

Announcement of Results for the Year Ended 31 December 2003

CITIC Pacific Limited

Chairman's Letter to Shareholders

CITIC Pacific's net profit for 2003 was HK\$1,305 million, a decrease of 66% compared with the HK\$3,875 million in 2002. This decline is due to the loss of income from the three bridges and two tunnels in Shanghai, which were sold, a decrease in aviation's contribution, and a HK\$587 million provision against the value of investment properties. Fortunately the SARS affected businesses recovered quickly, and a detailed analysis of their performance can be found in the Operations and Financial sections of this report. The Board recommends maintaining the final dividend at the same level as 2002 of HK\$0.7 per share.

Power

A key business of CITIC Pacific is the generation of electric power, and 2003 has provided CITIC Pacific with the following excellent opportunities:

The **Ligang Power Station** in Wuxi, Jiangsu Province is the flagship of our Company's power business. Construction of its third 2X600MW phase began in 2003 and operation is planned for 2006. The fourth phase, also 2X600MW, is expected to be operational in 2007. Equipment for both phases has already been ordered. CITIC Pacific recently acquired an additional 9% of the Ligang Power Station Phases I and II and now owns 65%. Our shareholding in Phases III and IV will be higher at 73%.

Also in **Wuxi**, our application to build a **Pumped Storage** facility with a capacity of 700MW is being considered by the relevant authorities.

In January 2004 we became a 20% owner of the **North United Power Corporation**, which has an attributable generating capacity of 4,310MW, all in Inner Mongolia. Another 920MW of attributable capacity is being planned for 2004. North United Power Corporation is now a partnership between Inner Mongolia Electric Co. and two other major power companies China Huaneng Group and Shenhua Group. Inner Mongolia has substantial coal deposits making it an ideal location for power generation, both for the requirements in the autonomous region, and to supply electricity to North and Northeast China through the grid. In coming years North United Power will continue to build additional capacity with the aim of becoming one of the largest power generation companies in China.

China is short of power both today and in the long run as prosperity will continue to increase, so CITIC Pacific is confident that there will be opportunities to expand our power generation business in the coming years.

Communications

In November CITIC Pacific established a 20-year exclusive cooperative relationship with the All-China Sports Federation and the Chinese Olympic Committee to develop, operate and maintain an interactive platform for broadband digital sports using the brand Chinese Interactive Sports. Three websites are in operation: *sport.org.cn* providing accurate and authoritative sports reports; *olympic.cn* the official site of the Chinese

Olympic Committee presented in English and Chinese, and *sport.cn* which integrates four existing sites: China Sports on-line, China E-Sports, China Sports Lottery and On-line Sports Goods. The China Sports Federation lists 99 "official" sports, and interest in them is intense throughout China, so the opportunities presented to CITIC Pacific through these ventures are immense.

During 2003, steps have been taken to develop data and e-commerce platforms, and a profitable on-line internet game has been marketed throughout China which attracted over 10 million subscribers, and on occasions up to 210,000 simultaneous players. Having proved the operational aspects of the system, more products will be launched in 2004.

CITIC 1616's profit was reduced in 2003 as margins came under pressure, but margins have now stabilized, and the advantage of being Asia's largest IDD wholesaler will be seen in the coming years.

