

# Announcement of Interim Results for the Six Months Ended 30 June 2006

# CITIC Pacific Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 267)

## Chairman's Letter to Shareholders

CITIC Pacific's net profit for the first six months of 2006 was HK\$3,440 million, a 24% increase compared with the same period last year. The contribution from our special steel manufacturing business rose 28% compared with the same period a year ago due to continued strong demand for our products and the addition of Daye Special Steel. On the property front, sales and rentals increased the contribution from this business by 120%. In light of the satisfactory performance and the Group's strong cash position, the board has recommended paying a special dividend of HK\$0.30 per share in addition to an interim dividend of HK\$0.30 per share.

Much has been achieved in the first six months of 2006 in better positioning the Group for the future. As we increase our investments in mainland China, we are at the same time focusing on the core businesses we manage, divesting those that we do not, as well as those that do not provide satisfactory returns.

## Special Steel Manufacturing

Driven by strong demand for our products from key industries such as auto, industrial machinery manufacturing, power generation and oil industries among others which are experiencing tremendous growth, our special steel business grew substantially in the first half of 2006 over the same period last year. The addition of Daye Special Steel is another factor. The price of our products also rebounded from the end of 2005 due to the increase in steel consumption in mainland China and the export market as well as our effort to produce a greater proportion of higher quality products. This not only mitigated the rise in the cost of raw materials in particular iron ore, but also led to increased profit margin.

The acquisition of Shijiazhuang Steel Mill is nearing completion. Steel making of the new production line in Jiangyin in cooperation with Sumitomo Metals is operating and is profitable. CITIC Pacific Special Steel, which brings *Jiangyin Xingcheng Special Steel*, *Xin Yegang*, *Daye Special Steel* and *Shijiazhuang Steel Mill* under one management, will surely reinforce our leadership in the manufacturing of special steel in China.

## Iron Ore Mining

To provide mainland China in general and our special steel business in particular with a secure, stable and long-term supply of essential raw material, in March this year, CITIC Pacific acquired the mining rights to one billion tonnes of magnetite ore with options to another five billion tonnes in the Pilbara region of Western Australia. The development of the first one billion tonnes of ore reserve, capable of producing up to twelve million tonnes of product a year, received Australian government approval in July. Work on this is progressing well. The second one billion tonnes of reserve is now in the final testing and confirmation stage.

CP Mining Management Pty Ltd. has been incorporated in Australia to manage and coordinate the construction and operation of the project. Key personnel, including chief executive officer, financial controller and project director with extensive knowledge and experience in the mining industry have been recruited. They are working closely with consultants and main contractors on various aspects of the project including geological survey, planning for mining, beneficiation plant, pellet plant, desalination plant, power plant, transportation, port and other related works. A detailed development proposal will be presented at the end of August. CITIC Pacific's shareholding in the entire project is 50% and the other 50% will be held by other Chinese government designated steel groups to jointly develop the project. CITIC Pacific will assume a leading role in the management of the project.

## Property

In Shanghai, Phase I of our *New Westgate Garden* was completed in June.

Substantial progress was made in realizing a landmark development at the *Lu Jia Zui New Financial District* in Shanghai, the last significant site located in Pudong directly on the Huangpu River. A design for the first phase has been selected which will include a hotel and two office towers, and foundation work is expected to start as early as the end of this year. These buildings will become a feature of the Shanghai skyline by 2010. In June, the JV agreement with China State Shipbuilding Corporation on the third phase was formalized. The property development project on *Shenzhou Peninsula* in Hainan Province is progressing well. The master plan has received government approval and work has already begun on roads and bridges. A station at Shenzhou Peninsula has already been confirmed for the high speed railway to be built on the east coast of Hainan Island. This will be beneficial to the development of Shenzhou Peninsula. The Group's other property projects are also progressing well.

A strategic decision was made to sell our 50% passive interest in Festival Walk in Hong Kong to our partner. A profit of approximately HK\$1.3 billion was recorded and cash of about HK\$6 billion was received thus strengthening the Group's financial position for expansion in the mainland.

