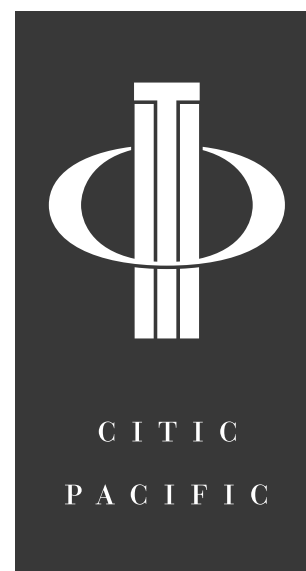


Announcement of Results

for the Year Ended 31 December 2001

CITIC Pacific Limited

Chairman's letter to shareholders



CITIC Pacific's profit for the year 2001 was HK\$2,110 million, or HK\$0.96 per share. A result 36% lower than the previous year is not welcome news, but shareholders should be reassured the main reason is easily identifiable and understandable: the aviation sector of our business was hit hard after September 11 at a time when the world and regional economies were already deteriorating.

A key measure of the health of any business is the cash flow it generates, and I am delighted to report that our businesses generated a very healthy cashflow in 2001, and the Group is well prepared to take up any good investment opportunities going forward.

Recognizing CITIC Pacific's continuing strong and stable cash flows, and substantial financial resources, the Board is recommending a final dividend of HK\$0.60 giving shareholders a dividend of HK\$0.80 for 2001, only a little less than in 2000 reflecting the reduced profit.

The major **growth** in CITIC Pacific's profit in 2001 came from the telecommunication and property sectors.

The contribution from our **telecommunications** businesses was three times that of last year reaching almost HK\$300 million. CITIC Telecom 1616, our fast-growth IDD wholesaler, was the largest contributor to this result, but CITIC Guoan and CTM also made significant contributions too.

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The contribution from **investment property** grew 15% driven by increased rental from the Festival Walk shopping mall.

In other sectors of our business - **marketing and distribution** had a challenging year, although at the operating level the result was satisfactory, and specialty **steel manufacturing** tripled its profits.

Strategy

CITIC Pacific's business is diversified but clearly focused in a limited number of sectors. We believe that diversity builds strength, and that superior results come from focusing on what we do best.

Geographically CITIC Pacific will continue to have its solid base in Hong Kong but focusing increasingly on the vast market of the Mainland of China. Our knowledge and contacts in China are wide and deep, and they have led to success particularly in Civil Infrastructure and Power. CITIC Pacific will continue to focus on China. Even when business is done around the world, we are always conscious that the overriding purpose is to serve the Chinese market.

Let me review the future I see for each of our business sector:

In **telecommunications**, CITIC Telecom 1616 has established itself as one of the major telecommunication hub in Asia Pacific. The company has established strategic alliance and cooperative relationship with 125 major international telecom carriers and operators in over 80 countries. Leveraging on these relationships, CITIC 1616 continues to launch new value-added services.

CPC Net, which CITIC Pacific acquired late last year, will be our flagship for Internet services. CPC Net is actively offering individual business users and companies with value-added services such as corporate connectivity, Virtual Private Networks (VPN), Internet security solutions, data center servers hosting, etc.

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After two years of investment, the major part of the China Express Number 1 Backbone Network has been completed. Because of the concern on telecommunication policies in China, CITIC Pacific sold the network project to CITIC Hong Kong (Holdings) but retaining the right to buy it back. This transaction will reduce the Company's investment risk, and the necessary infrastructure for the development of CITIC Pacific's telecommunication businesses is provided by CITIC 1616's high quality integrated platform centered in Hong Kong and linking all over the world.

