Special Steel and Iron Ore Mining

With an annual production capacity of seven million tonnes, CITIC Pacific Special Steel is a leader in the manufacturing of special steel in China. Major products are used in the making of bearings, gears and seamless steel pipes. With the aim to ensure constant supply of iron ore, one of the major raw materials used in the steel making process, CITIC Pacific is undertaking to mine iron ore in Western Australia.

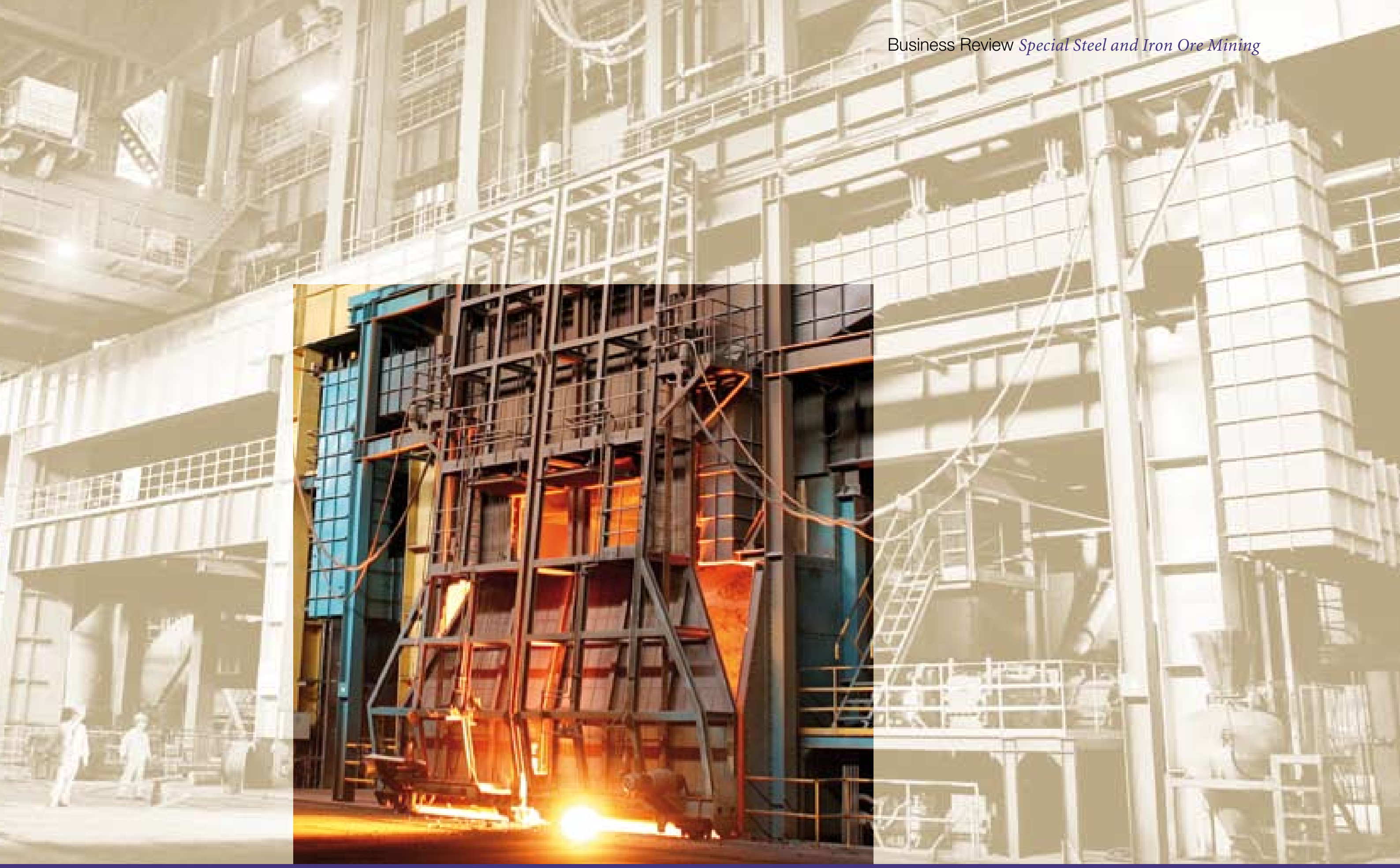
Special Steel

HK$ million	**2006**	2005
Turnover	**15,278**	12,160
Contribution	**1,333**	808
Proportion of total contribution	**17%**	20%
Net assets	**9,129**	5,781
Capital expenditure	**3,674**	2,063

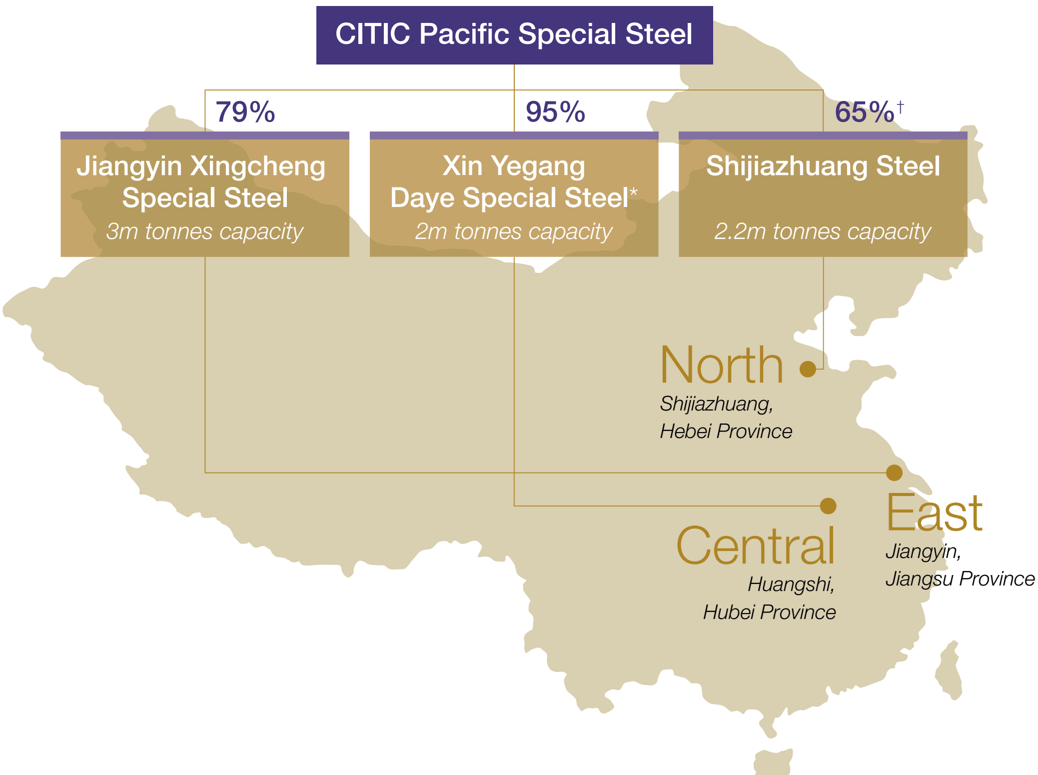
CITIC Pacific Special Steel's ('CP Special Steel') profit increased 65% in 2006 compared to 2005 due to a first time contribution from the Shijiazhuang Steel Mill in the second half of the year, strong growth in exports and increased production. An improved product mix and synergies created from better coordination of raw material purchasing, product sales and marketing also contributed to the profit increase.

