



CITIC PACIFIC

# CITIC Pacific Limited 中信泰富有限公司

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 267)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

### CHAIRMAN'S LETTER TO SHAREHOLDERS

CITIC Pacific achieved a net profit of HK\$4,968 million in the first six months of 2007, a 44% increase compared with the same period last year. The Group's various businesses performed well. Our special steel manufacturing business in particular had an excellent six months, with profit contribution more than doubling. A HK\$1.9 billion profit was recorded following the successful listing of CITIC 1616 in April of this year. In light of the satisfactory performance and the Group's financial position, the board has recommended paying a special dividend of HK\$0.20 per share in addition to an interim dividend of HK\$0.40 per share.

During the first half of the year, CITIC Pacific continued to implement its strategy of focusing on the development of its core businesses, and at the same time, made progress in divesting non-core businesses. Following the listing of CITIC 1616, we recently submitted to the Hong Kong Stock Exchange an application for a separate listing of Dah Chong Hong, our marketing and distribution business. Preparation work regarding this listing is progressing as planned. We have also taken appropriate actions regarding other non-core assets, therefore enabling management to focus more on the investment and management of core businesses.

### Special Steel Manufacturing

After years of hard work, CITIC Pacific Special Steel is now the largest special steel manufacturer in China with over seven million tonnes of annual production capacity. Total special steel produced by our steel plants in the first half of 2007 increased 70% compared with the same period last year. Driven by the development of industries such as auto, petrochemical and industrial manufacturing, among others, the overall market remained strong, and demand for special steel products is expected to continue to be robust in the foreseeable future. Since the acquisitions of Daye and Shijiazhuang Steel, CITIC Pacific Special Steel's production and nation-wide sales networks have become more rationalized. Through centralized management, synergies have been created in the areas of raw material purchasing, and product sales, exports

and transportation. At the same time, the Group's three manufacturing bases can also enjoy the benefit of shared technology and management know-how, resulting in better product re-alignment and higher product quality, which will further strengthen the competitiveness of our products and the overall profitability of CITIC Pacific Special Steel.

Jiangyin Xingcheng Special Steel's new production line has been fully completed and is now operational. This production line, employing advanced technologies, will manufacture high quality special steel that is used mainly in the auto industry. This will further solidify our leading position in the special steel market in China.

As the Chinese economy continues to grow, the demand for high quality special steel will continue. We are confident in the future of CITIC Pacific Special Steel.

## **Iron Ore Mining**

In 2006, CITIC Pacific acquired mining rights to one billion tonnes (stage one) of magnetite ore with options to another five billion tonnes in the Pilbara region of Western Australia. Confirmation of stage two ore reserves is progressing well. Work on the mine has commenced with the aim of initial production in 2009. Once completed, this mine will supply much needed raw material to our own steel mills; it will also become a long-term stable strategic resource to other steel plants in China.

Subject to approval by the relevant government authorities, an agreement has been reached with the China Metallurgical Group ("MCC") for it to become a 20% partner in this project. MCC is already one of the main contractors of this mining project.

## **Property**

Property development in mainland China is one of our core businesses. In the past two years, CITIC Pacific has rapidly increased its land bank that can be developed over the coming years. Mainly located in economically developed areas centered around Shanghai as well as Hainan Island, China's largest tourism and leisure destination, the value of these development projects all have potential to appreciate. We will continue to actively increase land reserves, which will help lay a solid foundation for the long-term development of our property business. We believe the completion of these projects will bring significant profit contribution to the Group.

Since the second quarter of 2007, the property market in mainland China has been active with strong demand. Sales at our New Westgate Garden residential project in Shanghai are satisfactory. Most of the commercial space has also been leased.

In the first half of the year, we increased our shareholding in the Shanghai Lu Jia Zui Financial District Project to 50%. Construction of the first phase will commence soon. Once completed, this project will become another landmark on the bank of Shanghai's Huangpu River.

During this period, progress has been made on the construction of projects in Ningbo, Wuxi, Yangzhou and Qingpu. We expect to market these projects in phases starting in the fourth

quarter of 2007. Our large development in Hainan Island is progressing well. Major infrastructure work, such as roads and bridges, has already begun. Construction on hotels and other related facilities will also commence soon.

The Group's investment properties in Hong Kong and Shanghai continue to have high occupancy rates with increased average rentals, providing us with stable cash flow.

