



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 2008**

**CHAIRMAN'S LETTER TO SHAREHOLDERS**

Whilst net profit for the first six months of 2008 was HK\$4,377 million, a decrease of 12% compared with the same period last year, recurrent earnings grew 8% from a year ago nevertheless. The board has recommended paying an interim dividend of HK\$0.30 per share.

During the first half of 2008, we continued the strategy of developing our three core businesses: special steel manufacturing, iron ore mining and property development. In the next two to three years, with the completion of new projects, we expect the benefits from these investments to be realized, with recurrent profit growing significantly.

**Special Steel Manufacturing**

CITIC Pacific's special steel business maintained its solid momentum and has become a main driver of growth in recurrent earnings. Profit contribution reached HK\$1,839 million for the first half of this year, an increase of 64% from a record a year ago.

During the period, despite the challenges of macro economic control in mainland China, weakness in the economies of major industrialized countries, and a significant rise in price of raw materials such as iron ore and coke, CITIC Pacific Special Steel overcame difficulties to achieve excellent results. Our three manufacturing bases: Jiangyin Xingcheng Special Steel, Hubei Xin Yegang and Shijiazhuang Steel increased their production and sold an expanded range of products. At the same time, the three plants continue to implement synergies, resulting in improved efficiency in purchasing, transportation, production and sales.

CITIC Pacific recently acquired a coking coal project in Tongling, Anhui Province. When our iron ore mine in Australia begins production, the business will have secure, stable and long-term supplies of both major raw materials. These strategically important investments will greatly enhance our competitive edge and overall profitability.

The strategy for CITIC Pacific Special Steel going forward is to further enhance its leading position in the domestic and international markets for special steel bars. It is actively expanding its special tube production capability to increase market share in tube products. At the same time, we are also developing medium and heavy special steel plates with the goal of building CITIC Pacific Special Steel into a world class special steel company of the highest standard, with a wide range of products and excellent management.

## **Iron Ore Mining**

During the first half of the year, progress was made at our iron ore mine in Western Australia which has a production capacity of 27.6 million tonnes per annum. Construction of infrastructure such as power, desalination plants, land transportation as well as port and transshipment facilities are well underway. In recent years the price of iron ore has risen significantly due to tight supply in the international market. The strategic importance of this project is therefore clear. CITIC Pacific still holds options to mine another four billion tonnes of iron ore on the same mine site, which if exercised, will further expand our mining capacity.

## **Property Development**

Property development in mainland China is one of our core businesses. Our development properties are centered around Shanghai and its neighboring cities, as well as Hainan Island, a holiday destination. With the rapid development of the Chinese economy and the improvement of living standards, market demand for quality properties will remain strong.

Construction of Phase One of our Shanghai Lu Jia Zui New Financial District Project is progressing well. Foundation work has been completed and basement construction will finish by the end of the year as planned. Phase One completion is expected in 2010. Preparation work for Phase Two and Three is ongoing.

Our large residential and commercial developments in the Qingpu, Jiading and Hongkou districts in Shanghai and in the cities of Wuxi, Jiangyin, Yangzhou in Jiangsu Province are being built in phases as planned. Units pre-sold in the first half of this year achieved a higher unit sale price compared with those sold last year.

The superstructure of CITIC Square, located in the city of Ningbo in Zhejiang Province, has been completed, and work on sale and leasing is taking place. Preparation work for our development project above the Sichuan Beilu Metro Station in the Hongkou District of Shanghai is progressing. Construction is expected to commence at the end of the year.

Our development project on the Shenzhou Peninsula in Wanning City in Hainan Province is progressing well. Work on the four hotels in Phase One has begun, and they are expected to be open in 2010 and thereafter. Shenzhou Peninsula project will, in the near future, become a quality community.

Our investment properties in Shanghai and Hong Kong continue to maintain high occupancy and their profit contribution increased more than 30% compared to the same period last year.

### **Other Businesses**

Faced with significant increases in the price of oil and coal, our aviation and power generation businesses incurred losses. The operating environment for these two businesses remains challenging in the second half of the year. CITIC 1616 and Dah Chong Hong, the two companies listed last year, performed well with double digit profit growth for the first six months of the year. Hong Kong's Eastern and Western harbour tunnels operated smoothly with increased profit compared to last year.

