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Financial Highlights

<i>in HK\$ million</i>	2006	2005
	six months ended 30 June	
Profit Attributable to Shareholders	3,440	2,773
Major Businesses' Contribution		
Special Steel Manufacturing	539	420
Property	1,803	821
Power Generation	(29)	145
Aviation	464	499
Civil Infrastructure	232	180
Marketing & Distribution	132	128
Communications	95	92
<i>Fair Value Change of Investment Properties</i>	647	700
Cash Contributed from all Businesses	8,393	2,856
	as at 30 June	as at 31 December
Capital Employed	59,799	60,321
Shareholders' Funds	41,621	39,103
Net Debt	13,889	18,639
Available Loan Facilities	18,427	10,157
	six months ended 30 June	
Earnings per Share	1.57	1.26
Dividends per Share		
Regular	0.30	0.30
Special	0.30	–
Staff	19,148	15,728

Please refer to Definition of Terms on page 42

Business at a Glance

CITIC Pacific has unrivalled experience and expertise in operating businesses in China both on the mainland and in Hong Kong. With an international management and excellent standards of corporate governance, our focus is on special steel manufacturing, iron ore mining, property development in mainland China and other actively managed businesses.

Special Steel Manufacturing CITIC Pacific Special Steel, which operates through three steel groups in mainland China with total production capacity of six million tonnes annually, is a leader in the manufacturing of special steel used in bearings and gears among others.

Iron Ore 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 develops, manages and owns properties including Shanghai's CITIC Square and New Westgate Garden, and Hong Kong's CITIC Tower and DCH Commercial Centre. The focus of the property business is increasingly in mainland China.

Power Generation CITIC Pacific builds, owns and operates power plants in mainland China. Currently the Group has attributable capacity of 3,192MW.

Aviation CITIC Pacific is a key participant in the aviation sector through Cathay Pacific Airways and its future subsidiary Dragonair, air cargo provider HACTL and Air China Cargo.

Civil Infrastructure Either as owner or manager, CITIC Pacific is involved in all three of Hong Kong harbour crossings – vital facilities that connect Hong Kong Island to Kowloon.

Marketing and Distribution Through Dah Chong Hong and Sims Trading, the marketing and distribution business serves the people of Hong Kong and other parts of China by distributing an array of motor vehicles, consumer and food commodities, branded food and household products.

Communications CITIC Pacific focuses on providing value added services. CITIC Telecom 1616 and CPCNET provide IDD wholesale and data services, CITIC Guoan operates cable TV networks in mainland China and CTM is Macau's communications provider of choice.

Chairman's Letter to Shareholders

CITIC Pacific's net profit for the first six months of 2006 was HK\$3,440 million, a 24% increase compared with the same period last year. The contribution from our special steel manufacturing business rose 28% compared with the same period a year ago due to continued strong demand for our products and the addition of Daye Special Steel. On the property front, sales and rentals increased the contribution from this business by 120%. In light of the satisfactory performance and the Group's strong cash position, the board has recommended paying a special dividend of HK\$0.30 per share in addition to an interim dividend of HK\$0.30 per share.

Much has been achieved in the first six months of 2006 in better positioning the Group for the future. As we increase our investments in mainland China, we are at the same time focusing on the core businesses we manage, divesting those that we do not, as well as those that do not provide satisfactory returns.

Special Steel Manufacturing

Driven by strong demand for our products from key industries such as auto, industrial machinery manufacturing, power generation and oil industries among others which are experiencing tremendous growth, our special steel business grew substantially in the first half of 2006 over the same period last year. The addition of Daye Special Steel is another factor. The price of our products also rebounded from the end of 2005 due to the increase in steel consumption in mainland China and the export market as well as our effort to produce a greater proportion of higher quality products. This not only mitigated the rise in the cost of raw materials in particular iron ore, but also led to increased profit margin.

The acquisition of Shijiazhuang Steel Mill is nearing completion. Steel making of the new production line

in Jiangyin in cooperation with Sumitomo Metals is operating and is profitable. CITIC Pacific Special Steel, which brings *Jiangyin Xingcheng Special Steel*, *Xin Yegang*, *Daye Special Steel* and *Shijiazhuang Steel Mill* under one management, will surely reinforce our leadership in the manufacturing of special steel in China.

Iron Ore Mining

To provide mainland China in general and our special steel business in particular with a secure, stable and long-term supply of essential raw material, in March this year, CITIC Pacific acquired the mining rights to one billion tonnes of magnetite ore with options to another five billion tonnes in the Pilbara region of Western Australia. The development of the first one billion tonnes of ore reserve, capable of producing up to twelve million tonnes of product a year, received Australian government approval in July. Work on this is progressing well. The second one billion tonnes of reserve is now in the final testing and confirmation stage.

CP Mining Management Pty Ltd. has been incorporated in Australia to manage and coordinate the construction and operation of the project. Key personnel, including chief executive officer, financial controller and project director with extensive knowledge and experience in the mining industry have been recruited. They are working closely with consultants and main contractors on various aspects of the project including geological survey, planning for mining, beneficiation plant, pellet plant, desalination plant, power plant, transportation, port and other related works. A detailed development proposal will be presented at the end of August. CITIC Pacific's shareholding in the entire project is 50% and the other 50% will be held by other Chinese government designated steel groups to jointly develop the project. CITIC Pacific will assume a leading role in the management of the project.

Property

In Shanghai, Phase I of our *New Westgate Garden* was completed in June. Substantial progress was made in realizing a landmark development at the *Lu Jia Zui New Financial District* in Shanghai, the last significant site located in Pudong directly on the Huangpu River. A design for the first phase has been selected which will include a hotel and two office towers, and foundation work is expected to start as early as the end of this year. These buildings will become a feature of the Shanghai skyline by 2010. In June, the JV agreement with China State Shipbuilding Corporation on the third phase was formalized. The property development project on *Shenzhou Peninsula* in Hainan Province is progressing well. The master plan has received government approval and work has already begun on roads and bridges. A station at Shenzhou Peninsula has already been confirmed for the high speed railway to be built on the east coast of Hainan Island. This will be beneficial to the development of Shenzhou Peninsula. The Group's other property projects are also progressing well.

A strategic decision was made to sell our 50% passive interest in Festival Walk in Hong Kong to our partner. A profit of approximately HK\$1.3 billion was recorded and cash of about HK\$6 billion was received thus strengthening the Group's financial position for expansion in the mainland.

Power Generation

Electricity generated in the first six months of 2006 by all power plants in which CITIC Pacific has an interest totalled 39 billion kwh, an increase of 5% from the same period last year. Even with the increase in the cost of coal, our power plants performed better than the first half of last year. In July, CITIC Pacific decided to dispose of its entire 60% interests in the Jilin Power Station which had been incurring losses. With the disposal and the raising of on-grid tariffs by the government beginning July, we expect performance to be better in the second half of this year. *Ligang Power Station Phase III (2 x 600MW)* will begin operation at the end of this year. *Phase IV (2 x 600MW)* is progressing on schedule.

Aviation

CITIC Pacific has long been an advocate of greater co-operation between Cathay Pacific and Dragonair, the two Hong Kong airlines, in order to strengthen Hong Kong's position as the premier Asian hub. On 8 June, Air China, CNAC, Cathay Pacific, CITIC Pacific and Swire Pacific entered into an agreement to restructure the parties' shareholdings in Cathay and Dragonair. Dragonair will become a wholly owned subsidiary of Cathay Pacific, permitting Cathay Pacific to market a network including mainland China to strengthen its ability to compete in the world markets. CITIC Pacific's shareholding in Cathay will be reduced to 17.5% in the combined group. This transaction will result in the creation of one of the most powerful airline groups in the world, providing Cathay with greater access to mainland China and customers of all airlines greater convenience and better choices. It will also, when completed, allow CITIC Pacific to realize cash of approximately HK\$5 billion for further developing our core businesses. A profit of approximately HK\$2 billion will also be recorded.

The Future

As the growth of the mainland economy continues and the Hong Kong economy revives, we are optimistic that our Group's businesses will perform better in the second half of 2006. We are committed to focusing on our core businesses and will continue to seek investment opportunities therein. Our financial position remains strong.

On behalf of our directors, I would like to thank all the employees at CITIC Pacific for their hard work.

Larry Yung Chi Kin

Chairman

Hong Kong, 21 August 2006

Financial Review

Introduction

CITIC Pacific's 2006 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 22 to 26 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 27 to 31 of the Interim Report, are Notes that further explain certain figures presented in the statements.

