

*interim report 2007*



1	<b>Financial Highlights</b>
2	<b>Major Businesses</b>
3	<b>Chairman’s Letter to Shareholders</b>
5	<b>Financial Review</b>
19	<b>Human Resources</b>
	<b>Financial Statements</b>
20	Consolidated Profit and Loss Account
21	Consolidated Balance Sheet
22	Consolidated Cash Flow Statement
24	Consolidated Statement of Changes in Equity
25	Notes to the Accounts
30	Report on Review of Interim Financial Report
	<b>Statutory Disclosure</b>
31	Dividend and Closure of Register
31	Share Option Plan
35	Directors’ Interests in Securities
36	Substantial Shareholders
38	Share Capital
38	Continuing Disclosure Requirements under Rule 13.22 of the Listing Rules
39	Corporate Governance
40	Definition of Terms
41	Corporate Information

# Financial Highlights

	<b>2007</b>	2006
<i>in HK\$ million</i>	<i>six months ended 30 June</i>	
<b>Profit Attributable to Shareholders</b>	<b>4,968</b>	3,440
<b>Major Businesses' Contribution</b>		
Special Steel	<b>1,123</b>	539
Property	<b>446</b>	1,803
Aviation	<b>420</b>	464
Power Generation	<b>269</b>	(29)
Civil Infrastructure	<b>229</b>	232
Marketing & Distribution	<b>162</b>	132
Communications	<b>1,946</b>	95
<i>Fair Value change of Investment Properties</i>	<b>416</b>	647
<b>Cash Contributed from all Businesses</b>	<b>4,316</b>	8,547
	<b>as at</b>	as at
	<b>30 June</b>	31 December
<b>Capital Employed</b>	<b>73,116</b>	64,803
<b>Shareholders' Funds</b>	<b>51,141</b>	46,510
<b>Net Debt</b>	<b>17,840</b>	14,614
<b>Cash &amp; Available Committed Loan Facilities</b>	<b>23,187</b>	18,371
<i>in HK\$</i>	<i>six months ended 30 June</i>	
<b>Earnings per Share</b>	<b>2.25</b>	1.57
<b>Dividends per Share</b>		
Regular	<b>0.40</b>	0.30
Special	<b>0.20</b>	0.30
<b>Staff</b>	<b>23,989</b>	19,148

Please refer to Definition of Terms on page 40

# Major Businesses

---

*CITIC Pacific has unrivalled experience and expertise in operating businesses in China both on the mainland and in Hong Kong. With the rapid development of the Chinese economy, CITIC Pacific is increasingly focusing its business activities on the mainland of China. Our major businesses are special steel manufacturing and iron ore mining which supplies the raw material needed in the making of special steel, and property development in mainland China.*

---

## Special Steel and Iron Ore Mining

**Special Steel** CITIC Pacific Special Steel, which operates through three steel groups in mainland China with total production capacity of over seven million tonnes annually, is a leader in the manufacturing of special steel used in bearings and gears among others. Its customer coverage reaches Eastern, Central and Northern China.

**Jiangyin Xingcheng Special Steel** is a leader in China specializing in the making of high-grade special steel used in bearings, gears, springs and high-pressurized piping steel. Its new line, in cooperation with Sumitomo Metals of Japan, has the most advanced technology in the industry.

**Xin Yegang** is located in Central China, it has a long history dating back to 1908. Its seamless steel tubes, one of its major products, continues to receive strong demand and remains very profitable.

**Shijiazhuang Steel Mill** became a member of CP Special Steel in 2006. Built in 1957, it is now a manufacturer of special steel with 2.2 million tonnes in production capacity. Its products are mainly supplied to the auto component industry.

**Iron Ore Mining** CITIC Pacific owns the mining rights to one billion tonnes of magnetite iron ore with options to another five billion tonnes in the Pilbara region of Western Australia. The one billion tonnes of ore is capable of producing 12 million tonnes of product annually to supply mainland China and CITIC Pacific's steel groups in particular.

---

## Property

CITIC Pacific's property team has extensive experience in building and managing medium and large scale residential and commercial projects including Shanghai's CITIC Square and The New Westgate Garden, and Hong Kong's CITIC Tower.

In the past few years, the Group has been active in investing in properties in mainland China. Currently CITIC Pacific has a large quality land bank in Shanghai, major secondary cities in the Yangtze Delta area and Hainan Island.

---

# Chairman's Letter to Shareholders

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

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

## Special Steel Manufacturing

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

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

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

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

## Iron Ore Mining

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

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

## Property

Property development in mainland China is one of our core businesses. In the past two years, CITIC Pacific has

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

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

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

During this period, progress has been made on the construction of projects in Ningbo, Wuxi, Yangzhou and Qingpu. We expect to market these projects in phases starting in the fourth quarter of 2007. Our large development in Hainan Island is progressing well. Major infrastructure work, such as roads and bridges, has already begun. Construction on hotels and other related facilities will also commence soon.

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

## Aviation

Benefiting from robust economies in mainland China, Hong Kong and globally, the aviation market remains

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

## Power Generation

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

## Looking to the Future

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

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

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

**Larry Yung Chi Kin**

*Chairman*

Hong Kong, 22 August 2007

## Introduction

CITIC Pacific's 2007 Interim Report includes a letter from the Chairman to shareholders, the interim accounts and other information required by accounting standards, legislation, and the Hong Kong Stock Exchange. This Financial Review is designed to assist the reader in understanding the statutory information by discussing the contribution of each business segment, and the financial position of the company as a whole.

Pages 20 to 24 of the Interim Report contain the Consolidated Profit and Loss Account, Balance Sheet, Cash Flow Statement and Statement of Changes in Equity. Following these financial statements, on pages 25 to 29 of the Interim Report, are Notes that further explain certain figures presented in the statements.

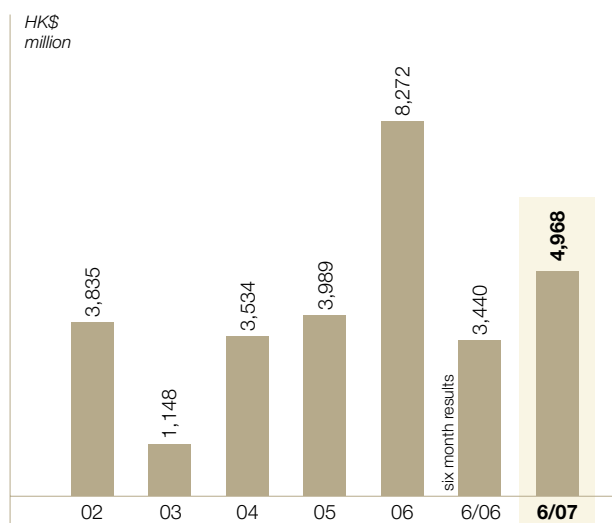
On page 30 is the report of CITIC Pacific's auditor – PricewaterhouseCoopers – of their independent review of CITIC Pacific's interim accounts.

## Basis of Accounting

CITIC Pacific prepares its financial statements in accordance with generally accepted accounting standards issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA') which have been converged with International Financial Reporting Standards.

## Profit Attributable to Shareholders

The net profit attributable to shareholders for the six months ended 30 June 2007 was HK\$4,968 million, an increase of 44% compared with HK\$3,440 million for the same period in 2006. The reasons for the increase in profit are described below.



## Business Segments Contribution

The Contribution (Note) made by major business segments in the first six months of 2007, compared with the same period of 2006, were:

HK\$ million	actual		change 2007-2006
	1-6/2007	1-6/2006	
Special Steel	<b>1,123</b>	539	584
Property	<b>446</b>	1,803	(1,357)
Aviation	<b>420</b>	464	(44)
Power Generation	<b>269</b>	(29)	298
Civil Infrastructure	<b>229</b>	232	(3)
Marketing & Distribution	<b>162</b>	132	30
Communications	<b>1,946</b>	95	1,851
Fair Value change of Investment Properties	<b>416</b>	647	(231)

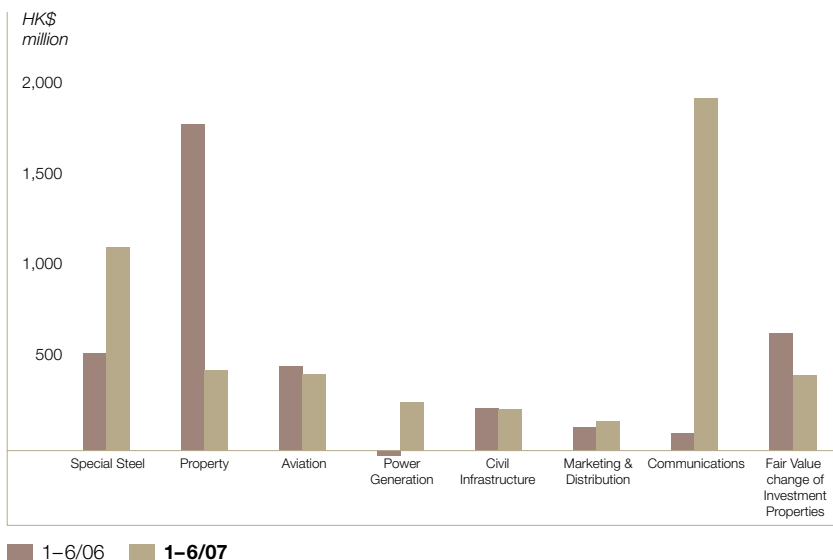
Note: Please refer to Definition of Terms on page 40.

