### 1. Corporate Information

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). The Directors consider that the Company's ultimate holding company is Hutchison Whampoa Limited ("Hutchison Whampoa"), a company incorporated in Hong Kong with limited liability, the shares of which are listed on Hong Kong Stock Exchange.

The Group's principal activities are the development, investment and operation of infrastructure businesses in Hong Kong, Mainland China and Australia.

### 2. Principal Accounting Policies

The financial statements are prepared under the historical cost convention as modified for the revaluation of investments in securities.

The financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP"s), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The principal accounting policies adopted are set out below:

#### a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December together with the Group's interests in associates and jointly controlled entities on the basis set out in (d) and (e) below, respectively.

Results of subsidiaries, associates and jointly controlled entities acquired or disposed of during the year are accounted for from the effective dates of acquisitions or up to the effective dates of disposals.

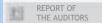
### b) Goodwill

Goodwill represents the excess of costs of acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the subsidiaries, associates and jointly controlled entities acquired.

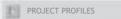
The Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill previously eliminated against reserves prior to 1st January, 2001. Accordingly, such goodwill continues to be held in reserves and will be charged to the income statement on disposal of the relevant subsidiary, associate or jointly controlled entity or at such time as further impairment losses are identified.

Goodwill arising on acquisition on or after 1st January, 2001 is capitalised and amortised using the straightline method over its estimated useful life. On disposal of the relevant subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

The carrying amount of the goodwill, including that previously eliminated against reserves, is reduced to recognise any identified impairment loss in the value of individual acquisitions.











### 2. Principal Accounting Policies (Cont'd)

#### c) Subsidiaries

A subsidiary is a company that is controlled by the Company, where the Company has the power to govern the financial and operating policies of such company so as to obtain benefits from its activities. Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### d) Associates

An associate is a company, other than a subsidiary or jointly controlled entity, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

The results and assets and liabilities of associates are incorporated in the Group's financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any identified impairment loss in the value of individual investments.

#### e) Joint Ventures

A joint venture is a contractual arrangement whereby the venturers undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Jointly controlled entities are joint ventures which involve the establishment of a separate entity. The results and assets and liabilities of jointly controlled entities are incorporated in the Group's financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any identified impairment loss in the value of individual investments.

#### f) Infrastructure Project Investments

Investments in infrastructure projects which do not fall into the definition of subsidiaries, associates and jointly controlled entities are classified as infrastructure project investments if the Group's return to be derived therefrom is predetermined in accordance with the provisions of the relevant agreements and the venturers' share of net assets are not in proportion to their capital contribution ratios but are as defined in the contracts and in respect of which the Group is not entitled to share the assets at the end of the investment period.

The Group's interests in the infrastructure project investments are recorded at cost less amortisation over the relevant contract period on a straight-line basis from commencement of operation of the project or from commencement of the Group's entitlement to income. The carrying amount of such interests is reduced to recognise any identified impairment loss in the value of individual investments. Income from these interests is recognised when the Group's right to receive payment is established.











### 2. Principal Accounting Policies (Cont'd)

### g) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement in the period in which it is incurred.

In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets.

Depreciation of property, plant and equipment is calculated to write off their depreciable amount over their estimated useful lives using the straight-line method, at the following rates per annum:

Land Over the unexpired lease terms of the land
Buildings 2% to 3⅓% or over the unexpired lease
terms of the land, whichever is the higher

Plant and machinery  $3\frac{1}{3}\%$  to  $33\frac{1}{3}\%$  Others 5% to  $33\frac{1}{3}\%$ 

When an asset is disposed of or retired, any gain or loss, representing the difference between the carrying value and the sales proceeds, if any, is included in the income statement.

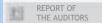
#### h) Patents and Licenses

Expenditure on acquired patents or licenses is capitalised and amortised using the straight-line method over its estimated useful life.

The carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

#### i) Inventories

Inventories are stated at the lower of cost, computed on a weighted-average or a first-in first-out basis as appropriate, and net realisable value. Cost includes cost of purchase and where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated costs to completion and selling expenses.











### 2. Principal Accounting Policies (Cont'd)

### j) Contract Work

When the outcome of a contract can be estimated reliably, revenue and costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date, that is the proportion that contract costs incurred for work performed to date bears to the estimated total contract costs.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable.

When it is probable that total contract costs will exceed total revenue, the expected loss is recognised as an expense immediately.

### k) Investments in Securities

Non-trading securities intended to be held long-term are stated at their fair values at the balance sheet date. The gains or losses arising from changes in the fair values of a security are dealt with as movements in investment revaluation reserve, until the security is disposed of, or is determined to be impaired, when the cumulative gain or loss is included in the income statement.

Other securities are stated at fair value in the balance sheet. Changes in fair value are dealt with in the income statement.

### I) Revenue Recognition

#### (i) Sales of goods

Revenue from sales of goods is recognised at the time when the goods are delivered or title to the goods passes to the customers. Revenue is arrived at after deduction of any sales returns and discounts and does not include sales taxes.

#### (ii) Contract revenue

Income from long-term contracts is recognised according to the stage of completion.

### (iii) Income from infrastructure projects and investments in securities

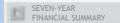
Income from infrastructure projects and investments in securities is recognised when the Group's right to receive payment is established. Income from infrastructure project investments is calculated in accordance with the terms and conditions of the relevant contracts.

#### (iv) Interest income

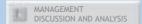
Interest income is recognised on a time proportion basis by reference to the principal outstanding and the interest rate applicable.