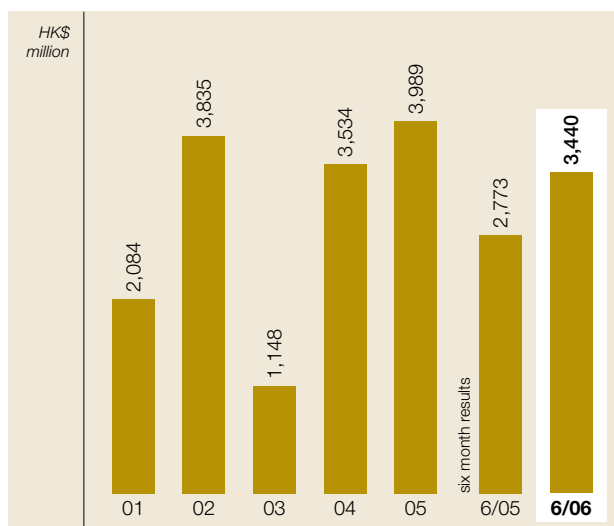
On page 32 is the report of CITIC Pacific's auditor – PricewaterhouseCoopers – of their independent review of CITIC Pacific's interim accounts.

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 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 2006 was HK\$3,440 million, an increase of 24% compared with HK\$2,773 million for the same period in 2005. The reasons for the increase in profit are described below.



Business Segments Contribution

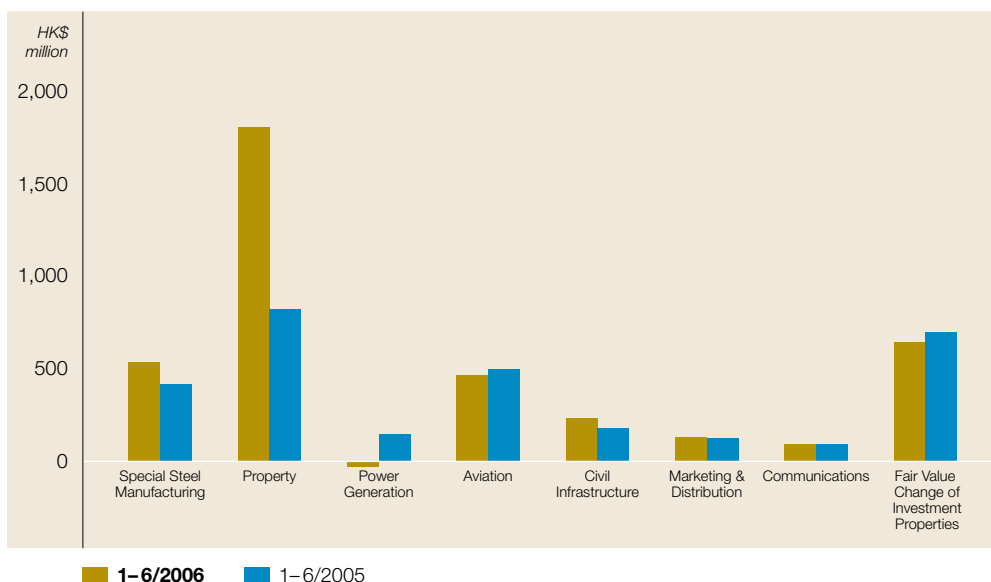
The Contribution (Note) made by major business segments in the first six months of 2006, compared with the same period of 2005, were:

<i>HK\$ million</i>	1-6/2006	actual 1-6/2005	change 2006-2005
Special Steel Manufacturing	539	420	119
Property	1,803	821	982
Power Generation	(29)	145	(174)
Aviation	464	499	(35)
Civil Infrastructure	232	180	52
Marketing & Distribution	132	128	4
Communications	95	92	3
<i>Fair Value change of Investment Properties</i>	647	700	(53)

Note: Please refer to Definition of Terms on page 42

Compared with the contribution for the six months ended 30 June 2005:

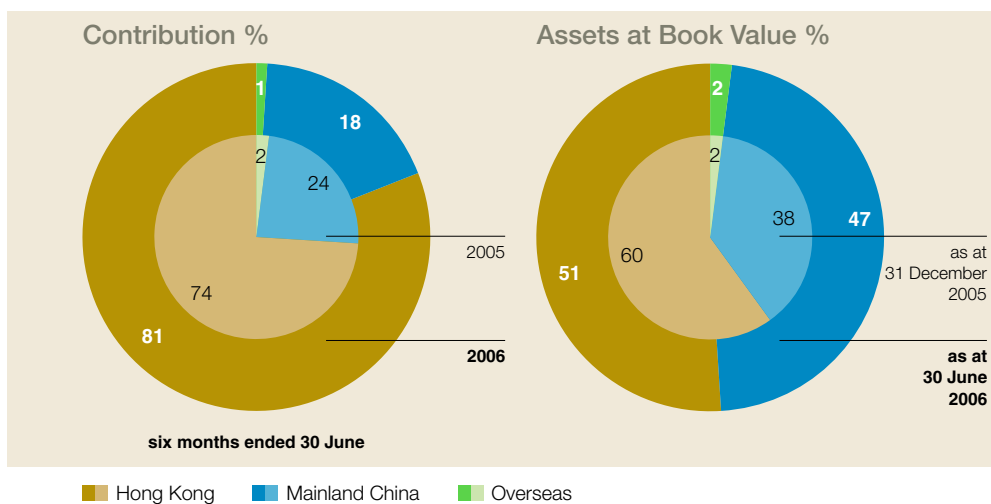
- Special steel manufacturing: Contribution increased due to continuing improved performance of Jiangyin Steel Plant and Xin Yegang Steel Plant including the contribution from Daye Special Steel which was acquired in November 2005.
- Property: Excluding the revaluation surplus of investment properties in both periods, contribution increased by 120% mainly due to the profit from the sale of 50% interest in Festival Walk and profit recognised on completion of Shanghai Westgate Garden in 2006. In the first half of 2005, there were also profits from the sales of properties including a piece of land at Hung Shui Kui in the New Territories. Rental income remained strong and stable.
- Power Generation: Excluding the impairment loss on Jilin Power Station and a loss arising from the share reform of an A share subsidiary company of North United Power Group, contribution increased by 23%.
- Aviation: Due to the continued high fuel cost, despite 13% growth in revenue, the profit of Cathay Pacific was almost the same as the first half of 2005 but Dragonair recorded a loss.
- Civil Infrastructure: Contribution from both vehicular tunnels increased. Toll charges of Eastern Harbour Tunnel was increased since May 2005.
- Marketing & Distribution: The contribution from motor business improved where the PRC market remained the major contributor to the growth. The performance of non-motor businesses during the period was affected by the challenging market and project development costs.
- Communications: Profit of CITIC Telecom 1616 increased but the rise was offset by the costs of other developing businesses. Results of CTM and Guoan were stable.
- Fair value change of investment properties: Increase in fair value of investment properties as a result of a revaluation reflecting the current market condition.



Pages 27 and 28 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 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 increased from HK\$240 million to HK\$347 million mainly due to the increase in the amount of borrowings and the increase in the weighted average cost of debt from 3.9% to 5.0%.

Taxation

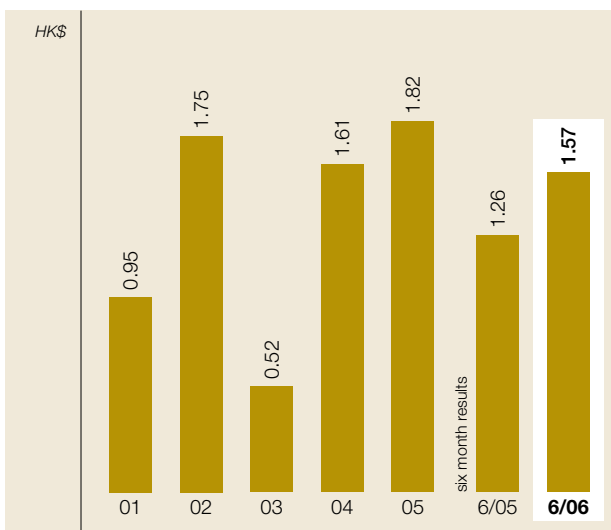
Taxation increased from HK\$248 million in 2005 to HK\$328 million in 2006 mainly due to increased profit.

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.

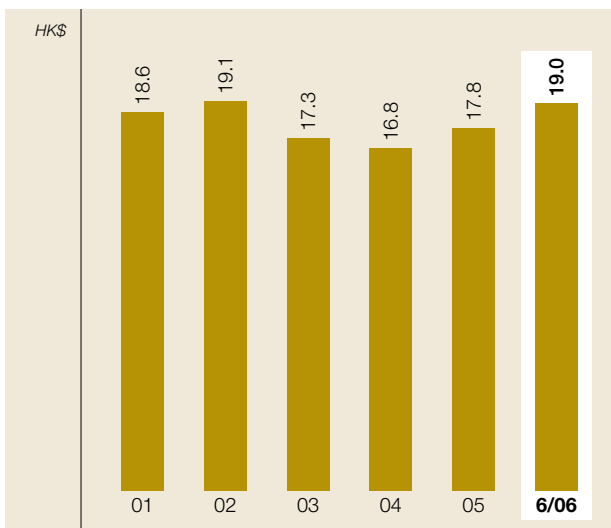
Earnings per Share

Earnings per Share was HK\$1.57 for the first half of 2006, an increase of 24% compared with HK\$1.26 for the same period in 2005. All the increases in Earnings per Share was attributable to the increase in profit as the number of shares outstanding in the two periods was substantially the same.