### **Looking to the Future**

Even though there are macro economic uncertainties, I am confident in the future prospects of CITIC Pacific. With hard work in the past few years, our special steel business is becoming strong and our iron ore mining and property businesses are gradually becoming more mature, establishing these three as our core businesses. Going forward, we will continue to seek investment opportunities in these areas to further increase our recurrent earnings, and to achieve higher returns for our shareholders.

On behalf of all the directors, I would like to express my sincere thanks to everyone at CITIC Pacific for their hard work and dedication.

Larry Yung Chi Kin

*Chairman*

Hong Kong, 28 August 2008

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

<i>in HK\$ million</i>	Note	2008	2007
Turnover	2	<b>28,318</b>	19,618
Cost of Sales		<b>(22,942)</b>	(13,973)
Distribution and Selling Expenses		<b>(512)</b>	(438)
Other Operating Expenses		<b>(1,441)</b>	(1,433)
Net Gain from Sale of Other Financial Assets		<b>843</b>	-
Change in Fair Value of Investment Properties		<b>410</b>	355
		<hr/>	<hr/>
Profit from Consolidated Activities	3	<b>4,676</b>	4,129
Share of Results of Jointly Controlled Entities		<b>641</b>	652
Associated Companies		<b>43</b>	708
Finance Charges		<b>(189)</b>	(126)
Finance Income		<b>272</b>	119
		<hr/>	<hr/>
Net Finance Income/(Charges)	4	<b>83</b>	(7)
		<hr/>	<hr/>
Profit before Taxation		<b>5,443</b>	5,482
Taxation	5	<b>(496)</b>	(174)
		<hr/>	<hr/>
Profit for the Period		<b>4,947</b>	5,308
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Shareholders of the Company		<b>4,377</b>	4,968
Minority Interests		<b>570</b>	340
		<hr/>	<hr/>
		<b>4,947</b>	5,308
		<hr/> <hr/>	<hr/> <hr/>
Dividends			
Dividend Proposed	6	<b>(658)</b>	(1,325)
		<hr/> <hr/>	<hr/> <hr/>
Earnings per Share for Profit attributable to Shareholders of the Company during the Period (HK\$)	7		
Basic		<b>1.99</b>	2.25
Diluted		<b>1.99</b>	2.25
		<hr/> <hr/>	<hr/> <hr/>
Dividend per Share (HK\$)			
Interim		<b>0.30</b>	0.40
Special		<b>-</b>	0.20
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# CONSOLIDATED BALANCE SHEET

<i>in HK\$ million</i>	Note	<b>Unaudited 30 June 2008</b>	As Restated 31 December 2007
<b>Non-Current Assets</b>			
Fixed Assets			
Property, plant and equipment		17,125	12,154
Investment properties		11,670	10,895
Properties under development		6,925	4,288
Leasehold land		1,718	1,641
		<u>37,438</u>	<u>28,978</u>
Jointly controlled entities		21,338	17,446
Associated companies		17,515	17,941
Other financial assets		4,045	7,502
Intangible assets		5,871	5,109
Deferred tax assets		91	100
Derivative financial instruments		225	150
Non-current deposits		7,641	5,723
		<u>94,164</u>	<u>82,949</u>
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<b>Current Assets</b>			
Properties held for sale		430	440
Assets held for sale		192	1,127
Inventories		6,843	5,982
Debtors, accounts receivable, deposits and prepayments	8	11,895	8,292
Cash and bank deposits		10,695	8,045
		<u>30,055</u>	<u>23,886</u>
<b>Current Liabilities</b>			
Bank loans, other loans and overdrafts			
Secured		395	328
Unsecured		4,467	3,326
Creditors, accounts payable, deposits and accruals	8	12,376	10,727
Liabilities held for sale		-	2
Provision for taxation		674	590
		<u>17,912</u>	<u>14,973</u>
<b>Net Current Assets</b>		<u>12,143</u>	<u>8,913</u>
<b>Total Assets Less Current Liabilities</b>		<u>106,307</u>	<u>91,862</u>
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## CONSOLIDATED BALANCE SHEET (continued)