In 2006, CP Special Steel sold a total of 5.9 million tonnes of special steel, a 60% increase from 2005. This was due primarily to the acquisition of the Shijiazhuang Steel Mill, which became a member of the Group in July 2006. Exports rose 98% to 725,962 tonnes. Excluding Shijiazhuang Steel, the increase in sales was 6.5%, and the increase in exports was 33%. All three plants operated at close to full capacity.

CP Special Steel, with production capacity of over seven million tonnes, is the largest manufacturer in China of special steel that is used in the making of bearings, gears, springs and steel pipes. The locations of the three steel plants, Jiangyin Xingcheng Special Steel, Xin Yegang Steel and Shijiazhuang Steel, are ideal for market coverage of Eastern, Central and Northern China.



Converter of Jiangyin Xingcheng Special Steel



* CITIC Pacific owns 56.6% of Daye Special Steel

† Ultimate shareholding after the registered capital expansion awaiting PRC government approval

Key products of CITIC Pacific Special Steel*

products	2006 market share	production ('000 tonnes) 2006	2005
Alloy tube blank	77%	**575**	557
Alloy spring steel	59%	**385**	326
Gear steel	42%	**716**	560
Bearing steel	31%	**604**	410

** Includes full year production of Shijiazhuang Steel in which CITIC Pacific had no equity interest until July 2006. Statistics from China Special Steel Enterprises Association, and include only registered enterprises.*

Our products are sold to these industries

industries	2006 sales ('000 tonnes)	percentage
Auto components	2,159	37%
Industrial manufacturing	1,372	23%
Metal works	1,030	17%
Power generation	440	8%
Oil and petrochemical	369	6%
Others	237	4%
Railway	185	3%
Shipbuilding	80	1%
Construction	67	1%
Total	5,939	100%

In 2006, the price of special steel products in China declined on average compared with 2005, mainly due to excess capacity in lower quality products. However, for higher quality products, pricing remained firm. Pricing of CP Special Steel's products reflected the overall market trend.

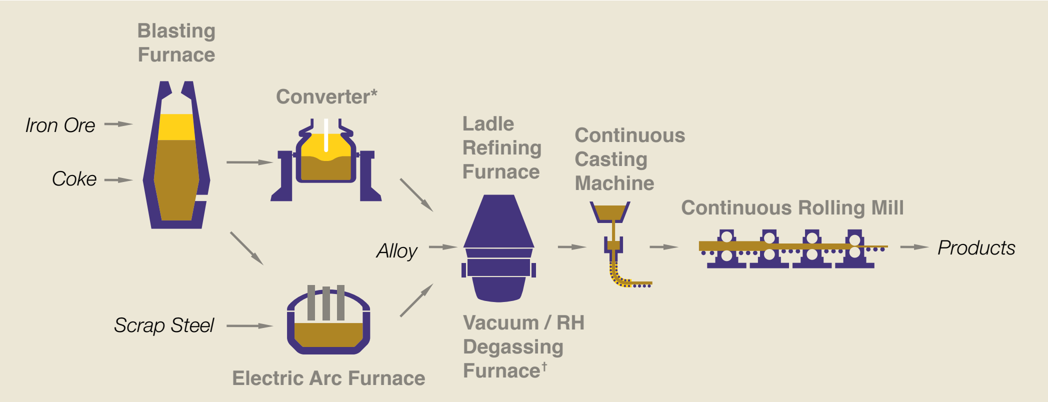
The key to the success of CP Special Steel in a challenging market is the effort management has placed on building brands, and assuring consistent high quality of its products. Jiangyin Xingcheng Special Steel and Xin Yegang are two well recognized and respected brands in China's special steel market. Many of their products are certified by worldwide users such as SKF (Sweden), FAG (Germany), and Caterpillar (United States). Strong brands and trusted product quality are essential in the market's continued demand for CP Special Steel's products. The construction of a new production line at Jiangyin Xingcheng, in co-operation with Sumitomo Metals of Japan, will be completed by the end of the first half of 2007. It will produce premium quality steel for auto components that will be a substitute for similar products that are currently imported. As a result, overall product quality will further improve.

In addition, management's effort in assessing market needs, anticipating and forecasting future demand has also benefited CP Special Steel. 236% growth in the production of steel used in the fast growing railway industry was the result of such effort. Coordinated effort among the three plants in sales and marketing also proved to be important.

To manufacture special steel, essential raw materials such as iron ore, coke, scrap steel, and alloy are used in a process that employs a blasting furnace, either a converter or an electric arc furnace, a ladle refining furnace and a vacuum degassing furnace. This is followed by an efficient continuous casting and rolling process, which is a technology used by all three of CP Special Steel's plants.

Major raw material prices in 2006 remained at high levels. CP Special Steel mainly purchased its scrap steel from the domestic Chinese market. Iron ore was primarily imported from the three major producers – BHP Billiton and Rio Tinto in Australia and CVRD in Brazil, while some was also sourced from India and locally. Even though the FOB price of iron ore supplied to the Asian market that is set by major Australian and Brazilian exporters rose 19.5%, increased Chinese domestic supply and the lower cost of sea freight meant that the overall cost of iron ore did not rise as much. Prices of other raw materials such as scrap steel, coke and alloy declined slightly. For CP Special Steel's three plants, raw material prices in 2006 were lower relative to 2005 due to the above mentioned reasons. Increased direct imports of iron ore from overseas suppliers was another factor.

