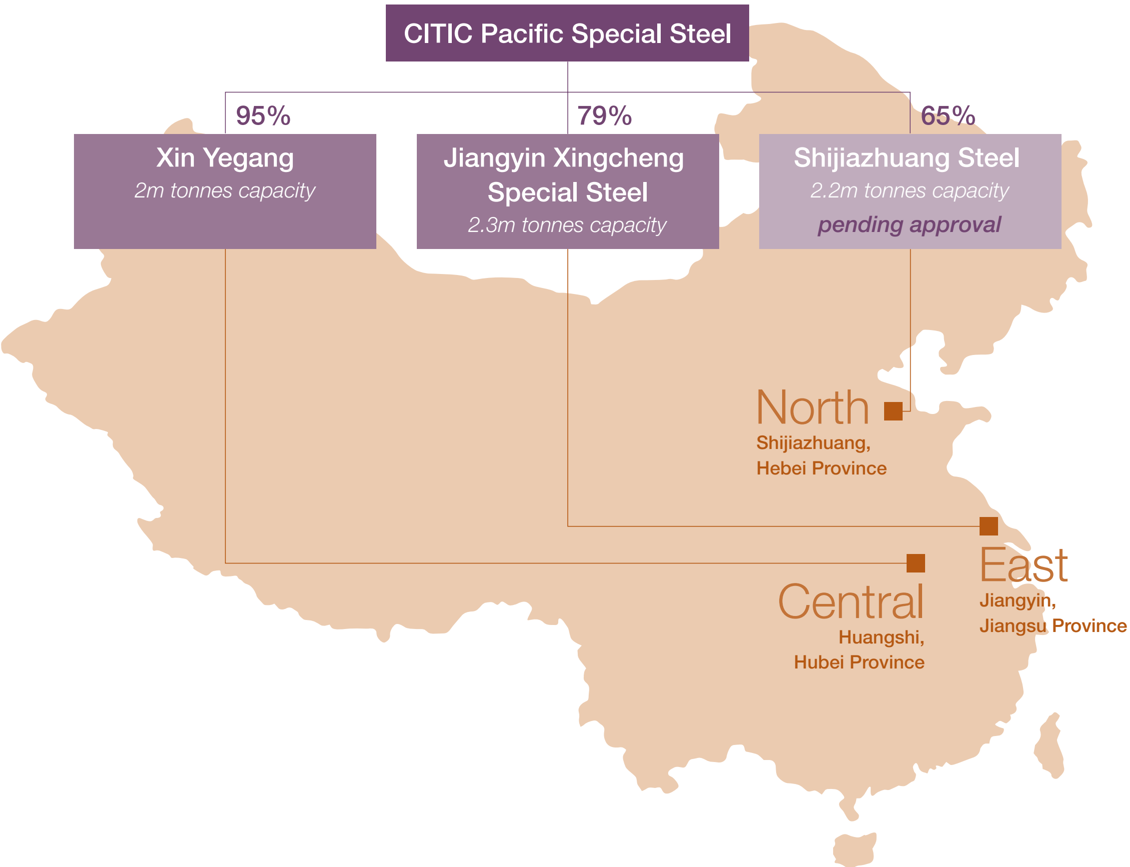
Electric Arc Furnace
of Jiangyin Xingcheng
Special Steel

With total annual production capacity of 4 million tonnes, CITIC Pacific Special Steel is a leader in the manufacture of special steel in China. Major products are used in the making of bearings, gears and seamless steel pipes. Our customer coverage extends to Eastern, Central and Northern China.

Special Steel

in HK$ million	**2005**	2004
Turnover	**12,160**	7,177
Contribution	**808**	438
Proportion of total contribution	**20%**	11%
Net assets	**5,781**	4,840
Capital expenditure	**2,063**	3,417



CITIC Pacific's special steel business is built over ten years of experience in operating the **Jiangyin Xingcheng Special Steel** plant. In the past two years, CITIC Pacific took advantage of the opportunity to acquire 95% of the **Xin Yegang** steel mill and also signed an agreement for a 65% interest in the **Shijiazhuang Steel Mill**. Today CITIC Pacific is a leader and driving force in the manufacturing of special steel in China. In 2005, a total of 3.6 million tonnes of special steel was produced including 1.7 million tonnes from Xin Yegang which became part of CITIC Pacific during the year. Production increased 9.7%, a result of continued solid demand for our products and each plant operated near its design capacity.

Key products of CITIC Pacific Special Steel

(includes Jiangyin Xingcheng Special Steel and Xin Yegang)

		Production ('000 Tonnes)	
Products	2005 Market Share	**2005**	2004*
Alloy tube billet	69%	**554**	285
Alloy spring	58%	**316**	283
Gear	29%	**430**	518
Bearing	21%	**383**	419

** CITIC Pacific had no equity interest in Xin Yegang in 2004*

Our products are sold to these industries

Industries	2005 Sales ('000 Tonnes)	Percentage
Auto components	1,423	40%
Industrial manufacturing	622	18%
Power generation	362	10%
Oil and petrochemical	220	6%
Construction	156	4%
Metal work	123	3%
Railway	47	1%
Ship building	44	1%
Export	366	10%
Others	257	7%

Jiangyin Xingcheng Special Steel: located in Jiangsu Province, it is a leader in China manufacturing high-grade special steel used in bearings, gears, springs and high-pressurized pipes, with annual production capacity of 2.3 million tonnes. The plant's products are mainly supplied to the auto components, power generation, industrial manufacturing, oil and petrochemical industries. Many of the products have been certified by worldwide renowned users such as SKF of Sweden, FAG of Germany and Caterpillar of the United States. Jiangyin Xingcheng Special Steel is strategically situated next to the Yangtze River with two 50,000 tonne wharfs, making transportation of raw materials and finished products convenient and cost effective.

In 2005, total production was 1.88 million tonnes, an increase of 7% compared with 2004. Export also grew 38% to 250,000 tonnes.

The management of Jiangyin Xingcheng Special Steel has, over the years, paid much attention not only to improving operating efficiency, but most importantly, to upgrading product quality, both of which are the keys to maintaining its market leadership. In 2005, approximately 30% of its products are high-end steel compared with 10% in 2004. Jiangyin Xingcheng Special Steel is also co-operating with **Sumitomo Metals Kokura** to produce high-grade special steel targeting primarily import substitution for auto components. Construction of this production line is progressing well with completion targeted for 2007.

Xin Yegang: became part of the CITIC Pacific's special steel business after CITIC Pacific completed acquisition of its 95% interest in October 2004. CITIC Pacific also holds a 56.6% interest in Shenzhen Stock Exchange listed Daye Special Steel through Xin Yegang and CITIC Pacific China. Xin Yegang made its first profit contribution to CITIC Pacific's special steel business in 2005. During the year, a total of 1.7 million tonnes of steel was produced, an increase of 13% from 2004. The plant has two million tonnes of production capacity.

