

Announcement of Interim Results

for the Six Months Ended 30 June 2002

CITIC Pacific Limited

Chairman's Business Review

In the first six months of 2002 CITIC Pacific's net profit was HK\$1,965 million compared with HK\$1,500 million in the first half of 2001. In recognition of the 31% increase in profits and the strong cash flow in this period, the directors have resolved to increase the interim dividend from HK\$0.20 to HK\$0.30.

The increase in profits is mainly due to the following factors: aviation business improved dramatically compared with the second half of 2001. The trend of improvement is particularly notable since the second quarter of this year. In the first half of 2002, CITIC Pacific effectively reduced overhead expenses and improved operating efficiency. Net financing costs decreased significantly, thanks to the lower market interest rate and borrowing costs; our communication businesses continued to grow steadily with increased profit contribution; the sale of residential apartments in Siena One at Discovery Bay and The Victoria Towers in Kowloon also contributed to the overall profit.

The first half of 2002 was particularly difficult for Hong Kong, and in common with many other organizations, CITIC Pacific applied itself to improving efficiency in all our businesses. Although this process was painful, the positive results will be of great long-term benefit to the Company in enabling products to be offered at lower cost.

In the following pages I will focus on the new developments and changes from the full description of CITIC Pacific's business in the last annual report.

Infrastructure

Infrastructure continues to be the main focus of CITIC Pacific's business to which it provides strong and stable profits and cash flows.

Communications

Since its acquisition by CITIC Pacific in mid 2000, *CITIC Telecom 1616* has established itself as the premier International Direct Dialling wholesaler. Monthly IDD traffic volume reached almost 200 million minutes in June 2002, some 33% higher than just six months earlier and 141% higher than the end of June 2001. CITIC Telecom 1616 is currently focusing on diversifying its businesses by offering its customers a range of value-added services. These non-IDD telecom services are expected to bring additional revenue and growth to CITIC Telecom 1616 in the future.

CPCNet specializes in Internet Protocol services for corporate businesses. In March, it launched its "TrueConnect", Virtual Private Network service to serve the needs of customers with business spanning the Greater China region. Eight points of presence have already been established in Mainland China and another four are planned for the end of 2002. CPCNet now has a sizable customer pipeline for the "TrueConnect" service, which is already profitable, and is in negotiation with potential business partners in other parts of the world. CPCNet will also be launching other new services such as Collaboration Software Services, enhanced security solutions to businesses and managed solutions to the education sector for innovative teaching programs.

CITIC Guoan and *Macau Telecom* also made their contributions to the results of telecommunications business.

Power

The existing power plants are all operating smoothly and generating steady income. Total electricity generated by CITIC Pacific's power plants was 6,308 million kwh, an increase of 21% compared with the first six months of 2001.

Preparation for the construction of Ligang Phase III Power Station is continuing. At the same time, the second unit of 200MW of the co-generation plant in Hohhot is near completion and the development of the 200MW co-generation plant in Jilin is proceeding according to schedule with the target completion date of December of 2002 and April of 2003 for the two units.

Civil Facilities – Roads, Bridges and Tunnels

CITIC Pacific's bridges, tunnels and road in Shanghai continue to contribute steady and stable cash flows that have been experienced for many years.

In Hong Kong, the Western Harbour Crossing (WHC) traffic averaged 39,486 per day at the end of June was much below projection whilst the Eastern Harbour Tunnel registered an average traffic volume of 73,511 vehicles per day, a slight decrease from the same period last year. The lack of traffic growth in both tunnels is a serious concern and appropriate action may have to be taken in due course to address the issue of satisfactory shareholders' return.

In August, Hong Kong Tunnels and Highways Management Co Ltd. was awarded a new contract by the Hong Kong Government to continue to manage the operations of the Cross Harbour Tunnel.

Aviation

For the six months ended 30 June 2002 *Cathay Pacific's* profit rose 7% from the same period in 2001 to HK\$1,412 million. Both cargo and passenger load factors rose but the yield for both declined. Cost per available ton kilometer was well under control. Needless to say, these results are significantly better than in the second half of 2001, which was particularly difficult for the world's airline industry.