Compared with the contribution for the six months ended 30 June 2006:

- **Special Steel:** Contribution doubled due to continuing good performance of Jiangyin Steel Plant, Xin Yegang Steel and Daye Special Steel. As the overall market remained strong, both sales volume and selling prices increased. Shijiazhuang Steel Plant which was acquired in the second half of 2006 also made contribution in the first half of 2007.
- **Property:** Contribution decreased by 75%. In the first half of 2006, the profit included the sale of 50% interest in Festival Walk, profit recognized on presold units upon completion of Shanghai New Westgate Garden and Chianti at Discovery Bay. Excluding the rental income from the disposed Festival Walk last year, rental income recorded good growth during the period.
- **Aviation:** Cathay Pacific reported an excellent result for the period with 55% increase in net profit. Despite the decrease in Group's shareholding of Cathay Pacific from 25.4% to 17.5%, contribution from Cathay for the period increased by 9% compared to the combined contribution from Cathay and Dragonair the same period last year.
- **Power Generation:** Excluding the impairment loss on Jilin Power Station and a loss arose from the share reform of an A share subsidiary company of North United Power Group in 2006, contribution increased by 51% mainly due to the increased contribution from Ligang Power Stations. Ligang Phase III which was commissioned in the second half of 2006 operated smoothly and has already started to make profit contribution.
- **Civil Infrastructure:** The contribution was mainly related to the two tunnels which remained relatively stable.
- **Marketing & Distribution:** The motor business, especially the PRC market, remained the major contributor to the growth. The general trading business also performed well.
- **Communications:** A profit of HK\$1.9 billion was realized in connection with the spin off of CITIC Telecom 1616 in 2007. Contributions from Telecom 1616 and CTM were both increased. The Group disposed certain non-profitable operations during the period.
- **Fair Value change of Investment Properties:** The increase in fair value of investment properties as a result of a revaluation reflected the strong current property market conditions in both Hong Kong and the PRC.



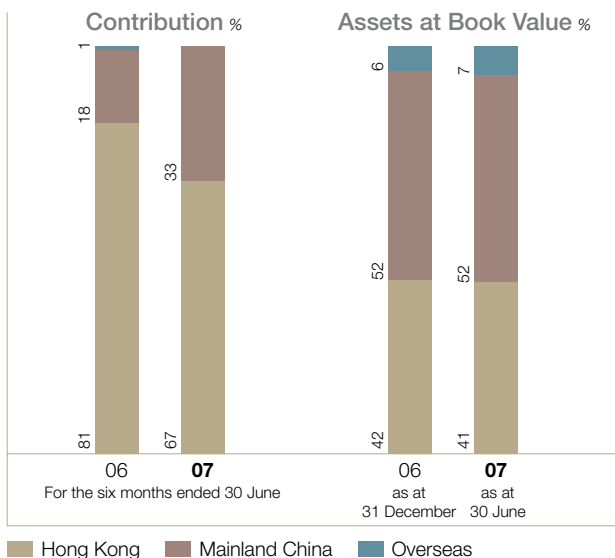
### Contribution



Pages 25 and 26 of the Interim Report contains business segment information for turnover and profit before net finance charges and taxation for consolidated activities, jointly controlled entities and associated companies.

### Geographical Distribution

The division of contribution and assets between Hong Kong, mainland China and overseas is shown below based on the location of the base of each business’s operations.



### Interest Expense

The Group’s interest expense net of amount capitalised decreased from HK\$347 million to HK\$159 million. Capitalised interest increased from HK\$113 million to HK\$262 million mainly due to various PRC property projects under development and the iron ore project. The weighted average cost of debt in 2007 was 5.4% compared to 5.0% last year.

### Taxation

As a result of the revision in China’s Corporate Income Tax Law, the corporate income tax rate for PRC property companies will be reduced from 33% to 25% from the year 2008 onwards. As a result, the deferred taxation liabilities brought forward from the year 2006 has been adjusted downwards by HK\$177 million for the current period.

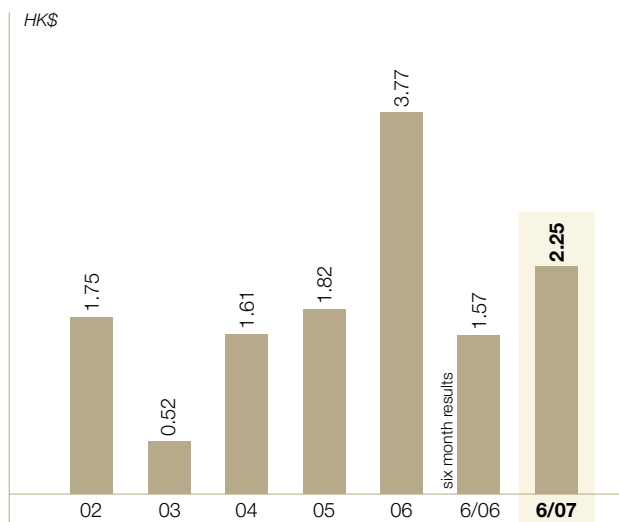
Current tax increased from HK\$261 million to HK\$311 million due to increased profit from operations.

## Shareholders' Returns

CITIC Pacific's primary objective is to increase shareholder value for which it has used earnings per share as a proxy. The Company expects its businesses to provide returns on investment over their lives that will provide shareholders with an adequate return on equity.

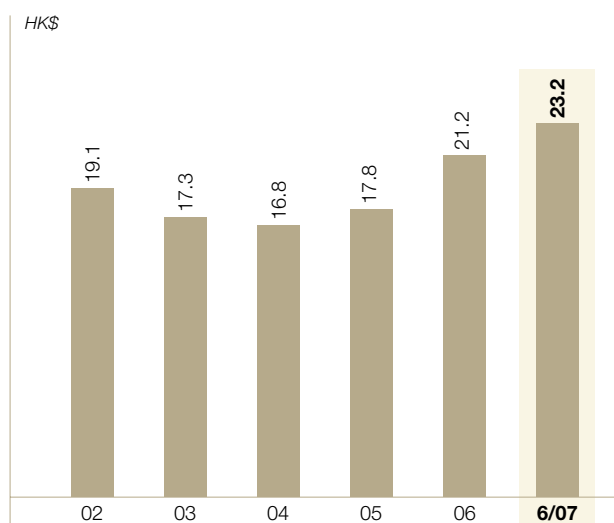
## Earnings per Share

Earnings per Share was HK\$2.25 for the first half of 2007, an increase of 44% compared with HK\$1.57 for the same period in 2006. The increases in Earnings per Share was mainly attributable to the increase in profit as the number of shares outstanding in the two periods was substantially the same.



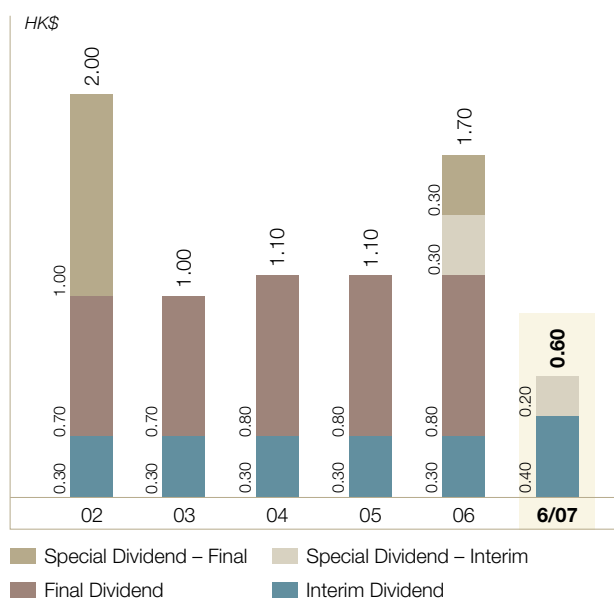
## Shareholders' Funds per Share

Shareholders' Funds per share at 30 June 2007 was HK\$23.2. The increase was due to profit during the period less dividend paid.



## Dividend per Share

An interim dividend of HK\$0.4 per share and a special dividend of HK\$0.2 per share are proposed for the first half of 2007.

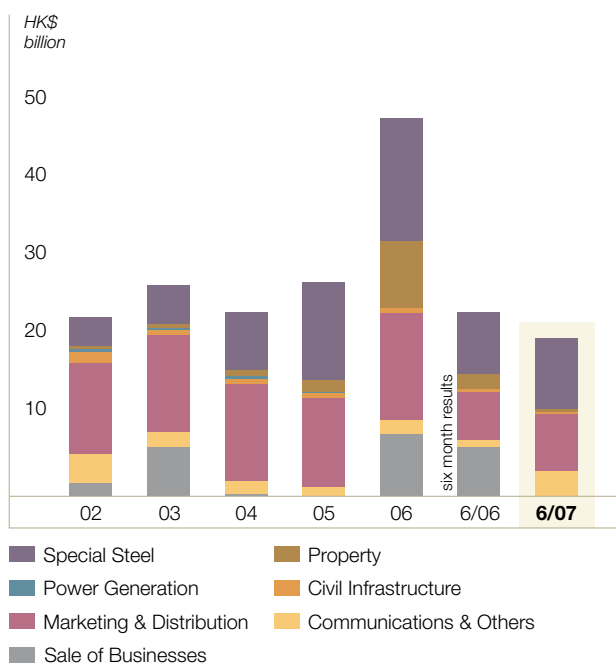


## Turnover

Special Steel turnover increased by 14%. The sales of all steel plants recorded a good growth.

