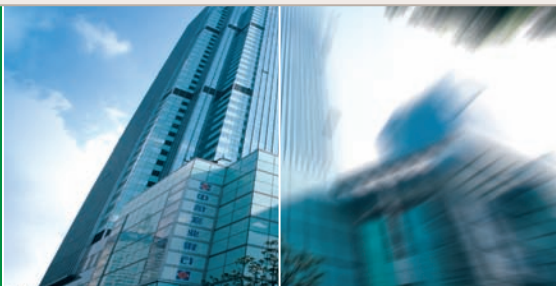
CITIC PACIFIC

SUMMARY FINANCIAL REPORT 2005



This Summary Financial Report 2005 only gives a summary of the information and the particulars of CITIC Pacific Limited's Annual Report 2005 from which the Summary Financial Report is derived. Shareholders may obtain a printed copy of the 2005 Annual Report free of charge by writing to the Company's Share Registrars, Tengis Limited.

Financial Highlights

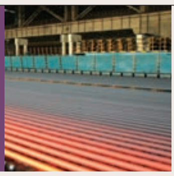
in HK$ million	2005	As restated 2004
Profit Attributable to Shareholders	**3,989**	3,534
Major Businesses' Contribution		
Special Steel Manufacturing	**808**	438
Property	**1,106**	559
Aviation	**1,058**	1,398
Power Generation	**368**	439
Communications	**(31)**	133
Marketing & Distribution	**232**	284
Civil Infrastructure	**413**	329
Fair Value Change of Investment Properties	***755***	*181*
Cash Contributed from all Businesses	**4,488**	3,402
Capital Employed	**60,321**	51,501
Shareholders' Funds	**39,103**	36,921
Net Debt	**18,639**	12,163
Available Loan Facilities	**10,157**	8,899

in HK$		
Earnings per Share	**1.82**	1.61
Dividends per Share	**1.10**	1.10
Staff	**19,174**	15,915

Please see page 71 for definition of terms used

Business at a Glance

CITIC Pacific has over fifteen years of experience and expertise in operating businesses in Hong Kong and mainland China. With our international management and excellent standards of corporate governance, our focus is on special steel manufacturing, property development and power generation in mainland China.



Special Steel Manufacturing

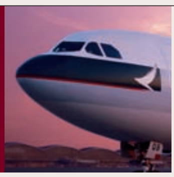
Jiangyin Xingcheng Special Steel, Hubei XinYegang and Daye Special Steel are some of China's leading manufacturers of special steel used in bearings and gears.

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 mainland China.

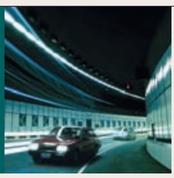
Power Generation

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, Hong Kong Dragon Airlines, air cargo provider HACTL and Air China Cargo.

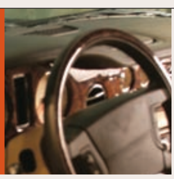


Civil Infrastructure

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

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.



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.

Chairman's Letter to Shareholders

CITIC Pacific recorded a net profit of HK$3,989 million for the year 2005, a 13% increase from 2004. Earnings per share were HK$1.82. The board recommends maintaining the final dividend of HK$0.80 per share providing shareholders a total of HK$1.10 per share for 2005.

Many of our businesses achieved satisfactory results. Our special steel manufacturing business saw its profit contribution increase 84% compared with 2004. Property sales and rentals, as well as fair value gains on investment properties as the result of new accounting standards increased profit contribution from the property business by 151%. In addition, a toll increase on the Eastern Harbour Tunnel boosted the profit contribution from the civil infrastructure business. Challenged with high oil prices, both Cathay Pacific and Dragonair worked hard to develop new markets and as a result, achieved their best year in terms of passengers and cargo carried.

Special Steel Manufacturing

Our special steel business produced 3.6 million tonnes of steel in 2005, an increase of 9.7% over 2004 production. We also exported 366,300 tonnes, a 56% rise from the previous year. Given the strong demand for special steel products, both **Jiangyin Xingcheng Special Steel** and **Xin Yegang** operated near their full capacity.

Through acquisitions as well as capacity addition brought about by technological advancement, CITIC Pacific's special steel production capability has been expanding. The new production line Jiangyin Xingcheng Special Steel is building in cooperation with **Sumitomo Metals** is proceeding on schedule and is expected to be in full production in 2007. Upon completion, this production line will have advanced world-class equipment and technology. Its products can substitute for higher grade special steel which is currently being imported. In early 2005, CITIC Pacific concluded its 95% acquisition of Xin Yegang. At the end of the year, the acquisition of Shenzhen Stock Exchange listed **Daye Special Steel** was completed, making the group's attributable interest in Daye aggregate to 56.6%. In addition, Daye Special Steel's share reform plan was approved by shareholders in January of 2006.

In November 2005, CITIC Pacific signed an agreement with the government of Hebei Province to acquire a stake in **Shijiazhuang Steel Mill**. After re-organization, CITIC Pacific's interest in this steel mill will be 65%. With a production capacity of 2 million tonnes, Shijiazhuang's products are mainly supplied to the auto component and oil industries. This acquisition is subject to approval by the relevant government authorities.

With Jiangyin Xingcheng Special Steel, Xin Yegang (including Daye Special Steel) and Shijiazhuang Steel Mill under one umbrella, CITIC Pacific will become one of the largest manufacturers of special steel in China covering more economically developed Eastern, Central and Northern regions. CITIC Pacific's leadership position is already established measured in not only production capacity and variety of products, but also market coverage, among other criteria. Our main tasks going forward are to complete the integration of all three plants, further improve management, maximize synergies, and raise efficiency and product quality. To achieve the above objectives, we are forming CITIC Pacific Special Steel Holdings to carry out organizational, personnel and resource integrations.

Properties

For the past twenty years, with the rapid development of the Chinese economy, general standard of living has been rising. The strong market demand for high quality properties will continue in the foreseeable future. Therefore, CITIC Pacific has, in the past year, increased its investment in mainland China properties. Currently we have a developable land bank of nearly 1.6 million square metres, mostly in the Yangtze River Delta area centred around Shanghai. In addition, we recently signed an agreement with the Wanning Municipal government of **Hainan** Province, in which we will act as the prime developer, to jointly develop a large real estate project with a developable area of 16 square kilometres in the coastal city of Wanning. All these strategic investments are essential to the future development of CITIC Pacific. We not only took advantage of opportunities to acquire land, but also established a solid foundation and guaranteed resources for our property development in the years to come.

The first phase of the **New Westgate Garden**, our residential development project in Shanghai, will be completed in the second quarter of 2006. Over 70% of the units available for sale have been sold. The development has an excellent reputation in the market.

Occupancies at our investment properties **CITIC Square** and **Royal Pavilion** in Shanghai continue to be high with rentals increasing steadily.

The recently announced **Shanghai Pudong Lu Jiazui New Financial District Project** located in the centre of Shanghai is one of the most prominent large development projects in the City. With a total site area of 251,000 square metres, once completed, it will consist of premium office buildings, hotels and residential buildings. In addition, in **Qingpu** District, situated in the major transportation node of Jiangsu and Zhejiang provinces and Shanghai, a low density residential and commercial project will be developed on a 442,000 square metres of land. Site work will commence soon.

In **Ningbo**, our commercial project is progressing well with completion targeted for 2008. In other cities in the Yangtze River Delta area such as **Yangzhou** we also have a large land bank for future development.

