Announcement of Interim Results
for the Six Months Ended 30 June 2005

CITIC Pacific Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 267)

CITIC PACIFIC

Chairman's Letter to Shareholders

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

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

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

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

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

On **Properties**, we are of the view that long-term growth will come from **mainland China** and this is where we are making new investments. As China is a big and regionalized market, we are currently focusing on Shanghai and some select secondary cities in nearby provinces of Zhejiang and Jiangsu. In **Shanghai**, concept planning design work will commence shortly for a residential and commercial development in *Qingpu District*. In April, CITIC Pacific acquired a site in the city of **Yangzhou** in Jiangsu Province, which will be used for residential and commercial development with a gross floor area of about 4.7 million sq. ft. In **Ningbo**, Zhejiang Province, we are in the course of acquiring a site for commercial development with a gross floor area of approximately 1.0 million sq. ft.

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

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

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

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

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

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

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

Looking ahead, with the revival of the Hong Kong economy and the continued growth of the economy in mainland China, we are optimistic of the second half of 2005 and beyond. We expect most of our businesses in which we are investing to perform better. We will also continue to seek new investment opportunities. At the same time, our sound financial management enables us to not only have ample resources to support our expansion but also maintain a stable dividend payout.

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

Larry Yung Chi Kin
Chairman

Hong Kong, 25 August 2005

Financial Highlights
for the Six months ended 30 June

in HK$ million	2005	As restated 2004
		Six months ended 30 June
Profit Attributable to Shareholders	**2,773**	1,728
Major Businesses' Contribution		
Aviation	**499**	537
Civil Infrastructure	**180**	161
Power Generation	**145**	208
Communications	**92**	111
Property	**821**	244
Special Steel Manufacturing	**420**	207
Marketing & Distribution	**128**	146
Fair Value Change of Investment Properties	***700***	–
Cash Contributed from all Businesses	**2,856**	1,387

	As at 30 June	As at 31 December
Capital Employed	**55,331**	51,578
Shareholders' Funds	**38,202**	36,998
Net Debt	**14,507**	12,163
Available Loan Facilities	**12,378**	8,899

in HK$	Six months ended 30 June	
Earnings per Share	**1.26**	0.79
Dividend per Share	**0.30**	0.30

Consolidated Profit and Loss Account
for the six months ended 30 June 2005 – Unaudited

in HK$ million	Note	2005	As restated 2004
Turnover		**13,637**	10,872
Profit from Consolidated Activities	3	**1,970**	1,205
Share of Results of			
Jointly Controlled Entities		**161**	301
Associated Companies		**1,142**	708
Finance Charges		**(124)**	(177)
Finance Income		**32**	67
Net Finance Charges	4	**(92)**	(110)
Profit before Taxation		**3,181**	2,104
Taxation	5	**(248)**	(158)
Profit for the Period		**2,933**	1,946
Attributable to:			
Shareholders of the Company		**2,773**	1,728
Minority Interests		**160**	218
		2,933	1,946
Dividends			
Interim Dividend Proposed	6	**(658)**	(657)
Earnings per Share for Profit Attributable to Shareholders of the Company during the Period (HK$)	7		
Basic		**1.26**	0.79
Diluted		**1.26**	0.79
Dividend per Share (HK$)			
Interim		**0.30**	0.30

Consolidated Balance Sheet

in HK$ million	Note	Unaudited 30 June 2005	As restated 31 December 2004
Non-Current Assets			
Property, plant and equipment		**7,522**	7,344
Investment properties		**8,678**	8,115
Properties under development		**2,111**	1,672
Leasehold land		**1,575**	1,596
Jointly controlled entities		**9,240**	7,852
Associated companies		**22,501**	21,448
Other financial assets		**900**	1,121
Goodwill		**529**	507
Deferred tax assets		**75**	94
Derivative financial instruments		**140**	–
		53,271	49,749
Current Assets			
Properties held for sale		**272**	275
Properties under development		**283**	–
Inventories		**2,941**	2,778
Debtors, accounts receivable, deposits and prepayments	8	**4,580**	4,188
Cash and bank deposits		**2,622**	2,417
		10,698	9,658