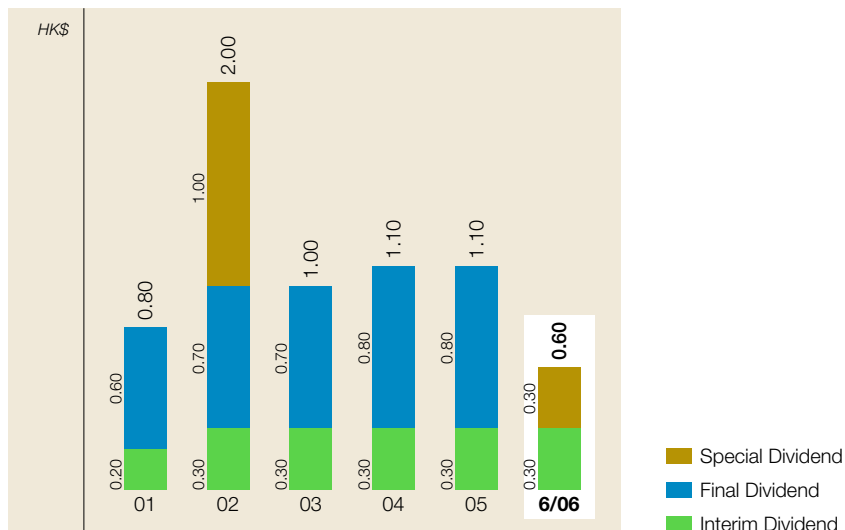
Shareholders' Funds per Share

Shareholders' Funds per share at 30 June 2006 was HK\$19.0. The increase was mainly due to profit during the period.



Dividend per Share

An interim dividend of HK\$0.3 per share and a special dividend of HK\$0.3 is proposed for the first half of 2006.

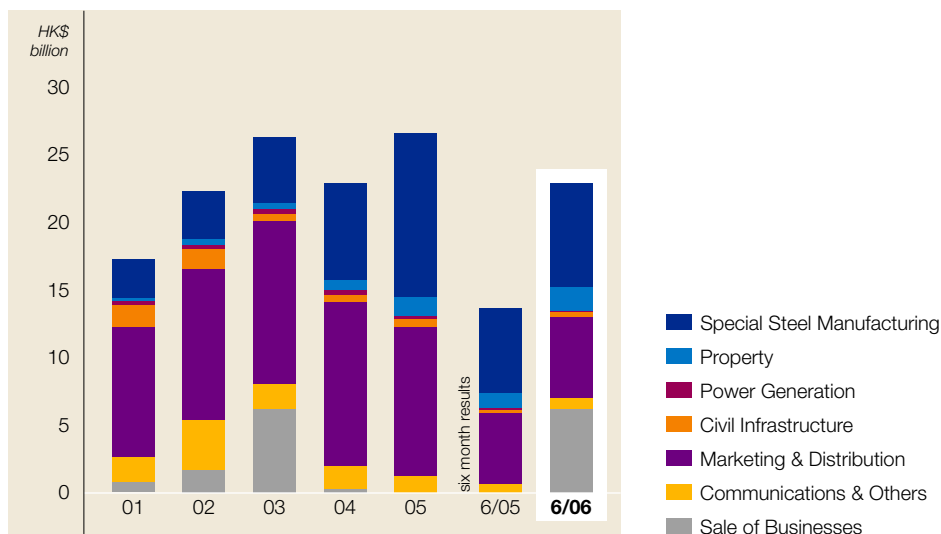


Turnover

Special Steel Manufacturing turnover increased by 22% mainly due to turnover of Daye Special Steel which was acquired in November 2005.

The proceeds on disposal of 50% interest in Festival Walk amounted to approximately HK\$6 billion.

Marketing & Distribution turnover increased by 16% mainly due to increased sales in mainland China particularly for the motor business.



Capital Expenditure

The property development projects in the Mainland are continuing and the first phase of New Westgate Garden was completed during the first half of 2006.

Further capital contribution was made to Zhengzhou during the period. The construction of new power generators by Ligang Power and Zhengzhou Power are on schedule.

An investment of 12% effective interest in Kunming CGE Water Supply Co., Ltd. was made while capital expenditures were also incurred by various existing businesses.

Others includes the deposit paid for the acquisition of the right to mine a magnetite iron ore in Australia.

As at 30 June 2006, the Group's contracted capital commitment was approximately HK\$10 billion, related mainly to PRC projects of Property, Special Steel Manufacturing including the acquisition of Shijiazhuang Steel Mill, and the acquisition of magnetite iron ore mining right in Australia.

<i>HK\$ million</i>	1-6/2006	1-6/2005	1-12/2005
Special Steel Manufacturing	163	795	2,063
Property	976	807	2,526
Power Generation	174	615	1,518
Civil Infrastructure	127	8	225
Marketing & Distribution	110	89	200
Communications	145	42	134
Others	156	514	554

Group Liquidity and Capital Resources

General Policies

The Group's policy is to maintain a high degree of financial control and transparency. Financing and cash management activities are centralised at head office level to enhance risk management, control and the best utilisation of financial resources of the Group.

We aim to diversify our funding sources through utilisation of both banking and capital markets. To the extent it is possible, financing is arranged to match business characteristics and cash flows. Limited or non-recourse project finance is employed when it is available and appropriate.

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 of the 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 limitation in financial markets and regulatory constraints, particularly on investment into mainland China as the Renminbi is currently not a free convertible currency. 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 or HK Dollars. As a result, CITIC Pacific has an increasing exposure to the Renminbi. As of 30 June 2006, around 47% (around HK\$29 billion) of the Group's total assets were based in mainland China.

The underlying cash flow of the Group's businesses is mainly in HK dollars or in Renminbi. CITIC Pacific entered into forward contracts to minimise potential exposure to US dollar denominated debt principal and interest payments. As of 30 June 2006, such contracts outstanding amounted to US\$532 million. CITIC Pacific also entered into a cross currency swap contract to hedge the JPY8.1 billion floating rate note issued in 2005 so as to limit foreign currency exposure. In addition, foreign exchange forward contracts were employed by our trading business to hedge currency fluctuations. As of 30 June 2006, such contracts outstanding amounted to HK\$839 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 of 30 June 2006, CITIC Pacific had outstanding interest rate swap / option contracts with a notional amount of HK\$10.3 billion. After the swaps, HK\$6.1 billion or 33% of the Group's total borrowings were effectively paying fixed rate and the remaining were effectively paying floating rate of interest. The US Federal Reserve increased interest rate from 1% in June 2004 for 17 times consecutively to 5.25% as at end of June 2006. However, due to the Group's active interest hedging program, the overall weighted average all-in cost of debt (including fees and hedging costs) for the six months ended 30 June 2006 was maintained at around 5%, compared with 3.9% for the same period last year.

Employment of Derivative Products

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.

Following the adoption of HKAS32 and HKAS39 as described under 'Significant accounting policies', all derivatives are stated at fair market value. Certain derivative transactions, while the objective is for hedging purposes under the Group's risk management strategies, may not qualify for hedge accounting treatment under the specific rules of the new accounting standards. The changes in the fair value of such kind of derivative transactions are recognised in the profit and loss account. The fair market value of outstanding derivative transactions is calculated at least semi-annually based on the price quotations obtained from major financial institutions or the Group's own calculation where applicable.

