsidiaries of Cheung Kong Holdings by virtue of his deemed interests in the shares of Cheung Kong Holdings as a discretionary beneficiary of certain discretionary trusts as described in Note 1(a) above; and
- (b) 10,470,000 shares are held by a unit trust and company controlled by such unit trust. All issued and outstanding units of such unit trust are held by discretionary trusts. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, his wife and two daughters, and Mr. Li Tzar Kai, Richard. Accordingly Mr. Li Tzar Kuoi, Victor, as a Director of the Company, is deemed to be interested in such 10,470,000 shares in Hutchison Whampoa by virtue of his interests as described in this paragraph as a discretionary beneficiary of certain discretionary trusts.

Report of the Directors (Cont'd)

- (3) The 829,599,612 shares in Hongkong Electric Holdings Limited ("Hongkong Electric") are held by certain subsidiaries of the Company. Mr. Li Tzar Kuoi, Victor, as a Director of the Company, is taken to be interested in such shares in Hongkong Electric held by the subsidiaries of the Company by virtue of his deemed interests in the shares of the Company as a discretionary beneficiary of certain discretionary trusts as described in Note 1(a) above.
- (4) This company is an associated company of Hutchison Whampoa. By virtue of being a Director of the Company and his interests as a discretionary beneficiary of certain discretionary trusts as described in Note 1(a) above, Mr. Li Tzar Kuoi, Victor is deemed to be interested in those shares of subsidiaries and associated companies of the Company and Hutchison Whampoa which are held by TUT (and companies it controls) as trustee of the LKS Unity Trust.
- (5) These shares are beneficially owned by certain companies in which Mr. Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
- (6) These interests are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.
- (7) These interests are held by a company in respect of which a trust company as trustee of The Li Ka-Shing Castle Discretionary Trust is indirectly entitled to substantially all the net assets thereof. Mr. Li Tzar Kuoi, Victor may be deemed to be interested in such shares and transferable warrants by virtue of his interests as a discretionary beneficiary of certain discretionary trusts as described in Note 2(b) above.
- (8) Such Notes are held by a company in which Mr. Li Tzar Kuoi, Victor is entitled to control one-third or more of the voting rights at its general meetings.

Mr. Li Tzar Kuoi, Victor, by virtue of being a Director of the Company and his interests in the share capital of the Company as a discretionary beneficiary of certain discretionary trusts as described in Note 1(a) above, is deemed to be interested in those shares of subsidiaries and associated companies of the Company held through the Company and in those shares of the subsidiaries and associated companies of Hutchison Whampoa held through Hutchison Whampoa under the provisions of the SDI Ordinance.

Apart from the above, as at 31st December, 2001 there was no other interest or right recorded in the register required to be kept under Section 29 of the SDI Ordinance.

No other contracts of significance to which the Company or a subsidiary was a party and in which a Director had a material interest subsisted at the balance sheet date or at any time during the year.

At no time during the year was the Company or subsidiary a party to any arrangements which enabled any Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

None of the Directors has any service contract with the Company or any of its subsidiaries.

Report of the Directors (Cont'd)

Substantial Shareholders

In addition to the interests disclosed above in respect of the Directors, the Company was notified of the following interests in the issued ordinary share capital of the Company as at 31st December, 2001 as required to be recorded in the register maintained under Section 16(1) of the SDI Ordinance:

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

Connected Transactions

The Group has from time to time conducted transactions with persons who are “connected persons” for the purposes of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The following transactions which are normally subject to the disclosure and/or shareholders’ approval requirements under Chapter 14 of the Listing Rules occurring during the financial year ended 31st December, 2001 will continue or will or may occur between the Group and the Hutchison Whampoa Group:

- (i) A sponsors/shareholders’ undertaking has been provided by each of Cheung Kong Holdings and Hutchison Whampoa in relation to the loan facilities in relation to the Zhuhai Power Plant. Pursuant to the sponsors/shareholders’ undertaking, each of Cheung Kong Holdings and Hutchison Whampoa shall be severally liable for 50 per cent. of certain obligations of the foreign party (the “Zhuhai Foreign Party”) to the PRC project company undertaking the Zhuhai Power Plant. The Zhuhai Foreign Party, which is an indirect wholly-owned subsidiary of the Company, has a 45 per cent. interest in the PRC project company. Pursuant to a deed of counter-indemnity given by the Company in favour of Cheung Kong Holdings and Hutchison Whampoa, the Company has agreed with each of Cheung Kong Holdings and Hutchison Whampoa to meet all future funding obligations of each of them which may be required under such sponsors/shareholders’ undertaking and to counter-indemnify each of Cheung Kong Holdings and Hutchison Whampoa in respect of any sum provided by each of them and generally in respect of each of their liabilities and obligations under such sponsors/shareholders’ undertaking.

Report of the Directors (Cont'd)

- (ii) Each of Cheung Kong Holdings, Hutchison Whampoa, Pennywise and Triumphant had given representations and warranties to the Company under the restructuring agreement dated 1st July, 1996 (the "Restructuring Agreement") entered into, among others, Cheung Kong Holdings, Hutchison Whampoa, Pennywise, Triumphant and the Company in relation to ownership of certain shares and in relation to the companies in the Group, and undertakings to indemnify the Company against liabilities incurred as a result of breach of warranties given by each of them subject to certain limitations and matters disclosed in respect of the Restructuring Agreement. Under this arrangement, the Company will be indemnified in respect of certain breaches, which indemnity is for the benefit of the shareholders of the Company.
- (iii) Cheung Kong Holdings, Hutchison Whampoa, Pennywise and Triumphant had, pursuant to a deed of indemnity, agreed to indemnify the Company pro rata in the proportions of 94.22 per cent., 5.24 per cent., 0.36 per cent. and 0.18 per cent., respectively, in respect of Hong Kong estate duty which might be payable by any member of the Group by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of the Group on or before the date on which the placing and new issue of shares by the Company pursuant to the prospectus of the Company dated 4th July, 1996 (the "Prospectus") in respect of the restructuring becomes unconditional. Under this arrangement, the Group will be indemnified in respect of estate duty, which indemnity is for the benefit of the shareholders of the Company.

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

On 12th August, 1996, the Hong Kong Stock Exchange granted waivers (the "Waivers") from strict compliance with the disclosure and shareholders' approval requirements under Chapter 14 of the Listing Rules in respect of, inter alia, the abovementioned transactions (the "Transactions") on the following bases:

- (1) the Transactions have been entered into or the terms of the respective agreements governing such Transactions are (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable than terms available to (or from) independent third parties; and (iii) fair and reasonable so far as shareholders of the Company are concerned;
- (2) brief details of such Transactions as set out in Rule 14.25(1)(A) to (D) of the Listing Rules shall be disclosed in the 1996 annual report and each successive annual report; and
- (3) the independent non-executive directors of the Company shall review annually the Transactions and confirm in the 1996 annual report and each successive annual report that the Transactions are conducted in the manner as stated in condition (1) above or in accordance with the terms of the respective agreements governing such Transactions.

Report of the Directors (Cont'd)

As a further condition of granting the Waivers, the Company is required to engage its auditors to provide the Board with a letter (the "Auditors' Letter") in respect of the Transactions occurring during the financial year ended 31st December, 1996. Where the Transactions will extend beyond one financial year, those requirements will apply for each successive financial year. The Auditors' Letter is to be provided by the Company to the Hong Kong Stock Exchange.

The Auditors' Letter must state that :

- The Transactions received the approval of the Company's Board of Directors; and
- The Transactions have been entered into on normal commercial terms or in accordance with the terms of the agreement governing the Transactions, or where there is no such agreement, on terms no less favourable than terms available to (or from) independent third parties.

The Hong Kong Stock Exchange reserves the right to revoke or modify any waiver granted by the Waivers in the event of any change in the terms of the Transactions for which such waivers were granted (including any extension or renewal of the agreements evidencing such Transactions) or in the circumstances under which such waivers were granted. In any such case, the Company has to comply with provisions of Chapter 14 of the Listing Rules dealing with connected transactions unless it applies for and obtains a separate waiver from the Hong Kong Stock Exchange.

The Transactions have been reviewed by the Directors of the Company (including the independent non-executive directors). The Directors of the Company have confirmed that the Transactions have been entered into on the terms of the respective agreements governing such Transactions are (a) in the ordinary and usual course of business of the Company; (b) on normal commercial terms or on terms no less favourable than terms available to (or from) independent third parties; and (c) fair and reasonable so far as the shareholders of the Company are concerned.

The independent non-executive directors of the Company have confirmed that for the year 2001 the Transactions were conducted in the manner as stated in condition (1) above or in accordance with the terms of the respective agreements governing such Transactions.

The auditors of the Company have also confirmed that for the year 2001 the Transactions received the approval of the Company's Board of Directors; and the Transactions have been entered into on normal commercial terms or in accordance with the terms of the agreement governing the Transactions, or where there is no such agreement, on terms no less favourable than terms available to (or from) independent third parties.

In view of the fact that the Waivers were only granted on the basis of the facts and circumstances described in the Prospectus and the original submission made by the Company prior to its listing, an application has been made to the Hong Kong Stock Exchange to confirm that such Waivers shall continue to be effective despite the change of circumstances which may result from the implementation of the Cheung Kong Group Restructuring. The Hong Kong Stock Exchange has indicated that such waiver shall continue to be effective on the same bases as referred to above.