Consolidated Balance Sheet *continued*

in HK$ million	Note	Unaudited 30 June 2005	As restated 30 December 2004
Current Liabilities			
Bank loans, other loans and overdrafts			
Secured		**120**	104
Unsecured		**1,762**	707
Creditors, accounts payable, deposits and accruals	8	**5,400**	4,742
Provision for taxation		**253**	249
		7,535	5,802
Net Current Assets		**3,163**	3,856
Total Assets Less Current Liabilities		**56,434**	53,605
Non-Current Liabilities			
Long term borrowings		**15,247**	13,769
Deferred tax liabilities		**1,265**	1,161
Derivative financial instruments		**28**	–
		16,540	14,930
Net Assets		**39,894**	38,675
EQUITY			
Share capital		**877**	877
Reserves		**36,667**	34,367
Proposed dividend		**658**	1,754
Equity attributable to shareholders of the Company		**38,202**	36,998
Minority interests		**1,692**	1,677
Total Equity		**39,894**	38,675

Notes:

1. Significant accounting policies

These condensed unaudited consolidated interim accounts ("the Accounts") are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies used in preparation of the Accounts are consistent with those adopted in the annual accounts for the year ended 31 December 2004 except that the Group has changed some of its accounting policies following its adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRS"), including all HKASs and applicable Interpretations ("HK(SIC)-INTs, HK(IFRIC)-INTs and HK-INTs"), which came into effect on 1 January 2005.

The major changes to accounting policies which have material financial effect on the Group are summarised as follows:

(i) Goodwill

Subsequent to 30 June 2004, the Group decided to adopt early HKFRS 3 "Business Combinations" together with HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets" in 2004. Since 1 January 2004, amortisation of positive goodwill has been discontinued and negative goodwill has been recognised immediately in the profit and loss account. As a result, the profit attributable to shareholders for the six months ended 30 June 2004 increased by HK$388 million as compared with that previously disclosed in the 2004 interim accounts.

(ii) Share based payments

In accordance with HKFRS 2, the fair value of share options at grant date are amortised over the relevant vesting periods to the profit and loss account. The Group had no unvested share option outstanding during the six months ended 30 June 2005 and the policy has been applied from 1 January 2005 onwards.

(iii) Financial instruments

Prior to 1 January 2005, derivatives of the Group were not recorded in the financial statements. Following the adoption of HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement", all derivatives are stated at fair value. The gain or loss on changes in fair value is recognised generally in the profit and loss account unless the derivative qualifies for hedge accounting. Where a derivative qualifies for hedge accounting and is designated as a cash flow hedge, the effective part and the ineffective part of any unrealised gain or loss on the instrument is recognised directly in hedging reserve and in the profit and loss account respectively. The cumulative gain or loss associated with the effective part of the cash flow hedge recorded in hedging reserve will be recognised in the profit and loss account in the same period or periods during which the gain or loss arising from the hedged transaction is recognised in the profit and loss account.

In prior years, investments held for long term were stated at cost less impairment losses. Since 1 January 2005, such investments have been reclassified as Available-for-sale Investments and carried at fair value or cost less impairment loss if their fair value cannot be reliably measured. Gains and losses arising from changes in fair value are recognised in investment revaluation reserve. On the disposal of the investment or when an investment is determined to be impaired, the cumulative gain or loss previously recognised in investment revaluation reserve will be transferred to the profit and loss account.

(iv) Pre-completion contracts for sales of properties under development

In prior years, sales of properties under development was recognised in the profit and loss account over the course of the development by reference to the proportion of construction costs incurred to date to the estimated total construction costs to completion of the development and the extent of the sales proceeds received, after taking into account due allowance for contingencies.

Following the adoption of HK-INT 3 "Revenue – Pre-Completion Contracts for the Sale of Development Properties", revenue from sales of properties under development is only recognised when the significant risks and rewards of ownership have been transferred to the buyer. The Group considers that the significant risks and rewards of ownership are transferred when the buildings contracted for sales are completed and the relevant permits essential for the delivery of the properties have been issued by the authorities.

The Group has chosen not to apply HK-INT 3 retrospectively to pre-completion contracts entered into before 1 January 2005 and will continue to account for those contracts using the method of accounting used prior to 1 January 2005.