#### (v) Charterhire service income

Charterhire service income is recognised on a straight-line basis over the terms of the respective charterhire.











### 2. Principal Accounting Policies (Cont'd)

### m) Foreign Currencies

The income statements and cash flow statements of overseas subsidiaries, associates and jointly controlled entities are translated into Hong Kong dollars using average rates of exchange. Balance sheets are translated at closing rates.

Exchange differences arising on the translation at closing rates of the opening net assets and the profits for the year retained by overseas subsidiaries, associates and jointly controlled entities are taken to reserves.

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the relevant transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising therefrom are dealt with in the income statement.

#### n) Deferred Taxation

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.

#### o) Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable under operating leases are recorded in the income statement on a straight-line basis over the respective lease terms.

#### p) Finance Leases

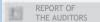
Leases that transfer substantially all the risks and rewards of ownership of the leased assets to the lessees are accounted for as finance leases. The amounts due from the lessees under finance lease contracts are recorded as finance lease debtors. The finance lease debtors comprise the gross investment in leases less unearned finance lease income allocated to future accounting periods. The unearned finance lease income is allocated to future accounting periods so as to reflect constant periodic rates of return on the Group's net investments outstanding in respect of the leases.

### q) Employee Retirement Benefits

The Group operates defined contribution and defined benefit retirement plans for its employees.

The costs of defined contribution plans are charged to the income statement as and when the contributions fall due.

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. The principal effect of the implementation of SSAP 34 is in connection with the recognition of costs for the Group's defined benefit retirement plan.











### 2. Principal Accounting Policies (Cont'd)

### q) Employee Retirement Benefits (Cont'd)

Under SSAP 34, the cost of providing retirement benefits under the Group's defined benefit retirement plan is determined using the projected unit credit method, with actuarial valuations being carried out annually. Actuarial gains and losses which exceed 10 per cent. of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees participating in the plan. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. In prior years, the costs of the defined benefit plan, which were determined using the attained age funding method, were charged to the income statement on a systematic basis with any surpluses and deficits allocated so as to spread them over the expected remaining service lives of the employees participating in the plan. The Group did not recognise any liability under the defined benefit retirement plan previously.

As a result of the changes described above, the Group has determined the transitional liability for its defined benefit plan at the date of adoption of SSAP 34 to be HK\$13 million. This amount will be recognised on a straight-line basis over five years from 1st January, 2002. The change in accounting policy has resulted in a decrease in the profit for the year ended 31st December, 2002 of HK\$3 million (2001: Nil).

### r) Borrowing Costs

Borrowing costs are expensed in the income statement in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the financing of the Group's infrastructure projects up to the commencement of revenue contribution or upon commencement of operation of the projects, whichever is the earlier.

### s) Cash Flow Statements

In accordance with SSAP 15 (revised) "Cash Flow Statements", the Group now classifies its cash flows under three headings – operating, investing and financing, rather than the previous five headings. Returns received from jointly controlled entities and infrastructure project investments, which were previously included in the heading "Returns on Investments and Servicing of Finance", are now classified as operating cash flows. Returns from other long-term investments, dividends and interest income received, which were previously included in the aforesaid heading, are now classified as investing cash flows. Finance costs and dividends paid, which were also included in the aforesaid heading previously, are now classified as financing cash flows. Cash flows arising from taxes on income, which were previously reported under the heading "Profits Tax Paid", are now classified as operating cash flows. Certain comparative figures have been reclassified to conform to the current year's presentation.

#### 3. 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 year ended 31st December

		2002			2001	
		Share of			Share of	
		turnover			turnover	
		of jointly			of jointly	
	Group	controlled		Group	controlled	
HK\$ million	turnover	entities	Total	turnover	entities	Total
Infrastructure investments Infrastructure materials and	277	1,723	2,000	362	1,522	1,884
infrastructure-related businesses	1,595	-	1,595	1,954	-	1,954
Total	1,872	1,723	3,595	2,316	1,522	3,838

### By geographic region

		2002			2001	
		Share of			Share of	
		turnover			turnover	
		of jointly			of jointly	
	Group	controlled		Group	controlled	
HK\$ million	turnover	entities	Total	turnover	entities	Total
Hong Kong	1,194	-	1,194	1,574	-	1,574
Mainland China	600	1,723	2,323	703	1,522	2,225
Others	78	-	78	39	_	39
Total	1,872	1,723	3,595	2,316	1,522	3,838

### 4. Other Revenue

Other revenue includes the following:

HK\$ million	2002	2001
Interest income	748	674
Finance lease income	5	7
Distributions from listed stapled securities	53	44
Dividends from other listed securities	-	2
Gain on disposals of subsidiaries	51	222
Gain on disposals of listed securities	97	36
Charterhire service income	28	1,007

# 5. Operating Costs

HK\$ million	2002	2001
Changes in inventories of finished goods and work-in-progress	15	(3)
Raw materials and consumables used	459	596
Staff costs including directors' remuneration	399	476
Provision against interests in infrastructure project investments	_	500
Depreciation	193	194
Impairment loss recognised in respect of property, plant and equipment	53	43
Amortisation of patents and licenses	1	1
Amortisation of costs of investments in infrastructure projects	138	171
Cost of charterhire services rendered	28	1,007
Other operating expenses	765	861
Total	2,051	3,846

# 6. Operating Profit

HK\$ million	2002	2001
Operating profit is arrived at after crediting:		
Contract revenue	236	41
and charging:		
Operating lease rental		
Land and buildings	51	52
Vessels	28	1,007
Directors' remuneration (note 28)	29	28
Auditors' remuneration	3	3
Loss on disposals of property, plant and equipment	7	1
Unrealised holding loss on other securities	91	_
Net exchange loss	88	5

### 7. Finance Costs

HK\$ million	2002	2001
Interest and other finance costs on		
Bank borrowings wholly repayable within five years	556	551
Notes not repayable within five years	68	_
Total	624	551

### 8. Taxation

Hong Kong Profits Tax is provided for at the rate of 16 per cent. (2001: 16 per cent.) on the estimated assessable profits for the year.