## **Aviation**

Benefiting from robust economies in mainland China, Hong Kong and globally, the aviation market remains buoyant. Cathay Pacific enjoyed an excellent first half with a historically high passenger load factor. The restructured Dragonair is being systematically integrated into the operations of Cathay Pacific in order to fully reflect synergies. The two airlines will continue to expand their fleet, and additional flights to New York City, San Francisco and Melbourne are being planned.

## **Power Generation**

The Group's power plants performed well in the first six months of 2007. Ligang Phase III entered commercial operation at the end of last year and is now profitable. Work on Ligang Phase IV is progressing well. The first unit (600MW) completed on-grid testing in July this year and the second unit (600MW) is expected to be completed by year-end. We have also begun an initial feasibility study on Ligang Phase V.

## **Looking to the Future**

Step-by-step we have implemented a series of strategic plans with the aim of focusing on core businesses, and we believe this has been widely recognized and supported by the market. We expect recurring earnings from core businesses to increase substantially in the future. We will continue to implement our strategy in order to demonstrate the value of our company, and achieve higher returns for our shareholders.

The rapid and healthy development of the Chinese economy has brought us tremendous business opportunities and we are confident in the future of CITIC Pacific.

On behalf of our directors, I would like to express my heartfelt thanks to our employees for their hard work and to our shareholders for their support. Without them, we would not have achieved our excellent results.

Larry Yung Chi Kin

*Chairman*

Hong Kong, 22 August 2007

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 JUNE – UNAUDITED

<i>in HK\$ million</i>	Note	2007	2006
Turnover	2	<b>19,618</b>	22,881
Cost of Sales		<b>(13,973)</b>	(18,507)
Distribution and Selling Expenses		<b>(438)</b>	(451)
Other Operating Expenses		<b>(1,433)</b>	(1,351)
Change in Fair Value of Investment Properties		<b>355</b>	422
		<hr/>	<hr/>
Profit from Consolidated Activities	3	<b>4,129</b>	2,994
Share of Results of Jointly Controlled Entities		<b>652</b>	302
Associated Companies		<b>708</b>	988
Finance Charges		<b>(126)</b>	(404)
Finance Income		<b>119</b>	89
Net Finance Charges	4	<b>(7)</b>	(315)
		<hr/>	<hr/>
Profit before Taxation		<b>5,482</b>	3,969
Taxation	5	<b>(174)</b>	(328)
		<hr/>	<hr/>
Profit for the Period		<b>5,308</b>	3,641
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Shareholders of the Company		<b>4,968</b>	3,440
Minority Interests		<b>340</b>	201
		<hr/>	<hr/>
		<b>5,308</b>	3,641
		<hr/> <hr/>	<hr/> <hr/>
Dividends			
Dividend Proposed	6	<b>(1,325)</b>	(1,316)
		<hr/> <hr/>	<hr/> <hr/>
Earnings per Share for Profit attributable to Shareholders of the Company during the period (HK\$)	7		
Basic		<b>2.25</b>	1.57
Diluted		<b>2.25</b>	1.57
		<hr/> <hr/>	<hr/> <hr/>
Dividend per Share (HK\$)			
Interim		<b>0.40</b>	0.30
Special		<b>0.20</b>	0.30
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# CONSOLIDATED BALANCE SHEET

<i>in HK\$ million</i>	Note	Unaudited 30 June 2007	Audited 31 December 2006
<b>Non-Current Assets</b>			
Fixed Assets			
Property, plant and equipment		10,441	10,593
Investment properties		10,046	9,604
Properties under development		3,605	2,712
Leasehold land		2,059	1,712
		<u>26,151</u>	<u>24,621</u>
Jointly controlled entities		16,555	15,051
Associated companies		16,611	16,506
Other financial assets		4,435	2,819
Intangible asset		3,460	2,986
Deferred tax assets		113	103
Derivative financial instruments		192	117
		<u>67,517</u>	<u>62,203</u>
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<b>Current Assets</b>			
Properties held for sale		677	705
Inventories		4,509	3,920
Debtors, accounts receivable, deposits and prepayments	8	9,051	6,153
Cash and bank deposits		4,135	3,679
		<u>18,372</u>	<u>14,457</u>
<b>Current Liabilities</b>			
Bank loans, other loans and overdrafts		230	285
Secured		2,785	1,404
Unsecured		7,751	8,030
Creditors, accounts payable, deposits and accruals	8	443	319
Provision for taxation		443	319
		<u>11,209</u>	<u>10,038</u>
<b>Net Current Assets</b>		<u>7,163</u>	<u>4,419</u>
<b>Total Assets Less Current Liabilities</b>		<u>74,680</u>	<u>66,622</u>
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## CONSOLIDATED BALANCE SHEET (continued)