In 2005, the **Hong Kong** property market was active with rental income increasing for our investment properties. The **Discovery Bay** development project is progressing well with Phase 13 (Chianti) near completion. Public sale commenced in March and the response was good. In 2005, we sold two pieces of land in the New Territories. In the first quarter of 2006, we successfully sold our 50% holding in **Festival Walk**, as well as our **Tung Chau Street development**. These sales not only provided us with ample income, but also further strengthened the Group's financial position. These resources can be used to fund our investments in the maturing mainland China property market which has the potential for higher returns.

Aviation

In 2005 the profitability of the global airline industry was negatively affected by high oil prices which remain a concern. However, due to strong demand for travel, both **Cathay Pacific** and **Dragonair** registered a record number of passengers and tonnes of cargo carried in 2005. To satisfy growing demand, Cathay Pacific ordered 19 new planes for delivery from 2007 to 2010. Dragonair also announced plans to expand its cargo capacity. The excellent management teams of the two airlines and their focus on reducing unit costs has proven to be essential in maintaining the airlines' profitability in a difficult operating environment.

Power Generation

In 2005, limited new capacity, high coal prices and insufficient increases in tariffs were factors that negatively affected the profit of our power business. However, we continue to make steady progress in building **Ligang Power Station Phase III** (2X600MW) and **Phase IV** (2x600MW) and **Zhengzhou Phase III** (2x200MW). These will be commissioned on schedule in 2006 and 2007 respectively. Upon their completion, CITIC Pacific's attributable generating capacity will reach 6,336MW and the performance of our power business will greatly improve.

Power generation is a very important part of CITIC Pacific's business as we have many years of experience and expertise in building, testing, operating and managing power stations. From a macro perspective, China's per capita consumption of electricity is still very low compared with other developed countries in the world. Therefore, with the continued development of the Chinese economy, demand for electricity will continue to rise. Even though in the short-term there have been uncertainties in the price of coal and the supply and demand of electricity, we are confident in the long-term prospect of the power generation business.

Communications

Amid intense competition, **CITIC Telecom 1616** and **Macau Telecom** achieved satisfactory results in 2005. We also strengthened the managements of our Internet games, e-commerce and other value added service businesses. These efforts are already showing results.

Marketing and Distribution

Dah Chong Hong and **Sims Trading** continue to make steady progress in their development. Motor vehicle sales in Hong Kong performed well in 2005. Although there is intense competition in the mainland motor vehicle market, the overall market continues to grow. This will provide Dah Chong Hong future opportunities for growth. In general trading, Sims performed particularly well and experienced increases in both its revenue and profit. Our Shiseido joint venture achieved excellent results with profit at its historical high, supported by the growing number of mainland tourists to Hong Kong.

Civil Infrastructure

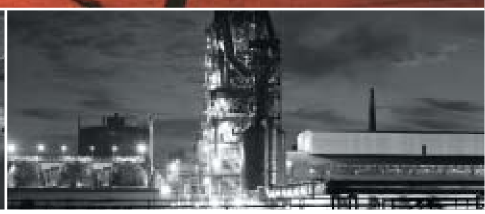
Fuelled by the recovery of the Hong Kong economy, traffic at the **Western Harbour Tunnel** increased 5% compared with 2004. After the toll increase on the **Eastern Harbour Tunnel** in May, traffic initially dropped but is now rising steadily. Profit contribution from the civil infrastructure business rose 26% from 2004. It continues to provide CITIC Pacific with strong and steady cash flow.

Looking to the Future

The rapid rise of the Chinese economy has a positive impact on the economies of Hong Kong, Asia and the world. Looking at 2006, we believe that the overall investment and operating environment in Hong Kong and mainland China will remain positive. This will be beneficial to the development of our businesses and increase their profitability. Going forward, the focus of our businesses will continue to be on mainland China. At the same time, we will focus more on those core businesses that we control and actively manage to leverage off of our expertise. We will strive for excellence and endeavour to capture business opportunities to achieve higher returns for our investors.

On behalf of all the directors, I would like to express my heart felt thanks to everyone at CITIC Pacific for their hard work and to our investors, bankers and everyone else for their continuing support. I look forward to working with you all for a greater 2006. Let me take this opportunity to welcome Mr Leslie Chang on becoming an executive director of CITIC Pacific on 1 April 2005. Mr Chau Chi Yin, Mr Milton Law and Mr Wang Ande will become executive directors of our company effective April 1 of 2006. They will further strengthen our management team. Mr Chang Zhenming and Mr Yao Jinrong resigned as executive directors of the Group effective June 2005 and April 2006 respectively. I would like to thank them both for their significant contribution to our company.

Larry Yung Chi Kin
Chairman
Hong Kong, 22 March 2006

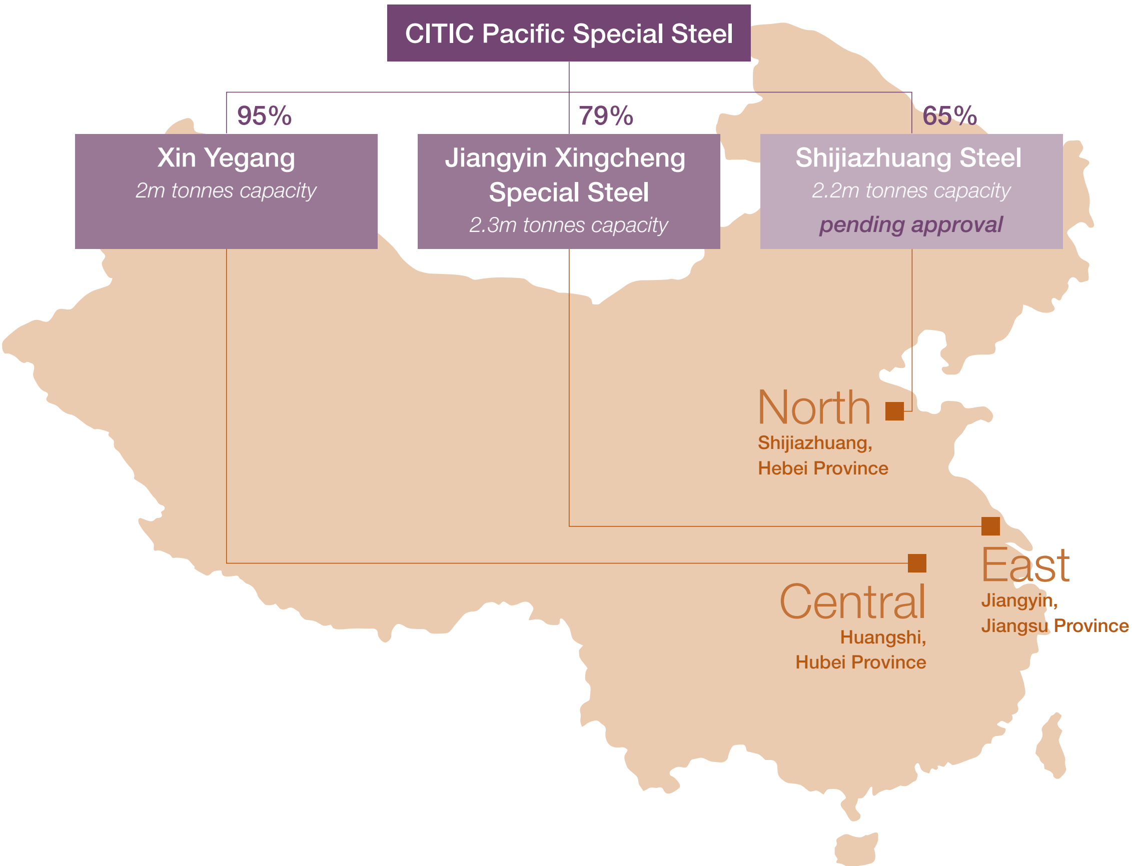


Electric Arc Furnace of Jiangyin Xingcheng Special Steel

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

Special Steel

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



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

Key products of CITIC Pacific Special Steel

(includes Jiangyin Xingcheng Special Steel and Xin Yegang)

