

*(Incorporated in Bermuda with limited liability)*

## **INTERIM REPORT FOR 2001**

### **SUSTAINING GROWTH THROUGH DIVERSIFICATION AND CONSOLIDATION**

#### **INTERIM RESULTS**

We are pleased to report that Cheung Kong Infrastructure Holdings Limited ("CKI") recorded satisfactory earnings growth in the first half of 2001. The unaudited consolidated net profit after tax for the first six months ended 30th June, 2001 was HK\$1,509 million, up 8.6 per cent. from the same period last year. Earnings per share were HK\$0.67 (2000: HK\$0.62).

The Board of Directors has declared an interim dividend for 2001 of HK\$0.21 per share (2000: HK\$0.20). The interim dividend will be paid on Thursday, 11th October, 2001 to shareholders whose names appear on the Register of Members on Wednesday, 10th October, 2001.

#### **Solid Growth in Infrastructure Investments**

CKI's infrastructure investments in energy and transportation reported satisfactory growth of 13 per cent. in profit contribution for the first half of the year attributable to the good performance of the various investments:

- Profit contribution from the Group's investment in Hongkong Electric Holdings Limited ("Hongkong Electric") was a 24 per cent. increase over the same period last year arising from the increased shareholding in and performance of Hongkong Electric.
- Profit contributions from Australian infrastructure businesses have exceeded initial projections.
- The Group's divestment programme brought a gain of HK\$572 million, of which HK\$351 million was attributable to the sale of Powercor Australia Limited retail business in

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Australia and HK\$221 million from the disposal of Nanhai Power Plant I investment in China. Divestment of the Group's interest in Nanhai Road Network is in progress.

- The Group has decided to take a more conservative and prudent accounting policy, and has decided to make a provision of HK\$500 million against the Group's China infrastructure portfolio of approximately HK\$8 billion.

### **Repositioning Infrastructure-related Businesses**

Softening infrastructure materials prices continued to put pressure on profit margins resulting in a reduction of 24 per cent. in profit contribution from this business over the same period last year.

The Group continued to refocus its initiatives on other infrastructure-related businesses. In the environmental industry, CKI obtained an exclusive license to develop and to market in Mainland China the environmentally friendly polymer modified asphalt, a patented technology owned by Polyphalt Inc., a Canadian listed company of which CKI is the majority shareholder. On the electronic infrastructure front, efforts on integrating smart card applications with biometrics, such as fingerprint matching and facial recognition technologies, have been carried out through the Group's newly established subsidiary, bioSecure Systems Limited.

### **Strong Financial Position**

As of 30th June, 2001, key financial figures and our credit rating are as follows :

- Cash position of HK\$3,213 million.
- Net debt of HK\$5,196 million.
- Net debt to equity ratio of 20 per cent.
- S&P credit rating of "A-/Stable".

### **Sustaining Growth through Diversification and Consolidation**

In the face of the fast-changing market place, we have adopted strategies to reposition ourselves to be even more responsive in the infrastructure business arena. The Group is currently in a very strong financial position to pursue capital intensive infrastructure projects aggressively.

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- The significant and steady contributions from CKI infrastructure investments continue to provide the Group with a broad profit and cash base. It is expected that the existing energy portfolio will continue to be the major profit generator for the Group. Adequate resources will be allocated to ensure such contributions to be sustained. In addition, initiatives will be carried out to identify energy investment opportunities around Asia, Europe and North America. Meanwhile, we aim to expand the transportation portfolio aggressively both in terms of geography and industry diversification. We have the extensive knowledge, experience and financial resources necessary to invest in the capital intensive transportation industry. We are currently studying a number of investment opportunities in roads, bridges, tunnels, airports and rail systems in markets including Hong Kong, Mainland China, South Korea, and Australia.
- The infrastructure materials business has been facing increasing pressure with declining volumes due to a slowdown of government housing and domestic infrastructure developments. Profit enhancement and overhead containment programmes are being implemented to optimise the profit and cash contribution from this maturing business, while it faces the challenges at the bottom of its industry cycle.
- The infrastructure materials and infrastructure-related businesses sector has just been repositioned. We believe that there is large market potential in the environmental industry and electronic infrastructure business. A number of opportunities in clean energy, waste-to-energy, waste handling, biometrics and smart card application are being studied.
- In addition to investigating new investment opportunities, the Group will continue to capitalise on divestment opportunities at preferential terms.