HK\$ million	2002	2001
Company and subsidiaries		
Current taxation – Hong Kong Profits Tax	12	43
Deferred taxation	_	(4)
	12	39
Share of taxation attributable to		
Associates	422	353
A jointly controlled entity	36	_
	458	353
Total	470	392

### 9. Profit Attributable to Shareholders and Segment Information

Of the Group's profit attributable to shareholders for the year, HK\$1,678 million (2001: HK\$1,646 million) has been dealt with in the financial statements of the Company.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographic regions as the secondary reporting format.

### By business segment

	Infrastructure materials and											
	Investment in infrastructure-											
	Hong	kong	Infrast	ructure	rela	ited	Unallo	cated				
	Elec		invest			esses	ite		Consoli			
HK\$ million	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001		
Segment revenue												
Group turnover	-	-	277	362	1,595	1,954	-	-	1,872	2,316		
Charterhire service income	-	-	-	-	28	1,007	-	-	28	1,007		
Others	-	-	15	23	42	34	-	-	57	57		
	-	-	292	385	1,665	2,995	-	-	1,957	3,380		
Segment result	_	-	101	149	47	147	-	_	148	296		
Provision against interests in												
infrastructure project investments	-	-	-	(500)	-	-	-	-	-	(500)		
Gain on disposals of subsidiaries												
and listed securities	-	-	51	232	-	-	97	26	148	258		
Interest and finance lease income	-	-	608	538	88	101	57	42	753	681		
Other revenue	-	-	53	46	-	-	-	-	53	46		
Net corporate overheads	-	-	-	-	-	-	(242)	(262)	(242)	(262)		
Operating profit	-	-	813	465	135	248	(88)	(194)	860	519		
Finance costs	-	-	-	-	-	-	(624)	(551)	(624)	(551)		
Share of results of associates												
and jointly controlled entities	3,021	2,806	633	909	-	-	-	-	3,654	3,715		
Taxation	(389)	(302)	(69)	(51)	(12)	(33)	-	(6)	(470)	(392)		
Minority interests	-	-	-	-	5	32	-	-	5	32		
Profit attributable to												
shareholders	2,632	2,504	1,377	1,323	128	247	(712)	(751)	3,425	3,323		

## 9. Profit Attributable to Shareholders and Segment Information (Cont'd)

### By business segment (Cont'd)

	Infrastructure									
		materials and								
		ment in				ucture-				
		gkong		ructure	rela			ocated		
		tric*		ments		esses		ms	Consoli	
HK\$ million	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Assets										
Segment assets	-	-	3,287	4,220	3,892	3,972	-	-	7,179	8,192
Interests in associates and jointly										
controlled entities	16,329	15,031	12,497	9,388	137	222	-	-	28,963	24,641
Unallocated corporate assets	-	-	-	-	-	-	6,245	3,409	6,245	3,409
Total assets	16,329	15,031	15,784	13,608	4,029	4,194	6,245	3,409	42,387	36,242
Liabilities										
Segment liabilities	-	-	11	40	372	506	-	-	383	546
Taxation and unallocated										
corporate liabilities	-	-	-	-	17	12	12,915	8,673	12,932	8,685
Minority interests	-	-	-	-	219	224	-	-	219	224
Total liabilities	-	-	11	40	608	742	12,915	8,673	13,534	9,455
Other information										
Capital expenditure	-	_	_	_	111	86	_	1	111	87
Depreciation and amortisation	-	-	138	171	192	192	2	3	332	366

<sup>\*</sup> During the year, the Group has a 38.87 per cent. equity interest in Hongkong Electric Holdings Limited ("Hongkong Electric"), which is listed on Hong Kong Stock Exchange.