Report of the Directors (Cont'd)

Major Customers and Suppliers

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

Competing Business Interests of Directors

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

(a) Core business activities of the Group

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

(b) Interests in Competing Business

Name of Director	Name of Company	Nature of Interest	Competing Business
			(Note)
Li Tzar Kuoi, Victor	Cheung Kong (Holdings) Limited	Managing Director and Deputy Chairman	(4), (5) & (6)
	Hutchison Whampoa Limited	Deputy Chairman	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Executive Director	(1), (4), (5) & (6)
George Colin Magnus	Cheung Kong (Holdings) Limited	Deputy Chairman	(4), (5) & (6)
	Hutchison Whampoa Limited	Executive Director	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Chairman	(1), (4), (5) & (6)
	Paul Y. – ITC Construction Holdings Limited	Non-executive Director (resigned on 4th December, 2001)	(4), (5) & (6)

Report of the Directors (Cont'd)

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

Name of Director	Name of Company	Nature of Interest	Competing Business
			(Note)
Fok Kin Ning, Canning	Cheung Kong (Holdings) Limited	Non-executive Director	(4), (5) & (6)
	Hutchison Whampoa Limited	Group Managing Director	(4), (5) & (6)
	Hutchison Harbour Ring Limited	Co-Chairman	(6)
	Hongkong Electric Holdings Limited	Deputy Chairman	(1), (4), (5) & (6)
	Hanny Holdings Limited	Non-executive Director	(4), (5) & (6)
	Paul Y. – ITC Construction Holdings Limited	Non-executive Director (resigned on 7th December, 2001)	(4), (5) & (6)
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director	(4), (5) & (6)
	Hutchison Whampoa Limited	Executive Director	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Executive Director	(1), (4), (5) & (6)
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Executive Director	(4), (5) & (6)
	CATIC International Holdings Limited	Non-executive Director	(4) & (5)
	Excel Technology International Holdings Limited	Non-executive Director	(4), (5) & (6)
	Hanny Holdings Limited	Non-executive Director	(4), (5) & (6)
	Paul Y. – ITC Construction Holdings Limited	Non-executive Director (resigned on 7th December, 2001)	(4), (5) & (6)
	Shougang Concord International Enterprises Company Limited	Non-executive Director	(4) & (5)
	TOM.COM LIMITED	Non-executive Director	(4), (5) & (6)
	Town Health International Holdings Company Limited	Non-executive Director	(4), (5) & (6)
	Trasy Gold Ex Limited	Non-executive Director	(4), (5) & (6)
	ehealthcareasia Limited	Non-executive Director (appointed on 6th June, 2001 and resigned on 30th November, 2001)	(4), (5) & (6)

Report of the Directors (Cont'd)

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

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

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

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

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws although there are no restrictions against such rights under the laws of Bermuda.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Donations

Donations made by the Group during the year amounted to HK\$773,000.

Code of Best Practice

The Company has complied with Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by this annual report.

Report of the Directors (Cont'd)

Audit Committee

Pursuant to the requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, an Audit Committee of the Company was established in December 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants. Regular meetings have been held by the Committee since its establishment and the Committee met twice in 2001.

The Audit Committee is answerable to the Board and the principal duties of the Committee include the review and supervision of the Company's financial reporting process and internal controls.

Practice Note 19 to the Stock Exchange Listing Rules

The following information is disclosed in accordance with the Practice Note 19:

- (a) The Group has entered into a syndicated loan facility agreement of HK\$3.8 billion of which the whole amount was drawn as at 31st December, 2001. The facility will mature in September 2002. Under the provision of the loan agreement, it is an event of default if Hutchison Whampoa (the Company's controlling shareholder) ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.
- (b) A sponsors/shareholders' undertaking referred to in paragraph (i) of the Connected Transactions has been provided by Hutchison Whampoa, the Zhuhai Foreign Party and the other parties in relation to two loan facilities of the PRC project company undertaking the Zhuhai Power Plant. The two loans, in the amounts of US\$125.5 million and US\$670 million are repayable by installments with the final repayment due in 2008 and 2012 respectively. It is an event of default for both facilities if Cheung Kong Holdings and Hutchison Whampoa collectively own directly or indirectly less than 51 per cent. of the shareholding in the Zhuhai Foreign Party. The obligation has been complied with.
- (c) The Group has entered into a transferable loan facility agreement of A\$33 million of which the whole of the loan amount was drawn as at 31st December, 2001. The facility will mature in 2003. Under the provision of the loan agreement, it is an event of default if Hutchison Whampoa ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.
- (d) The Group has entered into a loan facility agreement of A\$75 million of which A\$4 million remained undrawn as at 31st December, 2001. The facility will mature in 2003. Under the provision of the loan agreement, it is an event of default if Hutchison Whampoa ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.
- (e) The Group has entered into a long term syndicated facility agreement of A\$500 million of which the whole amount was drawn as at 31st December, 2001. The facility will mature in 2004. Under the provision of the loan agreement, it is an event of default if Hutchison Whampoa ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.

Report of the Directors (Cont'd)

- (f) The Group has entered into two long term loan facility agreements of A\$45 million and A\$90 million, respectively, of which the whole amounts were drawn as at 31st December, 2001. The facilities will mature in 2004 and 2005, respectively. Under the provision of the loan agreements, it is an event of default if Hutchison Whampoa ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.
- (g) The Group has entered into a long term syndicated facility agreement of A\$405 million of which the whole amount was drawn as at 31st December, 2001. The facility will mature in 2006. Under the provision of the loan agreement, it is an event of default if Hutchison Whampoa ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.
- (h) As at 31st December, 2001, the Group has granted relevant advances to certain affiliated companies totalling HK\$7,086 million, equivalent to approximately 26 per cent. of the Group's net assets. Proforma combined balance sheet of the affiliated companies as at 31st December, 2001 is set out below:

HK\$ million	
Non-current assets	30,709
Current assets	1,575
Current liabilities	(4,660)
Non-current liabilities	(27,610)
Net assets	14
Share capital	954
Reserves	(940)
Capital and reserves	14

As at 31st December, 2001, the consolidated attributable interest of the Group in these affiliated companies amounted to HK\$7,278 million.

Auditors

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

On behalf of the Board

LI TZAR KUOI, VICTOR

Chairman

Hong Kong, 14th March, 2002

Report of the Auditors

德勤·關黃陳方會計師行

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

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

Report of the Auditors to the Members of Cheung Kong Infrastructure Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 43 to 87 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2001 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, 14th March, 2002

Consolidated Income Statement

for the year ended 31st December

HK\$ million	Notes	2001	2000
Turnover	3		
Group turnover		2,316	2,567
Share of turnover of jointly controlled entities		1,522	778
		3,838	3,345
Group turnover	3	2,316	2,567
Other revenue	4	2,049	1,373
Operating costs	5	(3,846)	(2,819)
Operating profit	6	519	1,121
Finance costs	7	(551)	(621)
Share of results of associates		3,307	2,413
Share of results of jointly controlled entities		408	588
Profit before taxation		3,683	3,501
Taxation	8	(392)	(288)
Profit after taxation		3,291	3,213
Minority interests		32	15
Profit attributable to shareholders	9	3,323	3,228
Earnings per share	10	HK\$1.47	HK\$1.43
Dividends	11		
Interim dividend paid		473	451
Proposed final dividend		947	902
		1,420	1,353

Balance Sheets

as at 31st December

HK\$ million	Notes	Group		Company	
		2001	2000	2001	2000
Property, plant and equipment	12	2,137	2,267	6	8
Interests in subsidiaries	13	–	–	28,195	27,891
Interests in associates	14	20,035	20,378	–	–
Interests in jointly controlled entities	15	4,606	4,791	–	–
Interests in infrastructure project investments	16	3,469	4,294	–	–
Investments in securities	17	759	754	–	–
Other non-current assets	18	43	39	–	–
Total non-current assets		31,049	32,523	28,201	27,899
Inventories	19	206	224	–	–
Retention receivables		16	21	–	–
Debtors and prepayments	20	925	1,620	5	29
Dividend receivable		–	–	1,655	1,628
Bank balance, pledged		23	52	–	–
Bank balances and cash on hand		4,023	2,117	1	5
Total current assets		5,193	4,034	1,661	1,662
Bank loans	21	3,930	3,539	–	–
Creditors and accruals	22	695	881	142	112
Taxation		101	106	–	–
Total current liabilities		4,726	4,526	142	112
Net current assets/(liabilities)		467	(492)	1,519	1,550
Total assets less current liabilities		31,516	32,031	29,720	29,449
Bank loans	21	4,499	7,002	–	–
Debentures	23	6	5	–	–
Deferred taxation	24	–	4	–	–
Total non-current liabilities		4,505	7,011	–	–
Minority interests		224	256	–	–
Net assets		26,787	24,764	29,720	29,449
Representing:					
Share capital	25	2,254	2,254	2,254	2,254
Reserves	26	24,533	22,510	27,466	27,195
Capital and reserves		26,787	24,764	29,720	29,449

LI TZAR KUOI, VICTOR

Director

IP TAK CHUEN, EDMOND

Director

14th March, 2002

Consolidated Statement of Recognised Gains and Losses

for the year ended 31st December

HK\$ million	2001	2000
Surplus on revaluation of non-trading securities	73	62
Exchange translation differences	(14)	(8)
Net gain not recognised in the consolidated income statement	59	54
Net profit for the year	3,323	3,228
Add: previously recognised revaluation deficit realised upon disposals of non-trading securities	16	–
Total recognised gains and losses	3,398	3,282
Elimination of goodwill against reserves arising from acquisition of a subsidiary	–	(20)
Elimination of goodwill against reserves arising from acquisition of interest in an associate	–	(230)
	3,398	3,032