CITIC Pacific has contributed to **aviation** in Hong Kong and the tremendous progress Cathay Pacific and Dragonair have made over the years as two of the best airlines in the world. The sharp drop in demand for air traffic heavily affected Cathay Pacific in particular, but there are already early signs of improvement, and both Cathay Pacific and Dragonair are strategically located to take advantage of the Mainland China market. The Mainland airline industry is being restructured. CITIC Pacific sees great potential and new business opportunities to expand. The Company is actively pursuing these opportunities and the negotiations with relevant parties are making progress.

Following China's accession to the World Trade Organization, the **financial service** and capital markets in China will expand and grow closer to those of Hong Kong, and will have huge development potentials. CITIC Pacific, together with CITIC Beijing and CITIC Ka Wah Bank, have established a joint venture - "CITIC Capital Markets Holdings Ltd." - in which CITIC Pacific will have 50% interest and participate directly in its strategy formation and the day-to-day management. The joint venture business will be built upon the existing broking and investment banking operations of CITIC Group in Hong Kong, and fully utilizes CITIC Group's expertise and broad contacts in Hong Kong, Mainland and all over the world. While based in Hong Kong, CITIC Capital Markets Holdings will focus on the China market. This new venture is aimed to develop a leading brand name in the China-focused fund management business, as well as developing the existing businesses of brokerage and corporate finance.

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CITIC Pacific recently reached an agreement with Shanghai Lansheng Guojian Corporation to form a joint venture "Shanghai CP Guojian Pharmaceutical Company Ltd". CITIC Pacific will invest up to RMB350 million and will have controlling interest of 51% in the joint venture. CP Guojian's vision is to build its own research and development, production and marketing capabilities. The venture will leverage on CITIC Pacific's strong financial position, advanced management systems and broad contacts in international markets. The venture begins with a team of leading biotech researchers, and also a number of patents that are either registered or are under registration in China and in other countries. CP Guojian's immediate focus is the development of new drugs related to genetic therapy. Biotech will be one of the fastest growing industries in this century and has great development potential. We believe the investment will contribute to the Company's future growth in the coming years.

CITIC Pacific's team of **power industry** veterans has built and operates one of the largest groups of power generation plants in China of any foreign organization with total capacity of 3,000MW. The Ligang power station is one of the most profitable in China. Late last year, the first unit of 200MW at the Huhhot power plant in Inner Mongolia became operational and the second unit is expected to commence operation before the end of 2002. Construction work at the Jilin power plant is going smoothly. As the power industry in China reforms, we will continue to seek new opportunities investing in power plants.

Our **civil infrastructure**, consisting of Huangpu bridges and tunnels in Shanghai and two cross harbour tunnels in Hong Kong, produces reliable long term cashflows.

Marketing and distribution in Hong Kong and Mainland China is the business of Dah Chong Hong and Sims Trading which serve the people of Hong Kong and China in providing high quality products. Hong Kong is a mature but profitable market, and we are concentrating on delivering improved customer service at a reduced cost. The Mainland is the opportunity, and a systematic 3-year plan is being implemented both on the motor and food side of the business to position Dah Chong Hong and Sims Trading as the premier supplier and distributor of motor vehicles and food products in China.

In **property**, the center of cities in Mainland China presents opportunities today. During the last twelve months CITIC Pacific has invested in developing land in the center of Shanghai, and bought two income-producing buildings in the same city. There may be similar opportunities in Shanghai and in Beijing where CITIC Pacific already owns a 50% interest in the CITIC Building. In Hong Kong, the existing properties are capable of generating significant development profits and stable rental income in the coming years.

Future

CITIC Pacific moves into the future and the Chinese Year of the Horse with confidence that our Company will grow and develop in the coming years in the direction I have already described.

CITIC Pacific has the financial resources to take up new opportunities as they develop. We are conscious that really good business opportunities are few, and thus we are disciplined to be patient to identify opportunities that will benefit shareholders in the long term.

It is my pleasure to lead a team of businessmen and women with long, successful and practical experience in so many disciplines that all work together to propel CITIC Pacific forward. To every one of them, and our directors, bankers and advisors, I thank you for all your fine work over the past year and your commitment to the future.

