

(Incorporated in Bermuda with limited liability)

## INTERIM REPORT FOR 2003

### Interim Results

#### 8.5% Growth in Profit Before Tax

HK\$ Million (unaudited)	<b>2003</b> <b><u>1st half</u></b>	2002 <u>1st half</u>	% <u>Change</u>
Profit Before Taxation	<b>1,854</b>	1,709	+8.5%
Less: Taxation	<b>(456)</b>	(271)*	+68.3%
Add: Minority interests	<b><u>5</u></b>	<u>5</u>	<u>-</u>
Profit Attributable to Shareholders	<b>1,403</b>	1,443*	-2.8%

\* Restated due to implementation of new deferred tax policy.

We are pleased to report that Cheung Kong Infrastructure Holdings Limited (“CKI”) recorded an 8.5 per cent. growth in profit before tax during the first six months ended 30th June, 2003. As a result of a change in accounting rules relating to deferred tax policy and an increase in corporate tax rate in Hong Kong, profit attributable to shareholders after tax turned into a slight decline of 2.8 per cent.

The unaudited consolidated profit attributable to shareholders for the first six months ended 30th June, 2003 for CKI was HK\$1,403 million, and earnings per share were HK\$0.62.

The Board of Directors has declared an interim dividend for 2003 of HK\$0.215 per share (2002: HK\$0.215). The interim dividend will be paid on Friday, 3rd October, 2003 to shareholders whose names appear on the Register of Members on Thursday, 2nd October, 2003.

## **Solid Core Businesses**

### **1. Hongkong Electric**

Hongkong Electric Holdings Limited (“Hongkong Electric”) has been a reliable, long-term income driver for CKI since 1997 when the investment was made. During the period under review, a drop of 6 per cent. in accounting profit was recorded due to a change in accounting rules which involves the revised Statement of Standard Accounting Practice on Income Taxes relating to deferred taxation provision, the increase in corporate tax rate as announced by the SAR Government in March 2003, and the sluggish domestic economy caused by the Severe Acute Respiratory Syndrome epidemic.

### **2. Infrastructure Investments**

Energy and transportation investments in Australia and Mainland China continued to deliver impressive performances, achieving a profit growth of 10 per cent. compared with the same period last year.

#### Australian Infrastructure Experienced Solid Organic Growth

The Australian portfolio accounted for approximately 28 per cent. of the Group’s profit contribution. Envestra Limited, ETSA Utilities and Powercor Australia Limited continued to generate stable and significant income, while CitiPower I Pty Ltd., the newly acquired investment made in August 2002, brought in a meaningful 5 per cent. additional profit during the first half of the financial year.

#### China Power Witnessed High Demand

The 1,900 MW China power portfolio delivered considerable cash inflow and profit for the Group during the period. Power supply shortages and high demand growth in Mainland China - especially in the Pearl River Delta Region - have led to new power generation records for the Group’s Zhuhai Power Plant. During the same period, the Group’s other three coal-fired power plants and cogen plants in Mainland China operated smoothly and made steady contributions to CKI.

# Cheung Kong Infrastructure Holdings Limited

## China Transportation Saw Double-Digit Growth

High traffic growth was recorded for the Group's transportation projects in Mainland China resulting in double-digit growth in revenue.

## Asset Consolidation Made Good Progress

Divestment of certain assets in Mainland China continued during the period. The Group's interests in the Yueyang Water Plants in Hunan Province have been disposed of with a capital gain of HK\$11 million, and divestments of the Jiangmen Jianghe Highway and Shenyang roads are in progress.

## **Strong Financial Position**

Prudent financial management and the steady cash flow generated by the maturing investment portfolio, have provided CKI with a strong balance sheet capable of supporting new growth initiatives. As of 30th June, 2003, the Group's financial position is as follows :

- Cash position of HK\$6,633 million.
- Net debt of HK\$4,931 million.
- Net debt to equity ratio of 18 per cent.
- "A-" credit rating by Standard & Poor's.