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

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

Our products are sold to these industries

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

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

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

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

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

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

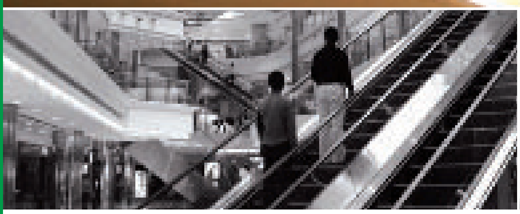
In January 2006, the shareholders of Daye Special Steel approved a Share Reform Plan in which Xin Yegang will grant a put option to each holder of Daye Freely Transferable Shares to sell the shares to Xin Yegang at RMB3.8 per share. The implementation of this plan is in line with the development of mainland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

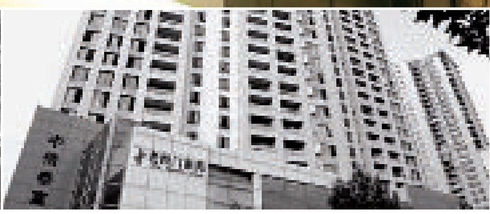
Shijiazhuang Steel Mill: In November 2005, CITIC Pacific signed an agreement to acquire a 65% interest in Shijiazhuang Steel Mill. The transaction is subject to approval by the relevant government authorities. Located in Hebei Province in northern China, Shijiazhuang Steel Mill has a production capacity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

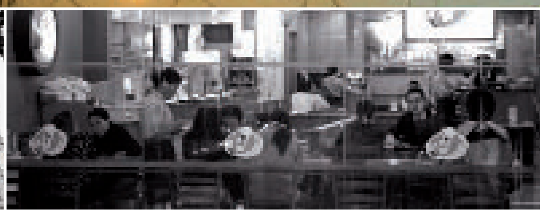
2005 saw general steel prices decline towards the end of the year due to over supply. For special steel, overall demand stayed firm, in particular in the higher quality product categories. Even though average product prices saw a decline, the magnitude was significantly less than those of general steel.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

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

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







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

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

Property

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

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

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

Properties in Mainland China

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

** Framework agreement signed*

GFA = gross floor area

Shanghai

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

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

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

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

Other Locations

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

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

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

Properties in Hong Kong

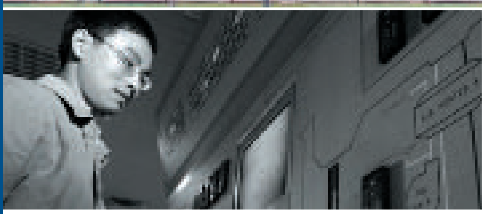
	Usage	Ownership	Approx. GFA (sq. metre)
Investment Properties			
CITIC Tower	Commercial	40%	52,000
DCH Commercial Centre	Commercial	100%	36,000
Wyler Centre	Industrial	100%	37,000
Broadway Centre	Industrial	100%	32,000
Yee Lim Industrial Centre	Industrial	100%	30,000
Others	Various	100%	51,000
Development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

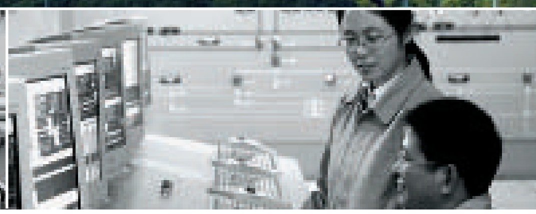
In the first quarter of 2006, CITIC Pacific sold its 50% interest in **Festival Walk** and its **Tung Chau Street Development**. Two other pieces of land in the New Territories were also sold in 2005 for a significant profit. Proceeds from the sales will be used to fund the development of property projects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

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

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

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



Ligang Power Station in Jiangsu Province, China

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

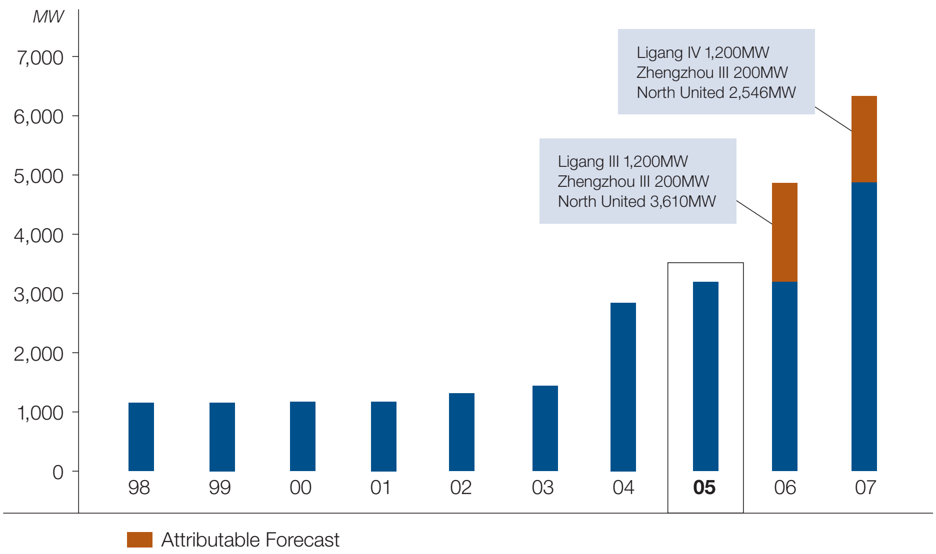
Power Generation

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

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

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

CITIC Pacific's Attributable Capacity



Operational statistics of CITIC Pacific's power plants

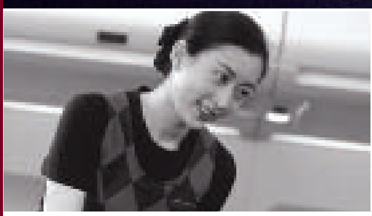
Power Plant	Location (province)	Installed Capacity (MW)	Ownership %	Type	Utilisation Hours	Electricity Generated 2005 (m kWh)	Electricity Generated 2004 (m kWh)	Electricity Generated change %	Heat Generated 2005 (kGJ)	Heat Generated 2004 (kGJ)	Heat Generated change %
Ligang	Jiangsu	1,400	65	Coal fired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

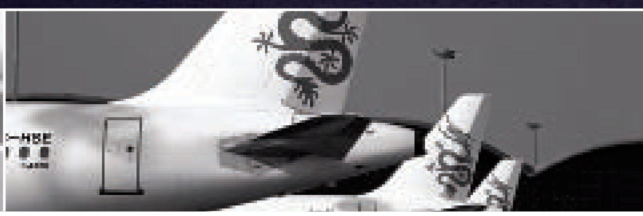
Looking at 2006, the supply of coal has eased as production increased and transportation bottleneck improved. However, utilisation rates for most power stations have seen a decline from their peak levels in 2004 as new capacity come on stream. Our tasks for this year and beyond are to continue our effort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

