

Chairman's Letter



Highlights

LI TZAR KUOI, VICTOR
Chairman

Six Consecutive Years of Sustained Growth

Net Profit
(HK\$ billion)



Sustained Growth for the Sixth Consecutive Year

	2002	Change
Net profit (HK\$)	3.4 billion	+3%
Dividends per share (HK\$)	0.68	+8%

Strong 2002 Achievements Due to

- Strong Hongkong Electric performance
- Better than planned returns from Australian portfolio
- Additional income from newly acquired CitiPower investment
- Stable income from China infrastructure portfolio

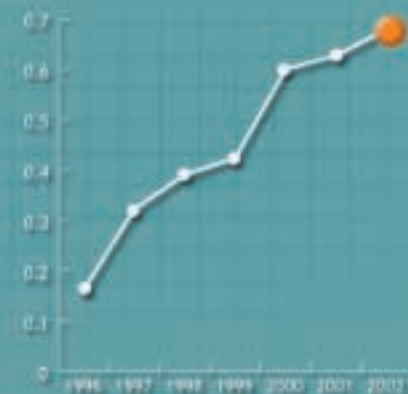
Strong Financials

- Net debt-to-equity ratio 19%
- Cash on hand approximately HK\$7 billion

Aim to Sustain Growth Through

- Continuing to invest
- Continuing to consolidate assets and businesses

Dividends per Share
(HK\$)



To Our Shareholders

We are pleased to report that Cheung Kong Infrastructure Holdings Limited ("CKI") recorded another year of profit in 2002. This marks the sixth consecutive year of sustained growth in profit for the Group since listing. The Group's audited consolidated profit attributable to shareholders for the year ended 31st December, 2002 was HK\$3,425 million, an increase of 3 per cent. from the previous year. Earnings per share were HK\$1.52.

The Board of Directors is recommending a final dividend of HK\$0.465 per share. Together with the interim dividend of HK\$0.215 per share, this will bring the total dividend for the year to HK\$0.68 per share, a 8 per cent. increase from the HK\$0.63 per share paid in 2001. This also represents the sixth consecutive year of dividend growth subsequent to listing. The proposed dividend will be paid on 20th May, 2003 following approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members on 15th May, 2003.

2002 was a challenging and unsettling year. Despite the unfavourable global environment, the Group successfully capitalised on each growth opportunity and showed good progress. A satisfactory performance was achieved and high returns to shareholders generated. Most encouraging of all, the Group has maintained a year-on-year profit and dividend growth for six consecutive years since listing in 1996.

Core Businesses Form Steady Income Base

CKI's core businesses continued to record a strong performance, forming a solid revenue base for the Group. This steady income stream provided ample funding for the Group's development and contributed greatly to reinforcing the Group's financial strength:

1. Investment in Hongkong Electric

- Hongkong Electric Holdings Limited ("Hongkong Electric") has been a long-term and reliable cash income base for the Group. It continued to be the biggest revenue stream contributing approximately 60 per cent. of the Group's profit for 2002.
- Apart from organic growth in its core businesses, Hongkong Electric's co-investment with CKI in Australia in ETSA Utilities, Powercor Australia Limited ("Powercor") and CitiPower 1 Pty Ltd. ("CitiPower") generated further significant returns.

2. Infrastructure Investment

- CKI's infrastructure investments in Australia continued to report satisfactory progress. Construction of the Cross City Tunnel in Sydney has commenced, and the three existing projects - Envestra Limited, ETSA Utilities and Powercor - continued to provide steady and significant income for the Group. Additional revenue was also derived from the newly acquired CitiPower investment. The Australian portfolio, which accounted for approximately 20 per cent. of the Group's profit contribution for the year, has become increasingly significant to the Group's earnings base as a whole.

- In the Mainland, power plants, toll roads and bridges spanning across different provinces and cities continued to generate significant cash income and profit for the Group. During the year, electricity generated by the Zhuhai Power Plant exceeded the contractual minimum power purchasing quantity of 6.8 billion kWh. It also attained an excellent safety record of "over 300 days of safe plant operation" in the Guangdong Power Network. The performance marked an important milestone for power plant operation in the Mainland.