Special steel manufacturing process



* Xin Yegang does not use a converter
† Shijiazhuang Steel Mill does not use RH degassing

Consumption of major raw materials

type	2006 ('000 tonnes)	percentage
Iron ore	8,248	57%
Scrap steel	1,896	13%
Coke	1,961	14%
Coal	2,111	15%
Alloy	204	1%

Jiangyin Xingcheng Special Steel ('Jiangyin Xingcheng'): With production capacity of three million tonnes, Jiangyin Xingcheng is a leader in China, manufacturing high-grade special steel used in bearings, gears, springs and high-pressurized tubes. Located in Jiangsu Province, it is strategically situated next to the Yantze River with two 50,000 tonne wharfs, providing efficient transport of its raw materials and finished products.

The plant is equipped with advanced and modern technologies. Its new production line, built in partnership with Sumitomo Metals Kokura of Japan, employs cutting edge technology with the most advanced equipment. Its high-end products will be a substitute for similar products currently imported for use in the manufacturing of auto components. The line is partially operational and will be fully completed by the end of the first half of 2007.

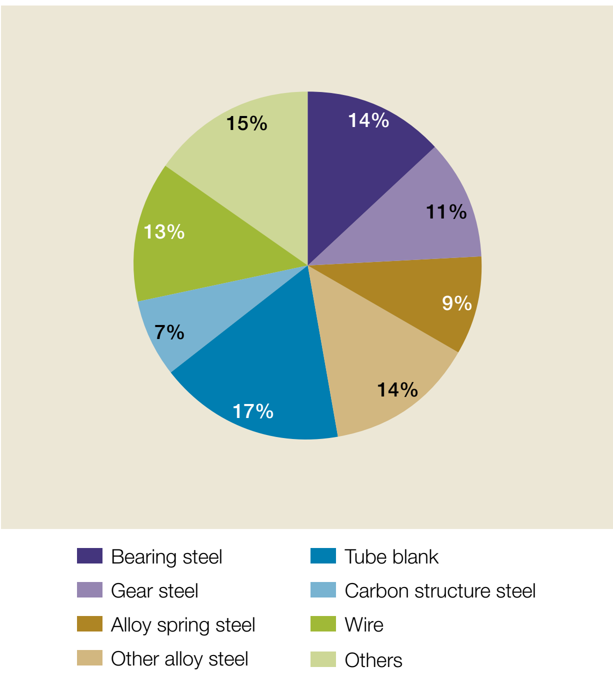
In 2006, Jiangyin Xingcheng sold a total of 2.2 million tonnes of steel, an increase of 17% over 2005. Exports were 304,812 tonnes, a 22% growth. Many of the products have received certification from renowned users worldwide, such as SKF, FAG, and Caterpillar.

Xin Yegang Steel ('Xin Yegang'): Xin Yegang has production capacity of two million tonnes, which includes the capacity of Daye Special Steel, an A-share company in which CITIC Pacific effectively holds a 56.6% interest. Its products include bearing steel, gear steel, spring steel, alloy structure steel, carbon structure steel and seamless steel tubes that are used in the auto, oil, petrochemical, power and industrial manufacturing sectors.

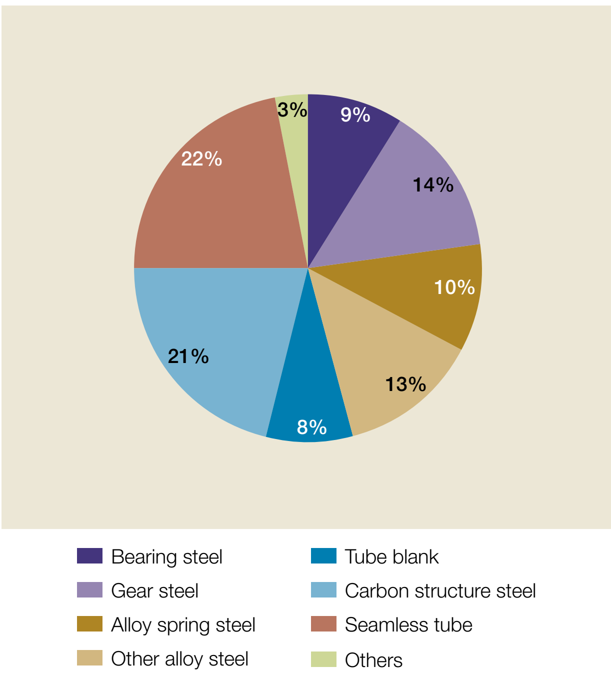
Located in the city of Huangshi in Hubei Province, it is the oldest steel plant in China, dating back to 1908. It is located next to the Yangtze River, with three 5,000 tonne wharfs enabling it to enjoy an advantage in transportation.

In 2006, Xin Yegang sold 1.7 million tonnes of products, a 4% decline from 2005 due to approximately two months of regular maintenance of certain equipment. Exports grew 57% to 181,036 tonnes. One of Xin Yegang's main products, seamless steel tube, continued to achieve excellent returns supported by strong demand. Its production is now 22% of Xin Yegang's product portfolio and is expected to expand further.

Jiangyin Xingcheng Special Steel's products



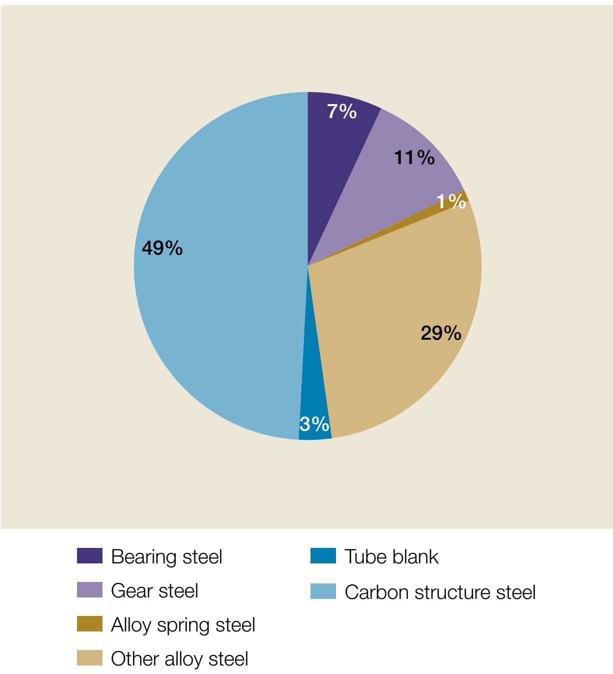
Xin Yegang Steel's products



Shijiazhuang Steel Mill ('Shijiazhuang Steel'): Located in the city of Shijiazhuang in Hebei Province, Shijiazhuang Steel benefits from the efficient transportation network around Beijing and Tianjin. Established in 1957, Shijiazhuang Steel is now a manufacturer of special steel with a production capacity of over two million tonnes. Its main products, including bearing steel, gear steel, alloy structure steel, carbon structure steel and tube blank, are supplied mainly to the auto component and oil industries.