(v) Leases

Following the adoption of HKAS 17 "Leases" and HK-INT 4 "Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases", leasehold land for own use is reclassified as Leasehold Land and amortised over the period of the lease on a straight line basis. Prepaid land lease is included in Properties Under Development and Properties Held For Sale, of which the amortisation of prepaid land lease is capitalised as part of the building costs during the development period but charged to the profit and loss account for completed properties.

(vi) Investment Properties

In prior years, the change in the fair value of investment properties was recognised in the property valuation reserve. The deficit of this reserve was charged to the profit and loss account and any subsequent increases were credited to the profit and loss account up to the amount previously charged. Following the adoption of HKAS 40 "Investment Property", gains or losses arising from changes in fair value of investment properties are included in the consolidated profit and loss account in the period in which they arise.

(vii) Deferred Taxation

Prior to 1 January 2005, deferred tax on changes in fair value of investment properties arising from revaluation was recognised on the basis that the recovery of the carrying amount would be through sale and was calculated at the tax rate applicable on eventual sale.

Following the adoption of HK(SIC)-INT 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets", the deferred tax arising from revaluation of the investment properties is recognised on the basis that the recovery of the carrying amount of the properties would be through use and calculated at the profits tax rate.

Pursuant to HKAS 8 (which outlines the disclosure requirements when a change in accounting policy has a material effect on the current and prior periods presented), the Group has applied the new accounting policies retrospectively except for HKAS 32, HKAS 39, HKAS 40 and HK-INT 3 (Notes 1(iii), (iv) and (vi) above refers) which are applied prospectively in accordance with the transitional provisions. These effects are summarised as follows:

in HK$ million	HKAS 17	HK(SIC)-Int 21	HKAS 40	HKAS 32 & 39	Total
	Effects on adopting				
Effects on periods prior to 2004					
Increase in amortisation of leasehold land	(81)	–	–	–	(81)
Increase in deferred tax	–	(554)	–	–	(554)
Decrease in share of results of associated companies	(8)	(204)	–	–	(212)
Decrease in retained profits	(89)	(758)	–	–	(847)
Effects on 2004					
(a) Six months ended 30 June 2004					
Increase in amortisation of leasehold land	(3)	–	–	–	(3)
Increase in deferred tax	–	(19)	–	–	(19)
Decrease in share of results of an associated company	(1)	–	–	–	(1)
	(4)	(19)	–	–	(23)
(b) Six months ended 31 December 2004					
Increase in amortisation of leasehold land	(3)	–	–	–	(3)
Increase in deferred tax	–	(20)	–	–	(20)
Decrease in share of results of an associated company	(1)	–	–	–	(1)
	(4)	(20)	–	–	(24)
Decrease for the year ended 31 December 2004	(8)	(39)	–	–	(47)
Decrease in retained profits as at 31 December 2004	(97)	(797)	–	–	(894)
Effects on 1 January 2005					
Decrease in fair value change of financial instruments	–	–	–	(20)	(20)
Increase in amortisation of finance charges	–	–	–	(3)	(3)
Increase in taxation	–	–	–	(14)	(14)
Increase in share of fair value change of investment properties of associated companies	–	–	524	–	524
Decrease in share of results of associated companies	–	–	–	(24)	(24)
Increase/(decrease) in retained profits	–	–	524	(61)	463
Decrease in hedging reserve	–	–	–	(101)	(101)
Increase in other reserve	–	–	–	24	24
Increase in share of other reserve of associated companies	–	–	–	126	126
Decrease in share of fair value change of investment properties of associated companies	–	–	(524)	–	(524)
Decrease in hedging reserve of jointly controlled entities	–	–	–	(37)	(37)
(Decrease)/increase in reserves	–	–	(524)	12	(512)
Decrease in equity attributable to the shareholders of the Company	–	–	–	(49)	(49)
Decrease in equity attributable to the shareholders of the Company as at 1 January 2005	(97)	(797)	–	(49)	(943)
Effects on period ended 30 June 2005					
Increase in amortisation of leasehold land	(2)	–	–	–	(2)
Increase in deferred tax	–	(9)	–	–	(9)
Increase in fair value change of financial instruments	–	–	–	134	134
Increase in fair value change of investment properties and related deferred tax	–	(126)	561	–	435
Increase in share of fair value change of investment properties and related deferred tax of associated companies	–	(61)	346	–	285
Decrease in share of results of an associated company	(1)	–	–	–	(1)
(Decrease)/increase in profit for the period	(3)	(196)	907	134	842