## Power Generation

Electricity generated in the first six months of 2006 by all power plants in which CITIC Pacific has an interest totalled 39 billion kwh, an increase of 5% from the same period last year. Even with the increase in the cost of coal, our power plants performed better than the first half of last year. In July, CITIC Pacific decided to dispose of its entire 60% interests in the Jilin Power Station



which had been incurring losses. With the disposal and the raising of on-grid tariffs by the government beginning July, we expect performance to be better in the second half of this year. *Ligang Power Station Phase III (2x600MW)* will begin operation at the end of this year. *Phase IV (2x600MW)* is progressing on schedule.

## Aviation

CITIC Pacific has long been an advocate of greater co-operation between Cathay Pacific and Dragonair, the two Hong Kong airlines, in order to strengthen Hong Kong's position as the premier Asian hub. On 8 June, Air China, CNAC, Cathay Pacific, CITIC Pacific and Swire Pacific entered into an agreement to restructure the parties' shareholdings in Cathay and Dragonair. Dragonair will become a wholly owned subsidiary of Cathay Pacific, permitting Cathay Pacific to market a network including mainland China to strengthen its ability to compete in the world markets. CITIC Pacific's shareholding in Cathay will be reduced to 17.5% in the combined group. This transaction will result in the creation of one of the most powerful airline groups in the world, providing Cathay with greater access to mainland China and customers of all airlines greater convenience and better choices. It will also, when completed, allow CITIC Pacific to realize cash of approximately HK\$5 billion for further developing our core businesses. A profit of approximately HK\$2 billion will also be recorded.

## The Future

As the growth of the mainland economy continues and the Hong Kong economy revives, we are optimistic that our Group's businesses will perform better in the second half of 2006. We are committed to focusing on our core businesses and will continue to seek investment opportunities therein. Our financial position remains strong.

On behalf of our directors, I would like to thank all the employees at CITIC Pacific for their hard work.

## Larry Yung Chi Kin

Chairman

Hong Kong, 21 August 2006

## Financial Highlights for the Six months ended 30 June

	2006	2005
<i>in HK\$ million</i>	Six months ended 30 June	31 December
<b>Profit Attributable to Shareholders</b>	<b>3,440</b>	2,773
<b>Major Businesses' Contribution</b>		
Special Steel Manufacturing	539	420
Property	1,803	821
Power Generation	(29)	145
Aviation	464	499
Civil Infrastructure	232	180
Marketing & Distribution	132	128
Communications	95	92
<i>Fair Value Change of Investment Properties</i>	647	700
<b>Cash Contributed from all Businesses</b>	<b>8,393</b>	2,856

	As at 30 June	As at 31 December
<b>Capital Employed</b>	<b>59,799</b>	60,321
<b>Shareholders' Funds</b>	<b>41,621</b>	39,103
<b>Net Debt</b>	<b>13,889</b>	18,639
<b>Available Loan Facilities</b>	<b>18,427</b>	10,157

<i>in HK\$</i>	Six months ended 30 June	31 December
<b>Earnings per Share</b>	<b>1.57</b>	1.26
<b>Dividends per Share</b>		
Regular	0.30	0.30
Special	0.30	-

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

<i>in HK\$ million</i>	Note	2006	2005
Turnover	2	22,881	13,637
Cost of Sales		(18,507)	(10,846)
Distribution and Selling Expenses		(451)	(374)
Other Operating Expenses		(1,351)	(1,008)
Change in Fair Value of Investment Properties		422	561
<b>Profit from Consolidated Activities</b>	3	<b>2,994</b>	1,970
Share of Results of			
Jointly Controlled Entities		302	161
Associated Companies		988	1,142
Finance Charges		(404)	(124)
Finance Income		89	32
<b>Net Finance Charges</b>	4	<b>(315)</b>	(92)
<b>Profit before Taxation</b>		<b>3,969</b>	3,181
Taxation	5	(328)	(248)
<b>Profit for the Period</b>		<b>3,641</b>	2,933
Attributable to:			
Shareholders of the Company		3,440	2,773
Minority Interests		201	160
		<b>3,641</b>	2,933
<b>Dividends</b>			
Dividends Proposed	6	(1,316)	(658)
<b>Earnings per Share for Profit Attributable to Shareholders of the Company during the Period (HK\$)</b>	7		
Basic		1.57	1.26
Diluted		1.57	1.26
<b>Dividends per Share (HK\$)</b>			
Interim		0.30	0.30
Special		0.30	-

