

Announcement of Interim Results

for the Six Months Ended 30 June 2001

CITIC Pacific Limited

Chairman's Business Review

In the six months ended 30 June 2001, CITIC Pacific achieved a net profit attributable to shareholders of HK\$1,500 million, representing 7% increase over the same period last year.

The Directors have declared an interim dividend of 20 HK cents, the same as in 2000.

Business Review

Communications

CITIC Pacific's long-term strategy for its communication business is to utilize the vast Mainland market as our base, and Hong Kong as the converging point for Asia, to develop a telecommunication network which will eventually reach and serve the whole world.

In the Mainland, the construction of the China Express No.1 Backbone Network continues to progress and to date, over 23,000 route kms of fibre optical cable containing about 110,000 kms fibre has been laid. In anticipation of future operational needs, it has been agreed that the fibre kms will be increased from 154,864 kms to 224,144 kms within the original cost.

Equipment installation has been completed at more than 100 exchange points connecting most of the metropolitan areas from the north to south and the major coastal cities in China. The Western part of the country with cities of Chengdu, Chongqing and Xian as the centres will be the focus of the project in the immediate future.

As announced when CITIC Pacific acquired the China Express No.1 project, the operation and management of the project will be handled through CITIC Beijing. Negotiation regarding cooperation between CITIC Beijing and relevant parties is making good progress.

Through its controlled subsidiary, CITIC Guoan Information Industry (GAI), our 50% owned associate CITIC Guoan continued to expand its cable TV operations. GAI's cable subscribers increased by 46,000 in the first six months of 2001 and the cable system is being upgraded to be able to offer more value-added services to customers. In the last several months, GAI has acquired a telecommunication system integration business, and more recently the Everbright Communication Corporation, further strengthened Guoan's capability and market position in the communication business in China.

In May 2001, CITIC Pacific entered a cooperative joint venture with the city of Dalian to jointly develop a comprehensive communication network in the city. Technical reviews and the development of a business plan are underway.

In Hong Kong, CITIC Telecom 1616 moved its operations centre into CITIC Tower in July 2001 and has doubled its IDD voice switching capacities to 300,000 lines. CITIC Telecom 1616's voice platform is now connected to more than 60 countries and serving 80 plus major local and international telecom carriers and mobile operators.

CITIC Pacific has offered to buy 100% of PSINet (HK), and it is anticipated that the transaction will be completed by the end of the year. The acquisition will enable CITIC Pacific to develop IP based value-added services and internet business. Hong Kong will serve as a bridge linking China and the rest of the world.

In Macau, CTM's mobile phone and internet customers have increased more than 18% and 38% respectively over the same period last year. Net profit also grew by 37% despite reductions in mobile and IDD charges.

Power

CITIC Pacific's power plants in Mainland China performed well despite a general increase in the coal price of approximately 8% which resulted in increase in the total production cost. Power output was also a little lower compared with the exceptionally strong demand experienced last year. Management at all the plants have continued the improvement of their operating efficiency as a first priority.

The development of the co-generation power station in Huhhot, Inner Mongolia is on schedule for commissioning the first 200MW unit in the first half of 2002 and the second unit, also 200MW, by the end of 2002.

In June 2001, CITIC Pacific signed an agreement to acquire 55% equity interest in a co-generation power plant project in Jilin province in north-eastern part of China. The plant will include two 100MW power generators and three 360 tonnes boilers which will provide both power and heating to the area. The construction work began two years ago and is expected to complete in 2002.

Roads, Bridges, Tunnels

CITIC Pacific's bridges, tunnels and road projects in the Mainland continue to contribute stable return and cashflow to the Company.

In Hong Kong, the Eastern Harbour Crossing continues to generate strong revenue and cash flow and has repaid its debt in full. The Western Harbour Crossing (WHC) recorded its first six months profit since opened in 1997 following an increase in tolls in late 2000.

Aviation

It is inevitable that Cathay Pacific's profitability will be adversely affected by the slowdown in the world major economies and by the industrial action of the pilots union. However, Cathay Pacific has the world most modern fleet, high quality management team and operating system, I believe that once the local and international economic environment improve, Cathay Pacific will certainly turn around quickly.