2. Turnover and segment information

An analysis of the Group's turnover and profit from consolidated activities before net finance charges and share of results of jointly controlled entities and associated companies by principal activities are as follows:

Six months ended 30 June **2005** *in HK$ million*	Turnover	Profit from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Group total	Segment allocations	Segment Profit
By principal activities							
Aviation	-	-	12	484	496	-	496
Civil Infrastructure	282	181	50	25	256	-	256
Power Generation	99	79	76	(13)	142	-	142
Communications	608	9	31	52	92	-	92
Property	1,150	547	-	308	855	39	894
Special Steel Manufacturing	6,286	584	(39)	-	545	-	545
Marketing & Distribution	5,212	192	15	1	208	(39)	169
Others	-	-	16	-	16	-	16
Fair value Change of Investment Properties	-	561	-	285	846	-	846
Less: General and Administration Expenses	-	(183)	-	-	(183)	-	(183)
	13,637	1,970	161	1,142	3,273	-	3,273
Net Finance Charges							(92)
Taxation							(248)
Profit for the Period							2,933

Six months ended 30 June 2004 *in HK$ million*	Turnover	Profit from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Group total	Segment allocations	Segment Profit
By principal activities							
Aviation	–	–	17	517	534	–	534
Civil Infrastructure	260	161	38	29	228	–	228
Power Generation	214	173	167	27	367	–	367
Communications	736	58	33	32	123	–	123
Property	230	182	–	100	282	36	318
Special Steel Manufacturing	3,206	565	–	–	565	–	565
Marketing & Distribution	6,092	211	11	3	225	(36)	189
Others	134	20	35	–	55	–	55
Less: General and Administration Expenses	–	(165)	–	–	(165)	–	(165)
	10,872	1,205	301	708	2,214	-	2,214
Net Finance Charges							(110)
Taxation							(158)
Profit for the Period							1,946

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

in HK$ million	Six months ended 30 June **2005**	2004
By geographical area		
Hong Kong	**4,747**	3,649
Mainland China	**8,231**	6,599
Japan	**265**	226
Others	**394**	398
	13,637	10,872

3. Profit from consolidated activities

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

in HK$ million	Six months ended 30 June **2005**	2004
Crediting		
Dividend income from other financial assets	**99**	214
Change in fair value of investment properties	**561**	–
Profit on disposal of a subsidiary company	**360**	–
Charging		
Cost of inventories sold	**9,195**	7,659
Depreciation of property, plant and equipment	**358**	279
Impairment losses on amortisation of other financial assets	**22**	40
Amortisation of leasehold land	**22**	14

4. Net finance charges

in HK$ million	Six months ended 30 June **2005**	2004
Finance charges		
Interest expenses	**277**	187
Other finance charges	**18**	14
Amount capitalised	**(37)**	(24)
Fair value gains on financial instruments	**(134)**	–
	124	177
Finance income		
Interest income	**(32)**	(67)
	92	110

5. Taxation

Hong Kong profits tax is calculated at 17.5% (2004: 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. Details as follows:

in HK$ million	Six months ended 30 June **2005**	2004
Current taxation		
Hong Kong profits tax	**60**	61
Overseas taxation	**57**	82
Deferred taxation		
Change in fair value of investment properties	**126**	–
Origination and reversal of other temporary differences	**5**	15
	248	158

6. Dividends

in HK$ million	Six months ended 30 June **2005**	2004
2004 Final dividend paid: HK$0.70 (2003: HK$0.70) per share	**1,754**	1,532
2005 Interim dividend proposed: HK$0.30 (2004: HK$0.30) per share	**658**	657

7. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK$2,773 million (2004: HK$1,728 million).

The basic earnings per share is based on the weighted average number of 2,192,285,022 shares in issue during the period (2004: 2,189,998,622 shares in issue). The diluted earnings per share is based on 2,195,109,006 shares (2004: 2,191,283,820 shares) which is the weighted average number of shares in issue during the period plus the weighted average number of 2,823,984 shares (2004: 1,285,198 shares) deemed to be issued at no consideration if all outstanding options had been exercised.

