

Announcement of Interim Results for the Six Months Ended 30 June 2004

CITIC Pacific Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 267)

Chairman's Business Review

CITIC Pacific recorded a net profit of HK\$1,363 million in the first six months of 2004 compared with HK\$419 million in the same period last year, an increase of 225%. The board recommends maintaining the interim dividend of HK\$0.30.

The main reasons for the increase in profits are that aviation rebounded from the very depressed level that SARS produced in 2003; strong market demand for power and special steel products and the improved contributions from other businesses.

In the next few pages, I will describe the operating performances of our businesses and the progress of our investment plan since the 2003 annual report.

Power Generation

Electricity demand remained high in China so the total amount of power generated by our plants increased 219% to 25.2 billion kwh in the first six months of 2004 compared with the same period in 2003. Of the total electricity generated, North United Power, formed in the beginning of the year, accounted for 15.8 billion kwh. It also contributed to the power profit for the first time.

CITIC Pacific's interest in the Ligang Power Station Phase I and II increased to 65% in the beginning of the year. Construction of 71% owned Ligang Phase III and IV (4x600MW) is progressing on schedule with commercial operation expected in 2006 and 2007 respectively. Zhengzhou Phase III (2x200MW) construction is also proceeding to plan for completion of the first unit in 2006. Application for approval of the pumped storage facility in Wuxi (700MW) has been submitted to the relevant authorities. This project is also an important part of our expansion in power.

The substantial increase in the price of coal has been widely publicized, as has the logistical difficulty of securing coal. Coal costs are approximately 65% of the generation costs for power generating companies, so ensuring sufficient supply and controlling costs has become even more important than before. Our power team has worked hard to secure long-term volume coal supply contracts to ensure coal availability. The Chinese government authorized tariff adjustments in the first six months of this year will partially compensate the power generators for the sharp increase in coal prices. Our team of power engineers will continue to control costs, improve efficiency and to maintain the plants in first class condition.

Special Steel Manufacturing

Jiangyin Steel Mill had an excellent first half because of strong demand for its special steels and the sharp increase in steel prices in the first quarter. Profits rose more than 172% compared with the same period last year. We believe that the production and sales of special steel products will remain stable in the second half of the year.

The acquisition of Daye Steel announced by the Company earlier in the year is in progress and pending approval from the relevant authorities.

Communications

CITIC Pacific's communications businesses improved their contributions compared with 2003 due mainly to improved performance at CITIC Telecom

1616 and our Internet games business, which did not exist in the first half of 2003. The game *Legend of Mir3* has, in a short time, become a very popular game in China with an average of 240,000 people playing simultaneously at any one time. New games are currently being tested. During the Athens Olympic Games, our joint venture with the All-China Sports Federation and the Chinese Olympic Committee offered over the Internet special interest services covering the Games from a Chinese perspective.

Aviation

All parts of our aviation business were buoyant in the first half of 2004 in marked contrast to a year earlier. Passengers returned in great numbers and both Cathay Pacific and Dragonair have regularly broken records for the number of passengers carried. The volume of cargo was also excellent.

Cathay Pacific achieved a profit of HK\$1,771 million and Dragonair HK\$175 million compared with losses in 2003. Cathay Pacific launched a daily non-stop flight to New York and began a code-share service to Moscow with Aeroflot, and Dragonair to Tokyo.

It is of concern that the significant higher oil price has raised fuel costs for both Cathay Pacific and Dragonair. But both airlines have levied fuel surcharges on both passenger tickets and freight rates and continue to find ways to control costs without adversely affecting safety or service.

Our Air China Cargo joint venture began its operation in January and has been profitable with 302,000 tonnes of cargo carried in the first six months.