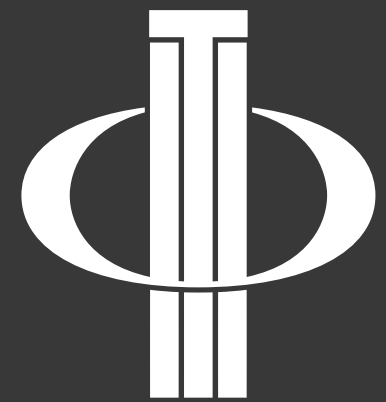
Dragonair increased its service frequency for major destinations such as Beijing and Shanghai. With the two B747-300 freighters joining the fleet, Dragonair's cargo service capability also increased. Net revenue increased by 28% to reach HK\$2,255 million for the first six months in 2001. However, consolidated net profit was slightly lower than last year primarily due to the increase in fuel costs, higher depreciation charges for the new head office and the pre-operating cost in connection with the freighter operations.

CITIC Pacific believes that the aviation business in the Mainland China has great growth potential as it is re-structured and we are actively exploring investment opportunities in this sector.

Trading and Distribution

Dah Chong Hong (DCH) increased its turnover by 6% and reported 4% greater net profit than in 2000, but as the year progressed, the market in Hong Kong became weaker. DCH's motor division reported a 36% increase in total number of vehicles sold and a 22% rise in net profit for the period. The newly acquired Bentley and Rolls Royce dealerships also contributed to the result. However, the profit contribution from DCH's general trading businesses was lower owing to the unfavourable consumer market sentiment.

Early this year, CITIC Pacific acquired 100% of Sims Trading Company, a leading distributor in Hong Kong representing well-known international brands of food and beverage products. The acquisition further enhanced CITIC Pacific's overall trading and distribution network. Re-



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structuring is underway to fully utilize the business synergy between Sims and DCH group and to improve operating efficiency.

Property

There were no property sales in the first half of 2001, but the contribution from rental income increased 27% with particularly strong growth at Festival Walk. Phase 11 of the Discovery Bay development and the Victoria Tower project at Canton Road are progressing well and are expected to generate profit.

In July, CITIC Pacific signed an agreement with Shanghai government to develop a major residential housing project in the Huang Pu District of Shanghai. Total development floor areas will be around 280,000 square metres. The project will be developed by stages and the first phase is planned for pre-sale in 2003. Over the last several years, the standard of living in the Mainland has improved rapidly particularly in major cities such as Shanghai where demand for better housing is very strong, and development of higher quality apartments is an attractive business.

Finance

Currently, CITIC Pacific's financial position is very strong. In May, CITIC Pacific issued a US\$450 million 7.625% 10-year global bond to establish CITIC Pacific's name in the global debt capital market. In August, CITIC Pacific signed a HK\$3.8 billion, 5.5/7 year loan supported by 23 financial institutions. These transactions greatly extended the Group's debt maturity, thus improving the Company's financial stability. Combined with our strong recurring cash flow generated from operations, CITIC Pacific has excellent liquidity and strong financial flexibility to implement its strategy in the future.

Future Prospects

Hong Kong sits between the Mainland China with its strong and robust domestic growth and the uncertain economies of the rest of the world. It is likely that our businesses in Hong Kong will experience a challenging second half as the economies in which they operate slow. In this environment, the strength and stability of CITIC Pacific's core businesses and the strong financial position built up in the last six months are a clear advantage. We shall continue to develop our communications and power infrastructure businesses which will surely provide considerable growth in their value to CITIC Pacific in the coming few years.

I would like to take this opportunity to extend my appreciation to all the Directors and staff for all their dedicated hard work and many contributions to CITIC Pacific's success.

