



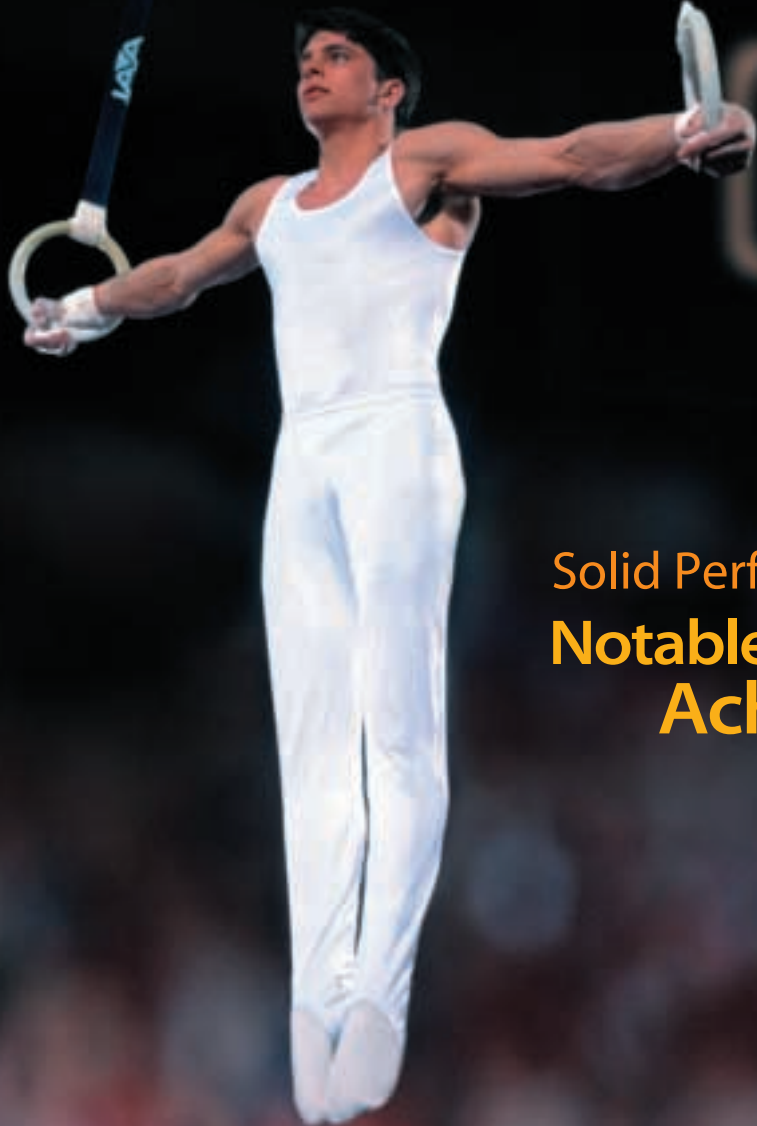
**Cheung Kong Infrastructure Holdings Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

Interim Report 2006

10  
Anniversary



Solid Performance  
**Notable  
Achievements**



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## CONTENTS

2	Interim Results
5	Financial Review
7	Consolidated Income Statement
8	Consolidated Balance Sheet
9	Consolidated Statement of Changes in Equity
11	Condensed Consolidated Cash Flow Statement
12	Notes to the Interim Financial Statements
20	Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures
26	Interests and Short Positions of Shareholders
29	Corporate Governance
32	Other Information
34	Notice of Payment of Interim Dividend, 2006
35	Corporate Information and Key Dates

## Solid Progress; Continued Achievements

*2005 was an exceptional year for CKI largely due to a significant one-off gain reported by the Group as we divested part of our stake in the three Australian power distribution assets of ETSA Utilities, Powercor and CitiPower to Spark, which was listed on the Australian Stock Exchange Limited at the end of last year.*

- *The interim results for 2006 reflect CKI's post-Spark financial position:*
  - *Significant cash reserves generated; debt has been reduced and treasury income enhanced*
  - *Profit mix from international investments has changed, with the reduction of interest in the Australian portfolio and the increase in contributions from Mainland China and the United Kingdom*
  - *Overall good performance continued to be achieved across various industries and markets*
  - *Overall level of profitability was higher than the interim results for 2004, and the interim results of 2005 after adjusting for non-recurring items*

### *Financial highlights*

- *Unaudited profit after tax attributable to shareholders reached HK\$1,589 million*
- *Interim dividend of HK\$0.25 per share*
- *Profit contribution performance:*
  - *Hongkong Electric: HK\$950 million*
  - *Mainland China infrastructure investments: HK\$375 million*
  - *the United Kingdom portfolio: HK\$239 million*
  - *Australian investments: HK\$178 million*
  - *Materials business: HK\$66 million*
- *Solid financial platform; balance sheet stronger than ever:*
  - *Cash on hand of HK\$6,624 million*
  - *Net debt to equity ratio of 8%*

# INTERIM RESULTS

For the six months ended 30th June, 2006, Cheung Kong Infrastructure Holdings Limited (“CKI” or the “Group”) recorded unaudited profit after tax attributable to shareholders of HK\$1,589 million.

The Board of Directors of CKI (the “Board”) has declared an interim dividend for 2006 of HK\$0.25 per share (2005: HK\$0.24 per share), representing an increase of 4 per cent. The interim dividend will be paid on Friday, 29th September, 2006 to shareholders whose names appear on the Register of Members on Thursday, 28th September, 2006.

## **International Infrastructure Investments**

In Mainland China, our businesses achieved satisfactory growth. The Zhuhai Power Plant turned in a strong performance on the back of heavy demand for electricity in Guangdong. Transport investments continued to generate good returns for the Group. The Guangzhou East-South-West Ring Road performed particularly well, with traffic flow increased by 30 per cent. as compared with the same period last year.

The Group’s businesses in the United Kingdom are playing an increasingly important role in our investment portfolio. Profit contribution of HK\$239 million has been recorded through stellar performances from Cambridge Water PLC and Northern Gas Networks Limited (“Northern Gas”). This reflects the full six months of profit contribution from Northern Gas, versus only one month post-completion in the interim period last year.

Our Australian contributions have been reduced following the disposal of part of our stake in our electricity distribution businesses, but the basic fundamentals of these businesses remain solid. Following the price resets determined last year, ETSA Utilities, Powercor Australia Limited (“Powercor”) and CitiPower I Pty Ltd. (“CitiPower”) are expected to continue to generate solid and predictable returns for the Group.