Steel

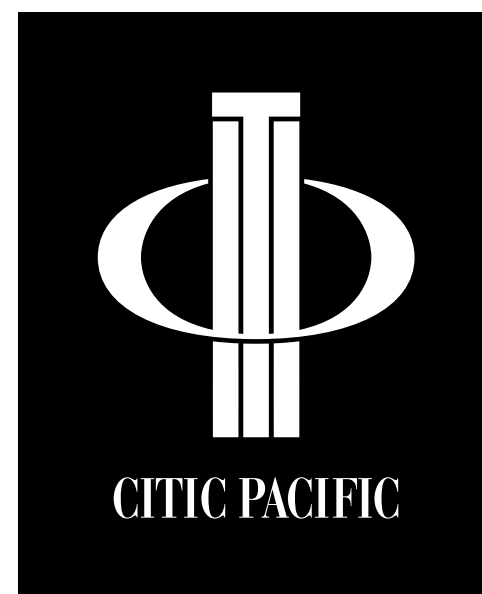
Over the last 10 years, CITIC Pacific has developed a very successful business manufacturing steel for specialized uses such as ball bearings, gears and automobile springs. In 2003, a record 1.7 million tonnes was produced, of which 145,000 tonnes was exported. **Jiangyin Xing Cheng** has the highest production of bearing steel in China. In partnership with Sumitomo Metals, a one million tonne expansion will begin shortly. Building on this experience, in February 2004 CITIC Pacific entered into an agreement to purchase 95% of the **Daye Special Steel Mill** at Huangshi, Hubei Province which in 2003 manufactured 1.3 million tonnes of specialty steel, and plans 2 million tones in 2004. In January 2004 CITIC Pacific increased its ownership in its existing Jiangyin Special Steel Plant to 79% by purchasing shares from our partner. We plan to reorganize and expand our enlarged steel interests and become the market leader in specialty steel in China.

Property

The 1st phase of the **Westgate Garden** residential development in Shanghai is targeting for pre-sale in 2004, and completion 2005/2006. We also own a parcel of land with a site area of about 4.7million sq feet near the Shanghai Pudong airport for future development for logistics purposes. Our investment properties of CITIC Square and Royal Pavilion are doing well. A number of other development opportunities in different locations are under negotiation, and we are confident of the continued opportunities that the growth of the Chinese economy will present in the property sector.

Aviation

Both **Cathay Pacific** and **Dragonair** had a difficult time in the first half of 2003, but by early 2004 record numbers of passengers were being carried. Cathay Pacific and Dragonair's success depends on a healthy economy in China delivering more passengers from the Mainland, and in this expanding market both airlines should do well. CITIC Pacific's joint venture with Air China Cargo officially began operation in January 2004, and we are confident that it will benefit from the increasing economic activities in China.



Environmental

A major breakthrough was made in extending our waste treatment businesses in Hong Kong to Shanghai when the Shanghai government awarded our joint venture the contract to design, construct, operate and maintain the **Phase 4 of Laogang Municipal waste landfill**. There should be many more such opportunities in the future as Chinese cities focus on environmental issues.

Marketing and Distribution

Dah Chong Hong and **Sims Trading** had good results even though the business in Hong Kong was disappointing, this was more than offset by the performance in other parts of China. Throughout China, both DCH and Sims will continue their systematic expansion building markets and sales networks and modernizing operating facilities while building sophisticated control systems alongside.

Capital Markets

CITIC Capital Markets had an exceptional and profitable year in its first full year of operation, and has established a fine reputation in asset management and investment banking in a very short time.

Our Future

CITIC Pacific is taking new opportunities to expand through China where we expect continued economic growth to create more opportunities in the future. CITIC Pacific's overriding objective is to increase shareholder value, and I am confident that the new projects, in combination with the stable and profitable current businesses, will do so. We will remain focused mainly in areas of greatest expertise – power generation, communications, special steel manufacturing, aviation, property and trading.

CITIC Pacific is financially robust with low leverage and ample cash and unused financial facilities, giving sufficient resources to execute our expansion plans.

On behalf of all the directors, I would like to thank our bankers and investors for their continued support; and to thank the staff of CITIC Pacific and its subsidiaries and associates who have worked so hard in the last year. Their commitment to CITIC Pacific and its future is the basis of our success.

Larry Yung Chi Kin

Chairman

Hong Kong, 18 March 2004

Consolidated Profit and Loss Account

For the year ended 31 December 2003

<i>in HK\$ million</i>	Note	2003	2002
Turnover		26,180	22,316
Profit from Consolidated Activities	3	1,132	2,583
Share of Profits Less Losses of			
Jointly Controlled Entities		341	368
Associated Companies		769	1,987
Net Finance Charges	4	(320)	(434)
Profit before Taxation		1,922	4,504
Taxation	5	(371)	(424)
Profit for the Year		1,551	4,080
Minority Interests		(246)	(205)
Profit Attributable to Shareholders		1,305	3,875
Dividends	6	(2,189)	(4,377)
Transfer to Reserves		(40)	(5)
Earnings per Share (HK\$)	7	0.60	1.77

Notes:

1 Significant 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 2002 except that the Group has adopted SSAP 12 (Revised) "Income Taxes" which became effective for the current accounting year. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax.