With the broad and secure foundation established over the past five years, we aim to continue sustaining the Group's growth through diversification and consolidation in the coming years.

I would like to thank the Board of Directors and our staff for their hard work and dedication, and our shareholders for their continued support of our vision.

**Li Tzar Kuoi, Victor**  
Chairman

Hong Kong, 16th August, 2001

## FINANCIAL REVIEW

### Financial Resources, Treasury Activities and Gearing Ratio

The Group's capital expenditure and investments for the period were funded from cash on hand, internal cash generation, the syndication loan drawn since September 1997 and new project loans drawn during the period.

The Group maintained bank balances and cash totalling HK\$3,213 million as at 30th June, 2001, of which more than 90 per cent. were denominated in Hong Kong dollars or U.S. dollars.

As at 30th June, 2001, total borrowings of the Group amounted to HK\$8,409 million, which included Hong Kong dollar syndication loan of HK\$3,800 million, foreign currency bank and other borrowings of HK\$4,477 million and RMB bank loans of HK\$132 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 30th June, 2001, amounted to HK\$25 million. Of these undrawn facilities, 37 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 30th June, 2001, the Group maintained a gearing ratio at 20 per cent. which was based on its net debt of HK\$5,196 million and equity of HK\$25,436 million. This ratio was lower than the gearing ratio of 34 per cent. at the end of 2000, mainly because of the repayment of a short-term Australian dollar bridging loan during the period. In view of the expiry of the HK\$3,800 million syndication loan in 2002 and 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.

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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 30th June, 2001, the Group has swapped the floating interest rates of its borrowings totalling HK\$4,294 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 30th June, 2001, certain of the Group's land and buildings and a fixed deposit with net book values totalling HK\$59 million were pledged to secure a bank loan and a performance bond totalling HK\$61 million.

The assets of a non-wholly owned subsidiary with a net book value of HK\$52 million were pledged as a floating charge to secure debentures with a face value totalling HK\$5 million issued by the aforesaid subsidiary. In addition to the floating charge, a second charge on the subsidiary's land and buildings with a net book value of HK\$7 million was created to secure a mortgage loan of HK\$7 million borrowed by the subsidiary.

### **Contingent Liabilities**

As at 30th June, 2001, the Group was subject to outstanding performance bonds totalling HK\$25 million.

### **Employees**

The Group, including its subsidiaries but excluding associated companies, employs a total of 2,352 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$217 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.

## **AUDIT COMMITTEE**

The Group's interim report for the six months ended 30th June, 2001 was reviewed by the Audit Committee ("Committee"). Regular meetings have been held by the Committee since its establishment and it shall meet at least twice each year.

## **PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

A detailed interim results announcement for the six months ended 30th June, 2001 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") will be published on the website of the Stock Exchange in due course.

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**CONSOLIDATED INCOME STATEMENT**

for the six months ended 30th June

HK\$ million	Notes	2001 (unaudited)	2000 (unaudited)
<b>Turnover</b>	1		
Group turnover		<b>1,196</b>	1,342
Share of turnover of jointly controlled entities		<b>705</b>	249
		<b>1,901</b>	1,591
<b>Group turnover</b>	1	<b>1,196</b>	1,342
Other revenue	2	<b>1,334</b>	584
Operating costs	3	<b>(2,217)</b>	(1,247)
<b>Operating profit*</b>	4	<b>313</b>	679
Finance costs		<b>(307)</b>	(281)
Share of results of associates		<b>1,438</b>	850
Share of results of jointly controlled entities		<b>191</b>	240
<b>Profit before taxation</b>		<b>1,635</b>	1,488
Taxation	5	<b>(138)</b>	(106)
<b>Profit after taxation</b>		<b>1,497</b>	1,382
Minority interests		<b>12</b>	7
<b>Profit attributable to shareholders</b>	4	<b>1,509</b>	1,389
<b>Proposed interim dividend</b>		<b>473</b>	451
<b>Earnings per share</b>	6	<b>HK\$0.67</b>	HK\$0.62
<b>Proposed interim dividend per share</b>		<b>HK\$0.21</b>	HK\$0.20

\* Operating profit is stated after a provision (see notes 3 and 4).

