



# Cheung Kong Infrastructure Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1038)**

## **INTERIM RESULTS FOR 2007**

### **Growth Momentum Continues**

For the six months ended 30th June, 2007, Cheung Kong Infrastructure Holdings Limited (“CKI” or the “Group”) achieved good results, sustaining our pace of growth. Unaudited profit after tax attributable to shareholders amounted to HK\$2,018 million, an increase of 27 per cent. over the same period of last year. This reflects the overall encouraging performances recorded by our diverse portfolio of businesses from across various industries and markets.

The Board of Directors of CKI (the “Board”) has declared an interim dividend for 2007 of HK\$0.27 per share (2006: HK\$0.25 per share), representing an increase of 8 per cent. The interim dividend will be paid on Friday, 28th September, 2007 to shareholders whose names appear on the Register of Members on Thursday, 27th September, 2007.

#### *Hongkong Electric*

CKI’s investment in Hongkong Electric Holdings Limited (“Hongkong Electric”) delivered a profit contribution of HK\$1,021 million for the period under review, maintaining a solid growth of 7 per cent. compared to the same period last year.

In Hong Kong, sound results were achieved and the world-class supply reliability of 99.999 per cent. was maintained. Overseas businesses also performed well and boosted growth.

### International Infrastructure Investments

CKI's portfolio of energy and toll road projects in Mainland China have delivered very encouraging results during the first half of 2007. Profit contribution reached HK\$465 million, representing an increase of 24 per cent.

The performance of our energy portfolio was greatly enhanced by the commissioning of a new HK\$6 billion power plant in Zhuhai, in which CKI has a 45 per cent. stake. The new power plant has added 1,200MW of capacity, bringing the total electricity generation capacity of our Mainland energy investments to 2,950MW. This power plant started to bring profit contribution to CKI in February this year when operations commenced.

The other Mainland energy investments, including the existing power plant in Zhuhai and the Siping Cogen Power Plants, also recorded good performances on the back of soaring demand for electricity in Mainland China.

Our toll roads in Mainland China performed solidly during the first half, in line with expectations.

The Group's regulated businesses in Australia and the United Kingdom - which span electricity distribution, gas distribution and water - recorded secure and attractive returns. Through proactive initiatives, the non-regulated income of these businesses grew significantly.

The Group's portfolio in Australia and the United Kingdom has performed very well, with profit contribution increasing 45 per cent. to HK\$604 million.

### Materials

With the activity of the property and construction markets in Hong Kong and Mainland China, our materials business reported a satisfactory performance during the first half of 2007. Profit contribution from materials was HK\$70 million, an increase of 6 per cent.

### Strong Financial Platform

We have a strong financial platform and ample cash to pursue new expansion opportunities. As at 30th June, 2007, cash on hand amounted to HK\$11,030 million and net debt to equity ratio was 0.2 per cent. Our "A-" rating was re-affirmed by Standard & Poor's for the 11th consecutive year.

### Subsequent Event

*Earlier this month, CKI signed an agreement to sell its stake in the Guangzhou East-South-West Ring Road to our Chinese partner. This transaction is expected to be completed on 31st August. Upon completion of the sale, the Group is expected to book a profit of approximately HK\$810 million.*

### **Prospects**

It has always been CKI's strategy to acquire the right assets at the right price, with the aim of generating attractive and predictable returns to shareholders.

CKI will continue to apply a disciplined approach to making new investments and acquisitions. With strong cash reserves, experienced professionals, renowned industry reputation and extensive network, we remain well placed to pursue new acquisitions to expand our portfolio of infrastructure investments. Currently, a few projects are being studied in different continents.

In addition to driving new acquisitions, we continue to devote tremendous efforts to maximising organic growth in existing businesses to increase shareholder value.

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

**Li Tzar Kuoi, Victor**

Chairman

Hong Kong, 16th August, 2007

## **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, 2007, total borrowings of the Group amounted to HK\$11,089 million, which included a Hong Kong dollar syndicated loan of HK\$3,800 million and foreign currency borrowings of HK\$7,289 million. Of the total borrowings, 34 per cent. are repayable in September 2007, 49 per cent. are repayable between 2008 and 2011 and 17 per cent. are repayable beyond 2011. 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 on short-term deposit denominated in U.S. dollars, Hong Kong dollars, Australian dollars or Pound Sterling. 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, 2007, the Group had a gearing ratio of 0.2 per cent., based on a net debt of HK\$59 million and shareholders' equity of HK\$37,004 million. This ratio was lower than the gearing ratio of 4 per cent. at the year end of 2006, mainly due to shareholders' loan repayments from China infrastructure projects and divestment proceeds received during the period.

