

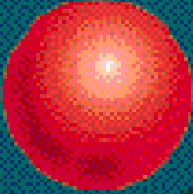


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CKI Materials

# Solid Foundations for Growth



CKI Energy



CKI Transportation





# Cheung Kong Infrastructure Holdings Limited

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## Profit Growth 20%

- Net profit up 20 per cent. to HK\$1.231 billion
- All three divisions recorded profit growth
- Cash in hand HK\$1.438 billion
- Net debt to equity ratio 10 per cent.
- Interim dividend up 20 per cent. to HK\$0.12 per share

We are pleased to report that Cheung Kong Infrastructure Holdings Limited achieved satisfactory growth in the first half of 1998. Net profit for the half year ended 30th June, 1998 amounted to HK\$1.231 billion, a 20 per cent. increase over that of last year. Earnings per share were HK\$0.55. The results reflect continued growth from all of the three core businesses:

- Infrastructure Materials + 5%
- Energy + 30%
- Transportation + 87%

The Board of Directors has declared an interim dividend for 1998 of HK\$0.12 per share (HK\$0.10 per share in 1997). The interim dividend will be paid on Tuesday, 13th October, 1998 to shareholders whose names appear on the Register of Members on Monday, 12th October, 1998.

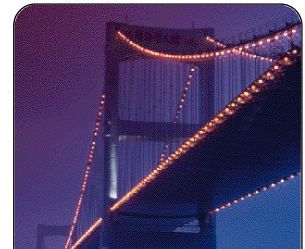
The importance of having solid foundations is being highlighted in the face of the regional financial turmoil. Amid testing times, the strengths and diversity of our core businesses have sustained the Group's continued profit growth. CKI Materials produced higher earnings in the face of a depressed regional market. Our infrastructure projects in the Mainland have demonstrated satisfactory underlying growth. In a tight credit environment, the Group's strong recurring cash flow from operations and solid financial position provide the drivers for further growth.

Highlights in the first half are summarised as follows:

- The Group's cash injection into PRC infrastructure projects reached HK\$9.8 billion as at the end of June, 1998.
- Our infrastructure projects in the Mainland are maturing, and showed strong profit contribution growth of 86 per cent. over the same period last year.
- Profit contribution of Hongkong Electric Holdings Limited ("Hongkong Electric") increased from a year ago due to the contribution of a full period. Hongkong Electric's core business showed steady growth of 5.5 per cent. in the first half by benefiting from demand growth while profit contribution from its property development associate was minimal during the term.

- CKI Materials posted another period of higher earnings on the back of continued cost reduction and productivity improvements. We have benefited from a broad-based decline in import and raw material prices, and enjoyed further improvements in productivity.
- Our financial position remains strong. Recurring cash flow from the core businesses has not been affected by the regional financial turmoil, and currently exceeds HK\$2.4 billion per annum. As at 30th June, 1998, the Group's net debt to equity ratio was 10 per cent., with cash of HK\$1.438 billion and debt of HK\$3.3 billion.

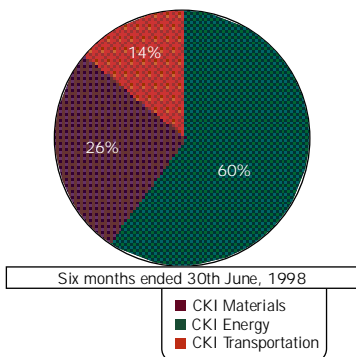
During the term, we maintained the credit rating of "A-" assigned by Standard & Poor's.



The results reflect continued growth from all of the three core businesses:

Infrastructure Materials	+ 5%
Energy	+ 30%
Transportation	+ 87%

Profit Contribution by Business Segment

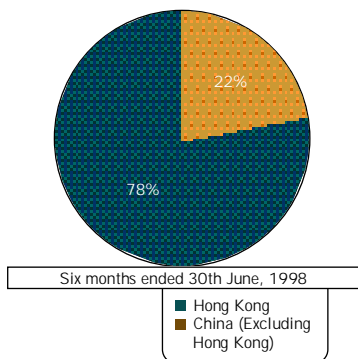


The infrastructure business in Hong Kong and the Mainland has been relatively unaffected by the continuing impact of the regional financial turmoil. The PRC infrastructure sector is set to remain active as the government is increasing infrastructure spending across the country through the banking and capital markets. As the Hong Kong economy is going through an adjustment phase, the government has strengthened its commitment to speed up infrastructure spending.

We believe the Group's forward momentum can be sustained through the internal growth of the core operations. With a strong financial position, the Group is well positioned to capture suitable investment opportunities arising from the turmoil by applying a disciplined, prudent approach to ensure superior returns.