Xin Yegang, the earliest steel plant in China, has a long history dating back to 1908. It is situated next to the Yangtze River with three 5,000 tonne wharfs for use in the transportation of raw materials and finished products. Its main products such as high alloy steel, tool and die steel and seamless steel tubes are used in the oil, petrochemical and industrial manufacturing sectors. Xin Yegang supplied steel used in China's manned spacecraft Shenzhou VI.

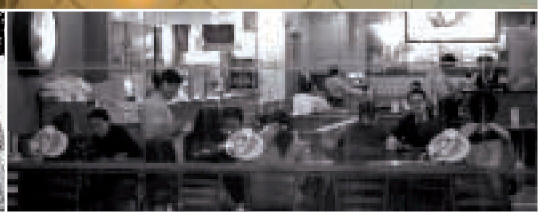
In January 2006, the shareholders of Daye Special Steel approved a Share Reform Plan in which Xin Yegang will grant a put option to each holder of Daye Freely Transferable Shares to sell the shares to Xin Yegang at RMB3.8 per share. The implementation of this plan is in line with the development of mainland China's securities market and will render the non-transferable shares of Daye freely transferable on the Shenzhen Stock Exchange. This is positive to CITIC Pacific as it will enhance the value of CITIC Pacific's interest in Daye.

Shijiazhuang Steel Mill: In November 2005, CITIC Pacific signed an agreement to acquire a 65% interest in Shijiazhuang Steel Mill. The transaction is subject to approval by the relevant government authorities. Located in Hebei Province in northern China, Shijiazhuang Steel Mill has a production capacity of 2.2 million tonnes. Its main products are bearing, gear, spring steel and tube billets, supplied mostly to the auto component and oil industries.

2005 saw general steel prices decline towards the end of the year due to over supply. For special steel, overall demand stayed firm, in particular in the higher quality product categories. Even though average product prices saw a decline, the magnitude was significantly less than those of general steel. For higher quality products pricing remained firm. However, due to the already high cost of raw materials and some over supply of lower end products, overall margins were under pressure. Having long realized this potential 'over crowding', for many years, we have paid attention to technological innovation and the continued upgrading of our products. This is key to maintaining our leadership in this business. China's new Steel Industry Policy sets out guidelines for promoting larger, more efficient steel enterprises through merger and acquisition of smaller, energy consuming, inefficient plants. This will certainly benefit companies such as ours that command economy of scale, know how, modern technology and constant product improvement.

The special steel market in China is roughly 9–10% of the approximately 340 million tonnes of total steel produced in 2005. This is very low compared with an average of 15–20% in industrialized countries. As China's economy and in particular its auto, power generation, oil, petrochemical and industrial manufacturing industries continue to grow, it is inevitable that more and more special steel will be needed.

With the three special steel manufacturers under one umbrella, CITIC Pacific's main task going forward is to continue the substantial integration we have begun in order to achieve efficiencies, better management, higher product quality, and enhanced market positioning. We are already seeing synergy created by the plants working together in the areas of raw material purchasing, customer coverage and product realignment. To this end, we are also in the process of setting up a CITIC Pacific Special Steel holding company which will manage all three entities. This will make CITIC Pacific a major player in the special steel market in China with customer coverage spanning the Eastern, Central and Northern regions.



Retail complex of CITIC Square, one of the top-quality office buildings in Shanghai

CITIC Pacific develops, manages and owns large scale properties in both mainland China and Hong Kong, where the Group has landmark developments such as CITIC Square and New Westgate Garden in Shanghai and CITIC Tower in Hong Kong. The focus of CITIC Pacific's property development in the future will be on mainland China where we have a large high quality land bank.

Property

in HK$ million	**2005**	2004
Turnover	**1,409**	768
Contribution	**1,106**	559
Proportion of total contribution	**28%**	15%
Net assets	**21,766**	18,557
Capital expenditure	**2,526**	1,291

CITIC Pacific develops and invests in large-scale residential and commercial properties in mainland China and Hong Kong. The Group's team of experienced property professionals not only identifies investment opportunities, but also supervises construction and manages completed developments.

Over the past two years, CITIC Pacific has been increasingly focused in mainland China by acquiring land in Shanghai and major secondary cities in the Yangtze River delta area. At the end of February 2006, the Group had a total of 1.1 million square metres of land that can be developed into about 1.6 million square metres of gross floor area over the next few years. In addition, the Group will also be the prime developer for a virgin site in Hainan Province.

Properties in Mainland China

	Usage	Ownership	Approx. site area (sq. metre)	Approx. GFA (sq. metre)	Expected completion date
Investment Properties					
CITIC Square, Shanghai	Commercial	80%	14,500	109,000	Completed
Royal Pavilion, Shanghai	Service apartment	100%	8,800	35,000	Completed
Development Properties					
New Westgate Garden, Shanghai	Residential	100%	68,300	266,000	Phase I completion expected in 2Q/2006
Qingpu Development, Shanghai	Residential, hotel and commercial	100%	442,000	250,000	2008 to 2011
Lu Jia Zui New Financial District Project, Shanghai (Phases I, II and III*)	Commercial, hotel and residential	49%	251,400	847,000	2009 to 2014
Commercial Project, Ningbo, Zhejiang	Commercial	99%	39,500	98,000	2008
Yangzhou, Jiangsu	Residential, commercial	100%	328,600	437,000	2008 to 2010

** Framework agreement signed*

GFA = gross floor area

Shanghai

Lu Jia Zui New Financial District: In August 2005 and January 2006, CITIC Pacific and China State Shipbuilding Corporation formed joint ventures in which CITIC Pacific holds a 49% interest. The JVs have the right to develop two pieces of adjacent land totalling 216,400 square metres, located in the new financial district of Lu Jia Zui in Pudong. The project site, previously used as a shipyard, abuts the south shore of the Huangpu River, and is to the east of the Oriental Pearl TV Tower. The first phase (site area of 35,100 square metres) is expected to be completed in 2009 and second phase (site area of 181,300 square metres) in 2014. On completion, the entire project will comprise of commercial, residential, hotels and grade A office buildings with a total gross floor area of 558,000 square metres. Also in January, CITIC Pacific signed a framework agreement with China State Shipbuilding Corporation to form another JV to develop an additional 35,000 square metres of land next to the other two sites, with a total gross floor area of about 290,000 square metres.

Qingpu: Up to the end of January 2006, CITIC Pacific has acquired a total of 442,000 square metres of land in Qingpu District in the western part of Shanghai. The area will be developed into low density residential and commercial buildings. Total gross floor area is approximately 250,000 square metres. Master planning design for the development is in progress. Site development work for the first phase is expected to commence in the second half of 2006.

New Westgate Garden residential project is located in the Huangpu District of Shanghai adjacent to Xizang Nanlu and Jianguo Donglu. It is within walking distance from a future subway station of the new Metro Line 8. With a gross floor area of approximately 266,000 square metres, once completed, it will comprise residential towers, a multi-storey commercial complex with retail shops and a basement car park. The first phase of the project will be completed in the second quarter of 2006. Of the total 669 units available for sales, 473 had been sold by the end of February 2006.