In prior years, deferred tax were recognised in respect of the taxation effect arising from material timing differences to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future.

Under SSAP 12 (Revised), a balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. Provision for withholding tax that will arise on the remittance of retained earnings is only made where there is a current intention to remit such earnings. Deferred tax assets relating to unused tax losses are recognised to the extent that the future utilisation is probable.

The new accounting policy has been adopted retrospectively. As a result, the profit for the year ended 31 December 2002, capital reserve and retained profits as at 31 December 2002 are reduced by HK\$42 million, HK\$49 million and HK\$107 million respectively.

Also, certain associated companies have changed their profit recognition policies and the impact has been adjusted in the Accounts of the Group retrospectively. As a result, the profit for the year ended 31 December 2002 is increased by HK\$15 million and retained profits and goodwill included in reserves as at 31 December 2002 are reduced by HK\$26 million and increase by HK\$37 million respectively.

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 jointly controlled entities and associated companies by principal activities are as follows:

<i>Year ended 31 December 2003 in HK\$ million</i>	Turnover	Profit from Consolidated Activities	Share of Profits Less Losses of Jointly Controlled Entities	Share of Profits Less Losses of Associated Companies	Group Total	Segment Allocations	Segment Profit
<i>By principal activity</i>							
Infrastructure							
Power	308	227	(3)	-	224	-	224
Civil Infrastructure	6,676	628	76	67	771	-	771
Communications	1,590	90	106	91	287	-	287
Aviation	-	-	-	368	368	-	368
Marketing & Distribution	12,136	345	22	10	377	(75)	302
Property	401	315	-	233	548	75	623
Industrial Manufacturing	4,842	388	-	-	388	-	388
Others	227	73	140	-	213	-	213
Investment Properties							
Revaluation Deficit	-	(587)	-	-	(587)	-	(587)
Less: General & Administration Expenses							
	-	(347)	-	-	(347)	-	(347)
	26,180	1,132	341	769	2,242	-	2,242
Net Finance Charges							(320)
Taxation							(371)
Profit after Taxation							1,551

<i>Year ended 31 December 2002 in HK\$ million</i>	Turnover	Profit from Consolidated Activities	Share of Profits Less Losses of Jointly Controlled Entities	Share of Profits Less Losses of Associated Companies	Group Total	Segment Allocations	Segment Profit
<i>By principal activity</i>							
Infrastructure							
Power	305	234	4	-	238	-	238
Civil Infrastructure	1,432	1,247	78	76	1,401	-	1,401
Communications	2,887	300	257	81	638	-	638
Aviation	-	-	-	1,215	1,215	-	1,215
Marketing & Distribution	11,212	320	26	19	365	(88)	277
Property	460	349	-	596	945	88	1,033
Industrial Manufacturing	3,581	280	-	-	280	-	280
Others	2,439	213	3	-	216	-	216
Less: General & Administration Expenses							
	-	(360)	-	-	(360)	-	(360)
	22,316	2,583	368	1,987	4,938	-	4,938
Net Finance Charges							(434)
Taxation							(424)
Profit after Taxation							4,080

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

<i>in HK\$ million</i>	2003	2002
<i>By geographical area</i>		
Hong Kong	7,482	10,094
Mainland China	17,559	11,066
Japan	420	465
Others	719	691
	26,180	22,316

The denomination of the Group's borrowings before and after currency swap and deposits with banks at 31 December 2003 were:

<i>Denomination</i>	<i>HK\$ million Equivalent</i>					Total
	HK\$	US\$	Renminbi	Yen	Other	
Borrowings in original currency	4,634	4,505	597	614	178	10,528
Borrowings after Currency Swap	7,201	1,938	597	614	178	10,528
Deposits	292	4,117	905	156	41	5,511
Net Borrowings (Cash) after Swap	6,909	(2,179)	(308)	458	137	5,017

As at 31 December 2003, assets of HK\$53 million were pledged to secure banking facilities utilised by subsidiaries, mainly related to Dah Chong Hong's overseas trading business.