In July 2006, the Shijiazhuang Steel became a member of the CITIC Pacific Special Steel group. Its performance has improved significantly since then with improvements in product quality, direct sales and marketing. Its new rolling line will further upgrade product quality. The central government's plans for supporting the Bohai Economic Development Zone is expected to trigger a new wave of industrial activity in the region, and Shijiazhuang Steel is well positioned to take advantage of this. Total sales for 2006 were two million tonnes, an 11% increase over 2005. Profitability increased 177%.

Shijiazhuang Steel Mill's products



Looking ahead: The market for special steel in China has been growing steadily with balanced demand and supply supported by not only domestic demand but also international users. The latter is evident in the sharp increase in exports of CP Special Steel in 2006. In 2006, production of special steel was about 10% of total Chinese steel production of 466 million tonnes. This compares to an average 15–20% in industrialized countries. Demand is from fast growing sectors such as auto, shipping, industrial manufacturing, power generation and railways. As the Chinese economy continues to grow, there is little doubt that more special steel will be needed.

Over the past year, CITIC Pacific has spent much effort setting up infrastructure to further integrate the three steel plants under the CP Special Steel umbrella in order to improve management, product quality and market share. CP Special Steel has also made progress in raw material purchasing and marketing.

Going forward, CP Special Steel aims to become a competitive special steel manufacturer globally, and will work accordingly to improve the quality of its products and services. CP Special Steel will also explore opportunities in down stream products in order to achieve vertical integration. Management is confident that CP Special Steel will continue to be a leader in China's special steel sector.

Iron Ore Mining

HK$ million	**2006**	2005
Net assets	**1,852**	–
Capital expenditure	**1,754**	–

CITIC Pacific's three steel plants currently consume approximately eight million tonnes of iron ore annually. In order to secure a stable supply of iron ore for the steel business, CITIC Pacific acquired from an Australian company 100% of a mining right to one billion tonnes of magnetite ore, with rights and options to a further five billion tonnes. The reserve is located in the Pilbara region of northern Western Australia, near the mouth of the Fortescue River. Cape Preston is the name of a point on the coastline about 25km from the inland site of the mine.

Structure of mining rights

	Stage One	Stage Two	Stages Three – Six
Assets	Right to mine 1bn tonnes of iron ore	Right to mine 1bn tonnes of iron ore	Options to mining rights to 4bn tonnes of iron ore subject to proceeding with Stage Two
Status	Proven & approved by the Australian Government	To be proven. Extensive drilling/assessment to be completed by June, 2007	Resources to be proven
Consideration	Paid	Obligated to pay once resources proven	Obligated to pay once resources proven and options exercised
Acquisition cost	USD215m paid	USD200m (adjusted by Australian CPI) not yet paid	USD800m (adjusted by Australian CPI) not yet paid
Planned production capacity of processed ore	12mt per annum	12mt per annum	12mt per annum for each 1bn tonnes of iron ore
Production target	2009/2010	2010/2011	–

The right to the first billion tonnes (Stage One) of reserves received approval from the Australian government in June 2006, and the project ('Cape Preston Iron Ore Project') was granted Major Project Facilitations status in December 2006. This was a significant milestone and will be extremely helpful in the project's development.

Additional drilling and tests are being carried out to confirm another one billion tonnes of reserves (Stage Two). This work is expected to be completed in June 2007. Once proven, CITIC Pacific will be under obligation to pay US$200 million for the right.

CITIC Pacific's plan is to sell at cost part of Stage One and Two to partners who will be major users of iron ore in China. Negotiations with potential partners are progressing and are expected to be completed by mid 2007. CITIC Pacific will take the lead managing the project. According to the current plan, the first shipment from Stage One is expected to be in 2009, with full production in 2010.

The project company, CP Mining Management Pty Limited, was incorporated in Australia in May 2006. An experienced Chief Executive and other senior personnel have been appointed. Offices in both Beijing, China, and Perth, Western Australia have been established and are now working closely together.

Magnetite is a ferromagnetic form of iron ore. It is low in iron content and needs to be processed further into concentrate or pellets, which can then be used as raw material in the steel manufacturing process. The estimated conversion ratio of magnetite ore to concentrate/pellet is 3.4 to 1 for the Cape Preston Iron Ore Project. This translates into an annual production of concentrate of 12 million tonnes over an expected mine life of 25 years.

Despite the requirement for processing, the ore body of this project is attractive as it is near the surface and with low variability. In addition, the project is located within close proximity to a natural gas supply line and will be just 25 km from a planned port. Therefore a rail line and train unloading facilities are not required and this should reduce the cost. A slurry pipeline will be built to transport the concentrate. The project will also benefit from China's position as the world leader in magnetite ore processing technology.

In January 2007, CITIC Pacific signed a general construction contract for US$1.1 billion with the China Metallurgical Group Corp. ('MCC') under which MCC is responsible for the project's infrastructure development. This will include the design, construction and installation of the primary crushing plant, concentrator, pellet plant, material handling system, camp and other auxiliary infrastructure facilities. It also includes procurement of certain mining equipment. Other infrastructure such as a dedicated power station and a desalination plant will be negotiated separately. Based in Beijing, MCC is a construction company that has extensive experience and expertise in similarly large scale iron ore projects in China, Brazil, Iran and Venezuela. MCC has already established an office in Australia.

The success of this project will bring significant economic benefits to CITIC Pacific's special steel business – ensuring a stable supply of this essential raw material, and also, providing a natural hedge to the Group's overall profitability.

Exploration drilling at the Cape Preston Iron Ore Project, Pilbara area of Western Australia

Property

CITIC Pacific, with its experience and expertise in building and managing properties, is increasingly focusing its effort on mainland China where the Group has a large high quality land bank.

The New Westgate Garden

HK$ million	**2006**	2005
Turnover	**8,320**	1,409
Contribution	**2,035**	1,106
Proportion of total contribution	**25%**	28%
Net assets	**20,299**	21,766
Capital expenditure	**2,873**	2,526

Over the past few years, CITIC Pacific has been increasingly focusing on developing properties in mainland China. The Group's property team has extensive experience in building and managing medium and large-scale residential, commercial and hotel projects. CITIC Pacific has a large quality land bank mainly in Shanghai, major secondary cities of the Yangtze Delta area and on Hainan Island.

