



THE CHAIRMAN'S LETTER FOR 2001

.....

TO OUR SHAREHOLDERS

Grow from Solid Foundations Venture Towards New Heights

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.

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.

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.

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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.

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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.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed annual results announcement for the year ended 31st December, 2001 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the website of the Stock Exchange in due course.

AUDITED CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK\$ million	Notes	2001	2000
Turnover	1		
Group turnover		2,316	2,567
Share of turnover of jointly controlled entities		1,522	778
		3,838	3,345
Group turnover	1	2,316	2,567
Other revenue	2	2,049	1,373
Operating costs	3	(3,846)	(2,819)
Operating profit	4	519	1,121
Finance costs		(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	5	(392)	(288)
Profit after taxation		3,291	3,213
Minority interests		32	15
Profit attributable to shareholders	4	3,323	3,228
Earnings per share	6	HK\$1.47	HK\$1.43
Dividends			
Interim dividend paid		473	451
Proposed final dividend		947	902
		1,420	1,353
Dividends per share			
Interim		HK\$0.21	HK\$0.20
Proposed final		HK\$0.42	HK\$0.40
		HK\$0.63	HK\$0.60

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 year ended 31st December

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	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

By geographic region

for the year ended 31st December

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	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

2. 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

3. OPERATING COSTS

Operating costs include the following:

HK\$ million	2001	2000
Provision against interests in infrastructure project investments	500	-
Depreciation	194	196
Amortisation of costs of investments in infrastructure projects	171	179
Cost of charterhire services rendered	1,007	559
Cost of inventories sold	1,371	1,371

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4. SEGMENT INFORMATION

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

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

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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

5. TAXATION

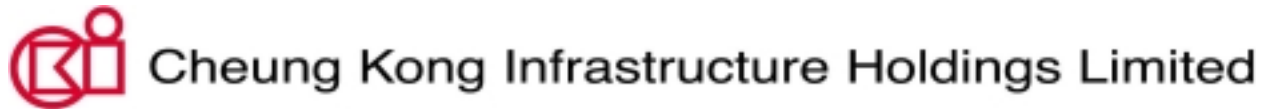
HK\$ million		2001	2000
Company and subsidiaries			
Hong Kong profits tax	- current	43	46
	- deferred	(4)	(4)
		39	42
Associates			
Hong Kong profits tax	- current	302	246
	- deferred	2	-
Overseas tax	- current	43	-
	- deferred	6	-
		353	246
Total		392	288

- (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 year.
- (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\$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.



(Incorporated in Bermuda with limited liability)

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."

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- (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").

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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.

Please also refer to the published version of this announcement in the Hong Kong iMail.