Consolidated Cash Flow Statement

for the year ended 31st December

HK\$ million	Notes	2001	2000
Net cash inflow from operating activities	27(a)	265	396
Returns on investments and servicing of finance			
Interest received		289	191
Interest paid		(202)	(278)
Dividends received from associates		1,289	532
Distributions received from listed stapled securities		44	48
Dividends received from other listed securities		2	2
Dividends paid		(1,375)	(1,105)
Returns received from jointly controlled entities		326	68
Returns from infrastructure project investments		431	570
Finance lease income received		7	5
Net cash inflow from returns on investments and servicing of finance		811	33
Profits tax paid		(48)	(38)
Net cash inflow before investing activities		1,028	391
Investing activities			
Purchases of property, plant and equipment		(87)	(150)
Disposals of property, plant and equipment		5	21
Disposals of subsidiaries	27(b)	495	–
Acquisitions of subsidiaries	27(c)	(4)	(1)
Acquisition of interest in a subsidiary from a minority shareholder	27(d)	–	(1)
Purchases of interests in associates		–	(309)
Advances to associates		(1,641)	(12,295)
Repayments from associates		3,173	6,078
Advances from an associate		26	79
Investments in jointly controlled entities		(63)	(81)
Loans to jointly controlled entities		(8)	(127)
Repayments from jointly controlled entities		338	16
Investments in infrastructure projects		–	(72)
Deposits received for disposals of infrastructure projects		160	429
Purchases of listed securities		(55)	(93)
Disposals of listed securities		133	–
Acquisitions of assets for leasing		(20)	(38)
Repayments from finance lease debtors		14	13
Acquisition of patents		(1)	(1)
Pledge of bank deposit		(23)	(52)
Release of pledged bank deposit		52	–
Net cash inflow/(outflow) from investing activities		2,494	(6,584)
Net cash inflow/(outflow) before financing		3,522	(6,193)
Financing	27(d)		
New bank loans		1,684	12,765
Repayments of bank loans		(3,300)	(5,898)
Net cash (outflow)/inflow from financing		(1,616)	6,867
Net increase in cash and cash equivalents		1,906	674
Cash and cash equivalents at 1st January		2,117	1,443
Cash and cash equivalents at 31st December		4,023	2,117
Representing:			
Bank balances and cash on hand at 31st December		4,023	2,117

Notes to the Financial Statements

1. CORPORATE INFORMATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention as modified for the revaluation of investments in securities.

The financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP"s), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The principal accounting policies adopted are set out below:

a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December together with the Group's interests in associates and jointly controlled entities on the basis set out in (d) and (e) below, respectively.

Results of subsidiaries, associates and jointly controlled entities acquired or disposed of during the year are accounted for from the effective dates of acquisitions or up to the effective dates of disposals.

b) Goodwill

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

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

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

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

Notes to the Financial Statements (Cont'd)

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

c) Subsidiaries

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

d) Associates

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

The results and assets and liabilities of associates are incorporated in the Group's financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any identified impairment loss in the value of individual investments.

e) Joint Ventures

A joint venture is a contractual arrangement whereby the venturers undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Jointly controlled entities are joint ventures which involve the establishment of a separate entity. The results and assets and liabilities of jointly controlled entities are incorporated in the Group's financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any identified impairment loss in the value of individual investments.

f) Infrastructure Project Investments

Investments in infrastructure projects which do not fall into the definition of subsidiaries, associates and jointly controlled entities are classified as infrastructure project investments if the Group's return to be derived therefrom is predetermined in accordance with the provisions of the relevant agreements and the venturers' share of net assets are not in proportion to their capital contribution ratios but are as defined in the contracts and in respect of which the Group is not entitled to share the assets at the end of the investment period.

The Group's interests in the infrastructure project investments are recorded at cost less amortisation over the respective contract period on a straight-line basis upon commencement of operation of the project or upon commencement of the Group's entitlement to income. The carrying amount of such interests is reduced to recognise any identified impairment loss in the value of individual investments. Income from these interests is recognised when the Group's right to receive payment is established.

Notes to the Financial Statements (Cont'd)

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

g) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement in the period in which it is incurred.

In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets.

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

Land	Over the unexpired lease terms of the land
Buildings	2% to 3-1/3% or over the unexpired lease terms of the land, whichever is the higher
Plant and machinery	3-1/3% to 33-1/3%
Others	5% to 33-1/3%

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

h) Patents and Licenses

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

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

i) Inventories

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

Notes to the Financial Statements (Cont'd)

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

j) Contract Work

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

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

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

k) Investments in Securities

Investments in securities intended to be held long-term are stated at their fair values at the balance sheet date. The gains or losses arising from changes in the fair values of a security are dealt with as movements in investment revaluation reserve, until the security is disposed of, or is determined to be impaired, when the cumulative gain or loss is included in the income statement.

l) Revenue Recognition

(i) Sales of goods

Revenue from sale of goods is recognised at the time when the goods are delivered or title to the goods passes to the customers. Revenue is arrived at after deduction of any sales returns and discounts and does not include sales taxes.

(ii) Contract revenue

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

(iii) Income from infrastructure project and other investments

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

(iv) Interest income

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

(v) Charterhire service income

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

Notes to the Financial Statements (Cont'd)

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

m) Foreign Currencies

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

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

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

n) Deferred Taxation

Tax deferred or accelerated by the effects of timing differences is provided, using the liability method, to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

o) Operating Leases

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

p) Finance Leases

Leases that transfer substantially all the risks and rewards of ownership of the leased assets to the lessees are accounted for as finance leases. The amounts due from the lessees under finance lease contracts are recorded as finance lease debtors. The finance lease debtors comprise the gross investment in leases less unearned finance lease income allocated to future accounting periods. The unearned finance lease income is allocated to future accounting periods so as to reflect constant periodic rates of return on the Group's net investments outstanding in respect of the leases.

q) Retirement Benefits

The Group operates defined contribution and defined benefit retirement schemes for its employees. The costs of defined contribution schemes are charged to the income statement as and when the contributions fall due. The costs of defined benefit schemes are charged to the income statement on a systematic basis with any surpluses and deficits allocated so as to spread them over the expected remaining service lives of the employees affected.

r) Borrowing Costs

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

Notes to the Financial Statements (Cont'd)

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

s) Dividends

In accordance with SSAP 9 (revised) "Events after the Balance Sheet Date", the Group now recognises dividend proposed or declared after the balance sheet date as a separate component of equity. This accounting policy has been applied retrospectively. The proposed final dividends of HK\$902 million and HK\$654 million previously recognised as current liabilities as at 31st December, 2000 and 1999 respectively, have been restated to conform to the current year's presentation.

3. TURNOVER

Group turnover represents net sales from infrastructure materials businesses, return on investments and interest income received and receivable from infrastructure project investments, net of withholding tax, where applicable.

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

By business segment

for the year ended 31st December

HK\$ million	2001			2000		
	Share of turnover of jointly controlled Group			Share of turnover of jointly controlled Group		
	turnover	entities	Total	turnover	entities	Total
Infrastructure investments	362	1,522	1,884	543	778	1,321
Infrastructure materials and infrastructure-related businesses	1,954	–	1,954	2,024	–	2,024
Total	2,316	1,522	3,838	2,567	778	3,345

Notes to the Financial Statements (Cont'd)

3. TURNOVER (Cont'd)

By geographic region

for the year ended 31st December

	2001			2000		
	Share of			Share of		
	turnover			turnover		
	of jointly			of jointly		
	Group	controlled		Group	controlled	
HK\$ million	turnover	entities	Total	turnover	entities	Total
Hong Kong	1,574	–	1,574	1,681	–	1,681
Mainland China	703	1,522	2,225	863	778	1,641
Others	39	–	39	23	–	23
Total	2,316	1,522	3,838	2,567	778	3,345

4. OTHER REVENUE

Other revenue includes the following:

HK\$ million	2001	2000
Interest income	674	665
Finance lease income	7	5
Distributions from listed stapled securities	44	48
Dividends from other listed securities	2	2
Gain on disposals of subsidiaries	222	–
Gain on disposals of listed securities	36	–
Charterhire service income	1,007	561

Notes to the Financial Statements (Cont'd)

5. OPERATING COSTS

HK\$ million	2001	2000
Changes in inventories of finished goods and work-in-progress	(3)	(7)
Raw materials and consumables used	596	593
Staff costs including directors' remuneration	476	478
Provision against interests in infrastructure project investments	500	–
Depreciation	194	196
Impairment loss on property, plant and equipment	43	–
Amortisation of patents and licenses	1	2
Amortisation of costs of investments in infrastructure projects	171	179
Cost of charterhire services rendered	1,007	559
Other operating expenses	861	819
Total	3,846	2,819

6. OPERATING PROFIT

HK\$ million	2001	2000
Operating profit is arrived at after crediting:		
Contract revenue	41	197
Gain on disposals of property, plant and equipment	–	5
and charging:		
Operating lease rental		
Land and buildings	52	60
Vessels	1,007	607
Directors' remuneration (note 29)	28	29
Auditors' remuneration	3	2
Loss on disposals of property, plant and equipment	1	–

Notes to the Financial Statements (Cont'd)

7. FINANCE COSTS

HK\$ million	2001	2000
Interest on bank borrowings wholly repayable within five years	551	659
Less: amount capitalised	–	(38)
Total	551	621

8. TAXATION

HK\$ million	2001	2000
Company and subsidiaries		
Hong Kong profits tax – current	43	46
– deferred	(4)	(4)
	39	42
Associates		
Hong Kong profits tax – current	302	246
– deferred	2	–
Overseas tax – current	43	–
– deferred	6	–
	353	246
Total	392	288

Hong Kong profits tax is provided for at the rate of 16 per cent. (2000: 16 per cent.) on the estimated assessable profits for the year.

