

INFRASTRUCTURE INVESTMENTS

Transportation

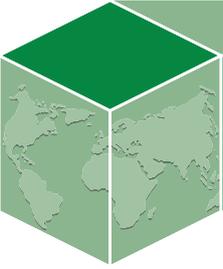
CKI's investments in transportation infrastructure projects continue to generate profits in 2004. Transportation operations in China registered overall growth in toll revenue during the year, and new construction projects in Australia are making very good progress.



From left to right, Mr Ian Hunt, Chief Executive Officer of Lane Cove Tunnel Company Pty Ltd. ("LCTC"), Mr H L Kam, Group Managing Director of CKI, and Mr Peter Tulloch, Director of LCTC, observed the rush hour congestion on Epping Road in the leafy Sydney suburb of Lane Cove at 7:45 a.m. on a working day.



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Transportation

China Transportation

CKI's portfolio of toll roads on the Mainland reported a mixed performance in 2004.

Guangdong Province has become a key driving force in the Group's portfolio of transportation projects. Due to the continued rapid economic expansion in the region, the majority of CKI's toll roads and bridges in Guangdong recorded double-digit growth in revenue. The Shenzhen-Shantou Highway (Eastern Section), the Panyu Beidou Bridge and the Guangzhou East-South-West Ring Road all recorded an impressive performance, with over 30% increase in toll revenue as compared to last year. As the economy of Guangdong

continues to grow, CKI anticipates that its portfolio of toll roads and bridges will continue to report high rates of organic growth in toll revenue.

Outside of Guangdong, the Tangshan Tangle Highway attained a 60% growth in toll revenue as Tangshan came of age as one of the major cities in the north-east of China with a significant increase in industrial output in 2004. The Changsha Bridges have continued to generate a steady income for CKI, while the National Highway 107 (Zhumadian Sections) experienced an expected drop in toll revenue as it was adversely affected by traffic diversion after completion of the Zhumadian Section of the Jing-Zhu Expressway.

The Shantou Bay Bridge recorded a double digit growth in toll revenue in 2004.



Construction at the Sydney Cross City Tunnel is well ahead of schedule and is due to be completed early in mid-2005, allowing for early completion revenue to be generated.



The required documentation and procedures for completing the buyback transactions for the Shenyang Roads project and the Jiangmen Jianghe Highway with CKI's joint venture partners have been concluded.

Hong Kong Eastern Harbour Crossing Tunnel

CKI possesses a 50% stake in the Eastern Harbour Crossing Company Limited, owner and operator of the rail tunnel which connects eastern Hong Kong with eastern Kowloon. The tunnel continued to generate stable returns and cash flow for CKI during 2004.

Australian Toll Road Projects

The Sydney Cross City Tunnel

CKI has a 50% stake in the A\$1 billion Cross City Tunnel, a project poised to improve east-west travel across the central business district in Sydney. After completion, the Cross City Tunnel will allow road users to avoid up to 18 sets of traffic lights in downtown Sydney.

Construction is well ahead of schedule and the Tunnel is due to commence operations in mid-2005, which will allow for early completion revenue to be generated. It is anticipated that a favourable return on equity will be generated for shareholders, while commuters and road users will benefit immensely from the convenience offered by the new toll tunnel.

The Lane Cove Tunnel

In July 2004, CKI became the biggest shareholder of the Lane Cove Tunnel Company Pty Ltd. after acquiring a 40% equity stake for a consideration of A\$239 million. This represents CKI's second major toll tunnel project in Australia.

The Lane Cove Tunnel will run under the Epping Road and will complete the crucial link between Gore Hill Freeway and the M2 Motorway at North Ryde, representing the final stage of the most significant ring road built for Sydney. Underground excavation commenced in April 2004 and steady progress is being made. The Tunnel is expected to be completed in mid-2007 and the average daily traffic is expected to be well over 100,000 vehicles when operations commence. Total investment for the project is A\$1.7 billion, and the concession period is 30 years, excluding the construction period. A secure double-digit return on equity is expected for CKI.