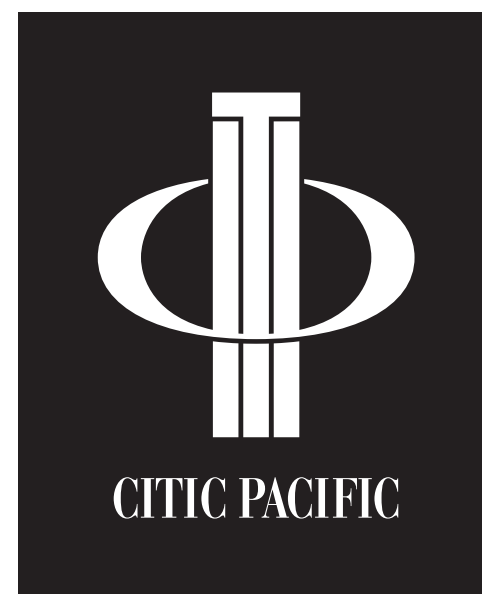
HACTL achieved a 16.4% growth in tonnage handled compared with the same period of 2003 to reach 1,069,968 tonnes boosted by strong exports in particular to Europe.

Marketing and Distribution

The profit contribution from Marketing and Distribution increased by 13% largely due to solid performance on the trading side and a rebound of the motor business in Hong Kong from its low last year.

Motor: In Hong Kong, DCH's sales of commercial vehicles increased 23% while passenger car sales rose 9%. In mainland China, the sales of commercial vehicles could not repeat the particularly good performance in 2003 while sales of passenger vehicles increased slightly due to the continuous growth in domestically manufactured vehicles. The volume of imported vehicles is likely to be still lower in the next six months, as many purchasers may await the abolition of the import quota system in January 2005. As the half-year progressed, the tightening of the availability of credit had an increasingly negative effect on both imported and domestic manufactured vehicle sales. In the long-term, we remain confident in the growth potential of the Mainland motor market as evidenced by the new vehicle industry policy released by the Chinese government in June which set a solid foundation for the future development of this industry.

Trading: Thanks to an improved economic environment and the management's effort at continuously expanding product sourcing and diversity, the trading business in Hong Kong improved significantly compared with the same period a year ago. The increasing number of Mainland tourists to Hong Kong has brought encouraging results to our



Shiseido joint venture in particular. Performance of DCH China remains strong. Sims' profit improved significantly due to the good performance in its logistics operation and the new businesses it generated especially in the mainland.

Property

Activity in the Hong Kong property market has picked up as evidenced by the good response to the re-launch sale of Discovery Bay's Siena Two where 128 units were sold in the month of July alone and as of today, 96% of the units available have been sold. Construction work for Phase 13, comprising approximately 560 apartments, commenced in May. Festival Walk continues to be one of the most attractive shopping centres in Hong Kong with full occupancy and rising revenue.

In mainland China, the New Westgate Garden residential project in Shanghai began the pre-sale of 265 flats on August 18. Market response was overwhelming.

We remain confident in the long-term prospects of the property markets in mainland China and continue to seek land at attractive prices.

Finance

CITIC Pacific's financial position remains very strong. In March, a HK\$5.2 billion long-term syndicated loan facility was signed. At the end of June CITIC Pacific had HK\$10.7 billion in cash, deposits and available committed facilities. The Group has ample financial resources to support our future expansion plans.

Looking to the Future

CITIC Pacific remains committed to our diversified business structure and the China markets. Step-by-step progress is being made in implementing our expansion plans. Although the macro economic measures taken by the Chinese government will put certain constraints on some companies and projects, CITIC Pacific's major projects in power, special steel and communications all have long-term growth potential. Stable cashflow and a solid financial position will allow us to take advantage of good investment opportunities, especially when credit is tight in the present market. We believe that the growth and future of CITIC Pacific very much depends on the prosperity and growth in mainland China, and in that we have full confidence.

On behalf of all the directors, I would like to express my gratitude to all the staff at CITIC Pacific for their unwavering support, commitment and hard work, without which our progress would not be possible.