## Consolidated Balance Sheet

<i>in HK\$ million</i>	Note	Unaudited 30 June 2006	Audited 31 December 2005
<b>Non-Current Assets</b>			
Property, plant and equipment		9,997	10,063
Investment properties		9,411	8,645
Properties under development		1,231	1,849
Leasehold land		1,658	1,618
Jointly controlled entities		11,786	10,583
Associated companies		19,108	23,300
Other financial assets		1,071	929
Goodwill		606	603
Deferred tax assets		123	158
Derivative financial instruments		205	168
		<b>55,196</b>	57,916

## Consolidated Balance Sheet *continued*

<i>in HK\$ million</i>	Note	Unaudited 30 June 2006	Audited 31 December 2005
<b>Current Assets</b>			
Properties held for sale		629	1,055
Inventories		3,409	3,427
Debtors, accounts receivable, deposits and prepayments	8	6,819	5,691
Cash and bank deposits		4,289	2,579
		<b>15,146</b>	12,752
<b>Current Liabilities</b>			
Bank loans, other loans and overdrafts			
Secured		322	183
Unsecured		944	2,223
Creditors, accounts payable, deposits and accruals	8	7,049	6,628
Provision for taxation		311	199
		<b>8,626</b>	9,233
<b>Net Current Assets</b>		<b>6,520</b>	3,519
<b>Total Assets Less Current Liabilities</b>		<b>61,716</b>	61,435
<b>Non-Current Liabilities</b>			
Long term borrowings		16,912	18,812
Deferred tax liabilities		1,411	1,387
Derivative financial instruments		103	40
		<b>18,426</b>	20,239
<b>Net Assets</b>		<b>43,290</b>	41,196

<i>in HK\$ million</i>	2006	2005
<b>Equity</b>		
Share capital	877	877
Reserves	39,428	36,472
Proposed dividend	1,316	1,754
<b>Equity attributable to Shareholders of the Company</b>	<b>41,621</b>	39,103
<b>Minority Interests</b>	<b>1,669</b>	2,093
<b>Total Equity</b>	<b>43,290</b>	41,196

<i>in HK\$ million</i>	2006	2005
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<b>Minority Interests</b>	<b>1,669</b>	2,093
<b>Total Equity</b>	<b>43,290</b>	41,196

### 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 2005 with the addition of certain new standards and amendments of Hong Kong Financial Reporting Standards ("HKFRS") issued and became effective during the period ended 30 June 2006.

The adoption of such standards or amendments does not result in substantial changes to the Group's accounting policies and has no significant effect on the results reported for the first half of 2006.

#### 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 2006 <i>in HK\$ million</i>	Turnover	Profit from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Group total	Segment allocations	Segment Profit
<i>By principal activities</i>							
Special Steel Manufacturing	7,665	790	-	-	790	-	790
Property	7,996	1,690	-	237	1,927	42	1,969
Power Generation	2	(150)	163	(41)	(28)	-	(28)
Aviation	-	-	3	453	456	-	456
Civil Infrastructure	351	253	56	28	337	-	337
Marketing & Distribution	6,032	211	20	(7)	224	(42)	182
Communications	786	46	19	51	116	-	116
Others	49	5	41	-	46	-	46
Fair Value Change of Investment Properties	-	422	-	267	689	-	689
Less: General and Administration Expenses	-	(273)	-	-	(273)	-	(273)
		<b>22,881</b>	<b>2,994</b>	<b>302</b>	<b>988</b>	<b>4,284</b>	<b>4,284</b>
<b>Net Finance Charges</b>							(315)
<b>Taxation</b>							(328)
<b>Profit for the Period</b>							<b>3,641</b>