Marketing & Distribution turnover increased by 17% mainly due to increased sales in mainland China particularly for the motor business.

The proceeds on disposal of approximately 50% interest in Telecom 1616 in connection with the spin off amounted to approximately HK\$2 billion.



## Capital Expenditure

The property development projects in the Mainland, including Shanghai Lu Jia Zui New Financial District project, Qingpu, Ningbo, Yangzhou, and Hainan Island are continuing. A new investment in Sichuanbeilu Station Project was also made during the first half of 2007.

Others of 2007 includes investment in the listed shares of Country Garden and China Molybdenum. The Group also invested in the listed shares of Industrial and Commercial Bank and China Coal Energy in 2006.

As at 30 June 2007, the Group's contracted capital commitment was approximately HK\$12 billion, related mainly to PRC Property, Special Steel and Iron Ore mining.

HK\$ million	1-6/2007	1-6/2006	1-12/2006
Special Steel	<b>184</b>	163	3,674
Iron Ore Mining	<b>329</b>	156	1,754
Property	<b>2,660</b>	976	2,873
Power Generation	-	174	197
Civil Infrastructure	<b>5</b>	127	196
Marketing & Distribution	<b>98</b>	110	294
Communications	<b>55</b>	145	170
Others	<b>663</b>	-	1,004

## Treasury Policy and Risk Management

### General Policies

- Maintain a high degree of financial control and transparency;
- Centralised financing and cash management activities at head office level;
- Enhance risk management, control and the best utilisation of financial resources of the Group;
- Diversify funding sources through utilisation of both banking and capital markets;
- Arrange financing to match business characteristics and cash flow to the extent it is possible; and
- Employ limited or non-recourse project finance when it is available and appropriate.

### Risk Management

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

### Foreign Currency Exposure

CITIC Pacific conducts business mainly in Hong Kong and mainland China, therefore it is subject to the market risk of foreign exchange rates in HK Dollar, US Dollar and Renminbi. To minimise currency exposure, non Hong Kong dollar assets are usually financed in the same currency as the asset or cash flow from it, either by borrowing or using foreign exchange contracts. Achieving this objective is not always possible due to limitations in financial markets and regulatory constraints, particularly on investment into mainland China as the Renminbi is currently not a free convertible currency and thus the RMB exchange swap market is not readily available or efficient at this time. In addition, 'Registered Capital', which usually accounts for no less than 25% of the total investment amount for projects in mainland China, is required to be paid in US dollars. As the Group's investment in mainland China is expanding, CITIC Pacific has an increasing exposure to the Renminbi. As at 30 June 2007, the Group had net RMB exposure of approximately HK\$33 billion (31 December 2006: HK\$30 billion).

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

### Interest Rate Exposure

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

The Group uses interest rate swaps, forward rate agreements, interest rate option contracts and other instruments to hedge exposures or to modify the interest rate characteristics of its borrowings. As at 30 June 2007, CITIC Pacific had outstanding interest rate swap / option contracts with a notional amount of HK\$11.4 billion. After the swaps, HK\$7.0 billion or 32% of the Group's total borrowings were effectively paying fixed rate and the remaining were effectively paying floating rate of interest.

The Group's overall weighted average all-in cost of borrowings (including fees and hedging costs) for the six months ended 30 June 2007 was about 5.4%, compared with 5.0% for the same period last year.

### Cash Flow

By design, majority of the Group's debt is raised at the holding company level (except for project based financing or arrangement limited by regulation such as RMB borrowings). As such, the actual net amount of cash flow from each business to the Group is an

important indicator as to the Group's ability to service its debts. Following is a summary of cash contributions by each business segment:

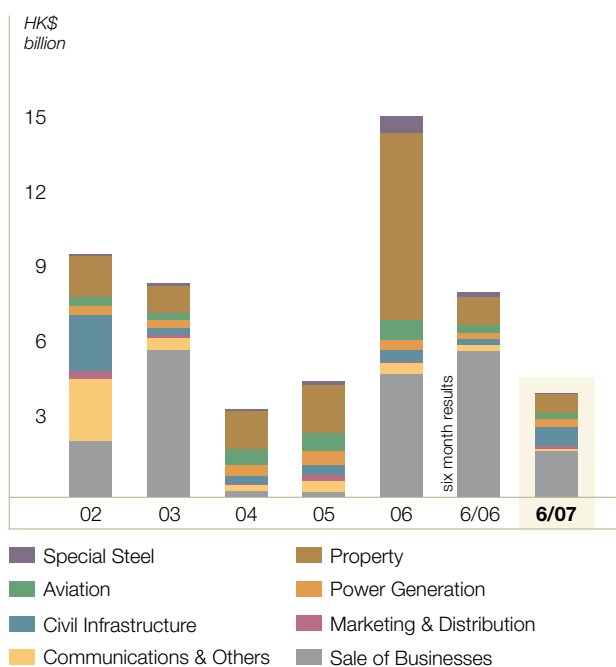
<i>HK\$ million</i>	for the six months ended 30 June	
	<b>2007</b>	2006
Special Steel	<b>19</b>	168
Property	<b>774</b>	7,317
Aviation	<b>268</b>	324
Power Generation	<b>301</b>	270
Civil Infrastructure	<b>801</b>	236
Marketing & Distribution	<b>163</b>	0
Communications	<b>1,968</b>	172
Others	<b>22</b>	60
<b>Total</b>	<b>4,316</b>	8,547

For the six months ended 30 June 2007, the Group's cash flow remained strong. Special Steel sector performed well, cash flow contribution to the Group was lower as the steel mills retained most of cash generated from operations for business expansions. Property sector continued to generate strong cash flow from both recurring rental income and property sale. The comparative figure in 2006 was higher because of the disposal of Festival Walk and the land in Tung Chau Street during the first half of 2006. Aviation and Power Generation sectors contributed stable cash flow to the Group. Civil Infrastructure sector's contribution was higher mainly due to Western Harbour Crossing's repayment of HK\$560 million shareholders' loan to the Group as a result of a successful restructure of the project loan during the period. Marketing & Distribution sector contributed higher cash balance to the Group as its operations performed well. During the period, substantial cash contribution was realised from the separate listing of CITIC Telecom 1616.

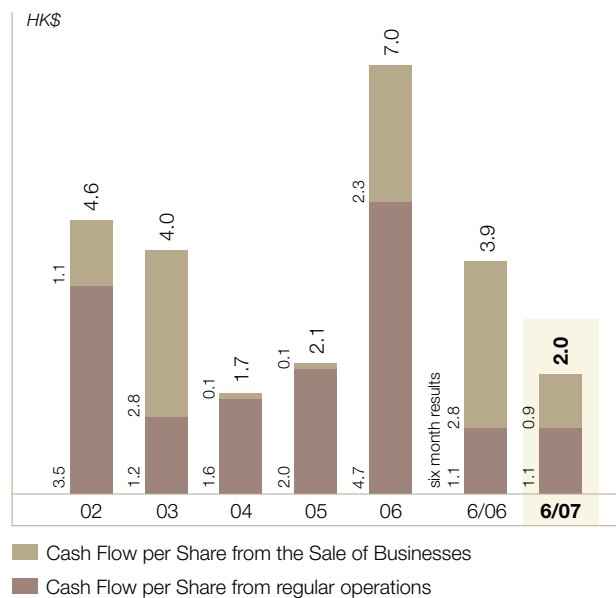
### Summary of Consolidated Cash Flow Statement

HK\$ million	for the six months ended 30 June	
	2007	2006
Net Cash generated from / (invested in) consolidated activities	<b>(305)</b>	1,186
jointly controlled entities	<b>602</b>	133
associated companies	<b>700</b>	613
other financial assets	<b>29</b>	9
Sale of business interests and marketable securities	<b>2,345</b>	7,016
Capital expenditure and investment in new businesses	<b>(3,591)</b>	(1,790)
Tax	<b>(202)</b>	(97)
Net interest paid	<b>(326)</b>	(387)
	<b>(748)</b>	6,683
Dividends paid	<b>(2,429)</b>	(1,755)
Increase / (Decrease) in borrowings	<b>3,315</b>	(3,233)
Repurchase of shares	<b>0</b>	(35)
Share options exercised	<b>258</b>	23
	<b>1,144</b>	(5,000)
Increase in cash and cash equivalents	<b>396</b>	1,683

