

主席致股東報告

Chairman's Letter to Shareholders

本人欣然向各位股東報告中信泰富二零零四年之淨溢利為港幣三十五億八千一百萬元，每股溢利為港幣1.63元，較二零零三年均增長175%。董事會建議向股東派發末期股息每股港幣0.8元，全年派息港幣1.10元，較二零零三年增加10%。

與二零零三年相比，集團大多數業務都有較好的表現，尤以航空、特鋼生產和發電三項業務最為突出。詳情將於本年報稍後部份向股東作分析及闡述。

二零零四年集團不僅在盈利上取得了顯著的增長，而且在落實集團多項長期投資計劃方面有所進展。我們所投資的領域均屬未來中國經濟將賴以發展，且集團又擁有專長的幾個主要行業。

發電

集團於二零零四年一月參與組建了北方聯合電力有限責任公司（「北方電力」），持有其20%之股權。北方電力位處內蒙古，有豐富的煤炭資源。所發的電量除了能滿足自治區內之用電需求，亦可通過電網輸往周邊省份和地區。在二零零四年，利港電廠第三期（2 x 60萬千瓦）、第四期（2 x 60萬千瓦）以及鄭州第三期（2 x 20萬千瓦）的建設均按計劃進展，預期將於二零零六和二零零七年相繼完成並進入商業運轉。此外，集團於二零零四年與中國華能電力集團聯合收購了河北省邯峰電廠（2 x 66萬千瓦）40%的股權。

目前，中信泰富所擁有之已運行的電廠總權益裝機容量已達291萬千瓦。在建電廠工程全部竣工後，集團權益裝機容量將增至508萬千瓦。

I am pleased to report to shareholders that in 2004 CITIC Pacific achieved a net profit of HK\$3,581 million, 175% more than 2003, as were earnings per share at HK\$1.63. The board recommends a final dividend of HK\$0.80 per share giving shareholders a total 2004 dividend of HK\$1.10, an increase of 10% from 2003.

Better profit performance was seen in almost all of CITIC Pacific's businesses particularly in the aviation, special steel manufacturing and power generation segments. The details are analysed and described later in this annual report to shareholders.

Our company not only made a significant gain in terms of profit growth in 2004, but also made progress in implementing our long term plans to expand our growing investment in the key sectors of the Chinese economy in which we have particular skills.

Power

In January 2004 CITIC Pacific purchased 20% of **North United Power Corporation**, which generates power for Inner Mongolia and the surrounding provinces and has ready supplies of coal nearby. Through 2004 construction of the **Ligang Power Station phase III** (2 x 600MW) and **phase IV** (2 x 600MW) and the **Zhengzhou phase III** (2 x 200MW) progressed according to plans leading to commercial operation in 2006 and 2007. In addition, an equal partnership of CITIC Pacific and China Huaneng Power Group acquired a 40% stake in the **Hanfeng Power Plant** (2 x 660MW) located in Hebei Province in 2004.

Today, CITIC Pacific has 2,916MW of attributable generating capacity, which will rise to 5,083MW on completion of the plants under construction.

集團電廠二零零四年的發電總量較二零零三年有大幅增長，反映了中國內地對電力的需求仍保持強勁增長的勢頭。有鑒於目前中國人均用電仍處於一個較低的水平，我們相信，國民經濟的持續增長將帶動用電需求的不斷增加。多年來，我們在中國內地積累了興建及運營電廠之豐富經驗，使中信泰富更有能力發揮優勢，為滿足電力需求做出貢獻。

二零零四年煤炭價格的大幅增長及供應趨緊對於所有發電商來說是一個挑戰。對此，公司管理層已採取了簽訂長期供貨合同等相應對策。

特鋼生產

二零零四年中國內地的特鋼需求依然十分強勁。江陰興澄鋼廠之全年生產量創下一百七十六萬噸的新紀錄。其中，國內銷售及出口分別為一百五十八萬及十八萬二千零四十噸。江陰興澄一直在全國特鋼生產行業中佔領先地位。為保持其行業的龍頭，江陰興澄特鋼將與住友金屬小倉進行合作生產主要用於汽車零部件所需之「替代進口」高級特殊鋼材。

集團於二零零四年十月收購了位於湖北省黃石市之湖北新冶鋼有限公司95%的權益（該公司之前名為東方鋼鐵有限公司），並以此為平台，同時收購了包括在深圳證券交易所上市之大冶特鋼及其他資產。有待證券監管部門的批准，集團在大冶特鋼之權益將增至約58%。所收購之鋼廠在二零零四年之總鋼產量約為一百七十三萬噸。此項收購將增強集團的總體特鋼生產能力，並將在產品多元化及市場覆蓋率等多方面，進一步鞏固中信泰富在全國特鋼行業的領先地位。

The substantial increase in electricity generated by our power plants in 2004 compared with 2003 is evidence that demand for electric power remains strong in mainland China. Our belief is that as the Chinese economy continues to grow, the current low per capita consumption of power will rise, requiring a considerable increase in generating capacity. With our many years of experience and expertise in building and operating power stations in mainland China, CITIC Pacific is ideally placed to contribute to meeting the demand.