Six months ended 30 June 2006 <i>in HK\$ million</i>	Turnover	Profit from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Group total	Segment allocations	Segment Profit
<i>By principal activities</i>							
Special Steel Manufacturing	6,286	584	(39)	-	545	-	545
Property	1,150	547	-	308	855	39	894
Power Generation	99	79	76	(13)	142	-	142
Aviation	-	-	12	484	496	-	496
Civil Infrastructure	282	181	50	25	256	-	256
Marketing & Distribution	5,212	192	15	1	208	(39)	169
Communications	608	9	31	52	92	-	92
Others	-	-	16	-	16	-	16
Fair Value Change of Investment Properties	-	561	-	285	846	-	846
Less: General and Administration Expenses	-	(183)	-	-	(183)	-	(183)
		<b>13,637</b>	<b>1,970</b>	<b>161</b>	<b>1,142</b>	<b>3,273</b>	<b>3,273</b>
<b>Net Finance Charges</b>							(92)
<b>Taxation</b>							(248)
<b>Profit for the Period</b>							<b>2,933</b>

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

<i>in HK\$ million</i>	Six months ended 30 June 2006	2005
<b>By geographical area</b>		
Hong Kong	11,041	4,747
Mainland China	11,121	8,231
Japan	236	265
Others	483	394
	<b>22,881</b>	13,637

### 3. Profit from Consolidated Activities

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

<i>in HK\$ million</i>	Six months ended 30 June 2006	2005
<b>Profiting</b>		
Dividend income from unlisted other financial assets	9	99
Profit on disposal of other financial assets	3	-
Profit on disposal of subsidiary companies	1,262	360
<b>Charging</b>		
Cost of inventories sold	11,384	9,195
Depreciation of property, plant and equipment	441	358
Impairment losses on other financial assets	1	22
Amortisation of leasehold land	27	22

### 4. Net finance charges

<i>in HK\$ million</i>	Six months ended 30 June 2006	2005
<b>Finance charges</b>		
Interest expenses	460	277
Other finance charges	22	18
Amount capitalised	(113)	(37)
Fair value losses/(gains) on derivative financial instruments	35	(134)
	<b>404</b>	124
<b>Finance income</b>		
Interest income	(89)	(32)
	<b>315</b>	92

### 5. Taxation

Hong Kong profits tax is calculated at 17.5% (2005: 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:

<i>in HK\$ million</i>	Six months ended 30 June 2006	2005
<b>Current taxation</b>		
Hong Kong profits tax	98	60
Overseas taxation	163	57
<b>Deferred taxation</b>		
Change in fair value of investment properties	42	126
Origination and reversal of other temporary difference	25	5
	<b>328</b>	248

### 6. Dividends

<i>in HK\$ million</i>	Six months ended 30 June 2006	2005
2005 Final dividend paid: HK\$0.80 (2004: HK\$0.80) per share	1,755	1,754
2006 Interim dividend proposed: HK\$0.30 (2005: HK\$0.30) per share	658	658
2006 Special dividend proposed: HK\$0.30 (2005: HK\$nil) per share	658	-
	<b>1,316</b>	658

addition, Registered Capital which usually accounts for no less than 25% of the total investment amount for projects in mainland China, is required to be paid in US or HK Dollars. As a result, CITIC Pacific has an increasing exposure to the Renminbi. As of June 2006, around 47% (around HK\$29 billion) of the Group's assets were based in mainland China.

The underlying cash flow of the Group's businesses is mainly in HK dollars or in Renminbi. CITIC Pacific entered into forward contracts to minimize potential exposure to US dollar denominated debt principal and interest payments. As of 30 June 2006, such contracts outstanding amounted to US\$532 million. CITIC Pacific also entered into a cross currency swap contract to hedge the JPY8.1 billion floating rate note issued in 2005 so as to limit foreign currency exposure. In addition, foreign exchange forward contracts were employed by our trading business to hedge currency fluctuations. As of 30 June 2006, such contracts outstanding amounted to HK\$839 million.