Capital Commitment and Contingent Liabilities

As at 31 December 2003, the Group's contracted capital commitment was HK\$1,963 million and the Group's contingent liabilities have no significant changes from the last year end date.

Human Resources

As at the end of December 2003, the Group employed 12,174 staff (2002: 11,643) in its headquarters in Hong Kong and its principal subsidiaries and joint venture companies with more than 50% equity stake. Employees working in the Mainland of China increased to 7,827 (2002: 7,168) while those working in Hong Kong decreased to 4,129 (2002: 4,255). The number of employees in other countries remains steady at 218 (2002: 220).

The SARS outbreak in Hong Kong and in the region produced many challenges to our staff both in their daily life and in re-organizing the way business was conducted to ensure normal operations could continue under all possible circumstances. Efforts to take new initiatives to improve efficiency with a view to attaining higher levels of performance continued.

In line with market trends in Hong Kong and to achieve administrative efficiency, the majority of the members of The CITIC Group Retirement Plan consented to its replacement by The CITIC Group Mandatory Provident Fund Scheme. At the same time, recognizing that employees have diverse career and personal goals, the Group's retirement age in Hong Kong was changed to 55 effective from 1 August 2003. There are no material changes in other terms of employment.

CITIC Pacific remains dedicated to non-discriminatory employment policies and practices, and strives to be consistent and fair in administering its human resources management practices. Its overall human resources management policies are largely in line with the market.

Under the CITIC Pacific Share Incentive Plan 2000 ("the Plan") adopted on 31 May 2000, the Board may invite any director, executive or employee of the Company or any of its subsidiaries to subscribe for options over the Company's shares.

On 28 May 2002 options to subscribe for a total of 11,550,000 shares in the Company representing 0.53% of the then issued share capital, at the exercise price of HK\$18.20 per share were granted under the Plan. All options granted and accepted can be exercised in whole or in part within 5 years from the date of grant. All were accepted, and none were exercised, cancelled or lapsed in the year up to 31 December 2003.

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

<i>in HK\$ million</i>	2003	2002
Dividend income from investments	305	388
Net gain from investments	327	110
Cost of inventories	13,982	11,998
Depreciation and amortisation	609	533
Goodwill amortisation	12	17

4 Net finance charges included interest expense of HK\$400 million (2002: HK\$490 million).

5 Hong Kong profits tax has been calculated at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Overseas taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations. Detailed as follows:

<i>in HK\$ million</i>	2003	2002
<i>Company and subsidiary companies</i>		
Hong Kong profits tax	72	116
Overseas taxation	79	32
Deferred taxation	(3)	29
	148	177

Jointly controlled entities

Hong Kong profits tax	30	9
Overseas taxation	47	31
Deferred taxation	(21)	(3)
	56	37

Associated companies

Hong Kong profits tax	39	93
Overseas taxation	103	78
Deferred taxation	25	39
	167	210
	371	424

6 Dividends

<i>in HK\$ million</i>	2003	2002
2003 Interim dividend paid: HK\$0.30 (2002: HK\$0.30) per share	657	657
2003 Final dividend proposed: HK\$0.70 (2002: HK\$0.70) per share	1,532	1,532
2002 Special dividend paid: HK\$1.00 per share	-	2,188

7 The calculation of earnings per share is based on profit attributable to shareholders of HK\$1,305 million (2002: HK\$3,875 million) and on 2,188,460,160 shares in issue throughout the year (2002: the weighted average number of 2,189,736,763 shares).

No diluted earnings per share is presented for the year ended 31 December 2003 as the exercise of all the share options outstanding during the year have no dilutive effect on the earnings per share.

8 Pursuant to the adoption of SSAP 12 (Revised) "Income Taxes" which became effective for the current accounting year and the refinement of the Group's classification of associated companies, jointly controlled entities and investments, certain comparative figures and presentation of the accounts have been changed.