Larry Yung Chi Kin

Chairman

Hong Kong, 26 August 2004

Consolidated Profit and Loss Account

<i>in HK\$ million</i>	Note	Six months ended	
		2004	2003
		Unaudited	Unaudited
		30 June	
Turnover		10,872	15,695
Profit from Consolidated Activities	3	1,075	1,025
Share of Profits Less Losses of			
Jointly Controlled Entities		170	148
Associated Companies		730	(239)
Net Finance Charges	4	(110)	(184)
Profit before Taxation		1,865	750
Taxation	5	(284)	(219)
Profit after Taxation		1,581	531
Minority Interests		(218)	(112)
Profit Attributable to Shareholders		1,363	419
Dividends	6		
Interim Dividend Proposed		(657)	(657)
Earnings per Share (HK\$)	7		
Basic		0.622	0.191
Diluted		0.622	N/A
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 2003 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 2003.

Financial Review and Analysis

Group Liquidity and Capital Resources

As of 30 June 2004, the Group’s total outstanding debt was HK\$12.9 billion (31 December 2003: HK\$10.5 billion), cash and deposits with banks were HK\$3.2 billion giving a net debt of HK\$9.7 billion compared to HK\$5 billion at 31 December 2003. Leverage, measured by the net debt to total capital, was 20% (31 December 2003: 11%). The increase in net debt was mainly due to the new investments in power plants, air cargo, special steel manufacturing and residential property development.

The denomination of the Group’s borrowings before and after currency swaps as well as cash and deposit balances in various currencies as of 30 June 2004 were summarised as follows:

<i>Denomination</i> HK\$ million Equivalent	HK\$	US\$	Renminbi	Yen	Other	Total
Borrowings in original currency	7,035	4,492	555	577	201	12,860
Borrowings after Currency Swaps	8,933	2,594	555	577	201	12,860
Cash and Deposits	394	1,667	831	236	22	3,150
Net Borrowings (Cash) after Swaps	8,539	927	(276)	341	179	9,710

CITIC Pacific employs a combination of financial instruments, including derivative products, to manage its exposure to fluctuations in interest and currency rates.

The Company uses interest rate swaps, forward rate agreements and interest rate option contracts to hedge exposures or to modify the interest rate characteristics of its borrowings. As of 30 June 2004, the Company had outstanding interest rate swap/option contracts with a notional amount of HK\$8.5 billion. After the swaps, effectively HK\$9.0 billion or 70% of the Group’s total borrowings were paying floating rate and the remaining were effectively paying fixed rate of interest.

The overall weighted average all-in cost of debt (including fees and hedging costs) for the six months ended 30 June 2004 was about 3.4%, compared with 4.6% for the same period last year.

The underlying cash flow of the Group’s businesses are mainly in HK dollars or in Renminbi. To minimise potential US dollar debt and interest exposures, the Company entered into foreign exchange swap, forward and option contracts. As of 30 June 2004, such contracts outstanding amounted to US\$570 million.

The Company also entered into Renminbi Non Deliverable Forward or known as “NDF” contracts for purpose of hedging the projected dividend receivable from various projects in the mainland. These dividends are originally denominated in Renminbi and required to be converted to USD at time of the payment. As of 30 June 2004, total outstanding NDF contracts amounted to US\$35 million.

Based on the Company’s calculation and/or the mark to market price quotation obtained from major financial institutions, the aggregate fair value of all the outstanding derivative transactions as at 30 June 2004 was approximately a positive value of HK\$17 million.

As at 30 June 2004, assets of HK\$79 million were pledged to secure banking facilities utilised by subsidiaries, mainly related to Dah Chong Hong’s trading business overseas.

Available Sources of Financing

As of 30 June 2004, the Group’s undrawn available facilities consists of HK\$7.5 billion in committed long term loans and HK\$1.5 billion of money market lines. In addition, available trade facilities amounted to HK\$1.9 billion.