In contrast to our other investments, the Sydney Cross City Tunnel is still underperforming as traffic volume remains below expectations. A substantial impairment provision was made in respect to this project last year.

## **Hongkong Electric**

In Hong Kong, our investment in Hongkong Electric Holdings Limited (“Hongkong Electric”) has continued to generate solid returns for the Group, delivering HK\$950 million in profit contribution. During the period under review, Hongkong Electric reported unaudited consolidated net profit, after tax and Scheme of Control transfers, of HK\$2,479 million. Maintaining world-class supply reliability of 99.999 per cent, a level that has been consistently achieved since 1997, Hongkong Electric’s performance clearly stands out against the threatened stability and reliability of power grids in the United States and Europe amidst recent heat waves.

# INTERIM RESULTS

## Materials

A turning point was reached for our materials business with a profit of HK\$66 million recorded.

## Strong Financial Platform

CKI is well-positioned to consider new investments and pursue business expansion based on its strong financial platform. The Group's cash on hand reached HK\$6,624 million and our net debt to equity ratio was 8 per cent. Interest coverage was approximately 7 times. Shareholders' equity reached HK\$33,512 million and borrowings totalled HK\$9,139 million. With such solid financials, we are well-placed to enrich our portfolio in the future when appropriate opportunities arise.

## Prospects

The listing of Spark Infrastructure Group ("Spark") last year strengthened our financial platform. With our strong cash position, we will continue to pursue a prudent strategy of acquisition by exploring opportunities to expand our portfolio around the globe.

At the same time, we will also work hard in growing the business within our existing portfolio. Several new developments are expected to further enhance the Group's asset base in the near term, including the construction of Units 3 and 4 extension to the Zhuhai Power Plant in Mainland China. In view of the strong demand for electricity in Guangdong, we are targeting early commissioning of this project. The Group is also expanding its footprint in Australia with the acquisition of strategic commercial telecommunications assets from ETSA Utilities and Powercor. These assets were realigned and launched in February under the name Silk Telecom Pty Ltd. The company operates extensive optic fibre networks in Adelaide, Melbourne and key regional centres in South Australia and Victoria. With regard to our transport investments, the construction work for the Lane Cove Tunnel in Sydney is progressing smoothly and early completion is expected.

I would like to take this opportunity to thank the Board, management and staff for their efforts and commitment, as well as our shareholders for their support and confidence in the Group.

## Li Tzar Kuoi, Victor

Chairman

Hong Kong, 17th August, 2006

# FINANCIAL REVIEW

## Financial Resources, Treasury Activities and Gearing Ratio

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

As at 30th June, 2006, total borrowings of the Group amounted to HK\$9,139 million, which included Hong Kong dollar syndicated loan of HK\$3,800 million and foreign currency borrowings of HK\$5,339 million. Of the total borrowings, 78 per cent. were repayable between 2007 and 2010 and 22 per cent. repayable beyond 2010. The Group's financing activities continue to be 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, 2006, the Group had a gearing ratio of 8 per cent., which was based on its net debt of HK\$2,515 million and shareholders' equity of HK\$33,512 million. This ratio was higher than the gearing ratio of 3 per cent. at the year end of 2005, mainly due to the capital contribution to Lane Cove Tunnel being funded from cash on hand in March 2006.

To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of those countries. The Group also entered into certain interest rate and currency swaps to mitigate interest rate and other currency exposure risks. As at 30th June, 2006, the contractual notional amounts of these derivative instruments amounted to HK\$7,719 million.

# FINANCIAL REVIEW

## Charge on Group Assets

As at 30th June, 2006, the Group's interests in an affiliated company with carrying value of HK\$1,708 million were pledged as part of the security to secure bank borrowings totalling HK\$2,995 million granted to the affiliated company. Moreover, the Group's obligations under finance leases totalling HK\$27 million were secured by charge over the leased assets with carrying value of HK\$210 million.

## Contingent Liabilities

As at 30th June, 2006, the Group was subject to the following contingent liabilities:

HK\$ million

Guarantee in respect of a bank loan drawn by an affiliated company	599
Performance bonds	141
<b>Total</b>	<b>740</b>

## Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,057 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$119 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 subscribed 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.



# CONSOLIDATED INCOME STATEMENT

for the six months ended 30th June

HK\$ million	Notes	Unaudited 2006	Audited* 2005
<b>Turnover</b>			
Group turnover		900	1,135
Share of turnover of jointly controlled entities		1,492	1,099
	2	2,392	2,234
<b>Group turnover</b>	2	900	1,135
Other income	3	218	389
Operating costs	4	(757)	(907)
Finance costs		(254)	(337)
Share of results of associates		1,120	1,349
Share of results of jointly controlled entities		359	271
<b>Profit before taxation</b>		1,586	1,900
Taxation	5	3	(36)
<b>Profit for the period</b>	6	1,589	1,864
<b>Attributable to:</b>			
Shareholders of the Company		1,589	1,866*
Minority interests		–	(2)
		1,589	1,864
<b>Interim dividend</b>		564	541
<b>Earnings per share</b>	7	HK\$0.70	HK\$0.83
<b>Interim dividend per share</b>		HK\$0.25	HK\$0.24

\* The profit attributable to shareholders for the six months ended 30th June, 2005 excluding the tax credit of HK\$338 million is HK\$1,528 million. Please refer to note 13 to the interim financial statements for details.

# CONSOLIDATED BALANCE SHEET

HK\$ million	Notes	Unaudited 30/6/2006	Audited 31/12/2005
Property, plant and equipment		954	919
Investment properties		66	59
Leasehold land		320	326
Interests in associates		27,938	26,911
Interests in jointly controlled entities		4,267	4,337
Interests in infrastructure project investments		575	579
Investments in securities		2,743	2,092
Derivative financial instruments		23	447
Goodwill		188	175
Other non-current assets		6	9
<b>Total non-current assets</b>		<b>37,080</b>	35,854
Inventories		80	105
Interests in infrastructure project investments		86	86
Derivative financial instruments		369	12
Debtors and prepayments	8	496	388
Bank balances and deposits		6,624	8,110
<b>Total current assets</b>		<b>7,655</b>	8,701
Bank and other loans		12	11
Derivative financial instruments		396	–
Creditors and accruals	9	1,067	1,105
Taxation		106	105
<b>Total current liabilities</b>		<b>1,581</b>	1,221
<b>Net current assets</b>		<b>6,074</b>	7,480
<b>Total assets less current liabilities</b>		<b>43,154</b>	43,334
Bank and other loans		9,127	9,045
Derivative financial instruments		92	370
Deferred tax liabilities		371	362
Other non-current liabilities		14	21
<b>Total non-current liabilities</b>		<b>9,604</b>	9,798
<b>Net assets</b>		<b>33,550</b>	33,536
Representing:			
Share capital	10	2,254	2,254
Reserves		31,258	31,244
<b>Equity attributable to shareholders of the Company</b>		<b>33,512</b>	33,498
Minority interests		38	38
<b>Total equity</b>		<b>33,550</b>	33,536