<i>in HK\$ million</i>	Note	<b>Unaudited 30 June 2007</b>	Audited 31 December 2006
<b>Non-Current Liabilities</b>			
Long term borrowings		<b>18,960</b>	16,604
Deferred tax liabilities		<b>1,869</b>	1,954
Derivative financial instruments		<b>31</b>	55
		<b>20,860</b>	18,613
<b>Net Assets</b>		<b>53,820</b>	48,009
<b>EQUITY</b>			
Share capital		<b>884</b>	878
Reserves		<b>48,932</b>	43,217
Proposed dividend		<b>1,325</b>	2,415
		<b>51,141</b>	46,510
<b>Equity attributable to Shareholders of the Company</b>		<b>51,141</b>	46,510
<b>Minority Interests</b>		<b>2,679</b>	1,499
<b>Total Equity</b>		<b>53,820</b>	48,009

## **NOTES TO THE ACCOUNTS**

### **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 2006 and with the adoption of certain new or revised Hong Kong Financial Reporting Standards (“HKFRS”) and HKAS in 2007, among which the following will have disclosure impacts on the 2007 annual accounts:

- HKFRS 7 “Financial Instrument: Disclosures”; and
- Amendment to HKAS 1 “Presentation of Financial Statements” – Capital Disclosures

The adoption of these accounting standards has no material effect on the Group’s results of operations.

## 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:

<b>Six months ended 30 June 2007 in HK\$ million</b>	<b>Turnover</b>	<b>Profit from consolidated activities</b>	<b>Share of results of jointly controlled entities</b>	<b>Share of results of associated companies</b>	<b>Group total</b>	<b>Segment allocations</b>	<b>Segment profit</b>
<i>By principal activities</i>							
Special Steel	8,737	1,274	227	-	1,501	-	1,501
Property	371	293	(11)	46	328	42	370
Power Generation	5	4	265	(1)	268	-	268
Aviation	-	-	(74)	486	412	-	412
Civil Infrastructure	360	252	56	23	331	-	331
Marketing & Distribution	7,062	272	23	(23)	272	(42)	230
Communications	3,061	1,896	12	61	1,969	-	1,969
Others	22	21	154	-	175	-	175
Fair Value Change of Investment Properties	-	355	-	116	471	-	471
Less: General and Administration Expenses	-	(238)	-	-	(238)	-	(238)
	<u>19,618</u>	<u>4,129</u>	<u>652</u>	<u>708</u>	<u>5,489</u>	<u>-</u>	<u>5,489</u>
Net Finance Charges							(7)
Taxation							(174)
Profit for the Period							<u>5,308</u>

## 2 Turnover and segment information (Continued)

Six months ended 30 June 2006 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
<i>By principal activities</i>							
Special Steel	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)
	<u>22,881</u>	<u>2,994</u>	<u>302</u>	<u>988</u>	<u>4,284</u>	<u>-</u>	<u>4,284</u>
Net Finance Charges							(315)
Taxation							(328)
Profit for the Period							<u>3,641</u>

## 2 Turnover and segment information (Continued)

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

<i>in HK\$ million</i>	Six months ended 30 June	
	2007	2006
By geographical area		
Hong Kong	6,326	11,041
Mainland China	12,410	11,121
Overseas	882	719
	<u>19,618</u>	<u>22,881</u>

## 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	
	2007	2006
<i>Crediting</i>		
Dividend income from other financial assets	29	9
Profit on disposal of other financial assets	-	3
Profit on disposal of subsidiary companies	1,928	1,262
<i>Charging</i>		
Cost of inventories sold	12,803	11,384
Depreciation of property, plant and equipment	549	441
Amortisation of leasehold land	24	27
	<u>12,803</u>	<u>11,384</u>

## 4 Net finance charges

<i>in HK\$ million</i>	Six months ended	
	30 June	
	2007	2006
<i>Finance charges</i>		
Interest expenses	421	460
Other finance charges	33	22
Amount capitalized	(262)	(113)
Fair value (gains)/losses on derivative financial instruments	(66)	35
	<u>126</u>	<u>404</u>
<i>Finance income</i>		
Interest income	(119)	(89)
	<u>7</u>	<u>315</u>