At the end of February 2007, the Group has approximately 7.8 million square metres of land that can be developed into about 3.3 million square metres of gross floor area over the coming years. In addition, CITIC Pacific is also the prime developer for a site on Hainan Island.

Properties in mainland China

	usage	ownership	approx. site area (sq. metre)	approx. GFA (sq. metre)	expected completion date
Investment Property					
CITIC Square, Shanghai	Commercial	100%	14,500	109,000	Completed
Royal Pavilion, Shanghai	Serviced apartment	100%	8,800	35,000	Completed
The New Westgate Garden, Retail portion (Phase I), Shanghai	Retail	100%	32,900	16,000 (includes basement)	Completed
Development Property					
New Westgate Garden, Shanghai	Residential	100%			
Phase I			32,900	41,000*	Completed
Phase II			35,300	137,000	2011
Qingpu Residential Development, Shanghai	Residential, hotel, commercial	100%	617,500	438,000	2008 to 2011
Lu Jia Zui Financial District Project, Shanghai	Commercial, hotel, residential	49%	251,400	847,000	2010 to 2015
Jiang Dong District Ningbo, Zhejiang Province	Commercial	99.3%	39,500	98,000	2008 to 2009
Yangzhou, Jiangsu Province	Residential, commercial	100%	328,600	437,000	2008 to 2010
Jiangyin, Jiangsu Province	Residential, commercial	56%	87,200	140,000	2009 to 2010

continued on next page

Properties in mainland China *continued*

	usage	ownership	approx. site area (sq. metre)	approx. GFA (sq. metre)	expected completion date
Development Property					
Binhu District Wuxi, Jiangsu Province	Residential, commercial	70%	2,110,300	240,000 (Phase I)	In phases from 2008 onwards
Shenzhou Peninsula Wanning, Hainan Province	Hotel, retail, residential	80%–99.9%	4,280,400	919,000	In phases from 2008 onwards
Site at Sichuan Beilu Station of Metro Line No. 10, Hongkou, Shanghai	Commercial	90%	13,300	53,000	2010

** On sale*
GFA = gross floor area i.e. the total area of permitted construction above ground

Shanghai

Shanghai Lu Jia Zui Financial District Project: This project occupies the last significant prime site in Pudong on the south shore of Huangpu River. Once completed, the project will include commercial, residential, hotels and grade-A office buildings.

CITIC Pacific formed a joint venture with the China State Shipbuilding Corporation to develop the site. CITIC Pacific's interest in the joint venture is 49% and is responsible for managing the project.

The project site, previously used as a shipyard, is about 251,400 square metres and a total gross floor area of about 847,000 square metres is approved to be built. Development of the site will be in phases. Phase I (about 260,000 square metres) will have two landmark office towers, a hotel and serviced apartments. Design work for this phase is in progress while site preparation for the foundation work is underway. Subject to government approval of a building scheme, foundation work for this phase could begin as soon as the third quarter of 2007.

Qingpu Residential Project: Through the end of February 2007, CITIC Pacific had acquired a total of 617,500 square metres of land in the Qingpu District in the western part of Shanghai. This area will be developed into low density residential and commercial buildings with a gross floor area of approximately 438,000 square metres. The approval of the master planning design for the entire development was obtained in October 2006. Foundation work for Phase I (about 10,100 square metres) has been completed, and construction is scheduled to begin in the second quarter of 2007.

The 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 of a future subway station of the new Metro Line 8.

Shanghai Lui Jia Zui Financial District Project

Phase I (gross floor area of 127,000 square metres) was completed in June 2006, and, through the end of February 2007, 68% of the residential units had been sold. Phase II will commence after the remaining site is cleared.

Once completed, this project, with a gross floor area of approximately 264,000 square metres, will include residential towers, a multi-storey commercial complex with retail shops, and a basement car park.

Sichuan Beilu Station of Metro Line No. 10, located in Hongkou District, is situated above the Sichuan Beilu Metro Station currently under construction. The development has an area of about 13,300 square metres and will be an office and retail complex with a gross floor area of about 53,000 square metres.

CITIC Pacific and Shanghai Shentong Metro Assets Management Co. jointly acquired the site in January 2007. The design of this property will take advantage of the pedestrian flow generated by the Sichuan Beilu Metro Station. Preliminary design is underway, and completion of the development is planned for 2010, which should coincide with the operational launch of Metro Line No.10.

CITIC Square, 100% owned by CITIC Pacific, is a Grade A office tower in Nanjing Xi Lu. It has an occupancy rate of 100% and rentals have been rising steadily.

Royal Pavilion, 100% owned by CITIC Pacific, is a luxury serviced apartment with 86% occupancy and stable rental income.

Other Cities

In **Ningbo**, Zhejiang Province, CITIC Pacific is building a commercial office and retail project with a total gross floor area of approximately 98,000 square metres. Construction of the superstructure began in March 2007, and completion is expected in 2008–2009.

In **Yangzhou**, Jiangsu Province, CITIC Pacific has 328,600 square metres for the development of a residential and commercial project with a gross floor area of 437,000 square metres. Construction of the Phase I (about 98,000 square metres) superstructure is scheduled to begin in the second quarter of 2007.

In **Jiangyin**, Jiangsu Province, CITIC Pacific and Wuxi Guolian Group are co-developing Jiangyin Xingcheng's old steel mill site in the eastern city centre into a residential and commercial property. The site is approximately 87,000 square metres with a gross floor area of about 140,000 square metres. Design work is in progress and site work is expected to begin in the second half of 2007.

In **Wuxi**, Jiangsu Province, CITIC Pacific and Wuxi Guolian Group have formed a joint venture company to develop a residential and commercial property in the Binhu District. The site, with an area of about 2,110,000 square metres, is located in front of scenic Taihu Lake, and is within 15–20 minutes driving distance from the city centre. The project will be developed in phases. Construction work for Phase I (about 240,000 square metres) is scheduled to begin in the second half of 2007. Site formation work is in progress.

In **Hainan** Province, a resort type real estate project in **Shenzhou Peninsula**, Wanning City is progressing well. The site has a planning area of 38 square kilometres, with four south facing beaches and eight kilometres of scenic coastline. About 16 square kilometres can be developed into a world class resort. As part of a new express railway line along the east coast of Hainan connecting cities of Haikou and Sanya, a railway station will be built in Wanning City which is about five to six kilometres from the Shenzhou Peninsula site. This new express railway line, constructed by the Hainan government with a completion target of 2010, will greatly improve the accessibility of the Shenzhou Peninsula site from Hainan's international airports in Haikou and Sanya.