### Cash Flow from Operations



### Cash Flow per Share



## Group Debt and Liquidity

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

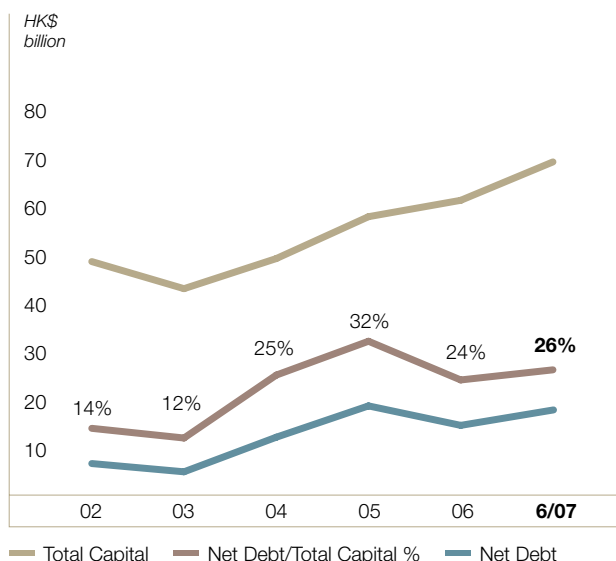
HK\$ million	30 June 2007	31 December 2006	30 June 2006
Total debt	21,975	18,293	18,178
Cash and bank deposits	4,135	3,679	4,289
Net debt	17,840	14,614	13,889

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

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

## Leverage

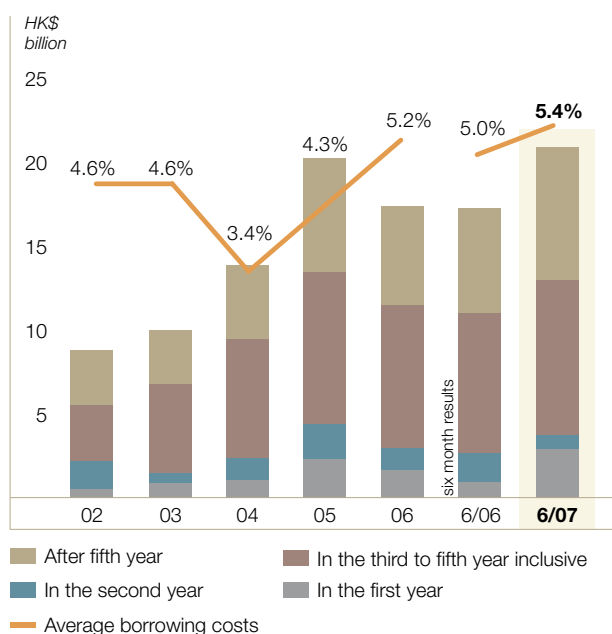
Net debt divided by total capital was 26% at 30 June 2007 compared with 24% at the end of 2006.



## Total Debt

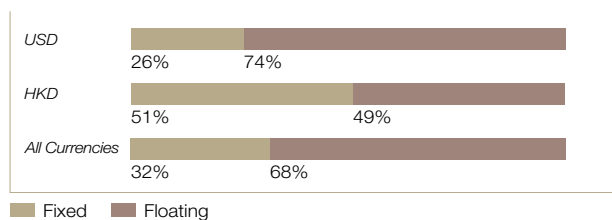
Total debt increased mainly due to capital expenditure and new investments in the Group's core businesses of about HK\$3.2 billion in the first half of 2007.

For the six months ended 30 June 2007, the Group's average borrowing costs was about 5.4% compared with 5.0% for the same period last year. For the description on the Group's average borrowing costs, please refer to 'Interest Rate Exposure'.



## Interest Rate Base

As described under 'Interest Rate Exposure', the Group maintains a suitable mixture of fixed and floating rate base in order to stabilise interest costs. As at 30 June 2007, 32% of the Group's total debt was effectively paying fixed rate of interest (39% on a net debt basis).



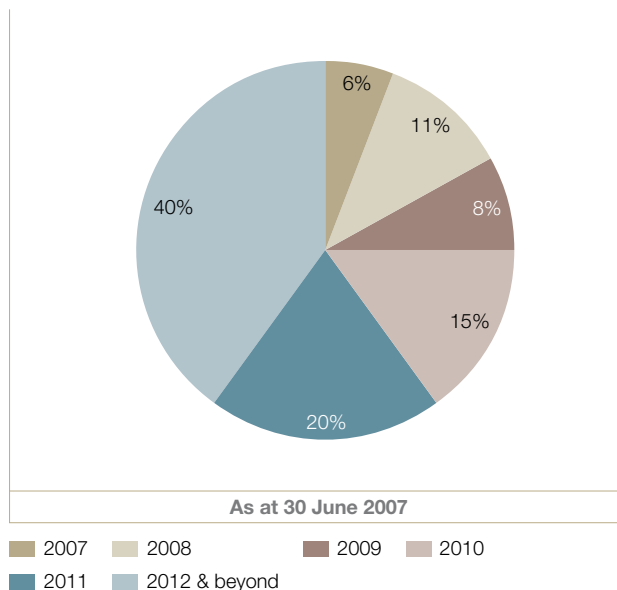
### Maturity Profile of Outstanding Debt

The Group actively manages and extends its debt maturity profile to ensure that the Group's maturing debt each year will not exceed the anticipated cash flow and the Group's ability to refinance the debt in that year. As at 30 June 2007, outstanding loans that will mature to the end of 2007 amounted to HK\$1.2 billion or 6% of the total debt. On the other hand, the Group had cash and deposits with banks of HK\$4.1 billion on that date.

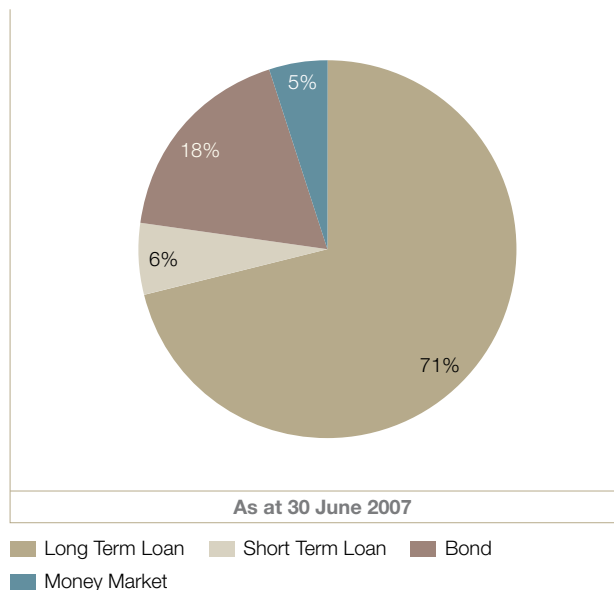
HK\$ million	2007	2008	2009	2010	2011	2012 and beyond	total	percentage
Parent Company	15	1,304 <sup>1</sup>	649	2,915	3,810 <sup>2</sup>	8,686 <sup>3</sup>	17,379	79%
Subsidiaries	1,210	1,177	1,136	305	768	0	4,596	21%
<b>Total Maturing Debt</b>	<b>1,225</b>	<b>2,481</b>	<b>1,785</b>	<b>3,220</b>	<b>4,578</b>	<b>8,686</b>	<b>21,975</b>	<b>100%</b>

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

### Outstanding Debt by Maturity



### Outstanding Debt by Type



	30 June 2007	31 December 2006	30 June 2006
Weighted average life of debt	<b>6.2 years</b>	5.2 years	3.9 years



## Analysis on the Group's Financial Obligations

category	description	30 June 2007 HK\$ million	31 December 2006 HK\$ million
Borrowings of Holding Company	Include bond and notes issued by wholly owned special purposes vehicles.	17,379	13,515
Borrowings of Subsidiaries	Mainly related to the RMB borrowings of steel subsidiaries and Dah Chong Hong. According to PRC regulations, RMB borrowings must be raised at the operating subsidiary level.	4,596	4,778
Borrowings of Jointly Controlled Entities and Associated Companies	Share of net debt of jointly controlled entities and associated companies. All the debts are non-recourse to the Company and its subsidiaries.	16,538	16,465

### Debt / Cash in Jointly Controlled Entities and Associated Companies

For accounting purposes, some of the Group's businesses are classified as jointly controlled entities and associated companies. The following table shows the debt / cash position of jointly controlled entities and associated companies by business sector as at 30 June 2007 which, under Hong Kong generally accepted accounting standards, are not consolidated into the Group's accounts.

The debt amounts shown in the following table were arranged by jointly controlled entities and associated companies without recourse to their shareholders. None of these debts is guaranteed by CITIC Pacific or its subsidiaries. Certain Group's investments, such as Discovery Bay, are 100% financed by their shareholders and do not have any external borrowings.