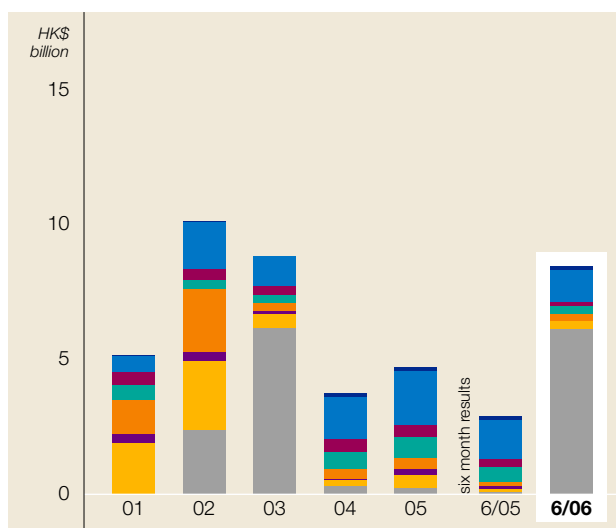
Cash Flow

By design, majority of the Group's debt is raised at the holding company level (except for project based financing or arrangements limited by regulation). 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. During the period, the Group's cash flow remained strong. Following is a summary of the cash contributions by each business segment:

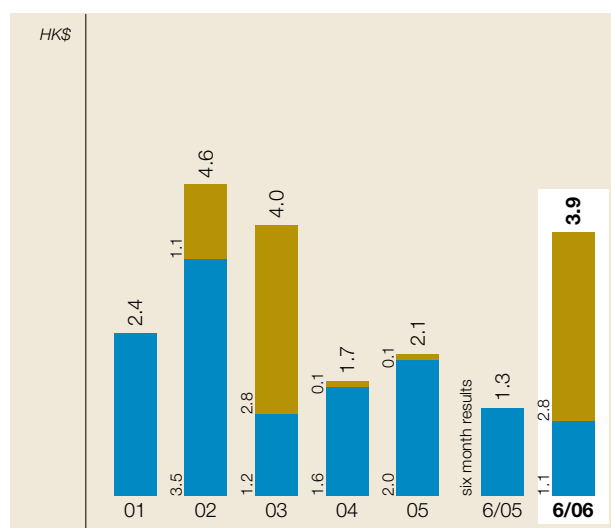
HK\$ million	for the six months ended 30 June	
	2006	2005
Special Steel Manufacturing	168	143
Property	7,317	1,475
Power Generation	116	298
Aviation	324	534
Civil Infrastructure	236	169
Marketing & Distribution	0	93
Communications	172	140
Others	60	4
Total	8,393	2,856

The significant increase from property sector was mainly attributable to the disposal of Festival Walk (disposal proceeds approximately HK\$6 billion) in March 2006. Civil Infrastructure sector also contributed higher cashflow thanks to the strong performance of tunnel operations. Cashflow from aviation sector dropped as higher cost of fuel affected the industry substantially. Cashflow from Power generation sector dropped as the 2005 final dividend declared by Ligang Power Station was retained for reinvestment. There was no cash contribution to the Group from Marketing & Distribution during the period as cash flow generated from operations was reinvested for new projects in the mainland.

Cash Flow from Operations



Cash Flow per Share



Summary of Consolidated Cash Flow Statement

<i>HK\$ million</i>	for the six months ended 30 June	
	2006	2005
Net Cash generated from consolidated activities	1,186	851
jointly controlled entities	133	200
associated companies	613	1,017
other financial assets	9	102
Sale of business interests and marketable securities	7,016	487
Capital expenditure and investment in new businesses	(1,790)	(2,668)
Tax	(97)	(87)
Net interest paid	(387)	(263)
	6,683	(361)
Dividends paid	(1,755)	(1,754)
(Decrease) / Increase in borrowings	(3,233)	2,310
Repurchase of shares	(35)	–
Share options exercised	23	12
	(5,000)	568
Increase in cash and cash equivalents	1,683	207

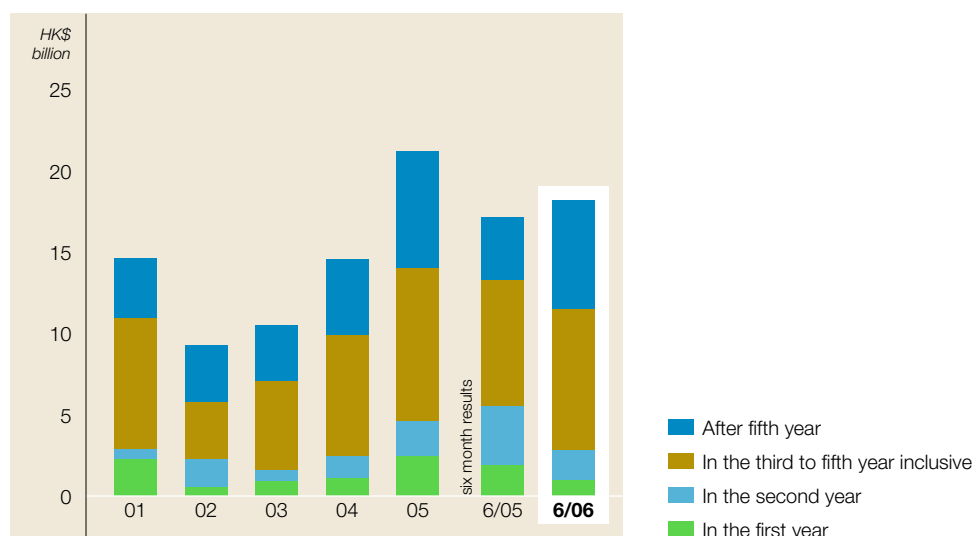
Group Debt and Liquidity

The financial position of the Group as at 30 June 2006, as compared to 31 December 2005 and 30 June 2005, is summarised as follows:

<i>HK\$ million equivalent</i>	30 June 2006	31 December 2005	30 June 2005
Total debt	18,178	21,218	17,129
Cash and bank deposits	4,289	2,579	2,622
Net debt	13,889	18,639	14,507
Leverage (Net debt to Total capital)	25%	32%	28%

Total Debt

Total debt decreased mainly due to the proceeds from disposal of Festival Walk of approximately HK\$6 billion. As at 30 June 2006, total debt including outstanding short term loans that will mature to the end of 2006 amounted to HK\$1 billion or 5% of the total debt. On the other hand, the Group had deposits with banks of HK\$4.3 billion on that date, exceeding the loans due for repayment in second half of 2006.



The original denomination of the Group's borrowings as well as cash and deposit balances by currencies as of 30 June 2006 is summarised as follows:

<i>HK\$ million equivalent</i>	denomination					total
	HK\$	US\$	Renminbi	Yen	other	
Total debt	10,029	3,690	3,238	1,063	158	18,178
Cash and bank deposits	153	1,997	1,921	95	123	4,289
Net debt	9,876	1,693	1,317	968	35	13,889

Various derivative instruments are employed to minimise foreign exchange exposure. Details see descriptions under 'Foreign Currency Exposure'.

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.

HK\$ million	2006	2007	2008	2009	2010	2011 and beyond	total	percentage
Parent Company	15	27	208	3,203	3,644	6,714 ¹	13,811	76%
Subsidiaries	937	1,772	1,210	408	40	0	4,367	24%
Total Maturing Debt	952	1,799	1,418	3,611	3,684	6,714	18,178	100%
Percentage	5%	10%	8%	20%	20%	37%	100%	
Available Facilities ²	0	78	1,292	921	550	13,584	16,425	

1. Including a US\$450 million global bond due in 2011 and a JPY8.1 billion floating rate note due in 2035 which were issued by wholly owned special purposes vehicles.

2. The maturity years of the relevant committed facilities are shown for reference.

Available Sources of Financing

In addition to cash and deposits balance of HK\$4.3 billion as of 30 June 2006, the Group had undrawn available facilities totaling HK\$18.4 billion, of which HK\$16.4 billion was in committed long term loans and HK\$2.0 billion of money market lines. Besides, available trade facilities amounted to HK\$2.3 billion. Borrowings by sources of financing as of 30 June 2006 is summarised as follows:

HK\$ million	total facilities	outstandings	available facilities
Committed Facilities			
Bank Loans	29,621	13,196	16,425
Global Bonds	3,510	3,510	0
Private Placement	404	404	0
Total Committed	33,535	17,110	16,425
Uncommitted Facilities			
Money Market Lines and Short Term Facilities	3,051	1,049	2,002
Trade Facilities	2,765	448	2,317

In addition, the Company has signed cooperative agreements with major PRC banks. The purpose of these cooperative agreements is to facilitate our funding requirement for new investments in PRC. Because of specific legal regulations in PRC, the utilisation of these facilities is subject to certain conditions (e.g. proper approval of the underlying project and the loan arrangements must fulfill relevant PBOC regulations and guidelines). As at 30 June 2006, the aggregate credit limit granted for such facilities was RMB23 billion, of which approximately RMB8 billion remained available.

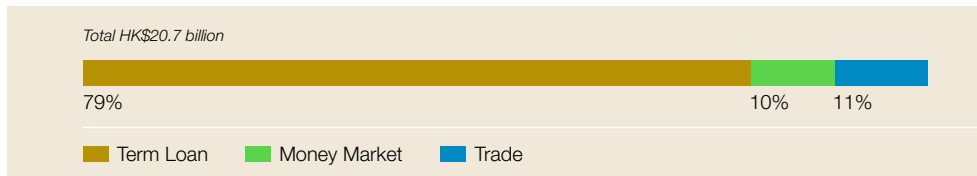
New Financing Activities

During the period, CITIC Pacific successfully completed a HK\$7.2 billion syndicated loan facility. In addition, 1.8 billion committed bilateral loan facilities were newly established, renewed or extended. In August, the Company established 2 cooperative agreements with major PRC banks. Substantial amount of credit limit have been established to further support the Group's expansion strategy in the mainland.