<i>in HK\$ million</i>	Note	<b>Unaudited 30 June 2008</b>	As Restated 31 December 2007
<b>Non-Current Liabilities</b>			
Long term borrowings		37,044	25,000
Deferred tax liabilities		2,216	2,094
Derivative financial instruments		310	69
		39,570	27,163
<b>Net Assets</b>		66,737	64,699
<b>EQUITY</b>			
Share capital		878	885
Reserves		59,524	57,138
Proposed dividend		658	1,770
		61,060	59,793
<b>Equity attributable to Shareholders of the Company</b>		61,060	59,793
<b>Minority Interests</b>		5,677	4,906
<b>Total Equity</b>		66,737	64,699

# 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 2007 and with the adoption of certain new or revised Hong Kong Financial Reporting Standards, (“HKFRS”) and HKAS in 2008 among which the following will have below impact to the Group:

- HK(IFRIC)-Int 12 ‘Service Concession Arrangements’

In accordance with HK(IFRIC)-Int 12, the vehicular tunnel is regarded as a service concession arrangement. As such, the Group has recognised the vehicular tunnel as an intangible asset instead of property, plant and equipment under fixed assets with retrospective effect from 1 January 2007. The carrying amount as at 1 January 2007 of HK\$1,102 million has also been restated.

The adoption of the above accounting standard has no effect on the Group’s results reported for the period ended 30 June 2008.

## 2 Turnover and segment information

An analysis of the Group's turnover and profit from consolidated activities and share of results of jointly controlled entities and associated companies by business is as follows:

<b>Six months ended 30 June 2008 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	15,212	1,846	405	-	2,251	-	2,251
Property	901	477	(9)	(5)	463	46	509
Infrastructure	1,289	680	141	(65)	756	-	756
Listed Subsidiary Companies							
CITIC 1616	1,128	178	-	-	178	-	178
Dah Chong Hong	9,631	449	29	(29)	449	(46)	403
Others	157	919	75	(18)	976	-	976
Change in Fair Value of Investment Properties	-	410	-	160	570	-	570
Less: General and Administration Expenses	-	(283)	-	-	(283)	-	(283)
	<u>28,318</u>	<u>4,676</u>	<u>641</u>	<u>43</u>	<u>5,360</u>	<u>-</u>	<u>5,360</u>
Net Finance Income							83
Taxation							(496)
Profit for the Period							<u>4,947</u>

## 2 Turnover and segment information (continued)

Six months ended 30 June 2007 <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	8,737	1,274	227	-	1,501	-	1,501
Property	371	293	(11)	46	328	42	370
Infrastructure	595	113	259	569	941	-	941
Listed Subsidiary Companies							
CITIC 1616	2,831	2,039	-	-	2,039	-	2,039
Dah Chong Hong	7,062	272	23	2	297	(42)	255
Others	22	21	154	(25)	150	-	150
Change in Fair Value 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)

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

<i>in HK\$ million</i>	Six months ended 30 June	
	2008	2007
By geographical area		
Hong Kong	6,052	6,326
Mainland China	21,177	12,410
Overseas	1,089	882
	<u>28,318</u>	<u>19,618</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	
	2008	As Restated 2007
<i>Crediting</i>		
Dividend income from other financial assets	93	29
Profit on disposal of subsidiary company	170	1,928
Profit on disposal of jointly controlled entity	403	-
<i>Charging</i>		
Cost of inventories sold	20,738	12,803
Depreciation of property, plant and equipment	432	500
Amortisation of intangible assets	51	49
Amortisation of leasehold land	25	24
Impairment losses on other financial assets	21	1
Impairment losses on fixed assets	14	72

#### 4 Net finance (income)/charges

<i>in HK\$ million</i>	Six months ended 30 June	
	2008	2007
<i>Finance charges</i>		
Interest expenses	709	421
Amount capitalized	(388)	(262)
Fair value gains on derivative financial instruments	(130)	(66)
Exchange (gain)/loss	(30)	10
Other finance charges	28	23
	<hr/>	<hr/>
	189	126
<i>Finance income</i>		
Interest income	(272)	(119)
	<hr/>	<hr/>
	(83)	7
	<hr/> <hr/>	<hr/> <hr/>