**Interest Rate Exposure**  
The Group aims to maintain a suitable mixture of fixed and floating rate borrowings in order to stabilize interest costs despite rate movements. Interest rate hedging ratio is determined after taking into consideration of the general market trend, the Group's cash flow pattern, interest coverage ratio and etc.

The Group uses interest rate swaps, forward rate agreements, interest rate option contracts and other instruments to hedge exposures or to modify the interest rate characteristics of its borrowings. As of 30 June 2006, CITIC Pacific had outstanding interest rate swap / option contracts with a notional amount of HK\$10.3 billion. After the swaps, HK\$6.1 billion or 33% of the Group's borrowings were effectively paying fixed rate and the remaining were effectively paying floating rate of interest. The US Federal Reserve increased interest rate from 1% in June 2004 for 17 times consecutively to 5.25% as at end of June 2006. However, due to the Group's active interest hedging program, the overall weighted average all-in cost of debt (including fees and hedging costs) for the six months ended 30 June 2006 was maintained at around 5%, compared with 3.9% for the same period last year.

**Employment of Derivative Products**  
The Group employs a combination of financial instruments, including derivative products, to manage its exposure to fluctuations in interest and currency rates. Derivative transactions are only used for interest rate and currency hedging purposes, speculative trading is prohibited. Counterparty credit risks are carefully reviewed and in general, the Group only deals with financial institutions with investment grade credit rating. The amount of counterparty credit exposure to the Group is also an important consideration as a means to control credit risk.

Following the adoption of HKAS32 and HKAS39 as described in 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 strategies, may not qualify for hedge accounting treatment under the specific rules of the new accounting standards. The changes in the fair value of such 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 price quotations obtained from major financial institutions or the Group's calculation where applicable.

### Available Sources of Financing

In addition to cash and deposits balance of HK\$4.3 billion as of 30 June 2006, the Group had undrawn available facilities totaling HK\$18.4 billion, of which HK\$16.4 billion was in committed long term loans and HK\$2.0 billion of money market lines. Besides, available trade facilities amounted to HK\$2.3 billion. Borrowings by sources of financing as of 30 June 2006 is summarized as follows:

HK\$ million	Total Facilities	Outstandings	Available Facilities
<b>Committed Facilities</b>			
Bank Loans	29,621	13,196	16,425
Global Bonds	3,510	3,510	0
Private Placement	404	404	0
<b>Total Committed</b>	<b>33,535</b>	<b>17,110</b>	<b>16,425</b>
<b>Uncommitted Facilities</b>			
Money Market Lines and Short Term Facilities	3,051	1,049	2,002
Trade Facilities	2,765	448	2,317

In addition, the Company has signed cooperative agreements with major PRC banks. The purpose of these cooperative agreements is to facilitate our funding requirements for new investments in PRC. Because of specific legal regulations in PRC, the utilization of these facilities is subject to certain conditions (e.g. proper approval of the underlying project and the loan arrangements must fulfill relevant PBOC regulations and guidelines). As at 30 June 2006, the aggregate credit limit granted for such facilities was RMB23 billion, of which approximately RMB8 billion remained available.

### Foreign Currency Exposure

CITIC Pacific conducts business mainly in Hong Kong and mainland China, therefore it is subject to the market risk of foreign exchange rates of the HK Dollar, US Dollar and Renminbi. To minimize currency exposure, non Hong Kong dollar assets are usually financed in the same currency as the asset or cash flow from it, either by borrowing using foreign exchange contracts. Achieving this objective is not always possible due to limitation in financial markets and regulatory constraints, particularly on investment into mainland China as the Renminbi is currently not a free convertible currency. In

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### Capital Commitments and Contingent Liabilities

As at 30 June 2006, the Group's contracted capital commitments were HK\$10 billion and the Group's contingent liabilities had not changed significantly from the last year end.

## Human Resources

As at the end of June 2006, the Group employed 19,148 staff in its headquarters in Hong Kong and its principal subsidiaries and joint venture companies. Mainland China and Hong Kong have the largest number of employees of 15,013 and 3,885 each respectively. Another 250 are employed in subsidiaries in Japan, Singapore and Canada. Key personnel, including chief executive officer, financial controller and project director with extensive knowledge and experience in the mining industry have been recruited.

