

Announcement of Interim Results for the Six Months Ended 30 June 2003

CITIC Pacific Limited

Chairman's Business Review

CITIC Pacific's net profit was HK\$419 million compared with HK\$1,948 million achieved in the same period last year. The main reasons for the decline were the severe effect of the SARS virus on our aviation businesses and the sales of the bridges, tunnels and road projects in Shanghai, which reduced the profit contribution from civil infrastructure.

Due to the sale of Shanghai infrastructure projects, HK\$6.2 billion cash was received. Therefore, we recommend maintaining interim dividend of HK\$0.30.

Notable developments in our businesses during the first half of 2003 are described below:

Infrastructure

Power Generation

Electricity generated by the Group's power plants was 7,891 million kwh in the six months of 2003, an increase of 25% compared with the same period in 2002. Demand for electricity was buoyant, and the newly installed capacities in Hohhot and Jilin plants made their contribution. The third phase of Ligang Power Station was approved by the State Council.

Construction preparatory work for this 1,200MW (2x600MW) additional plant is underway, and operations are expected to commence in 2006.

Initial planning has begun for a fourth phase of the Ligang Power Station. The second 100MW unit of Jilin Power Station was completed on schedule and commercial operation began in June.

Civil Infrastructure

In Hong Kong, traffic fell in both the Eastern and Western Harbour Crossings particularly in the second quarter when SARS was at its peak. Average daily traffic for the two tunnels was 69,972 and 34,900 vehicles respectively for the first half of 2003, down 5% and 12%. Since June, the traffic throughput for both tunnels has gradually recovered, but is still a little below a year ago.

Communications

CITIC Telecom 1616 continued its growth and monthly wholesales IDD traffic reached 350 million minutes, some 40% higher than the end of 2002. Profit margins were under pressure but the business remains attractive. Other value added businesses, such as Short Message Service (SMS), have been profitable since launch.

CPCNet's 'TrueConnect' virtual private network for both voice and data transmission has continued to attract new customers. New installations were difficult in the SARS period, but their pace has now picked-up strongly.

Macau Telecom continued to perform well in a more competitive market by improving services and controlling costs.

CITIC Pacific Communications is in the process of developing a number of e-Commerce applications, which should bring positive results in the near future.

Aviation

Business at Cathay Pacific and Dragonair weakened when the war in Iraq took place in March, but the effect of the outbreak of SARS in March was of an entirely different scale, resulting in the worse quarterly operating conditions ever experienced. Both companies immediately grounded a significant part of their fleet and reduced schedules, introduced unpaid leave programs for all the staff, and cut discretionary costs.

Cathay Pacific recorded a loss of HK\$1,241 million for the first six months compared to a profit of HK\$1,412 million a year ago. Passenger numbers in the first half fell 32% to 4 million; the load factor decreased by 14% and yield by 6%. Fortunately, the volume of cargo carried increased by 5% to 406,000 tonnes. Cathay Pacific now has 90% of its normal schedule in operation and a full flight schedule will resume by the end of September.

Dragonair's main markets of Hong Kong, Mainland China and Taiwan were SARS affected resulting in the decline of passenger numbers. Recently, this decline has stopped and passenger numbers are trending up. Cargo load factors increased 6.6% and cargo tonnage increased by 50% utilizing the additional cargo capacity of a third freighter introduced in late 2002.

HACTL's throughput grew by 5.3% to 919,212 tonnes for the first six months of the year compared with the same period in 2002.

SARS has come and gone in little more than three months, but it has left an increased realization that containing unit costs is vital for the future of the airlines.

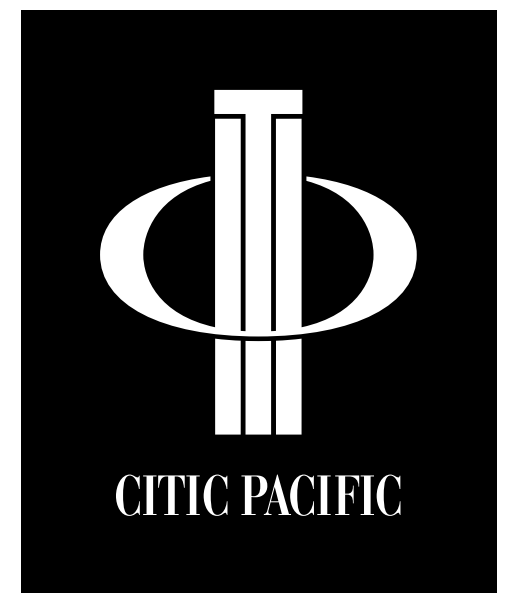
Marketing and Distribution

Considering the weak consumer market in Hong Kong that was severely affected by SARS, the division's 9% increase in turnover in the first six months of 2003 was a fine achievement.