3. Infrastructure Materials and Infrastructure-related Businesses

- The construction industry remained sluggish and the operating environment has yet to recuperate. Business in CKI's infrastructure materials and infrastructure-related businesses stabilised during the year after adjustments were made to production volume and prices. Respectable profit contributions were recorded following continued efforts to further streamline the operations.

Solid Financials Enable Sustained Growth

- The Group continued to maintain a healthy balance sheet, a relatively low gearing ratio, and a strong cash position. At the end of 2002, the Group recorded a net debt-to-equity ratio of 19 per cent. and cash on hand of approximately HK\$7 billion - an exceptionally strong financial position highly favourable for future growth.
- The Group's borrowings consisted of mainly medium to long term debt.
- The "A-" credit rating with "Stable" outlook was reaffirmed by Standard & Poor's ("S&P").

Mainland Asset Consolidation Reaps Benefits

The Group's asset consolidation efforts in the Mainland made good progress in 2002. Not only has the cash income generated from the consolidation further reinforced the Group's financial strength, the efforts also mitigated the impact caused by policy changes in "guaranteed-return" and power industry reforms.

- Zengcheng Lixin Road was sold for HK\$132 million, achieving an internal rate of return of 20 per cent.
- The divestment of Shantou Power Plants was concluded at HK\$239 million, generating an internal rate of return of 10 per cent.
- The sale of Nanhai Road Network, which was largely completed at the end of 2002, recouped approximately HK\$1,400 million and is expected to generate an internal rate of return of about 8 per cent.

Overseas Investments Mark New Progress

Many investment opportunities emerged from the global economic turmoil. Leveraging on its solid financial strength, the Group continued its globalisation strategy and actively pursued new investment opportunities around the world in the past year. The performance of the Group's investments in Australia was particularly noteworthy:

1. CitiPower in Melbourne

- In July 2002, CKI and Hongkong Electric completed the acquisition of CitiPower for A\$1,418 million. This electricity distributor serves approximately 265,000 customers in Melbourne, Victoria and its surrounding suburbs.

- According to a recent report by KPMG, this transaction was the third largest acquisition involving Hong Kong listed companies during 2002.
- Upon completion of the transaction, CitiPower's S&P credit rating was upgraded to "A-" from "BBB+" signifying S&P's confidence in the new shareholders, CKI and Hongkong Electric.
- CitiPower is CKI and Hongkong Electric's second investment in electricity distribution in the state of Victoria, Australia. Together with the earlier acquisition of Powercor, the largest power distributor in Victoria, and ETSA Utilities, the sole power distributor in South Australia, CKI and Hongkong Electric have become the largest electricity distributor in the country, serving a total of 1.65 million customers.

2. Cross City Tunnel in Sydney

- In December 2002, a consortium led by CKI with a 50 per cent. interest was awarded the Cross City Tunnel project. The A\$1 billion toll tunnel will link Sydney's eastern suburbs with the western side of the city upon completion. Construction has commenced at the beginning of 2003, with completion scheduled for 2006.
- The Cross City Tunnel denotes an important breakthrough for CKI's infrastructure investments in terms of geography as well as business scope. The tunnel is the Group's first infrastructure project in the state of New South Wales, and also the first transportation investment outside of the Mainland and Hong Kong.

Build from Solid Foundations, Capitalise on New Opportunities

Since the Group's listing in 1996, the Group's assets have been steadily increasing. Expansion has been made in both scope and scale. CKI has continued to make solid, steady progress, recording good performances year on year, both in the boom times of the infrastructure industry and during the more difficult recent business climate. Today, CKI is one of the world leading infrastructure companies, a global player investing and operating in a comprehensive range of infrastructure businesses.

2003 is expected to be another challenging and unsettling year. CKI is one of the few ready, willing and capable infrastructure investors in the world. Leveraging on the Group's strong financial position, solid experience in infrastructure, and sharp business acumen, CKI will continue to study new infrastructure opportunities around the world and make appropriate investment decisions. In addition, the Group will carry out appropriate asset consolidation and streamline operations to maximise returns for shareholders.

From its current solid foundations, CKI looks forward to years of sustained growth in the future ensuring a solid leadership position in the global infrastructure arena.

I would like to take this opportunity to thank the Board of Directors and our staff for their dedication and contribution, and to all the shareholders for their support and confidence in the Group.

LI TZAR KUOI, VICTOR

Chairman

Hong Kong, 13th March, 2003