## **Outlook**

Looking ahead, CKI will continue its efforts to maximise profit through organic growth and new investment. Construction of the Sydney Cross City Tunnel - a major infrastructure project in New South Wales, Australia - is making good progress and is expected to be completed by the end of 2005. CKI is equipped with strong financials which will enable it to capitalise on new infrastructure investment opportunities. The soft global economic environment has presented a number of quality assets that offer secure returns and steady income. The Group is keeping a close eye on a number of potential energy, transportation and water projects spanning Australia, Canada, the United Kingdom and Mainland China.

# Cheung Kong Infrastructure Holdings Limited

I would like to thank the Board, management and all staff for their hard work and dedication, as well as our shareholders for their support and confidence in the Group.

**Li Tzar Kuoi, Victor**

Chairman

Hong Kong, 14th August, 2003

## FINANCIAL REVIEW

### Financial Resources, Treasury Activities and Gearing Ratio

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

As at 30th June, 2003, total borrowings of the Group amounted to HK\$11,564 million, which included Hong Kong dollar syndicated loan of HK\$3.8 billion, foreign currency borrowings of HK\$7,720 million and RMB bank loans of HK\$44 million. Of the total borrowings, 3 per cent. were repayable in 2003, 80 per cent. repayable in 2004 to 2007 and 17 per cent. repayable beyond 2007. 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 the cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars, Hong Kong dollars or Australian 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, 2003, the Group maintained a gearing ratio of 18 per cent. which was based on its net debt of HK\$4,931 million and equity of HK\$27,322 million. This ratio was lower than the gearing ratio of 21 per cent. at the year end of 2002 mainly because of the repayment of a short-term Australian dollar bridging loan during the period.

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To minimise currency risk exposure in respect of its investments in other countries, the Group has a policy of hedging those investments with the appropriate level of borrowings denominated in the local currencies of those countries. As at 30th June, 2003, the Group has swapped the floating interest rates of its borrowings totalling HK\$5,499 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, 2003:

- certain of the Group's land and buildings with carrying values totalling HK\$65 million were pledged to secure bank borrowings totalling HK\$26 million; and
- the Group's interests in an affiliated company with carrying value of HK\$1,684 million were pledged as part of the security to secure bank borrowings totalling HK\$4,523 million granted to the affiliated company.

## Contingent Liabilities

As at 30th June, 2003, the Group was subject to the following contingent liabilities:

HK\$ million

Guarantees in respect of bank loans drawn by affiliated companies	1,596
Performance bonds	25
<b>Total</b>	<b>1,621</b>

## **Employees**

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,799 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$161 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.

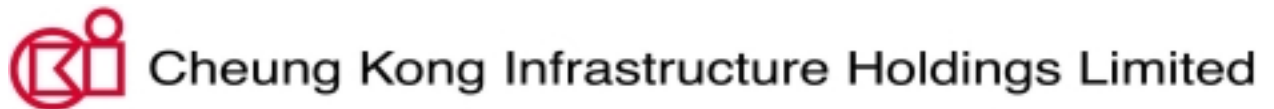
Preferential subscription of 2,978,000 new shares of the Company was given to those employees who had submitted the pink application forms to subscribe for shares of HK\$1.00 each in the Company at HK\$12.65 per share on the flotation of the Company in 1996. The Group does not have any share option scheme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

## **AUDIT COMMITTEE**

The Group's interim report for the six months ended 30th June, 2003 was reviewed by the Audit Committee ("Committee"). Regular meetings have been held by the Committee since its establishment and it meets 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, 2003 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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## **NOTICE OF PAYMENT OF INTERIM DIVIDEND, 2003**

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, 2003 amounted to HK\$1,403 million which represents earnings of HK\$0.62 per share. The Directors have resolved to pay an interim dividend for 2003 of HK\$0.215 per share to shareholders whose names appear on the Register of Members of the Company on Thursday, 2nd October, 2003. The dividend will be paid on Friday, 3rd October, 2003.

The Register of Members of the Company will be closed from Thursday, 25th September, 2003 to Thursday, 2nd October, 2003, 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, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 24th September, 2003.