#### 5 Taxation

Hong Kong profits tax is calculated at 16.5% (2007: 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	
	2008	2007
<i>Current taxation</i>		
Hong Kong profits tax	114	104
Overseas taxation	367	207
<i>Deferred taxation</i>		
Changes in fair value of investment properties	76	55
Origination and reversal of other temporary differences	(29)	(15)
Effect on tax rate change	(32)	(177)
	<hr/>	<hr/>
	496	174
	<hr/> <hr/>	<hr/> <hr/>

## 6 Dividends

<i>in HK\$ million</i>	Six months ended	
	30 June <b>2008</b>	2007
2007 Final dividend paid: HK\$0.80 (2006: HK\$0.80) per share	<b>1,757</b>	1,767
2007 Special dividend paid: Nil (2006: HK\$0.30) per share	-	662
	<hr/> <b>1,757</b> <hr/>	<hr/> 2,429 <hr/>
2008 Interim dividend proposed: HK\$0.30 (2007: HK\$0.40) per share	<b>658</b>	883
2008 Special dividend proposed: Nil (2007: HK\$0.20) per share	-	442
	<hr/> <b>658</b> <hr/>	<hr/> 1,325 <hr/>

## 7 Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$4,377 million (2007: HK\$4,968 million).

The basic earnings per share is based on the weighted average number of 2,198,430,092 shares in issue during the period (2007: 2,203,437,210 shares in issue). The diluted earnings per share is based on 2,203,728,977 shares (2007: 2,208,527,391 shares) which is the weighted average number of shares in issue during the period plus the weighted average number of 5,298,885 shares (2007: 5,090,181 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 2008</b>	31 December 2007
Trade debtors and bills receivable		
Within 1 year	<b>5,811</b>	4,248
Over 1 year	<b>54</b>	42
	<hr/> <b>5,865</b> <hr/>	<hr/> 4,290 <hr/>
Accounts receivable, deposits and prepayments	<b>6,030</b>	4,002
	<hr/> <b>11,895</b> <hr/>	<hr/> 8,292 <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 include derivative financial assets of HK\$580 million (2007: HK\$251 million), amounts due from jointly controlled entities of HK\$143 million (2007: HK\$138 million), which are unsecured, interest free and recoverable on demand, except for an amount of HK\$5 million (2007: HK\$1 million) which is interest bearing, and amounts due from associated companies of HK\$200 million (2007: HK\$90 million) which are unsecured, interest free and recoverable on demand.

## 8.2 Creditors, accounts payable, deposits and accruals

<i>in HK\$ million</i>	<b>30 June 2008</b>	31 December 2007
Trade creditors and bills payable		
Within 1 year	<b>4,803</b>	4,532
Over 1 year	<b>587</b>	329
	<hr/> <b>5,390</b>	<hr/> 4,861
Accounts payable, deposits and accruals	<b>6,986</b>	5,866
	<hr/> <b>12,376</b> <hr/>	<hr/> 10,727 <hr/>

Note:

- i) Accounts payable, deposits and accruals included derivative financial liabilities of HK\$29 million (2007: HK\$66 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 2008, as compared to 31 December 2007 and 30 June 2007, is summarised as follows:

<i>HK\$ million</i>	<b>30 June 2008</b>	31 December 2007	30 June 2007
Total debt	<b>41,906</b>	28,654	21,975
Cash and bank deposits	<b>10,695</b>	8,045	4,135
Net debt	<b>31,211</b>	20,609	17,840

Leverage (Net debt to Total capital)	<b>34%</b>	26%	26%
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The denomination of the Group's borrowings as well as cash and deposit balances by currency as at 30 June 2008 is summarised as follows:

<i>HK\$ million equivalent</i>	Denomination					<b>Total</b>
	HK\$	US\$	RMB	Yen	Other	
Total debt in original currency	9,411	23,955	7,198	1,231	111	<b>41,906</b>
Total debt after hedging	16,806	16,982	7,198	809	111	<b>41,906</b>
Cash and bank deposits	1,357	3,042	5,539	135	622	<b>10,695</b>
Net debt / (cash) after hedging	15,449	13,940	1,659	674	(511)	<b>31,211</b>

As at 30 June 2008, assets of HK\$525 million (31 December 2007: HK\$423 million) were pledged to secure banking facilities, mainly related to Dah Chong Hong's business overseas and a property subsidiary in mainland China. In addition, assets of the Iron Ore Mining project were pledged under the project finance arrangement.