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

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

Generators of Ligang Power Station





Cathay Pacific's Airbus airliner A340-600

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

Aviation

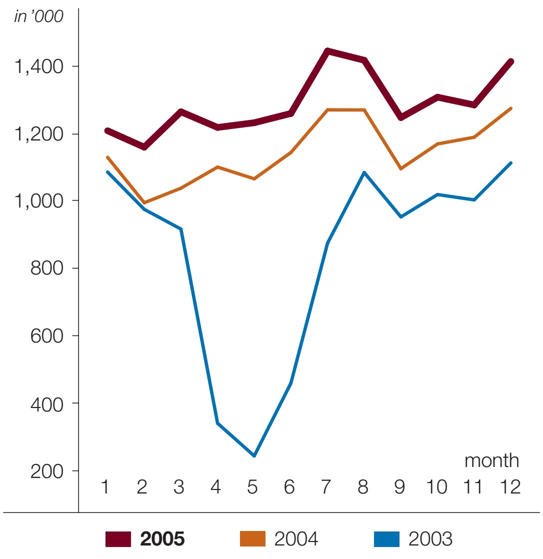
	Headquarters	Ownership
Cathay Pacific	Hong Kong	25.4%
Dragonair	Hong Kong	28.5%
HACTL	Hong Kong	10%
Air China Cargo	Beijing	25%

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

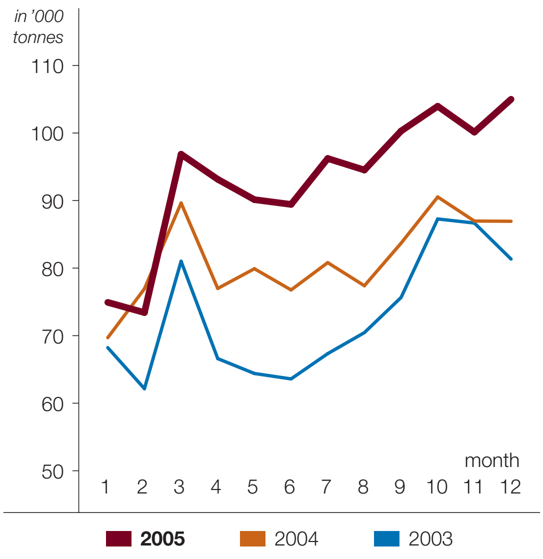
Cathay Pacific (www.cathaypacific.com) is an international passenger and freight carrier based in Hong Kong providing top quality services to 92 destinations around the world. As the second largest shareholder, CITIC Pacific, through participation on the board, the executive and other committees, has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

Cathay Pacific

Monthly Passengers Carried



Monthly Cargo Carried



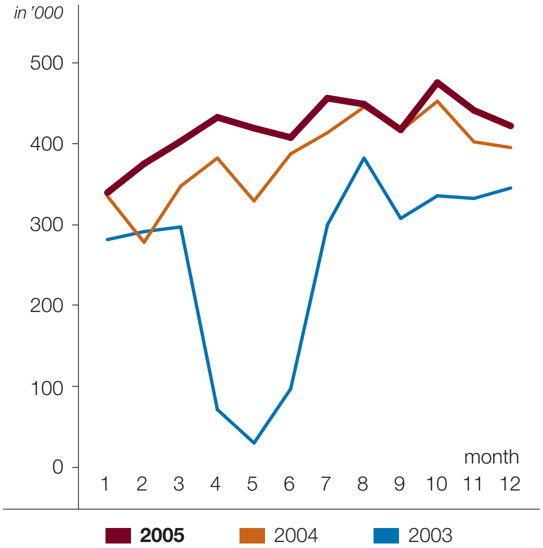
2005 was another record year in the history of Cathay Pacific in which the airline carried 15.4 million passengers and 1.1 million tonnes of freight, an increase of 13% and 15% respectively from record levels in 2004. This outstanding performance is a result of increased demand for travel from around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

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

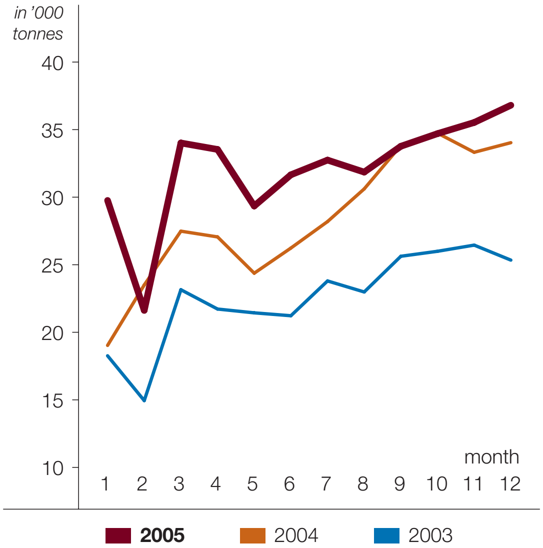
Dragonair (www.dragonair.com) operates passenger services to 30 destinations in Asia, of which 22 are to mainland Chinese cities. In 2005, Dragonair flew 5 million passengers and also carried 385,000 tonnes of cargo, setting new records in both. Compared with 2004,

Dragonair

Monthly Passengers Carried



Monthly Cargo Carried



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

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

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

Dragonair fleet

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

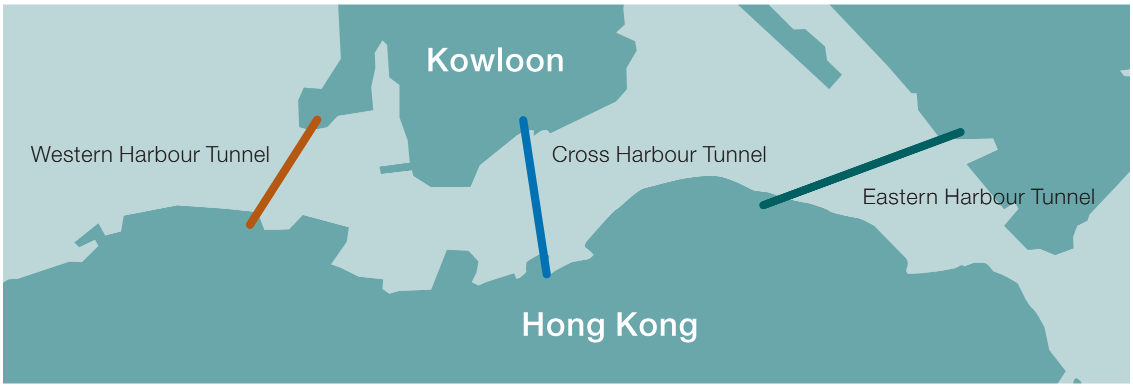
The investment in Eastern Harbour Tunnel was CITIC Group's early business in Hong Kong 20 years ago. Now CITIC Pacific is the major owner of the Eastern Harbour Tunnel, an owner of the Western Harbour Tunnel and joint manager of the Cross Harbour Tunnel.