Financial Position at a Glance

The charts below show the type, interest rate, maturity and currency profiles of borrowings of the Group as at 30 June 2006:

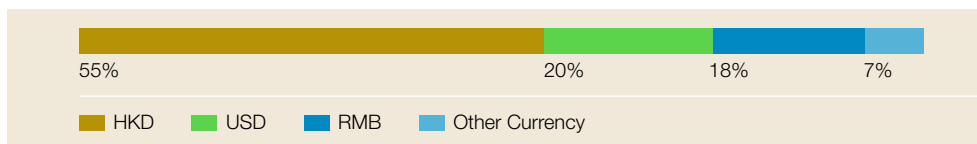
1. Available Facilities by Type



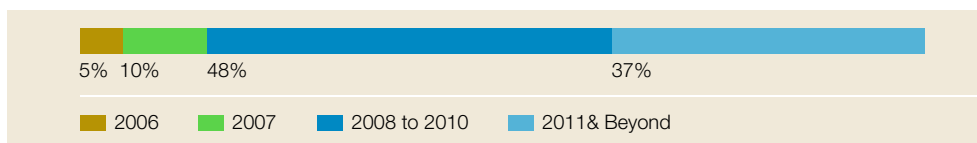
2. Outstanding Debt by Type



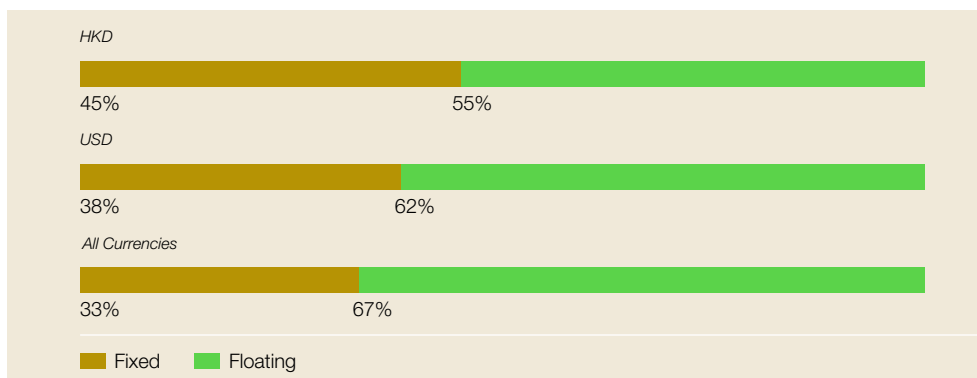
3. Outstanding Debt by Currency



4. Outstanding Debt by Maturity



5. Interest Rate Base



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 of 30 June 2006 which, under Hong Kong generally accepted accounting standards, are not consolidated into the Group's accounts.

Business Sector <i>HK\$ million</i>	total net debt/ (cash)	proportion of net debt/(cash) attributable to CITIC Pacific	amount of debt guaranteed by CITIC Pacific or its subsidiaries
Special Steel Manufacturing	(2)	(1)	
Property	(253)	(111)	
Power Generation	35,142	9,169	606
Aviation	14,537	3,235	
Civil Infrastructure	2,043	729	
Marketing & Distribution	1,138	500	
Communications	1,796	1,039	
Others	841	434	
Total	55,242	14,994	606

Except for the guarantee related to Jilin Power Station as described under Financial Guarantees below, the debt amount shown in the above table were arranged by jointly controlled entities and associated companies without recourse to their shareholders. Certain Group's investments, such as Discovery Bay, are 100% financed by their shareholders and do not have any external borrowings.

Financial Guarantees and Pledged Assets

In a limited number of cases, financial guarantees were given by CITIC Pacific or its subsidiaries for loan facilities which were not included in the consolidated borrowings. As of 30 June 2006, CITIC Pacific provided guarantees to support its share of loan facilities totaling RMB624 million at Jilin Power Station. In late July 2006, CITIC Pacific entered into an agreement to dispose its entire 60% shareholding in Jilin Power Station, and the guarantee will be released upon completion of the disposal.

CITIC Pacific has provided a guarantee to support loan facilities of RMB400 million to Shijiazhuang Iron & Steel Co. Ltd. ('Shijiazhuang Steel') prior to the completion of the acquisition. The release of this guarantee is being arranged.

As at 30 June 2006, subsidiaries' assets of HK\$692 million (31 December 2005: HK\$585 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

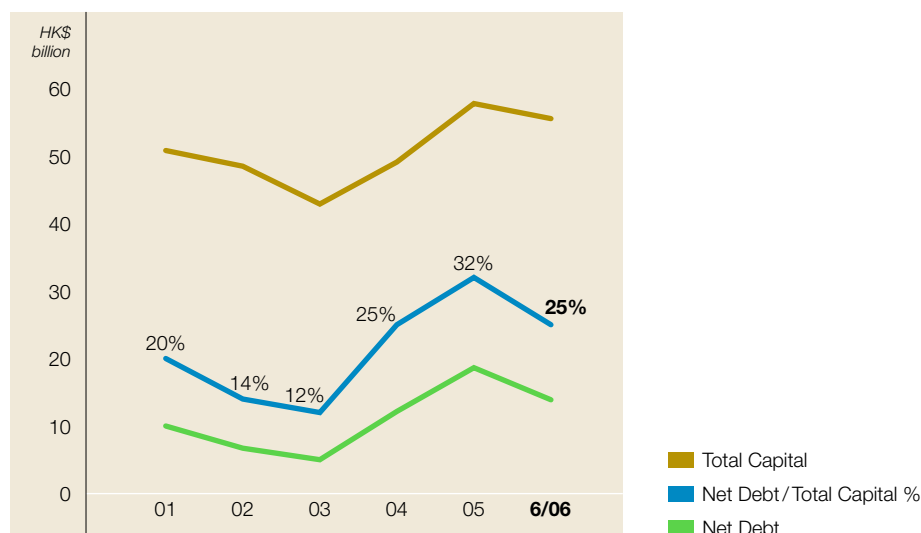
As at 30 June 2006, the Group's contingent liabilities had not changed significantly from the last year end.

Analysis on the Group's Financial Obligations

category	description	30 June 2006 <i>HK\$ million</i>	31 December 2005 <i>HK\$ million</i>
Borrowings of Holding Company	Include bond and notes issued by wholly owned special purposes vehicles.	13,811	16,813
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.	4,367	4,405
Borrowings of Jointly Controlled Entities and Associated Companies	Share of net debt of jointly controlled entities and associated companies. Except for the debt of Jilin Power Station mentioned above, all the debts are non-recourse to the Company and its subsidiaries.	14,994	14,131

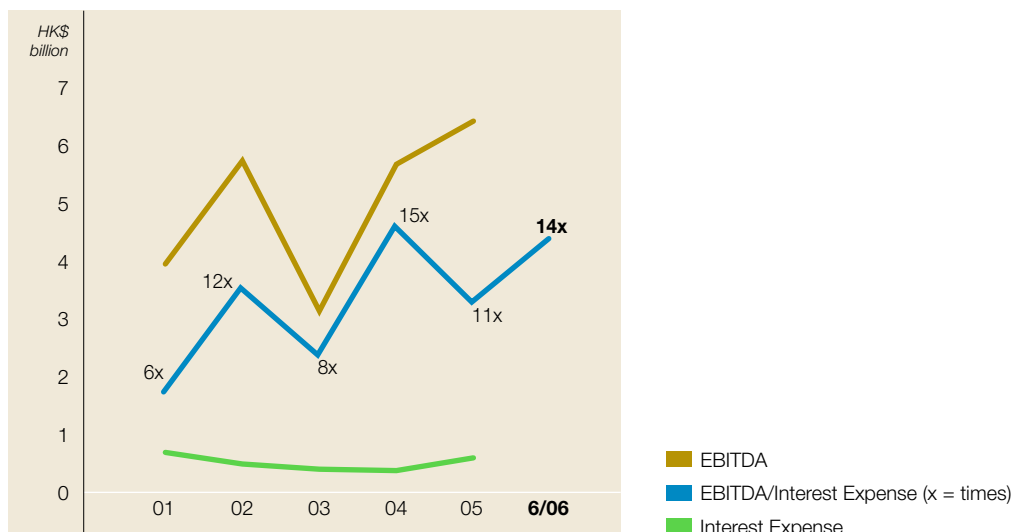
Leverage

Net debt divided by total capital was 25% at 30 June 2006 compared with 32% at the end of 2005.



Interest Cover

EBITDA divided by interest expense for the six months ended 30 June 2006 was 14 compared to 11 in 2005, due to the 23% increase in EBITDA and a 45% increase of interest expenses.