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30th June 2006 (unaudited)

HK\$ million	Attributable to shareholders of the Company										
	Share capital	Share premium	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-Total	Minority Interests	Total
At 1st January, 2006	2,254	3,836	6,062	12	34	1	153	21,146	33,498	38	33,536
Cumulative impact from adoption of Amendment to HKAS 19 (note 1)	-	-	-	-	-	-	-	(141)	(141)	-	(141)
Surplus on revaluation of properties upon transfer to investment properties	-	-	-	4	-	-	-	-	4	-	4
Deficit from fair value changes of available-for-sale financial assets	-	-	-	-	(14)	-	-	-	(14)	-	(14)
Deficit from fair value changes of derivatives designated as effective cash flow hedges	-	-	-	-	-	(73)	-	-	(73)	-	(73)
Exchange translation differences	-	-	-	-	-	-	245	-	245	-	245
Net gain / (loss) recognised directly in equity	-	-	-	4	(14)	(73)	245	(141)	21	-	21
Profit for the period	-	-	-	-	-	-	-	1,589	1,589	-	1,589
Total recognised income and expense for the period	-	-	-	4	(14)	(73)	245	1,448	1,610	-	1,610
Dividend paid	-	-	-	-	-	-	-	(1,596)	(1,596)	-	(1,596)
<b>At 30th June, 2006</b>	<b>2,254</b>	<b>3,836</b>	<b>6,062</b>	<b>16</b>	<b>20</b>	<b>(72)</b>	<b>398</b>	<b>20,998</b>	<b>33,512</b>	<b>38</b>	<b>33,550</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

for the six months ended 30th June 2005 (audited)

HK\$ million	Attributable to shareholders of the Company										
	Share capital	Share premium	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-Total	Minority Interests	Total
At 1st January, 2005	2,254	3,836	6,062	-	55	(356)	854	16,965	29,670	206	29,876
Deficit from fair value changes of available-for-sale financial assets	-	-	-	-	(14)	-	-	-	(14)	-	(14)
Gain from fair value changes of derivatives designated as effective cash flow hedges	-	-	-	-	-	50	-	-	50	-	50
Exchange translation differences	-	-	-	-	-	-	(38)	-	(38)	-	(38)
Net gain / (loss) recognised directly in equity	-	-	-	-	(14)	50	(38)	-	(2)	-	(2)
Revaluation deficit and exchange translation surplus released upon disposals of available-for-sale financial assets	-	-	-	-	15	-	(15)	-	-	-	-
Profit for the period	-	-	-	-	-	-	-	1,866	1,866	(2)	1,864
Total recognised income and expense for the period	-	-	-	-	1	50	(53)	1,866	1,864	(2)	1,862
Dividend paid	-	-	-	-	-	-	-	(1,285)	(1,285)	-	(1,285)
<b>At 30th June, 2005</b>	<b>2,254</b>	<b>3,836</b>	<b>6,062</b>	<b>-</b>	<b>56</b>	<b>(306)</b>	<b>801</b>	<b>17,546</b>	<b>30,249</b>	<b>204</b>	<b>30,453</b>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30th June

HK\$ million	<b>Unaudited 2006</b>	Audited 2005
Net cash from operating activities	<b>447</b>	281
Net cash utilised in investing activities	<b>(210)</b>	(1,990)
Net cash utilised in financing activities	<b>(1,723)</b>	(1,246)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,486)</b>	(2,955)
Cash and cash equivalents at 1st January	<b>8,110</b>	9,029
<b>Cash and cash equivalents at 30th June</b>		
<b>Bank balances and deposits</b>	<b>6,624</b>	6,074

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies adopted are consistent with those set out in the Group’s annual financial statements for the year ended 31st December, 2005, except that the Group has adopted Amendment to HKAS 19 “Employee benefits-actuarial gains and losses, group plans and disclosures” which is effective for accounting periods commencing on or after 1st January, 2006.

Amendment to HKAS 19 provides an option to recognising actuarial gains and losses of defined benefit retirement plans in full in the period in which they occur, outside profit or loss, in equity. The Group has elected to take the option to recognise all actuarial gains and losses of its defined benefit retirement plans in equity.

In prior years, 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 recognised in the income statement over the expected average remaining working lives of the employees participating in the plans.

The change in accounting policy has been applied prospectively. The main reason for not applying Amendment to HKAS 19 retrospectively is that the management considered the impact is immaterial and is not practical to do so. Cumulative effects from the change in accounting policy on the Group’s balances at 1st January, 2006 include decreases in interests in associates, non-current assets and retained profits by HK\$138 million, HK\$3 million and HK\$141 million, respectively.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 2. TURNOVER

Group turnover represents net sales of infrastructure materials, income from the supply of water, return and interest from infrastructure project investments, interest income from loans granted to associates, and distributions from investments in securities classified as infrastructure investments, net of withholding tax, where applicable.

In addition, the Group accounts for its proportionate share of turnover of jointly controlled entities. Turnover of associates is not included.