CITIC Square, 80% owned by CITIC Pacific, is a retail and Grade A office tower on Nanjing Xi Lu, Shanghai. Its rental continues to rise steadily with 98% occupancy. **Royal Pavilion**, 100% owned by CITIC Pacific, is a luxury service apartment with 95% occupancy, and its rental income is stable.

Other Locations

In **Ningbo**, Zhejiang Province, the Group is building a commercial project comprising of office and retail with total gross floor area of approximately 98,000 square metres. Design is currently underway with foundation work expected to begin in the second half of 2006.

In **Yangzhou**, Jiangsu Province, CITIC Pacific has land totalling 328,600 square metres for development of a commercial and residential project with a gross floor area of 437,000 square metres. Planning design work is in progress with the commencement of site work targeted for the second half of 2006.

In **Hainan Province**, CITIC Pacific signed a framework agreement with Wanning Municipal Government in September 2005 to jointly develop a world-class resort type real estate in Shenzhou Peninsula on Hainan Island. The project has a 38 square kilometres planning area, of which 16 square kilometres is developable site area. This is a virgin site with four south facing beaches and about 8 kilometres of scenic coastline. CITIC Pacific will be the prime developer responsible for the master plan of the entire site, setting up the infrastructure and attracting investors and developers to participate in the project.

Properties in Hong Kong

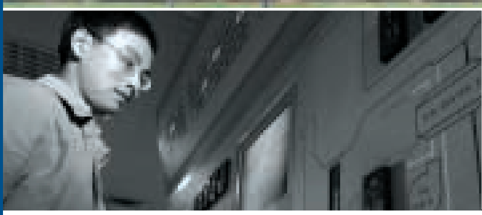
	Usage	Ownership	Approx. GFA (sq. metre)
Investment Properties			
CITIC Tower	Commercial	40%	52,000
DCH Commercial Centre	Commercial	100%	36,000
Wyler Centre	Industrial	100%	37,000
Broadway Centre	Industrial	100%	32,000
Yee Lim Industrial Centre	Industrial	100%	30,000
Others	Various	100%	51,000
Development Properties			
Discovery Bay	Residential township	50%	281,000
Including Chianti (Phase 13)			50,000

In the first quarter of 2006, CITIC Pacific sold its 50% interest in **Festival Walk** and its **Tung Chau Street Development**. Two other pieces of land in the New Territories were also sold in 2005 for a significant profit. Proceeds from the sales will be used to fund the development of property projects in mainland China and to strengthen the Group's financial position.

Discovery Bay, 50% owned by CITIC Pacific, is a large residential development jointly developed with HKR International Ltd. Since its commencement in 1973, Discovery Bay has grown from a holiday resort to a fully integrated, self-contained suburban multinational residential community of both locals and expatriates. Its planning is based on the concept of a private car free, green town development with a comprehensive range of educational, community and social facilities to serve the Discovery Bay population. Situated on the Northeastern shore of Lantau Island, Discovery Bay is endowed with ample open space, recreational and leisure facilities including a private beach, a central park, scenic promenade, golf courses and a marina.

The current Yi Pak Bay development is located in the northern part of Discovery Bay with a total gross floor area of approximately 217,000 square metres, of which 91,000 square metres have been developed as Siena One (Phase 11) and Siena Two (Phase 12). **Chianti (Phase 13)**, which has a gross floor area of 50,000 square metres, is progressing well with Occupation Permit expected in the first quarter of 2006. Sales began in March of 2006 and the response was good. As at mid March, 142 units out of a total of 530 units were sold.

CITIC Tower, 40% owned by CITIC Pacific, is our headquarters and a landmark on the Hong Kong waterfront comprising of 52,000 square metres of offices, retail shops and restaurants, and linked to the Admiralty MTR station with a footbridge. The building is currently 99% occupied. Rentals strengthened in 2005 compared with 2004.



Ligang Power Station in Jiangsu Province, China

CITIC Pacific's power team has over 15 years of experience as a power operator in mainland China. We have first hand experience, knowledge and expertise in seeking investment opportunities, supervising construction and active involvement in the management of plants' day to day operations.

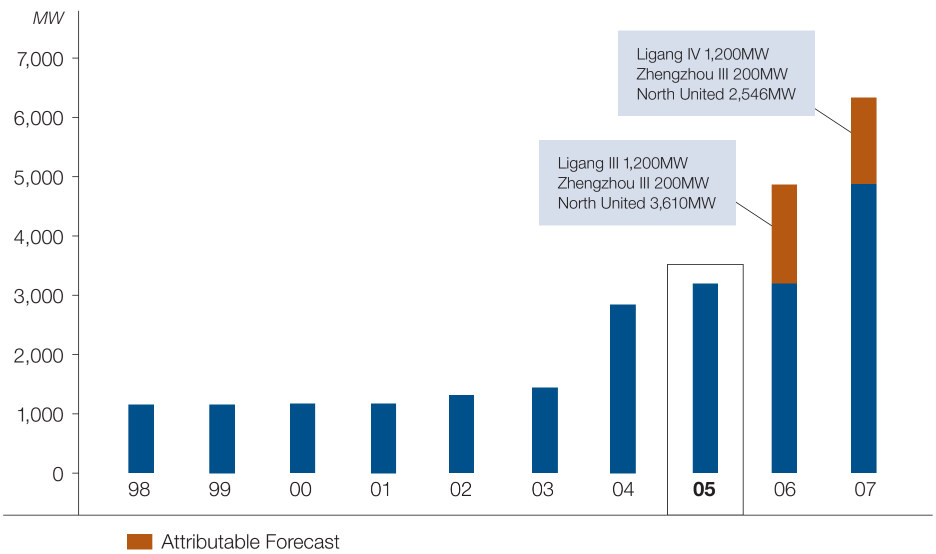
Power Generation

in HK$ million	**2005**	2004
Contribution	**368**	439
Proportion of total contribution	**9%**	12%
Net assets	**5,652**	4,393
Capital expenditure	**1,518**	2,739

Our experience and expertise in power generation is built upon over fifteen years of constructing and operating power stations in mainland China. At the end of 2005, CITIC Pacific had a total attributable capacity of 3,192MW.

In 2005, total electricity generated by all power plants in which CITIC Pacific has an interest was 78 billion kwh, an increase of 7% compared with 2004 due to electricity generated from new capacity at North United Power which was added in late 2005. During the same period, the price of coal, the main raw material for our coal-fired power stations, went up 10% to 33% at different plants compared with the previous year. The limited tariff increases implemented in May was not nearly enough to offset the coal price rise. These two factors led to a decline in the profit contribution from our power business.