Civil Infrastructure

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

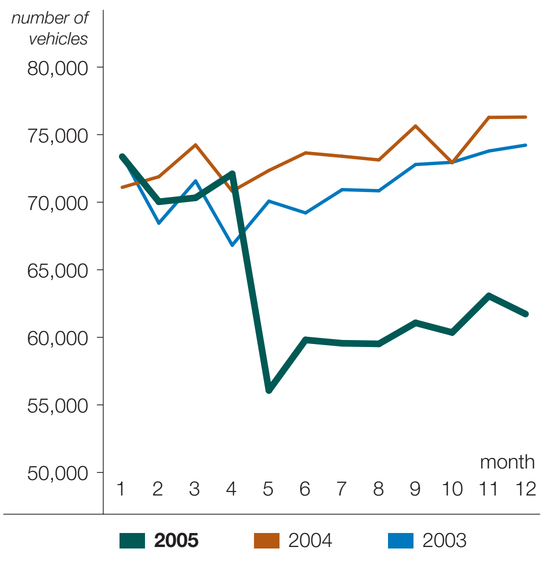
in HK$ million	**2005**	2004
Contribution	**413**	329
Proportion of total contribution	**10%**	9%
Net assets	**2,351**	2,130
Capital expenditure	**225**	61

Tunnels in Hong Kong



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

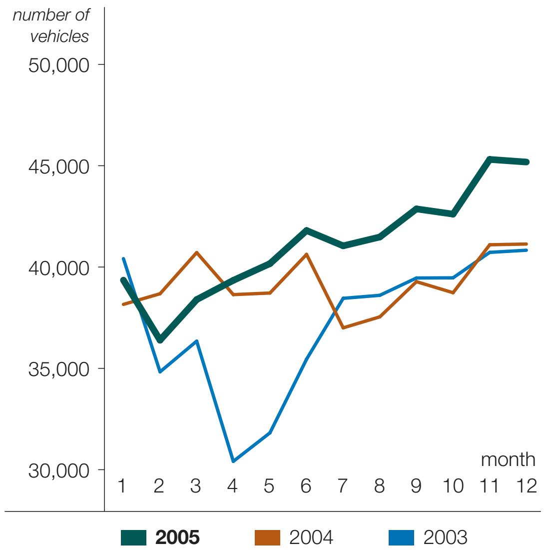
Eastern Harbour Tunnel Average Daily Traffic



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

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

Western Harbour Tunnel Average Daily Traffic

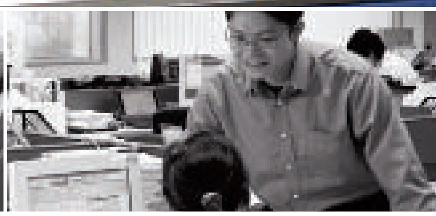


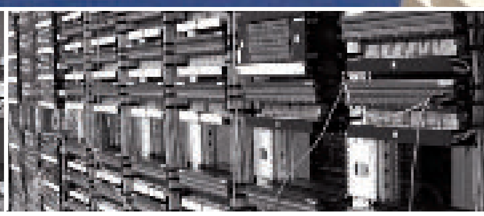
Entrance of Western Harbour Tunnel

Environmental

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

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





Office of CITIC Telecom 1616

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

Communications

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

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

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

IDD Wholesale and Data Services

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

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

CTM

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

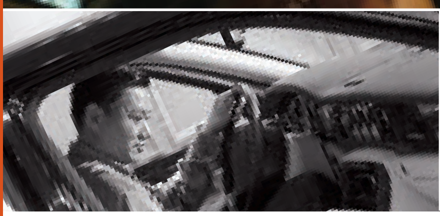
CITIC Guoan

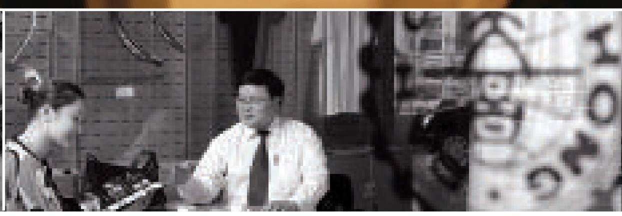
CITIC Guoan's primary business is its 50.3% interest in **CITIC Guoan Information Industry Co., Ltd.** ('Guoan Information'), a Shenzhen Stock Exchange listed company whose primary business is operating cable TV networks in mainland China. At the end of 2005, Guoan Information had approximately 5.8 million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

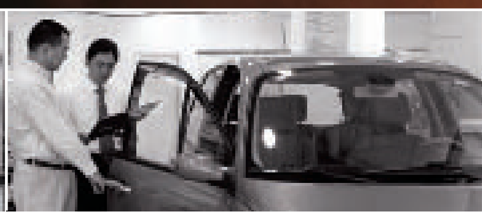
In January 2006, shareholders of Guoan Information approved a share reform plan in which 3.2 non-freely transferable shares in the company will be given to each holder of freely transferable shares of Guoan Information for every ten freely transferable shares held by such holders. As a result, all shares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

E-Commerce

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







Dah Chong Hong
Car Show Room
in Shanghai

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

Marketing and Distribution

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

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

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

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

Motor Vehicle Trading

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

Hong Kong Motor Vehicle Sales

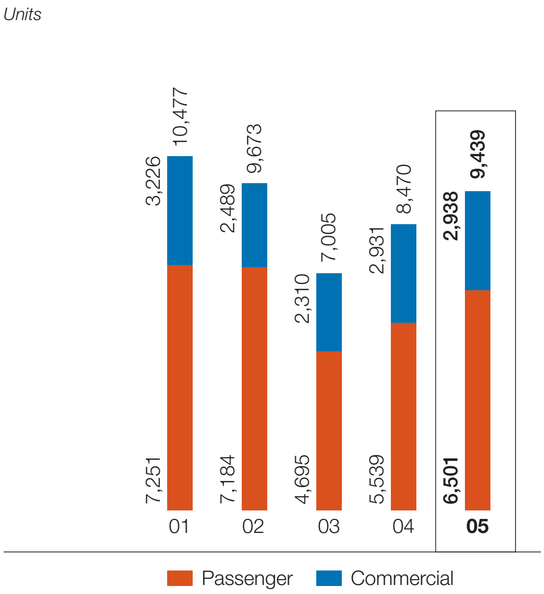
		Units Sold	
Type	Brands	**2005**	2004
Passenger	Acura, Audi, Bentley, Honda, Nissan, Opel, Saab, Volkswagen	**6,501**	5,539
Commercial	DAF, Isuzu, MAN, UD Nissan Diesel	**2,938**	2,931

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

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

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

DCH Vehicle Sales in Hong Kong



Mainland China Motor Vehicle Sales

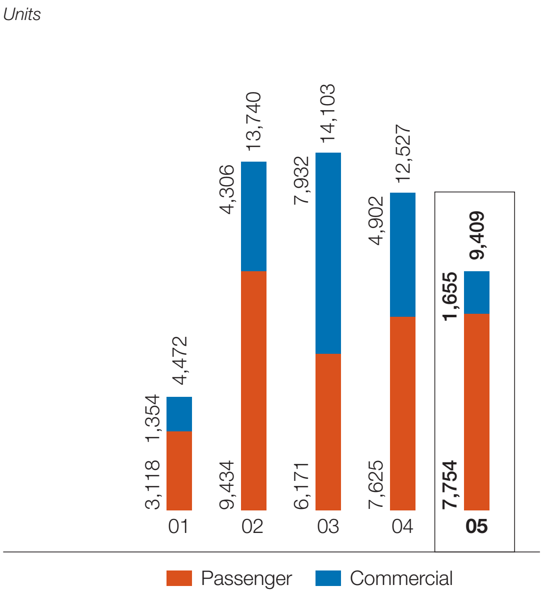
Type		Brands (DCH & partners)	Units Sold 2005	2004
Passenger	Imports:	Bentley, Honda, Nissan, Opel, Renault	**618**	3,574
	Domestic:	Beijing Hyundai, Guangzhou Honda, Hainan Mazda, Dongfeng Nissan, FAW Toyota, SGM	**7,136**	4,051
Commercial	Imports:	Isuzu, Iveco, UD Nissan Diesel, MAN	**515**	3,404
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

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

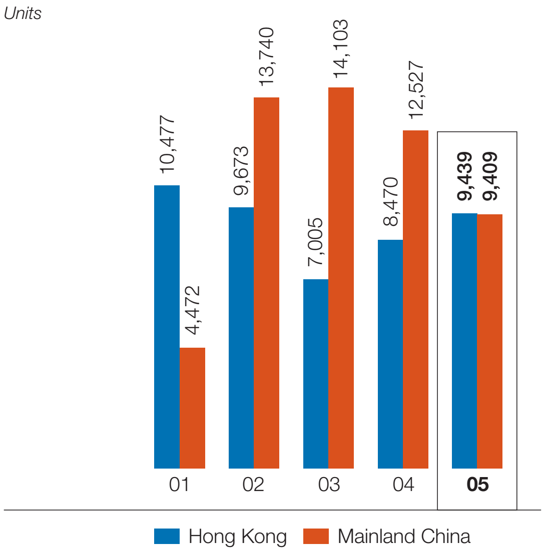
In 2005 overall sentiment in mainland China's motor vehicle market improved with total vehicle sales reaching 5.7 million units, an increase of 14% compared with 2004. The growth in passenger car sales was particularly strong, helped by dealers' aggressive price cutting.