CITIC Pacific, as the prime developer, is responsible for the overall planning, design, and infrastructure.

Government approval for the conceptual master plan for the whole 38 square kilometres and the detailed master plan for 15 square kilometres were obtained.

Through the end of February 2007, CITIC Pacific had acquired 4.28 square kilometres of land. Design work for Phase I, which consists of hotels, retail space and golf courses, is in progress with site work set to begin in the second half of 2007.

Hong Kong

Discovery Bay, 50% owned by CITIC Pacific, is a large residential development jointly developed with HKR International Ltd. Since its launch in 1973, Discovery Bay has become a fully integrated, self-contained suburban multinational residential community. Situated on the northeastern shore of Lantau Island, and adjacent to the Disney Theme Park, Discovery Bay is endowed with open space. Recreational and leisure facilities include a private beach, central park, scenic promenade, golf courses, and a marina.

The current Yi Pak Bay development is located in the northern part of Discovery Bay. It has a 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). Occupation permit for Chianti (Phase 13), which has a gross floor area of 50,000 square metres, was obtained in April 2006. Sales began in March 2006. Through the end of February 2007, 239 units out of 530 had been sold.

A hotel development of 25,000 square metres of gross floor area at the northern part of Discovery Bay is being planned with construction scheduled to begin in the second quarter of 2007.

CITIC Tower, 40% owned by CITIC Pacific, which serves as the Group's headquarters, is a landmark on the Hong Kong waterfront. It includes 52,200 square metres of offices, retail shops and restaurants. The building is currently 91% occupied. Rentals improved substantially in 2006.

The robust Hong Kong economy has led to an improvement in rentals of CITIC Pacific's other investment properties in 2006.

Properties in Hong Kong

	usage	ownership	approx. GFA (sq. metre)
Investment Property			
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%	50,000
Development Property			
Discovery Bay	Residential township	50%	261,000
including Chianti (Phase 13)			50,000

Aviation

	location	ownership
Cathay Pacific	Hong Kong	17.5%
HACTL	Hong Kong	10%
Air China Cargo	Beijing	25%

HK$ million	**2006**	2005
Cathay Pacific	**941**	911
HACTL	**112**	103
Air China Cargo	**(1)**	44
Aviation restructuring	**2,236**	–
Contribution	**3,288**	1,058
Proportion of total contribution	**41%**	27%
Net assets	**9,843**	12,397

Cathay Pacific (www.cathaypacific.com) is an international passenger and freight carrier based in Hong Kong providing top quality services to 104 destinations around the world. Together with its subsidiaries Dragonair and Air Hong Kong, the Group serves more than 120 destinations with a fleet of 149 aircraft.

In September 2006, Air China, CNAC, Cathay Pacific, CITIC Pacific and Swire Pacific concluded the much anticipated restructuring of the Hong Kong aviation industry. As a result, Dragonair is now a wholly owned subsidiary of Cathay Pacific. CITIC Pacific's interest in the enlarged group has been reduced to 17.5%. The restructuring created one of the strongest airline groups in the world and strengthened Hong Kong and Beijing as twin aviation hubs in the Asia Pacific region. It also provides Cathay Pacific customers access to the world's fastest growing aviation market in China, strengthening Cathay's ability to compete globally.

Cathay Pacific achieved record volume in both passenger numbers and freight volume in 2006. Passengers increased by 8% to 16.7 million. Freight volume increased by 7% to 1.2 million tonnes.

HACTL (www.hactl.com) operates SuperTerminal 1, the largest air cargo terminal in the world. In 2006, it set a new record with total cargo tonnage of 2.6 million tonnes, a 5.3% increase from 2005.

SuperTerminal 1 has a potential capacity of 3.5 million tonnes per annum.

Air China Cargo Co., a joint venture in which CITIC Pacific has a 25% interest, handles all of Air China's international and domestic cargo and related ground service businesses. Total freight volume in 2006 was 817,178 tonnes, an increase of 15% from 2005. At the end of 2006, the Company employed nine freighter planes and used the belly space in Air China's 196 passenger planes to carry cargo.

Power Generation

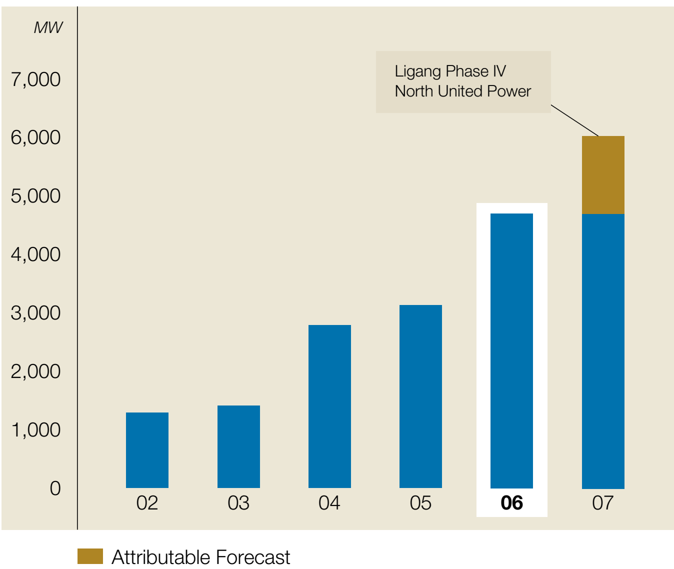
in HK$ million	**2006**	2005
Contribution	**268**	368
Proportion of total contribution	**3%**	9%
Net assets	**6,244**	5,652

In 2006, CITIC Pacific owned a total attributable capacity of 4,800MW, an increase of 50% from 2005 due to the commissioning of **Ligang Phase III** (2 x 600MW) and **Zhengzhou Phase III** (2 x 200MW) at the end of the year.

Total electricity generated in 2006 by all power plants in which CITIC Pacific had an interest was 84 billion kwh, an increase of 10.5% compared with 2005. The increase was due principally to an increase at North United Power. Utilisation rates at most plants experienced a decline as new capacity was added in most regions in China. However, even at reduced utilization levels, most plants operated above their designed utilisation rates.

During 2006, the price of coal increased modestly over 2005. Tariff increases implemented in early July brought much needed relief to power producers. In addition, management at our plants paid much attention to sourcing better quality coal which in turn lowered standard coal prices at most plants. As a result, performance improved and profitability increased compared with last year.