Notes to the Financial Statements (Cont'd)

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND SEGMENT INFORMATION

Of the Group's profit attributable to shareholders for the year, HK\$1,646 million (2000: HK\$1,622 million) has been dealt with in the financial statements of the Company.

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

By business segment

for the year ended 31st December

HK\$ million	Investment in Hongkong Electric*		Infrastructure investments		Infrastructure materials and infrastructure- related businesses		Unallocated items		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Segment revenue										
Group turnover	-	-	362	543	1,954	2,024	-	-	2,316	2,567
Charterhire service income	-	-	-	-	1,007	561	-	-	1,007	561
Others	-	-	23	26	34	66	-	-	57	92
	-	-	385	569	2,995	2,651	-	-	3,380	3,220
Segment result	-	-	149	317	147	276	-	-	296	593
Provision against interests in infrastructure project investments	-	-	(500)	-	-	-	-	-	(500)	-
Gain on disposals of subsidiaries and listed securities	-	-	232	-	-	-	26	-	258	-
Interest and finance lease incomes	-	-	538	543	101	117	42	10	681	670
Other revenue	-	-	46	50	-	-	-	-	46	50
Net corporate overheads	-	-	-	-	-	-	(262)	(192)	(262)	(192)
Operating profit	-	-	465	910	248	393	(194)	(182)	519	1,121
Finance costs	-	-	-	-	-	-	(551)	(621)	(551)	(621)
Share of results of associates and jointly controlled entities	2,806	2,379	909	612	-	10	-	-	3,715	3,001
Taxation	(302)	(246)	(51)	-	(33)	(37)	(6)	(5)	(392)	(288)
Minority interests	-	-	-	-	32	15	-	-	32	15
Profit attributable to shareholders	2,504	2,133	1,323	1,522	247	381	(751)	(808)	3,323	3,228

Notes to the Financial Statements (Cont'd)

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND SEGMENT INFORMATION (Cont'd)

By business segment (Cont'd)

for the year ended 31st December

HK\$ million	Investment in Hongkong Electric*		Infrastructure investments		Infrastructure materials and infrastructure- related businesses		Unallocated items		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Assets										
Segment assets	-	-	4,220	5,586	3,972	4,037	-	-	8,192	9,623
Interests in associates and jointly controlled entities	15,031	13,800	9,388	11,128	222	241	-	-	24,641	25,169
Unallocated corporate assets	-	-	-	-	-	-	3,409	1,765	3,409	1,765
Total assets	15,031	13,800	13,608	16,714	4,194	4,278	3,409	1,765	36,242	36,557
Liabilities										
Segment liabilities	-	-	40	201	730	966	-	-	770	1,167
Taxation, deferred taxation and unallocated corporate liabilities	-	-	-	-	12	18	8,673	10,608	8,685	10,626
Total liabilities	-	-	40	201	742	984	8,673	10,608	9,455	11,793
Other information										
Capital expenditure	-	-	-	-	86	145	1	5	87	150
Depreciation and amortisation	-	-	171	179	192	195	3	3	366	377

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

Notes to the Financial Statements (Cont'd)

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND SEGMENT INFORMATION (Cont'd)

By geographic region

for the year ended 31st December

HK\$ million	Hong Kong		Mainland China		Australia		Others		Unallocated items		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Segment revenue												
Group turnover	1,574	1,681	703	863	-	-	39	23	-	-	2,316	2,567
Charterhire service income	40	24	109	138	6	-	852	399	-	-	1,007	561
Others	21	58	24	27	-	-	12	7	-	-	57	92
	1,635	1,763	836	1,028	6	-	903	429	-	-	3,380	3,220
Segment result	283	390	44	233	-	(8)	(31)	(22)	-	-	296	593
Provision against interests in infrastructure project investments	-	-	(500)	-	-	-	-	-	-	-	(500)	-
Gain on disposals of subsidiaries and listed securities	10	-	222	-	-	-	-	-	26	-	258	-
Interest and finance lease incomes	100	128	-	1	538	527	1	4	42	10	681	670
Other revenue	2	2	-	-	44	48	-	-	-	-	46	50
Net corporate overheads	-	-	-	-	-	-	-	-	(262)	(192)	(262)	(192)
Operating profit	395	520	(234)	234	582	567	(30)	(18)	(194)	(182)	519	1,121
Finance costs	-	-	-	-	-	-	-	-	(551)	(621)	(551)	(621)
Share of results of associates and jointly controlled entities	2,832	2,405	408	588	475	-	-	8	-	-	3,715	3,001
Taxation	(337)	(283)	-	-	(49)	-	-	-	(6)	(5)	(392)	(288)
Minority interests	-	-	28	13	-	-	4	2	-	-	32	15
Profit attributable to shareholders	2,890	2,642	202	835	1,008	567	(26)	(8)	(751)	(808)	3,323	3,228
Assets												
Segment assets	2,713	2,575	4,894	6,319	435	403	150	326	-	-	8,192	9,623
Interests in associates and jointly controlled entities	15,160	13,958	4,587	4,764	4,703	6,263	191	184	-	-	24,641	25,169
Unallocated corporate assets	-	-	-	-	-	-	-	-	3,409	1,765	3,409	1,765
Total assets	17,873	16,533	9,481	11,083	5,138	6,666	341	510	3,409	1,765	36,242	36,557
Other information												
Capital expenditure	73	63	13	82	-	-	-	-	1	5	87	150

Notes to the Financial Statements (Cont'd)

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$3,323 million (2000: HK\$3,228 million) and on 2,254,209,945 shares (2000: 2,254,209,945 shares) in issue during the year.

Diluted earnings per share has not been shown as there was no dilutive effect on the earnings per share if the convertible debentures outstanding during the years ended 31st December, 2001 and 2000 were fully converted into shares of a non-wholly owned subsidiary which issued the debentures.

11. DIVIDENDS

HK\$ million	2001	2000
Interim dividend paid of HK\$0.21 (2000: HK\$0.20) per share	473	451
Proposed final dividend of HK\$0.42 (2000: HK\$0.40) per share	947	902
Total	1,420	1,353

Notes to the Financial Statements (Cont'd)

12. PROPERTY, PLANT AND EQUIPMENT

HK\$ million	Medium term leasehold land and buildings in Hong Kong	Medium term leasehold land and buildings outside Hong Kong	Plant and machinery	Furniture, fixtures and others	Total
Group					
Cost					
At 1st January, 2001	855	385	2,015	275	3,530
Transferred from inventories	5	–	–	–	5
Additions	–	2	76	9	87
Disposals	–	–	(47)	(20)	(67)
Acquisition of a subsidiary	–	15	6	–	21
Transfer between categories	3	3	(6)	–	–
At 31st December, 2001	863	405	2,044	264	3,576
Accumulated depreciation					
At 1st January, 2001	243	25	824	171	1,263
Charge for the year	28	13	128	25	194
Impairment loss	–	2	41	–	43
Disposals	–	–	(43)	(18)	(61)
At 31st December, 2001	271	40	950	178	1,439
Net book value					
At 31st December, 2001	592	365	1,094	86	2,137
At 31st December, 2000	612	360	1,191	104	2,267

Notes to the Financial Statements (Cont'd)

12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

HK\$ million	Medium term leasehold land and buildings in Hong Kong	Medium term leasehold land and buildings outside Hong Kong	Plant and machinery	Furniture, fixtures and others	Total
Company					
Cost					
At 1st January, 2001	–	–	–	13	13
Additions	–	–	–	1	1
At 31st December, 2001	–	–	–	14	14
Accumulated depreciation					
At 1st January, 2001	–	–	–	5	5
Charge for the year	–	–	–	3	3
At 31st December, 2001	–	–	–	8	8
Net book value					
At 31st December, 2001	–	–	–	6	6
At 31st December, 2000	–	–	–	8	8

At 31st December, 2001, certain of the Group's land and buildings with a net book value of HK\$64 million (2000: HK\$51 million) have been pledged to secure bank loans granted to the Group (note 21).

13. INTERESTS IN SUBSIDIARIES

HK\$ million	Company 2001	2000
Unlisted shares, at cost	22,757	22,757
Amounts due by subsidiaries	5,438	5,134
At 31st December	28,195	27,891

Particulars of the principal subsidiaries of the Group are set out in Appendix 1 on pages 82 and 83.

Notes to the Financial Statements (Cont'd)

14. INTERESTS IN ASSOCIATES

HK\$ million	Group	
	2001	2000
Share of net assets:		
Listed associate	15,031	13,801
Unlisted associates	550	115
	15,581	13,916
Amounts due by unlisted associates	4,454	6,462
At 31st December	20,035	20,378
Market value of listed associate	24,058	23,892

The amounts due by unlisted associates include loans of HK\$4,139 million (2000: HK\$4,493 million) to certain associates, the repayment of which to the Group are subordinated to other lenders of these associates.