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

DCH Vehicle Sales in Mainland China



DCH Vehicle Sales in Hong Kong vs Mainland China



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

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

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

Non-Motor Trading

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

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

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

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

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

Other Business

CITIC Capital Markets

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

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

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

Financial Review

Introduction

CITIC Pacific's 2005 Annual Report includes a letter from the Chairman to shareholders, the annual 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.

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') and have been converged with International Financial Reporting Standards.

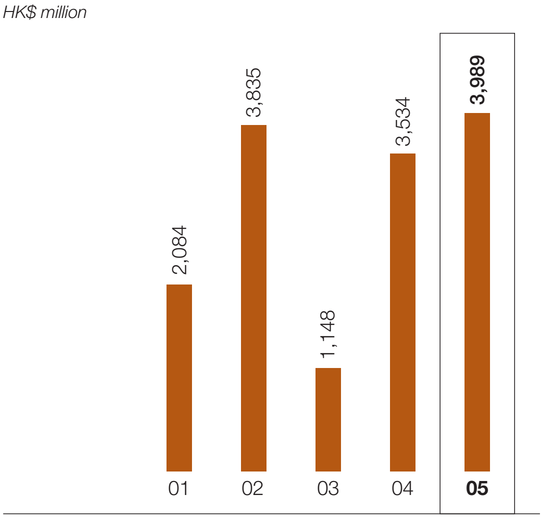
The Group applies all the relevant Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively referred to as the 'New HKFRSs') issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005 set out in Note 2 to the summary financial statements.

The application of the New HKFRSs has resulted in changes to the Group's accounting policies. As a result of these changes, the profit attributable to shareholders for the year 2004 decreased by HK$47 million and the equity attributable to the shareholders' of CITIC Pacific as at 1 January 2005 decreased by HK$1,009 million. Details of the major changes to the accounting policies and their financial impact on the Group are summarized in Note 2 to the summary financial statements on page 60. Within this section, 2004 figures have been adjusted in accordance with the accounting policies in force in 2005.

Profit Attributable to Shareholders

The net profit attributable to shareholders for the year ended 2005 was HK$3,989 million, an increase of 13% compared with HK$3,534 million for the same period in 2004 (as restated). The reasons for the increase in profit are described below.

Profit Attributable to Shareholders



Business Segments Contribution

The contribution (Note) made by major business segments in the year of 2005, compared with the year of 2004, were:

Contribution

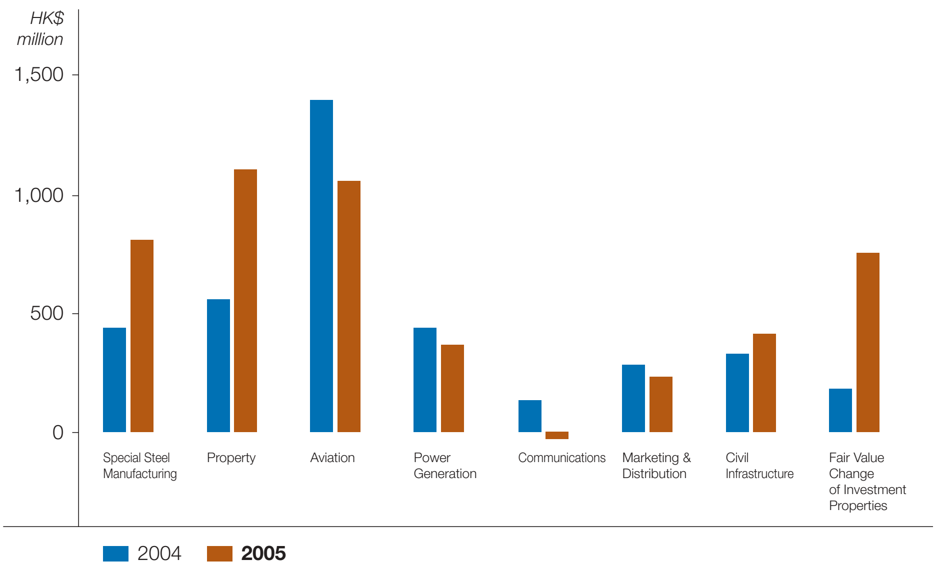
HK$ million	**2005**	(Restated) 2004	2005 – 2004
Special Steel Manufacturing	**808**	438	370
Property	**1,106**	559	547
Aviation	**1,058**	1,398	(340)
Power Generation	**368**	439	(71)
Communications	**(31)**	133	(164)
Marketing & Distribution	**232**	284	(52)
Civil Infrastructure	**413**	329	84
Fair Value change of Investment Properties	***755***	*181*	*574*

Note: Please refer to Definition of Terms on page 71 of the Summary Financial Report.

Compared with the contribution for the year ended 2004:

- Special Steel Manufacturing: Contribution increased by 84% in 2005 mainly due to continuing strong performance from Jiangyin Steel Plant and the contribution from Xin Yegang Steel Plant which was acquired in late 2004.
- Property: Excluding the revaluation surplus of investment properties, contribution increased by 98% mainly due to the profits from the sale of properties in 2005, including the sale of a piece of land at Hung Shui Kiu in the New Territories. Rental income grew steadily.
- Aviation: While the load factor for both Cathay Pacific and Dragonair remained high, contributions decreased in 2005 due to the significant increase in fuel costs.
- Power Generation: The business had been affected by the continuing high coal prices in 2005 which were only partially offset by the increase in tariff during the year.
- Communications: Contribution from CTM was improved while the results of CITIC Telecom 1616 was stable. A loss of approximately HK$ 190 million was recognised in 2005 as a result of the share reform plan of Guoan.
- Marketing & Distribution: Despite the improved results in Hong Kong motor business, overall contribution decreased mainly due to the challenging motor market in the Mainland, the animal diseases that affected the food trading business, and the development costs for China business.
- Civil Infrastructure: Higher toll changes at both the Eastern (May 2005) and Western (August 2004) harbour tunnels resulted in higher profit.
- Fair Value Change of Investment Properties: Increase in fair value of investment properties as a result of the improved business environment and market demand.