The revival of the Hong Kong economy continued in the first half of 2006 which led to an increased demand for talent in the employment market. To ensure that 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 was made to the human resources management policy or procedures in the last 6 months as the Group practices remain largely compatible with major employers in the territories it operates. In line with established policy, some interim salary adjustment on a selective basis was made to match market changes.

CITIC Pacific actively promotes a culture of open communication in which staff can express concerns to and share ideas with the management. The Group is also committed to providing a healthy environment conducive to each individual's development.

Employees are encouraged to improve themselves through further studies supported by the Group's financial sponsorship. In-house training for different levels of employees is organized on a regular basis to provide product knowledge and skill training. Moreover, with the growing cross-border activities between Hong Kong and mainland China, the Group continues to strengthen business integration, knowledge sharing and skill transfer between staffs in these two areas.

CITIC Pacific fully supports investing in the training and development of our future generation of staff. The Group has put in place various management trainee and apprentice training programs. It also participates in the Education and Manpower Bureau's School-Business Partnership Program for secondary school students and supports local universities by providing internship opportunities in the mainland China operations.

CITIC Pacific and its staff continue to support charitable work and the promotion of education, environmental protection, sports, culture and the arts through sponsoring and participating in related activities.

## Corporate Governance

CITIC Pacific is committed to ensuring high standards of corporate governance and fair class business practices. The Board believes that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. Details of our corporate governance can be found on page 55 of the 2005 annual report and the Company's website www.citicpacific.com.

Throughout the six months ended 30 June 2006, CITIC Pacific has complied with all code provisions in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 Interim Accounts, which are prepared in accordance with HKASs and Financial Reporting Standards, have been reviewed by the Company's independent auditors PricewaterhouseCoopers in accordance with the Auditing Standard SAS 700 Engagements To Review Interim Financial Reports.

## Dividend And Closure Of Register

The Directors have declared an interim dividend of HK\$0.30 (2005: HK\$0.30) per share and a special dividend of HK\$0.30 (2005: Nil) per share for the year ending 31 December 2006 payable on Friday, 15 September 2006 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 13 September 2006.

The Register of Members of the Company will be closed from Thursday, 7 September 2006 to Wednesday, 13 September 2006, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend and the special dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 6 September 2006.

## Share Capital

During the six months ended 30 June 2006, the Company made the following repurchases of its own shares on the Hong Kong Stock Exchange for purpose of enhancing its earnings per share:

Month/Year	Number of Shares Repurchased	Price Per Share		Aggregate Price Paid (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
June 2006	1,627,000	22.00	21.50	35,402,100

These repurchased shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against retained profit. An amount equivalent to the nominal value of the shares cancelled of approximately HK\$1 million was transferred from retained profit to capital redemption reserve.

Save as disclosed above, neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the six months ended 30 June 2006 and the Company has not redeemed any of its shares during the period ended 30 June 2006.

## 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 Hong Kong Stock Exchange 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 Hong Kong Stock Exchange around 29 August 2006 and sent to shareholders on 5 September 2006.

By Order of the Board  
Alice Tso Mun Wai  
Company Secretary  
Hong Kong, 21 August 2006

As at the date of this announcement, the executive directors of the Company are Messrs Larry Yung Chi Kin (Chairman), Henry Fan Hung Ling, Peter Lee Chung Hing, Norman Yuen Kee Tong, Vernon Francis Moore, Li Shilin, Carl Yung Ming Jie, Liu Jifu, Leslie Chang Li Hsien, Chau Chi Yin, Milton Law Ming To and Wang Ande; the non-executive directors of the Company are Messrs Willie Chang, Desmond Desmarais and Peter Kruyt (alternate director of Mr Ande Desmarais); and the independent non-executive directors of the Company are Messrs Hamilton Ho Hau Hay, Alexander Reid Hamilton, Hansen Loh Chung Hon and Norman Ho Hau Chong.