# 9. Profit Attributable to Shareholders and Segment Information (Cont'd)

## By geographic region

for the year ended 31st L	Unallocated Australia Others items Consolida				lidated							
HK\$ million	2002	<b>Kong</b> 2001	2002	nina 2001	2002	2001	2002	2001	2002	2001	2002	2001
Segment revenue												
Group turnover	1,194	1,574	600	703	_	_	78	39	_	_	1,872	2,316
Charterhire service income	_	40	_	109	_	6	28	852	_	-	28	1,007
Others	31	21	16	24	_	-	10	12	-	-	57	57
	1,225	1,635	616	836	-	6	116	903	-	-	1,957	3,380
Segment result	146	283	20	44	_	-	(18)	(31)	_	_	148	296
Provision against interests in												
infrastructure project investments	-	-	-	(500)	-	-	-	-	-	-	-	(500)
Gain on disposals of subsidiaries												
and listed securities	-	10	51	222	-	-	-	-	97	26	148	258
Interest and finance lease income	87	100	1	-	608	538	-	1	57	42	753	681
Other revenue	-	2	-	-	53	44	-	-	-	-	53	46
Net corporate overheads	-	-	-	-	-	-	-	-	(242)	(262)	(242)	(262)
Operating profit	233	395	72	(234)	661	582	(18)	(30)	(88)	(194)	860	519
Finance costs	-	-	-	-	-	-	-	-	(624)	(551)	(624)	(551)
Share of results of associates and												
jointly controlled entities	3,042	2,832	453	408	159	475	-	-	-	-	3,654	3,715
Taxation	(403)	(337)	(36)	-	(31)	(49)	-	-	-	(6)	(470)	(392)
Minority interests	-	-	(1)	28	-	-	6	4	-	-	5	32
Profit attributable to												
shareholders	2,872	2,890	488	202	789	1,008	(12)	(26)	(712)	(751)	3,425	3,323
Assets												
Segment assets	2,731	2,713	3,788	4,894	573	435	87	150	_	-	7,179	8,192
Interests in associates and												
jointly controlled entities	16,447	15,160	4,538	4,587	7,851	4,703	127	191	-	-	28,963	24,641
Unallocated corporate assets	-	-	-	_	-	-	-	_	6,245	3,409	6,245	3,409
Total assets	19,178	17,873	8,326	9,481	8,424	5,138	214	341	6,245	3,409	42,387	36,242
Other information												
Capital expenditure	91	73	14	13	_	-	6	_	_	1	111	87

### 10. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$3,425 million (2001: HK\$3,323 million) and on 2,254,209,945 shares (2001: 2,254,209,945 shares) in issue during the year.

Diluted earnings per share has not been shown as there was no dilutive effect on the earnings per share if the convertible debentures outstanding during the years ended 31st December, 2002 and 2001 were fully converted into shares of a non-wholly owned subsidiary which issued the debentures.

### 11. Dividends

HK\$ million	2002	2001
Interim dividend paid of HK\$0.215 (2001: HK\$0.21) per share	485	473
Proposed final dividend of HK\$0.465 (2001: HK\$0.42) per share	1,048	947
Total	1,533	1,420

# 12. Property, Plant and Equipment

	Medium term	Medium term leasehold			
	leasehold	land and			
	land and	buildings	Plant	Furniture,	
HK\$ million	buildings in Hong Kong	outside Hong Kong	and machinery	fixtures and others	Total
	Hong Kong	Horig Korig	шасппегу	and others	IOtal
Group					
Cost					
At 1st January, 2002	863	405	2,044	264	3,576
Additions	-	-	107	4	111
Disposals	-	(2)	(74)	(8)	(84)
Transfer between categories	1	1	(2)	_	_
At 31st December, 2002	864	404	2,075	260	3,603
Accumulated depreciation					
and impairment					
At 1st January, 2002	271	40	950	178	1,439
Charge for the year	28	11	132	22	193
Impairment loss	-	27	26	_	53
Disposals	-	(2)	(64)	(8)	(74)
At 31st December, 2002	299	76	1,044	192	1,611
Net book value					
At 31st December, 2002	565	328	1,031	68	1,992
At 31st December, 2001	592	365	1,094	86	2,137

## 12. Property, Plant and Equipment (Cont'd)

	Medium term leasehold land and buildings in	Medium term leasehold land and buildings outside	Plant and	Furniture, fixtures	
HK\$ million	Hong Kong	Hong Kong	machinery	and others	Total
Company					
Cost					
At 1st January and					
31st December, 2002	_	_	_	14	14
Accumulated depreciation					
At 1st January, 2002	-	-	-	8	8
Charge for the year	-	_	_	2	2
At 31st December, 2002	-	-	-	10	10
Net book value					
At 31st December, 2002	-	_	_	4	4
At 31st December, 2001	-	_	_	6	6

At 31st December, 2002, certain of the Group's land and buildings with a net book value of HK\$64 million (2001: HK\$64 million) have been pledged to secure bank loans granted to the Group (note 21).

### 13. Interests in Subsidiaries

	Company		
HK\$ million	<b>2002</b> 2001		
Unlisted shares, at cost Amounts due by subsidiaries	22,757 5,664	22,757 5,438	
At 31st December	28,421	28,195	

Particulars of the principal subsidiaries are set out in Appendix 1 on pages 81 and 82.

#### 14. Interests in Associates

	Group	
HK\$ million	2002	2001
Share of net assets		
Listed associate	16,329	15,031
Unlisted associates	733	550
	17,062	15,581
Amounts due by unlisted associates	7,363	4,454
At 31st December	24,425	20,035
Market value of listed associate	24,473	24,058

Included in the amounts due by unlisted associates, HK\$4,597 million (2001: HK\$4,139 million) are subordinated loans. The rights in respect of these loans are subordinated to the rights of any other lenders to the associates.

Particulars of the principal associates are set out in Appendix 2 on pages 83 and 84.

An extract of the published financial statements of Hongkong Electric, a principal associate of the Group, for the year ended 31st December, 2002, is shown in Appendix 4 on pages 86 and 87.

### 15. Interests in Jointly Controlled Entities

	Group		
HK\$ million	2002	2001	
Investment costs	2,098	2,079	
Shareholders' loans to jointly controlled entities	1,942	1,880	
Share of undistributed post-acquisition results	498	647	
At 31st December	4,538	4,606	

The Group's interests in a jointly controlled entity with carrying value of HK\$1,982 million as at 31st December, 2002 (2001: HK\$1,991 million) have been pledged as part of the security to secure certain bank borrowings granted to the jointly controlled entity.