CITIC Pacific's Attributable Capacity



Operational statistics of CITIC Pacific's power plants

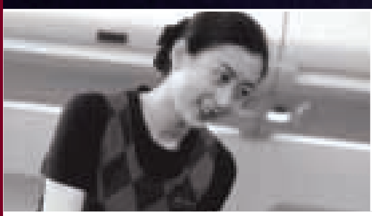
Power Plant	Location (province)	Installed Capacity (MW)	Ownership %	Type	Utilisation Hours	Electricity Generated 2005 (m kWh)	Electricity Generated 2004 (m kWh)	Electricity Generated change %	Heat Generated 2005 (kGJ)	Heat Generated 2004 (kGJ)	Heat Generated change %
Ligang	Jiangsu	1,400	65	Coal fired	6,078	8,510	9,524	-11	NA	NA	NA
Hanfeng	Hebei	1,320	15	Coal fired	6,478	8,552	8,662	-1	NA	NA	NA
Huaibei	Anhui	600	12.5	Coal fired	6,118	3,671	3,849	-5	NA	NA	NA
Kaifeng	Henan	125	50	Coal fired	5,368	671	704	-5	NA	NA	NA
North United	Inner Mongolia	6,785	20	Coal fired	6,940	47,091	40,259	17	39,417	37,651	5
Zhengzhou	Henan	600	50	Co-generation	5,707	3,424	3,441	0	5,230	5,331	-2
Hohhot	Inner Mongolia	400	35	Co-generation	7,227	2,891	2,889	0	2,129	1,730	23
Jilin	Jilin	200	60	Co-generation	7,300	1,460	1,379	6	1,611	1,150	40
Weihai	Shandong	36	49	Co-generation	4,472	161	123	31	3,323	2,573	29
Chenming	Shandong	24	49	Co-generation	8,083	194	207	-6	3,434	3,349	3

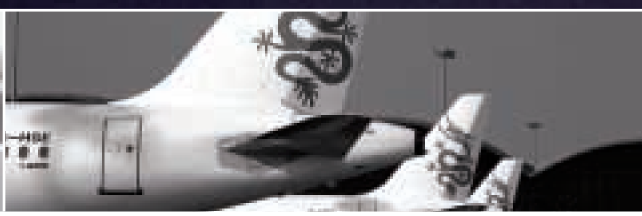
Looking at 2006, the supply of coal has eased as production increased and transportation bottleneck improved. However, utilisation rates for most power stations have seen a decline from their peak levels in 2004 as new capacity come on stream. Our tasks for this year and beyond are to continue our effort to secure supply of coal through long-term contracts and further improve the efficiency of our power plants.

At the same time, construction of **Ligang Phase III** (2 x 600MW) and **Phase IV** (2 x 600MW) is on schedule with commercial operation expected at the end of 2006 and 2007 respectively. Construction of **Zhengzhou Phase III** (2 x 200MW) is progressing well with commercial operation on target for the end of 2006 and the first half of 2007. In addition, North United has plans to add new capacity in the next two years. After completion of these projects, CITIC Pacific's attributable capacity will increase to 6,336MW, and we expect better performance from the power business.

CITIC Pacific is positive on the long-term outlook of the power generation business supported by the belief that China's demand for electricity will continue to rise as the Chinese economy develops. Even though there are short-term uncertainties in utilisation rates as well as the current imbalance between the open coal market and regulated tariff regime, there is no doubt that China needs a lot of electricity, and power generation is an attractive business for efficient operators like CITIC Pacific.

Generators of Ligang Power Station





Cathay Pacific's Airbus airliner A340-600

CITIC Pacific's active participation in the airline business is evident in representation on not only the boards but also the executive committees of the two major Hong Kong airlines.

Aviation

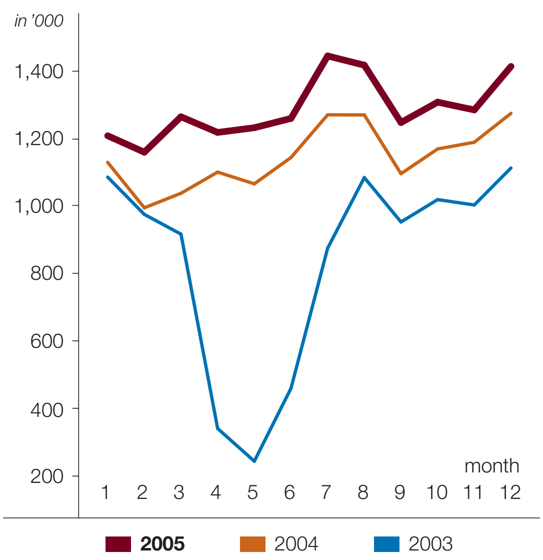
	Headquarters	Ownership
Cathay Pacific	Hong Kong	25.4%
Dragonair	Hong Kong	28.5%
HACTL	Hong Kong	10%
Air China Cargo	Beijing	25%

in HK$ million	**2005**	2004
Cathay Pacific	**825**	1,097
Dragonair	**86**	186
HACTL	**103**	90
Air China Cargo	**44**	25
Contribution	**1,058**	1,398
Proportion of total contribution	**27%**	37%
Net assets	**12,397**	11,747
Capital expenditure	**0**	518

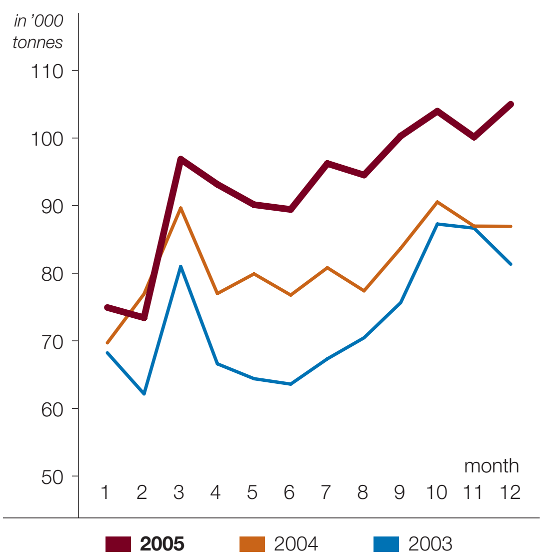
Cathay Pacific (www.cathaypacific.com) is an international passenger and freight carrier based in Hong Kong providing top quality services to 92 destinations around the world. As the second largest shareholder, CITIC Pacific, through participation on the board, the executive and other committees, has been actively involved in Cathay Pacific's management since it first became a shareholder in 1991.