Particulars of the principal associates of the Group are set out in Appendix 2 on page 84.

An extract of the published financial statements of Hongkong Electric, a principal associate of the Group, for the year ended 31st December, 2001, is shown in Appendix 4 on pages 86 and 87.

15. INTERESTS IN JOINTLY CONTROLLED ENTITIES

HK\$ million	Group	
	2001	2000
Investment costs	2,079	2,016
Shareholders' loans to jointly controlled entities	1,880	2,210
Share of undistributed post-acquisition results	647	565
At 31st December	4,606	4,791

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

Notes to the Financial Statements (Cont'd)

16. INTERESTS IN INFRASTRUCTURE PROJECT INVESTMENTS

HK\$ million	Group	
	2001	2000
Investments	4,389	5,092
Accumulated amortisation	(883)	(798)
Infrastructure project receivables	463	–
	3,969	4,294
Provision	(500)	–
At 31st December	3,469	4,294

17. INVESTMENTS IN SECURITIES

HK\$ million	Group	
	2001	2000
Non-trading securities:		
Listed equity investments, at market value:		
Hong Kong	–	41
Overseas	67	128
Listed debt investments, at market value:		
Overseas	257	181
Listed stapled securities, at market value:		
Overseas	435	404
Total	759	754

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

Notes to the Financial Statements (Cont'd)

18. OTHER NON-CURRENT ASSETS

HK\$ million	2001	Group 2000
Finance lease debtors – non-current portion	37	33
Patents and licenses	6	6
At 31st December	43	39

Details of finance lease debtors are shown below:

HK\$ million	2001	Group 2000
Gross investment in leases receivable:		
within one year	18	15
in the second to fifth years, inclusive	44	39
after five years	2	3
	64	57
Unearned finance lease income	(15)	(14)
Present value of finance lease debtors	49	43
Portion receivable:		
within one year – current portion	12	10
in the second to fifth years, inclusive	35	30
after five years	2	3
Non-current portion	37	33
Total	49	43

Notes to the Financial Statements (Cont'd)

18. OTHER NON-CURRENT ASSETS (Cont'd)

Details of patents and licenses are further shown below:

HK\$ million	Group
Cost	
At 1st January, 2001	8
Additions	1
At 31st December, 2001	9
Amortisation	
At 1st January, 2001	2
Charge for the year	1
At 31st December, 2001	3
Net book value	
At 31st December, 2001	6
At 31st December, 2000	6

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

Notes to the Financial Statements (Cont'd)

19. INVENTORIES

HK\$ million	Group	
	2001	2000
Raw materials	31	58
Work-in-progress	12	11
Stores, spare parts and supplies	129	117
Finished goods	33	31
	205	217
Contract work-in-progress	1	2
Completed properties for resale	–	5
Total	206	224
Contract work-in-progress		
Costs plus recognised profits less recognised losses	35	67
Progress billing	(34)	(65)
	1	2

Included above are stores, spare parts and supplies of HK\$57 million (2000: HK\$48 million) and finished goods of HK\$3 million (2000: nil) carried at net realisable value.

The cost of inventories charged to the Group's income statement during the year was HK\$1,371 million (2000: HK\$1,371 million).

20. DEBTORS AND PREPAYMENTS

HK\$ million	Group		Company	
	2001	2000	2001	2000
Trade debtors and infrastructure project receivables	750	1,275	–	–
Prepayments, deposits and other receivables	175	345	5	29
Total	925	1,620	5	29

Notes to the Financial Statements (Cont'd)

20. DEBTORS AND PREPAYMENTS (Cont'd)

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

HK\$ million	2001	2000
Current	511	797
One month	139	56
Two to three months	52	21
Over three months	258	607
Gross total	960	1,481
Provision	(210)	(206)
Total after provision	750	1,275

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

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

Notes to the Financial Statements (Cont'd)

21. BANK LOANS

HK\$ million	2001	Group 2000
Unsecured bank loans repayable:		
within one year	3,894	3,450
in the second year	354	3,847
in the third to fifth years, inclusive	4,139	3,155
	8,387	10,452
Secured bank loans repayable:		
within one year	36	89
in the third to fifth years, inclusive	6	–
	42	89
Total	8,429	10,541
Portion classified as:		
current liabilities	3,930	3,539
non-current liabilities	4,499	7,002
Total	8,429	10,541

Other particulars of the bank loans and overdrafts are summarised below:

HK\$ million	2001	Group 2000
HK\$ syndicated loans, bearing interest at		
Hong Kong Interbank Offered Rate plus a spread	3,800	3,800
A\$ syndicated and term loans, bearing interest at the		
average bid rate in respect of Australian Bill Bank		
Swap Reference Rate plus a spread	4,493	6,576
RMB loans, bearing interest at fixed rates	122	113
Others	14	52
Total	8,429	10,541

Notes to the Financial Statements (Cont'd)

21. BANK LOANS (Cont'd)

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

HK\$ million	Group	
	2001	2000
Land and buildings	64	51
Bank deposit	–	52
Others	14	–
Total	78	103

22. CREDITORS AND ACCRUALS

HK\$ million	Group		Company	
	2001	2000	2001	2000
Trade creditors	141	166	–	–
Amount due to an unlisted associate	113	82	113	82
Other payables and accruals	441	633	29	30
Total	695	881	142	112

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

HK\$ million	2001	2000
Current	82	88
One month	19	9
Two to three months	6	6
Over three months	34	63
Total	141	166

Notes to the Financial Statements (Cont'd)

23. DEBENTURES

The debentures bore interest at the rate of 5 per cent. per annum on their face value, and were secured by a floating charge on consolidated total assets of the issuing subsidiary with carrying value of HK\$66 million as at 31st December, 2001 (2000: HK\$50 million). The debentures were convertible into shares of the subsidiary at the option of the holders at any time prior to the debentures maturity date on 31st January, 2002. These debentures have been fully redeemed by cash on 31st January, 2002.

24. DEFERRED TAXATION

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

HK\$ million	For the year		As at 31st December	
	2001	2000	2001	2000
(Shortfall)/excess of tax allowances over depreciation	(1)	(5)	70	71
Unutilised tax losses	(21)	(12)	(63)	(42)
Others	5	–	5	–
Net potential (assets)/liabilities unprovided	(17)	(17)	12	29

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

25. SHARE CAPITAL

HK\$ million	2001	2000
Authorised:		
4,000,000,000 shares of HK\$1 each	4,000	4,000
Issued and fully paid:		
2,254,209,945 shares of HK\$1 each	2,254	2,254

Notes to the Financial Statements (Cont'd)

26. RESERVES

Group

HK\$ million	Share premium	Contributed surplus	Investment revaluation reserve	Exchange translation reserve	Retained profits	Proposed dividends	Total
At 1st January, 2000	3,836	7,882	(43)	–	8,254	654	20,583
Final dividend for the year 1999 paid	–	–	–	–	–	(654)	(654)
Surplus on revaluation of investments in securities	–	–	62	–	–	–	62
Goodwill on acquisition of a subsidiary	–	(20)	–	–	–	–	(20)
Goodwill on acquisition of interest in an associate	–	(230)	–	–	–	–	(230)
Exchange translation differences	–	–	–	(8)	–	–	(8)
Profit for the year	–	–	–	–	3,228	–	3,228
Proposed interim dividend	–	–	–	–	(451)	451	–
Interim dividend paid	–	–	–	–	–	(451)	(451)
Proposed final dividend	–	–	–	–	(902)	902	–
At 31st December, 2000	3,836	7,632	19	(8)	10,129	902	22,510
Final dividend for the year 2000 paid	–	–	–	–	–	(902)	(902)
Surplus on revaluation of investments in securities	–	–	73	–	–	–	73
Deficit realised on disposals of non-trading securities	–	–	16	–	–	–	16
Exchange translation differences	–	–	–	(14)	–	–	(14)
Profit for the year	–	–	–	–	3,323	–	3,323
Proposed interim dividend	–	–	–	–	(473)	473	–
Interim dividend paid	–	–	–	–	–	(473)	(473)
Proposed final dividend	–	–	–	–	(947)	947	–
At 31st December, 2001	3,836	7,632	108	(22)	12,032	947	24,533

The retained profits of the Group include the Group's share of the undistributed retained profits of its associates and jointly controlled entities amounting to HK\$5,274 million (2000: HK\$3,609 million) and HK\$647 million (2000: HK\$565 million) respectively.

Notes to the Financial Statements (Cont'd)

26. RESERVES (Cont'd)

Company

HK\$ million	Share premium	Contributed surplus	Retained profits	Proposed dividends	Total
At 1st January, 2000	3,836	20,810	1,378	654	26,678
Final dividend for the year 1999 paid	–	–	–	(654)	(654)
Profit for the year	–	–	1,622	–	1,622
Proposed interim dividend	–	–	(451)	451	–
Interim dividend paid	–	–	–	(451)	(451)
Proposed final dividend	–	–	(902)	902	–
At 31st December, 2000	3,836	20,810	1,647	902	27,195
Final dividend for the year 2000 paid	–	–	–	(902)	(902)
Profit for the year	–	–	1,646	–	1,646
Proposed interim dividend	–	–	(473)	473	–
Interim dividend paid	–	–	–	(473)	(473)
Proposed final dividend	–	–	(947)	947	–
At 31st December, 2001	3,836	20,810	1,873	947	27,466

Contributed surplus of the Company arose when the Company issued shares in exchange for shares of subsidiaries and associates being acquired pursuant to the IPO Reorganisation in July 1996 and the Cheung Kong Group Restructuring (see below) in March 1997, and represents the difference between the value of net assets of the companies acquired and the nominal value of the Company's shares issued. Under the Company Act of 1981 of Bermuda (as amended), the contributed surplus is available for distribution to the shareholders.