To minimise currency 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 exchange rate risks. As at 30th June, 2007, the contractual notional amounts of these derivative instruments amounted to HK\$8,734 million.

## **Charge on Group Assets**

As at 30th June, 2007, the Group's interest in an affiliated company with carrying value of HK\$1,751 million were pledged as part of the security to secure bank borrowings totalling HK\$2,485 million granted to the affiliated company. Moreover, the Group's obligations under finance leases totalling HK\$16 million were secured by charge over the leased assets with carrying value of HK\$230 million.

## **Contingent Liabilities**

As at 30th June, 2007, the Group was subject to the following contingent liabilities:

HK\$ million

---

Performance bonds	140
-------------------	-----

---

## **Employees**

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,040 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$130 million. The Group ensures that the remuneration 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.

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

The Company has not redeemed any of its shares during the six months ended 30th June, 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during this period.

## **Code on Corporate Governance Practices**

The 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 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30th June, 2007.

## **Audit Committee**

The Company established an audit committee (“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. Colin Stevens Russel (Chairman of the Audit Committee), Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei 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 results for the period ended 30th June, 2007 have been reviewed by the Audit Committee.

## **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.



# Cheung Kong Infrastructure Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1038)**

## **NOTICE OF PAYMENT OF INTERIM DIVIDEND, 2007**

The Board of Directors of Cheung Kong Infrastructure Holdings Limited announces that the Group's unaudited profit attributable to shareholders for the six months ended 30th June, 2007 amounted to HK\$2,018 million which represents earnings of HK\$0.90 per share. The Directors have resolved to pay an interim dividend for 2007 of HK\$0.27 per share to shareholders whose names appear on the Register of Members of the Company on Thursday, 27th September, 2007. The dividend will be paid on Friday, 28th September, 2007.

The Register of Members of the Company will be closed from Thursday, 20th September, 2007 to Thursday, 27th September, 2007, 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 4:30 p.m. on Wednesday, 19th September, 2007.

By Order of the Board

**CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED**

**Eirene Yeung**

Company Secretary

Hong Kong, 16th August, 2007

*As at the date hereof, the Executive Directors of the Company are Mr. LI Tzar Kuoi, Victor (Chairman), Mr. KAM Hing Lam (Group Managing Director), Mr. IP Tak Chuen, Edmond (Deputy Chairman), Mr. FOK Kin Ning, Canning (Deputy Chairman), Mr. Andrew John HUNTER, Mrs. CHOW WOO Mo Fong, Susan (also alternate to Mr. FOK Kin Ning, Canning and Mr. Frank John SIXT), Mr. Frank John SIXT and Mr. TSO Kai Sum; and the Non-executive Directors are Mr. CHEONG Ying Chew, Henry (Independent Non-executive Director), Mrs. KWOK Eva Lee (Independent Non-executive Director), Mrs. SNG Sow-mei alias POON Sow Mei (Independent Non-executive Director), Mr. Colin Stevens RUSSEL (Independent Non-executive Director), Mr. LAN Hong Tsung, David (Independent Non-executive Director), Mrs. LEE Pui Ling, Angelina, Mr. Barrie COOK and Mr. George Colin MAGNUS.*

## CONSOLIDATED INCOME STATEMENT

for the six months ended 30th June

HK\$ million	Notes	Unaudited	
		2007	2006
Group turnover	2	870	900
Share of turnover of jointly controlled entities	2	1,876	1,492
		<b>2,746</b>	2,392
<b>Group turnover</b>	2	<b>870</b>	900
Other income	3	430	218
Operating costs	4	(736)	(757)
Finance costs		(277)	(254)
Share of results of associates		1,276	1,120
Share of results of jointly controlled entities		469	359
<b>Profit before taxation</b>		<b>2,032</b>	1,586
Taxation	5	(16)	3
<b>Profit for the period</b>	6	<b>2,016</b>	1,589
<b>Attributable to:</b>			
Shareholders of the Company		2,018	1,589
Minority interests		(2)	-
		<b>2,016</b>	1,589
<b>Interim dividend</b>		<b>609</b>	564
<b>Earnings per share</b>	7	<b>HK\$0.90</b>	HK\$0.70
<b>Interim dividend per share</b>		<b>HK\$0.27</b>	HK\$0.25