## 5 Taxation

Hong Kong profits tax is calculated at 17.5% (2006: 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	
	2007	2006
<i>Current taxation</i>		
Hong Kong profits tax	104	98
Overseas taxation	207	163
<i>Deferred taxation</i>		
Changes in fair value of investment properties	55	42
Origination and reversal of other temporary differences	(15)	25
Effect on tax rate change	(177)	-
	<u>174</u>	<u>328</u>

## 6 Dividends

<i>in HK\$ million</i>	Six months ended	
	2007	2006
2006 Final dividend paid: HK\$0.80 (2005: HK\$0.80) per share	1,767	1,755
2006 Special dividend paid: HK\$0.30 (2005: Nil) per share	662	-
	<u>2,429</u>	<u>1,755</u>
2007 Interim dividend proposed: HK\$0.40 (2006: HK\$0.30) per share	883	658
2007 Special dividend proposed: HK\$0.20 (2006: HK\$0.30) per share	442	658
	<u>1,325</u>	<u>1,316</u>

## 7 Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$ 4,968 million (2006: HK\$3,440 million).

The basic earnings per share is based on the weighted average number of 2,203,437,210 shares in issue during the period (2006: 2,193,406,134 shares in issue). The diluted earnings per share is based on 2,208,527,391 shares (2006: 2,197,886,817 shares) which is the weighted average number of shares in issue during the period plus the weighted average number of 5,090,181 shares (2006: 4,480,683 shares) deemed to be issued at no consideration if all outstanding options had been exercised.

## 8.1 Debtors, accounts receivable, deposits and prepayments

<i>in HK\$ million</i>	<b>30 June 2007</b>	31 December 2006
Trade debtors		
Within 1 year	<b>2,416</b>	2,150
Over 1 year	<b>14</b>	24
	<hr/>	<hr/>
	<b>2,430</b>	2,174
Accounts receivable, deposits and prepayments	<b>6,621</b>	3,979
	<hr/>	<hr/>
	<b>9,051</b>	6,153
	<hr/> <hr/>	<hr/> <hr/>

Note:

- i) Trade debtors are net of provision and the ageing is classified based on invoice date.
- ii) Each business unit has a defined credit policy appropriate to its circumstances.
- iii) The carrying amounts of debtors, accounts receivable, deposits and prepayments approximate their fair value.
- iv) Accounts receivable, deposits and prepayments included derivative financial assets of HK\$33 million (2006: HK\$14 million).

## 8.2 Creditors, accounts payable, deposits and accruals

<i>in HK\$ million</i>	<b>30 June 2007</b>	31 December 2006
Trade creditors		
Within one year	<b>3,076</b>	2,553
Over one year	<b>290</b>	314
	<hr/>	<hr/>
	<b>3,366</b>	2,867
Accounts payable, deposits and accruals	<b>4,385</b>	5,163
	<hr/>	<hr/>
	<b>7,751</b>	8,030
	<hr/> <hr/>	<hr/> <hr/>

Note:

- i) Accounts payable, deposits and accruals included derivative financial liabilities of HK\$9 million (2006: HK\$9 million).
- ii) The carrying amounts of creditors, accounts payable, deposits and accruals approximate their fair value.

# FINANCIAL REVIEW AND ANALYSIS

## Group Debt and Liquidity

The financial position of the Group as at 30 June 2007, as compared to 31 December 2006 and 30 June 2006, is summarised as follows:

<i>HK\$ million</i>	<b>30 June 2007</b>	31 December 2006	30 June 2006
Total debt	<b>21,975</b>	18,293	18,178
Cash and bank deposits	<b>4,135</b>	3,679	4,289
Net debt	<b>17,840</b>	14,614	13,889
Leverage (Net debt to Total capital)	<b>26%</b>	24%	25%

The original denomination of the Group's borrowings as well as cash and deposit balances by currencies as at 30 June 2007 is summarised as follows:

Denomination <i>HK\$ million equivalent</i>	HK\$	US\$	Renminbi	Yen	Other	<b>Total</b>
Total debt in original currency	8,882	8,446	3,499	1,038	110	<b>21,975</b>
Total debt after hedging	16,640	1,091	3,499	635	110	<b>21,975</b>
Cash and bank deposits	664	1,211	2,088	100	72	<b>4,135</b>
Net debt / (cash) after hedging	15,976	(120)	1,411	535	38	<b>17,840</b>

As at 30 June 2007, subsidiaries' assets of HK\$718 million (31 December 2006: HK\$696 million) were pledged to secure banking facilities, these arrangements mainly related to Daye Special Steel Co., Ltd. and Dah Chong Hong's business overseas.