The turnover for the current period is analysed as follows:

HK\$ million	Six months ended 30th June	
	2006	2005
Sales of infrastructure materials	520	497
Income from the supply of water	122	118
Return from infrastructure project investments	57	73
Interest income from loans granted to associates	188	436
Distributions from investments in securities	13	11
<b>Group turnover</b>	<b>900</b>	1,135
Share of turnover of jointly controlled entities	1,492	1,099
<b>Total</b>	<b>2,392</b>	2,234

## 3. OTHER INCOME

Other income includes the following:

HK\$ million	Six months ended 30th June	
	2006	2005
Interest income	177	126
Finance lease income	1	1
Gain on disposal of interest in an associate	–	64
Gain on disposal of an infrastructure project investment	–	14
Change in fair values of investments in securities	–	14

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 4. OPERATING COSTS

Operating costs include the following:

HK\$ million	Six months ended 30th June	
	2006	2005
Depreciation of property, plant and equipment	25	66
Cost of inventories sold	530	521
Change in fair values of investments in securities	53	–
Change in fair values of derivative financial instruments	21	–

## 5. TAXATION

Overseas tax is provided for at the applicable tax rate on the estimated assessable profits less available tax losses. 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	
	2006	2005
Current taxation – overseas tax	7	6
Deferred taxation	(10)	30
	(3)	36



# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 6. SEGMENT INFORMATION

### By business segment

for the six months ended 30th June

HK\$ million	Investment in Hongkong Electric*		Infrastructure investments		Infrastructure related business		Unallocated items		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<b>Turnover</b>										
Group turnover	-	-	380	638	520	497	-	-	900	1,135
Share of turnover of jointly controlled entities	-	-	1,214	916	278	183	-	-	1,492	1,099
	-	-	1,594	1,554	798	680	-	-	2,392	2,234
<b>Segment revenue</b>										
Group turnover	-	-	380	638	520	497	-	-	900	1,135
Others	-	-	26	17	4	13	-	-	30	30
	-	-	406	655	524	510	-	-	930	1,165
<b>Segment result</b>	-	-	301	551	(11)	(76)	-	-	290	475
Gain on disposals of interests in associate and infrastructure project investment	-	-	-	78	-	-	-	-	-	78
Change in fair values of investments in securities and derivative financial instruments	-	-	-	34	(9)	-	(65)	(20)	(74)	14
Interest and finance lease income	-	-	1	1	61	44	116	82	178	127
Corporate overheads and others	-	-	-	-	-	-	(33)	(77)	(33)	(77)
Finance costs	-	-	(8)	(12)	-	-	(246)	(325)	(254)	(337)
Share of results of associates and jointly controlled entities	950	967	504	644	25	9	-	-	1,479	1,620
<b>Profit / (loss) before taxation</b>	950	967	798	1,296	66	(23)	(228)	(340)	1,586	1,900
Taxation	-	-	3	(35)	-	(1)	-	-	3	(36)
<b>Profit / (loss) for the period</b>	950	967	801	1,261	66	(24)	(228)	(340)	1,589	1,864
<b>Attributable to:</b>										
Shareholders of the Company	950	967	801	1,261	66	(22)	(228)	(340)	1,589	1,866
Minority interests	-	-	-	-	-	(2)	-	-	-	(2)
	950	967	801	1,261	66	(24)	(228)	(340)	1,589	1,864

\* 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.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 6. SEGMENT INFORMATION (Cont'd)

### By geographic region

for the six months ended 30th June

HK\$ million	Hong Kong		Mainland China		Australia		Others		Unallocated items		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<b>Turnover</b>												
Group turnover	372	371	130	199	201	447	197	118	-	-	900	1,135
Share of turnover of jointly controlled entities	222	173	1,270	926	-	-	-	-	-	-	1,492	1,099
	594	544	1,400	1,125	201	447	197	118	-	-	2,392	2,234
<b>Segment revenue</b>												
Group turnover	372	371	130	199	201	447	197	118	-	-	900	1,135
Others	3	3	11	16	-	-	16	11	-	-	30	30
	375	374	141	215	201	447	213	129	-	-	930	1,165
<b>Segment result</b>	(7)	(57)	42	36	201	447	54	49	-	-	290	475
Gain on disposals of interests in associate and infrastructure project investment	-	-	-	14	-	-	-	64	-	-	-	78
Change in fair values of investments in securities and derivative financial instruments	-	-	-	-	-	34	(9)	-	(65)	(20)	(74)	14
Interest and finance lease income	61	44	-	-	-	-	1	1	116	82	178	127
Corporate overheads and others	-	-	-	-	-	-	-	-	(33)	(77)	(33)	(77)
Finance costs	-	-	-	-	-	-	(8)	(12)	(246)	(325)	(254)	(337)
Share of results of associates and jointly controlled entities	983	987	334	258	(23)	385	185	(10)	-	-	1,479	1,620
<b>Profit / (loss) before taxation</b>	1,037	974	376	308	178	866	223	92	(228)	(340)	1,586	1,900
Taxation	-	(1)	-	-	-	(10)	3	(25)	-	-	3	(36)
<b>Profit / (loss) for the period</b>	1,037	973	376	308	178	856	226	67	(228)	(340)	1,589	1,864
<b>Attributable to:</b>												
Shareholders of the Company	1,037	973	376	310	178	856	226	67	(228)	(340)	1,589	1,866
Minority interests	-	-	-	(2)	-	-	-	-	-	-	-	(2)
	1,037	973	376	308	178	856	226	67	(228)	(340)	1,589	1,864

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK\$1,589 million (2005: HK\$1,866 million) and on 2,254,209,945 shares (2005: 2,254,209,945 shares) in issue during the interim period.

## 8. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK\$296 million (HK\$217 million at 31st December, 2005) and their aging analysis is as follows:

HK\$ million	30/6/2006	31/12/2005
Current	<b>137</b>	85
1 month	<b>82</b>	60
2 to 3 months	<b>26</b>	24
Over 3 months	<b>177</b>	175
<b>Gross total</b>	<b>422</b>	344
Allowance	<b>(126)</b>	(127)
<b>Total after allowance</b>	<b>296</b>	217

Trade with customers for infrastructure materials is carried out largely on credit, except for new customers and customers with unsatisfactory payment records, where payment in advance is normally required. Trade with metered customers for water supply is carried out largely on credit and with unmetered customers largely by payment in advance. Invoices are normally payable within 1 month of issuance, except for certain well-established customers, where the terms are extended to 2 months, and certain customers with disputed items, where the terms are negotiated individually. Where credit is given, the 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.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 9. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK\$119 million (HK\$149 million at 31st December, 2005) and their aging analysis is as follows:

HK\$ million	30/6/2006	31/12/2005
Current	<b>57</b>	83
1 month	<b>31</b>	31
2 to 3 months	<b>13</b>	15
Over 3 months	<b>18</b>	20
<b>Total</b>	<b>119</b>	149

## 10. SHARE CAPITAL

There were no movements in the share capital of the Company in the six months ended 30th June, 2006 and 2005, respectively.