Underground excavation for Lane Cove Tunnel commenced in April 2004 and steady progress is being made.

INFRASTRUCTURE INVESTMENTS



Water

In 2004, CKI has taken great strides in diversifying into the global water industry through acquisitions in Australia and the United Kingdom. The Group looks forward to expanding its presence in the global water industry as well as extending its reach in these two major markets.



In 2004, CKI diversified into the global water industry through the acquisitions of AquaTower in Australia and Cambridge Water in the United Kingdom.



INFRASTRUCTURE INVESTMENTS

Water



The Group acquired a 49% stake in AquaTower, a potable water supplier which serves four regional towns in Victoria, Australia.

AquaTower

In March 2004, CKI acquired a 49% stake in AquaTower, which operates under a 25-year service contract to build, own, operate and transfer (“BOOT”) water treatment plants. It is the exclusive potable water supplier of four regional towns in Victoria, Australia, serving a population of approximately 50,000 people. This secure and prime water plant asset has brought in immediate revenue to the Group since completion of the acquisition.

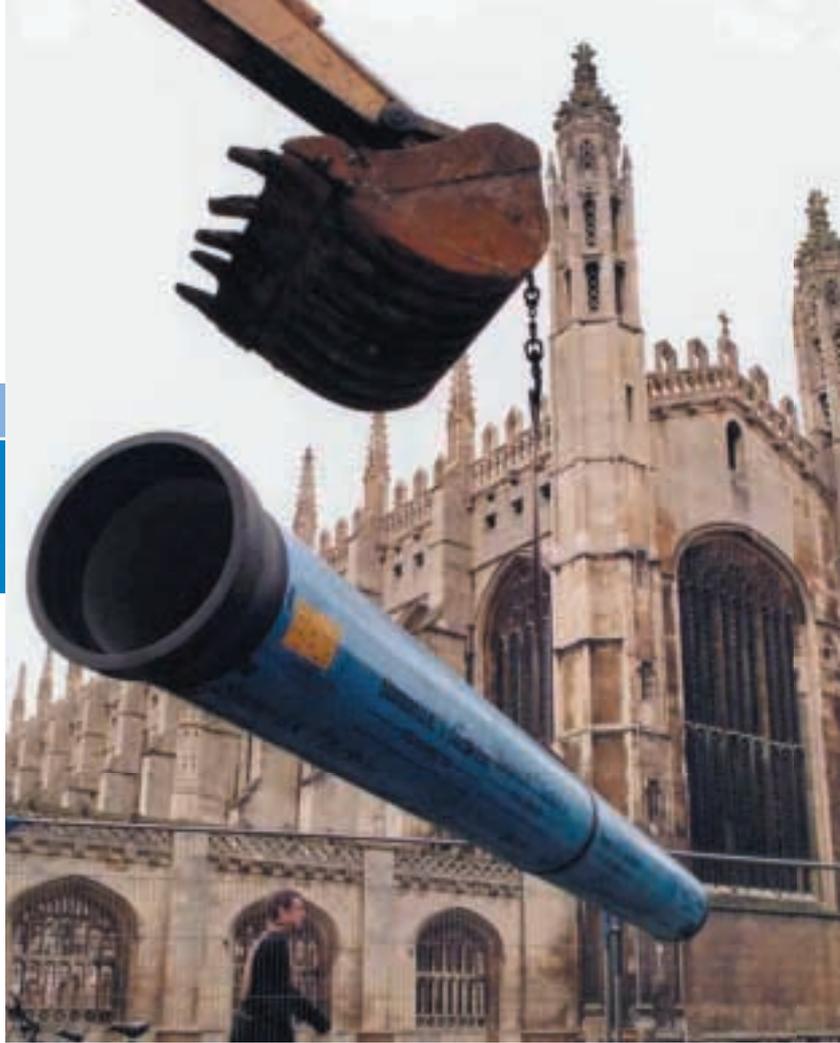
Cambridge Water

CKI made its first foray into water assets in the United Kingdom in April 2004 with the 100% acquisition of Cambridge Water. This water asset has a long-established pedigree that dates back to 1853. Supplying a population of approximately 300,000 in an area that spans over 1,173 square kilometres, Cambridge Water has an integrated distribution system which is made up of 7 service reservoirs, 10 water towers and 2,200 kilometres of water mains.