8.1 Debtors, accounts receivable, deposits and prepayments

in HK$ million	**30 June 2005**	31 December 2004
Trade debtors		
Within 1 year	**1,628**	1,754
Over 1 year	**63**	179
	1,691	1,933
Accounts receivable, deposits and prepayments	**2,889**	2,255
	4,580	4,188

Notes:

(i) Trade debtors are net of provision and the ageing is classified based on invoice date.

(ii) Each business units has a defined credit policy appropriate to its circumstances.

(iii) Accounts receivable, deposits and prepayments included derivative financial assets of HK$6 million.

8.2 Creditors, accounts payable, deposits and accruals

in HK$ million	**30 June 2005**	31 December 2004
Trade creditors		
Within one year	**1,634**	1,608
Over one year	**63**	94
	1,697	1,702
Accounts payable, deposits and accruals	**3,703**	3,040
	5,400	4,742

Note:

(i) Accounts payable, deposits and accruals included derivative financial liabilities of HK$13 million.

9. Comparative figures

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

Financial Review and Analysis

Group Liquidity and Capital Resources

As of 30 June 2005, the Group's total outstanding debt was HK$17.1 billion (31 December 2004: HK$14.6 billion), cash and deposits with banks were HK$2.6 billion (31 December 2004: HK$2.4 billion) giving a net debt of HK$14.5 billion compared to HK$12.2 billion at 31 December 2004. Leverage, measured by the Group's net debt to total capital, was 28% (31 December 2004: 25%).

The denomination of the Group's borrowings as well as cash and deposit balances in various currencies as of 30 June 2005 is summarised as follows:

Denomination HK$ million Equivalent	HK$	US$	Renminbi	Yen	Other	**Total**
Borrowings	10,065	4,489	1,909	536	130	**17,129**
Cash and Deposits	133	927	1,353	147	62	**2,622**
Net Borrowings	9,932	3,562	556	389	68	**14,507**

As at 30 June 2005, HK$195 million Group assets were pledged to secure banking facilities, these arrangements mainly related to Hubei Xin Yegang Co., Ltd. and Dah Chong Hong's business overseas.

Available Sources of Financing

In addition to cash and deposits balance of HK$2.6 billion as of 30 June 2005, the Group's undrawn available facilities consisted of HK$10.6 billion in committed long term loans and HK$1.8 billion of money market lines. Available trade facilities amounted to HK$2.1 billion.

HK$ million	Total Facilities	Outstandings	Available Facilities
Committed Facilities			
Bank Loans	22,712	12,136	10,576
Global Bonds	3,510	3,510	0
Private Placement	780	780	0
Total Committed	27,002	16,426	10,576
Uncommitted Facilities			
Money Market Lines	2,494	692	1,802
Trade Facilities	2,458	378	2,080

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. During the period, CITIC Pacific successfully completed a HK$5.2 billion 7-year syndicated loan transaction. In addition, a number of bilateral facilities were established or renewed, further improved the Group's maturity profile.

HK$ million	2005	2006	2007	2008	2009	2010 and Beyond	Total	Percentage
Parent Company (1)	15	832	2,687	3,072	2,067	5,644	14,317	84%
Subsidiaries	681	1,129	446	251	277	28	2,812	16%
Total Maturing Debt	696	1,961	3,133	3,323	2,344	5,672	17,129	100%
Percentage	4%	12%	18%	19%	14%	33%	100%	
Available Facilities (2)	0	769	134	905	1,678	7,090	10,576	

(1) *Including a US$450 million global bond due in 2011 which was issued by a wholly owned special purposes vehicle.*

(2) *Committed facilities only.*

Derivative Products

CITIC Pacific employs a combination of financial instruments, including derivative products, to manage its exposure to fluctuations in interest and currency rates. Following the adoption of HKAS32 and HKAS39 as described under "Significant accounting policies", all derivatives are stated at fair market value. Certain derivative transactions, while the objective is for hedging purposes under the Group's risk management policies, may not qualify for hedge accounting treatment under the specific rules of the new accounting standards. The changes in the fair value of such kind of derivative transactions are recognized in the profit and loss account. The fair market value of outstanding derivative transactions is calculated at least semi-annually based on the Group's own calculation where applicable, or price quotations obtained from major financial institutions.