### Maturity Profile of Outstanding Debt

The Group actively manages its debt portfolio and aims to extend the debt maturity profile such that the 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>	2008	2009	2010	2011	2012	2013 and Beyond	Total	Percentage
Parent Company	3	2,966 <sup>1</sup>	2,917	5,174 <sup>2</sup>	7,550	11,596 <sup>3</sup>	30,206	72%
Subsidiaries	2,044	1,314	2,393	3,592	543	1,814	11,700	28%
Total Maturing Debt	2,047	4,280	5,310	8,766	8,093	13,410	41,906	100%
Percentage	5%	10%	13%	21%	19%	32%	100%	
Available Committed Facilities	1,000	2,701	500	2,970	-	12,315	19,486	

- 1 Includes a US\$270 million short term bridging loan in connection with the Iron Ore Mining project which will be replaced by long term project loan.
- 2 Includes a US\$450 million global bond due in 2011 which was issued by a wholly owned special purposes vehicle.
- 3 Includes 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\$10.7 billion as at 30 June 2008, the Group had available loan and trade facilities totaling HK\$21.8 billion and HK\$2.9 billion respectively. Borrowings by source of financing as at 30 June 2008 are summarised as follows:

<i>HK\$ million</i>	Total Facilities	Outstandings	Available Facilities
<b>Committed Facilities</b>			
Short Term Loan *	4,290	2,106	2,184
Term Loans	51,015	33,713	17,302
Global Bonds	3,510	3,510	0
Private Placement	422	422	0
<i>Total Committed</i>	59,237	39,751	19,486
<b>Uncommitted Facilities</b>			
Money Market Lines and Short Term Facilities	4,457	2,136	2,321
Trade Facilities	4,414	1,523	2,891

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

In addition to the above facilities, the Company has established Cooperative Agreements with major PRC banks. Under these Cooperative Agreements, CITIC Pacific's PRC projects can apply for credit facilities subject to the banks' approval on a project-by-project basis in accordance with PRC banking regulations.

### **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 activity is prohibited. Counterparties' credit risks are carefully reviewed, and the Group only deals with financial institutions with investment grade credit ratings. 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, mainland China and Australia, therefore it is subject to the market risk of foreign exchange rates in HK Dollar, US Dollar, Renminbi and Australia Dollar. To minimise currency exposure, non HK 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. Due to limitations in financial markets and regulatory constraints in mainland China, CITIC Pacific has an increasing exposure to the Renminbi. As at 30 June 2008, the Group had net RMB exposure of approximately HK\$59 billion (31 December 2007: HK\$46 billion) as investments in mainland China are expanding.

The functional currency for the Australian Iron Ore Mining project is deemed to be USD as future revenue and cash flow will be denominated in USD. As such, CITIC Pacific funded the Iron Ore Mining project development costs and the acquisition of vessels related to the mining operations by USD loans to match the future USD cash flows derived from these assets. A portion of the Iron Ore Mining project development costs as well as certain pre-completion expenditures, required paying in non-USD currencies. Foreign exchange forward contracts and structured forward instruments are employed to hedge or minimise these currency exposures. As at 30 June 2008, outstanding foreign exchange forward contracts and structured forward instruments amounted to HK\$3.9 billion (31 December 2007: HK\$3.5 billion).

In addition, foreign exchange forward contracts are employed to minimise currency exposure for the outstanding USD debts and a Yen bond. As at 30 June 2008, such contracts outstanding amounted to HK\$7,913 million (31 December 2007: HK\$5,853 million).

Foreign exchange forward contracts and structured forward instruments were also employed by our trading subsidiary to hedge currency fluctuations. As at 30 June 2008, such contracts outstanding amounted to HK\$804 million (31 December 2007: HK\$968 million).