## 11. CAPITAL COMMITMENTS

The Group's capital commitments outstanding at 30th June, 2006 and not provided for in the financial statements are as follows:

HK\$ million	Contracted but not provided for		Authorised but not contracted for	
	30/6/2006	31/12/2005	30/6/2006	31/12/2005
Investments in associates and jointly controlled entities	<b>91</b>	1,328	–	–
Plant and machinery	<b>5</b>	8	<b>50</b>	39
<b>Total</b>	<b>96</b>	1,336	<b>50</b>	39

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 12. CONTINGENT LIABILITIES

HK\$ million	30/6/2006	31/12/2005
Guarantee in respect of bank loans drawn by a jointly controlled entity	599	644
Guarantee in respect of performance bonds	141	20
<b>Total</b>	<b>740</b>	664

## 13. COMPARATIVE FIGURES

In August 2005, the Group reported in its interim report for 2005 an unaudited profit attributable to shareholders of HK\$1,528 million for the six months ended 30th June, 2005. In connection with disposals of certain Australian associates in late 2005, a subsequent audit exercise covering such financial period was conducted in November 2005. As a result of additional information available and after discussion with the auditors of an Australian associate, adjustments were made in respect of the Australian associate's deferred tax assets and liabilities, with a tax credit impact totalling HK\$338 million on the Group's results for such financial period. The adjustments were due to the recognition of deferred tax assets relating to tax losses assessed to be more probable than not of recovery and the reduction of deferred tax liabilities due to finalisation of the tax cost base of certain assets of the Australian associate. Accordingly, the Group's profit attributable to shareholders for the six months ended 30th June, 2005 has been adjusted to HK\$1,866 million.

Moreover, certain comparative figures have been reclassified to confirm with the current period's presentation. In prior periods, the Group's shares of taxation of associates and jointly controlled entities accounted for using the equity method were included as part of the Group's taxation in the Consolidated Income Statement. With effect from 1st January, 2005, in accordance with the implementation guidance in HKAS 1 "Presentation of Financial Statements", the Group has changed the presentation and included the shares of taxation of associates and jointly controlled entities in the respective results reported in the Consolidated Income Statement before arriving at the Group's profit before taxation. As a result of the changes in presentation, shares of taxation of associates and jointly controlled entities for the six months ended 30th June, 2005 of HK\$35 million and HK\$41 million were regrouped from "Taxation" to "Share of results of associates" and "Share of results of jointly controlled entities", respectively.

# DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2006, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

## (1) Long Positions in Shares

Name of Company	Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
			Personal Interests	Family Interests	Corporate Interests	Other Interests		
Company	Li Tzar Kuoi, Victor	Beneficiary of trusts	-	-	-	1,912,109,945 (Note 1)	1,912,109,945	84.82%
	Kam Hing Lam	Beneficial owner	100,000	-	-	-	100,000	0.004%
Hutchison Whampoa Limited	Li Tzar Kuoi, Victor	Interest of controlled corporations & beneficiary of trusts	-	-	1,086,770 (Note 3)	2,141,698,773 (Note 2)	2,142,785,543	50.26%
	Kam Hing Lam	Beneficial owner	60,000	-	-	-	60,000	0.001%
	Fok Kin Ning, Canning	Interest of controlled corporation	-	-	4,310,875 (Note 5)	-	4,310,875	0.10%
	Chow Woo Mo Fong, Susan	Beneficial owner	150,000	-	-	-	150,000	0.003%
	Frank John Sixt	Beneficial owner	50,000	-	-	-	50,000	0.001%
	Lan Hong Tsung, David	Beneficial owner	20,000	-	-	-	20,000	0.0004%
	Lee Pui Ling, Angelina	Beneficial owner	38,500	-	-	-	38,500	0.0009%
	George Colin Magnus	Beneficial owner, interest of child or spouse & founder & beneficiary of a discretionary trust	40,000	9,900	-	950,100 (Note 6)	1,000,000	0.02%

# DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

## (1) Long Positions in Shares (Cont'd)

Name of Company	Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
			Personal Interests	Family Interests	Corporate Interests	Other Interests		
Hongkong Electric Holdings Limited	Li Tzar Kuoi, Victor	Interest of child or spouse & beneficiary of trusts	–	151,000	–	829,599,612 (Note 4)	829,750,612	38.88%
	Lee Pui Ling, Angelina	Beneficial owner	8,800	–	–	–	8,800	0.0004%
Hutchison Harbour Ring Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	5,000,000 (Note 5)	–	5,000,000	0.07%
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	4,100,000	–	1,000,000 (Note 5)	–	5,100,000	0.75%
	Frank John Sixt	Beneficial owner	1,000,000	–	–	–	1,000,000	0.15%

## (2) Long Positions in Underlying Shares

Name of Company	Name of Director	Capacity	Number of Underlying Shares				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
Company	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	31,644,803 (Note 7)	31,644,803
Hutchison Whampoa Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	18,613,202 (Note 8)	18,613,202
	Lan Hong Tsung, David	Beneficial owner	23,484 (Note 9)	–	–	–	23,484
Hongkong Electric Holdings Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	20,990,201 (Note 10)	20,990,201
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	134,000	–	1,340,001 (Note 5)	–	1,474,001 (Note 11)

# DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

## (3) Short Positions in Underlying Shares

Name of Company	Name of Director	Capacity	Number of Underlying Shares				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
Company	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	31,644,801 (Note 7(b))	31,644,801
Hutchison Whampoa Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	18,613,202 (Note 8)	18,613,202
Hongkong Electric Holdings Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	20,990,201 (Note 10)	20,990,201

## (4) Long Positions in Debentures

Name of Company	Name of Director	Capacity	Amount of Debentures				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
Hutchison Whampoa International (01/11) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US\$12,000,000 7% Notes due 2011 (Note 3)	–	US\$12,000,000 7% Notes due 2011
Hutchison Whampoa International (03/13) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US\$21,000,000 6.5% Notes due 2013 (Note 3)	–	US\$21,000,000 6.5% Notes due 2013
Hutchison Whampoa International (03/33) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US\$3,000,000 6.25% Notes due 2014 (Note 3)	–	US\$3,000,000 6.25% Notes due 2014
Hutchison Whampoa Finance (05) Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	Euro 12,600,000 4.125% Notes due 2015 (Note 5)	–	Euro 12,600,000 4.125% Notes due 2015



# DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Notes:

1. The 1,912,109,945 shares in the Company comprise 1,906,681,945 shares held by a subsidiary of Hutchison Whampoa Limited ("HWL") and 5,428,000 shares held by Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1").