## CONSOLIDATED BALANCE SHEET

HK\$ million	Notes	Unaudited 30/6/2007	Audited 31/12/2006
Property, plant and equipment		1,001	991
Investment properties		130	130
Leasehold land		296	301
Interests in associates		28,787	29,382
Interests in jointly controlled entities		3,432	4,238
Interests in infrastructure project investments		425	490
Investments in securities		4,152	3,064
Derivative financial instruments		58	38
Goodwill		211	205
Other non-current assets		13	13
<b>Total non-current assets</b>		<b>38,505</b>	<b>38,852</b>
Inventories		91	99
Interests in infrastructure project investments		130	127
Derivative financial instruments		369	369
Debtors and prepayments	8	922	455
Bank balances and deposits		11,030	7,720
<b>Total current assets</b>		<b>12,542</b>	<b>8,770</b>
Bank and other loans		5,365	3,813
Derivative financial instruments		577	485
Creditors and accruals	9	1,580	1,245
Taxation		105	105
<b>Total current liabilities</b>		<b>7,627</b>	<b>5,648</b>
<b>Net current assets</b>		<b>4,915</b>	<b>3,122</b>
<b>Total assets less current liabilities</b>		<b>43,420</b>	<b>41,974</b>
Bank and other loans		5,724	5,514
Derivative financial instruments		203	179
Deferred tax liabilities		434	401
Other non-current liabilities		16	15
<b>Total non-current liabilities</b>		<b>6,377</b>	<b>6,109</b>
<b>Net assets</b>		<b>37,043</b>	<b>35,865</b>
Representing:			
Share capital		2,254	2,254
Reserves		34,750	33,570
<b>Equity attributable to shareholders of the Company</b>		<b>37,004</b>	<b>35,824</b>
Minority interests		39	41
<b>Total equity</b>		<b>37,043</b>	<b>35,865</b>

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The accounting policies adopted for the preparation of the interim financial statements are consistent with those set out in the Group's annual financial statements for the year ended 31st December, 2006, except for the adoption of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants which are effective to the Group for accounting periods beginning on or after 1st January, 2007. The adoption of the new HKFRSs has no material impact on the Group's results and financial position for the current or prior periods.

## 2. GROUP TURNOVER AND SHARE OF TURNOVER OF JOINTLY CONTROLLED ENTITIES

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

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

The Group turnover and share of turnover of jointly controlled entities for the current period is analysed as follows:

HK\$ million	Six months ended 30th June	
	2007	2006
Sales of infrastructure materials	423	520
Income from the supply of water	142	122
Return from infrastructure project investments	45	57
Interest income from loans granted to associates	206	188
Distribution from investments in securities	54	13
<b>Group turnover</b>	<b>870</b>	<b>900</b>
<b>Share of turnover of jointly controlled entities</b>	<b>1,876</b>	<b>1,492</b>
	<b>2,746</b>	<b>2,392</b>

### 3. OTHER INCOME

Other income includes the following:

HK\$ million	Six months ended 30th June	
	2007	2006
Interest income from banks and debt securities	244	177
Finance lease income	-	1
Gain on disposals of interest in an associate	79	-
Gain on disposals of listed securities	67	-

### 4. OPERATING COSTS

Operating costs include the following:

HK\$ million	Six months ended 30th June	
	2007	2006
Depreciation of property, plant and equipment	27	25
Cost of inventories sold	476	530
Change in fair values of investments in securities	7	53
Change in fair values of derivative financial instruments	3	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	
	2007	2006
Current taxation – overseas tax	10	7
Deferred taxation	6	(10)
	16	(3)

## 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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Group turnover	-	-	447	380	423	520	-	-	870	900
Share of turnover of jointly controlled entities	-	-	1,588	1,214	288	278	-	-	1,876	1,492
	-	-	2,035	1,594	711	798	-	-	2,746	2,392
<b>Segment revenue</b>										
Group turnover	-	-	447	380	423	520	-	-	870	900
Others	-	-	20	26	7	4	-	-	27	30
	-	-	467	406	430	524	-	-	897	930
<b>Segment result</b>										
Gain on disposals of interests in an associate and listed securities	-	-	338	301	(33)	(11)	-	-	305	290
Change in fair values of investments in securities and derivative financial instruments	-	-	79	-	-	-	67	-	146	-
Interest and finance lease income	-	-	3	1	66	61	175	116	244	178
Corporate overheads and others	-	-	-	-	-	-	(121)	(33)	(121)	(33)
Finance costs	-	-	(16)	(8)	-	-	(261)	(246)	(277)	(254)
Share of results of associates and jointly controlled entities	1,021	950	689	504	35	25	-	-	1,745	1,479
<b>Profit / (Loss) before taxation</b>	<b>1,021</b>	<b>950</b>	<b>1,093</b>	<b>798</b>	<b>68</b>	<b>66</b>	<b>(150)</b>	<b>(228)</b>	<b>2,032</b>	<b>1,586</b>
Taxation	-	-	(16)	3	-	-	-	-	(16)	3
<b>Profit / (Loss) for the period</b>	<b>1,021</b>	<b>950</b>	<b>1,077</b>	<b>801</b>	<b>68</b>	<b>66</b>	<b>(150)</b>	<b>(228)</b>	<b>2,016</b>	<b>1,589</b>
<b>Attributable to:</b>										
Shareholders of the Company	1,021	950	1,077	801	70	66	(150)	(228)	2,018	1,589
Minority interests	-	-	-	-	(2)	-	-	-	(2)	-
	1,021	950	1,077	801	68	66	(150)	(228)	2,016	1,589