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 1. 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 six months ended 30th June

HK\$ million	2001			2000		
	Group controlled turnover	Share of turnover of jointly controlled entities	Total	Group controlled turnover	Share of turnover of jointly controlled entities	Total
Infrastructure investments	238	705	943	308	249	557
Infrastructure materials and infrastructure-related businesses	958	-	958	1,034	-	1,034
<b>Total</b>	<b>1,196</b>	<b>705</b>	<b>1,901</b>	<b>1,342</b>	<b>249</b>	<b>1,591</b>



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## By geographic region

for the six months ended 30th June

HK\$ million	2001			2000		
	Group controlled turnover	Share of turnover of jointly controlled entities	Total	Group controlled turnover	Share of turnover of jointly controlled entities	Total
Hong Kong	817	-	817	879	-	879
Mainland China	359	705	1,064	456	249	705
Others	20	-	20	7	-	7
<b>Total</b>	<b>1,196</b>	<b>705</b>	<b>1,901</b>	<b>1,342</b>	<b>249</b>	<b>1,591</b>

The comparative figures of turnover for the six months ended 30th June, 2000 have been restated to conform to the current period's presentation.

## 2. OTHER REVENUE

Other revenue includes the following:

HK\$ million	Six months ended 30th June	
	2001	2000
Interest income	364	316
Finance lease income	3	2
Distribution from listed stapled securities	18	20
Dividend from other listed securities	2	-
Gain on disposals of other listed securities	10	-
Gain on disposal of a subsidiary	221	-
Charterhire service income	688	208

**3. OPERATING COSTS**

Operating costs include the following:

HK\$ million	Six months ended 30th June	
	2001	2000
Depreciation	<b>95</b>	92
Amortisation of costs of investments in infrastructure projects	<b>87</b>	93
Provision against infrastructure project investments	<b>500</b>	-
Cost of charterhire services rendered	<b>686</b>	206
Cost of inventories sold	<b>645</b>	688

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## 4. SEGMENT INFORMATION

### By business segment

for the six months ended 30th June

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
<b>Segment revenue</b>										
Group turnover	-	-	238	308	958	1,034	-	-	1,196	1,342
Charterhire service income	-	-	-	-	688	208	-	-	688	208
Others	-	-	6	15	22	23	-	-	28	38
	-	-	244	323	1,668	1,265	-	-	1,912	1,588
<b>Segment result</b>	-	-	124	194	130	193	-	-	254	387
Provision	-	-	(500)	-	-	-	-	-	(500)	-
Gain on disposal of a subsidiary	-	-	221	-	-	-	-	-	221	-
Interest and finance lease incomes	-	-	288	249	52	58	27	11	367	318
Other revenue	-	-	30	20	-	-	-	-	30	20
Net corporate overheads	-	-	-	-	-	-	(59)	(46)	(59)	(46)
<b>Operating profit</b>	-	-	163	463	182	251	(32)	(35)	313	679
Finance costs	-	-	-	-	-	-	(307)	(281)	(307)	(281)
Share of results of associates and jointly controlled entities	1,073	860	556	241	-	(11)	-	-	1,629	1,090
Taxation	(118)	(89)	(1)	-	(19)	(17)	-	-	(138)	(106)
Minority interests	-	-	-	-	12	7	-	-	12	7
<b>Profit attributable to shareholders</b>	955	771	718	704	175	230	(339)	(316)	1,509	1,389

\* During the period, the Group has a 38.87 per cent. equity interest in Hongkong Electric Holdings Limited, which is listed on The Stock Exchange of Hong Kong Limited.