The discretionary beneficiaries of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2") are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. TUT1 as trustee of UT1 and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("TUT1 related companies") hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited ("CKH"). Certain subsidiaries of CKH in turn together hold more than one-third of the issued share capital of HWL.

The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

By virtue of the above and as a discretionary beneficiary of each of DT1 and DT2 and as a director of CKH, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the shares of CKH held by TUT1 as trustee of UT1 and TUT1 related companies, the shares of HWL held by the subsidiaries of CKH and the shares of the Company held by each of the subsidiary of HWL and TUT1 as trustee of UT1 under the SFO as a Director of the Company. Although Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco and is a discretionary beneficiary of each of DT1 and DT2, he is not a director of CKH and has no duty of disclosure in relation to the shares of CKH held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO.

2. The 2,141,698,773 shares in HWL comprise:
  - (a) 2,130,202,773 shares held by certain subsidiaries of CKH. By virtue of the interests in shares of CKH in relation to which Mr. Li Tzar Kuoi, Victor has a duty of disclosure under the SFO in the issued share capital of CKH as described in Note 1 above and as a Director of the Company, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HWL under the SFO; and
  - (b) 11,496,000 shares held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3"). The discretionary beneficiaries of each of the two discretionary trusts ("DT3" and "DT4") are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of the trustees of DT3 and DT4 holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust.

# DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Notes (Cont'd):

The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of HWL by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of HWL independently without any reference to Castle Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Castle Holdco as aforesaid.

By virtue of the above and as a discretionary beneficiary of each of DT3 and DT4 and as a director of HWL, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HWL held by TUT3 as trustee of UT3 under the SFO as a Director of the Company. Although Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco and is a discretionary beneficiary of each of DT3 and DT4, he is not a Director of the Company and has no duty of disclosure in relation to the shares of HWL held by TUT3 as trustee of UT3 under the SFO.

3. Such interests are held by certain companies of which Mr. Li Tzar Kuoi, Victor is interested in the entire issued share capital.
4. By virtue of being a Director of the Company and his deemed interest in those shares of the Company as described in Note 1 above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to those shares of Hongkong Electric Holdings Limited ("Hongkong Electric") held through the Company under the SFO.
5. These interests are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.
6. Such interests are indirectly held by a trust of which Mr. George Colin Magnus is the settlor and a discretionary beneficiary.
7. Such underlying shares of the Company are held by an indirect wholly-owned subsidiary of CKH comprising:
  - (a) 2 underlying shares by virtue of the HK\$300,000,000 capital guaranteed notes due 2009; and
  - (b) 31,644,801 underlying shares by virtue of the HK Dollar equity-linked notes due 2007 issued under HK\$10,000,000,000 retail note issuance programme.

By virtue of the interests in the shares of CKH taken to have by Mr. Li Tzar Kuoi, Victor under the SFO as described in Note 1 above and as a Director of the Company, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said interest and short position in the underlying shares of the Company under the SFO.

# DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Notes (Cont'd):

8. Such underlying shares of HWL are held by an indirect wholly-owned subsidiary of CKH comprising:
  - (a) 10,463,201 underlying shares by virtue of the HK Dollar equity-linked notes due 2007 issued under HK\$10,000,000,000 retail note issuance programme; and
  - (b) 8,150,001 underlying shares by virtue of the HK Dollar equity-linked notes due 2008 issued under HK\$10,000,000,000 retail note issuance programme.

By virtue of the interests in the shares of CKH taken to have by Mr. Li Tzar Kuoi, Victor under the SFO as described in Note 1 above and as a Director of the Company, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said interest and short position in the underlying shares of HWL under the SFO.

9. Such underlying shares in HWL are derived from the US\$200,000 Quanto Range Accrual Equity Linked Note due 2008 issued by Macquarie Bank Limited.
10. Such underlying shares of Hongkong Electric are held by an indirect wholly-owned subsidiary of CKH by virtue of the HK Dollar equity-linked notes due 2007 issued under HK\$10,000,000,000 retail note issuance programme.

By virtue of the interests in the shares of CKH taken to have by Mr. Li Tzar Kuoi, Victor under the SFO as described in Note 1 above and as a Director of the Company, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said interest and short position in the underlying shares of Hongkong Electric under the SFO.

11. Such underlying shares in Hutchison Telecommunications (Australia) Limited are derived from the listed and physically settled 5.5% unsecured convertible notes due 2007 issued by Hutchison Telecommunications (Australia) Limited.

Mr. Li Tzar Kuoi, Victor, by virtue of being a Director of the Company and his interests in the share capital of the Company as a discretionary beneficiary of certain discretionary trusts as described in Note 1 above, is deemed to be interested in those securities of subsidiaries and associated companies of the Company held through the Company and in those securities of the subsidiaries of HWL held through HWL under the SFO.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30th June, 2006, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 30th June, 2006, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### (1) Long Positions of Substantial Shareholders in the Shares and Underlying Shares of the Company

Name	Capacity	Number of Ordinary Shares	Number of Underlying Shares	Total	Approximate % of Shareholding
Hutchison Infrastructure Holdings Limited	Beneficial owner	1,906,681,945 (Note i)	–	1,906,681,945	84.58%
Hutchison International Limited	Interest of controlled corporation	1,906,681,945 (Note ii)	–	1,906,681,945	84.58%
Hutchison Whampoa Limited	Interest of controlled corporations	1,906,681,945 (Note ii)	–	1,906,681,945	84.58%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	1,906,681,945 (Note iii)	31,644,803 (Note vi)	1,938,326,748	85.98%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	1,912,109,945 (Note iv)	31,644,803 (Note vi)	1,943,754,748	86.22%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	1,912,109,945 (Note v)	31,644,803 (Note vi)	1,943,754,748	86.22%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	1,912,109,945 (Note v)	31,644,803 (Note vi)	1,943,754,748	86.22%
Li Ka-shing	Founder of discretionary trusts	1,912,109,945 (Note v)	31,644,803 (Note vi)	1,943,754,748	86.22%

# INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

## (2) Short Positions of Substantial Shareholders in the Underlying Shares of the Company

Name	Capacity	Number of Underlying Shares
Cheung Kong (Holdings) Limited	Interest of controlled corporation	31,644,801 (Note vi(b))
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	31,644,801 (Note vi(b))
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	31,644,801 (Note vi(b))
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	31,644,801 (Note vi(b))
Li Ka-shing	Founder of discretionary trusts	31,644,801 (Note vi(b))

