





## Business Review

### Infrastructure Investments – Transportation



**CKI's transportation infrastructure projects continued to drive profits for the Group in 2003.** The Group's transportation operations in China recorded double-digit growth in toll revenue during the year; and construction of the Sydney Cross City Tunnel is ahead of schedule.

## Infrastructure Investments – Transportation

transportation investment in China, increased 21% over last year. Comparable growth is anticipated in 2004 as new highways connecting to the Ring Road are near completion. The Panyu Beidou Bridge located south of Guangzhou also achieved 21% growth in toll revenue over last year while the Shenzhen-Shantou Highway (Eastern Section) and the Shantou Bay Bridge registered 14% and 9% year-on-year growth respectively. The Chaolian Bridge posted 30% toll revenue growth; the Jianghe Highway reported double-digit toll revenue growth; and the Jiangsha Highway continued to provide good investment returns for the Group in 2003.



The Shantou Bay Bridge was a steady performer for the Group with a 9% rise in toll revenue in 2003.

### China Transportation

China's economy continued to boom and vehicle ownership soared in 2003. This phenomenon has fuelled the growth of CKI's China transportation projects.

Guangdong Province has become an engine of growth for southern China. The majority of CKI's toll roads and bridges in Guangdong have benefited from increased economic activities and the consequent surge in traffic flow led to double-digit growth in 2003. Toll revenue from the Guangzhou East-South-West Ring Road, the Group's largest

(previous page)

CKI's transportation business comprises investments in 500 km of toll roads and bridges in five provinces in China.

Outside of Guangdong, CKI's toll roads also achieved strong performance. The Tangle Highway in Tangshan, Hebei posted a 13% growth in toll revenue due to increased activities at the nearby Jing-Tang Port. In Henan, with the completion of a major road rehabilitation programme, the traffic flow on the 107 National Highway at Zhumadian increased significantly, resulting in a considerable revenue growth of 34% over last year. In Shenyang and Changsha, the toll roads and bridges continued to show a steady performance.



Benefiting from increased car ownership and better economic conditions, the Panyu Beidou Bridge in Guangdong registered a 21% increase in toll revenue.

The ground breaking ceremony for the A\$1 billion Sydney Cross City Tunnel project marked CKI's first diversification in transportation outside of Hong Kong and Mainland China.