I would like to thank the Board of Directors and all employees for their support and hard work.

Profit Contribution by Geographic Region



The Group's first half results reflect the resilience of our operations to the impact of the turmoil. As the underlying demand for electricity remains strong, Hongkong Electric's growth prospects will be steady. CKI Materials continues to enjoy leading market positions, and will benefit from increased public and infrastructure spending in Hong Kong. Our infrastructure projects in the Mainland are positioned to generate further growth from the underlying performance of the existing projects and the commencement of new projects.

Li Tzar Kuoi, Victor  
Chairman

Hong Kong, 20th August, 1998

for the six months ended 30th June, 1998

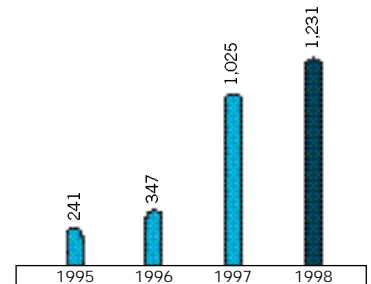
The unaudited consolidated profit and loss account for the six months ended 30th June, 1998 and the comparisons with last year are set out below:

Year ended 31st December (audited)	HK\$ million	Notes	Six months ended 30th June (unaudited)	1997
1997			1998	
3,346	Turnover	1	1,711	1,599
1,061	Operating profit		572	532
1,635	Share of results of associated companies		754	606
2,696	Profit before taxation		1,326	1,138
(283)	Taxation	2	(95)	(113)
2,413	Profit after taxation		1,231	1,025
(2)	Minority interests		-	-
2,411	Profit attributable to shareholders		1,231	1,025
(721)	Dividends		(271)	(225)
1,690	Profit for the period retained		960	800
HK\$1.15	Earnings per share	3	HK\$0.55	HK\$0.53
HK\$0.32	Dividends per share		HK\$0.12	HK\$0.10

## Profit Attributable to Shareholders

Six months ended 30th June

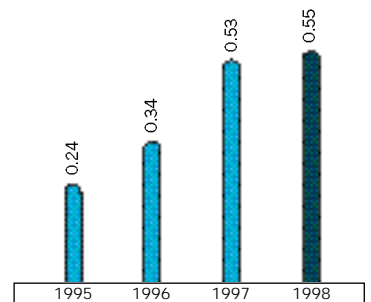
HK\$ million



## Earnings Per Share

Six months ended 30th June

HK\$



for the six months ended 30th June, 1998

*Notes:*

## 1. Turnover

Turnover represents net sales from infrastructure materials businesses and return on investments and interest income received and receivable from joint ventures established in the Mainland, net of withholding tax, where applicable.

## 2. Taxation

Year ended 31st December		Six months ended 30th June	
1997	HK\$ million	1998	1997
	Company and Subsidiaries		
142	Hong Kong profits tax - current	26	63
2	- deferred	(2)	-
144		24	63
	Associated companies		
139	Hong Kong profits tax - current	71	50
283	Total	95	113

(a) Hong Kong profits tax is provided for at the rate of 16.0 per cent. (1997: 16.5 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.

## 3. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$1,231 million (1997: HK\$1,025 million) and on 2,254,209,945 shares (1997: weighted average of 1,921,269,192 shares) in issue during the period.



As at 30th June, 1998, the interests of the Directors in the shares 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					
Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	
Company	Li Tzar Kuoi,	-	-	-	1,912,109,945	1,912,109,945	
	Victor				(Note 1)		
	Kam Hing Lam	100,000	-	-	-	100,000	
Hutchison	Li Tzar Kuoi,	-	-	610,000	1,944,547,978	1,945,157,978	
Whampoa	Victor			(Note 6)	(Note 2)		
	George Colin	800,000	9,000	-	-	809,000	
	Magnus						
	Fok Kin Ning,	875,089	-	-	-	875,089	
	Canning						
	Lee Pui Ling,	35,000	-	-	-	35,000	
	Angelina						
Hongkong	Li Tzar Kuoi,	-	-	-	729,605,362	729,605,362	
Electric	Victor				(Note 3)		
	Lee Pui Ling,	8,800	-	-	-	8,800	
	Angelina						
Orange plc	Li Tzar Kuoi,	-	-	250,000	1,000,000	1,250,000	
	Victor			(Note 6)	(Note 4)		
	George Colin	-	-	-	25,000	25,000	
	Magnus				(Note 7)		
	Fok Kin Ning,	24,390	-	-	-	24,390	
	Canning						
	Chow Woo Mo Fong,	14,634	-	-	-	14,634	
	Susan						
Believewell Limited	Li Tzar Kuoi,	-	-	-	1,000	1,000	
	Victor				(Note 5)		
Queboton Limited	Li Tzar Kuoi,	-	-	-	1,000	1,000	
	Victor				(Note 5)		