Larry Yung Chi Kin
Chairman

Hong Kong, 14 March 2002

CITIC PACIFIC LIMITED

Consolidated Profit and Loss Account

For the year ended 31 December 2001

| | Note | 2001 | 2000 |
|---|------|-----------------|-----------------|
| in HK\$million | | | |
| Turnover | | <u>17,251</u> | <u>16,044</u> |
| Profit from consolidated activities | 3 | 2,132 | 2,481 |
| Share of profits less losses of associated companies | | 947 | 1,764 |
| Net finance charges | 4 | <u>(504)</u> | <u>(614)</u> |
| Profit before taxation | | 2,575 | 3,631 |
| Taxation | 5 | <u>(306)</u> | <u>(229)</u> |
| Profit for the year | | 2,269 | 3,402 |
| Minority interests | | <u>(159)</u> | <u>(111)</u> |
| Profit attributable to shareholders | | <u>2,110</u> | <u>3,291</u> |
| Dividends | 6 | <u>(1,753)</u> | <u>(1,871)</u> |
| Transfer to reserves | | <u>(6)</u> | <u>(4)</u> |
| Earnings per share | 7 | <u>HK\$0.96</u> | <u>HK\$1.49</u> |

Notes:

1. Changes to Accounting Policies

The accounting policies used in the preparation of the Accounts are consistent with those used in the annual accounts for the year ended 31 December 2000 except that the Group has adopted new or revised SSAPs which became effective for the current financial year.

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These changes to the Group's accounting policies, and the effect of adopting them are:

(a) SSAP No. 9: Events after the Balance Sheet Date

The Group no longer recognizes dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. In the 2000 Annual Report the proposed final dividend of the Company of HK\$1,427 million was recorded as a current liability, but is now restated as part of shareholders' funds.

Dividends proposed or declared after their balance sheet date by companies in which the Group has an investment are no longer recognized as revenue at the balance sheet date but on the date when the right to receive is established. As a result, the Group's opening retained profits as at 1 January 2000 and 2001 are reduced by HK\$98 million and HK\$62 million respectively, the Group's profit for the year ended 31 December 2000 is increased by HK\$36 million and accounts receivable as at 31 December 2000 is reduced by HK\$62 million. The investment in associated companies as at 31 December 2000 is increased and accounts receivable is decreased by HK\$387 million.

(b) SSAP No. 29: Intangible Assets
SSAP No. 30: Business Combinations

Previously goodwill arising on the acquisition of subsidiary and associated companies was written off to reserves in the year of acquisition or amortised over a period no longer than its estimated useful life. Under SSAP No. 30 goodwill is capitalised and amortised on a straight line basis over its estimated useful life not exceeding 20 years. Any impairment of the goodwill will be recognized as an expense in the profit and loss account immediately.

The Group has adopted the transitional provision of SSAP No. 30 that goodwill previously included in reserves need not be restated.

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The transitional provision of SSAP No. 29 requires intangible assets of HK\$3,610 million previously included in the investment in associated companies, which do not meet the new definition and recognition criteria of intangible assets, to be re-classified as goodwill subject to amortisation over a maximum of 20 years. As a result, the Group's opening retained profits as at 1 January 2000 and 2001 are reduced by HK\$1,064 million and HK\$1,239 million respectively, and the Group's profit for the year ended 31 December 2000 is reduced by HK\$175 million.

Furthermore, goodwill of HK\$1,457 million previously written off to reserves is now reclassified to retained profits under the transitional provision of SSAP No. 30 as the amount is considered impaired because it has no unexpired useful life. This has no effect on the shareholders' funds.