During 2004 there was a significant increase in the price of coal and obtaining a sufficient supply was a challenge to which management responded well by securing long-term supply contracts.

Special Steel Manufacturing

Demand for high quality special steel products remain strong and our Jiangyin Xingcheng steel plant produced a record 1.76 million tonnes in 2004, 1.58 million tonnes was for domestic consumption and 182,040 tonnes was exported. Jiangyin Xingcheng continues to be a leader in the manufacture of special steel in China. To enhance its leading position in the special steel industry, Jiangyin Xingcheng is proceeding to cooperate with Sumitomo Metals Kokura to produce high-grade special steel primarily substituting existing imported auto-component grade steel.

In October 2004, CITIC Pacific acquired a 95% stake in the Hubei Xin Yegang Co. (formerly Dongfang Iron and Steel Co.) in Huangshi, Hubei province, through which other assets were acquired including an interest in the Shenzhen Stock Exchange listed Daye Special Steel Co.. Subject to regulatory approval, our interest in this company will increase to approximately 58%. In 2004, these plants manufactured approximately 1.73 million tonnes of steel. These acquisitions will strengthen our leading position in China's special steel market by expanding our product range and geographical coverage.

我們的特鋼主要客戶分佈於汽車零部件製造，發電設備生產和工業機械製造等行業。預計在未來十年，此等行業仍將有大幅增長，因此，集團對特鋼生產之前景充滿信心。

航空

與飽受非典型性肺炎影響的二零零三年相比，國泰航空及港龍航空在二零零四年的業績有強勁的反彈。由於經濟環境的改善，加上受惠於內地訪港旅客及出遊人數不斷上升，兩家航空公司年內均創出載客人數歷史新高。

中國國際航空貨運於二零零四年一月正式開始運作，並於首年即錄得盈利。

國際油價持高不下一直是航空業的憂患，但我們的航空公司管理層在整體成本控制方面成績顯著，並致力逐年提高經營效率。我深信這些努力仍將繼續在二零零五年取得成效。

信息業

澳門電訊面臨日益激烈的競爭，但同時亦受益於澳門之經濟增長。中信電訊1616在二零零四年注重於不斷改善進出中國大陸之通信業務的邊際利潤，並正在香港建立第二個互聯網交換中心。

Our major customers are in the auto-component, power equipment, and machine tool industries where underlying demand is expected to grow considerably in the coming decade giving confidence in the future of the special steel sector.

Aviation

Both Cathay Pacific and Dragonair experienced a dramatic turnaround compared with 2003 when the industry was severely affected by SARS. In 2004 a record number of passengers were carried thanks to a better economic environment and the increasing number of mainland travellers to Hong Kong and other destinations.

Air China Cargo began official operation in January 2004 and had a profitable first year.

Higher oil prices remain a concern in the aviation sector but the management of all our airline associates have demonstrable success in reducing overall unit costs and become more efficient year-by-year and I am confident these efforts will continue in 2005.

Communications

Macau Telecom operates in an increasingly competitive market but is benefiting from the great economic development in Macau while, CITIC Telecom 1616 has concentrated on improving margins on the considerable flow of traffic in and out of mainland China, and establishing the second Hong Kong internet exchange.

物業

位於上海的投資物業中信泰富廣場及華山公寓繼續維持極高的出租率，租金收入穩定。在過去幾年中，此兩個項目在上海商業及高級住宅市場建立了良好的形象，其物業質量及管理水準均在市場享有美譽。集團將在浙江省寧波市興建一個一百萬平方呎之商業中心，擬同樣取名「中信泰富廣場」，進一步提高其品牌。

在發展物業方面，老西門新苑項目第一期進展順利，第一批255個單位於二零零四年八月推出市場，數天內即全部售罄。第一期其他單位計劃於二零零五年上半年分批出售，鑒於市場對高質量住宅的強勁需求，我們有信心再創銷售佳績。

集團於二零零四年十二月通過公開投標，在上海市青浦區取得了一幅面積為145萬平方呎之建築用地開發低密度住宅項目。最近，公司正計劃收購附近的兩幅土地，以便整體規劃開發。集團將擇機逐步增加在中國內地的土地儲備，為持續發展提供保證。

隨著市場的復甦，集團於香港的投資物業表現理想，租金收入穩定並為集團提供了可觀的現金流貢獻。特別是又一城項目，租金回報逐年提高。

最近，位於九龍通州街的一個320,000平方呎商住項目以及位於新界洪水橋的一幅農地改為537,000平方呎的住宅用地已達成了補地價協議。而有關重建九龍嘉陵大廈之可行性研究工作也已經展開。

Property

Occupancy of our Shanghai investment properties CITIC Square and Royal Pavilion remains high and they provide stable rental income. In the past few years, these two properties, known for their quality and management, have established an excellent reputation and image in Shanghai's commercial and luxury residential markets. We are planning a 1 million sq. ft. commercial development in Ningbo Zhejiang province, to be also named CITIC Square to further enhance our brand name.