### Notes:

- i. 1,906,681,945 shares of the Company are held by Hutchison Infrastructure Holdings Limited, a subsidiary of HWL. Its interests are duplicated in the interests of HWL in the Company described in Note ii below.
- ii. HWL is deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note i above as it holds more than one-third of the issued share capital of Hutchison International Limited, which holds more than one-third of the issued share capital of Hutchison Infrastructure Holdings Limited.
- iii. CKH is deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note ii above as certain subsidiaries of CKH hold more than one-third of the issued share capital of HWL.
- iv. TUT1 as trustee of UT1 is deemed to be interested in those shares of the Company described in Note iii above as TUT1 as trustee of UT1 and TUT1 related companies hold more than one-third of the issued share capital of CKH and TUT1 as trustee of UT1 holds 5,428,000 shares of the Company.
- v. By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each DT1 and DT2 for the purpose of the SFO, TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is deemed to be interested in the same block of shares TUT1 as trustee of UT1 is deemed to be interested in as referred to in Note iv above as all issued and outstanding units in UT1 are held by TDT1 as trustee of DT1 and by TDT2 as trustee of DT2. More than one-third of the issued share capital of TUT1 and of the trustees of the said discretionary trusts are owned by Unity Holdco. Mr. Li Ka-shing owns one-third of the issued share capital of Unity Holdco.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

Notes (Cont'd):

- vi. Such underlying shares of the Company are held by an indirect wholly-owned subsidiary of CKH comprising:
  - (a) 2 underlying shares by virtue of the HK\$300,000,000 capital guaranteed notes due 2009; and
  - (b) 31,644,801 underlying shares by virtue of the HK Dollar equity-linked notes due 2007 issued under HK\$10,000,000,000 retail note issuance programme.

By virtue of the SFO, each of Mr. Li Ka-shing, TDT1, TDT2 and TUT1 is deemed to be interested in the same block of interest and short position in the 31,644,803 underlying shares and 31,644,801 underlying shares of the Company respectively held by CKH as described in Note v above.

Save as disclosed above, as at 30th June, 2006, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

# CORPORATE GOVERNANCE

The Board of Directors of the Company (“Board”) and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices (“Code on CG Practices”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30th June, 2006.

## **(1) Board Composition and Board Practices**

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. The Board consists of a total of sixteen Directors, comprising eight Executive Directors, three Non-executive Directors and five Independent Non-executive Directors. More than one Independent Non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years in accordance with the Company’s Bye-laws and the Code on CG Practices.

The positions of the Chairman of the Board (“Chairman”) and the Group Managing Director are held by separate individuals with a view to maintaining an effective segregation of duties respecting management of the Board and the day-to-day management of the Group’s business.

All Directors have made active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group. Apart from regular Board meetings, the Chairman has meetings with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of Executive Directors at least once every year.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and for ensuring that the Board is briefed on all legislative, regulatory and corporate governance developments and that the Board has regard to them when making decisions. The Company Secretary is also directly responsible for the Group’s compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Repurchases, Companies Ordinance, SFO and other applicable laws, rules and regulations.

# CORPORATE GOVERNANCE

## **(2) Model Code for Securities Transactions by Directors**

The Company has adopted the model code for securities transactions by directors of listed issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions, effective 31st March, 2004. Enquiry has been made with all Directors and the Directors have confirmed compliance with the required standards set out in the Model Code during the six months ended 30th June, 2006.

## **(3) Internal Controls**

The Company has an internal audit function in place to provide an independent assessment of the Group's internal control system and review of its effectiveness in accordance with the Code on CG Practices. The Group Internal Audit prepares its audit plan using a risk based methodology in consultation with, but independent of, the management for review by the audit committee of the Company ("Audit Committee"). The audit work focuses on financial, operational and compliance controls review and those areas of the Group's activities with significant perceived risks. An integral part of the internal audit function is to monitor and ensure effective implementation of these internal control systems.

The Board, through the Audit Committee, has conducted a review of the effectiveness of internal control system of the Group for the six months ended 30th June, 2006.

## **(4) Audit Committee**

The Company established the Audit Committee in December 1998 and has formulated its written terms of reference in accordance with the provisions set out in the Code on CG Practices. The existing Audit Committee comprises five members all of whom are Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Audit Committee), Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Colin Stevens Russel and Mr. Lan Hong Tsung, David. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company.

The Group's interim report for the period ended 30th June, 2006 has been reviewed by the Audit Committee.



## **(5) Remuneration Committee**

According to the Code on CG Practices, the Company established its remuneration committee ("Remuneration Committee") on 1st January, 2005 with a majority of the members being Independent Non-executive Directors. The existing Remuneration Committee comprises the Chairman of the Board, Mr. Li Tzar Kuoi, Victor (Chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely, Mr. Colin Stevens Russel and Mr. Cheong Ying Chew, Henry.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

## **(6) Investor Relations and Communication with Shareholders**

The Company establishes different communication channels with shareholders and investors, including: (i) regular despatch of printed copies of corporate communication (including but not limited to annual report, interim report, notice of meeting, circular and proxy form) required under the Listing Rules to the shareholders of the Company; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its shareholders and investors; (v) regular press conferences and briefing meetings with analysts from the investment sectors are set up from time to time on updated performance information of the Group; and (vi) the Company's Branch Share Registrars deal with shareholders for share registration and related matters.

## OTHER INFORMATION

### **Purchase, Sale or Redemption of Shares**

The Company has not redeemed any of its shares during the six months ended 30th June, 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during this period.

