

主席致股東報告

Chairman's Letter to Shareholders

本人欣然宣佈，中信泰富二零零五年首六個月之淨溢利較去年同期上升60%至港幣二十七億七千三百萬元。特種鋼及物業方面的表現尤為突出，是帶動集團整體溢利增長之主要原因。董事會建議維持派發中期股息每股港幣0.30元。

回顧上半年，集團業務發展的重點更加集中在經濟持續高速增長的中國大陸。在繼續落實集團十八個月前公佈之投資計劃的同時，我們亦於今年上半年增加了在中國大陸特鋼及物業方面之新投資。此等投資舉動體現了集團致力在這一快速增長之市場中為股東爭取更佳的回報。

過去十多年來，中信泰富在特鋼製造業積累了豐富的經驗，並適時地把握擴展良機，使集團在中國內地特鋼行業中已佔有重要地位。儘管鐵礦砂價格大幅上漲，但二零零五年上半年特鋼業務之溢利貢獻與去年同期相比仍然錄得103%之可觀升幅。這主要是由於江陰興澄特鋼持續強勁之表現以及集團新近收購之新冶鋼所做出的盈利貢獻。特鋼新產品的大量開發及出口國際市場的大幅增加已取得明顯效果。集團收購新冶鋼後，在逐步提高其生產效率及改善其經營管理方面所做的努力已初見成效。為取得更好的協同效應，集團在協調兩家公司之原材料採購、產品結構調整及定價和客戶地域覆蓋等方面均取得了進展。

I am pleased to announce that CITIC Pacific's net profit for the first six months of 2005 increased 60% to HK\$2,773 million compared with the same period last year. Strong growth from our Special Steel and Property businesses were the driving forces in the gain. The board recommends maintaining the interim dividend of HK\$0.30.

During the period under review, our business is increasingly focused on mainland China where we continue to witness strong economic growth. The implementation of the investment plan we announced 18 months ago and additional new investments made in steel and property in mainland China in the first half of this year all demonstrate our commitment to achieving better returns in a fast growing market for our shareholders.

Our experience and expertise gained from over ten years of operating in **Special Steel Manufacturing** and our ability to take full advantage of expansion opportunities has made CITIC Pacific a major player in this field in mainland China. Despite upsurge in the price of iron ore, for the first half of 2005, profit contribution from this sector increased by an impressive 103% compared with the same period last year, due to continued strong performance from Jiangyin Xingcheng steel plant and the newly acquired Xin Yegang steel plant. The development of new products and the increase in exports have also shown solid results. Since the acquisition of Xin Yegang, steps have been taken to improve its efficiency and better its management and these efforts are already showing results. Progress has also been made in ensuring that both Jiangyin and Xin Yegang work together to create synergies in raw material purchasing, product realignment and pricing, and customer coverage.

目前，中信泰富正洽談收購另一家位於河北省石家莊市之特鋼生產企業—石家莊鋼鐵有限責任公司。收購完成後，集團通過江陰興澄特鋼，新冶鋼及石家莊鋼廠將擁有中國東部、中部及華北部市場的產銷渠道。此收購項目尚有待有關政府部門的審批。

集團在特鋼領域迅速擴展的同時，充分意識到日後將面臨來自於國內外同業的競爭。因此，除了尋求規模效益之外，提高產品質量和技術水平是我們保持競爭力的要素。為此，集團正與日本住友金屬小倉合作，在江陰鋼廠興建一全新生產線用於生產替代進口產品的高級特鋼。我們深信，中國經濟的持續增長將為特鋼產品帶來強勁的需求，中信泰富將不失時機充分發揮其在此行業的領先地位的作用。

物業方面，集團認為未來的增長將來自於中國大陸，因此集團之新物業投資主要在中國大陸。鑒於中國是一個龐大但地域性很強的市場，我們將投資主要集中於上海及鄰近的浙江、江蘇兩省一些城市。在上海，位於青浦地區的住宅及商業項目之規劃及概念性設計將於近期展開。另外，於今年四月，集團在江蘇省揚州市競標收購了一幅住宅及商業用地，可發展之樓面面積約為470萬平方呎。在浙江省寧波市，集團現正計劃購入一幅可發展為樓面面積約100萬平方呎之商業用地。

CITIC Pacific is in the process of acquiring another special steel manufacturer in Shijiazhuang, Hebei Province, Shijiazhuang Iron & Steel Co., Ltd. Given this acquisition, Jiangyin Xingcheng, Xin Yegang and Shijiazhuang special steel will have access to markets in East, Central and North of China. The transaction is subject to documentation and approval by the relevant government authorities.

As we expand in this sector, we are also fully aware of potential competition from both domestic and foreign manufacturers. Therefore, in addition to economies of scale, raising the quality of our products and level of technology is becoming increasingly important for us to remain competitive. On this front, we are cooperating with Sumitomo Metals Kokura of Japan in building a new phase in Jiangyin steel plant to produce high-grade special steel aiming for the import substitution market. We are confident that the growth of the Chinese economy will continue to create strong demand for special steel products and CITIC Pacific is well positioned to take full advantage of this opportunity.