### 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>	2007	2008	2009	2010	2011	2012 and Beyond	Total	Percentage
Parent Company	15	1,304 <sup>1</sup>	649	2,915	3,810 <sup>2</sup>	8,686 <sup>3</sup>	17,379	79%
Subsidiaries	1,210	1,177	1,136	305	768	0	4,596	21%
Total Maturing Debt	1,225	2,481	1,785	3,220	4,578	8,686	21,975	100%
Percentage	6%	11%	8%	15%	20%	40%	100%	
Available Facilities	0	3,807	731	0	4,536	9,978	19,052	

- 1 Including a US\$166 million short term bridging loan for the Iron Ore Mining project due in 2008.
- 2 Including a US\$450 million global bond due in 2011 which was issued by a wholly owned special purposes vehicle.
- 3 Including a JPY8.1 billion floating rate note due in 2035 which was issued by a wholly owned special purposes vehicle.

### Available Sources of Financing

In addition to cash and deposits balance of HK\$4.1 billion as at 30 June 2007, the Group had undrawn available loan facilities totaling HK\$21.4 billion, of which HK\$16.1 billion was committed long term loans, HK\$2.9 billion was committed short term loan and HK\$2.4 billion was money market lines. Besides, trade facilities amounting to HK\$2.3 billion was available. Borrowings by sources of financing as at 30 June 2007 is summarised as follows:

<i>HK\$ million</i>	Total Facilities	Outstandings	Available Facilities
<b>Committed Facilities</b>			
Short Term Loan *	4,212	1,296	2,916
Term Loans	31,795	15,659	16,136
Global Bonds	3,510	3,510	0
Private Placement	403	403	0
<b>Total Committed</b>	<b>39,920</b>	<b>20,868</b>	<b>19,052</b>
<b>Uncommitted Facilities</b>			
Money Market Lines and Short Term Facilities	3,491	1,078	2,413
Trade Facilities	3,066	805	2,261

\* This is a USD short term bridging loan to support the funding requirement of the Iron Ore Mining project.

In addition to the above summarised facilities, the Company established Cooperative Agreements with several major PRC banks. Under such agreements, general credit limits were granted to us to support the Group's funding requirements. Utilisation of these facilities will be subject to the banks' approval on a project-by-project basis in accordance with PRC banking regulations. As at 30 June 2007, total credit limit of around RMB72 billion under such arrangements remained available, of which RMB37.9 billion have been specifically allocated to Iron Ore Mining, Special Steel, Property and Power Generation projects. These arrangements will further support the Group's expansion strategy in the mainland.

### **Risk Management**

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. Counterparties' credit risks are carefully reviewed and in general, the Group only deals with financial institutions with investment grade credit rating. The amount of counterparties' lending exposure to the Group is also an important consideration as a means to control credit risk.

## 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 in HK Dollar, US Dollar and Renminbi. To minimise 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 or using foreign exchange contracts. Achieving this objective is not always possible due to limitations in financial markets and regulatory constraints, particularly on investment into mainland China as the Renminbi is currently not a free convertible currency and thus the RMB exchange swap market is not readily available or efficient at this time. In 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 dollars. As the Group's investment in mainland China is expanding, CITIC Pacific has an increasing exposure to the Renminbi. As at 30 June 2007, the Group had net RMB exposure of approximately HK\$33 billion (31 December 2006: HK\$30 billion).

The underlying cash flow of the Group's businesses is mainly in HK dollars or in Renminbi. CITIC Pacific employed foreign exchange forward contracts and other instruments to minimise potential exposure to debt principal and interest payments denominated in other currencies. As at 30 June 2007, such contracts outstanding amounted to HK\$7,624 million (31 December 2006: HK\$6,116 million). In addition, foreign exchange forward contracts were employed by our subsidiaries to hedge currency fluctuations. As at 30 June 2007, such contracts outstanding amounted to HK\$1,135 million (31 December 2006: HK\$707 million).