2. Turnover and segment information

An analysis of the group's turnover and profit from consolidated activities before net finance charges and share of profits less losses before taxation of associated companies by principal activities. In accordance with the Listing Rules of the Hong Kong Stock Exchange this segment information is presented before inter-segment transactions.

| Year ended 31 December 2001 | Turnover | Profit from Consolidated Activities | Share of Profits less Losses of Associated Companies | Total |
|---|--------------|-------------------------------------|--|-------|
| in HK\$million | | | | |
| By principal activity: | | | | |
| Marketing & Distribution | | | | |
| Motors vehicles and related services | 4,469 | 255 | 25 | 280 |
| Trading | 5,072 | (62) | 23 | (39) |

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| | | | | |
|--|----------------------|---------------------|-------------------|---------------------|
| Power and Civil Infrastructure | 2,657 | 1,698 | 120 | 1,818 |
| Aviation | - | - | 223 | 223 |
| Property | 266 | 206 | 381 | 587 |
| Industrial Manufacturing | 2,859 | 221 | - | 221 |
| Communications | 806 | 155 | 175 | 330 |
| Others | 1,122 | 8 | - | 8 |
| Less: General & Administration Expenses | <u>-</u> | <u>(349)</u> | <u>-</u> | <u>(349)</u> |
| | <u>17,251</u> | <u>2,132</u> | <u>947</u> | 3,079 |
| Net Finance Charges | | | | (504) |
| Taxation | | | | <u>(306)</u> |
| Profit after Taxation | | | | <u>2,269</u> |

An analysis of group's turnover by geographical area is as follows:

| | | |
|-----------------------|----------------------|----------------------|
| in HK\$million | 2001 | 2000 |
| By geographical area: | | |
| Hong Kong | 8,598 | 8,399 |
| China | 7,373 | 5,896 |
| Japan | 443 | 471 |
| Others | <u>837</u> | <u>1,278</u> |
| | <u>17,251</u> | <u>16,044</u> |

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| Year ended 31 December 2000 | Turnover | Profit from Consolidated Activities | Share of Profits less Losses of Associated Companies | Total |
|---|---------------|---|--|--------------|
| in HK\$million | | | | |
| By principal activity: | | | | |
| Marketing & Distribution | | | | |
| Motors vehicles and related services | 4,642 | 270 | 29 | 299 |
| Trading | 4,281 | 12 | 21 | 33 |
| Power and Civil | | | | |
| Infrastructure | 3,762 | 1,981 | 87 | 2,068 |
| Aviation | - | - | 1,371 | 1,371 |
| Property | 266 | 189 | 196 | 385 |
| Industrial Manufacturing | 2,339 | 124 | - | 124 |
| Communications | 232 | 39 | 60 | 99 |
| Others | 522 | 167 | - | 167 |
| Less: General & Administration | | | | |
| Expenses | - | (301) | - | (301) |
| | <u>16,044</u> | <u>2,481</u> | <u>1,764</u> | 4,245 |
| Net Finance Charges | | | | (614) |
| Taxation | | | | <u>(229)</u> |
| Profit after Taxation | | | | <u>3,402</u> |

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3. The profit from consolidated activities is arrived at after crediting and charging:

| | 2001 | 2000 |
|----------------------------------|-----------|----------|
| in HK\$million | | |
| Dividend income from investments | 459 | 635 |
| Net (loss)/gain from investments | (154) | 111 |
| Cost of inventories | 9,626 | 8,762 |
| Depreciation and amortisation | 493 | 452 |
| Goodwill amortisation | <u>11</u> | <u>-</u> |

4. Net finance charges included interest expense of HK\$690 million (2000: HK\$1,157 million).

5. Hong Kong profits tax is calculated at 16% (2000: 16%) on the estimated assessable profit for the year. Overseas taxation is calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. Detailed as follows:

| | 2001 | 2000 |
|----------------------------------|-------------|------------|
| in HK\$million | | |
| Company and subsidiary companies | | |
| Hong Kong profits tax | 108 | 97 |
| Overseas taxation | 74 | 49 |
| Deferred taxation | <u>(16)</u> | <u>(8)</u> |
| | 166 | 138 |
| Associated companies | | |
| Hong Kong profits tax | 44 | 36 |
| Overseas taxation | 81 | 62 |
| Deferred taxation | <u>15</u> | <u>(7)</u> |
| | <u>140</u> | <u>91</u> |
| | <u>306</u> | <u>229</u> |