Business Sector HK\$ million	total net debt/ (cash)	proportion of net debt/(cash) attributable to CITIC Pacific
Special Steel	1,804	1,443
Property	(757)	(366)
Aviation	15,531	2,782
Power Generation	41,232	10,465
Civil Infrastructure	3,366	1,150
Marketing & Distribution	102	39
Communications	2,669	1,335
Others	(630)	(310)
Total	63,317	16,538

### Available Sources of Financing

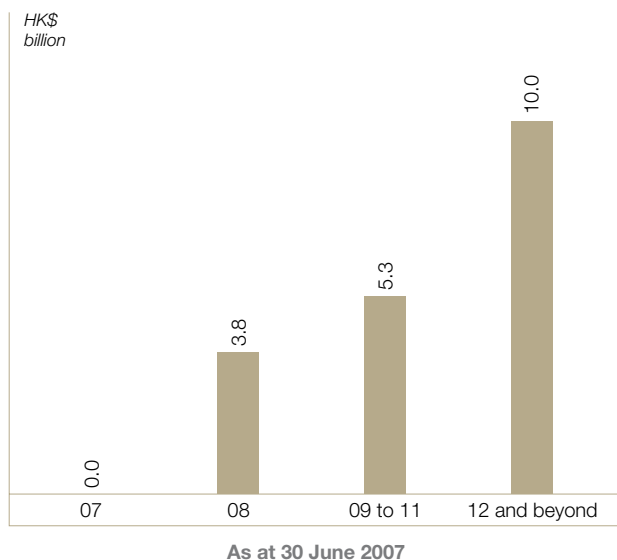
In addition to cash and deposits balance of HK\$4.1 billion as at 30 June 2007, the Group had undrawn available loan facilities totaling HK\$21.4 billion, of which HK\$16.1 billion was committed long term loans, HK\$2.9

billion was committed short term loan and HK\$2.4 billion was money market lines. Besides, trade facilities amounting to HK\$2.3 billion was available. Borrowings by sources of financing as at 30 June 2007 is summarised as follows:

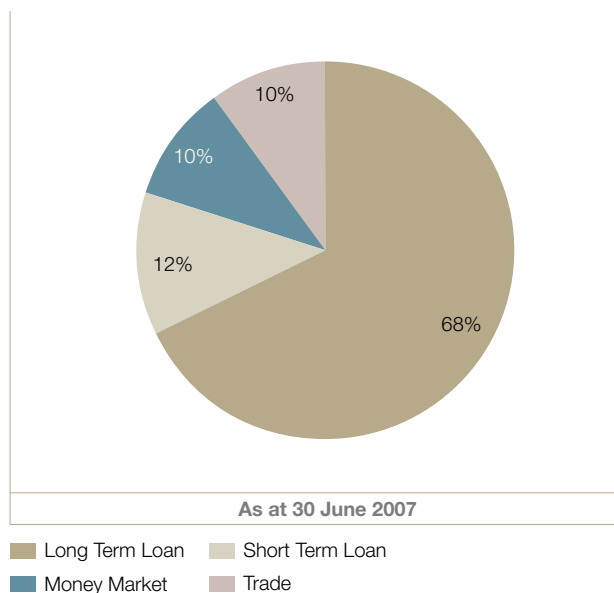
HK\$ million	total facilities	outstandings	available facilities
<b>Committed Facilities</b>			
Short Term Loan*	4,212	1,296	2,916
Term Loans	31,795	15,659	16,136
Global Bonds	3,510	3,510	0
Private Placement	403	403	0
<b>Total Committed</b>	<b>39,920</b>	<b>20,868</b>	<b>19,052</b>
<b>Uncommitted Facilities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

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

### Undrawn Available Committed Facilities by Maturity (Total HK\$19.1 billion)



### Undrawn Available Facilities by Type (Total HK\$23.7 billion)



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

#### Financing Activities

During the period, CITIC Pacific successfully completed a HK\$2.1 billion, 7-year club loan facility. In addition, newly established, renewed or extended bilateral loan facilities amounted to HK\$450 million. To support the funding requirement of the Iron Ore Mining project, a US\$540 million one-year bridging loan facility was established, and US\$166 million was utilised as at 30

June 2007. Documentation for the project loan is being finalised.

#### Pledged Assets

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

#### Contingent Liabilities

As at 30 June 2007, the Group's contingent liabilities had not changed significantly from the last year end.

#### Loan Covenants

Over the years, CITIC Pacific has developed a set of standard loan covenants to facilitate the management of its loan portfolio and debt compliance. The financial covenants are generally limited to three major categories, namely, a minimum net worth undertaking, a maximum ratio of total borrowings to net worth and a limit on the amount of pledged assets as a percentage of the Group's total assets. CITIC Pacific has been in compliance with all of its loan covenants.

	covenant limits	for the six months ended 30 June 2007
<b>Minimum Consolidated Net Worth:</b>		
Consolidated Net Worth	≥ HK\$25 billion	HK\$53 billion
<b>Gearing:</b>		
Consolidated Borrowing / Consolidated Net Worth	≤ 1.5	0.42
<b>Negative Pledge:</b>		
Pledged Assets / Consolidated Total Assets	≤ 30%	1%

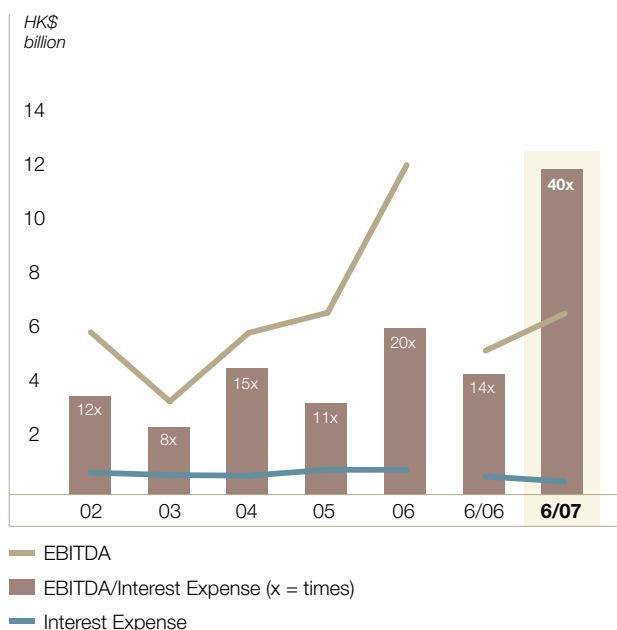
For the purpose of the above covenant limits, as defined in the relevant borrowing agreements:

'Consolidated Net Worth' means the aggregate of shareholders' funds and goodwill from acquisitions and developments having been written off against reserves or profit and loss account.

'Consolidated Borrowing' means the aggregate of all consolidated indebtedness for borrowed money and all contingent obligations in respect of indebtedness for borrowed money other than aforesaid consolidated indebtedness for borrowed money.

### Interest Cover

EBITDA divided by interest expense for the six months ended 30 June 2007 was 40 compared to 14 for the same period last year, due to the 27% increase in EBITDA and a 54% decrease of interest expenses.



### Credit Ratings

The current long term credit ratings of the Company are Ba1 by Moody’s Investor Service and BB+ by Standard & Poor’s. For both ratings, the credit outlook is stable. The Group’s new investments focus mainly in the areas where CITIC Pacific has greatest expertise, of which the Special Steel plants have already commenced contributing in both profit and cash flow to the Group, while the others are expected to make contribution soon. As a result, the credit profile of the Group is going to improve steadily in due course. The Group’s objective is to maintain its financial discipline when expanding its businesses.

### Forward Looking Statements

This Interim Report 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 know and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Forward looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward looking statement.

# Human Resources

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

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

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

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

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

# Consolidated Profit and Loss Account

for the six months ended 30 June – unaudited

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

# Consolidated Balance Sheet

<i>in HK\$ million</i>	note	<b>unaudited 30 June 2007</b>	audited 31 December 2006
<b>Non-Current Assets</b>			
Fixed Assets			
Property, plant and equipment		<b>10,441</b>	10,593
Investment properties		<b>10,046</b>	9,604
Properties under development		<b>3,605</b>	2,712
Leasehold land		<b>2,059</b>	1,712
		<b>26,151</b>	24,621
Jointly controlled entities		<b>16,555</b>	15,051
Associated companies		<b>16,611</b>	16,506
Other financial assets		<b>4,435</b>	2,819
Intangible assets		<b>3,460</b>	2,986
Deferred tax assets		<b>113</b>	103
Derivative financial instruments		<b>192</b>	117
		<b>67,517</b>	62,203
<b>Current Assets</b>			
Properties held for sale		<b>677</b>	705
Inventories		<b>4,509</b>	3,920
Debtors, accounts receivable, deposits and prepayments	8	<b>9,051</b>	6,153
Cash and bank deposits		<b>4,135</b>	3,679
		<b>18,372</b>	14,457
<b>Current Liabilities</b>			
Bank loans, other loans and overdrafts			
secured		<b>230</b>	285
unsecured		<b>2,785</b>	1,404
Creditors, accounts payable, deposits and accruals	8	<b>7,751</b>	8,030
Provision for taxation		<b>443</b>	319
		<b>11,209</b>	10,038
<b>Net Current Assets</b>		<b>7,163</b>	4,419
<b>Total Assets Less Current Liabilities</b>		<b>74,680</b>	66,622
<b>Non-Current Liabilities</b>			
Long term borrowings		<b>18,960</b>	16,604
Deferred tax liabilities		<b>1,869</b>	1,954
Derivative financial instruments		<b>31</b>	55
		<b>20,860</b>	18,613
<b>Net Assets</b>		<b>53,820</b>	48,009
<b>EQUITY</b>			
Share capital		<b>884</b>	878
Reserves		<b>48,932</b>	43,217
Proposed dividend		<b>1,325</b>	2,415
<b>Equity attributable to Shareholders of the Company</b>		<b>51,141</b>	46,510
<b>Minority Interests</b>		<b>2,679</b>	1,499
<b>Total Equity</b>		<b>53,820</b>	48,009