## Interest Rate Exposure

The Group aims to maintain a suitable mixture of fixed and floating rate borrowings in order to stabilise 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 at 30 June 2007, CITIC Pacific had outstanding interest rate swap / option contracts with a notional amount of HK\$11.4 billion. After the swaps, HK\$7.0 billion or 32% of the Group's total borrowings were effectively paying fixed rate and the remaining were effectively paying floating rate of interest. The Group's overall weighted average all-in cost of borrowings (including fees and hedging costs) for the six months ended 30 June 2007 was about 5.4%, compared with 5.0% for the same period last year.

## **Capital Commitment and Contingent Liabilities**

As at 30 June 2007, the Group's contracted capital commitment was approximately HK\$12 billion and the Group's contingent liabilities had not changed significantly from the last year end.

## **HUMAN RESOURCES**

As at the end of June 2007, the total number of Employees at CITIC Pacific reached a new high of 23,989 as the Group continued to step up its development and investment in mainland China and Australia. Mainland China and Hong Kong have the largest number of employees at 19,720 and 3,932 respectively. The other 337 are employed in subsidiaries in Japan, Singapore, Canada and Australia.

Sustained economic expansion has kept the employment market active and led to an increase in the demand for talent. To ensure that overall compensation is internally equitable, externally competitive, and in support of the business strategy, the Group proactively conducts reviews of cash compensation and benefit programs that are provided to its employees. As the Group remains largely compatible with the other similar large companies in the market, no major changes to the human resources management policy have been made in the last 6 months. In line with the established policy, some interim salary adjustments were awarded on a selective basis to recognize performance and match market changes.

CITIC Pacific actively promotes a culture of open communication in which staff can report concerns and share ideas with management. The Group is also committed to providing a healthy organizational environment that is conducive to each individual's development. Employees are encouraged to improve themselves through further studies and are supported with financial sponsorship from the Group. In-house training for different levels of employees is organized on a regular basis to provide product knowledge and skill improvement. Moreover, with the growing cross-territory business activities across Hong Kong, mainland China and Australia, the Group continues to strengthen business integration, knowledge sharing and skill transfer among staff at these locations.

CITIC Pacific fully supports investing in the training and development of our younger generation. The Group has implemented various management trainee and apprentice training programs. It also sponsors a scholarship prize for the Hong Kong Air Cadet Corps in their preparatory pilot training program and supports local universities by providing summer internship opportunities in the Group's mainland China operations.

CITIC Pacific and its employees continue to support charitable work and the promotion of education, environmental protection, sports, culture and the arts by sponsorship and participation in related activities.

## **CORPORATE GOVERNANCE**

CITIC Pacific is committed to ensuring high standards of corporate governance and first 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 practices can be found on page 51 of the 2006 annual report and the Company's website [www.citicpacific.com](http://www.citicpacific.com).

Throughout the six months ended 30 June 2007, 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 HKAS 34 "Interim Financial Reporting", have been reviewed by the Company's independent auditors PricewaterhouseCoopers in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

## **DIVIDEND AND CLOSURE OF REGISTER**

The Directors have declared an interim dividend of HK\$0.40 (2006: HK\$0.30) per share and a special dividend of HK\$0.20 (2006: HK\$0.30) per share for the year ending 31 December 2007 payable on Tuesday, 18 September 2007 to shareholders whose names appear on the Register of Members of the Company on Thursday, 13 September 2007. The Register of Members of the Company will be closed from Friday, 7 September 2007 to Thursday, 13 September 2007, 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, Tricor 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 Thursday, 6 September 2007.

## **SHARE CAPITAL**

The Company has not redeemed any of its shares during the six months ended 30 June 2007. 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 2007.

## **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](http://www.citicpacific.com)) and the Hong Kong Stock Exchange's website ([www.hkex.com.hk](http://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 31 August 2007 and sent to shareholders on 6 September 2007.

By Order of the Board

**Stella Chan Chui Sheung**

*Company Secretary*

Hong Kong, 22 August 2007

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, Carl Yung Ming Jie, Leslie Chang Li Hsien, Vernon Francis Moore, Li Shilin, Liu Jifu, Chau Chi Yin, Milton Law Ming To and Wang Ande; the non-executive directors of the Company are Messrs Willie Chang, André Desmarais, Chang Zhenming and Peter Kruyt (alternate director to Mr André 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.