Cathay Pacific

Monthly Passengers Carried



Monthly Cargo Carried



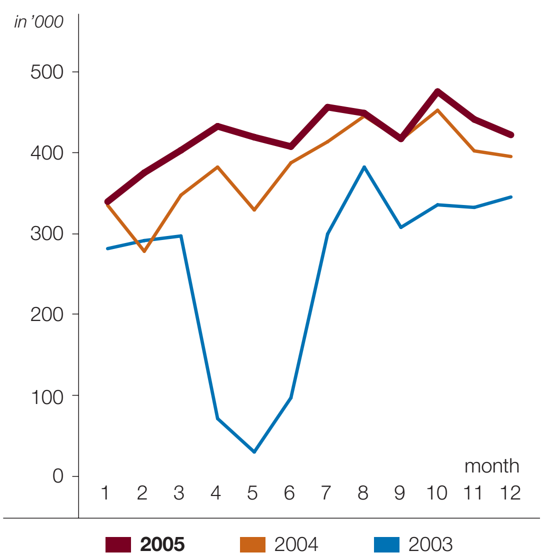
2005 was another record year in the history of Cathay Pacific in which the airline carried 15.4 million passengers and 1.1 million tonnes of freight, an increase of 13% and 15% respectively from record levels in 2004. This outstanding performance is a result of increased demand for travel from around the world. Although revenue rose 19% to HK$50,909 million, profit declined 25% to HK$3,298 million due to the high cost of fuel which remains a concern.

During 2005, Cathay Pacific expanded its fleet by adding seven passenger aircraft and two freighters to meet travel and cargo demands. Cathay Pacific also ordered 16 long-haul Boeing 777-300ERs and three Airbus A330-300s for regional services, all to be delivered between 2007 and 2010. This underscores Cathay Pacific's confidence in the future growth of the airline business and Hong Kong as a global hub. Cathay Pacific has the advantage of neighbouring mainland China where the air travel market is growing rapidly. The additional capacity and expansion of its network will prove to be essential in providing customers the convenience of accessing China on the same carrier. After taking a 10% stake in Air China in late 2004, Cathay Pacific has been co-operating with the mainland China's flagship airline in many operational aspects including marketing and sales among others. This will promote closer partnership and co-operation between the two airlines, which will be mutually beneficial to both.

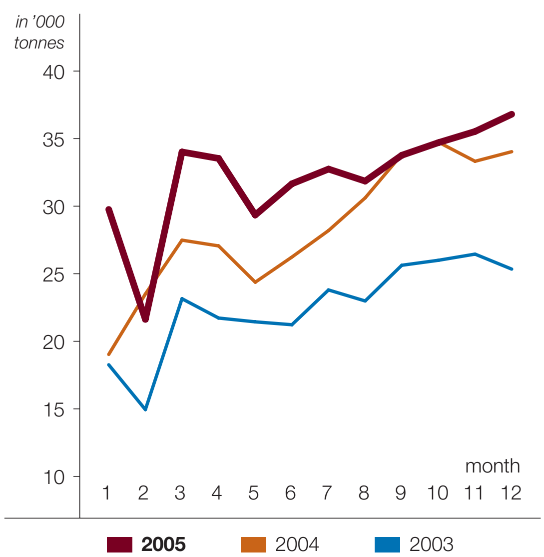
Dragonair (www.dragonair.com) operates passenger services to 30 destinations in Asia, of which 22 are to mainland Chinese cities. In 2005, Dragonair flew 5 million passengers and also carried 385,000 tonnes of cargo, setting new records in both. Compared with 2004,

Dragonair

Monthly Passengers Carried



Monthly Cargo Carried



the increases were 9.9% and 12.5% respectively. However, due to high oil prices, profit declined 53% to HK$300 million compared with 2004, even though net traffic revenue rose 18% from a year ago. During 2005, travels to and from mainland China, in particular the outbound China traffic continued its strong growth, supported by China's economic growth, the rise in people's standard of living and was also boosted by the extension of the 'Individual Travel Scheme' which encourages travels to Hong Kong. To meet the increase in demand, more flights were added to major cities, in particular during the summer months. Dragonair also furthered its co-operation with Air China by extending its code-share arrangements to seven cities in the mainland, therefore providing passengers with greater choices and better accessibility. The strong growth in cargo was driven by strong demand to and from mainland China. During 2005, Dragonair also launched a thrice-weekly freighter service to New York.

HACTL (www.hactl.com) operates SuperTerminal 1, the largest air cargo terminal in the world. In 2005 it handled a total of 2.4 million tonnes of cargo – the highest yearly tonnage throughput ever achieved, and an increase of 7.5% from its previous high in 2004. Strong growth in exports to mainland China, the U.S. and Europe was the driving force in HACTL's record. SuperTerminal 1 has a potential capacity of 3.5 million tonnes per annum, providing adequate capacity to support a robust growth of air cargo in Hong Kong and mainland China into the future.

Air China Cargo Co., a joint venture in which CITIC Pacific has a 25% interest, began operation in January 2004. It handles all of Air China's international and domestic cargo and related ground service businesses. Total freight carried in 2005 was 708,160 tonnes, an increase of 10% from 2004. At the end of 2005, the Company employed six freighter planes and used the belly space in Air China's 167 passenger planes to carry cargo. It now flies to 73 domestic and 41 international destinations.

Dragonair fleet

Eastern Harbour Crossing – one of the three cross harbour tunnels in Hong Kong.

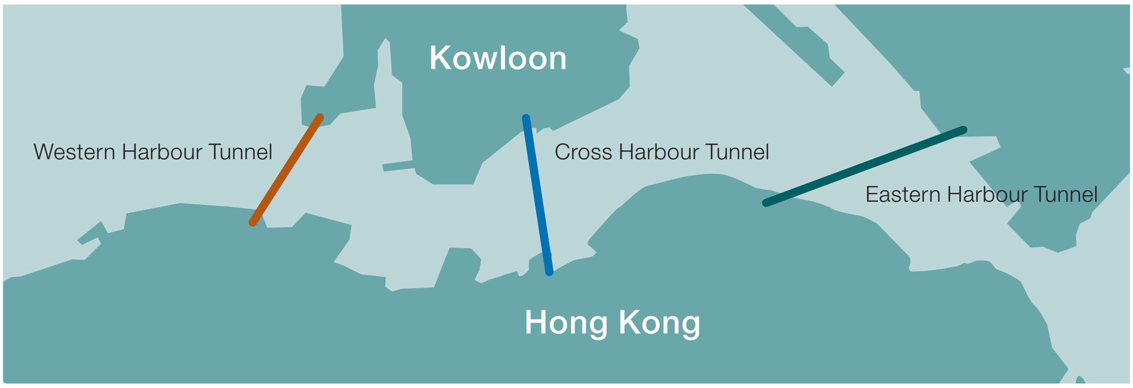
The investment in Eastern Harbour Tunnel was CITIC Group's early business in Hong Kong 20 years ago. Now CITIC Pacific is the major owner of the Eastern Harbour Tunnel, an owner of the Western Harbour Tunnel and joint manager of the Cross Harbour Tunnel.