<i>HK\$ million</i>	Total Facilities	Outstandings	Available Facilities
Committed Facilities			
Bank Loans	15,486	7,976	7,510
Global Bonds	3,510	3,510	0
Private Placement	780	780	0
Total Committed	19,776	12,266	7,510
Uncommitted Facilities			
Money Market Lines	2,051	587	1,464
Trade Facilities	2,506	565	1,941

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>Six months ended 30 June 2004</i> <i>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 Generation	214	173	4	27	204	-	204
Communications	736	56	49	32	137	-	137
Aviation	-	-	17	518	535	-	535
Civil Infrastructure	260	161	46	35	242	-	242
Special Steel Manufacturing	3,206	439	-	-	439	-	439
Marketing & Distribution	6,092	206	14	4	224	(36)	188
Property	230	182	-	114	296	36	332
Others	134	20	40	-	60	-	60
Less: General & Administration Expenses	-	(162)	-	-	(162)	-	(162)
	10,872	1,075	170	730	1,975	-	1,975
Net Finance Charges							(110)
Taxation							(284)
Profit after Taxation							1,581

<i>Six months ended 30 June 2003</i> <i>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 Generation	138	131	16	-	147	-	147
Communications	773	42	55	41	138	-	138
Aviation	-	-	-	(405)	(405)	-	(405)
Civil Infrastructure	6,413	465	31	34	530	-	530
Special Steel Manufacturing	2,092	168	-	-	168	-	168
Marketing & Distribution	5,778	181	9	4	194	(38)	156
Property	205	168	-	87	255	38	293
Others	296	36	37	-	73	-	73
Less: General & Administration Expenses	-	(166)	-	-	(166)	-	(166)
	15,695	1,025	148	(239)	934	-	934
Net Finance Charges							(184)
Taxation							(219)
Profit after Taxation							531

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

<i>in HK\$ million</i>	Six months ended 30 June	
	2004	2003
<i>By geographical area</i>		
Hong Kong	3,649	3,665
Mainland China	6,599	11,513
Japan	226	189
Others	398	328
	10,872	15,695

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>HK\$ million</i>	2004	2005	2006	2007	2008	2009 and Beyond	Total	Percentage
Parent Company (1)	184	90	1,869	2,687	2,965	3,510	11,305	88%
Subsidiaries	573	552	252	115	63	0	1,555	12%
Maturing debt	757	642	2,121	2,802	3,028	3,510	12,860	100%
Percentage	6%	5%	16%	22%	24%	27%	100%	

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

Capital Commitment and Contingent Liabilities

As at 30 June 2004, the Group’s contracted capital commitments were HK\$4.8 billion and the Group’s contingent liabilities had not changed significantly from the last year end.

Human Resources

The headcount of the Group increased by 3.6%, from 12,174 at the end of December 2003 to 12,611 at the end of June 2004. The number of employees in the mainland reached a new high of 8,376 as the Group continues to step up its development and investment in China. The headcount in Hong Kong and the rest of the world remains stable at 4,000 and 235 respectively. The total staff cost for the six months ended 30 June 2004 was HK\$676 million.

As reported previously, the efficiency enhancement measures undertaken by the Group in the last few years have brought new focus on cost management and performance achievement. With the recovery of trading conditions in the region after the SARS outbreak, the Group is aware of the renewed demand on manpower in several industries and is reacting appropriately.

CITIC Pacific is committed to providing a healthy organizational environment for individual’s development. With the ever growing cross-border business activities between Hong Kong and the mainland, the Group encourages and is actively promoting business integration, knowledge sharing and skills transfer between staff in the two territories. In addition to providing job-related training and development programmes aimed at helping employees improve work performance and preparing for future development, the Group also organizes and encourages staff to participate in wellness/fitness activities that are conducive to good health and well-being.

In the latter half of every year, CITIC Pacific conducts reviews on the terms and conditions of employment to ensure that the overall compensation and benefits offered to staff are internally equitable and externally compatible with major employers. Market data, along with industry practices and emerging trends, are taken into consideration when formulating related staff programmes. The Group will continue to ensure that its compensation policies are reflective of individual performance. No major amendment to human resource management policy or procedure has been executed in the last 6 months.