Contribution

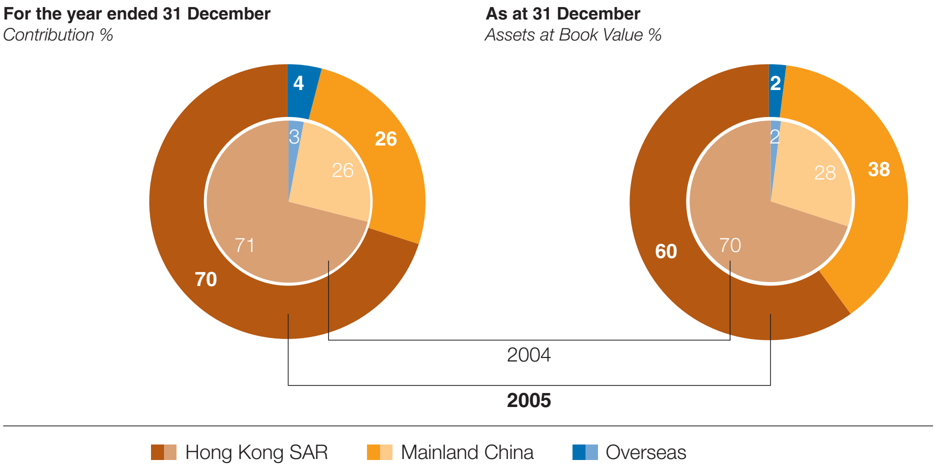


The Annual Report contains business segment information for turnover and profit before net finance charges and taxation for consolidated activities, jointly controlled entities and associated companies.

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.

Geographical Distribution



Interest Expense

The Group's interest expense net of amount capitalised increased from HK$376 million to HK$596 million mainly due to the increase in the amount of borrowings and the increase in the weighted average cost of debt from 3.4% to 4.3%.

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.

CITIC Pacific conducts business mainly in Hong Kong and mainland China, therefore it is subject to the market risk of the 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 31 December 2005, around 38% (around HK$23 billion) of the Group's total assets were based in mainland China.

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 actively employs various interest rate instruments to manage long term interest risk.

The Group only uses derivative transactions 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.

Cash Flow

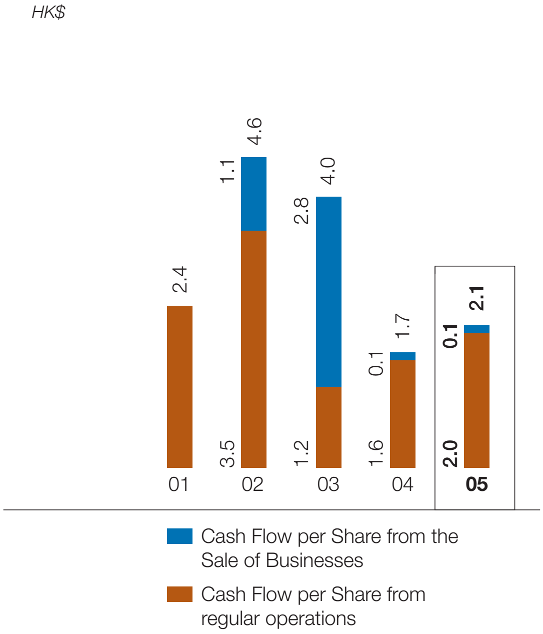
By design, most of the Group's debt is raised at the holding company level. As such, the net amount of cash flow from each business to the Company is an important indicator as to the Company's ability to service its debts. For the year ended 31 December 2005, cash flow to the Company remained strong. Following is a summary of the cash contributions by each business segment:

HK$ million	**2005**	2004
Infrastructure		
Aviation	**767**	649
Civil Infrastructure	**407**	362
Power Generation	**449**	469
Communications	**413**	111
Property	**1,996**	1,573
Special Steel Manufacturing	**143**	153
Marketing & Distribution	**256**	35
Others	**57**	50
Total	**4,488**	3,402

As shown above, cash contributions from most of the business segments increased compared to prior year. The significant increase from Communications was attributable to CITIC Telecom 1616 as a result of better management of account receivable. The Property sector also contributed strong cash flow because of the successful pre-sale of New Westgate Garden in Shanghai and the sale of two pieces of land in the New Territories. The cash contribution to the Group from Marketing & Distribution was relatively low in 2004 because in that year, Dah Chong Hong reinvested most of its operating cash flow to new projects in the mainland. In 2005, however, the expansion was mostly funded by increase in borrowings at Dah Chong Hong level.

Cash Flow from Operations

Cash Flow per Share



Summary of Consolidated Cash Flow Statement

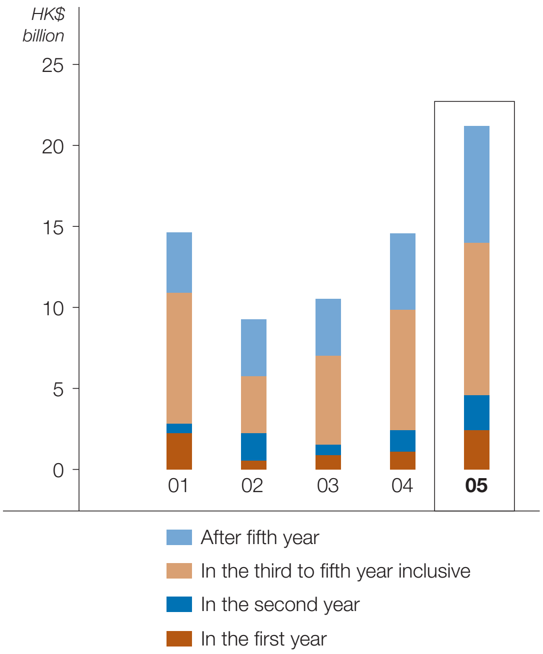
HK$ million	**2005**	2004
Net Cash generated from / (invested in)		
consolidated activities	**2,063**	1,204
jointly controlled entities	**(59)**	49
associated companies	**1,504**	1,526
other financial assets	**1**	393
Sale of business interests and marketable securities	**481**	109
Capital expenditure and investment in new businesses	**(5,971)**	(7,460)
Tax	**(227)**	(178)
Net interest paid	**(601)**	(310)
	(2,809)	(4,667)
Dividends paid	**(2,412)**	(2,189)
Increase in borrowings	**5,330**	3,698
Share options exercised	**16**	68
	2,934	1,577
Increase / (Decrease) in cash and cash equivalents	**125**	(3,090)

Group Debt and Liquidity

As of 31 December 2005, the Group's total outstanding debt was HK$21.2 billion (31 December 2004: HK$14.6 billion), cash and deposits with banks were HK$2.6 billion (31 December 2004: HK$2.4 billion) giving a net debt of HK$18.6 billion compared to HK$12.2 billion at 31 December 2004. The increase in net debt was mainly due to various new investments made during the year as described under capital expenditure section. Leverage, measured by the Group's net debt to total capital, was 32% (31 December 2004: 25%).

Total debt increased due to capital expenditure and new investments of HK$6 billion in 2005. As at 31 December 2005, total debt including outstanding short term loans that will mature to the end of 2006 amounted to HK$2.4 billion or 11% of the total debt. On the other hand, the Group had deposits with banks of HK$2.6 billion on that date, exceeding the loans due for repayment in 2006.

Total Debt



Available Sources of Financing

In addition to cash and deposits balance of HK$2.6 billion as of 31 December 2005, the Group had undrawn available facilities totaling HK$10.2 billion, of which HK$8.5 billion was in committed long term loans and HK$1.7 billion of money market lines. Besides, available trade facilities amounted to HK$2.4 billion. Borrowings by sources of financing is summarized as follows:

HK$ million	Total Facilities	Outstandings	Available Facilities
Committed Borrowings			
Bank Loans	23,791	15,305	8,486
Global Bonds	3,510	3,510	0
Private Placements*	1,199	1,199	0
Total Committed	**28,500**	**20,014**	**8,486**
Uncommitted Facilities			
Money Market Lines and Short Term Facilities	2,856	1,185	1,671
Trade Facilities	2,787	384	2,403

**Including a US$100 million Note which was repaid on 15 February, 2006 upon maturity.*

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. During 2005, CITIC Pacific successfully completed a HK$5.2 billion 7-year syndicated loan transaction. The Group also issued a JPY8.1 billion 30-year floating rate note (with a put option in the 10th year), the exchange risk was hedged through cross currency swap for the duration of the note. In addition, substantial amount of bilateral facilities were newly established, renewed or extended, further improved the Group's maturity profile.