As for our development properties, the first phase of our New Westgate Garden project is proceeding smoothly. The first 255 units were marketed in August 2004 and were all sold within a few days. The other units of the first phase are to be sold in batches in the first half of 2005. Given the strong demand for high quality housing, we are confident that excellent sales results will be achieved.

In December 2004, 1.45 million sq. ft. of land zoned for low-density residential development in the Qingpu district in Shanghai was bought in a public tender. We are also in the process of acquiring two blocks of land nearby to enhance the overall development. CITIC Pacific will seek opportunities to gradually build up our land bank in mainland China for sustainable future development.

Performance of our Hong Kong investment properties was satisfactory in a recovering market with stable rental income, which contributes to the Group's substantial cash flow. Festival Walk, in particular, has seen rental returns increase over the years.

Land premiums have been settled on a 320,000 sq ft. residential and commercial development at Tung Chau Street, Kowloon, and the conversion of an agricultural land at Hung Shui Kiu, New Territories into 537,000 sq ft. of residential usage. The possibility of upgrading Grand Court, Kowloon is also being explored.

銷售及分銷

大昌行及慎昌繼續擴展其在中國各地之業務網絡，其有序的發展計劃預期將在未來幾年顯現成效。集團所銷售代理的產品種類繁多，這將有助於其業務及產品的互補性，雖每年的分項銷售比例會有所不同，但整體來看，業績增長穩定。二零零四年貿易業務業績理想，特別是資生堂(Shiseido)化妝品及品牌商品的分銷代理業務都有不俗的表現。二零零四年香港汽車市場同零三年相比復蘇強勁，但內地進口貨車的銷售量不盡理想，主要是受到信貸緊縮和二零零四年十二月三十一日取消進口車的配額制度等因素影響。

中信泰富於二零零五年三月十一日與中國中信集團公司簽訂了一份收購協議，按成本基準收購其於沃爾瑪華東百貨有限公司之35%權益，此項收購須取得有關政府部門的批准。該合資企業將在上海市、浙江省及江蘇省經營沃爾瑪超級市場。預計有關收購完成後，將進一步促進集團貿易分銷業務的發展，並將為集團之物業發展業務帶來協同效應。

集團財務

集團之財務狀況健康，現金流穩定，並擁有充足的備用信貸支持集團未來發展之需。中信泰富將繼續奉行其保守穩健的理財原則，在快速發展的同時，保持其健康強壯的財務能力。

Marketing and Distribution

Dah Chong Hong and Sims Trading continued to develop the infrastructure of their business in mainland China following a plan that expects solid results in the coming years. Our trading business operates in many different segments and products and every year the balance of business is different, but taking the whole, progress is made year-by-year. In 2004 the general trading business made particular progress especially in Shiseido cosmetics and distribution of branded goods. The motor market in Hong Kong revived strongly compared with 2003, while in the mainland imported commercial vehicle sales were affected by tightened credit and the anticipation that the import quota system would be abolished on 31 December 2004.

On 11 March 2005, CITIC Pacific entered into an agreement with CITIC Group to acquire at cost a 35% interest in Wal-Mart East China Stores Co. The acquisition is subject to obtaining the necessary approvals from the relevant government authorities. The joint venture will operate Wal-Mart stores in the city of Shanghai as well as Zhejiang and Jiangsu provinces. This acquisition will facilitate the development of our Marketing and Distribution business and will also bring synergies to our property development business.

Finance

The Group's financial position remains healthy with stable cash flows and sufficient available facilities to support the needs of our future expansion. At the same time, CITIC Pacific will continue to employ conservative and sound financial planning to ensure that our finances stay strong.

前景

中國內地經濟預期在未來數年將持續高速地增長，因此中信泰富的業務發展重點將更加集中在中國內地。集團之策略是注重發展自身熟悉並具有優勢的行業，通過有效的管理，不斷提高投資回報，以達到增加股東價值之最終目的。我們相信，多元化之業務模型對一個投資地域相對集中的公司來說是適合的。

在此，本人謹代表所有董事感謝中信泰富全體員工在過去一年中所作出的不懈努力，並希望全體員工齊心合力，使中信泰富進一步發展，取得更好的成績。

榮智健

主席

香港，二零零五年三月十五日

Our Future

CITIC Pacific's business is increasingly focused in mainland China where I expect continued high economic growth in the foreseeable future. The strategy of CITIC Pacific is to develop the businesses we know and operate well to improve our returns, and increasing shareholder value is our ultimate objective. Our belief continues to be that a diversified business model is most appropriate to a company focusing on one geographical area.

On behalf of all the directors, I thank all the staff of CITIC Pacific for their hard work in the past year and hope that we will all work together for the future development and success of CITIC Pacific.

Larry Yung Chi Kin

Chairman

Hong Kong, 15 March 2005