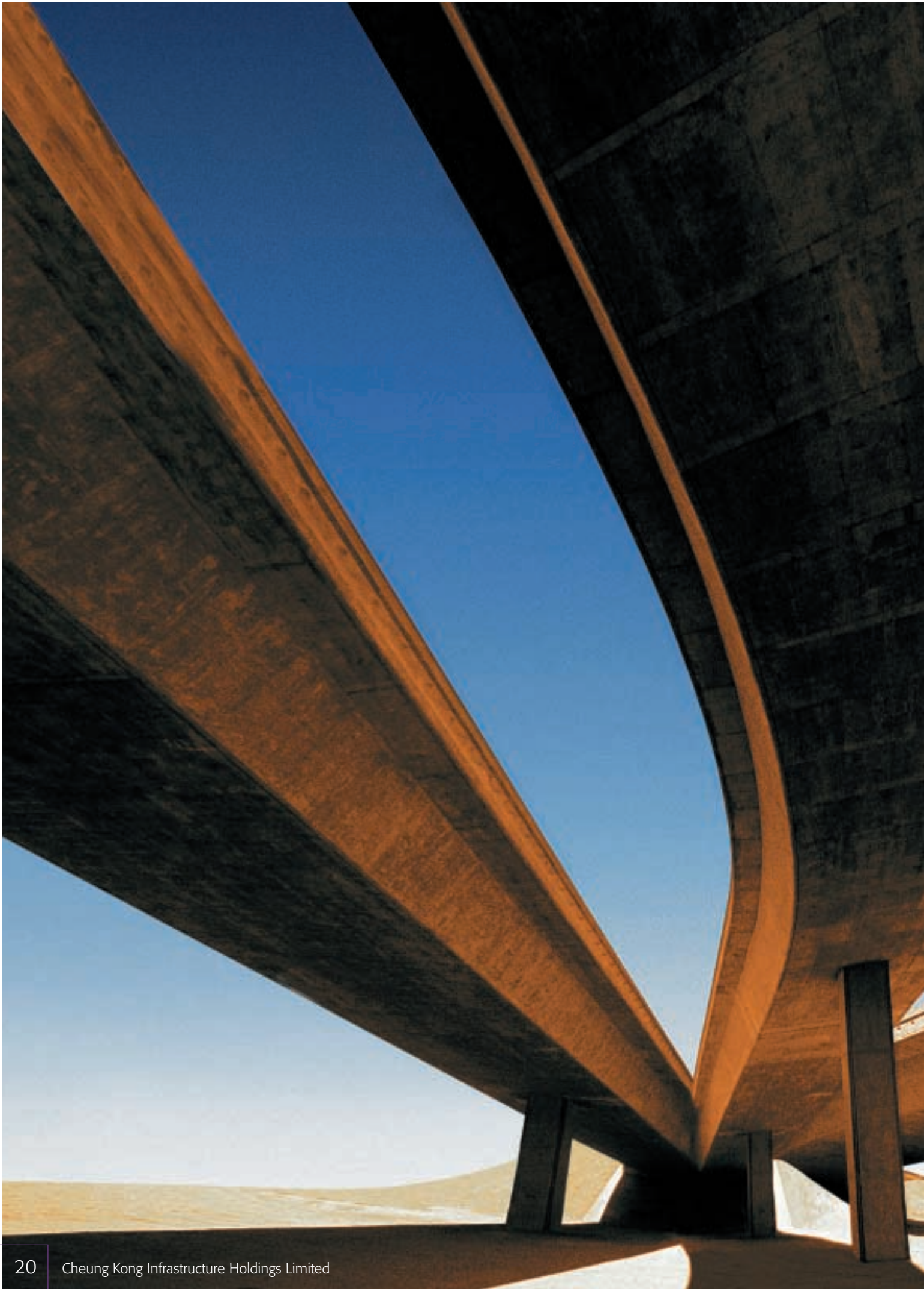
## Hong Kong Eastern Harbour Crossing Tunnel

CKI has a 50% stake in the Eastern Harbour Crossing Company Limited, which owns the rail tunnel connecting eastern Hong Kong with eastern Kowloon. During the year, the tunnel continued to provide satisfactory returns and steady cash flow for the Group.

## The Sydney Cross City Tunnel

Construction for the Sydney Cross City Tunnel is within budget and ahead of schedule. This A\$1 billion toll tunnel, of which CKI has a 50% stake, represents the Group's first diversification in the transportation sector outside of Hong Kong and Mainland China. Once completed, the Cross City Tunnel will improve east-west travel across Sydney's central business district, reduce travel time, improve access for all commuters and help improve air quality in the city. It is expected that a favourable investment return will be generated from this premium asset.







## Business Review

# Infrastructure Related Business



**CKI has been a market leader in infrastructure materials for many years.**

Due to the slowdown in construction, the Group's infrastructure materials business faced a challenging year in 2003. The Group has also launched a number of environmental initiatives over the past few years. They are expected to play a meaningful role in environmental protection as sustainable development increases in importance on the global agenda.

# Infrastructure Related Business

## Infrastructure Materials

### Hong Kong Cement, Concrete and Aggregates

The challenging market conditions that have affected Hong Kong in recent years continued to adversely impact the cement and concrete industries in 2003. Weak construction activities caused both volume and prices to decline. This was exacerbated by the Government's cut back in the construction and provision of public housing. The unfavourable market conditions drove total cement consumption in Hong Kong down to a new low. Concrete consumption was also very weak due to a lack of new projects in the territory.