Larry Yung Chi Kin
Chairman

Hong Kong, 28 August 2001

Consolidated Profit and Loss Account

in HK\$million	Note	Six months ended	
		2001 Unaudited	2000 Unaudited
Turnover		8,787	6,767
Profit from Consolidated Activities	3	1,200	1,128
Share of Profits less Losses of Associated Companies		811	743
Net Finance Charges	4	(267)	(308)
Profit before Taxation		1,744	1,563
Taxation	5	(155)	(110)
Profit after Taxation		1,589	1,453
Minority Interests		(89)	(54)
Profit Attributable to Shareholders		1,500	1,399
Dividends	6		
Final Dividend Paid		(1,427)	(1,224)
Interim Dividend Proposed		(439)	(444)
		(1,866)	(1,668)
Transfer from/(to) Reserves		1	(4)
Earnings per Share	7	68.3 HK cents	63.7 HK cents
Dividend per Share - Interim		20 HK cents	20 HK cents

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 accounting period.

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 previously reported profit for the six months ended 30 June 2000 is reduced by HK\$107 million, the retained profits and accounts receivable as at 31 December 2000 are reduced by HK\$62 million, and 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.

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 profit for the six months ended 30 June 2000 and retained profits as at 31 December 2000 are reduced by HK\$87 million and HK\$1,239 million respectively.

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 this amount has no unexpired useful life and is considered impaired. 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 are as follows:

Six months to 30 June 2001 in HK\$million	Turnover	Profit from Consolidated Activities	Share of Profits less Losses of Associated Companies	Total
<i>By principal activity:</i>				
Trading & Distribution				
Motors vehicles and related services	2,533	148	12	160
Trading	2,477	24	11	35
Power and Civil Infrastructure	1,065	965	24	989
Aviation	-	-	462	462
Property	131	99	175	274
Industrial Manufacturing Communications	1,553	117	-	117
Others	676	42	22	64
Less: General & Administration Expenses	-	(179)	-	(179)
Goodwill Amortisation	-	(91)	-	(91)
	8,787	1,200	811	2,011
Net Finance Charges				(267)
Taxation				(155)
Profit after Taxation				1,589

Six months to 30 June 2000 in HK\$million	Turnover	Profit from Consolidated Activities	Share of Profits less Losses of Associated Companies	Total
<i>By principal activity:</i>				
Trading & Distribution				
Motors vehicles and related services	2,142	128	14	142
Trading	2,135	23	13	36
Power and Civil Infrastructure	1,147	1,030	2	1,032
Aviation	-	-	664	664
Property	128	88	(15)	73
Industrial Manufacturing Communications	1,176	61	-	61
Others	-	3	34	37
Less: General & Administration Expenses	-	(120)	-	(120)
Goodwill Amortisation	-	(87)	-	(87)
	6,767	1,128	743	1,871
Net Finance Charges				(308)
Taxation				(110)
Profit after Taxation				1,453

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

in HK\$million	2001	Turnover 2000
<i>By geographical area:</i>		
Hong Kong	4,358	3,225
China	3,644	2,821
Japan	224	266
Others	561	455
	8,787	6,767

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

in HK\$million	2001	2000
Dividend income from investments	255	346
Net gain from investments	40	-
Cost of inventories	4,833	4,403
Depreciation and amortisation	241	210
Goodwill amortisation	91	87

4 Net finance charges included interest expense of HK\$382 million (2000: HK\$587 million).

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

in HK\$million	2001	2000
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Company and subsidiary companies

Hong Kong profits tax	64	51
Overseas taxation	31	25
Deferred taxation	(11)	(5)

Associated companies

Hong Kong profits tax	24	9
Overseas taxation	36	24
Deferred taxation	11	6
	155	110

6 Dividends

in HK\$million

2001	2000	
2000 final dividend paid: 65 HK cents (1999 final dividend paid: 55 HK cents) per share	1,427	1,224

2001 Interim dividend proposed:
20 HK cents (2000: 20 HK cents) per share

	439	444
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7 The calculation of earnings per share is based on profit attributable to shareholders of HK\$1,500 million (2000: HK\$1,399 million) and on 2,196,000,160 shares in issue for the period (2000: weighted average number of 2,196,172,594 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 at 30 June 2001, the Group's total outstanding debt was HK\$17.7 billion, cash and deposits with banks were HK\$6.2 billion to give net debt of HK\$11.5 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 21%.