CITIC Pacific's attributable capacity



The reported lower contribution is a result of an impairment loss on Jilin Power Station which CITIC Pacific sold in the second half of 2006 and a loss arising from the share reform of an A-share company within North United Power.

Ligang Phase IV (2 x 600MW) is progressing on schedule with completion targeted for the second half of 2007.

CITIC Pacific's total attributable generation capacity will reach 6,161MW by the end of 2007.

Our team of power professionals continues to work to ensure a stable supply of coal and to improve the efficiency of our plants.

Operational statistics of CITIC Pacific's power plants

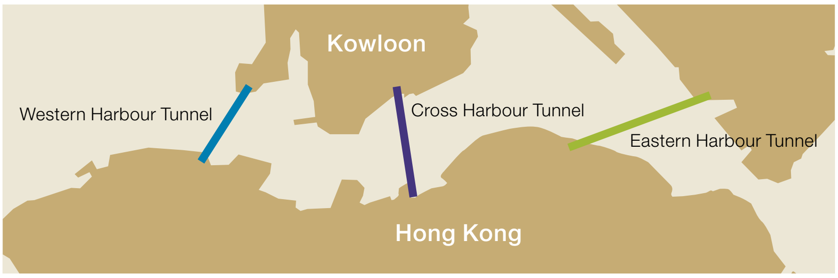
						electricity generated			heat generated		
power plant	location (province)	installed capacity (MW)	% ownership	type	utilisation hours	2006 (m kWh)	2005 (m kWh)	% change	2006 (kGJ)	2005 (kGJ)	% change
Ligang	Jiangsu			Coal fired							
I & II		1,440*	65		5,600	8,064	8,510	-5	NA	NA	NA
III		1,200	71.4		Operation began in late 2006						
Hanfeng	Hebei	1,320	15	Coal fired	6,009	7,931	8,552	-7	NA	NA	NA
Huaibei	Anhui	600	12.5	Coal fired	5,044	3,026	3,671	-18	NA	NA	NA
Kaifeng	Henan	125	50	Coal fired	4,761	595	671	-11	NA	NA	NA
North United	Inner Mongolia	9,988	20	Coal fired	6,490	57,834	47,091	23	43,268	39,417	10
Zhengzhou	Henan			Co-generation							
I & II		600	50		5,546	3,328	3,424	-3	5,082	5,230	-3
III		400	50		Operation began in late 2006						
Hohhot	Inner Mongolia	400	35	Co-generation	6,853	2,741	2,891	-5	2,078	2,129	-2
Weihai	Shandong	36	49	Co-generation	4,317	155	161	-4	3,592	3,323	28
Chenming	Shandong	24	49	Co-generation	7,608	183	194	-6	3,275	3,434	-5

** Additional 40MW were added to Ligang Phase II at the beginning of July 2006*

Civil Infrastructure

	location	ownership	franchise till
Eastern Harbour Tunnel	Hong Kong		
Road		71%	2016
Rail		50%	2008
Western Harbour Tunnel	Hong Kong	35%	2023
Four waste treatment facilities	Hong Kong	20 – 50%	–
Laogang Phase IV Landfill	Shanghai	30%	–

in HK$ million	**2006**	2005
Contribution	**469**	413
Proportion of total contribution	**6%**	10%
Net assets	**2,533**	2,351



The **Eastern Harbour Tunnel** (www.easternharbourtunnel.com.hk) registered an average daily traffic of 61,010 vehicles, a 4.5% decline from 2005.

The **Western Harbour Tunnel** (www.westernharbourtunnel.com) is a key section of the Route 3 highway linking Hong Kong Island with mainland China and Chek Lap Kok Airport. Average daily traffic in 2006 was 44,373 vehicles, an increase of 7.7% over 2005.

CITIC Pacific has a 35% interest in the company that manages the Cross Harbour Tunnel under contract from the government.

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 daily waste processing capacity, and a landfill site with a 43 million cubic metre capacity. In 2006, a total of 3.1 million tonnes of waste was processed.

In Shanghai, CITIC Pacific has an interest in Phase IV of the Laogang Municipal Waste Landfill. A total of 1.8 million tonnes of municipal waste was processed in 2006.

Marketing and Distribution

	location	ownership
Dah Chong Hong	Hong Kong	100%
Sims Trading	Hong Kong	100%

in HK$ million	**2006**	2005
Turnover	**13,222**	10,984
Contribution	**275**	232
Proportion of total contribution	**3%**	6%
Net assets	**4,012**	3,636

Motor Vehicle Trading

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

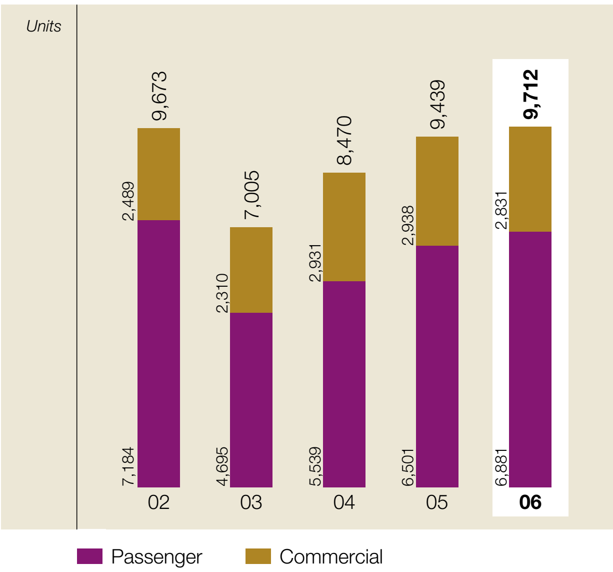
in HK$ million	**2006**	2005
Turnover	**7,738**	5,559
Contribution	**199**	146

Hong Kong Motor Vehicle Sales

With 30% market share in 2006, Dah Chong Hong is one of the largest distributors of motor vehicles in the territory. It distributes a wide range of vehicles:

type	brands
Passenger cars	Acura, Audi, Bentley, Honda, Nissan, Opel, Saab, Volkswagen
Commercial vehicles	Isuzu, MAN, Nissan, UD Nissan Diesel

Dah Chong Hong vehicle sales in Hong Kong



In 2006, Dah Chong Hong's market share increased by 1.2 percentage points, despite an overall decline of 2% in the Hong Kong market for motor vehicles.