6. Dividends

| | 2001 | 2000 |
|--|---------------------|--------------|
| in HK\$million | | |
| 2001 Interim dividend paid: HK\$0.20 (2000: HK\$0.20) per share | 439 | 444 |
| 2001 Final dividend proposed: HK\$0.60 (2000: HK\$0.65) per share | <u>1,314</u> | <u>1,427</u> |
| | <u>1,753</u> | <u>1,871</u> |

7. The calculation of earnings per share is based on profit attributable to shareholders of HK\$2,110 million (2000: HK\$3,291 million) and on the weighted average number of 2,194,242,004 shares for the year (2000: 2,204,468,971 shares).
8. Comparative figures have been adjusted to conform with the current presentation as required under the new or revised Hong Kong Statement of Standard Accounting Practice implemented in 2001.

FINANCIAL REVIEW AND ANALYSIS**Treasury Policy**

The Group's overall treasury and funding policies have remained the same as those described in the annual report for the year ended 31 December 2000.

Liquidity and Financial Resources

As of 31 December 2001, the Group's total outstanding debt was HK\$14.6 billion, cash and deposit with banks were HK\$4.6 billion to give net debt of HK\$10 billion. Net debt divided by total capital (total capital is defined as the aggregate of net debt, shareholders' funds and unimpaired goodwill written off to reserves) was 18%.

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| | HK\$million | | | | |
|-------------------------|------------------------------|------------------------|---------------------------------|-------------------------|--------------|
| | Within First Year | Second Year | Third to Fifth Years | Over 5 Years | Total |
| Debt outstanding amount | 2,230 | 588 | 8,096 | 3,725 | 14,639 |

Undrawn facilities available to the Group totalled HK\$8.8 billion of which approximately HK\$5.9 billion were long term committed facilities, HK\$1.7 billion were money market lines and the balance were trade facilities. These undrawn facilities, combined with the strong recurrent cash flow generated from operations, provided ample financial resources to the Group to implement its investment strategies.

As of 31 December 2001, the Company had interest rate swap agreements outstanding with a notional amount of approximately HK\$1.6 billion. Under these agreements, CITIC Pacific is to exchange either fixed or floating rate of interest with its counterparties, without the exchange of the underlying notional amounts. The objective is to stabilise the overall cost of borrowings over time.

As at 31 December 2001, approximately 67% of the Group's total borrowings after swap bear interest at floating rates and the remaining 33% are at fixed rates. The average cost of debt in 2001 was 6% compared with 7% a year before.

CITIC Pacific enters into cross currency swap contracts to change the denomination of its borrowings as part of its management to limit foreign currency exposures. The Company does not engage in foreign currency speculation. At 31 December 2001, the Company had total cross currency swap contracts outstanding with a notional amount of approximately HK\$2.3 billion.

The denomination of the Group's borrowings after currency swaps and denomination of the cash and deposits with banks at 31 December 2001 were:

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HK\$million Equivalent

| Denomination | HK\$ | US\$ | Renminbi | Yen | Other | Total |
|---------------------|-------------|-------------|-----------------|------------|--------------|--------------|
| Borrowings | 5,235 | 6,772 | 2,122 | 455 | 55 | 14,639 |
| Cash and Deposits | 1,066 | 3,068 | 325 | 157 | 15 | 4,631 |
| Net Borrowings | 4,169 | 3,704 | 1,797 | 298 | 40 | 10,008 |
| Percentage | 42% | 37% | 18% | 3% | 0% | 100% |

Capital Commitment and Contingent Liabilities

As at 31 December 2001, the Group's contracted capital commitments was HK\$2,160 million and the Group's contingent liabilities have no significant changes from the last year end date.