By Order of the Board

**Eirene Yeung**

Company Secretary

Hong Kong, 14th August, 2003



Cheung Kong Infrastructure Holdings Limited

**CONSOLIDATED INCOME STATEMENT**

for the six months ended 30th June

HK\$ million	Notes	2003	Unaudited Restated 2002
<b>Turnover</b>	2		
Group turnover		770	1,028
Share of turnover of jointly controlled entities		869	847
		<b>1,639</b>	<b>1,875</b>
<b>Group turnover</b>	2	770	1,028
Other revenue	3	563	461
Operating costs	4	(763)	(918)
<b>Operating profit</b>	5	570	571
Finance costs		(314)	(299)
Share of results of associates		1,355	1,211
Share of results of jointly controlled entities		243	226
<b>Profit before taxation</b>		1,854	1,709
Taxation	6	(456)	(271)
<b>Profit after taxation</b>		1,398	1,438
Minority interests		5	5
<b>Profit attributable to shareholders</b>	5	1,403	1,443
<b>Proposed interim dividend</b>		485	485
<b>Earnings per share</b>	7	HK\$0.62	HK\$0.64
<b>Proposed interim dividend per share</b>		HK\$0.215	HK\$0.215

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 1. BASIS OF PREPARATION

The presentation and accounting policies used in the preparation of the consolidated income statement are consistent with those used in the Group's annual financial statements for the year ended 31st December, 2002, except that the Group has adopted Hong Kong Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income Taxes" which became effective on 1st January, 2003.

Upon adoption of SSAP 12 (Revised), full provision was made for deferred tax using the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit of the corresponding period, with limited exceptions. In prior periods, partial provision was made for deferred tax using the income statement liability method whereby deferred tax was recognised in respect of timing differences arising, except for those timing differences which were not expected to reverse in the foreseeable future.

In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively by means of a prior year adjustment. The effect of the change in accounting policy on the Group's results for the six months ended 30th June, 2002 is an increased charge to taxation of HK\$48 million. Certain comparative figures have been restated accordingly.

## 2. 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 is not included.

### By business segment

for the six months ended 30th June

HK\$ million	2003			2002		
	Group turnover	Share of turnover of jointly controlled entities	Total	Group turnover	Share of turnover of jointly controlled entities	Total
Infrastructure investments	145	869	1,014	196	847	1,043
Infrastructure materials and infrastructure-related businesses	625	-	625	832	-	832
<b>Total</b>	<b>770</b>	<b>869</b>	<b>1,639</b>	<b>1,028</b>	<b>847</b>	<b>1,875</b>

### By geographic region

for the six months ended 30th June

HK\$ million	2003			2002		
	Group turnover	Share of turnover of jointly controlled entities	Total	Group turnover	Share of turnover of jointly controlled entities	Total
Hong Kong	481	-	481	618	-	618
Mainland China	270	869	1,139	353	847	1,200
Others	19	-	19	57	-	57
<b>Total</b>	<b>770</b>	<b>869</b>	<b>1,639</b>	<b>1,028</b>	<b>847</b>	<b>1,875</b>

### 3. OTHER REVENUE

Other revenue includes the following:

HK\$ million	Six months ended 30th June	
	2003	2002
Interest income	469	326
Finance lease income	2	3
Distribution from listed stapled securities	24	20
Gain on disposal of infrastructure project investment	11	-
Gain on disposals of subsidiaries	-	49
Charterhire service income	-	28

### 4. OPERATING COSTS

Operating costs include the following:

HK\$ million	Six months ended 30th June	
	2003	2002
Depreciation	87	94
Amortisation of costs of investments in infrastructure projects	66	74
Cost of inventories sold	482	552
Cost of charterhire services rendered	-	28