The denomination of the Group's borrowings at 30 June 2001 after currency swaps were:

Denomination of borrowings	HK\$	US\$	Renminbi	Yen	Other	Total
HK\$million	6,265	9,459	1,432	476	92	17,724
Percentage	35%	53%	8%	3%	1%	100%

The maturity profile of the Group's total borrowings at 30 June 2001 were:

Within the first year	In the second year	In the third to fifth years inclusive	After the fifth year	Total
25%	20%	32%	23%	100%

CITIC Pacific employs a combination of financial instruments to manage the fixed and floating interest rate and currency mix of its total debt portfolio with a view to stabilizing the overall cost of borrowing over time. As at 30 June 2001, approximately 67% of the Group's total borrowings after swap bear interest at floating rates and the remaining 33% are at fixed rates.

CITIC Pacific has completed several large fund raising transactions in the first half of 2001. In April, an agreement was signed with a major PRC bank to provide CITIC Pacific with large sum of long term RMB financing for the Company's future investments in Mainland China. In May, CITIC Pacific issued a US\$450 million 7.625% 10-year Bond, establishing the Company's name in the international debt capital market. In August, a HK\$3.8 billion 5.5/7 year syndicated loan facility was signed with 23 banks. During

the period, the Company also raised new funds, or extended the maturity, of approximately HK\$600 million of bilateral loans.

As at 30 June 2001, the Group's cash and deposits with banks were approximately HK\$6.2 billion, of which 76% were denominated in US dollars, 14% were denominated in HK dollars and the remaining were denominated in other currencies.

As at 30 June 2001, undrawn facilities available to the Group totalled HK\$7.8 billion of which approximately HK\$5.4 billion were long term committed facilities, HK\$1.6 billion were money market lines and the balance were trade facilities.

As at 30 June 2001, assets of HK\$1,737 million were pledged to secure loan facilities utilized by subsidiaries. HK\$1,590 million of such pledged assets were released in July 2001 following the full repayment of the project finance loan borrowed by a subsidiary company, New Hong Kong Tunnel Company Limited.

Capital Commitment and Contingent Liabilities

As at 30 June 2001, the Group's contracted capital commitment was HK\$1,743 million and the Group's contingent liabilities have no significant changes from the last year end date.

HUMAN RESOURCES

As at the end of June 2001, the Group employed 12,047 people in its headquarters in Hong Kong and its principal subsidiary companies worldwide. The two main areas of concentration are in Hong Kong and Mainland China, employing 4,640 and 7,171 staff respectively. Another 236 people are employed in subsidiaries in Japan, Singapore and Canada. The staff costs for the six months ended 30 June 2001 was HK\$620 million.

The Group's overall policies on human resources management and details of CITIC Pacific Share Incentive Plan 2000 have remained the same as those described in the 2000 Annual Report.

CORPORATE GOVERNANCE

CITIC Pacific is committed to excellent standards of corporate governance and a full description of the operation of the Board, Codes and financial reporting may be found on page 40 of the 2000 Annual Report.

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

The Interim Accounts, which are prepared in accordance with SSAP 25 "Interim Financial Reporting", have been reviewed by the Company's independent auditors PricewaterhouseCoopers in accordance with the Auditing Standard SAS 700 "Engagements To Review Interim Financial Reports" except that the scope did not extend to the results of the listed associated company, Cathay Pacific Airways Limited. A report of their review will be included in the Interim Report to Shareholders.

DIVIDEND AND CLOSURE OF REGISTER

The Directors have declared an interim dividend of 20 HK cents (2000: interim dividend of 20 HK cents) per share for the year ending 31 December 2001 payable on Friday, 21 September 2001 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 19 September 2001. The Register of Members of the Company will be closed from Thursday, 13 September 2001 to Wednesday, 19 September 2001, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim 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, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 12 September 2001.

SHARE CAPITAL

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the period.

INTERIM 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 in Interim Report including a full financial analysis will be posted on the Company's website as soon as possible and no later than 11 September 2001 the full Interim Report will be sent to shareholders and made available on the website of the Company and the Stock Exchange.

By Order of the Board
Alice Tso Mun Wai
Company Secretary

Hong Kong, 28 August 2001