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## By geographical region

for the six months ended 30th June

HK\$ million	Hong Kong		Mainland China		Australia		Others		Unallocated items		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
<b>Segment revenue</b>												
Group turnover	817	879	359	456	-	-	20	7	-	-	1,196	1,342
Charterhire service income	14	7	68	83	5	-	601	118	-	-	688	208
Others	18	23	6	15	-	-	4	-	-	-	28	38
	<b>849</b>	<b>909</b>	<b>433</b>	<b>554</b>	<b>5</b>	<b>-</b>	<b>625</b>	<b>125</b>	<b>-</b>	<b>-</b>	<b>1,912</b>	<b>1,588</b>
<b>Segment result</b>	<b>207</b>	<b>228</b>	<b>57</b>	<b>159</b>	<b>-</b>	<b>(3)</b>	<b>(10)</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>254</b>	<b>387</b>
Provision	-	-	(500)	-	-	-	-	-	-	-	(500)	-
Gain on disposal of a subsidiary	-	-	221	-	-	-	-	-	-	-	221	-
Interest and finance lease incomes	52	58	-	-	288	249	-	-	27	11	367	318
Other revenue	12	-	-	-	18	20	-	-	-	-	30	20
Net corporate overheads	-	-	-	-	-	-	-	-	(59)	(46)	(59)	(46)
<b>Operating profit</b>	<b>271</b>	<b>286</b>	<b>(222)</b>	<b>159</b>	<b>306</b>	<b>266</b>	<b>(10)</b>	<b>3</b>	<b>(32)</b>	<b>(35)</b>	<b>313</b>	<b>679</b>
Finance costs	-	-	-	-	-	-	-	-	(307)	(281)	(307)	(281)
Share of results of associates and jointly controlled entities	1,082	860	196	241	351	-	-	(11)	-	-	1,629	1,090
Taxation	(138)	(106)	-	-	-	-	-	-	-	-	(138)	(106)
Minority interests	-	-	10	7	-	-	2	-	-	-	12	7
<b>Profit attributable to shareholders</b>	<b>1,215</b>	<b>1,040</b>	<b>(16)</b>	<b>407</b>	<b>657</b>	<b>266</b>	<b>(8)</b>	<b>(8)</b>	<b>(339)</b>	<b>(316)</b>	<b>1,509</b>	<b>1,389</b>

**5. TAXATION**

HK\$ million	Six months ended 30th June	
	<b>2001</b>	2000
<b>Company and subsidiaries</b>		
Hong Kong profits tax	-	current
	<b>20</b>	19
	-	deferred
	<b>(1)</b>	(2)
	<b>19</b>	17
<b>Associates</b>		
Hong Kong profits tax	-	current
	<b>118</b>	89
	-	deferred
	<b>1</b>	-
	<b>119</b>	89
<b>Total</b>	<b>138</b>	106

- (a) 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 period less available tax relief for losses brought forward.
- (b) 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.

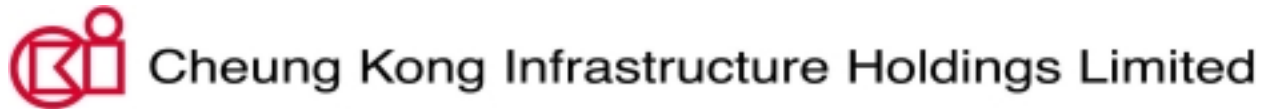
**6. EARNINGS PER SHARE**

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$1,509 million (2000: HK\$1,389 million) and on 2,254,209,945 shares (2000: 2,254,209,945 shares) in issue during the interim period.

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 six months ended 30th June, 2001 and 2000 were fully converted into shares of a non-wholly owned subsidiary which issued the debentures.

**7. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current period's presentation.



*(Incorporated in Bermuda with limited liability)*

## **NOTICE OF PAYMENT OF INTERIM DIVIDEND, 2001**

The Board of Directors of Cheung Kong Infrastructure Holdings Limited announces that the Group's unaudited consolidated net profit after tax for the six months ended 30th June, 2001 amounted to HK\$1,509 million which represents earnings of HK\$0.67 per share. The Directors have resolved to pay an interim dividend for 2001 of HK\$0.21 per share to shareholders whose names appear on the Register of Members of the Company on Wednesday, 10th October, 2001. The dividend will be paid on Thursday, 11th October, 2001.

The Register of Members of the Company will be closed from Wednesday, 3rd October, 2001 to Wednesday, 10th October, 2001, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Branch Share 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 Friday, 28th September, 2001.

By Order of the Board  
**Eirene Yeung**  
Company Secretary

Hong Kong, 16th August, 2001

Please also refer to the published version of this announcement in the i Mail dated 17/8/2001.