Civil Infrastructure

	Location	Ownership
Eastern Harbour Tunnel		
Road	Hong Kong	71%
Rail	Hong Kong	50%
Western Harbour Tunnel	Hong Kong	35%
Four waste treatment facilities	Hong Kong	20 – 50%
Laogang Phase 4 landfill	Shanghai	30%

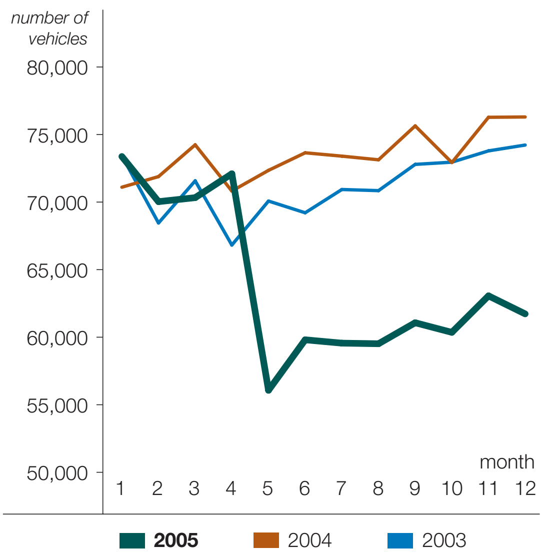
in HK$ million	**2005**	2004
Contribution	**413**	329
Proportion of total contribution	**10%**	9%
Net assets	**2,351**	2,130
Capital expenditure	**225**	61

Tunnels in Hong Kong



Eastern Harbour Tunnel ('EHT') (www.easternharbourtunnel.com.hk) registered an average daily traffic decrease of 13% in 2005 to 63,865 vehicles due to a toll increase implemented in May. Average daily traffic declined from 72,096 vehicles in April to 56,069 in May, a drop of 22%. Since then, traffic has returned steadily to a high of 63,060 in November. Despite the decline in traffic volume, profit increased 33% compared with 2004. CITIC Pacific is a controlling shareholder in the road tunnel with a 71% interest, and has a 50% interest in the rail tunnel.

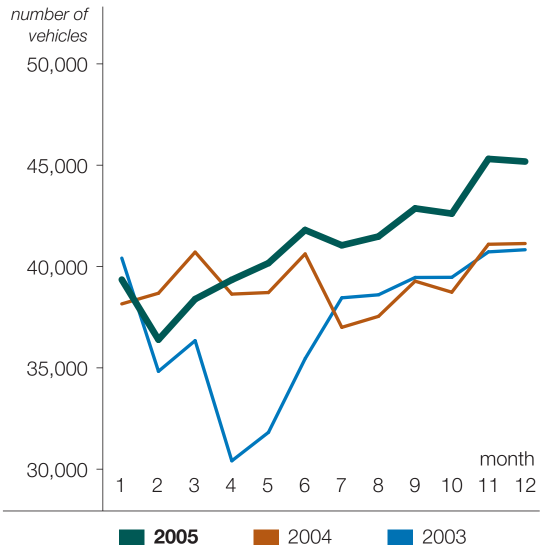
Eastern Harbour Tunnel Average Daily Traffic



Western Harbour Tunnel ('WHT') (www.westernharbourtunnel.com) is a key section of the Route 3 highway which links Hong Kong Island to mainland China and Chek Lap Kok Airport. CITIC Pacific's shareholding is 35%. Fuelled by the recovery of the Hong Kong economy and increasing number of mainland tourists, average daily traffic in 2005 registered a 5% increase to 41,188 vehicles. Combined with the toll increase in July of 2004, profit in 2005 has greatly improved. However, WHT's traffic growth is limited by the delay in the completion of access roads, particularly the Central-Wanchai bypass, and competition from the low tolls at the government-owned Cross Harbour Tunnel.

CITIC Pacific also has a 35% interest in the company that has managed the **Cross Harbour Tunnel** under contract from the government since September 1999, which will expire in 2006.

Western Harbour Tunnel Average Daily Traffic

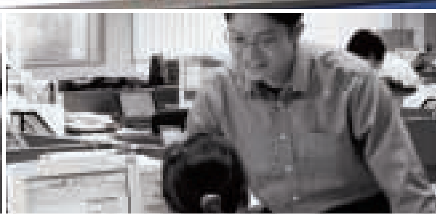


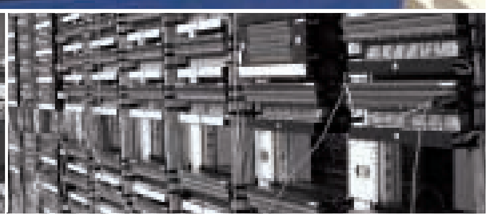
Entrance of Western Harbour Tunnel

Environmental

CITIC Pacific has an interest in four waste treatment facilities in Hong Kong, including a chemical waste treatment plant and two refuse transfer stations, with a total of 4,000 tonnes of daily waste processing capacity and a landfill site with a 43 million cubic metre capacity. In 2005, a total of 4 million tonnes of waste was processed, the same as 2004.

In Shanghai, a joint venture between CITIC Pacific, Veolia Environmental Services (formerly Onyx) and Shanghai government is responsible for the design, construction, operation and maintenance of the **Phase 4 of Laogang Municipal Waste Landfill** for 20 years. Commercial operation commenced in December 2005.





Office of CITIC Telecom 1616

CITIC Pacific focuses on providing value added services to customers. These services include IDD wholesale, Virtual Private Network and other e-commerce related activities such as Internet games.

Communications

	Location	Ownership
CITIC Telecom 1616	Hong Kong	100%
CPCNet	Hong Kong	100%
CITIC Guoan	Beijing	50%
CTM (Macau Telecom)	Macau	20%

in HK$ million	**2005**	2004
Turnover	**1,219**	1,449
Contribution	**(31)**	133
Proportion of total contribution	**(1%)**	3%
Net assets	**2,218**	2,525
Capital expenditure	**134**	177

CITIC Pacific's communications businesses include IDD wholesale and data services, Macau Telecom, a full service telecommunications operator and others that focus on providing value-added services.

IDD Wholesale and Data Services

CITIC Telecom 1616 (www.citic1616.com) is a leader in Asia's IDD wholesale market, interconnected to more than 200 international telecom and mobile carriers in over 80 countries. It is also a wholesale service provider for Short Message Data and Outsourcing services. In 2005, 1616 handled approximately 3,172 million minutes of IDD traffic of which 60% was destined for mainland China where its primary customers are China Unicom, China Mobile and China Telecom.

CPCNet Hong Kong (www.cpcnet.com), a telecommunications carrier, provides Internet services to corporate customers in the Greater China area. Its main product, 'TrueConnect', is the first Multiprotocol Label Switching based Internet Protocol Virtual Private Network built in Greater China. The business performed satisfactorily in 2005 and is now profitable. During 2005, much effort was put into seeking carrier partners in particular those in the Tier-1 category and expanding the customer base.

CTM

20% owned by CITIC Pacific since 1991, Companhia de Telecomunicacoes de Macau ('CTM') (www.ctm.net) is the provider of choice of fixed line, mobile telephone and Internet access services to the people of Macau SAR. Profit for 2005 rose 39% over 2004 due to healthy growth of the economy in Macau. At the end of 2005, Macau Telecom had 46% of the mobile phone market, its Internet customer base expanded by 15% and its total IDD outgoing traffic also increased by 53%.