Cheung Kong Group Restructuring is the reorganisation involving Cheung Kong (Holdings) Limited, Hutchison Whampoa, the Company and Hongkong Electric pursuant to which the transactions relating to the Company were completed on 10th March, 1997 which resulted in the Company becoming an 84.6 per cent. subsidiary of Hutchison Whampoa and acquiring a 35.01 per cent. holding in Hongkong Electric.

Total distributable reserves of the Company amounted to HK\$23,630 million as at 31st December, 2001 (2000: HK\$23,359 million).

Notes to the Financial Statements (Cont'd)

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

HK\$ million	2001	2000
Profit before taxation	3,683	3,501
Share of results of associates	(3,307)	(2,413)
Share of results of jointly controlled entities	(408)	(588)
Interest income	(674)	(665)
Finance lease income	(7)	(5)
Income from infrastructure project investments	(362)	(543)
Distributions from listed stapled securities	(44)	(48)
Dividends from other listed securities	(2)	(2)
Interest expenses	551	621
Depreciation	194	196
Impairment loss on property, plant and equipment	43	–
Loss/(gain) on disposals of property, plant and equipment	1	(5)
Gain on disposals of subsidiaries	(222)	–
Provision against amounts due by unlisted associates	38	32
Provision against interests in infrastructure project investments	500	–
Amortisation of costs of investments in infrastructure projects	171	179
Gain on disposals of listed securities	(36)	–
Amortisation of patents and licenses	1	2
Decrease/(increase) in inventories	18	(13)
Decrease/(increase) in retention receivables	5	(16)
Decrease/(increase) in debtors and prepayments	164	(117)
(Decrease)/increase in creditors and accruals	(42)	280
Net cash inflow from operating activities	265	396

Notes to the Financial Statements (Cont'd)

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Disposals of subsidiaries

HK\$ million	2001	2000
Net assets disposed of:		
Interests in infrastructure project investments	633	—
Debtors and prepayments	6	—
Creditors and accruals	(7)	—
	632	—
Gain on disposals of subsidiaries	222	—
Total	854	—
Satisfied by:		
Cash	854	—

Analysis of the net cash inflow arising on the disposals:

HK\$ million	2001	2000
Cash consideration	854	—
Deposits received in the prior year	(359)	—
Net cash inflow arising from the disposal	495	—

The subsidiaries disposed of did not make any contribution to the Group's net operating cash flows and cash flows in respect of the investing activities, financing activities, net returns on investments and servicing of finance and taxation during the year.

The subsidiaries disposed of did not contribute to the Group any turnover and profit attributable to shareholders for the year.

Notes to the Financial Statements (Cont'd)

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(c) Acquisitions of subsidiaries

HK\$ million	2001	2000
Net assets acquired:		
Property, plant and equipment	21	1
Patents and licenses	–	7
Inventories	5	–
Debtors and prepayments	4	1
Bank balances and cash	–	53
Bank loans	(15)	–
Creditors and accruals	(9)	(4)
Debentures	–	(5)
Minority interests	–	(19)
	6	34
Goodwill	–	20
Total consideration	6	54
Satisfied by:		
Cash	4	54
Amount payable	2	–
	6	54

Analysis of the net cash outflow arising from the acquisitions:

HK\$ million	2001	2000
Cash consideration	(4)	(54)
Bank balances and cash acquired	–	53
Net cash outflow arising from the acquisition	(4)	(1)

The subsidiaries acquired in the current year utilised HK\$1 million, HK\$1 million and HK\$2 million on operating, investing and financing activities respectively for the period from the acquisition date to 31st December, 2001. The subsidiaries also contributed HK\$34 million to the Group's turnover and generated losses of HK\$4 million to the Group's profit attributable to shareholders during the current year since the acquisition.

Notes to the Financial Statements (Cont'd)

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(c) Acquisitions of subsidiaries (Cont'd)

The subsidiary acquired in the prior year utilised HK\$6 million and HK\$2 million on operating and investing activities respectively for the period from the acquisition date to 31st December, 2000. The subsidiary also contributed HK\$2 million to the Group's turnover and generated a loss of HK\$2 million to the Group's profit attributable to shareholders during the prior year since the acquisition.

(d) Analysis of changes in financing during the year

HK\$ million	Bank loans	Minority interests
At 1st January, 2000	3,976	253
Net cash inflow from financing	6,867	–
Minority's share of loss	–	(15)
Arising from acquisition of a subsidiary	–	19
Acquisition of interest in a subsidiary from a minority shareholder	–	(1)
Exchange translation difference	(302)	–
At 31st December, 2000	10,541	256
Net cash outflow from financing	(1,616)	–
Minority's share of loss	–	(32)
Arising from acquisition of a subsidiary	15	–
Exchange translation difference	(511)	–
At 31st December, 2001	8,429	224

Notes to the Financial Statements (Cont'd)

28. RETIREMENT SCHEME

The Group provides defined contribution retirement schemes for its eligible employees with the exception of a subsidiary which provides a defined benefit scheme. Contributions to the defined contribution schemes are made by either the employer only at 10 per cent. of the employees' monthly basic salary or by both the employer and the employees each at 10 or 15 per cent. of the employees' monthly basic salary. Contributions to the defined benefit scheme are made by the employees at either 5 or 7 per cent. on the employees' salary and contributions made by the employer are based on the recommendations of an independent actuary according to the periodic actuarial valuation of the scheme.

The latest actuarial valuation of the defined benefit scheme was completed as at 1st January, 2002 by Joseph K. L. Yip, F.S.A., a fellow member of the Society of Actuaries, of The Watson Wyatt Hong Kong Limited. The actuarial method adopted was Attained Age Funding Method and the main assumptions used were the long-term average annual rate of investment return on the scheme assets at 8 per cent. per annum and the long-term average annual salary increases at 6 per cent. per annum.

The net asset value for the actuarial valuation of the defined benefit scheme as at 31st December, 2001 was HK\$128 million and the latest actuarial valuation showed that the scheme's assets covered 83 per cent. of the actuarial accrued liabilities at the valuation date. The Group's future annual contribution is designed to fund the shortfall over a period of time and the employer funding rates have been increased since 1st January, 1998. The funding rates are subject to annual review.

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

The Group's costs on employees retirement schemes for the year amount to HK\$31 million (2000: HK\$34 million). Forfeited contributions and earnings for the year under the defined contribution schemes amounting to HK\$2 million (2000: HK\$3 million) have been used to reduce the existing level of contributions. At 31st December, 2001, forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution scheme in future years amount to HK\$1 million (2000: nil).

Notes to the Financial Statements (Cont'd)

29. REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

(a) Directors' Remuneration

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

HK\$ million	2001	2000
Salaries, benefits in kind and fees	15	14
Contributions to retirement schemes	1	1
Bonuses	12	14
Total	28	29

The directors' remuneration for the year includes directors' fees of HK\$600,000 (2000: HK\$600,000) of which HK\$100,000 (2000: HK\$100,000) have been paid to Independent Non-executive Directors of the Company. Other than the directors' fees, fees of HK\$100,000 (2000: HK\$100,000) have been paid to the Independent Non-executive Directors for participation of the Company's Audit Committee during the year.

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

Remuneration band	2001	2000
nil – HK\$1,000,000	7	7
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$4,000,001 – HK\$4,500,000	1	–
HK\$4,500,001 – HK\$5,000,000	–	1
HK\$6,000,001 – HK\$6,500,000	1	–
HK\$6,500,001 – HK\$7,000,000	1	2
HK\$7,000,001 – HK\$7,500,000	1	1

Notes to the Financial Statements (Cont'd)

29. REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES (Cont'd)

(b) Senior Executives' Remuneration

Of the five individuals with the highest emoluments in the Group, four (2000: four) are Directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining one (2000: one) individual is as follows:

HK\$ million	2001	2000
Salaries and benefits in kind	2	3
Contributions to retirement schemes	1	1
Bonuses	1	2
Total	4	6

The remaining one (2000: one) individual with the highest emoluments is within the following band:

Remuneration band	2001	2000
HK\$4,000,001 – HK\$4,500,000	1	–
HK\$5,500,001 – HK\$6,000,000	–	1

30. COMMITMENTS

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

HK\$ million	Contracted but not provided for		Authorised but not contracted for	
	2001	2000	2001	2000
Investment in an associate	16	16	–	–
Investments in jointly controlled entities	–	433	–	–
Infrastructure investments in Mainland China	29	29	–	–
Plant and machinery	14	29	153	218
Others	–	–	2	6
Total	59	507	155	224

Notes to the Financial Statements (Cont'd)

30. COMMITMENTS (Cont'd)

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

HK\$ million	Group		Company	
	2001	2000	2001	2000
Within one year	38	32	4	4
In the second to fifth years, inclusive	82	30	16	20
After five years	33	–	–	–
Total	153	62	20	24

The commitments represent rentals payable by the Group for its offices and plant sites. The operating leases are negotiated and rentals are fixed for periods ranging from one month to ten years.