\* 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.

## 6. SEGMENT INFORMATION (Cont'd)

### By geographic region

for the six months ended 30th June

HK\$ million	Hong Kong		Mainland China		Australia		UK and Others		Unallocated items		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Group turnover	332	372	136	130	260	201	142	197	-	-	870	900
Share of turnover of jointly controlled entities	245	222	1,631	1,270	-	-	-	-	-	-	1,876	1,492
	577	594	1,767	1,400	260	201	142	197	-	-	2,746	2,392
<b>Segment revenue</b>												
Group turnover	332	372	136	130	260	201	142	197	-	-	870	900
Others	7	3	10	11	-	-	10	16	-	-	27	30
	339	375	146	141	260	201	152	213	-	-	897	930
<b>Segment result</b>	(23)	(7)	27	42	260	201	41	54	-	-	305	290
Gain on disposals of interests in an associate and listed securities	-	-	-	-	79	-	-	-	67	-	146	-
Change in fair values of investments in securities and derivative financial instruments	-	-	-	-	-	-	-	(9)	(10)	(65)	(10)	(74)
Interest and finance lease income	66	61	-	-	-	-	3	1	175	116	244	178
Corporate overheads and others	-	-	-	-	-	-	-	-	(121)	(33)	(121)	(33)
Finance costs	-	-	-	-	-	-	(16)	(8)	(261)	(246)	(277)	(254)
Share of results of associates and jointly controlled entities	1,063	983	435	334	95	(23)	152	185	-	-	1,745	1,479
<b>Profit / (Loss) before taxation</b>	1,106	1,037	462	376	434	178	180	223	(150)	(228)	2,032	1,586
Taxation	-	-	-	-	-	-	(16)	3	-	-	(16)	3
<b>Profit / (Loss) for the period</b>	1,106	1,037	462	376	434	178	164	226	(150)	(228)	2,016	1,589
<b>Attributable to:</b>												
Shareholders of the Company	1,106	1,037	464	376	434	178	164	226	(150)	(228)	2,018	1,589
Minority interests	-	-	(2)	-	-	-	-	-	-	-	(2)	-
	1,106	1,037	462	376	434	178	164	226	(150)	(228)	2,016	1,589

## 7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK\$2,018 million (2006: HK\$1,589 million) and on 2,254,209,945 shares (2006: 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\$273 million (HK\$240 million at 31st December, 2006) and their aging analysis is as follows:

HK\$ million	30/6/2007	31/12/2006
Current	78	89
1 month	69	69
2 to 3 months	37	28
Over 3 months	190	176
<b>Gross total</b>	<b>374</b>	<b>362</b>
Allowance	(101)	(122)
<b>Total after allowance</b>	<b>273</b>	<b>240</b>

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. 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.

## 9. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK\$88 million (HK\$150 million at 31st December, 2006) and their aging analysis is as follows:

HK\$ million	30/6/2007	31/12/2006
Current	<b>51</b>	103
1 month	<b>14</b>	22
2 to 3 months	<b>5</b>	8
Over 3 months	<b>18</b>	17
<b>Total</b>	<b>88</b>	150

## 10. SUBSEQUENT EVENT

Subsequent to the period end, the Group announced on 9th August, 2007 that it had entered into an agreement to dispose of its entire equity interest in and shareholder's loan to Guangzhou E-S-W Ring Road Company Limited, a jointly controlled entity of the Group, for a consideration of approximately HK\$1,258 million. The transaction is expected to be completed on 31st August, 2007. The expected gain to be derived from the disposal will amount to approximately HK\$810 million.