On Properties, we are of the view that long-term growth will come from mainland China and this is where we are making new investments. As China is a big and regionalized market, we are currently focusing on Shanghai and some select secondary cities in nearby provinces of Zhejiang and Jiangsu. In Shanghai, concept planning design work will commence shortly for a residential and commercial development in Qingpu District. In April, CITIC Pacific acquired a site in the city of Yangzhou in Jiangsu Province, which will be used for residential and commercial development with a gross floor area of about 4.7 million sq. ft. In Ningbo, Zhejiang Province, we are in the course of acquiring a site for commercial

集團於上海之老西門新苑住宅項目第一期工程正按計劃進行，預計將於二零零六年上半年竣工交樓。

香港的物業市場已經復蘇，租金及售價都錄得顯著的增幅。在補付地價後，集團現正在九龍通州街興建二棟住宅附商場大樓。而愉景灣第十三期之住宅項目預計可於今年年底竣工。另外集團於今年上半年售出兩幅地皮，錄得可觀收入。

航空業務方面，國泰及港龍由於運載能力的擴大，都錄得載客人數及貨運量的健康增幅。但持高不下的燃油價格將繼續對兩家航空公司的盈利帶來影響，值得我們關注。

香港航空業的未來發展有賴於有關各方更加密切的合作。我們很欣慰地看到兩家航空公司在運營方面正展開多方面的合作。同時，國泰航空在入股中國國際航空10%股權之後，亦與國航進行了多項運營上的合作。作為國泰及港龍之重要持股人，中信泰富過去一貫支持並將會繼續努力融合各方優勢以建立一個強而有力的聯盟，為香港航空業更加繁榮、更具競爭力作出貢獻。

development with a gross floor area of approximately 1.0 million sq. ft.

Construction of the first phase of *New Westgate Garden* residential development in Shanghai is on schedule with completion expected in the first half of 2006.

The Hong Kong property market has seen a revival as evidenced by the higher rental and sales prices of both commercial and residential properties. CITIC Pacific is now developing a residential and commercial project in Tung Chau Street in Kowloon after settling the land premium. Work on Discovery Bay Phase 13 continues with completion targeted for the end of this year. Two pieces of land in Hong Kong were sold in the first half of this year for a significant profit.

In Aviation, both *Cathay Pacific* and *Dragonair* recorded healthy increases in passenger and cargo volumes amid capacity expansion. However, high oil price remains a concern and continues to affect the profitability of the two airlines.

The future of the Hong Kong aviation industry rests on all parties involved working closer together. On this front, we are happy to see that both airlines are co-operating on many operational fronts. Cathay Pacific is also working with Air China on various operational aspects after taking a 10% stake in the airline. As a significant shareholder of both Cathay Pacific and Dragonair, CITIC Pacific has been and will continue to be working hard to build a strong alliance to make the Hong Kong aviation industry better and more competitive.

今年上半年發電業務經歷了一段困難的時期。發電燃煤價格快速上漲，而發電商並不能把成本的增加全部轉加到最終用戶上，使全國的發電商之盈利受到影響。本集團亦不例外。但從今年五月開始，根據國家批准的煤電聯動調解機制，集團屬下之電廠能夠把一部分煤價上漲的成本通過提高電價轉嫁給購電商。無疑這將會緩解發電公司的部分成本上漲壓力。預期二零零五年下半年經營狀況會有所改善。

利港三期 (2x60萬千瓦)，四期 (2x60萬千瓦)，鄭州電廠 (2x20萬千瓦) 及北方電力集團之擴建正按計劃進行。預計二零零六及二零零七年這些新機組投產運營後，電力業務對集團之溢利貢獻將有可觀增幅。

銷售及分銷業務表現上半年喜憂參半。香港業務表現良好，而中國大陸市場擴展，尤其是在汽車銷售方面，仍富有挑戰。集團佔有35%股份之沃爾瑪華東合資公司繼去年在南京開立了第一家分店後，於今年七月底開設了第一家上海分店，位於浦東。開業當天有超過十萬人光顧此店。按照發展規劃，合資公司將於二零零六年在上海、江蘇及浙江省的主要城市開辦更多的分店。

展望未來，隨著香港經濟的復蘇及中國大陸經濟的持續增長，我們對二零零五年下半年業績及未來之發展充滿信心。我們將

Our **Power Generation** business experienced a difficult first half. Higher coal prices and the inability of generators to pass on in full this cost increase to end-users affected the profitability of all power generators in China. Beginning in May, our plants are able to pass some of the rise in the price of coal onto the power purchasers following a government approved fuel-cost pass through mechanism. This will certainly bring relief to power companies and we expect performance in the second half of 2005 to be better.

Construction of Ligang phase III (2x600MW) and phase IV (2x600MW), Zhengzhou power station (2x200MW) and the North United expansion are on schedule. As they begin operations in 2006 and 2007, we expect better profits to come from the power business.

The **Marketing and Distribution** business had a mixed first half in which business in Hong Kong performed well while mainland China remains a challenging market in particular in the sales of motor vehicles. Our joint venture with *Wal-Mart* in which we have a 35% interest, opened its first Shanghai store in *Pudong* at the end of July. Over 100,000 shoppers visited the store on its opening day. This is the second store of the JV company, the first is in the city of Nanjing. According to the development plan, the JV is targeting to open more stores in 2006 in major cities in Jiangsu, Zhejiang provinces and Shanghai.

Looking ahead, with the revival of the Hong Kong economy and the continued growth of the economy in mainland China, we are optimistic of the second half of 2005 and beyond. We expect most of our businesses in which we are investing to perform better. We will also continue to seek new investment opportunities. At the

不斷尋求新的投資機會，同時集團穩健的財務管理不但為業務的發展提供了充足的資金，亦為確保派息的穩定提供了必要的條件。

在此，本人謹代表所有董事，向中信泰富全體員工對協助集團取得上半年的佳績表示衷心感謝。

榮智健

主席

香港，二零零五年八月二十五日

same time, our sound financial management enables us to not only have ample resources to support our expansion but also maintain a stable dividend payout.

On behalf of all the directors, I would like to thank everyone at CITIC Pacific for helping the Group achieve a good first half.

Larry Yung Chi Kin

Chairman

Hong Kong, 25 August 2005