Particulars of the principal jointly controlled entities are set out in Appendix 3 on page 85.

### 16. Interests in Infrastructure Project Investments

	Group	
HK\$ million	2002	2001
La colonida	2.026	4 200
Investments	3,026	4,389
Accumulated amortisation	(616)	(883)
Infrastructure project receivables	405	463
	2,815	3,969
Provision	(350)	(500)
At 31st December	2,465	3,469

### 17. Investments in Securities

	Group	
HK\$ million	2002	2001
Non-trading securities		
Equity investments, listed overseas, at market value	32	67
Debt investments, listed overseas, at market value	19	257
Stapled securities, listed overseas, at market value	573	435
	624	759
Other securities		
Unlisted equity securities	179	_
Total	803	759

The stapled security comprises a subordinated loan note and a fully paid ordinary share. It is quoted at a single combined price and cannot be traded separately.

### 18. Other Non-current Assets

	Group	
HK\$ million	2002	2001
Finance lease debtors – non-current portion	23	37
Employee retirement benefit assets (note 27)	12	_
Patents and licenses	8	6
At 31st December	43	43

## 18. Other Non-current Assets (Cont'd)

Details of finance lease debtors are shown below:

	Group		
HK\$ million	2002	2001	
Gross investment in leases receivable:			
Within one year	17	18	
In the second to fifth year, inclusive	28	44	
After five years	-	2	
	45	64	
Unearned finance lease income	(10)	(15)	
Present value of finance lease debtors	35	49	
Portion receivable:			
Within one year – current portion	12	12	
In the second to fifth year, inclusive	23	35	
After five years	-	2	
Non-current portion	23	37	
Total	35	49	

Details of patents and licenses are further shown below:

HK\$ million	Group
Cost	
	9
At 1st January, 2002	
Additions	3
At 31st December, 2002	12
Amortisation	
At 1st January, 2002	3
Charge for the year	1
At 31st December, 2002	4
Net book value	
At 31st December, 2002	8
At 31st December, 2001	6

The patents and licenses are amortised over their estimated useful lives ranging from five to twelve years.

#### 19. Inventories

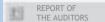
	Group	
HK\$ million	2002	2001
Raw materials	41	31
Work-in-progress	7	12
Stores, spare parts and supplies	115	129
Finished goods	23	33
	186	205
Contract work-in-progress	2	1
Total	188	206
Contract work-in-progress		
Costs plus recognised profits less recognised losses	106	35
Progress billing	(104)	(34)
	2	1

Included above are stores, spare parts and supplies of HK\$53 million (2001: HK\$57 million) and finished goods of HK\$2 million (2001: HK\$3 million) carried at net realisable value.

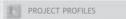
The cost of inventories charged to the Group's income statement during the year was HK\$1,117 million (2001: HK\$1,371 million).

### 20. Debtors and Prepayments

	Group		Company	
HK\$ million	2002	2001	2002	2001
Trade debtors and infrastructure project receivables  Prepayments, deposits and other receivables	589 133	750 175	- 7	_ _ 5
Total	722	925	7	5









# 20. Debtors and Prepayments (Cont'd)

The ageing analysis of the Group's trade debtors and infrastructure project receivables is as follows:

HK\$ million	2002		
Current	367	511	
One month	104	139	
Two to three months	48	52	
Over three months	208	258	
Gross total	727	960	
Provision	(138)	(210)	
Total after provision	589	750	

Trade with customers is carried out largely on credit, except for new customers and customers with unsatisfactory payment records, where payment in advance is normally required. Invoices are normally payable within one month of issuance, except for certain well-established customers, where the terms are extended to two months, and certain customers with disputed items, where the terms are negotiated individually. Each customer has a maximum credit limit, which was granted and approved by senior management in accordance with the laid-down credit review policy and procedures.

Infrastructure project receivables are mainly derived from return from infrastructure project investments, which is predetermined in accordance with provisions of the relevant agreements. The return is contractually payable annually or semi-annually to the Group within a specified period.

### 21. Bank and Other Loans

	Group		
HK\$ million	2002	2001	
Unsecured bank loans repayable:			
Within one year	2,250	3,894	
In the second year	2,409	354	
In the third to fifth year, inclusive	5,988	4,139	
	10,647	8,387	
Secured bank loans repayable:			
Within one year	19	36	
In the third to fifth year, inclusive	5	6	
	24	42	
Unsecured notes, 3.5%, repayable after five years	1,974	_	
Total	12,645	8,429	
Portion classified as:			
Current liabilities	2,269	3,930	
Non-current liabilities	10,376	4,499	
Total	12,645	8,429	

Interest rates on the loans are either fixed or floating and determined with reference to Hong Kong Interbank Offered Rate or Australian Bank Bill Swap Reference Rate:

	Group		
HK\$ million	2002	2001	
Fixed rate loans and loans swapped to fixed rate	8,610	4,449	
Floating rate loans	4,035	3,980	
Total	12,645	8,429	

Details of the charges on the Group's assets for the above-mentioned secured bank loans are summarised below:

	Group		
HK\$ million	2002	2001	
Land and buildings	64	64	
Others	14	14	
Total	78	78	

### 22. Creditors and Accruals

	G	roup	Company		
HK\$ million	2002	2001	2002	2001	
Trade creditors	90	141	_	_	
Amount due to an unlisted associate	131	113	131	113	
Other payables and accruals	350	441	21	29	
Total	571	695	152	142	