HUMAN RESOURCES

The number of employees increased slightly from 11,354 in 2000 to 11,733 in 2001 due to acquisitions. As business developed in the PRC, cross border cooperation between the Hong Kong and PRC operations increased, offering training and development opportunities for many staff members. The focus of training remained in the areas of product knowledge and customer service, supplemented by skills and personal development. The Company's remuneration policy is to reward employees on a fair and equitable basis and in line with market practice. From the year 2002, the Company will award deserving employees by a performance-linked bonus in place of the fixed bonus in the past. There has not been any allotment of share options during the year.

CORPORATE GOVERNANCE

CITIC Pacific is committed to excellent standards of corporate governance and first class business practices extending beyond compliance with the mandatory requirements such as that of the Companies Ordinance, accounting standards and the Stock Exchange. A full description of the operation of the Board, Audit Committee, External & Internal Auditors, Codes of Best Practice, Connected Transactions and Financial Reporting will be found in the 2001 Annual Report.

The Audit Committee of the Board, consisting of three independent non-executive directors, has reviewed the 2001 accounts with management and the Company's external and internal auditors and recommended its adoption by the Board.

DIVIDEND AND CLOSURE OF REGISTER

The Directors have resolved to recommend to shareholders the payment of a final dividend of 60 cents per share (2000: 65 cents), which together with the interim dividend of 20 cents per share (2000: 20 cents) makes a total dividend of 80 cents per share (2000: 85 cents) for the year ended 31 December 2001. The total dividend of 80 cents per share will amount to HK\$1,753 million of the Company's profit for the year ended 31 December 2001 (2000: HK\$1,871 million).

The proposed final dividend of 60 cents per share, the payment of which is subject to approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 9 May 2002, is to be payable on Wednesday, 15 May 2002 to shareholders whose names appear on the Register of Members of the Company on 9 May 2002.

The Register of Members of the Company will be closed from Friday, 3 May 2002 to Thursday, 9 May 2002, both days inclusive, during which period no share transfer will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration not later than 4:00 p.m. Thursday, 2 May 2002.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2001, the Company made the following repurchases of its own shares on the Stock Exchange for the purpose of enhancing its earnings per share:

| Month/Year | Number of Shares Repurchased | Price Per Share | | Aggregate Price Paid HK\$ million |
|-------------------|-------------------------------------|------------------------|-----------------------|---|
| | | Highest HK\$ | Lowest HK\$ | |
| September 2001 | 6,220,000 | 15.90 | 13.15 | 88 |

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These repurchased shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against retained profit. An amount equivalent to the nominal value of the shares cancelled of HK\$2 million was transferred from retained profit to capital redemption reserve.

Save as disclosed above, neither the Company nor its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31 December 2001 and the Company has not redeemed any of its shares during the year ended 31 December 2001.

ANNUAL REPORT AND FURTHER INFORMATION

A copy of the announcement will be found on the Company's website (www.citicpacific.com) and the Stock Exchange's website (www.hkex.com.hk). The additional information including a full financial analysis will be posted on the Company's website as soon as possible. The full Annual Report containing all the information required by the Listing Rules of the Stock Exchange will be made available on the website of the Company and the Stock Exchange around 27 March 2002 and sent to shareholders on 8 April 2002.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is to be held at the Island Ballroom, Level 5, Island Shangri-La Hotel, Two Pacific Place, Supreme Court Road, Hong Kong on Thursday, 9 May 2002 at 10:30 a.m.

By Order of the Board
Alice Tso Mun Wai
Company Secretary

Hong Kong, 14 March 2002

"Please also refer to the published version of this announcement in Hong Kong iMail, Ming Pao, Hong Kong Economic Times and Wen Wei Po."