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 2006
Minimum Consolidated Net Worth:		
Consolidated Net Worth	≥ HK\$25 billion	HK\$44.1 billion
Gearing:		
Consolidated Borrowing / Consolidated Net Worth	≤ 1.5	0.43
Negative Pledge:		
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.

Credit Ratings

Moody's and Standard & Poor's downgraded CITIC Pacific's credit rating during the period. 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 main rationale for the change in ratings, as stated in their press release, was based on the agencies' perception that the business focus of CITIC Pacific has shifted towards the mainland market where they believe subject to higher risk, and also concerned about the Group's moving forward more volatile business areas such as specialty steel, property development and the new mining project. CITIC Pacific believes, however, that the change in business strategy, particularly the increased business focus in the fast growing mainland market, is necessary.

The Group's new investments, which focus mainly in the areas where CITIC Pacific has greatest expertise, are expected to contribute significantly in both profit and cash flow to the Group in the coming years. 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 known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

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 2006, the Group employed 19,148 staff in its headquarters in Hong Kong and its principal subsidiaries and joint venture companies. Mainland China and Hong Kong have the largest number of employees of 15,013 and 3,885 each respectively. Another 250 are employed in subsidiaries in Japan, Singapore and Canada. Key personnel, including chief executive officer, financial controller and project director with extensive knowledge and experience in the mining industry have been recruited.

The revival of the Hong Kong economy continued in the first half of 2006 which led to an increased demand for talent in the employment market. To ensure that overall compensation is internally equitable, in line with local norms, and in support of the business strategy, the Group proactively conducts review on the cash compensation and benefits programs provided for its employees. No major amendment was made to the human resources management policy or procedures in the last 6 months as the Group's practices remain largely compatible with major employers in the territories it operates. In line with established policy, some interim salary adjustment on a selective basis was made to match market changes.

CITIC Pacific actively promotes a culture of open communication in which staff can express concerns to and share ideas with the management. The Group is also committed to providing a healthy environment conducive to each individual's development. Employees are encouraged to improve themselves through further studies supported by the Group's financial sponsorship. In-house training for different levels of employees is organised on a regular basis to provide product knowledge and skill training. Moreover, with the growing cross-border activities between Hong Kong and mainland China, the Group continues to strengthen business integration, knowledge sharing and skill transfer between staffs in these two areas.

CITIC Pacific fully supports investing in the training and development of our future generation of staff. The Group has put in place various management trainee and apprentice training programs. It also participates in the Education and Manpower Bureau's School-Business Partnership Program for secondary school students and supports local universities by providing internship opportunities in the mainland China operations.

CITIC Pacific and its staff continue to support charitable work and the promotion of education, environmental protection, sports, culture and the arts through sponsoring and participating in related activities.

Consolidated Profit and Loss Account

for the six months ended 30 June – unaudited

<i>in HK\$ million</i>	note	2006	2005
Turnover	2	22,881	13,637
Cost of Sales		(18,507)	(10,846)
Distribution and Selling Expenses		(451)	(374)
Other Operating Expenses		(1,351)	(1,008)
Change in Fair Value of Investment Properties		422	561
Profit from Consolidated Activities	3	2,994	1,970
Share of Results of Jointly Controlled Entities		302	161
Associated Companies		988	1,142
Finance Charges		(404)	(124)
Finance Income		89	32
Net Finance Charges	4	(315)	(92)
Profit before Taxation		3,969	3,181
Taxation	5	(328)	(248)
Profit for the Period		3,641	2,933
Attributable to:			
Shareholders of the Company		3,440	2,773
Minority Interests		201	160
		3,641	2,933
Dividends			
Dividends Proposed	6	(1,316)	(658)
Earnings per Share for Profit attributable to Shareholders of the Company during the Period (HK\$)	7		
Basic		1.57	1.26
Diluted		1.57	1.26
Dividends per Share (HK\$)			
Interim		0.30	0.30
Special		0.30	–

Consolidated Balance Sheet

<i>in HK\$ million</i>	note	unaudited 30 June 2006	audited 31 December 2005
Non-Current Assets			
Property, plant and equipment		9,997	10,063
Investment properties		9,411	8,645
Properties under development		1,231	1,849
Leasehold land		1,658	1,618
Jointly controlled entities		11,786	10,583
Associated companies		19,108	23,300
Other financial assets		1,071	929
Goodwill		606	603
Deferred tax assets		123	158
Derivative financial instruments		205	168
		55,196	57,916
Current Assets			
Properties held for sale		629	1,055
Inventories		3,409	3,427
Debtors, accounts receivable, deposits and prepayments	8	6,819	5,691
Cash and bank deposits		4,289	2,579
		15,146	12,752
Current Liabilities			
Bank loans, other loans and overdrafts			
Secured		322	183
Unsecured		944	2,223
Creditors, accounts payable, deposits and accruals	8	7,049	6,628
Provision for taxation		311	199
		8,626	9,233
Net Current Assets		6,520	3,519
Total Assets Less Current Liabilities		61,716	61,435
Non-Current Liabilities			
Long term borrowings		16,912	18,812
Deferred tax liabilities		1,411	1,387
Derivative financial instruments		103	40
		18,426	20,239
Net Assets		43,290	41,196
EQUITY			
Share capital		877	877
Reserves		39,428	36,472
Proposed dividend		1,316	1,754
Equity attributable to Shareholders of the Company		41,621	39,103
Minority Interests		1,669	2,093
Total Equity		43,290	41,196

Consolidated Cash Flow Statement

for the six months ended 30 June – unaudited

<i>in HK\$ million</i>	2006	2005
Cash Flows from Consolidated Activities		
<i>Profit from Consolidated Activities after Net Finance Charges</i>	2,679	1,878
Net finance charges	258	226
Income from other financial assets	(9)	(99)
Depreciation	441	358
Amortisation of leasehold land	27	22
Impairment losses on other financial assets	1	22
Profit on disposal of other financial assets	(3)	–
Provision for loan to associate	2	–
Impairment losses of jointly controlled entities	151	–
Impairment losses of property, plant and equipment	3	–
Profit on disposal of property, plant and equipment	(13)	(10)
Change in fair value of investment properties	(422)	(561)
Profit on disposal of subsidiary companies	(1,262)	(360)
Loss on disposal of jointly controlled entities	–	4
<i>Operating Profit before Working Capital Changes</i>	1,853	1,480
Decrease / (increase) in inventories	19	(156)
Increase in debtors, accounts receivable, deposits and prepayments	(824)	(299)
Increase / (decrease) in creditors, accounts payable, deposits and accruals	150	(197)
Effect of foreign exchange rates	(12)	23
<i>Cash Generated from Consolidated Activities</i>	1,186	851
Interest received	91	23
Interest paid	(478)	(286)
Income taxes paid	(97)	(87)
Net Cash from Consolidated Activities	702	501

in HK\$ million

	2006	2005
Cash Flows from Investing Activities		
Purchase of subsidiary companies	(19)	(87)
Purchase of additional interests in a subsidiary company	(35)	(3)
Purchase of property, plant and equipment	(643)	(1,188)
Investment in jointly controlled entities	(1,164)	(471)
Investment in associated companies	(1)	(595)
Proceeds on disposal of property, plant and equipment	72	68
Proceeds on disposal of other financial assets	46	–
Proceeds on disposal of jointly controlled entities	–	5
Proceeds on disposal of subsidiary companies	6,970	482
(Increase) / decrease in loans to jointly controlled entities	(5)	195
Increase in other financial assets	–	(392)
Decrease in loans to associated companies	240	219
Dividend income from associated companies	373	798
Dividend income from jointly controlled entities	138	5
Income from other financial assets	9	102
Net Cash from / (used in) Investing Activities	5,981	(862)
Cash Flows from Financing Activities		
Repurchase of shares	(35)	–
Issue of shares	23	12
New borrowings	3,989	2,884
Repayment of loans	(7,101)	(481)
Decrease in minority interests	(121)	(93)
Dividend paid	(1,755)	(1,754)
Net Cash (used in) / from Financing Activities	(5,000)	568
Net Increase in Cash and Cash Equivalents	1,683	207
Cash and Cash Equivalents at 1 January	2,524	2,381
Effect of Foreign Exchange Rate Changes	31	(6)
Cash and Cash Equivalents at 30 June	4,238	2,582
Analysis of the Balance of Cash and Cash Equivalents		
Cash and bank deposits	4,289	2,622
Bank overdrafts	(51)	(40)
	4,238	2,582

Consolidated Statement of Changes in Equity

for the six months ended 30 June – unaudited

<i>in HK\$ million</i>	2006	2005
At 1 January	41,196	38,626
Share of Reserves of Associated Companies		
Fair value gain / (loss) on other financial assets	213	(32)
(Loss) / gain on cash flow hedge of financial instruments	(53)	251
Share of Reserve of Jointly Controlled Entities		
Gain on cash flow hedge of financial instruments	4	29
Gain on Cash Flow Hedge of Financial Instruments	50	93
Fair Value Gain / (Loss) on Other Financial Assets	304	(115)
Exchange Translation Differences	265	(4)
Net Gain Not Recognised in the Consolidated Profit and Loss Account	783	222
Profit for the Period	3,641	2,933
Dividend to Shareholders of the Company	(1,755)	(1,754)
Minority Interests (Note)	(625)	(145)
Share Options Granted	62	–
Repurchase of Shares	(35)	–
Share Options Exercised		
Premium received	23	12
At 30 June	43,290	39,894

Note:

Pursuant to Daye Special Steel Co. Ltd. ('Daye')'s share reform plan approved by its minority shareholders on 12 January 2006 ('Share Reform Plan'), put options were granted by Hubei Xin Yegang Co. Ltd. ('Xin Yegang') to the minority shareholders of Daye to sell Daye's shares. Both Daye and Xin Yegang are subsidiaries of the Company.