The ageing analysis of the Group's trade creditors is as follows:

HK\$ million	2002	2001
Current	30	82
		19
One month	20	
Two to three months	9	6
Over three months	31	
Total	90	141

## 23. Share Capital

HK\$ million	2002	2001
Authorised:		
Authoriseu.		
4,000,000,000 shares of HK\$1 each	4,000	4,000
Issued and fully paid:		
2,254,209,945 shares of HK\$1 each	2,254	2,254

### 24. Reserves

### Group

	Share	Contributed	Investment revaluation	Exchange translation	Retained	Duamasad	
HK\$ million	premium	surplus	reserve	reserve	profits	Proposed dividends	Total
At 1st January, 2001	3,836	7,632	19	(8)	10,129	902	22,510
Final dividend for the year							
2000 paid	-	-	-	-	-	(902)	(902)
Surplus on revaluation of							
non-trading securities	-	-	73	-	-	-	73
Deficit realised on disposals of							
non-trading securities	-	-	16	-	-	-	16
Exchange translation differences	-	-	-	(14)	-	-	(14)
Profit for the year	-	-	-	-	3,323	-	3,323
Proposed interim dividend	-	-	-	-	(473)	473	-
Interim dividend paid	-	-	-	-	-	(473)	(473)
Proposed final dividend	-	-	-	-	(947)	947	-
At 31st December, 2001	3,836	7,632	108	(22)	12,032	947	24,533
Final dividend for the year							
2001 paid	-	-	-	-	-	(947)	(947)
Deficit on revaluation of							
non-trading securities	-	-	(9)	-	-	-	(9)
Surplus realised on disposals of							
non-trading securities	-	-	(90)	-	-	-	(90)
Exchange translation differences	-	-	-	172	-	-	172
Profit for the year	-	-	-	-	3,425	-	3,425
Proposed interim dividend	-	-	-	-	(485)	485	-
Interim dividend paid	-	-	-	-	-	(485)	(485)
Proposed final dividend	-	-	-	-	(1,048)	1,048	-
At 31st December, 2002	3,836	7,632	9	150	13,924	1,048	26,599

The retained profits of the Group include the Group's share of the undistributed retained profits of its associates and jointly controlled entities amounting to HK\$6,754 million (2001: HK\$5,274 million) and HK\$498 million (2001: HK\$647 million) respectively.

### 24. Reserves (Cont'd)

#### **Company**

HK\$ million	Share premium	Contributed surplus	Retained profits	Proposed dividends	Total
- Internation	premium	341 5143	promes	urviaciias	
At 1st January, 2001	3,836	20,810	1,647	902	27,195
Final dividend for the year 2000 paid	_	-	-	(902)	(902)
Profit for the year	-	-	1,646	-	1,646
Proposed interim dividend	-	-	(473)	473	-
Interim dividend paid	-	-	-	(473)	(473)
Proposed final dividend	-	_	(947)	947	_
At 31st December, 2001	3,836	20,810	1,873	947	27,466
Final dividend for the year 2001 paid	-	-	-	(947)	(947)
Profit for the year	-	-	1,678	-	1,678
Proposed interim dividend	-	-	(485)	485	-
Interim dividend paid	-	-	-	(485)	(485)
Proposed final dividend	-	-	(1,048)	1,048	_
At 31st December, 2002	3,836	20,810	2,018	1,048	27,712

Contributed surplus of the Company arose when the Company issued shares in exchange for shares of subsidiaries and associates being acquired pursuant to the IPO Reorganisation in July 1996 and the Cheung Kong Group Restructuring (see below) in March 1997, and represents the difference between the value of net assets of the companies acquired and the nominal value of the Company's shares issued. Under the Company Act of 1981 of Bermuda (as amended), the contributed surplus is available for distribution to the shareholders.

Cheung Kong Group Restructuring is the reorganisation involving Cheung Kong (Holdings) Limited, Hutchison Whampoa, the Company and Hongkong Electric pursuant to which the transactions relating to the Company were completed on 10th March, 1997 which resulted in the Company becoming an 84.6 per cent. subsidiary of Hutchison Whampoa and acquiring a 35.01 per cent. holding in Hongkong Electric.

Total distributable reserves of the Company amounted to HK\$23,876 million as at 31st December, 2002 (2001: HK\$23,630 million).

### 25. Notes to Consolidated Cash Flow Statement

### (a) Cash generated from operations

HK\$ million	2002	2001
Profit before taxation	3,890	3,683
Share of results of associates	(3,201)	(3,307)
Share of results of jointly controlled entities	(453)	(408)
Interest income	(748)	(674)
Finance lease income	(5)	(7)
Income from infrastructure project investments	(277)	(362)
Distributions from listed stapled securities	(53)	(44)
Dividends from other listed securities	-	(2)
Finance costs	624	551
Depreciation	193	194
Impairment loss recognised in respect of		
property, plant and equipment	53	43
Loss on disposals of property, plant and equipment	7	1
Gain on disposals of subsidiaries	(51)	(222)
Provision against amounts due by unlisted associates	19	38
Provision against interests in jointly controlled entities	19	_
Provision against interests in infrastructure project investments	-	500
Amortisation of costs of investments in infrastructure projects	138	171
Gain on disposals of listed securities	(97)	(36)
Unrealised holding loss on other securities	91	_
Pension costs of defined benefit retirement plan	9	_
Amortisation of patents and licenses	1	1
Unrealised exchange loss on borrowings	161	_
Returns received from jointly controlled entities	562	326
Returns received from infrastructure project investments	396	431
Contributions to defined benefit retirement plan	(21)	_
Operating cash flows before changes in working capital	1,257	877
Decrease in inventories	18	18
(Increase)/decrease in retention receivables	(4)	5
Decrease in debtors and prepayments	129	164
Decrease in creditors and accruals	(179)	(42)
Exchange translation differences	(9)	_
Cash generated from operations	1,212	1,022