According to the Office of Population, Censuses and Surveys in the United Kingdom, population growth within Cambridge Water's area has been one of the highest in the last two decades, with a cumulative annual growth rate four times the nation's average. The growth of Cambridge Water's customer base is anticipated to be one of the highest in the United Kingdom.

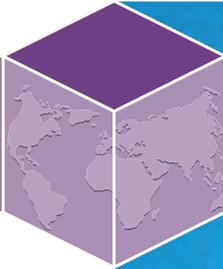
The consideration for the acquisition was over HK\$700 million (GBP51,375,000). Cambridge Water is expected to provide CKI with robust and secure double-digit returns, with sustained growth potential in the future.



CKI ventured in the water industry in the United Kingdom for the first time by acquiring 100% of Cambridge Water, a water asset that dates back to 1853.



Cambridge Water scores top rank from Office of Water Services for operating efficiency.



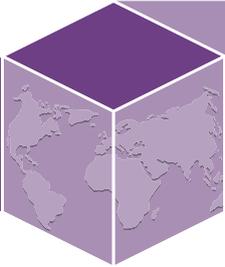
Infrastructure Related Business

CKI possesses a leading market position in the realm of infrastructure materials. 2004 was another challenging year for the infrastructure materials industry and the Group has accordingly endeavoured to adjust to the adverse market conditions. A prudent asset impairment has therefore been taken against certain assets.



Alliance Construction Materials Ltd., the Group's new joint venture company, has enhanced efficiency, reduced costs and strengthened its market position.





Infrastructure Related Business



Green Island Cement is the market leader in the domestic cement industry.

Cement and Limestone

The demand for cement in Hong Kong remained weak, with the lowest take-up recorded in the last two decades. Green Island Cement, while only representing a very small proportion of CKI's total revenue, managed to maintain a strong cash balance and inflow amidst the bearish industry environment. Capital expenditure programmes were tightly monitored while cost containment exercises were carried out. Excluding the asset impairment item, the Hong Kong infrastructure material unit managed to report a small operating profit.

Heading north, the Group's cement operations in Yunfu in Mainland China recorded a small profit, fuelled by strong demand and high material prices during the first half of 2004. As construction activities slowed down in the second half of 2004, an oversupply situation coupled with pricing pressure affected the profit margin.

In line with the Group's prudent management philosophy, the Group has made a sizeable impairment of HK\$250 million against certain Hong Kong and Mainland China cement assets and other investments during the year.

Concrete and Aggregates

The concrete and aggregates industries continued to be adversely affected by stagnant housing construction and civil works in Hong Kong. The merger between Anderson Asia's concrete and aggregates operations and the Hong Kong arm of Hanson PLC, the two

market leaders of the industry in Hong Kong, in May 2004 has demonstrated a timely strategic move. The merger of the two parties has been carried out smoothly and the rebranding of products and services are making good progress. The new company – Alliance Construction Materials Limited – is expected to reap the benefits of merger with efficiency enhanced significantly, costs realigned and reduced, and market leadership position strengthened.

Asphalt

The market for asphalt was weak during the year as building activities remained lethargic. Anderson Asphalt continued with its stringent cost control measures and generated a small operating profit in line with budget.



The merger between Anderson Asia's concrete and aggregate operations and the Hong Kong arm of Hanson PLC has been a timely strategic move.

Hydrogen Energy

Further to the merger with Vandenberg Technologies, N.V., in 2002, CKI's investment in Stuart Energy Systems Corp. was further diluted to around 2% upon the completion of the merging of Stuart Energy with Hydrogenics Corporation – a leader in the design, development and manufacturing of fuel cell applications and hydrogen generation systems.



Stuart Energy Systems Corp. was merged with Hydrogenics Corporation and has entered into a new phase of its evolution as a leading global developer of clean energy solutions.