The present value of Xin Yegang's commitment in respect of the put options amounted to HK\$585 million on the grant date was initially recognised as a financial liability reclassified from minority interest.

Details of the Share Reform Plan are set out in the Company's circular to shareholders dated 22 December 2005.

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 2005 with the addition of certain new standards and amendments of Hong Kong Financial Reporting Standards ('HKFRS') issued and became effective during the period ended 30 June 2006.

The adoption of such standards or amendments does not result in substantial changes to the Group's accounting policies and has no significant effect on the results reported for the first half of 2006.

2 Turnover and Segment Information

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

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

2 Turnover and Segment Information *continued*

six months ended 30 June 2005 <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 Manufacturing	6,286	584	(39)	–	545	–	545
Property	1,150	547	–	308	855	39	894
Power Generation	99	79	76	(13)	142	–	142
Aviation	–	–	12	484	496	–	496
Civil Infrastructure	282	181	50	25	256	–	256
Marketing & Distribution	5,212	192	15	1	208	(39)	169
Communications	608	9	31	52	92	–	92
Others	–	–	16	–	16	–	16
Fair Value Change of Investment Properties	–	561	–	285	846	–	846
Less: General and Administration Expenses	–	(183)	–	–	(183)	–	(183)
	13,637	1,970	161	1,142	3,273	–	3,273
Net Finance Charges							(92)
Taxation							(248)
Profit for the Period							2,933

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

<i>in HK\$ million</i>	six months ended 30 June	
	2006	2005
<i>By geographical area</i>		
Hong Kong	11,041	4,747
Mainland China	11,121	8,231
Japan	236	265
Others	483	394
	22,881	13,637

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	
	2006	2005
<i>Crediting</i>		
Dividend income from unlisted other financial assets	9	99
Profit on disposal of other financial assets	3	–
Profit on disposal of subsidiary companies	1,262	360
<i>Charging</i>		
Cost of inventories sold	11,384	9,195
Depreciation of property, plant and equipment	441	358
Impairment losses on other financial assets	1	22
Amortisation of leasehold land	27	22

4 Net Finance Charges

<i>in HK\$ million</i>	six months ended 30 June	
	2006	2005
<i>Finance charges</i>		
Interest expenses	460	277
Other finance charges	22	18
Amount capitalised	(113)	(37)
Fair value losses / (gains) on derivative financial instruments	35	(134)
	404	124
<i>Finance income</i>		
Interest income	(89)	(32)
	315	92

5 Taxation

Hong Kong profits tax is calculated at 17.5% (2005: 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	
	2006	2005
<i>Current taxation</i>		
Hong Kong profits tax	98	60
Overseas taxation	163	57
<i>Deferred taxation</i>		
Change in fair value of investment properties	42	126
Origination and reversal of other temporary difference	25	5
	328	248

6 Dividends

<i>in HK\$ million</i>	six months ended 30 June	
	2006	2005
2005 Final dividend paid: HK\$0.80 (2004: HK\$0.80) per share	1,755	1,754
2006 Interim dividend proposed: HK\$0.30 (2005: HK\$0.30) per share	658	658
2006 Special dividend proposed: HK\$0.30 (2005: HK\$nil) per share	658	–
	1,316	658

7 Earnings per Share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$3,440 million (2005: HK\$2,773 million).

The basic earnings per share is based on the weighted average number of 2,193,406,134 shares in issue during the period (2005: 2,192,285,022 shares in issue). The diluted earnings per share is based on 2,197,886,817 shares (2005: 2,195,109,006 shares) which is the weighted average number of shares in issue during the period plus the weighted average number of 4,480,683 shares (2005: 2,823,984 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>	30 June 2006	31 December 2005
<i>Trade debtors</i>		
Within 1 year	1,842	1,649
Over 1 year	54	45
	1,896	1,694
Accounts receivable, deposits and prepayments	4,923	3,997
	6,819	5,691

Note:

- i) Trade debtors are net of provision and the ageing is classified based on invoice date.
- ii) Each business units 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\$22 million (2005: HK\$12 million).

8.2 Creditors, Accounts Payable, Deposits and Accruals

<i>in HK\$ million</i>	30 June 2006	31 December 2005
<i>Trade creditors</i>		
Within 1 year	2,341	2,464
Over 1 year	396	214
	2,737	2,678
Accounts payable, deposits and accruals	4,312	3,950
	7,049	6,628

Note:

- i) Accounts payable, deposits and accruals included derivative financial liabilities of HK\$2 million (2005: HK\$17 million).
- ii) The carrying amounts of creditors, accounts payable, deposits and accruals approximate their fair value.

9 Post Balance Sheet Events

On 31 March 2006, the Company entered into the Sino Iron Acquisition Agreement and Balmoral Acquisition Agreement, to acquire magnetite ore mining rights in Australia at a consideration of US\$215 million and US\$200 million respectively. Details of the acquisitions are set out in the Company's circular to shareholders dated 8 May 2006. The acquisition under Sino Iron Acquisition Agreement was completed in July 2006.

On 8 June 2006, the Company, Air China Limited, China National Aviation Company Limited, Cathay Pacific Airways Limited and Swire Pacific Limited entered into the Restructuring Agreement. Details of the restructuring are set out in the Company's circular to shareholders dated 30 June 2006. The restructuring is expected to be completed by the end of August 2006.

Independent Review Report

Independent Review Report to the Board of Directors of CITIC Pacific Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 22 to 31.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report 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.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 'Engagements to review interim financial reports' issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 August 2006

Statutory Disclosure

Dividend and Closure of Register

The Directors have declared an interim dividend of HK\$0.30 (2005: HK\$0.30) per share and a special dividend of HK\$0.30 (2005: Nil) per share for the year ending 31 December 2006 payable on Friday, 15 September 2006 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 13 September 2006. The Register of Members of the Company will be closed from Thursday, 7 September 2006 to Wednesday, 13 September 2006, 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, 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 Wednesday, 6 September 2006.

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. The closing price of the Company's shares immediately before the grant on 20 June 2006 was HK\$22.50.

None of the share options granted under the Plan were cancelled or lapsed during the six months ended 30 June 2006. A summary of the movements during the six months ended 30 June 2006 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 1.1.06	granted during the 6 months ended 30.6.06	exercised during the 6 months ended 30.6.06	balance as at 30.6.06	
Larry Yung Chi Kin	28.5.02	18.2	2,000,000	–	–	2,000,000	
	1.11.04	19.9	2,000,000	–	–	2,000,000	
	5.12.05	20.5	100,000,000 <i>(Note 1)</i>	–	–	100,000,000	
	20.6.06	22.1	–	2,000,000	–	2,000,000	
						106,000,000	4.835
Henry Fan Hung Ling	20.6.06	22.1	–	1,600,000	1,600,000 <i>(Note 2)</i>	–	–
Peter Lee Chung Hing	28.5.02	18.2	1,000,000	–	–	1,000,000	
	1.11.04	19.9	1,000,000	–	–	1,000,000	
	20.6.06	22.1	–	1,200,000	–	1,200,000	
						3,200,000	0.146
Norman Yuen Kee Tong	28.5.02	18.2	500,000	–	–	500,000	
	1.11.04	19.9	500,000	–	–	500,000	
	20.6.06	22.1	–	500,000	–	500,000	
						1,500,000	0.068
Vernon Francis Moore	28.5.02	18.2	1,000,000	–	–	1,000,000	
	1.11.04	19.9	1,000,000	–	–	1,000,000	
	20.6.06	22.1	–	700,000	–	700,000	
						2,700,000	0.123
Yao Jinrong	28.5.02	18.2	300,000	–	–	<i>(Note 3)</i>	<i>(Note 3)</i>
	1.11.04	19.9	500,000	–	–		
Li Shilin	28.5.02	18.2	300,000	–	–	300,000	0.014
Carl Yung Ming Jie	28.5.02	18.2	300,000	–	–	300,000	
	1.11.04	19.9	500,000	–	–	500,000	
	20.6.06	22.1	–	600,000	–	600,000	
						1,400,000	0.064
Liu Jifu	28.5.02	18.2	300,000	–	–	300,000	
	1.11.04	19.9	500,000	–	–	500,000	
	20.6.06	22.1	–	700,000	–	700,000	
						1,500,000	0.068