*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 daughter, 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 subsidiary 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 1,944,547,978 shares in Hutchison Whampoa comprise:
  - (a) 1,936,547,978 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) 8,000,000 shares are held by a company controlled by a 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 daughter, 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 8,000,000 shares in Hutchison Whampoa by virtue of his interests as described in this paragraph as a discretionary beneficiary of certain discretionary trusts.
3. The 729,605,362 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. The 1,000,000 shares in Orange plc, an associated company of Hutchison Whampoa, comprise:
- (a) 500,000 shares are held by a company controlled by TUT as trustee of the LKS Unity Trust. 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; and
- (b) 500,000 shares are held by a company controlled by a unit trust. All issued and outstanding units of such unit trust are held by discretionary trusts. Mr. Li Tzar Kuoi, Victor, as a Director of the Company, is deemed to be interested in such 500,000 shares in Orange plc by virtue of his interests as a discretionary beneficiary of certain discretionary trusts as described in Note 2(b) above.

5. These companies are associated companies 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.
6. These shares are beneficially owned by 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 its general meetings.
7. Mr. George Colin Magnus is a discretionary beneficiary of a family trust which owns a company which is interested in 25,000 shares in Orange plc.

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 30th June, 1998 there was no other interest or right recorded in the register required to be kept under Section 29 of the SDI Ordinance.

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 30th June, 1998 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 Ambervale 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 Ambervale 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.

### Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the six months ended 30th June, 1998. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during this period.

### Millennium Issue

The Group is aware of the importance of a Year 2000 compliance programme which is targeted to ensure all major systems, computer applications, software and hardware devices owned or developed by the Group will accurately calculate date data prior to, through and beyond the year 2000. Some units of the Group have been modifying some of their computer and production systems to be Year 2000 compliant since 1997.

In this connection, a central programme office has been established by the Group in 1997 to monitor the Year 2000 compliance programme and to implement remedial and contingency plan. Progress reports of the Year 2000 compliance programme have been submitted to the Executive Committee by the central programme office on a regular basis.

Measures taken to achieve Year 2000 compliance include problem identification and evaluation, and systems and software/hardware conversion, replacement and upgrading. The Group's target date for its major systems to be Year 2000 compliant is mid-1999, after that further testing and refinements may be required. The programme has been advancing well according to the programme schedule.

The Group has also initiated communications with its major suppliers, contractors and business partners to request confirmation that products and services provided and systems used by them are Year 2000 compliant. The Group is also assessing the progress and commitment in achieving Year 2000 compliance of such third parties which will be subject to their ability to eliminate any problems they may have with their own systems.

The Group has spent HK\$4,000,000 as at 30th June, 1998 on assessment, modification and related works and services performed and contracted for in connection with the Year 2000 compliance programme. It is estimated that the Group will spend a further amount of HK\$12,000,000 to complete the Year 2000 compliance programme of which HK\$3,000,000 has been committed. Most of these costs will be recognised as expenses.

### Code of Best Practice

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this interim report, in compliance with Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board of Directors of Cheung Kong Infrastructure Holdings Limited announces that the Group's unaudited consolidated profit attributable to shareholders for the six months ended 30th June, 1998 amounted to HK\$1.231 billion which represents earnings of HK\$0.55 per share. The Directors have resolved to pay an interim dividend for 1998 of HK\$0.12 per share to shareholders whose names appear on the Register of Members of the Company on Monday, 12th October, 1998. The dividend will be paid on Tuesday, 13th October, 1998.

The Register of Members of the Company will be closed from Monday, 5th October, 1998 to Monday, 12th October, 1998, 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, Hopewell Centre, 17th Floor, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 30th September, 1998.

By Order of the Board  
Eirene Yeung  
Company Secretary

Hong Kong, 20th August, 1998

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

Cheong Ying Chew, Henry  
Independent Non-executive  
Director

Lee Pui Ling, Angelina  
Independent Non-executive  
Director

Solicitors

Woo, Kwan, Lee & Lo

Auditors

Deloitte Touche Tohmatsu

Company Secretary

Eirene Yeung

Registered Office

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Hamilton HM11, Bermuda

Principal Place of Business

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29 Queen's Road Central  
Hong Kong

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Limited, 65 Front Street  
Hamilton, 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.

Investors Relations

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