## Interest Rate Exposure

The Group aims to maintain a suitable mixture of fixed and floating rate borrowing in order to stabilise interest costs against rate fluctuations. The interest rate hedging ratio is determined after taking consideration of factors including general market trends, the Group's cash flow pattern and interest coverage ratio.

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 2008, CITIC Pacific had interest rate swap or swaption contracts with a notional amount of HK\$29.1 billion, of which forward starting IRS contracts amounted to HK\$16.7 billion.

The weighted average all-in cost of borrowing for the Group (including fees and hedging costs) for the six months ended 30 June 2008 was about 4.8%, compared with 5.4% for the same period last year.

## **Capital Commitment and Contingent Liabilities**

As at 30 June 2008, the Group's contracted capital commitment was approximately HK\$27 billion and the Group's contingent liabilities had not changed significantly from the last year end.

## HUMAN RESOURCES

As at the end of June 2008, the total number of employees at CITIC Pacific reached another new high of 25,177 (2007 : 23,989) as the Group continued its development and investment in mainland China and Australia. Employees working in Hong Kong increased to 4,135 (2007 : 3,932). Mainland China has the largest number of employees and it has increased steadily to 20,491 (2007 : 19,720). The other 551 (2007 : 337) are employed in subsidiaries in Japan, Singapore, Canada and Australia.

To ensure that overall remuneration policy is externally competitive and internally equitable to attract, retain, motivate and reward a competent work force, the Group continuously conducts reviews of cash compensation and benefit programs. As the Group remains largely compatible with other similar large companies in the market, no major changes to the human resources management policy have been made in the last six months. In line with established policy, some interim salary adjustments were awarded on a selective basis to recognize performance and catch up with 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 development. Moreover, with 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 provides training opportunities to young school leavers and college students by participating in the Youth Pre-employment Training Programme held by the Labour Department and internship programmes of universities.

CITIC Pacific and its employees continue to support charitable works and the promotion of education, environmental protection, sports, culture and the arts by sponsorship and participation in related activities. In addition, to provide financial assistance to the victims of Sichuan Earthquake, the Group and its employees also donated generously to the relief fund.

## 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 49 of the 2007 annual report and the Company's website [www.citicpacific.com](http://www.citicpacific.com).

Throughout the six months ended 30 June 2008, 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 of the Board, consisting of three non-executive directors of whom two are independent, 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\$0.30 per share (2007: interim dividend of HK\$0.40 per share and a special dividend of HK\$0.20 per share) for the year ending 31 December 2008 payable on Friday, 26 September 2008 to shareholders whose names appear on the Register of Members of the Company on Monday, 22 September 2008. The Register of Members of the Company will be closed from Tuesday, 16 September 2008 to Monday, 22 September 2008, 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, 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 Friday, 12 September 2008.

## SHARE CAPITAL

During the six months ended 30 June 2008, the Company made the following repurchases of its own shares on the Hong Kong Stock Exchange for purpose of enhancing its earnings per share:

<u>Month/Year</u>	<u>Number of Shares Repurchased</u>	<u>Price Per Share</u>		<u>Aggregate Price Paid (HK\$)</u>
		<u>Highest (HK\$)</u>	<u>Lowest (HK\$)</u>	
January 2008	15,484,000	37.90	32.25	545,205,150
June 2008	2,837,000	30.40	28.50	83,689,450

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\$7.3 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 2008 and the Company has not redeemed any of its shares during the six months ended 30 June 2008.

## **FORWARD LOOKING STATEMENTS**

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

## **INTERIM REPORT AND FURTHER INFORMATION**

A copy of the announcement will be found on the Company's website ([www.citicpacific.com](http://www.citicpacific.com)) and the Hong Kong Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)). The additional information including a full financial analysis will be posted on the Company's website as soon as possible and the full Interim Report will be made available on the website of the Company and the Hong Kong Stock Exchange around 8 September 2008.

By Order of the Board  
**Stella Chan Chui Sheung**  
*Company Secretary*

Hong Kong, 28 August 2008

*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, Wang Ande and Kwok Man Leung; 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.*