name of director	date of grant	exercise price HK\$	number of share options				percentage of issued share capital %
			balance as at 1.1.06	granted during the 6 months ended 30.6.06	exercised during the 6 months ended 30.6.06	balance as at 30.6.06	
Leslie Chang Li Hsien	28.5.02	18.2	300,000	–	–	300,000	0.073
	1.11.04	19.9	500,000	–	–	500,000	
	20.6.06	22.1	–	800,000	–	800,000	
						1,600,000	
Chau Chi Yin	28.5.02	18.2	300,000 (Note 4)	–	–	300,000	0.073
	1.11.04	19.9	500,000 (Note 4)	–	–	500,000	
	20.6.06	22.1	– (Note 4)	800,000	–	800,000	
						1,600,000	
Milton Law Ming To	28.5.02	18.2	250,000 (Note 4)	–	–	250,000	0.071
	1.11.04	19.9	500,000 (Note 4)	–	–	500,000	
	20.6.06	22.1	– (Note 4)	800,000	–	800,000	
						1,550,000	
Wang Ande	1.11.04	19.9	200,000 (Note 4)	–	–	200,000	0.032
	20.6.06	22.1	– (Note 4)	500,000	–	500,000	
						700,000	

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\$22.50.
3. The Director resigned as a director on 1 April 2006. During the period from 1 January 2006 to 1 April 2006, the Director has not exercised any of his share options and his holding as at 30 June 2006 has been included under Section B below.
4. Messrs Chau Chi Yin, Milton Law Ming To and Wang Ande were appointed as director of the Company on 1 April 2006. Thus, this is in respect of the balance as of 1 April 2006.

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 1.1.06	granted during the 6 months ended 30.6.06	exercised during the 6 months ended 30.6.06 (Note 5)	balance as at 30.6.06
28.5.02	18.2	1,850,000	–	910,000	940,000
1.11.04	19.9	3,570,000	–	150,000	3,420,000
20.6.06	22.1	–	5,730,000	–	5,730,000

Note:

5. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$24.27.

C. Others

date of grant	exercise price HK\$	number of share options		
		balance as at 1.1.06 (Note 6)	exercised during the 6 months ended 30.6.06 (Note 7)	balance as at 30.6.06
28.5.02	18.2	300,000	190,000	110,000
1.11.04	19.9	200,000	–	200,000

Note:

6. These are in respect of options granted to former employees under continuous contracts, who had subsequently retired.

7. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$22.22.

The fair value of an option on one CITIC Pacific share granted in the current period measured as at the date of grant of 20 June 2006 was HK\$3.92 based on the following assumptions using the Binomial Model:

- Taking into account the probability of early exercise behaviour, the average expected term of the grant was determined to be 3.93 years
- Expected volatility of CITIC Pacific's share price at 25% per annum (based on historical movements of share prices over last 4 years)
- Expected annual dividend yield of 5% (based on historical dividend payments)
- Rate of eligible grantees leaving service assumed at 1% per annum
- Early exercise assumption for option holders to exercise their options when the share price is at least 150% of the exercise price
- Risk-free interest rate of 4.69% per annum (based on linearly interpolated yields of the Hong Kong Exchange Fund Notes as at the grant date)

The result of the Binomial Model can be materially affected by changes in these assumptions so an option's actual value may differ from the estimated fair value of the options due to limitations of the Model.

All the options forfeited before expiry of the Plan will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Plan.

The total expense recognised in the Company's profit and loss account for the period ended 30 June 2006 in respect of the grant of the aforesaid 15,930,000 options is HK\$62,445,600.

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 2006 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				percentage to the issued share capital %
	personal interests	corporate interests	family interests	trusts and similar interests	
CITIC Pacific Limited					
Larry Yung Chi Kin		400,381,000			18.261
Henry Fan Hung Ling		3,000,000 (Note 1)		45,000,000 (Note 2)	2.189
Peter Lee Chung Hing	500,000				0.023
Norman Yuen Kee Tong	33,000				0.002
Vernon Francis Moore				3,200,000	0.146
Liu Jifu	40,000				0.002
Leslie Chang Li Hsien	30,000				0.001
Chau Chi Yin	236,000				0.011
Milton Law Ming To	3,000				0.0001
Wang Ande	50,000				0.002
Hansen Loh Chung Hon	1,050,000	500,000 (Note 3)	500,000 (Note 3)		0.071
André Desmarais		105,230,000 (Note 4)	75,000		4.803
Peter Kruyt (alternate director to Mr. André Desmarais)	34,100				0.002
Cathay Pacific Airways Limited					
Hansen Loh Chung Hon	450,000				0.013

Notes:

1. Out of the 3,000,000 shares of corporate interests, 1,200,000 shares were allotted and issued to the relevant Director on 17 July 2006 pursuant to share options exercised before 30 June 2006.
2. Out of the 45,000,000 shares of trusts and similar interests, 400,000 shares were allotted and issued to the relevant Director on 17 July 2006 pursuant to share options exercised before 30 June 2006.
3. The corporate interests and the family interests of the relevant Director duplicate each other as the 500,000 shares are held through a company in which the relevant Director and his family are interested.
4. Out of 105,230,000 shares, 5,000,000 shares are held by a corporation controlled by the relevant Director and 100,230,000 shares are held indirectly by a corporation of which the relevant Director is the President and Co-Chief Executive Officer.

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			percentage of issued share capital %	
		balance as at 1.1.06	granted during the 6 months ended 30.6.06	lapsed / cancelled / exercised during the 6 months ended 30.6.06		balance as at 30.6.06
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 2006, 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 2006, 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:

name	number of shares of the Company	percentage to the issued share capital %
CITIC Group	635,919,285	29.004
CITIC Hong Kong (Holdings) Limited ('CITIC HK')	635,919,285	29.004
Heedon Corporation	496,386,285	22.640
Honville Corporation	310,988,221	14.184

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

name of subsidiary companies of CITIC HK	number of shares of the Company	percentage to the issued share capital %
Affluence Limited	46,089,000	2.102
Winton Corp.	30,718,000	1.401
Westminster Investment Inc.	101,960,000	4.650
Jetway Corp.	20,462,000	0.933
Cordia Corporation	32,258,064	1.471
Honpville Corporation	310,988,221	14.184
Hainsworth Limited	83,444,000	3.806
Southpoint Enterprises Inc.	10,000,000	0.456
Raymondford Company Limited	2,823,000	0.129

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 HK. CITIC HK 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 HK in the Company. The interests of CITIC HK 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.

Share Capital

During the six months ended 30 June 2006, the Company made the following repurchases of its own shares on the Hong Kong Stock Exchange for purpose of enhancing its earnings per share:

month/year	number of shares repurchased	price per share		aggregate price paid (HK\$)
		highest (HK\$)	lowest (HK\$)	
June 2006	1,627,000	22.00	21.50	35,402,100

These repurchased shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against retained profit. An amount equivalent to the nominal value of the shares cancelled of approximately HK\$1 million was transferred from retained profit to capital redemption reserve.

Save as disclosed above, neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the six months ended 30 June 2006 and the Company has not redeemed any of its shares during the period ended 30 June 2006.

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 2006
Fixed Assets	4,847
Jointly Controlled Entities	477
Investments	38
Intangible Assets	4
Pension Assets	23
Deferred Expenses	20
Derivative Assets	9
Long Term Receivable	2,001
Net Current Assets	237
Total Assets Less Current Liabilities	7,656
Long Term Borrowings	(1,097)
Deferred Tax Liabilities	(141)
Loans from Shareholders	(4,745)
	1,673

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 55 of the 2005 annual report and the Company's website www.citicpacific.com.

Throughout the six months ended 30 June 2006, CITIC Pacific has complied with all code provisions in the Code on Corporate Governance Practices contained in Appendix 14 of the 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 Auditing Standard SAS 700 'Engagements To Review Interim Financial Reports'.

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 2006.

Definition of Terms

Terms

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

Ratios

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

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,
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.

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 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.

Financial Calendar

Closure of Register:	7 September 2006 to 13 September 2006
Interim Dividend and Special Dividend payable:	15 September 2006

Shareholders may choose to receive the Interim Report in printed form, or may also choose to rely on the
Interim Report posted on the Company's website. Shareholders may change their choice on these matters by
writing to the Company's Share Registrars.

Shareholders have already and have difficulty in gaining access to these documents, they will, promptly upon
request to the Company's Share Registrars, be sent printed copies free of charge.

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.

CITIC Pacific Ltd

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Stock Code: 0267