In light of the difficult times, both Green Island Cement and Anderson Asia made every effort to continue reducing costs and improving efficiency and productivity. Although representing a modest percentage of CKI's total profit contribution, they continued to maintain strong cash balances and inflow.

(previous page)

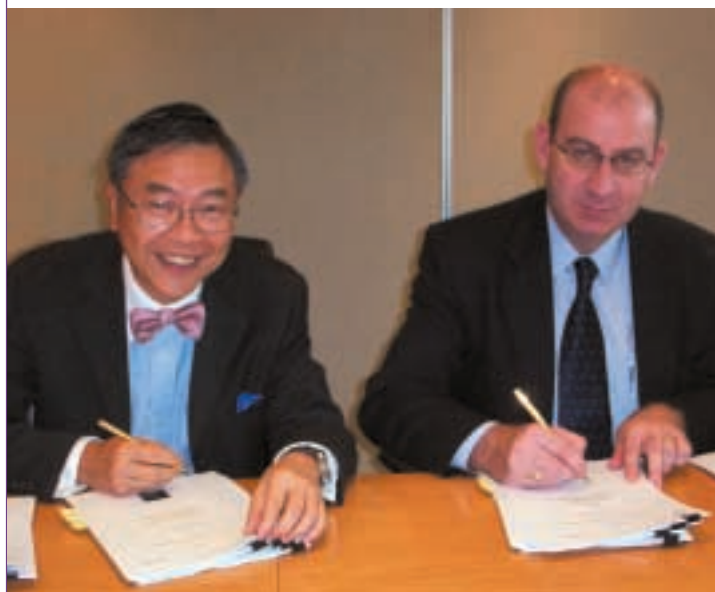
While demand for concrete and cement was down in 2003, both Green Island Cement and Anderson Asia still attained strong cash balances and inflow.

### Merger between Anderson Asia and Hanson

In a key strategic move to further solidify its market position and counteract a bearish business environment, Anderson Asia is in the process of merging with the Hong Kong operations of Hanson PLC, one of the leading building materials suppliers in the world.

The new company – Alliance Construction Materials Limited – will become Hong Kong's largest supplier of concrete and aggregates and is estimated to account for approximately one-third of the territory's market share. The merger will facilitate the maximisation of cost savings and efficiency enhancement. The new company will now have four quarries in Hong Kong and Mainland China with an aggregate reserve adequate for consumption for the next decade. Completion of the merger is scheduled to take place within 2004.

The Anderson Asia-Hanson merger will facilitate the maximisation of cost savings and efficiency.





Green Island Cement is a pioneer in the recycling of waste products, using over 10% of waste-derived materials in its cement production.

## Asphalt

Profits for Anderson Asphalt, one of Hong Kong's largest asphalt producers, pavement contractors and recyclers, improved year-on-year in 2003 on the strength of its contracting operations in Mainland China, Hong Kong and the Philippines. During the year, Anderson Asphalt completed paving mastic, a niche asphalt product specially designed for bridge paving, for the Jiangyin Bridge in Jiangsu province. The project yielded good profit contribution for Anderson Asphalt and plans to seek similar opportunities in China are in place. The refurbishment of the North Luzon Expressway in the Philippines is also progressing smoothly.

## Environmental Sustainability Initiatives

The Group continued to pursue initiatives on environmental sustainability in 2003. A study is conducted by Green Island International together with the Hong Kong University of Science and Technology regarding the conversion of municipal solid waste into energy using a high temperature co-combustion process. Another environmental initiative involves a clean energy pilot project for Hong Kong, which features a small hydrogen generator at Tap Shek Kok and a 41-seater bus driven by a hydrogen-powered internal combustion engine.

The Lam Tei Quarry operated by Anderson Asia produces aggregates to meet the needs of the local construction industry.