Financial Review And Analysis

Group Liquidity and Capital Resources

The Group's cash flow remains very strong and stable and of particular note was the receipt of HK\$6.2 billion in early July from the sale of Shanghai road, bridges and tunnels projects. As of 31 December 2003, the Group's total outstanding debt was HK\$10.5 billion (31 December 2002: HK\$9.3 billion), cash and deposits with banks were HK\$5.5 billion giving a net debt of HK\$5.0 billion compared to HK\$6.7 billion at 31 December 2002. Leverage, measured by the net debt to total capital and net debt to shareholders' funds, was 11% and 13% respectively (31 December 2002: 14% and 16%).

Maturity Profile of Outstanding Debt

The Group actively manages and extends its debt maturity profile to ensure that the Group's maturing debt each year will not exceed the anticipated cash flow and the Group's ability to refinance the debt in that year:

<i>In HK\$ million</i>	2004	2005	2006	2007	2008	2009 and Beyond	Total	Percentage
Parent Company ⁽¹⁾	27	133	1,715	1,877	1,600	3,510	8,862	84%
Subsidiaries	847	517	137	105	60	0	1,666	16%
Total Outstanding Debt	874	650	1,852	1,982	1,660	3,510	10,528	100%
Percentage	8%	6%	18%	19%	16%	33%	100%	

⁽¹⁾ Including a US\$450 million global bond which was issued by a wholly owned special purposes vehicle.

Sources of Financing

As of 31 December 2003, the Group's undrawn available facilities consists of HK\$4.6 billion in committed long term loans and HK\$1.8 billion of money market lines. In addition, available trade facilities amounted to HK\$2.1 billion.

<i>In HK\$ million</i>	Total Facilities	Outstandings	Available Facilities
Committed Facilities			
Bank Loans	10,346	5,744	4,602
Global Bonds	3,510	3,510	0
Private Placement	780	780	0
	14,636	10,034	4,602
Uncommitted Facilities			
Money Market Lines	2,243	477	1,766
Trade Facilities	2,488	390	2,098

As of 31 December 2003, the Company had interest rate swap agreements outstanding with a notional amount of approximately HK\$2.8 billion and a fair value of around negative HK\$94 million which is largely offset by the change of economic value of the asset or liability being hedged. Under these agreements, CITIC Pacific is to exchange fixed to floating or floating to fixed interest with its counterparties, without the exchange of the underlying notional amounts. Other financial instruments such as forward rate agreements may be employed when deemed appropriate to stabilize the overall cost of borrowings over time.

As of 31 December 2003, approximately 62% of the Group's total borrowings after swap bore interest at floating rates and the remaining 38% were at fixed rates with average period of 5 years. The weighted average all-in cost of debt, including fees and hedging costs in 2003 was about 4.6%, the same as a year before.

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, Remuneration Committee, Internal & External Auditors, Codes of Best Practice, Connected Transactions and Financial Reporting will be found in the 2003 Annual Report.

Throughout 2003 the Company has complied with the Code of Best Practice contained in Appendix 14 of the Listing Rules. The Audit Committee of the Board, consisting of three independent non-executive directors, has reviewed the 2003 financial statements with management and the Company's internal and external 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 HK\$0.70 per share (2002: HK\$0.70 and a special dividend of HK\$1.00 per share), which together with the interim dividend of HK\$0.30 per share (2002: HK\$0.30) makes a total dividend of HK\$1.00 per share (2002: HK\$2.00) for the year ended 31 December 2003. The total dividend of HK\$1.00 per share will amount to HK\$2,189 million of the Company's profit for the year ended 31 December 2003 (2002: HK\$4,377 million).

The proposed final dividend of HK\$0.70 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 Monday, 10 May 2004, is to be payable on Thursday, 13 May 2004 to shareholders whose names appear on the Register of Members of the Company on 10 May 2004.

The Register of Members of the Company will be closed from Tuesday, 4 May 2004 to Monday, 10 May 2004, 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 G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 3 May 2004.

Share Capital

The Company has not redeemed any of its shares during the year ended 31 December 2003. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31 December 2003.

Forward-looking Statements

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

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 1 April 2004 and sent to shareholders on 13 April 2004.

By Order of the Board
Alice Tso Mun Wai
Company Secretary
Hong Kong, 18 March 2004

“Please also refer to the published version of this announcement in The Standard and Hong Kong Economic Times”.