# Consolidated Cash Flow Statement

for the six months ended 30 June - unaudited

<i>in HK\$ million</i>	<b>2007</b>	2006
<b>Cash Flows from Consolidated Activities</b>		
<i>Profit from Consolidated Activities after Net Finance Charges</i>	<b>4,122</b>	2,679
Net finance charges	<b>40</b>	258
Income from other financial assets	<b>(29)</b>	(9)
Depreciation	<b>549</b>	441
Amortisation of leasehold land	<b>24</b>	27
Amortisation of intangible assets	<b>3</b>	–
Impairment losses on other financial assets	<b>1</b>	1
Profit on disposal of other financial assets	<b>–</b>	(3)
Provision for loan to associated companies	<b>2</b>	2
Impairment losses of jointly controlled entities	<b>–</b>	151
Impairment losses of property, plant and equipment	<b>72</b>	3
Impairment losses on intangible assets	<b>6</b>	–
Loss / (profit) on disposal of property, plant and equipment	<b>55</b>	(13)
Change in fair value of investment properties	<b>(355)</b>	(422)
Fair value (gains) / losses on derivative financial instruments	<b>(66)</b>	35
Profit on disposal of certain interests in subsidiary companies	<b>(1,928)</b>	(1,262)
Loss on disposal of associated companies	<b>3</b>	–
Loss on disposal of jointly controlled entities	<b>132</b>	–
<i>Operating Profit before Working Capital Changes</i>	<b>2,631</b>	1,888
(Increase) / decrease in inventories	<b>(510)</b>	19
Increase in debtors, accounts receivable, deposits and prepayments	<b>(2,337)</b>	(824)
(Decrease) / increase in creditors, accounts payable, deposits and accruals	<b>(61)</b>	115
Effect of foreign exchange rate changes	<b>(28)</b>	(12)
<i>Cash (used in) / from Consolidated Activities</i>	<b>(305)</b>	1,186
Interest received	<b>119</b>	91
Interest paid	<b>(445)</b>	(478)
Income taxes paid	<b>(202)</b>	(97)
<b>Net Cash (used in) / from Consolidated Activities</b>	<b>(833)</b>	702



<i>in HK\$ million</i>	<b>2007</b>	2006
<b>Cash Flows from Investing Activities</b>		
Purchase of subsidiary companies	<b>(2)</b>	(19)
Purchase of additional interests in a subsidiary company	<b>(244)</b>	(35)
Purchase of property, plant and equipment	<b>(348)</b>	(643)
Purchase of properties under development	<b>(369)</b>	–
Purchase of leasehold land	<b>(344)</b>	–
Purchase of intangible assets	<b>(386)</b>	–
Investment in jointly controlled entities	<b>(1,279)</b>	(1,164)
Investment in associated companies	<b>(2)</b>	(1)
Increase in other financial assets	<b>(663)</b>	–
Proceeds on disposal of property, plant and equipment	<b>46</b>	72
Proceeds on disposal of other financial assets	<b>–</b>	46
Proceeds on disposal of certain interests in subsidiary companies	<b>1,884</b>	6,970
Issue of a subsidiary's shares	<b>461</b>	–
Decrease / (increase) in loans to jointly controlled entities	<b>540</b>	(5)
Decrease in loans to associated companies	<b>215</b>	240
Dividend income from associated companies	<b>485</b>	373
Dividend income from jointly controlled entities	<b>62</b>	138
Income from other financial assets	<b>29</b>	9
<b>Net Cash from Investing Activities</b>	<b>85</b>	5,981
<b>Cash Flows from Financing Activities</b>		
Repurchases of shares	<b>–</b>	(35)
Issue of shares pursuant to the Plan	<b>258</b>	23
New borrowings	<b>5,438</b>	3,989
Repayment of loans	<b>(1,914)</b>	(7,101)
Decrease in minority interests	<b>(209)</b>	(121)
Dividends paid	<b>(2,429)</b>	(1,755)
<b>Net Cash from / (used in) Financing Activities</b>	<b>1,144</b>	(5,000)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>396</b>	1,683
<b>Cash and Cash Equivalents at 1 January</b>	<b>3,634</b>	2,524
<b>Effect of Foreign Exchange Rate Changes</b>	<b>45</b>	31
<b>Cash and Cash Equivalents at 30 June</b>	<b>4,075</b>	4,238
<b>Analysis of the Balances of Cash and Cash Equivalents</b>		
Cash and bank deposits	<b>4,135</b>	4,289
Bank overdrafts	<b>(60)</b>	(51)
	<b>4,075</b>	4,238

# Consolidated Statement of Changes in Equity

for the six months ended 30 June - unaudited

<i>in HK\$ million</i>	<b>2007</b>	2006
<b>At 1 January</b>	<b>48,009</b>	41,196
<b>Share of Reserves of Associated Companies</b>		
Fair value gain on other financial assets	<b>10</b>	213
Loss on cash flow hedge of financial instruments	<b>(3)</b>	(53)
Retained profits	<b>(22)</b>	–
Share of capital redemption reserve	<b>(11)</b>	–
Share of capital reserve	<b>36</b>	–
<b>Share of Reserves of Jointly Controlled Entities</b>		
Gain on cash flow hedge of financial instruments	<b>2</b>	4
Share of capital reserve	<b>5</b>	–
Share of exchange translation differences	<b>15</b>	–
<b>Gain on Cash Flow Hedge of Financial Instruments</b>	<b>54</b>	50
<b>Fair Value Gain on Other Financial Assets</b>	<b>951</b>	304
<b>Exchange Translation Differences</b>	<b>797</b>	265
<b>Net Gain Not Recognised in the Consolidated Profit and Loss Account</b>	<b>1,834</b>	783
<b>Profit for the Period</b>		
Attributable to shareholders of the Company	<b>4,968</b>	3,440
Minority interests	<b>340</b>	201
<b>Dividend to Shareholders of the Company</b>	<b>(2,429)</b>	(1,755)
<b>Minority Interests</b>	<b>840</b>	(625)
<b>Share Options Granted</b>	<b>–</b>	62
<b>Repurchase of Shares</b>	<b>–</b>	(35)
<b>Share Options Exercised</b>		
Premium received	<b>252</b>	23
Share capital issued	<b>6</b>	–
<b>At 30 June</b>	<b>53,820</b>	43,290

# Notes to the Accounts

## 1 Significant Accounting Policies

These condensed unaudited consolidated interim accounts ('the Accounts') are prepared in accordance with Hong Kong Accounting Standard ('HKAS') 34 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies used in preparation of the Accounts are consistent with those adopted in the annual accounts for the year ended 31 December 2006 and with the adoption of certain new or revised Hong Kong Financial Reporting Standards ('HKFRS') and HKAS in 2007, among which the following will have disclosure impacts on the 2007 annual accounts:

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

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

## 2 Turnover and Segment Information

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

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

## 2 Turnover and Segment Information *continued*

six months ended 30 June 2006 <i>in HK\$ million</i>	turnover	profit from consolidated activities	share of results of jointly controlled entities	share of results of associated companies	group total	segment allocations	segment profit
<i>By principal activities</i>							
Special Steel	7,665	790	–	–	790	–	790
Property	7,996	1,690	–	237	1,927	42	1,969
Aviation	–	–	3	453	456	–	456
Power Generation	2	(150)	163	(41)	(28)	–	(28)
Civil Infrastructure	351	253	56	28	337	–	337
Marketing & Distribution	6,032	211	20	(7)	224	(42)	182
Communications	786	46	19	51	116	–	116
Others	49	5	41	–	46	–	46
Fair Value Change of Investment Properties	–	422	–	267	689	–	689
Less: General and Administration Expenses	–	(273)	–	–	(273)	–	(273)
	22,881	2,994	302	988	4,284	–	4,284
Net Finance Charges							(315)
Taxation							(328)
Profit for the Period							3,641

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

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

### 3 Profit from Consolidated Activities

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

<i>in HK\$ million</i>	six months ended 30 June	
	2007	2006
<i>Crediting</i>		
Dividend income from other financial assets	29	9
Profit on disposal of other financial assets	–	3
Profit on disposal of subsidiary companies	1,928	1,262
<i>Charging</i>		
Cost of inventories sold	12,803	11,384
Depreciation of property, plant and equipment	549	441
Amortisation of leasehold land	24	27

### 4 Net Finance Charges

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

## 5 Taxation

Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profit for the period. Overseas taxation is calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations. Details as follows:

<i>in HK\$ million</i>	six months ended 30 June	
	2007	2006
<i>Current taxation</i>		
Hong Kong profits tax	104	98
Overseas taxation	207	163
<i>Deferred taxation</i>		
Change in fair value of investment properties	55	42
Origination and reversal of other temporary differences	(15)	25
Effect on tax rate change	(177)	–
	174	328

## 6 Dividends

<i>in HK\$ million</i>	six months ended 30 June	
	2007	2006
2006 Final dividend paid: HK\$0.80 (2005: HK\$0.80) per share	1,767	1,755
2006 Special dividend paid: HK\$0.30 (2005: Nil) per share	662	–
	2,429	1,755
2007 Interim dividend proposed: HK\$0.40 (2006: HK\$0.30) per share	883	658
2007 Special dividend proposed: HK\$0.20 (2006: HK\$0.30) per share	442	658
	1,325	1,316