Motor: The progressive Vehicles First Registration Tax (FRT) introduced in the March budget had an immediate negative effect on sentiment in the Hong Kong motor market, which SARS made worse. The total motor market fell 27%. The FRT increases were moderated in the legislative process giving the possibility of a more buoyant motor market in the second half. The Mainland China motor market remained robust enabling DCH to maintain its momentum, driven by increased demand for its commercial vehicles.

Trading: In Hong Kong, the sale of many consumer goods and wholesale food commodities was also negatively impacted by the economic downturn and SARS. Performance of DCH China improved due to the food distribution businesses – particularly to supermarkets. Sims' profit saw encouraging improvement due to improved efficiency and increase in demand for disinfectant and medical products.

Both DCH and Sims have made great strides in reducing the costs of delivering products in the last six months that will improve the profitability of the products and services they offer. The Closer Economic Partnership



Arrangement between Hong Kong and the Central Government should have long-term benefits for our trading businesses.

Property

In Hong Kong, sale of Siena Two in Discovery Bay was re-launched in early July. Foundation work for the next Phase 13 has been completed, and work on the superstructure is scheduled to begin in 2004. Generally, both the residential and the office markets in Hong Kong have an excess of supply leading to a weak market. This has been reflected in CITIC Pacific's properties, although the Festival Walk shopping complex has continued to do very well, with full occupancy and steady rental. During the peak of the SARS epidemic, selective assistance was given to tenants. The property portfolio continues to give CITIC Pacific a good cash flow and acceptable yield.

Substructure work of Phase I of the Westgate Garden residential development in Shanghai is in progress and pre-sale is targeted for mid 2004. Occupancy of our two Shanghai investment properties – CITIC Square and Royal Pavilion is over 90%. We remain optimistic about the prospects of the Mainland property market.

Finance

At the end of June CITIC Pacific had HK\$7 billion in cash, deposits and undrawn committed facilities. Cash of HK\$6.2 billion was received in early July, adding to the liquidity available and the considerable financial strength of the Company.

Looking to the Future

Even though profit decreased in the first six months, CITIC Pacific has sufficient financial resources and strength to face the future with confidence. We will actively invest in the following four areas: first, communications and its value added services; second, power – the need of the Mainland China power market provides us with great opportunities; third, property – we will actively participate in the property development in Shanghai and its adjacent areas; and fourth, trading business has the opportunity to grow by increasing sales in China and offering an increased variety of their products.

On behalf of all the directors, I would like to express my sincere appreciation to all the staff at CITIC Pacific for their understanding, support, commitment and continued hard work.

Larry Yung Chi Kin
Chairman

Hong Kong, 27 August 2003

Consolidated Profit and Loss Account

in HK\$million	Note	Six months ended 30 June	
		2003 Unaudited	2002 Unaudited
Turnover		15,695	11,481
Profit from Consolidated Activities	3	1,025	1,354
Share of Profits Less Losses of Associated Companies		(91)	1,115
Net Finance Charges	4	(184)	(232)
Profit before Taxation		750	2,237
Taxation	5	(219)	(186)
Profit after Taxation		531	2,051
Minority Interests		(112)	(103)
Profit Attributable to Shareholders		419	1,948
Dividends	6		
Interim Dividend Proposed		(657)	(657)
Transfer to Reserves		(12)	(10)
Earnings per Share (HK\$)	7	0.191	0.890
Dividend per Share (HK\$)			
Interim		0.30	0.30

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 2002 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 2002 except that the Group has adopted SSAP 12 (Revised) 'Income Taxes' which became effective for the current accounting period. 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 six months ended 30 June 2002, capital reserve and retained profits as at 31 December 2002 are reduced by HK\$25 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 six months ended 30 June 2002 is increased by HK\$8 million and retained profits and goodwill included in reserves as at 31 December 2002 are reduced by HK\$26 million and increased 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 associated companies by principal activities are as follows:

Six months ended 30 June 2003 in HK\$million	Turnover	Profit from Consolidated Activities	Share of Profits Less Losses of Associated Companies	Group Total	Segment Allocations	Segment Profit
<i>By principal activity</i>						
Infrastructure						
Power & Civil Infrastructure	6,551	596	81	677	-	677
Communications	773	42	96	138	-	138
Aviation	-	-	(405)	(405)	-	(405)
Marketing & Distribution	5,778	181	13	194	(38)	156
Property	205	168	87	255	38	293
Industrial Manufacturing	2,195	176	-	176	-	176
Others	193	28	37	65	-	65
Less: General & Administration Expenses	-	(166)	-	(166)	-	(166)
	15,695	1,025	(91)	934	-	934
Net Finance Charges						(184)
Taxation						(219)
Profit after Taxation						531

Six months ended 30 June 2002 in HK\$million	Turnover	Profit from Consolidated Activities	Share of Profits Less Losses of Associated Companies	Group Total	Segment Allocations	Segment Profit
<i>By principal activity</i>						
Infrastructure						
Power & Civil Infrastructure	892	769	66	835	-	835
Communications	2,226	116	271	387	-	387
Aviation	-	-	409	409	-	409
Marketing & Distribution	5,314	172	23	195	(43)	152
Property	210	158	332	490	43	533
Industrial Manufacturing	1,823	141	-	141	-	141
Others	1,016	167	14	181	-	181
Less: General & Administration Expenses	-	(169)	-	(169)	-	(169)
	11,481	1,354	1,115	2,469	-	2,469
Net Finance Charges						(232)
Taxation						(186)
Profit after Taxation						2,051

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 2002.

Liquidity and Financial Resources

As of 30 June 2003, the Group's total outstanding debt was HK\$11.8 billion (31 December 2002: HK\$9.3 billion), cash and deposit with banks were HK\$1.6 billion giving a net debt of HK\$10.2 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' equity was 20% and 24% respectively (31 December 2002: 13% and 15%).

As of 30 June 2003, the Group's undrawn available facilities totalled HK\$8.2 billion of which approximately HK\$5.4 billion were committed long term loans, HK\$1.7 billion money market lines and the balance trade facilities. The Group's liquidity position has improved since the half year end after receiving HK\$6.2 billion in early July from the Shanghai government from the sale of Shanghai road, bridges and tunnels projects pursuant to the new government policy. Following the receipt of the sale proceeds, outstanding debt of HK\$3.2 billion was repaid.

The Group's available facilities, combined with cash and deposit on hand and the Group's strong recurrent cash flow generated from operations, provide ample financial resources and flexibility to the Group to implement its business plans.

The Group policy is to maintain a high degree of financial transparency and control. Save for regulatory constraints (for RMB borrowings in the mainland for example), project finance and operational considerations, all the borrowings are centralized at the Company level which then provides funds to businesses. As of 30 June 2003, the Company's borrowing structure and outstanding debt maturity is summarized as follows:

Maturity of Outstanding Debt

In HK\$ million	2003	2004	2005	2006	2007	2008 and beyond		Total	Percentage
						Beyond	Total		
Parent Company ¹	14	1,377	369	2,857	2,027	3,510	10,154		86%
Subsidiaries	339	484	548	139	119	60	1,689		14%
Total Outstanding									
Debt	353	1,861	917	2,996	2,146	3,570	11,843		100%

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	7,553	64%
Global Bonds	3,510	30%
Private Placement	780	6%
	11,843	100%

As of 30 June 2003, the Company had interest rate swap agreements outstanding with a notional amount of approximately HK\$3 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. Other financial products such as forward rate agreement are employed when deemed appropriate to stabilize the overall cost of borrowings over time.

As at 30 June 2003, approximately 64% of the Group's total borrowings after swaps bore interest at floating rates and the remaining 36% were at fixed rates for a period over one year. The average all-in cost of debt including hedging costs in the first half of 2003 was 4.6% compared with 4.4% a year before.