**5. 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	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
<b>Segment revenue</b>										
Group turnover	-	-	145	196	625	832	-	-	770	1,028
Charterhire service income	-	-	-	-	-	28	-	-	-	28
Others	-	-	8	8	49	27	-	-	57	35
	-	-	153	204	674	887	-	-	827	1,091
<b>Segment result</b>	-	-	72	108	4	112	-	-	76	220
Gain on disposal of infrastructure project investment	-	-	11	-	-	-	-	-	11	-
Gain on disposals of subsidiaries	-	-	-	49	-	-	-	-	-	49
Interest and finance lease incomes	-	-	381	259	42	44	48	26	471	329
Other revenue	-	-	24	20	-	-	-	-	24	20
Corporate overheads and others	-	-	-	-	-	-	(12)	(47)	(12)	(47)
<b>Operating profit</b>	-	-	488	436	46	156	36	(21)	570	571
Finance costs	-	-	-	-	-	-	(314)	(299)	(314)	(299)
Share of results of associates and jointly controlled entities	1,223	1,104	375	334	-	(1)	-	-	1,598	1,437
Taxation	(377)	(201)	(78)	(54)	(1)	(16)	-	-	(456)	(271)
Minority interests	-	-	-	-	5	5	-	-	5	5
<b>Profit attributable to shareholders</b>	<b>846</b>	<b>903</b>	<b>785</b>	<b>716</b>	<b>50</b>	<b>144</b>	<b>(278)</b>	<b>(320)</b>	<b>1,403</b>	<b>1,443</b>

\* 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.

# Cheung Kong Infrastructure Holdings Limited

## By geographic region

for the six months ended 30th June

HK\$ million	Hong Kong		Mainland China		Australia		Others		Unallocated items		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
<b>Segment revenue</b>												
Group turnover	481	618	270	353	-	-	19	57	-	-	770	1,028
Charterhire service income	-	-	-	-	-	-	-	28	-	-	-	28
Others	28	22	29	8	-	-	-	5	-	-	57	35
	<b>509</b>	<b>640</b>	<b>299</b>	<b>361</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>90</b>	<b>-</b>	<b>-</b>	<b>827</b>	<b>1,091</b>
<b>Segment result</b>	27	135	69	87	-	-	(20)	(2)	-	-	76	220
Gain on disposal of infrastructure project investment	-	-	11	-	-	-	-	-	-	-	11	-
Gain on disposals of subsidiaries	-	-	-	49	-	-	-	-	-	-	-	49
Interest and finance lease incomes	42	44	-	-	381	259	-	-	48	26	471	329
Other revenue	-	-	-	-	24	20	-	-	-	-	24	20
Corporate overheads and others	-	-	-	-	-	-	-	-	(12)	(47)	(12)	(47)
<b>Operating profit</b>	<b>69</b>	<b>179</b>	<b>80</b>	<b>136</b>	<b>405</b>	<b>279</b>	<b>(20)</b>	<b>(2)</b>	<b>36</b>	<b>(21)</b>	<b>570</b>	<b>571</b>
Finance costs	-	-	-	-	-	-	-	-	(314)	(299)	(314)	(299)
Share of results of associates and jointly controlled entities	1,232	1,112	243	229	123	96	-	-	-	-	1,598	1,437
Taxation	(381)	(218)	(20)	(18)	(55)	(35)	-	-	-	-	(456)	(271)
Minority interests	-	-	2	4	-	-	3	1	-	-	5	5
<b>Profit attributable to shareholders</b>	<b>920</b>	<b>1,073</b>	<b>305</b>	<b>351</b>	<b>473</b>	<b>340</b>	<b>(17)</b>	<b>(1)</b>	<b>(278)</b>	<b>(320)</b>	<b>1,403</b>	<b>1,443</b>

**6. TAXATION**

Hong Kong Profits Tax is provided for at the rate of 17.5 per cent. (2002: 16 per cent.) on the estimated assessable profits for the period. Deferred taxation is provided on temporary differences under the liability method using tax rates applicable to the Group's operations in different countries.

HK\$ million	Six months ended 30th June	
	2003	2002
<b>Company and subsidiaries</b>		
Current taxation - Hong Kong Profits Tax	5	12
Deferred taxation	10	14
	<b>15</b>	<b>26</b>
<b>Share of taxation attributable to</b>		
Associates	421	227
A jointly controlled entity	20	18
	<b>441</b>	<b>245</b>
<b>Total</b>	<b>456</b>	<b>271</b>

**7. EARNINGS PER SHARE**

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$1,403 million (2002: HK\$1,443 million) and on 2,254,209,945 shares (2002: 2,254,209,945 shares) in issue during the interim period.