

CHAIRMAN'S STATEMENT

RESULTS

In the year 2000 CITIC Pacific achieved a net profit of HK\$3,430 million, an increase of HK\$464 million and 16% above the previous year. Earnings per share increased at a lower rate of 12% as a result of the additional shares issued in February 2000.

The improvement in CITIC Pacific's businesses was much stronger than these results suggest for, as I reported to shareholders earlier in the year, the infrastructure portion of the newly completed tunnel at Discovery Bay was written off reducing profit, and in 1999 a non-recurrent profit was recorded on the sale of infrastructure projects. In 2000 the aviation sector performed particularly well.

The Board recommends a final dividend of HK\$0.65 per share to give a total of HK\$0.85 for the year. The dividend per share for 2000 is 13% higher than the previous year, excluding a special dividend paid in 1999.

COMMUNICATIONS

Building the China Express No.1 Backbone Network in Mainland China has proceeded on schedule. At the end of 2000 the fibre loops linking Beijing, Wuhan, Guangzhou and Shanghai had been completed, and the installation and testing of equipment are proceeding well. The installation of the cables and equipment from Zhengzhou to Xian, Wuhan to Chengdu and Beijing to Shenyang is being accomplished smoothly. CITIC is negotiating with the relevant departments of the Ministry of Information Industry in handling jointly matters related to the operation and licensing of the network.

In November 2000 CITIC Pacific received permission to buy 50% of CITIC Guoan Co., Ltd. from CITIC, which retains the other 50% shareholding. CITIC Guoan is the controlling shareholder in cable television network provider CITIC Guoan Information Industry Co., Ltd., with which the "China Express No.1 Backbone Network" will have substantial synergy through transmission of programming and the connection to end users of about 4 million today.

In May 2000 CITIC Pacific acquired 100% of Telecom 1616, a wholesaler of IDD capacity based in Hong Kong, and renamed it CITIC Telecom 1616. In the last several months of 2000, CITIC Telecom 1616 has upgraded its network capabilities and substantially increased its market share of calls from Hong Kong. It plans to begin becoming a wholesaler of data capacity towards the end of 2001.

CTM in Macau, the newly acquired CITIC Telecom 1616 and CITIC Guoan are all profitable, and the communications business in the Mainland shows enormous promise.

AVIATION

CITIC Pacific owns over one quarter of the Hong Kong aviation sector, and has played a key role in the industry's development in Hong Kong over the last few years.

Cathay Pacific and Dragonair both recorded outstanding results for the year 2000 in which both passenger and cargo traffic grew substantially. Cathay carried a record 11.9 million passengers, and both the passenger load factor and yield increased. Cargo turnover rose strongly and now accounts for almost 30% of Cathay's revenue.

Dragonair carried a record of 2.7 million passengers and the load factor also increased, particularly for cargo services. Dragonair moved into Dragonair House at Chek Lap Kok in June 2000, and also operated its first all-cargo flights to Shanghai and Europe.

CITIC Pacific is committed to aviation which has great potential, and we are exploring new opportunities to expand in the sector with cargo of particular interest.

CIVIL FACILITIES

The 3 bridges, 2 tunnels and road in Shanghai, and the bridge in Chongqing continue to contribute substantial and stable cash flow to CITIC Pacific. In May 2000 the Shanghai government suspended tolls at the cross Huangpu River facilities to encourage the development of Pu Dong, but our contracts continue to be honoured demonstrating the value of substantial and reliable partners.

In Hong Kong, the Eastern Harbour Crossing had an average daily road traffic of 72,000 vehicles per day, an increase of 5%. The Western Harbour Tunnel ("WHT") increased its toll in December 2000 for the first time since opening. Traffic continues to grow steadily, but for toll revenue to reach the expectations at the time when the tunnel was built, better connecting road systems and negotiation on the tolls at the three cross harbour tunnels are required.

CITIC Pacific will continue to seek investment in civil infrastructure projects with sound economic fundamentals.

POWER

We are proud that our power plants, particularly the largest at Ligang, Jiangsu Province, continue to be some of the most efficient power producers in the Mainland. A total of 10,550 million Kwh of electricity was generated by CITIC Pacific's power plants at Ligang, Zhengzhou and Kaifeng, an increase of 1,340 million Kwh compared with 1999. The two plants supplying both heat and power in Shandong province performed according to plan.

The first unit of the new 400 MW (2 x 200 MW) power station in Huhhot, Inner Mongolia is expected to be completed in early 2002, and the second unit should become operational by the end of 2002. We expect to obtain approval for the development of phase III (2 x 200 MW) of the Xinli power station in Zhengzhou shortly and detailed development planning is in progress. CITIC Pacific is considering to expand the power plants at Ligang and acquire other existing power plants in the Mainland.

TRADING AND DISTRIBUTION

The total number of motor vehicle units sold in Hong Kong in 2000 increased by 22% compared with 1999 and DCH's market share increased by 1%.

DCH added three franchises to sell domestically-produced and imported motor vehicles in Mainland China, and from 1 January 2001 DCH is delighted to be the exclusive dealer in both Hong Kong and Mainland China for both "Bentley" and "Rolls Royce".

The food-related businesses in Hong Kong and the cosmetics business of Shiseido performed strongly, and the electrical business improved significantly. However, the Engineering division suffered from lack of new business in a depressed property market.

In March 2000 DCH acquired a distributor of health care products in Hong Kong, Macau and the Mainland, now renamed DCH Healthcare Products Limited. Steps are being taken to significantly advance its business, especially in Mainland China.

In February 2001 CITIC Pacific acquired Sims Trading Company, a leading distributor of about 60 international brands of food and beverages to the catering and retail industry in Hong Kong, Macau and Mainland China. Sims' strong national distribution capability in China provides synergy to that of DCH's. I welcome their over 600 employees into the CITIC Pacific family.

PROPERTY

Discovery Bay "La Serene" and "Neo Horizon" were released for sale during 2000 and 93% of the units have been sold. The superstructure for phase 11 and 12 of Discovery Bay's new development is in progress and sales may begin as early as the end of 2001.

The tunnel connecting Discovery Bay with the Lantau expressway road system was opened for traffic in April enabling a connection to mains water supply in December adding to the attractions of Discovery Bay as a home.

FINANCE

A major development has been the increasing availability of RMB finance which will reduce currency risk of our Renminbi businesses, and will also significantly broaden our ability to expand in the Mainland. We are currently engaged in active and encouraging discussions with a view to raise substantial amount of long term RMB funds.

CITIC Pacific has excellent liquidity with total cash on hand and available committed facilities at the year end of well over HK\$10 billion, providing unrivalled financial strength and flexibility to take advantage of future investment opportunities.

OUTLOOK

The economy in Mainland China continues to maintain its steady growth and China's accession to the World Trade Organization will be an added stimulus. CITIC Pacific has the management expertise, market experience and financial strength to expand when good opportunities arise in our areas of focus and expertise.

CITIC Pacific will continue to focus on Hong Kong and Mainland China, and the infrastructure, trading and distribution and property sectors. Your Board sees great opportunities in these business areas and they will combine to meet our financial objective of enhancing our shareholders' value by providing a superior return on capital over the long term.

May I take this opportunity to thank our shareholders, bankers and business associates for their unfailing support which is the basis of CITIC Pacific's success. Many thanks to my fellow directors and all the Company's staff, including those in subsidiaries and associated companies, for their hard work and dedication, without whom the substantial progress in 2000 would have been impossible.

Larry Yung Chi Kin *Chairman*
Hong Kong, 19 March 2001