Dragonair recorded a reduced interim profit compared to the same period last year. However, the airline has emerged from the downtrend which began in the fourth quarter of last year and the recent performance is particularly strong. In July, Dragonair began flights between Hong Kong and Taipei which is expected to become a new revenue generator. The Hong Kong – Taipei route is already operated by Cathay Pacific. This is the first passenger route in which two Hong Kong based airlines have operated in competition. CITIC Pacific supports this change of policy which is appropriate to the future development of the Hong Kong aviation industry.

Property

Up to 30 June 2002, 98% of the 298 flats at Siena One at Discovery Bay and 69% of 988 apartments at The Victoria Towers in Kowloon have been sold. Siena Two will begin pre-sale shortly. Site clearance of Phase 1 of CITIC Pacific's residential development in Shanghai – Westgate Garden – has been completed and foundation work is scheduled to commence in the fourth quarter of this year.

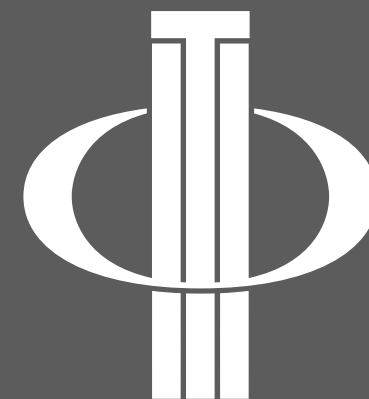
Rental income from CITIC Square and Royal Pavilion in Shanghai was recorded for the first time as they were acquired in January 2002 and the contribution from investment properties rose 12%.

Marketing and Distribution

For the first six months of 2002, *Dab Chong Hong* (DCH) faced a weak consumer market in Hong Kong but the market in Mainland China was stable. DCH profits in the first half of 2002 increased by 11% compared to 2001 due to improved efficiency from close attention to reducing costs.

Motor: The Hong Kong motor market has been particularly hard hit by the weak economy. DCH increased its market share by 3-percentage-point to 26%, selling 4,513 units in the first half of the year, a decline of only 12% compared with a 26% drop for the overall motor market. In the Mainland China market, demand grew for both imported and domestically made vehicles. In order to capture the opportunities presented by this fast growing market, DCH has focused its effort on building up its distribution networks in China. During the first half of 2002, three Bentley and seven Renault showrooms were successfully opened.

Trading: In Hong Kong, the sales of consumer goods and food commodities have remained stable due to the Company's success in expanding market share and new products. In Mainland China,



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the development of the distribution business has also moved forward smoothly. After the successful restructuring of the agriculture and catering business, there has been an improvement in profits.

Faced with increased competition and the difficult economic environment, *Sims Trading's* profits have decreased from a year ago. Management is focusing on generating new businesses, improving efficiency and co-operating with DCH wherever possible.

Other Businesses

CITIC Capital Markets has consolidated itself under a new holding company and in its short life has generated new business, established working relationships with CITIC Securities and CITIC Ka Wah Bank, and begun to recruit high quality staff to pursue its strategy. In September its main operations will move to CITIC Tower under its new identity.

Shanghai CP Guojian Pharmaceutical is awaiting approval for its first medicine to proceed to clinical trial and is proceeding with the design of its new laboratory and production plant.

Finance

In August, CITIC Pacific raised a HK\$2.5 billion loan with maturities of 5.5 and 7 years thereby extending the debt maturity and reduced interest expense. Supported by strong recurring cash flows from many of our operations, CITIC Pacific certainly has the financial strength and flexibility to implement its strategies in the future.

Looking Ahead

The last twelve months have seen enormous volatility in the markets in various parts of the world, and there is much uncertainty about the future, particularly of the US economy. CITIC Pacific is fortunate to be based in Hong Kong with a singularly deep knowledge of China, sound businesses that produce good cash flows many of which have potential to grow, well structured finance, good management and a tradition of operating with excellent standards of corporate governance.

Our strategy will be to continue to move forward, step-by-step, to develop our existing businesses related to China in a systematic way, especially those related to communications, aviation, power and marketing and distribution. At the same time we will not overlook opportunities to purchase sound businesses in our areas of expertise.

All the Directors and staff of CITIC Pacific have worked hard in the last six months, in difficult circumstances, to progress our company forward, and I thank them for this and their dedication and commitment to excellence.