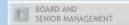
## 25. Notes to Consolidated Cash Flow Statement (Cont'd)

## (b) Disposals of subsidiaries

HK\$ million	2002	2001
Net assets disposed of:		
Interests in a jointly controlled entity	3	_
Interests in infrastructure project investments	1,162	633
Debtors and prepayments	_	6
Creditors and accruals	_	(7)
	1,165	632
Gain on disposals of subsidiaries	51	222
Total	1,216	854
	.,=	
Satisfied by:		
Cash	1,216	854
Analysis of the net cash inflow arising on the disposals:		
Analysis of the fiet cash inflow ansing of the disposals.		
HK\$ million	2002	2001
Cash consideration	1,216	854
Deposits received in prior years	(413)	(359)
Net cash inflow arising from the disposals	803	495







#### 26. Deferred Taxation

The Group's potential deferred tax (assets)/liabilities which have not been (recognised)/provided in the financial statements are as follows:

	For the year As at 31st			st December	
HK\$ million	2002	<b>2002</b> 2001		2001	
Excess/(shortfall) of tax allowances over depreciation	2	(10)	61	59	
Unutilised tax losses	(5)	3	(138)	(133)	
Others	3	(6)	(9)	(12)	
Net potential deferred tax assets unprovided	_	(13)	(86)	(86)	

The Group does not expect the unprovided potential deferred tax (assets)/liabilities to crystallise in the foreseeable future.

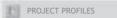
#### 27. Retirement Plans

The Group provides defined contribution retirement plans for its eligible employees except for a defined benefit plan for the employees of certain subsidiaries.

Contributions to the defined contribution plans are made by either the employer only at 10 per cent. of the employees' monthly basic salaries or by both the employer and the employees each at 10 or 15 per cent. of the employees' monthly basic salaries. The Group's Hong Kong subsidiaries also participate in master trust Mandatory Provident Fund ("MPF") schemes operated by independent service providers. Mandatory contributions to these MPF schemes are made by both the employers and employees at 5 per cent. of the employees' monthly relevant incomes each capped at HK\$20,000. As the Group's retirement plans in Hong Kong, including the defined benefit plan mentioned above, are all MPF-exempted recognised occupational retirement schemes ("ORSO schemes"), except for certain subsidiaries of which the new Hong Kong employees have to join the MPF schemes, the Group offers an option to its new Hong Kong employees to elect between the ORSO schemes and the MPF schemes.









### 27. Retirement Plans (Cont'd)

Contributions to the defined benefit plan are made by the employees at either 5 or 7 per cent. of the employees' salaries and contributions made by the employer are based on the recommendations of an independent actuary according to a periodic actuarial valuation of the plan.

The Group's costs in respect of defined contribution plans for the year amounted to HK\$12 million (2001: HK\$16 million). Forfeited contributions and earnings for the year under the defined contribution plans amounting to HK\$4 million (2001: HK\$2 million) were used to reduce the existing level of contributions. At 31st December, 2002, forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution plans in future years amounted to HK\$1 million (2001: HK\$1 million).

Actuarial valuations of the defined benefit plan according to SSAP 34 "Employee Benefits" were carried out at 1st January and 31st December, 2002, respectively by Mr. Joseph K.L. Yip of Watson Wyatt Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations, the related current service cost and past service cost, if any, were measured using the Projected Unit Credit Method. The principal actuarial assumptions used are as follows:

Discount rate at 1st January, 2002 7% per annum
Discount rate at 31st December, 2002 5.5% per annum
Expected return on plan assets 7% per annum
Expected rate of salary increases Nil to 5% per annum for the next five years
and 5% per annum thereafter

Amounts charged/(credited) to the consolidated income statement for the year ended 31st December, 2002 in respect of the defined benefit plan are as follows:

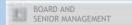
#### HK\$ million

Net amount charged to consolidated income statement	9
Amortisation of transitional liability	3
Expected return on plan assets	(9)
Interest cost	9
Current service cost	6











### 27. Retirement Plans (Cont'd)

The amount has been charged as operating costs to the consolidated income statement for the current year.

The actual return on plan assets for the year ended 31st December, 2002 is a loss of HK\$3 million.

The amount included in the consolidated balance sheet at 31st December, 2002 arising from the Group's obligations in respect of its defined benefit plan is as follows:

#### HK\$ million

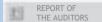
Employee retirement benefit assets included in the consolidated balance sheet	(12)
Unrecognised transitional liability	(10)
Fair value of plan assets	(136)
Unrecognised actuarial losses	(23)
Present value of defined benefit obligations	157

Movements in the Group's net asset recognised in the consolidated balance sheet are as follows:

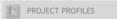
#### HK\$ million

At 31st December, 2002	(12)
Amount charged to consolidated income statement	9
Employers' contributions	(21)
At 1st January, 2002	_

The Group has implemented SSAP 34 "Employee Benefits" with effect from 1st January, 2002. As at that date, the Group determined the transitional liability for its defined benefit plan to be HK\$13 million and the Group did not recognise any liability under this plan in prior years. This amount is being recognised on a straight-line basis over a period of five years from 1st January, 2002. A charge of HK\$3 million was recognised in the current year. As at 31st December, 2002, transitional liability of HK\$10 million remained unrecognised.