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 2005, the Company had outstanding interest rate swap/option contracts with a notional amount of HK$10.9 billion. After the swaps, HK$11.9 billion or 69% of the Group's total borrowings were effectively 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 2005 was about 3.9%, compared with 3.4% for the same period last year.

The underlying cash flow of the Group's businesses is mainly in HK dollars or in Renminbi. To minimise potential exposure to US dollar denominated debt principal and interest payments, the Company entered into forward and option contracts. As of 30 June 2005, such contracts outstanding amounted to US$577 million. In addition, foreign exchange forward contracts were also employed by our trading business to hedge currency fluctuations. As of 30 June 2005, such contracts outstanding amounted to HK$967 million.

Capital Commitment and Contingent Liabilities

As at 30 June 2005, the Group's contracted capital commitments were HK$2.8 billion and the Group's contingent liabilities had not changed significantly from the last year end.

Human Resources

As at the end of June 2005, the Group employed 15,728 staff in its headquarters in Hong Kong and its principal subsidiary companies worldwide. The two main areas of concentration are in Hong Kong employing 3,941 and in the mainland China employing 11,537. Another 250 are employed in subsidiaries in Japan, Singapore and Canada.

The trend of solid economic recovery in 2004 has continued in the first half of 2005. It has led to significant positive improvements in the employment environment motivating staff to operate effectively and efficiently to attain higher level of performance. To ensure that the overall compensation is internally equitable, in line with local norms, and in support of the business strategy, the Group proactively conducts review on the cash compensation and benefits programs provided for its employees. No major amendment has been made to the human resources management policy or procedure in the last 6 months as the Group remains largely compatible with major employers in the territories it operates in. In line with established policy, some interim salary adjustment on a selective basis was made to match performance with market changes.

CITIC Pacific is committed to providing a healthy organizational environment conducive to each individual's development. Employees are encouraged to commit to continuous improvement by taking responsibility for their own learning and self-development with financial sponsorship by the Group whilst in-house training for different level of employees is organized regularly on product knowledge and skill training. Moreover, with the growing cross-border business activities between Hong Kong and the mainland China, the Group continues to strengthen business integration, knowledge sharing and skill transfer between staff in the two territories.

CITIC Pacific also fully supports investing in the training and development of our future generation. The Group has put in place various management trainee and apprentice training programs. It also participates in the Government's Youth Pre-employment Training Program for young school leavers and supports both local and overseas universities' initiatives by providing internship opportunities in both Hong Kong and in the mainland China operations.

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 57 of the 2004 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. The Audit Committee consists 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 HKAS 34 "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".

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 2005.

In March 2005, the terms of reference of the Audit Committee and the Remuneration Committee were modified to incorporate certain provisions set out in the Code of Corporate Governance Practices in Appendix 14 of the Listing Rules and a model code for securities transactions was adopted for those employees that are likely to possess price sensitive information. In addition, amendment to the Company's Articles of Association was approved at the Annual General Meeting of the Company held on 12 May 2005 so that every Director shall be subject to retirement by rotation at least once every three years. Subsequently, the Company has complied with all code provisions of the Code of Corporate Governance Practices in Appendix 14 of the Listing Rules.

Dividend and Closure of Register

The Directors have declared an interim dividend of HK$0.30 (2004: HK$0.30) per share for the year ending 31 December 2005 payable on Thursday, 22 September 2005 to shareholders whose names appear on the Register of Members of the Company on Friday, 16 September 2005. The Register of Members of the Company will be closed from Monday, 12 September 2005 to Friday, 16 September 2005, 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, 9 September 2005.

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

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 will be made available on the website of the Company and the Stock Exchange around 2 September 2005 and sent to shareholders on 12 September 2005.

By Order of the Board
Alice Tso Mun Wai, *Company Secretary*

Hong Kong, 25 August 2005

As at the date of this announcement, the Board of Directors of the Company comprises Messrs Larry Yung Chi Kin, Henry Fan Hung Ling, Peter Lee Chung Hing, Norman Yuen Kee Tong, Vernon Francis Moore, Yao Jinrong, Li Shilin, Carl Yung Ming Jie, Liu Jifu, Leslie Chang Li Hsien, 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

"Please also refer to the published version of this announcement in The Standard and Wen Wei Po".