Larry Yung Chi Kin
Chairman

Hong Kong, 26 August 2002

Consolidated Profit and Loss Account

in HK\$ million	Note	Six months ended 30 June	
		2002 Unaudited	2001 Unaudited
Turnover		11,481	8,787
Profit from Consolidated Activities	3	1,354	1,288
Share of Profits less Losses of Associated Companies		1,107	723
Net Finance Charges	4	(232)	(267)
Profit before Taxation		2,229	1,744
Taxation	5	(161)	(155)
Profit after Taxation		2,068	1,589
Minority Interests		(103)	(89)
Profit Attributable to Shareholders		1,965	1,500
Dividends	6		
Interim Dividend Proposed		(657)	(439)
Transfer (to)/from Reserves		(10)	1
Earnings per Share (HK\$)	7	0.897	0.683
Dividend per Share (HK\$)			
- Interim		0.30	0.20

Notes:

1 Significant accounting policies
These condensed unaudited consolidated interim accounts ("the Accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and Appendix 16 to the Listing Rules of The Stock Exchange of Hong Kong Limited.

The Accounts should be read in conjunction with the 2001 annual accounts.

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 2001 except that the Group has adopted new or revised SSAPs, particularly SSAP No. 34 "Employee Benefits" and SSAP No. 11 "Foreign Currency Translation" which became effective for the current accounting period. These adoptions have no significant impact on the Group's financial statements except that the adoption of SSAP No. 34 by CITIC Pacific's associated company, Cathay Pacific Airways Limited, has reduced the CITIC Pacific's attributable opening retained earnings by HK\$148 million.

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 ended 30 June 2002 in HK\$ million	Turnover	Share of Profits less Losses of Associated Companies				
		Profit from Consolidated Activities	Group Total	Segment Allocations	Segment Profit	Segment Profit
By principal activity:						
Communications	2,226	116	271	387	-	387
Power and Civil Infrastructure	892	769	58	827	-	827
Aviation	-	-	409	409	-	409
Property	228	169	332	501	43	544
Marketing & Distribution						
Motor vehicles and related services	2,932	141	13	154	(32)	122
Trading	2,359	19	10	29	(11)	18
Industrial Manufacturing	1,823	141	-	141	-	141
Others	1,021	168	14	182	-	182
Less: General & Administration Expenses						
	-	(169)	-	(169)	-	(169)
	11,481	1,354	1,107	2,461		2,461
Net Finance Charges						
Taxation						(161)
Profit after Taxation						2,068

Six months ended 30 June 2001 in HK\$ million	Turnover	Share of Profits less Losses of Associated Companies				
		Profit from Consolidated Activities	Group Total	Segment Allocations	Segment Profit	Segment Profit
By principal activity:						
Communications	352	75	100	175	-	175
Power and Civil Infrastructure	969	869	46	915	-	915
Aviation	-	-	379	379	-	379
Property	131	99	175	274	63	337
Marketing & Distribution						
Motor vehicles and related services	2,533	148	12	160	(49)	111
Trading	2,477	21	11	32	(14)	18
Industrial Manufacturing	1,553	117	-	117	-	117
Others	772	138	-	138	-	138
Less: General & Administration Expenses						
	-	(179)	-	(179)	-	(179)
	8,787	1,288	723	2,011		2,011
Net Finance Charges						(267)
Taxation						(155)
Profit after Taxation						1,589

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

in HK\$ million	2002	2001
By geographical area:		
Hong Kong	4,538	4,358
Mainland China	6,408	3,644
Japan	223	224
Others	312	561
	11,481	8,787

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

in HK\$ million	2002	2001
Dividend income from investments	228	255
Net gain from investments	91	40
Cost of inventories	5,820	4,833
Depreciation and amortisation	268	241
Goodwill amortisation	10	3

4 Net finance charges included interest expense of HK\$275 million (2001: HK\$382 million).

5 Hong Kong profits tax is calculated at 16% (2001: 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	2002	2001
Company and subsidiary companies		
Hong Kong profits tax	67	64
Overseas taxation	15	31
Deferred taxation	(3)	(11)

in HK\$ million	2002	2001
Associated companies		
Hong Kong profits tax	40	24
Overseas taxation	35	36
Deferred taxation	7	11
	161	155

6 Dividends

in HK\$ million	2002	2001
2001 Final dividend paid: HK\$0.60 (2000: HK\$0.65) per share	1,314	1,427
2002 Interim dividend proposed: HK\$0.30 (2001: HK\$0.20) per share	657	439

7 The calculation of earnings per share is based on profit attributable to shareholders of HK\$1,965 million (2001: HK\$1,500 million) and on 2,189,780,160 shares in issue for the period (2001: 2,196,000,160 shares in issue).