31. CONTINGENT LIABILITIES

HK\$ million	Group		Company	
	2001	2000	2001	2000
Guarantees in respect of bank loans drawn by subsidiaries	–	–	8,293	10,376
Guarantee in respect of bank loan drawn by a jointly controlled entity	682	–	682	–
Performance bonds	25	5	–	–
Total	707	5	8,975	10,376

Out of the above amounts as at 31st December, 2001, a performance bond of HK\$23 million was secured by a fixed deposit of HK\$23 million pledged to a bank.

Notes to the Financial Statements (Cont'd)

32. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group advanced HK\$8 million (2000: HK\$127 million) to certain jointly controlled entities by way of shareholders' loans and received repayments totalling HK\$338 million (2000: HK\$16 million) from other jointly controlled entities. The total outstanding loan balances as at 31st December, 2001 amounted to HK\$1,880 million (2000: HK\$2,210 million), of which HK\$887 million (2000: HK\$939 million) bears interest with reference to Hong Kong dollar prime rate and United States dollar prime rate, and HK\$993 million (2000: HK\$1,271 million) are interest-free. Except for a loan of HK\$4 million (2000: nil) which is repayable on or before 31st December, 2002, the loans have no fixed terms of repayment.

The Group advanced HK\$1,641 million (2000: HK\$12,295 million) to its unlisted associates, and received repayments totalling HK\$3,173 million (2000: HK\$6,078 million) during the year. The total outstanding loan balances as at 31st December, 2001 amounted to HK\$4,454 million (2000: HK\$6,462 million), of which HK\$4,139 million (2000: HK\$6,177 million) bears interest with reference to average bid rate in respect of Australian Bill Bank Swap Reference Rate or Hong Kong dollar prime rate, and HK\$315 million (2000: HK\$285 million) are interest-free. Interest income contributed from the associates during the year amounted to HK\$538 million (2000: HK\$543 million). The loans have no fixed terms of repayment.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 14th March, 2002.

Principal Subsidiaries

Appendix 1

The table below shows the subsidiaries which, in the opinion of the Directors, principally affect the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

As at 31st December, 2001	Share capital issued Number	Par value per share	Proportion of nominal value of issued capital held by the Group (per cent.)	Principal activities
Incorporated and operating in Hong Kong				
Anderson Asia (Holdings) Limited	2 ordinary 65,780,000 non-voting deferred	HK\$0.5 HK\$0.5	100 –	Investment holding
Anderson Asia Concrete Limited	800,000 ordinary	HK\$1	100	Investment holding
Anderson Asphalt Limited	36,000 ordinary	HK\$100	100	Production and laying of asphalt and investment holding
Asia Stone Company, Limited	33,000,000 ordinary	HK\$1	100	Quarry operation and manufacture of aggregates
Cheung Kong Infrastructure Finance Company Limited	2 ordinary	HK\$1	100	Financing
China Cement Company (International) Limited	1,000,000 ordinary	HK\$1	70	Investment holding
Green Island Cement Company, Limited	76,032,000 ordinary	HK\$2	100	Manufacturing, sale and distribution of cement and property investment
Green Island Cement (Holdings) Limited	101,549,457 ordinary	HK\$2	100	Investment holding
Green Island International (BVI) Limited	1 ordinary	US\$ 1	100	Investment holding
Ready Mixed Concrete (H.K.) Limited	50,000,000 ordinary	HK\$1	100	Production and sale of concrete and investment holding

Principal Subsidiaries (Cont'd)

Appendix 1 (Cont'd)

As at 31st December, 2001	Share capital issued Number	Par value per share	Proportion of nominal value of issued capital held by the Group (per cent.)	Principal activities
Incorporated in Hong Kong and operating in Mainland China				
Cheung Kong China Infrastructure Limited	2 ordinary	HK\$1	100	Investment holding and investment in infrastructure projects in Mainland China
Incorporated and operating in Australia				
Cheung Kong Infrastructure Finance (Australia) Pty Ltd	1 ordinary	A\$1	100	Financing
CKI Transmission Finance (Australia) Pty Ltd	12 ordinary	A\$1	100	Financing

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

Principal Associates

Appendix 2

The table below shows the associates of the Group which, in the opinion of the Directors, principally affect the results or assets of the Group. To give details of all the associates would, in the opinion of the Directors, result in particulars of excessive length.

As at 31st December, 2001	Share capital issued Number	Par value per share	Approximate share of equity shares held by the Group (per cent.)	Principal activities
Incorporated and operating in Hong Kong				
Hongkong Electric Holdings Limited (notes 1 and 2)	2,134,261,654 ordinary	HK\$1	39	Electricity generation and distribution
Eastern Harbour Crossing Company Limited (note 2)	35,000,000 ordinary	HK\$10	50	Exercise of a franchise to operate the rail section of a tunnel
Incorporated and operating in Australia				
ETSA Utilities Partnership (note 3)	N/A	N/A	50	Electricity distribution
CKI/HEI Electricity Distribution Pty Limited (note 4)	200 ordinary	A\$1	50	Electricity distribution

Notes:

- The associate is listed on Hong Kong Stock Exchange.
- The associates were not audited by Deloitte Touche Tohmatsu.
- ETSA Utilities Partnership, an unincorporated body, is formed by the following companies:
 CKI Utilities Development Limited
 CKI Utilities Holdings Limited
 CKI/HEI Utilities Distribution Limited
 HEI Utilities Development Limited
 HEI Utilities Holdings Limited

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

 The partnership operates the electricity distribution network in the State of South Australia of Australia.
- CKI/HEI Electricity Distribution Pty Limited owns 100 per cent. equity shares in the following subsidiaries ("the Powercor Group"):
 Powercor Australia Pty Limited
 Powercor Australia LLC
 Powercor Australia Holdings Pty Limited
 Powercor Australia Limited

 The Powercor Group operates an electricity distribution network in the State of Victoria of Australia.

Principal Jointly Controlled Entities

Appendix 3

The table below shows the jointly controlled entities of the Group which, in the opinion of the Directors, principally affect the results or assets of the Group. To give details of all the jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

Name of jointly controlled entities	Percentage of interest held by the Group	Profit sharing percentage	Principal activities
Guangdong Shantou Bay Bridge Co. Ltd.	30	30	Operation of Shantou Bay Bridge
Guangdong Zhuhai Power Station Co., Ltd.	45	45	Operation of Zhuhai Power Station
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*	Construction and operation of Guangzhou East South West Ring Road

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

Extracts of Financial Statements of Hongkong Electric

Appendix 4

The following is a summary of the audited consolidated profit and loss account and consolidated balance sheet of Hongkong Electric, a principal associate of the Company, for the year ended 31st December, 2001, as extracted from the 2001 published financial statements of Hongkong Electric.

Consolidated Profit And Loss Account

for the year ended 31st December

HK\$ million	2001	2000
Turnover	10,867	10,643
Operating profit	6,715	6,348
Share of results of associates	472	(2)
Profit before taxation	7,187	6,346
Taxation	(776)	(637)
Profit after taxation	6,411	5,709
Scheme of Control transfers		
From/(To):		
Development fund	111	(160)
Rate reduction reserve	(15)	(14)
Profit attributable to shareholders	6,507	5,535
Dividends		
Interim dividend paid	1,195	1,153
Proposed final dividend	2,284	2,080
	3,479	3,233
Earnings per share	HK\$3.05	HK\$2.62
Dividends per share	HK\$1.63	HK\$1.515

Extracts of Financial Statements of Hongkong Electric (Cont'd)

Appendix 4 (Cont'd)

Consolidated Balance Sheet

as at 31st December

HK\$ million	2001	2000
Fixed assets		
Property, plant and equipment	39,360	36,423
Assets under construction	4,595	5,169
Interest in associates	4,836	6,326
Investment securities	393	891
Current assets	2,922	2,841
Current liabilities	(3,510)	(5,876)
Non-current liabilities	(14,691)	(14,986)
Rate reduction reserve	(9)	(14)
Development fund	(138)	(249)
Net assets	33,758	30,525
Share capital	2,134	2,134
Reserves	31,624	28,391
Capital and reserves	33,758	30,525

Note: As a result of adoption of the requirements of the Statement of Standard Accounting Practice No. 9 (revised) "Events after the Balance Sheet Date", proposed dividend after the balance sheet date is recognised as a component of equity instead of recognised as a liability at the balance sheet date. Certain comparative figures for the year ended 31st December, 2000 have also been reclassified to conform to the current year's presentation.