## 7 Earnings per Share

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

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

## 8.1 Debtors, Accounts Receivable, Deposits and Prepayments

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

*Note:*

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

## 8.2 Creditors, Accounts Payable, Deposits and Accruals

<i>in HK\$ million</i>	<b>30 June 2007</b>	31 December 2006
<i>Trade creditors</i>		
Within 1 year	<b>3,076</b>	2,553
Over 1 year	<b>290</b>	314
	<b>3,366</b>	2,867
Accounts payable, deposits and accruals	<b>4,385</b>	5,163
	<b>7,751</b>	8,030

*Note:*

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

# Report on Review of Interim Financial Report

## Report on Review of Interim Financial Report to the Board of Directors of CITIC Pacific Limited (incorporated in Hong Kong with limited liability)

### Introduction

We have reviewed the interim financial report set out on pages 20 to 29, which comprises the consolidated balance sheet of CITIC Pacific Limited (the 'Company') and its subsidiaries (together, the 'Group') as at 30 June 2007 and the related consolidated profit and loss account, statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants ('HKAS 34'). The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 'Interim Financial Reporting'.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 22 August 2007



## Dividend and Closure of Register

The Directors have declared an interim dividend of HK\$0.40 (2006: HK\$0.30) per share and a special dividend of HK\$0.20 (2006: HK\$0.30) per share for the year ending 31 December 2007 payable on Tuesday, 18 September 2007 to shareholders whose names appear on the Register of Members of the Company on Thursday, 13 September 2007. The Register of Members of the Company will be closed from Friday, 7 September 2007 to Thursday, 13 September 2007, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend and the special dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 6 September 2007.

## Share Option Plan

Under the CITIC Pacific Share Incentive Plan 2000 ('the Plan') adopted on 31 May 2000, the Board may invite any director, executive or employee of the Company or any of its subsidiaries to subscribe for options over the Company's shares on payment of HK\$1 per acceptance. The subscription price determined by the Board will be at least the higher of (i) the closing price of the Company's share as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's share as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's shares. The maximum number of shares over which options may be granted under the Plan shall not exceed 10% of (i) the issued share capital of the Company from time to time or (ii) the issued share capital of the Company as at the date of adopting the Plan, whichever is the lower.

Since the adoption of the Plan, the Company have granted three lots of share options:

date of grant	number of share options	exercise price HK\$
28 May 2002	11,550,000	18.20
1 November 2004	12,780,000	19.90
20 June 2006	15,930,000	22.10

All options granted and accepted can be exercised in whole or in part within 5 years from the date of grant. None of the share options granted under the Plan were cancelled or lapsed during the six months ended 30 June 2007. No further options were granted during the six months ended 30 June 2007. A summary of the movements during the six months ended 30 June 2007 of the share options is as follows:

### A. Directors of the Company

name of director	date of grant	exercise price HK\$	number of share options			percentage of issued share capital %
			balance as at 1.1.07	exercised during the 6 months ended 30.6.07 (Note 2)	balance as at 30.6.07	
Larry Yung Chi Kin	28.5.02	18.2	2,000,000	2,000,000	–	4.618
	1.11.04	19.9	2,000,000	2,000,000	–	
	5.12.05	20.5	100,000,000 (Note 1)	–	100,000,000	
	20.6.06	22.1	2,000,000	–	2,000,000	
					102,000,000	
Peter Lee Chung Hing	28.5.02	18.2	1,000,000	1,000,000	–	0.100
	1.11.04	19.9	1,000,000	–	1,000,000	
	20.6.06	22.1	1,200,000	–	1,200,000	
					2,200,000	
Carl Yung Ming Jie	28.5.02	18.2	300,000	300,000	–	0.050
	1.11.04	19.9	500,000	–	500,000	
	20.6.06	22.1	600,000	–	600,000	
					1,100,000	
Leslie Chang Li Hsien	28.5.02	18.2	300,000	300,000	–	0.052
	1.11.04	19.9	500,000	150,000	350,000	
	20.6.06	22.1	800,000	–	800,000	
					1,150,000	
Vernon Francis Moore	28.5.02	18.2	1,000,000	1,000,000	–	0.077
	1.11.04	19.9	1,000,000	–	1,000,000	
	20.6.06	22.1	700,000	–	700,000	
					1,700,000	
Li Shilin	28.5.02	18.2	300,000	300,000	–	–
Liu Jifu	1.11.04	19.9	500,000	500,000	–	0.032
	20.6.06	22.1	700,000	–	700,000	
					700,000	

name of director	date of grant	exercise price HK\$	number of share options			percentage of issued share capital %
			balance as at 1.1.07	exercised during the 6 months ended 30.6.07 (Note 2)	balance as at 30.6.07	
Chau Chi Yin	28.5.02	18.2	300,000	300,000	–	0.059
	1.11.04	19.9	500,000	–	500,000	
	20.6.06	22.1	800,000	–	800,000	
					1,300,000	
Milton Law Ming To	28.5.02	18.2	250,000	250,000	–	0.059
	1.11.04	19.9	500,000	–	500,000	
	20.6.06	22.1	800,000	–	800,000	
					1,300,000	
Wang Ande	1.11.04	19.9	200,000	60,000	140,000	0.029
	20.6.06	22.1	500,000	–	500,000	
					640,000	

Note:

1. These share options were granted by CITIC Hong Kong (Holdings) Limited, a substantial shareholder of the Company, and can be exercised during the period from 5 December 2008 to 4 December 2010.
2. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$28.51.

## B. Employees of the Company working under continuous contracts (as defined in the Employment Ordinance), other than the Directors

date of grant	exercise price HK\$	number of share options		
		balance as at 1.1.07	exercised during the 6 months ended 30.6.07 (Note 3)	balance as at 30.6.07
28.5.02	18.2	800,000	800,000	–
1.11.04	19.9	2,419,000	1,349,000	1,070,000
20.6.06	22.1	5,730,000	2,388,000	3,342,000

Note:

3. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$30.00.

### C. Others

date of grant	exercise price HK\$	number of share options		
		balance as at 1.1.07 (Note 4)	exercised during the 6 months ended 30.6.07 (Note 5)	balance as at 30.6.07
28.5.02	18.2	590,000	590,000	–
1.11.04	19.9	700,000	–	700,000
20.6.06	22.1	500,000	–	500,000

Note:

4. These are in respect of options granted to former employees under continuous contracts, who had subsequently retired. It also includes options granted to a former director.

5. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$30.09.

## Directors' Interests in Securities

The interests of the Directors in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ('sfo')) as at 30 June 2007 as recorded in the register required to be kept under section 352 of the sfo were as follows:

### 1. Shares in the Company and Associated Corporations

	number of shares	
	personal interests unless otherwise stated	percentage to the issued share capital %
<b>CITIC Pacific Limited</b>		
Larry Yung Chi Kin	404,381,000 (Note 1)	18.307
Henry Fan Hung Ling	48,000,000 (Note 2)	2.173
Peter Lee Chung Hing	1,500,000	0.068
Carl Yung Ming Jie	300,000	0.014
Leslie Chang Li Hsien	480,000	0.022
Vernon Francis Moore	4,200,000 (Note 3)	0.190
Li Shilin	300,000	0.014
Liu Jifu	840,000	0.038
Chau Chi Yin	536,000	0.024
Milton Law Ming To	253,000	0.011
Wang Ande	110,000	0.005
Hansen Loh Chung Hon	1,550,000 (Note 4)	0.070
André Desmarais	5,075,000 (Note 5)	0.230
Peter Kruyt (alternate director to Mr André Desmarais)	34,100	0.002
<b>CITIC 1616 Holdings Limited</b>		
Vernon Francis Moore	200,000 (Note 3)	0.011
Chau Chi Yin	26,750	0.001

Notes:

1. Corporate interest.
2. Corporate interest in respect of 3,000,000 shares and trust interest in respect of 45,000,000 shares.
3. Trust interest.
4. Personal interest in respect of 1,050,000 shares; corporate interest in respect of 500,000 shares and family interest in respect of 500,000 shares which duplicate each other.
5. Corporate interest in respect of 5,000,000 shares and family interest of 75,000 shares.

## 2. Share Options in the Company

The interests of the Directors in the share options (being regarded as unlisted physically settled equity derivatives) of the Company are stated in detail in the preceding section of Share Option Plan.

## 3. Share Options in an associated corporation, CITIC Capital Holdings Limited

name of director	date of grant	number of share options			balance as at 30.6.07	percentage of issued share capital %
		balance as at 1.1.07	granted during the 6 months ended 30.6.07	lapsed / cancelled / exercised during the 6 months ended 30.6.07		
Peter Lee Chung Hing	2.3.05	15,000	–	–	25,000	0.089
	4.4.06	10,000	–	–		
Vernon Francis Moore	2.3.05	15,000	–	–	25,000	0.089
	4.4.06	10,000	–	–		
Leslie Chang Li Hsien	2.3.05	15,000	–	–	25,000	0.089
	4.4.06	10,000	–	–		

Save as disclosed above, as at 30 June 2007, none of the Directors of the Company had nor were they taken to or deemed to have, under Part XV of the sfo, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the sfo or any interests which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ('Listing Rules').