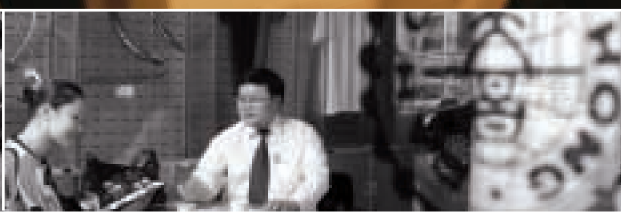
CITIC Guoan

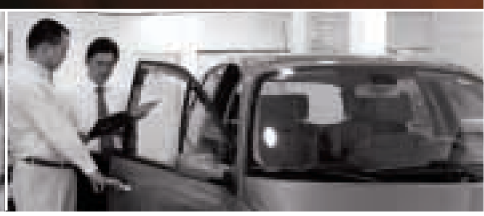
CITIC Guoan's primary business is its 50.3% interest in **CITIC Guoan Information Industry Co., Ltd.** ('Guoan Information'), a Shenzhen Stock Exchange listed company whose primary business is operating cable TV networks in mainland China. At the end of 2005, Guoan Information had approximately 5.8 million subscribers in 18 cities. In addition to its CATV networks, Guoan Information also has interests in system integration and software development.

In January 2006, shareholders of Guoan Information approved a share reform plan in which 3.2 non-freely transferable shares in the company will be given to each holder of freely transferable shares of Guoan Information for every ten freely transferable shares held by such holders. As a result, all shares will become freely transferable on the Shenzhen Stock Exchange and CITIC Guoan's interest in Guoan Information has been reduced from 62% to 50.3%.

E-Commerce

CITIC Pacific's cooperation with All-China Sports Federation and The Chinese Olympic Committee continues to focus on developing business models. Our Internet games business continues to focus on developing new games to attract more players.





Dah Chong Hong
Car Show Room
in Shanghai

Through Dah Chong Hong and Sims, CITIC Pacific distributes motor vehicles, consumer and food commodities, household and branded products in Hong Kong and mainland China. The Group also partners with brand owners to provide total logistics solutions.

Marketing and Distribution

	Location	Ownership
Dah Chong Hong	Hong Kong	100%
Sims Trading	Hong Kong	100%

in HK$ million	**2005**	2004
Turnover	**10,984**	12,078
Contribution	**232**	284
Proportion of total contribution	**6%**	7%
Net assets	**3,636**	3,708
Capital expenditure	**200**	203

Dah Chong Hong (www.dch.com.hk) is a major distributor of motor vehicles and consumer and food commodity products with substantial operations in Hong Kong and mainland China, and businesses in Japan, Singapore and Canada.

In recent years, DCH has utilized its strengths in marketing and distribution to develop synergic businesses in manufacturing and logistics in the Pearl River delta area.

Motor Vehicle Trading

in HK$ million	**2005**	2004
Turnover	**5,559**	6,730
Contribution	**146**	148

Hong Kong Motor Vehicle Sales

		Units Sold	
Type	Brands	**2005**	2004
Passenger	Acura, Audi, Bentley, Honda, Nissan, Opel, Saab, Volkswagen	**6,501**	5,539
Commercial	DAF, Isuzu, MAN, UD Nissan Diesel	**2,938**	2,931

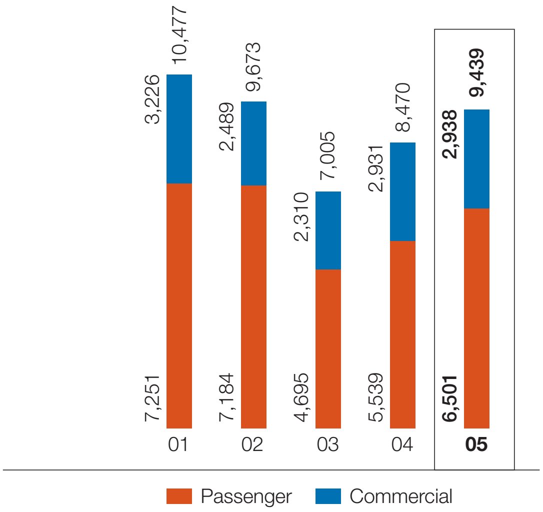
DCH Motor is one of the largest distributors of motor vehicles with a 29% market share in 2005. It distributes a wide range of vehicles.

In 2005, the overall motor vehicle sales volume in Hong Kong softened slightly by 1% after a strong recovery in 2004. Higher interest rate dampened demand for new cars. DCH performed well above the market with an 11% increase in vehicle sales. Passenger car sales rose 17% while those of commercial vehicles maintained 2004's level. As a result, DCH's market share increased by three percentage-points to 29%.

In addition to selling motor vehicles, a big part of DCH's business is providing an extensive range of motor related services such as after sales service and inspection, parts retail and distribution, leasing and fleet management, and aviation ground supporting services. DCH Motor Service Centre in Kowloon Bay is the largest of its kind in Hong Kong.

DCH Vehicle Sales in Hong Kong

Units



Mainland China Motor Vehicle Sales

Type		Brands (DCH & partners)	Units Sold 2005	2004
Passenger	Imports:	Bentley, Honda, Nissan, Opel, Renault	**618**	3,574
	Domestic:	Beijing Hyundai, Guangzhou Honda, Hainan Mazda, Dongfeng Nissan, FAW Toyota, SGM	**7,136**	4,051
Commercial	Imports:	Isuzu, Iveco, UD Nissan Diesel, MAN	**515**	3,404
	Domestic:	Qingling, Dongfeng Nissan Diesel, Naveco	**1,140**	1,498

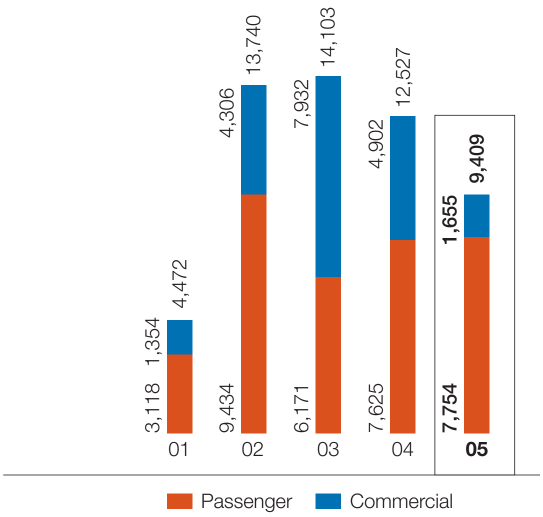
DCH distributes both imported and domestically manufactured vehicles through local partners, where unlike Hong Kong, most distributorships are not exclusive.