### 27. Retirement Plans (Cont'd)

Another actuarial valuation was completed at 1st January, 2003 by Mr. Joseph K.L. Yip, the same actuary as mentioned above, to determine the funding rates to be adopted by the Group in accordance with requirements of Occupational Retirement Schemes Ordinance. The actuarial method adopted was Attained Age Funding Method. The major assumptions used were the long-term average annual rate of investment return on the plan assets at 7 per cent. per annum, and the average annual salary increases at nil to 5 per cent. per annum for the next five years and 5 per cent. per annum thereafter. The actuarial valuation showed that the fair value of the plan assets attributable to the Group of HK\$136 million at 31st December, 2002 represents 87 per cent. of the present value of the obligations as at that day. The Group's future annual contribution is designed to fund the shortfall over a period of time and the employer funding rates have been increased since 1st January, 1998. The funding rates are subject to annual review.

#### 28. Remuneration of Directors and Senior Executives

#### (a) Directors' Remuneration

The following table shows the remuneration of the Company's directors:

HK\$ million	2002	2001
Salaries, benefits in kind and fees	15	15
Contributions to retirement plans	1	1
Bonuses	13	12
Total	29	28

The directors' remuneration for the year includes directors' fees of HK\$600,000 (2001: HK\$600,000) of which HK\$100,000 (2001: HK\$100,000) have been paid to independent non-executive directors of the Company. Other than the directors' fees, fees of HK\$100,000 (2001: HK\$100,000) have been paid to the independent non-executive directors for participation in the Company's Audit Committee during the year.

### 28. Remuneration of Directors and Senior Executives (Cont'd)

### (a) Directors' Remuneration (Cont'd)

The table below shows the number of directors whose remuneration was within the following bands:

Remuneration band	2002	2001
Nil – HK\$1,000,000	7	7
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$4,000,001 - HK\$4,500,000	-	1
HK\$5,500,001 – HK\$6,000,000	1	_
HK\$6,000,001 - HK\$6,500,000	1	1
HK\$6,500,001 - HK\$7,000,000	1	1
HK\$7,000,001 – HK\$7,500,000	1	1

### (b) Senior Executives' Remuneration

Of the five individuals with the highest emoluments in the Group, four (2001: four) are directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining one (2001: one) individual is as follows:

HK\$ million	2002	2001
Salaries and benefits in kind	2	2
Contributions to retirement plan	1	1
Bonuses	1	1
Total	4	4

The remaining one (2001: one) individual with the highest emoluments is within the following band:

Remuneration band	2002	2001
HK\$4,000,001 – HK\$4,500,000	1	1

### 29. Commitments

(a) The Group's capital commitments outstanding at 31st December and not provided for in the financial statements are as follows:

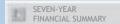
	Contracted but not provided for		Authorised but not contracted for	
HK\$ million	2002	2001	2002	2001
Investments	976	45	_	-
Plant and machinery	13	14	146	153
Others	-	_	-	2
Total	989	59	146	155

(b) At 31st December, the Group and the Company had outstanding commitments under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

	Group		Company	
HK\$ million	2002	2001	2002	2001
Within one year	41	38	6	4
In the second to fifth year, inclusive	78	82	9	16
After five years	22	33	_	_
Total	141	153	15	20

## 30. Contingent Liabilities

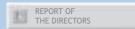
	G	roup	Company	
HK\$ million	<b>2002</b> 2001		2002	2001
Guarantees in respect of bank and other loans drawn by subsidiaries	_	-	12,549	8,293
Guarantee in respect of bank loans drawn by an associate Guarantee in respect of bank loans drawn by	335	-	335	-
a jointly controlled entity	696	682	696	682
Performance bonds	25	25	_	_
Total	1,056	707	13,580	8,975











### 31. Material Related Party Transactions

During the year, there were no advances to and repayments from jointly controlled entities. In the prior year, the Group advanced HK\$8 million to certain jointly controlled entities by way of shareholders' loans and received repayments totalling HK\$338 million from other jointly controlled entities. The total outstanding loan balances as at 31st December, 2002 amounted to HK\$1,942 million (2001: HK\$1,880 million), of which HK\$905 million (2001: HK\$887 million) bears interest with reference to Hong Kong dollar prime rate, and HK\$1,037 million (2001: HK\$993 million) are interest-free. The loans have no fixed terms of repayment.

The Group advanced HK\$2,309 million (2001: HK\$1,641 million) to its unlisted associates, and received repayments totalling HK\$48 million (2001: HK\$3,173 million) during the year. The total outstanding loan balances as at 31st December, 2002 amounted to HK\$7,363 million (2001: HK\$4,454 million), of which HK\$7,002 million (2001: HK\$4,139 million) bears interest with reference to Australian Bank Bill Swap Reference Rate and HK\$361 million (2001: HK\$315 million) are interest-free. Interest income contributed from the associates during the year amounted to HK\$608 million (2001: HK\$538 million). The loans have no fixed terms of repayment.

### 32. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 13th March, 2003.