CITIC Pacific and its staff continues to support charitable work and the promotion of education, environmental protection, sports, culture and the arts by sponsorship and participation in related activities in Hong Kong, the mainland and overseas countries.

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, Remuneration Committee, Codes and financial reporting may be found on page 55 of the 2003 Annual Report.

The Board currently comprises ten executive and six non-executive directors of whom four are ‘independent’ under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ‘Listing Rules’).

The Audit Committee has reviewed the Interim Report with management and the Company’s internal and external auditors and recommended its adoption by the Board.

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

<i>in HK\$ million</i>	Six months ended 30 June	
	2004	2003
Dividend income from investments	214	143
Net gain from investments	-	323
Cost of inventories sold	7,659	6,565
Depreciation and amortisation	330	296
Goodwill amortisation	7	4

4 Net finance charges included interest expense of HK\$163 million (2003: HK\$215 million).

5 Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) 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. 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>	Six months ended 30 June	
	2004	2003
<i>Company and subsidiary companies</i>		
Hong Kong profits tax	61	53
Overseas taxation	82	39
Deferred taxation	(4)	3
<i>Jointly controlled entities</i>		
Hong Kong profits tax	14	9
Overseas taxation	16	21
Deferred taxation	6	3
<i>Associated companies</i>		
Hong Kong profits tax	51	28
Overseas taxation	29	28
Deferred taxation	29	29
	284	219

6 Dividends

<i>in HK\$ million</i>	Six months ended 30 June	
	2004	2003
2003 Final dividend paid: HK\$0.70 (2002: HK\$0.70) per share	1,532	1,532
2002 Special dividend paid: HK\$1.00 per share	-	2,188
2004 Interim dividend proposed: HK\$0.30 (2003: HK\$0.30) per share	657	657

7 The calculation of earnings per share is based on profit attributable to shareholders of HK\$1,363 million (2003 : HK\$419 million).

The basic earnings per share is based on the weighted average number of 2,189,998,622 shares in issue during the period (2003: 2,188,460,160 shares in issue). The diluted earnings per share is based on 2,191,283,820 shares which is the weighted average number of shares in issue during the period plus the weighted average number of 1,285,198 shares deemed to be issued at no consideration if all outstanding options had been exercised (2003 : No diluted earnings per share is presented as the exercise of all the options outstanding during the period has no dilutive effect on the earnings per share).

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

The Audit Committee is consisted of two independent non-executive directors, Messrs. Alexander Reid Hamilton (Chairman) and Hansen Loh Chung Hon and one non-executive director, Mr Willie Chang. The Committee members possess diversified industrial and professional experience including that of accounting and finance.

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.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2004.

Throughout the period, the Company was in compliance with the Code of Best Practice contained in Appendix 14 of the Listing Rules.

Dividend and Closure of Register

The Directors have declared an interim dividend of HK\$0.30 (2003: HK\$0.30) per share for the year ending 31 December 2004 payable on Wednesday, 22 September 2004 to shareholders whose names appear on the Register of Members of the Company on Friday, 17 September 2004. The Register of Members of the Company will be closed from Monday, 13 September 2004 to Friday, 17 September 2004, 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 Friday, 10 September 2004.

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. 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 3 September 2004 and sent to shareholders on 10 September 2004.

By Order of the Board
Alice Tso Mun Wai, *Company Secretary*
Hong Kong, 26 August 2004

As at the date of this announcement, the Board of Directors of the Company comprises Messrs Larry Yung Chi Kin, Henry Fan Hung Ling, Vernon Francis Moore, Peter Lee Chung Hing, Norman Yuen Kee Tong, Yao Jinrong, Chang Zhenming, Li Shilin, Carl Yung Ming Jie, Liu Jifu, Willie Chang*, Hamilton Ho Hau Hay**, Alexander Reid Hamilton**, Hansen Loh Chung Hon**, Norman Ho Hau Chong** and André Desmarais*.

* Non-executive Director ** Independent Non-executive Director