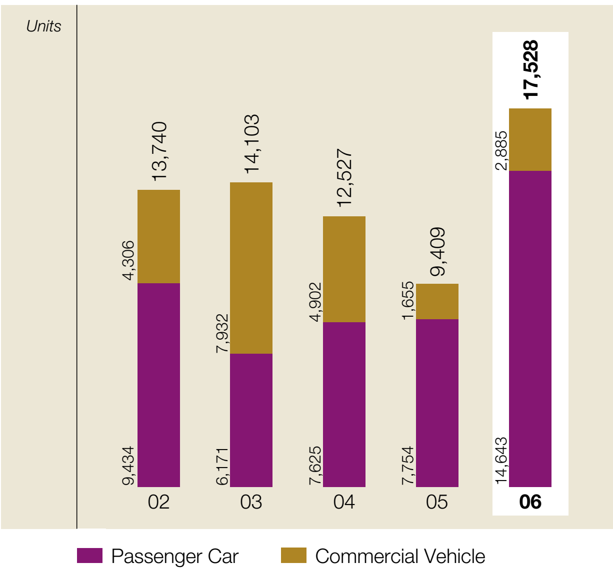
In addition to car sales, DCH Motor is engaged in after-sales service and inspection centre operations, parts retail and distribution, leasing, used-car sales, fleet management, and aviation ground support services. The Dah Chong Hong Motor Service Centre in Kowloon Bay is the largest of its type in Hong Kong.

Mainland China Motor Vehicle Sales

Dah Chong Hong distributes imported and domestically manufactured vehicles through local partners. Unlike Hong Kong, most distributorships are not exclusive in the Chinese domestic market.

type	brands (Dah Chong Hong & partners)	
Passenger cars	Imports:	Bentley, Nissan, Opel, Renault
	Domestic:	Beijing Hyundai, Dongfeng Honda, Dongfeng Nissan, FAW Toyota, Dongfeng Yuda Kia, FAW Audi, FAW Mazda, Guangzhou Honda, Haima, SGM
Commercial vehicles	Imports:	Isuzu, Iveco, MAN
	Domestic:	Naveco, Qingling

Dah Chong Hong vehicle sales in mainland China



China's motor vehicle market grew by 25% in 2006, with sales of over seven million vehicles. The passenger car market grew 30% year-on-year with sales of over five million units. Dah Chong Hong sales increased 86% over 2005. This significant increase was due to expansion of its sales and marketing network as well as to the resumption of its Isuzu import business. During the year, Dah Chong Hong successfully secured six dealerships, raising the total number of vehicle dealerships in mainland China to 24. Among the additions were Mercedes-Benz, FAW Audi, FAW Mazda and Dongfeng Honda.

China's vehicle market has experienced tremendous growth and Dah Chong Hong is committed to the long-term opportunities in China. In the near term however, the market will become increasingly competitive and challenging. With an established network and over 50 years of expertise, Dah Chong Hong is well positioned to cope with the market changes and challenges of the years ahead.

Non-Motor Trading

in HK$ million	**2006**	2005
Turnover	**5,484**	5,425
Contribution	**76**	86

The non-motor trading business includes Dah Chong Hong and Sims. **Dah Chong Hong** distributes in Hong Kong, Macau and mainland China a wide range of consumer and commodity food products including frozen meat, rice, edible oils, and Chinese foodstuffs; as well as cosmetics, home electrical appliances, and audio visual equipment.

Sims specializes in the distribution of branded fast moving consumer goods, including food, beverage, household, and healthcare products for the retail and catering markets. Some of the brands represented by Sims are Pocari Sweat, Ovaltine, Almond Roca, Barilla, and Heinz for the Hong Kong market; and Ferrero, Pringles, Wyeth, Almond Roca, Smirnoff, Guinness, and Bailey's for the domestic Chinese market. Sims also provides third party logistics services to major companies such as 7-Eleven, Heineken, Pizza Hut, Wynn Casino & Resort, Walmart, Unilever, and Lee Kum Kee.

Hong Kong and Macau: Dah Chong Hong's diversified product portfolio enables it to mitigate business risks. In 2006, animal disease had an adverse impact on its food trading business. Yet in its business selling Shiseido cosmetics, it was able to capitalize on a demand surge due to a rebound in the local economy as well as to an expansion of its distribution network. These factors resulted in record performance in both turnover and profits.

Sims also had an encouraging year in 2006. Its logistics services section won the Hong Kong Trade Development Council's 'Hong Kong Logistics Award 2006' and the Global Institute of Logistics' '2006 Best Regional Third Party Logistics Company'. In Macau, Sims is the biggest logistics services provider for Wynn Casino & Resort, and is providing services to a growing number of hotels and casinos.

Mainland China: In 2006, Dah Chong Hong and Sims made significant progress in the transition from just distribution to providing higher value-added services. A joint venture between Sims and Otsuka of Japan for the production of Pocari Sweat for domestic and export sales began operation in Southern China in July 2006. An edible oil storage and processing plant in Xinhui began operations in the same month. In terms of logistics, Sims' bonded and non-bonded warehousing, re-packing, customs clearance, and cargo forwarding establishments in Xinhui began full operations in late 2006 providing a one-stop total supply chain management ('SCM') solution to its principals and third-party customers. The Pearl River delta remains the key region for the further development of Dah Chong Hong and Sims' SCM initiatives but in time will extend to nationwide coverage by linking with the mature operations in Shanghai and Beijing.

Communications

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

in HK$ million	**2006**	2005
Turnover	**1,731**	1,219
Contribution	**367**	(31)
Proportion of total contribution	**5%**	(1)%
Net assets	**2,557**	2,218

CITIC 1616 (www.citic1616.com) is a leading telecom hub based provider in Asia, interconnected to about 240 international telecom and mobile carriers in approximately 50 countries/areas. Over 77% of its traffic is inbound to and outbound from mainland China. In January 2007, the Company applied for a listing on the Hong Kong Stock Exchange, which was approved in March.

Companhia de Telecomunicacoes de Macau ('CTM'), 20% owned by CITIC Pacific, is the provider of choice of fixed line, mobile telephone and Internet access services to the people of Macau SAR.

CITIC Guoan's primary business is its 41.6% interest in CITIC Guoan Information Industry Co., Ltd. ('Guoan Information'), a Shenzhen Stock Exchange A-share listed company. Guoan Information operates cable TV networks in 18 cities and one province in mainland China with over 6 million subscribers. Guoan Information also has interests in systems integration, software development, hotel management, salt lake consolidated resources developement and property development.

CPCNet Hong Kong (www.cpcnet.com) provides Internet services to corporate customers in the Greater China area.