The denomination of the Group's borrowings and deposits with banks at 30 June 2003 were:

Denomination	HK\$ million Equivalent					
	HK\$	US\$	Renminbi	Yen	Other	Total
Debt Outstanding	5,999	4,465	703	559	117	11,843
Deposits	225	224	926	262	13	1,650
Net Borrowings	5,774	4,241	(223)	297	104	10,193
Net Borrowings						
After Swap	6,944	3,071	(223)	297	104	10,193
Percentage	68%	30%	(2%)	3%	1%	100%

As at 30 June 2003, assets of HK\$269 million were pledged to secure banking facilities utilized by subsidiaries – mainly related to Dah Chong Hong's overseas trading business.

Capital Commitment and Contingent Liabilities

As at 30 June 2003, the Group's contracted capital commitments were HK\$567 million and the Group's contingent liabilities had not changed significantly from the last year end.

Human Resources

As at the end of June 2003, the headcount of the Group in its headquarters in Hong Kong and its principal subsidiary companies worldwide reduced slightly to 11,629. There are 4,158 employees in Hong Kong and 7,471 in the rest of the Group. The total staff cost for the six months ended 30 June 2003 was HK\$649 million.

Due to the prolonged economic difficulties that were exacerbated by the SARS crisis, management and staff of the Group renewed their efforts to plan and achieve new initiatives in efficiency enhancement and strive to attain higher levels of performance. Recognizing that employees have diverse career and personal goals, the Group received a favourable response from staff to change its retirement age to 55 in Hong Kong. The new policy became effective on 1 August 2003. At the same time, the Group consolidated employee retirement benefits into the Mandatory Provident Fund Scheme and ceased contributions to the ORSO Plan. These changes are expected to provide the Group with flexibility in manpower planning with possible cost savings in the longer term.

Despite the restricted interface between employees during the SARS outbreak, essential product and skills training continued but on a limited scale. Normal training and development activities have resumed in July.

The Group remains dedicated to non-discriminatory employment practices and its human resource management policies are largely in line with the market as stated in previous annual reports.

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

in HK\$million	2003	2002
<i>By geographical area</i>		
Hong Kong	3,665	4,538
Mainland China	11,513	6,408
Japan	189	223
Others	328	312
	15,695	11,481

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

in HK\$million	2003	2002
Dividend income from investments	143	228
Net gain from investments	323	91
Cost of inventories sold	6,565	5,820
Depreciation and amortisation	296	268
Goodwill amortisation	4	10

4 Net finance charges included interest expense of HK\$215 million (2002: HK\$275 million).

5 Hong Kong profits tax is calculated at 17.5% (2002: 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	2003	2002
<i>Company and subsidiary companies</i>		
Hong Kong profits tax	53	67
Overseas taxation	39	15
Deferred taxation	9	-
<i>Associated companies</i>		
Hong Kong profits tax	37	40
Overseas taxation	49	35
Deferred taxation	32	29
	219	186

6 Dividends

in HK\$million	2003	2002
2002 Final dividend paid: HK\$0.70 (2001: HK\$0.60) per share	1,532	1,314
2002 Special dividend paid: HK\$1.00 per share	2,188	-
2003 Interim dividend proposed: HK\$0.30 (2002: HK\$0.30) per share	657	657

7 The calculation of earnings per share is based on profit attributable to shareholders of HK\$419 million (2002: HK\$1,948 million) and on 2,188,460,160 shares in issue for the period (2002: 2,189,780,160 shares in issue).

No diluted earnings per share is presented for the six months ended 30 June 2003 and 30 June 2002 as the exercise of all the share options outstanding during the periods have no dilutive effect on the earnings per share.

8 Comparative figures have been adjusted to conform with the current presentation.

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 41 of the 2002 Annual Report.

The Audit Committee of the Board, consisting of 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 Board has established a Remuneration Committee of independent non-executive directors to monitor and review the Group's remuneration policies on behalf of 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.

Dividend and Closure of Register

The Directors have declared an interim dividend of HK\$0.30 (2002: HK\$0.30) per share for the year ending 31 December 2003 payable on 23 September 2003 to shareholders whose names appear on the Register of Members of the Company on 19 September 2003. The Register of Members of the Company will be closed from 15 September 2003 to 19 September 2003, 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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 11 September 2003.

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.citicpacifc.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. The full Interim 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 4 September 2003 and sent to shareholders on 11 September 2003.

By Order of the Board
Alice Tso Mun Wai

Company Secretary

Hong Kong, 27 August 2003