No diluted earnings per share is presented for the six months ended 30 June 2002 as the exercise of all the share options outstanding during the period have no dilutive effect on the earnings per share.

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.

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 2001.

Group Liquidity and Financial Resources

As of 30 June 2002, the Group's total outstanding debt was HK\$12.1 billion (31 December 2001: HK\$14.6 billion), cash and deposit with banks were HK\$3.2 billion giving a net debt of HK\$8.9 billion compared to HK\$10 billion at 31 December 2001. Net debt divided by total capital was 17%.

As of 30 June 2002, the Company's borrowing structure is summarised in the following tables:

Outstanding Debt Maturity Profile

In HK\$ million	2002	2003	2004	2005	2006	2007 and Beyond	Total
Parent Company (1)	623	24	3,500	100	2,456	3,510	10,213
Subsidiaries	825	355	169	465	43	26	1,883
Total Outstanding Debt	1,448	379	3,669	565	2,499	3,536	12,096

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

Source of Debt Financing

	HK\$ million	Percentage
Bank Loans	7,806	65%
Private Placement	780	6%
Bonds	3,510	29%
	12,096	100%

CITIC Pacific expects to sign in late August a HK\$2.5 billion 5.57 year syndicated loan facility which will further extend the debt maturity profile and lower the Group's overall cost of funds.

As of 30 June 2002, Group's undrawn available facilities totalled HK\$8.1 billion. Approximately HK\$5.3 billion were committed term loans, HK\$1.7 billion were money market lines and the balance were trade facilities. These undrawn available facilities, combined with the strong recurrent cash flow generated from operations, provide ample financial resources and flexibility to the Group to implement its investment strategies.

As of 30 June 2002, the Company had interest rate swap agreements outstanding with a notional amount of approximately HK\$2 billion. Under these agreements, CITIC Pacific is to exchange either fixed or floating rate 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 30 June 2002, approximately 66% of the Group's total borrowings after swap bear interest at floating rates and the remaining 34% are at fixed rates. The average all-in cost of debt including hedging costs in the first half 2002 was 4.4% compared with 6.1% 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 30 June 2002, the Company had total cross currency swap contracts outstanding with a notional amount of approximately HK\$1.3 billion.

The denomination of the Group's borrowings after currency swaps and denomination of the cash and deposits with banks at 30 June 2002 were:

Denomination	HK\$ million Equivalent					
	HK\$	US\$	Renminbi	Yen	Other	Total
Debt Outstanding	4,201	6,279	1,012	534	70	12,096
Cash and Deposits	466	1,464	1,069	226	13	3,238
Net Borrowings	3,735	4,815	(57)	308	57	8,858
Percentage	42%	54%	0%	4%	0%	100%

Capital Commitment and Contingent Liabilities

As at 30 June 2002, the Group's contracted capital commitment was HK\$998 million and the Group's contingent liabilities were not significantly changed from the last year end.

HUMAN RESOURCES

As at the end of June 2002, the Group employed 11,940 people in its headquarters in Hong Kong and its principal subsidiary companies worldwide. The two main areas in which these principal subsidiaries operate are in Hong Kong and Mainland China, employing 4,205 and 7,518 staff respectively. Another 217 staff are employed primarily in Japan, Singapore and Canada. The total staff cost for the six months ended 30 June 2002 was HK\$646 million.

The Group's overall policies on human resource management remain largely compatible with major employers in the territories it operates in.

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 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 period up to 30 June, 2002.

CORPORATE GOVERNANCE

CITIC Pacific is committed to excellent standards of corporate governance and a full description of the operation of the Board, System of Internal Control, Audit Committee, Codes and financial reporting may be found on page 36 of the 2001 Annual Report.

The Audit Committee of the Board, consisting of three independent non-executive directors, has reviewed the 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.

During the six months ended 30 June 2002, the Company was in compliance with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

DIVIDEND AND CLOSURE OF REGISTER

The Directors have declared an interim dividend of HK\$0.30 (2001: HK\$0.20) per share for the year ending 31 December 2002 payable on 19 September 2002 to shareholders whose names appear on the Register of Members of the Company on 17 September 2002. The Register of Members of the Company will be closed from 11 September 2002 to 17 September 2002, 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 10 September 2002.

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.

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.

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 10 September 2002 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, 26 August 2002