### **Disclosure under Chapter 13 of the Listing Rules**

The following information is disclosed in accordance with Rules 13.21 and 13.22 of Chapter 13 of the Listing Rules:

- (1) The Group has entered into a syndicated loan facility agreement of HK\$3.8 billion, of which the whole amount was drawn as at 30th June, 2006. The facility will mature in 2007. Under the provision of the loan agreement, it is an event of default if HWL (the Company's controlling shareholder) ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.
- (2) A sponsors/shareholders' undertaking referred to under the section headed "Continuing Connected Transactions" in the Company's 2005 Annual Report has been provided by HWL, the Zhuhai Foreign Party and the other parties in relation to two loan facilities of US\$125.5 million and US\$670 million granted to the PRC project company undertaking the Zhuhai Power Plant. The two loans with the outstanding amounts of US\$23.7 million and US\$360.3 million as at 30th June, 2006, are repayable by installments with the final repayment due in 2008 and 2012 respectively. It is an event of default for both facilities if CKH and HWL collectively own directly or indirectly less than 51 per cent. of the shareholding in the Zhuhai Foreign Party. The obligation has been complied with.
- (3) The Group has entered into a long term syndicated facility agreement of A\$400 million with the loan balance of A\$209.9 million remained outstanding as at 30th June, 2006. The facility will mature in 2008. Under the provision of the loan agreement, it is an event of default if HWL ceases to own (directly or indirectly) at least 30 per cent. of the issued share capital of the Company. The obligation has been complied with.
- (4) The Group has entered into a long term syndicated facility agreement of A\$300 million, of which the whole amount was drawn as at 30th June, 2006. The facility will mature in 2009. Under the provision of the loan agreement, it is an event of default if HWL ceases to own (directly or indirectly) at least 30 per cent. of the issued share capital of the Company. The obligation has been complied with.

## OTHER INFORMATION

### Disclosure under Chapter 13 of the Listing Rules (Cont'd)

(5) As at 30th June, 2006, the Group's financial assistance to certain affiliated companies and its guarantee given for a facility granted to an affiliated company together in aggregate exceeded the assets ratio of 8 per cent. A combined balance sheet of the affiliated companies as at 30th June, 2006 is set out below:

HK\$ million

Non-current assets	63,732
Current assets	3,242
Current liabilities	(3,657)
Non-current liabilities	(59,382)
Net assets	3,935
Share capital	2,971
Reserves	964
Capital and reserves	3,935

As at 30th June, 2006, the consolidated attributable interest of the Group in these affiliated companies amounted to HK\$7,296 million.

## NOTICE OF PAYMENT OF INTERIM DIVIDEND, 2006

The Board of Directors of Cheung Kong Infrastructure Holdings Limited announces that the Group's unaudited profit after tax attributable to shareholders for the six months ended 30th June, 2006 amounted to HK\$1,589 million which represents earnings of HK\$0.70 per share. The Directors have resolved to pay an interim dividend for 2006 of HK\$0.25 per share to shareholders whose names appear on the Register of Members of the Company on Thursday, 28th September, 2006. The dividend will be paid on Friday, 29th September, 2006.

The Register of Members of the Company will be closed from Thursday, 21st September, 2006 to Thursday, 28th September, 2006, 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, 20th September, 2006.

By Order of the Board

**Eirene Yeung**

Company Secretary

Hong Kong, 17th August, 2006

# CORPORATE INFORMATION AND KEY DATES

## DIRECTORS

### Executive Directors

LI Tzar Kuoi, Victor (Chairman)

IP Tak Chuen, Edmond (Deputy Chairman)

FOK Kin Ning, Canning (Deputy Chairman)

### Independent Non-executive Directors

CHEONG Ying Chew, Henry

KWOK Eva Lee

SNG Sow-mei alias POON Sow Mei

Colin Stevens RUSSEL

LAN Hong Tsung, David

### Non-executive Directors

LEE Pui Ling, Angelina

Barrie COOK

George Colin MAGNUS

### AUDIT COMMITTEE

CHEONG Ying Chew, Henry (Chairman)

KWOK Eva Lee

SNG Sow-mei alias POON Sow Mei

Colin Stevens RUSSEL

LAN Hong Tsung, David

### REMUNERATION COMMITTEE

LI Tzar Kuoi, Victor (Chairman)

Colin Stevens RUSSEL

CHEONG Ying Chew, Henry

### COMPANY SECRETARY

Eirene YEUNG

### QUALIFIED ACCOUNTANT

CHAN Loi Shun, Dominic

### AUTHORISED REPRESENTATIVES

IP Tak Chuen, Edmond

Eirene YEUNG

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Nova Scotia

Barclays Bank PLC

Bayerische Landesbank

BNP Paribas

Commonwealth Bank of Australia

Deutsche Bank AG

The Hongkong and Shanghai Banking Corporation Limited

National Australia Bank Limited

The Royal Bank of Scotland plc

KAM Hing Lam (Group Managing Director)

KWAN Bing Sing, Eric (Deputy Managing Director)

### Executive Directors

CHOW WOO Mo Fong, Susan

(also alternate to FOK Kin Ning, Canning and

Frank John SIXT)

Frank John SIXT

TSO Kai Sum

### AUDITORS

Deloitte Touche Tohmatsu

### LEGAL ADVISERS

Woo, Kwan, Lee & Lo

### REGISTERED OFFICE

Clarendon House, Church Street,

Hamilton HM11, Bermuda

### PRINCIPAL PLACE OF BUSINESS

12th Floor, Cheung Kong Center,

2 Queen's Road Central, Hong Kong

### PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited,

Rosebank Centre,

11 Bermudiana Road,

Pembroke HM08,

Bermuda

### BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited,

Rooms 1712-1716, 17th Floor, Hopewell Centre,

183 Queen's Road East, Hong Kong

### STOCK CODES

Stock Exchange of Hong Kong: 1038

Bloomberg: 1038 HK

Reuters: 1038.HK

### WEBSITE

[www.cki.com.hk](http://www.cki.com.hk)

# CORPORATE INFORMATION AND KEY DATES

## INVESTOR RELATIONS

For further information about Cheung Kong Infrastructure Holdings Limited, please contact:

### Ivan CHAN

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12th Floor, Cheung Kong Center,  
2 Queen's Road Central, Hong Kong  
Telephone: (852) 2122 3986  
Facsimile: (852) 2501 4550  
Email: [contact@cki.com.hk](mailto:contact@cki.com.hk)

## KEY DATES

Interim Results Announcement	17th August, 2006
Closure of Register of Members	21st to 28th September, 2006 (both days inclusive)
Record Date for Interim Dividend	28th September, 2006
Payment of Interim Dividend	29th September, 2006

*This interim report 2006 ("Interim Report 2006") (in both English and Chinese versions) has been posted on the Company's website at [www.cki.com.hk](http://www.cki.com.hk).*

*Shareholders may at any time choose to change your choice of the language of the Company's corporate communication (including but not limited to annual report, interim report, notice of meeting, circular and proxy form) by notice in writing to the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.*

*Shareholders who have chosen to receive printed copy of the corporate communication in either English or Chinese version will receive both English and Chinese versions of this Interim Report 2006 since both languages are bound together into one booklet.*