Schedule of Major Properties

Appendix 5

Location	Lot Number	Group's Interest (per cent.)	Approximate floor/site area attributable to the Group (sq. m.)	Existing Usage	Lease Term
14-18 Tsing Tim Street, Tsing Yi	TYTL 98	100	3,355	I	Medium
TMTL 201 Tap Shek Kok	TMTL 201	100	152,855	I	Medium
Certain units of Harbour Centre Tower 2, 8 Hok Cheung Street, Hunghom	KML113	100	5,712	C	Medium

I : Industrial C : Commercial

Project Profiles

Hongkong Electric / Infrastructure Investments

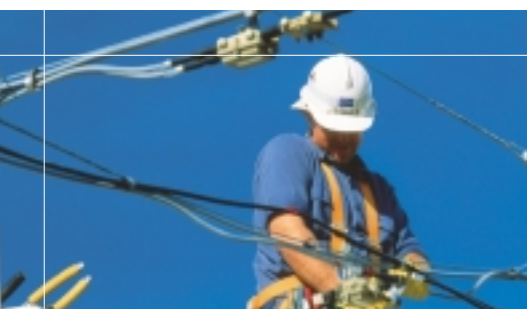


Hongkong Electric, Hong Kong

CKI shareholding	38.87%
Installed capacity	3,305 MW
Business	Exclusive right to generate and distribute electricity to Hong Kong Island, Ap Lei Chau and Lamma Island Over 100 years of profitable operation since 1890 Scheme of Control renewed to 2008
2001 net profit	HK\$6,507 million

Envestra Limited, Australia

CKI shareholding	Approximately 19%
Business	Distribution of natural gas in the states of South Australia, Queensland, the Northern Territory, Victoria and New South Wales
Natural gas distribution network	17,500 km
Consumer coverage	875,000 consumers



ETSA Utilities, South Australia, Australia

CKI shareholding	50% (another 50% held by Hongkong Electric)
Business	To operate the electricity distribution network in the state of South Australia for 200 years
Electricity distribution network	75,050 km
Consumer coverage	747,000 consumers

Powercor Australia Limited, Victoria, Australia

CKI shareholding	50% (another 50% held by Hongkong Electric)
Business	To operate the electricity distribution network covering an area of over 150,000 square km in the state of Victoria.
Electricity distribution network	80,000 km
Consumer coverage	590,000 distribution customers



Project Profiles

Infrastructure Investments



Fushun Cogen Power Plants, Liaoning

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

Qinyang Power Plants, Henan

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



Shantou Chaoyang Power Plant, Guangdong

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

Shantou Chenghai Power Plant, Guangdong

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





Shantou Tuopu Power Plant, Guangdong

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

Siping Cogen Power Plants, Jilin

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



Zhuhai Power Plant, Guangdong

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

Project Profiles

Infrastructure Investments



Eastern Harbour Crossing Rail Tunnel, Hong Kong

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

Changsha Wujialing and Wuyilu Bridges, Hunan

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



Guangzhou East-South-West Ring Road, Guangdong

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



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	2028
Operational status	Operational
Total project cost	HK\$130 million
CKI's interest	HK\$65 million
Interest in JV	50%

Jiangmen Jianghe Highway, Guangdong

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



Jiangmen Jiangsha Highway, Guangdong

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

Project Profiles

Infrastructure Investments



Nanhai Road Network, Guangdong

Location	Nanhai, Guangdong Province
Road type	Class 1 road
Length	91 km
No. of lanes	Dual two/three-lane
Joint venture contract date	1996
Joint venture expiring	2020 - 2024
Operational status/Operation commencing	Operational/2002
Total project cost	HK\$1,624 million
CKI's interest	HK\$903 million
Interest in JV	49% – 64.4%

National Highway 107 (Zhumadian Sections), Henan

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



Panyu Beidou Bridge, Guangdong

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



Shantou Bay Bridge, Guangdong

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

Shen-Shan Highway (Eastern Section), Guangdong

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



Shenyang Changqing Bridge, Liaoning

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

Project Profiles

Infrastructure Investments



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

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

Shenyang Gongnong Bridge, Liaoning

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



Shenyang Shensu Expressway, Liaoning

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



Tangshan Tangle Road, Hebei

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

Zengcheng Lixin Road, Guangdong

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



Project Profiles

Infrastructure Materials and Infrastructure-related Businesses



Anderson Asphalt, Anderson Asia, Hong Kong

Total capacity: 1.5 million tonnes per annum

Founded in 1977

One of Hong Kong's largest asphalt producers

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

Operates in Hebei, Shandong and Jiangsu provinces in China

Asia Stone, Anderson Asia, Hong Kong

Total capacity: 2 million tonnes per annum

Origins date back to 1968

One of Hong Kong's four contract quarries

Sole distributor of a PRC quarry in Hong Kong

Aggregates mainly for in-house purpose



Bonntile, Anderson Asia, Hong Kong

Total capacity: 1.5 million square meters per annum

Established in 1973

Exterior wall spray-coating system specialist

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

Ready Mixed Concrete, Anderson Asia, Hong Kong

Total capacity: 4.7 million cubic meters per annum

One of Hong Kong's largest concrete producers

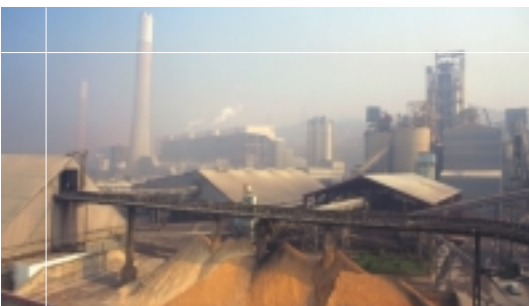
11 strategically-located batching plants throughout Hong Kong

Over 220 mixer trucks

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

Leader in product innovation





Green Island Cement, Hong Kong

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

Shantou Cement Grinding Plant, Guangdong

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



Guangdong GITIC Green Island Cement Co. Ltd., Guangdong

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

Project Profiles

Infrastructure Materials and Infrastructure-related Businesses



Siquijor Limestone Quarry, Philippines

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

Polyphalt Inc., Canada

CKI shareholding	63.5%
Business	Develops and commercialises polymer modified asphalt technology, products and services. The Company blends several of its asphalt technologies with plastics and rubbers, including recycled materials.
Licensee locations	13 licensees in North America, Northern Europe, Australia and Asia.



Stuart Energy Systems Corp., Canada

CKI shareholding	12.5%
Business	Develops and supplies hydrogen generation & supply systems through its proprietary water electrolysis technology
CKI's distribution right	To market Stuart Energy's technology and products in Asia Pacific on an exclusive basis until 2012



Yueyang Water Plants, Hunan

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

bioSecure Systems Limited, Hong Kong

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



e-Smart System Inc., Hong Kong

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 9th May, 2002 at 2:20 p.m. for the following purposes:

1. To receive and consider the audited Financial Statements, the Group Managing Director's Report and the Reports of the Directors and Auditors for the year ended 31st December, 2001.
2. To declare a final dividend.
3. To elect Directors.
4. To appoint Auditors and authorise the Directors to fix their remuneration.
5. To consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

- (1) **"THAT** a general mandate be and is hereby unconditionally given to the Directors to issue and dispose of additional shares not exceeding twenty per cent. of the existing issued share capital of the Company at the date of the Resolution until the next Annual General Meeting."
- (2) **"THAT:-**
 - (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$1.00 each in the capital of the Company in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and
 - (c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next Annual General Meeting of the Company;
 - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
 - (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

- (3) “**THAT** the general mandate granted to the Directors to issue and dispose of additional shares pursuant to Ordinary Resolution No. 5(1) set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 5(2) set out in the notice convening this meeting, provided that such amount shall not exceed ten per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of the said Resolution.”

By Order of the Board

Eirene Yeung

Company Secretary

Hong Kong, 14th March, 2002

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. Any such member who is a holder of two or more shares may appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. The Register of Members will be closed from Thursday, 2nd May, 2002 to Thursday, 9th May, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Branch Registrars, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Tuesday, 30th April, 2002.
3. Concerning Ordinary Resolution No. 5(1) above, the Directors wish to state that they have no immediate plans to issue any new shares of the Company. Approval is being sought from the members as a general mandate for the purposes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").
4. Concerning Ordinary Resolution No. 5(2) above, the Directors are not aware of any consequences which may arise under the Takeover Code as a result of any repurchase of shares of the Company. The Explanatory Statement containing the information necessary to enable the shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares, as required by the Listing Rules, will be set out in a separate letter from the Company to be enclosed with the 2001 Annual Report.

Corporate Information

DIRECTORS

LI Tzar Kuoi, Victor

Chairman

George Colin MAGNUS

Deputy Chairman

FOK Kin Ning, Canning

Deputy Chairman

KAM Hing Lam

Group Managing Director

IP Tak Chuen, Edmond

Executive Director

Frank John SIXT

Executive Director

CHOW WOO Mo Fong, Susan

Executive Director

TSO Kai Sum

Executive Director

Barrie COOK

Executive Director

KWAN Bing Sing, Eric

Executive Director

CHEONG Ying Chew, Henry*

Independent Non-executive Director

LEE Pui Ling, Angelina*

Independent Non-executive Director

* Members of Audit Committee

COMPANY SECRETARY

Eirene YEUNG

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

BANKERS

Canadian Imperial Bank of Commerce

BNP Paribas

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Clarendon House, Church Street,

Hamilton HM11, Bermuda

PRINCIPAL PLACE OF BUSINESS

12th Floor, Cheung Kong Center,

2 Queen's Road Central, Hong Kong

INTERNET ADDRESS

<http://www.cki.com.hk>

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Corporate Services Limited,

Rosebank Centre,

11 Bermudiana Road,

Pembroke,

Bermuda

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Central Registration Hong Kong Limited,

Rooms 1712-1716, 17th Floor, Hopewell Centre,

183 Queen's Road East, Hong Kong

SHARE LISTING

The Company's shares are listed on

The Stock Exchange of Hong Kong Limited.

The stock codes are :

The Stock Exchange of Hong Kong Limited – 1038;

Reuters – 1038.HK;

Bloomberg – 1038 HK.

INVESTOR RELATIONS

For further information about

Cheung Kong Infrastructure Holdings Limited,

please contact:

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Cheung Kong Infrastructure Holdings Limited

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