## Substantial Shareholders

As at 30 June 2007, the interests of the substantial shareholders, other than the Directors of the Company or their respective associate(s), in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the sfo were as follows:

### 1. Interest in the Shares

name	number of shares of the Company	percentage to the issued share capital %
CITIC Group	635,919,285	28.789
CITIC Hong Kong (Holdings) Limited ('CITIC HK')	635,919,285	28.789
Heedon Corporation	496,386,285	22.472
Honville Corporation	310,988,221	14.079
Power Corporation of Canada	132,813,000	6.013
Gelco Enterprises Ltd.	132,813,000	6.013
Nordex Inc.	132,813,000	6.013
Paul G. Desmarais	132,813,000	6.013

CITIC ҺК is a substantial shareholder of the Company indirectly through the following wholly owned subsidiary companies:

name of subsidiary companies of CITIC ҺК	number of shares of the Company	percentage to the issued share capital %
Affluence Limited	46,089,000	2.087
Winton Corp.	30,718,000	1.391
Westminster Investment Inc.	101,960,000	4.616
Jetway Corp.	20,462,000	0.926
Cordia Corporation	32,258,064	1.460
Honpville Corporation	310,988,221	14.079
Hainsworth Limited	83,444,000	3.778
Southpoint Enterprises Inc.	10,000,000	0.453
Raymondford Company Limited	2,823,000	0.128

Each of Affluence Limited, Winton Corp., Westminster Investment Inc., Jetway Corp., Cordia Corporation, Honpville Corporation, Hainsworth Limited, Southpoint Enterprises Inc. and Raymondford Company Limited holds the shares of the Company beneficially. Accordingly, Honpville Corporation is a substantial shareholder of the Company.

CITIC Group is the direct holding company of CITIC ҺК. CITIC ҺК is the direct holding company of Heedon Corporation, Hainsworth Limited, Affluence Limited and Barnsley Investments Limited. Heedon Corporation is the direct holding company of Winton Corp., Westminster Investment Inc., Jetway Corp., Kotron Company Ltd. and Honpville Corporation and Kotron Company Ltd. is the direct holding company of Cordia Corporation. Affluence Limited is the direct holding company of Man Yick Corporation which is the direct holding company of Raymondford Company Limited. Barnsley Investments Limited is the direct holding company of Southpoint Enterprises Inc. Accordingly, the interests of CITIC Group in the Company duplicate the interests of CITIC ҺК in the Company. The interests of CITIC ҺК in the Company duplicate the interests in the Company of all its direct and indirect subsidiary companies as described above. The interests of Heedon Corporation in the Company duplicate the interests in the Company of all its direct and indirect subsidiary companies as described above. The interests of Affluence Limited in the Company duplicate the interests in the Company of its direct subsidiary company as described above. The interests of Man Yick Corporation in the Company duplicate the interests in the Company of its direct subsidiary company as described above. The interests of Barnsley Investments Limited in the Company duplicate the interests in the Company of its direct subsidiary company as described above and the interests of Kotron Company Ltd. in the Company duplicate the interests in the Company of its direct subsidiary company as described above.

Power Corporation of Canada is a company 54.18% controlled by Gelco Enterprises Ltd. which in turn is 94.95% controlled by Nordex Inc. and the remainder by Mr Paul G. Desmarais. Nordex Inc. in turn is 68% controlled directly by Mr Paul G. Desmarais and indirectly as to 32% by the latter. Thus, the aforesaid interests of Power Corporation of Canada, Gelco Enterprises Ltd., Nordex Inc. and Mr Paul G. Desmarais in the Company duplicate each other.

## 2. Short position in the Shares

name	number of shares of the Company	percentage to the issued share capital %
CITIC Group	100,000,000	4.527
CITIC HK	100,000,000	4.527

These are in respect of options granted by CITIC HK to Mr Larry Yung Chi Kin, the Chairman of the Company.

### Share Capital

The Company has not redeemed any of its shares during the six months ended 30 June 2007. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the six months ended 30 June 2007.

### Continuing Disclosure Requirements under Rule 13.22 of the Listing Rules

The Company has included a proforma combined balance sheet of the relevant affiliated companies as required therein under Rule 13.22 of the Listing Rules. Affiliated companies include associated companies and jointly controlled entities.

### Proforma Combined Balance Sheet of Affiliated Companies

<i>in HK\$ million</i>	Group's attributable interest as at 30 June 2007
Fixed Assets	<b>3,850</b>
Jointly Controlled Entities	<b>456</b>
Other Financial Assets	<b>1</b>
Intangible Assets	<b>14</b>
Pension Assets	<b>28</b>
Deferred Assets	<b>30</b>
Long Term Receivable	<b>1,968</b>
Net Current Assets	<b>1,710</b>
Total Assets Less Current Liabilities	<b>8,057</b>
Long Term Borrowings	<b>(1,678)</b>
Deferred Tax Liabilities	<b>(157)</b>
Loan from Shareholders	<b>(4,275)</b>
	<b>1,947</b>



## Corporate Governance

CITIC Pacific is committed to ensuring high standards of corporate governance and first class business practices. The Board believes that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. Details of our corporate governance practices can be found on page 51 of the 2006 annual report and the Company's website [www.citicpacific.com](http://www.citicpacific.com).

Throughout the six months ended 30 June 2007, CITIC Pacific has complied with all code provisions in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ('Listing Rules').

The Audit Committee has reviewed the Interim Report with management and the Company's internal and external auditors and recommended its adoption by the Board.

The Interim Accounts, which are prepared in accordance with HKAS 34 'Interim Financial Reporting', have been reviewed by the Company's independent auditors PricewaterhouseCoopers in accordance with the Hong Kong Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ('Model Code') contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2007.

# Definition of Terms

## Terms

<b>Capital employed</b>	Shareholders' funds + total debt
<b>Cash contributed from all businesses</b>	Cash inflow to CITIC Pacific Ltd. from its subsidiary companies, jointly controlled entities, associated companies and other investments, including proceeds from sale of businesses and dividend declared
<b>Total debt</b>	Short term and long term loans, notes and bonds
<b>Net debt</b>	Total debt less cash and bank deposits
<b>Total capital</b>	Shareholders' funds + net debt
<b>EBITDA</b>	Net profit less interest expense, taxation, depreciation and amortisation
<b>Contribution</b>	A business's after tax profit that contributes to unallocated central interest, overhead and goodwill

## Ratios

<b>Earnings per share</b>	= $\frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares (by days) in issue for the year}}$
<b>Shareholders' funds per share</b>	= $\frac{\text{Shareholders' funds}}{\text{Total issued and fully paid shares at end of the year}}$
<b>Leverage</b>	= $\frac{\text{Net debt}}{\text{Total capital}}$
<b>Cashflow per share</b>	= $\frac{\text{Cash contributed from all businesses}}{\text{Total issued and fully paid shares at end of the year}}$
<b>Interest cover</b>	= $\frac{\text{EBITDA}}{\text{Interest expense}}$

# Corporate Information

## Headquarters and Registered Office

32nd Floor, CITIC Tower, 1 Tim Mei Avenue,  
Central, Hong Kong  
Telephone: 2820 2111 Fax: 2877 2771

## Website

www.citicpacific.com contains a description of CITIC Pacific's business, copies of both the full and summary financial reports to shareholders, announcements, press releases and other information.

## Stock Codes

The Stock Exchange of Hong Kong: 0267  
Bloomberg: 267 HK  
Reuters: 0267.HK  
American Depositary Receipts: CTPCY  
CUSIP Reference No: 17304K102

## Share Registrars

Shareholders should contact our Registrars, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong on 2980 1333, or by fax: 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

The Interim Report is printed in English and Chinese language and is available on our website at [www.citicpacific.com](http://www.citicpacific.com). Shareholders may choose to receive the Interim Report in printed form in either the English or Chinese language or both or by electronic means. Shareholders who have chosen to receive the Interim Report using electronic means and who for any reason have difficulty in receiving or gaining access to the Interim Report will, promptly upon request to the Company's Share Registrars, be sent a printed copy free of charge.

Shareholders may at any time change their choice of the language or means of receipt of the Interim Report by notice in writing to the Company's Share Registrars.

Non-shareholders are requested to write to the Company Secretary, CITIC Pacific Ltd., 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, or by fax: 2877 2771 or by email: [contact@citicpacific.com](mailto:contact@citicpacific.com).

## Annual and Interim Reports

Shareholders may obtain printed copies of annual and interim reports from the Registrars. Others should contact the Company Secretary on 2820 2111 or fax: 2877 2771 or at [contact@citicpacific.com](mailto:contact@citicpacific.com) for a printed report.

## Investor Relations

Investors, shareholders and research analysts may contact the Investor Relations Department by telephone at 2820 2004, by fax: 2522 5259 or at [investor.relations@citicpacific.com](mailto:investor.relations@citicpacific.com).

## Financial Calendar

Closure of Register:	7 September 2007 to 13 September 2007
Interim Dividend and Special Dividend payable:	18 September 2007

**CITIC Pacific Ltd**

32/F CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

Tel: 2820 2111 Fax: 2877 2771

[www.citicpacific.com](http://www.citicpacific.com)

Stock Code: 0267