In 2005 overall sentiment in mainland China's motor vehicle market improved with total vehicle sales reaching 5.7 million units, an increase of 14% compared with 2004. The growth in passenger car sales was particularly strong, helped by dealers' aggressive price cutting.

2005 saw many changes in the development of the motor vehicle market in mainland China. It was the first year after the abolition of the import quota system. New regulations were also being implemented, and one stipulates that the wholesale distribution of imported vehicles must be exclusively handled by one wholesaler per brand – now mostly controlled by brand owners. This certainly affected DCH's import car sales. This factor, combined with delayed Isuzu truck imports due to new import requirements, resulted

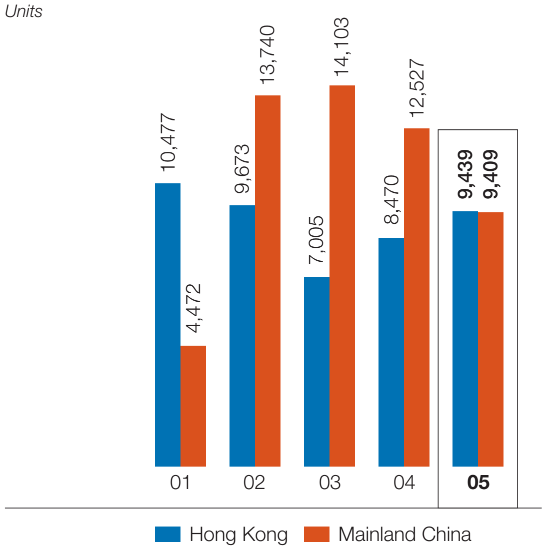
DCH Vehicle Sales in Mainland China

Units



DCH Vehicle Sales in Hong Kong vs Mainland China

Units



in DCH's vehicle sales in mainland China decreasing by 25% in 2005 compared with 2004. In order to achieve continuous growth, DCH has accelerated the development of its domestic vehicle dealership network with the support of local partners. Five dealership shops were acquired in 2005 including two new brands: FAW Toyota and SGM. Such effort has paid off as the sales of domestic brands rose 49% in 2005.

Mainland China continues to be the focus of future development of DCH's motor vehicle business. China is now the third largest motor vehicle market in the world and is becoming an integral part of the global production system of all major international brands. Domestically manufactured international brands now dominate the China market as almost all major manufacturers in the world have developed production capacities in the mainland and some also invested in long-term R&D facilities. As a result, total vehicles exported (complete built-up units and vehicle chassis) from mainland China reach a record high of over one million units in 2005, an increase of 1.7 times from 2004. This demonstrates China's potential as a motor vehicle exporter in the years to come.

Looking ahead, mainland China's auto market will become more mature and more in line with major markets in the world as the country continues to open up according to WTO requirements. To pave the way for future business growth and competition, DCH will continue to expand its distribution networks in China while devoting efforts to enhance its management system and service quality.

Non-Motor Trading

in HK$ million	**2005**	2004
Turnover	**5,425**	5,348
Contribution	**86**	136

The non-motor trading business includes DCH and Sims. **DCH** distributes in Hong Kong, Macau and mainland China consumer and commodity food products including frozen meat, rice and cereal, edible oils and Chinese foodstuffs, cosmetics, home electrical appliances and audio visual equipments. **Sims** (www.simshk.com) specializes in the distribution of branded food, beverage, household and healthcare products in Hong Kong, Macau, and mainland China for the retail and catering markets. The brands represented by Sims include Pocari Sweat, Ovaltine, Almond Roca, Barilla, Heinz for the Hong Kong market and Ferrero, Pringles, Wyeth, UHA, Campbell, Almond Roca, Smirnoff, Guinness and Bailey's for the mainland China market. Sims provides third party logistics services to major companies such as Seven Eleven, Heineken, Pizza Hut and Reckitt Benckiser.

Hong Kong and Macau: DCH has a well-diversified product portfolio which enables it to spread business risks. An excellent example is the Shiseido DCH cosmetics business which expanded its distribution networks aggressively on the back of the improving Hong Kong economy and the increasing number of mainland tourists in the territory. As a result, it achieved record profits in 2005. The solid performance of the cosmetics business reduced the negative impact caused by the food trading business due to import bans on different types of meat caused by various animal diseases. In 2005, DCH also captured the opportunities created by the booming Macau market by setting up a joint venture company to develop logistics and food distribution businesses for the wholesale sector, and a food service business for the hotel and casino sectors.

Mainland China: While taking advantage of their traditional and unique brands to cater to different market sectors, the logistics support platform of DCH and Sims have become increasingly integrated. In 2005 much progress has been made in transforming the business from being solely distribution to becoming a business partner with principals in manufacturing and logistics services. We are now able to manage the entire supply chain of business partners and customers to provide them with total solutions.

An example of this is the commencement of the Xinhui production/processing and logistics centre with bonded warehouse facilities located in the Western Pearl River delta area. In late 2005, Sims, together with Otsuka (China) Investment Co., Ltd formed a joint venture in Xinhui producing Pocari Sweat for China and the overseas market. An edible oil storage and processing plant is scheduled for opening in the first half of 2006. DCH is also providing one-stop Supply Chain Management ('SCM') solution to multinational electrical appliances brand-owners based on our affiliated manufacturing facilities and our logistics support service within the Guangdong Province. Going forward, the businesses will continue to focus on partnering with major international brands to engage in manufacturing and marketing in the China market, supported by a well-established logistics network. Additional resources will also be committed to further strengthen DCH and Sims' presence in the fast growing SCM market in the Pearl River delta area.

Other Business

CITIC Capital Markets

50% owned by CITIC Pacific, CITIC Capital Markets Holdings ('CCMH') (www.citiccapital.com) was set up in 2002 as a China-focused financial services platform to leverage off the vast resources, networks and experience of CITIC Group in mainland China and overseas, to capitalize on the growing opportunities in cross border investments and capital flows. Over the past three years, CCMH has been active in both equity and debt capital markets, leading and participating in a series of major transactions. Its asset management and private equity businesses in particular have performed well with strong growth in assets under management and the number of funds launched and managed.

In order to take full advantage of the opportunities brought forth by the gradual convergence of the equity capital markets business in mainland China and Hong Kong, CCMH announced a restructuring plan in January 2006 in which, subject to approval by the relevant authorities, CCMH will form a Hong Kong based joint venture (the 'JV') with CITIC Securities. The JV will acquire CCMH's existing equities businesses including IPO-based corporate finance, equity capital markets, brokerage and research to integrate with CITIC Securities' successful equities business in mainland China. CCMH will, going forward, focus on further developing its principal businesses of asset management, private equity investment, corporate advisory and mezzanine and structured finance.

CCMH also has agreed, subject to approval by the relevant authorities, to take a 35% stake in CITIC Trust, one of the three leading trust companies in the mainland. CITIC Trust's platform and capabilities will complement the investment and asset management focused business model of CCMH, and together, the two entities will be able to better service and cater to both domestic and international investors.