

SUSTAINING GROWTH THROUGH DIVERSIFICATION AND CONSOLIDATION

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 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.

Interim Results (Cont'd)

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".

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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.

- 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