HK$ million	**2006**	**2007**	**2008**	**2009**	**2010**	2011 and Beyond	Total	Percentage
Parent Company[1]	810[2]	527	2,572	2,593	3,082	7,229	16,813	79%
Subsidiaries	1,596	1,640	621	471	77	0	4,405	21%
Total Maturing Debt	2,406	2,167	3,193	3,064	3,159	7,229	21,218	100%
Percentage	11%	10%	15%	15%	15%	34%	100%	
Available Facilities[3]	96	78	1,292	1,832	1,138	4,050	8,486	

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.

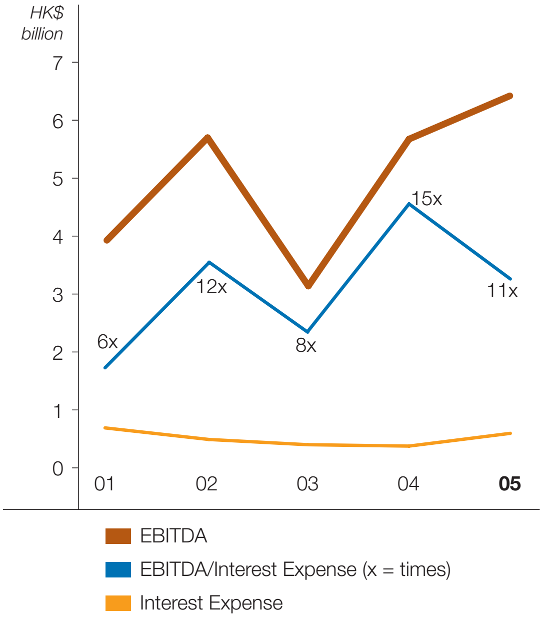
2. Including a US$100 million Note which was repaid on 15 February, 2006 upon maturity.

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

Interest Cover

EBITDA divided by interest expense for year ended 31 December 2005 was 11 compared to 15 in 2004, due to the 13% increase in EBITDA and a 59% increase of interest expenses.

Interest Cover



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 is in compliance with all of its loan covenants.

	Covenant Limits	Actual 2005
Minimum Consolidated Net Worth:		
Consolidated Net Worth	≥ HK$25 billion	HK$42 billion
Gearing:		
Consolidated Borrowing / Consolidated Net Worth	≤ 1.5	0.53
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

The Company has been assigned an investment grade foreign currency long term credit rating from major rating agencies. Standard & Poor's assigned BBB- with stable rating outlook. Moody's Investor Service ('Moody's') assigned a credit rating of Baa3. In January 2006, Moody's changed the outlook on credit rating of CITIC Pacific from stable to negative siting the Agency's concerns over CITIC Pacific's shift in business focus from Hong Kong to mainland China.

The Company's objective is to maintain its financial discipline when expanding its businesses. The new investments, which focus mainly in 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. For the year ended 31 December 2005, the Group's leverage, measured by the net debt to total capital, was 32%. The Group's leverage will be lowered after the disposal of Festival Walk in March 2006 which generated in cash proceeds of over HK$6 billion. Interest cover, defined as EBITDA divided by interest expense, was 11 times for the year ended 31 December 2005. Cash contributed from all the business amounted to HK$4.5 billion. Solid interest cover and stable cash flow demonstrated CITIC Pacific's strong financial standing.

Forward Looking Statements

This Annual 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.

Ten Year Statistics

At year end (HK$ million)	1996	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
Shareholders' funds	36,280	39,827	41,426	37,580	40,650	40,781	41,742	37,848	36,921	**39,103**
per share (HK$)	17.01	18.72	19.47	17.67	18.51	18.62	19.07	17.29	16.84	**17.83**
Debt										
Debt	10,243	23,302	22,075	18,563	15,709	14,639	9,267	10,528	14,580	**21,218**
Bank deposits	594	710	900	8,044	5,201	4,631	2,545	5,511	2,417	**2,579**
Net debt / total capital	21%	36%	34%	22%	21%	20%	14%	12%	25%	**32%**
Interest cover (times)	19	6	4	4	5	6	12	8	15	**11**
Capital employed	46,523	63,129	63,501	56,143	56,359	55,420	51,009	48,376	51,501	**60,321**
Property, plant and equipment	2,315	4,642	5,085	5,157	6,530	7,782	5,601	5,696	7,344	**10,063**
Investment properties	4,342	3,534	5,299	5,374	5,531	5,357	8,493	7,923	8,115	**8,645**
Properties under development	2,184	1,225	227	240	246	460	586	679	1,672	**1,849**
Leasehold land	1,075	1,055	1,135	1,123	1,102	1,076	1,094	1,194	1,596	**1,618**
Jointly controlled entities	798	859	831	1,396	2,019	2,365	3,582	4,085	7,852	**10,583**
Associated companies	25,369	38,682	38,732	20,859	23,497	22,704	22,183	22,584	21,439	**23,300**
Other financial assets	9,183	11,170	11,548	14,511	9,264	8,070	7,092	1,027	1,121	**929**
Stockmarket capitalisation	95,800	65,520	35,530	62,230	60,720	37,993	31,514	43,332	48,444	**47,038**
Number of shareholders	6,215	8,642	14,987	13,506	9,808	11,044	12,260	12,198	11,554	**11,262**
Staff	11,750	11,800	11,871	10,490	11,354	11,733	11,643	12,174	15,915	**19,174**
For the year (HK$ million)										
Net profit after tax										
Net profit after tax	6,763	7,195	2,622	2,729	3,283	2,084	3,835	1,148	3,534	**3,989**
per share (HK$)	3.18	3.37	1.23	1.28	1.49	0.95	1.75	0.52	1.61	**1.82**
Contribution by major businesses										
Special Steel Manufacturing	21	2	18	22	29	95	126	178	438	**808**
Property	596	1,581	264	734	414	625	886	355	559	**1,106**
Aviation	1,054	702	(11)	659	1,475	324	1,263	421	1,398	**1,058**
Power Generation	186	170	230	440	314	281	245	229	439	**368**
Communications	648	322	65	51	92	277	521	230	133	**(31)**
Marketing & Distribution	330	360	330	230	226	119	227	264	284	**232**
Civil Infrastructure	800	1,099	1,382	1,292	1,320	1,362	1,238	635	329	**413**
Consumer Credit	89	84	167	–	–	–	–	–	–	**–**
Fair value change of investment properties	–	–	–	–	–	–	–	*(587)*	*181*	***755***
EBITDA	4,321	5,706	4,739	4,763	5,238	3,921	5,691	3,126	5,666	**6,412**
Dividends per share (HK$)										
Regular	0.62	0.70	0.70	0.75	0.85	0.80	1.00	1.00	1.10	**1.10**
Special	0.30	0.30	–	2.00	–	–	1.00	–	–	**–**
Cover (times)	2.6	2.7	1.8	1.7	1.8	1.2	1.8	0.5	1.5	**1.7**

Note:

Prior years' figures have been restated to reflect the Group's change in accounting policies (details refer to notes to the summary financial statements number 2) except the figures have not been adjusted for years 2001 and before following the adoption of revised accounting standard of HKAS 12 'Income Tax' in year 2002.

Corporate Governance

Corporate Governance Practices

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. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices from time to time to ensure they meet stakeholders' expectation, comply with legal and professional standards and reflect the latest local and international developments. The Board will continue to commit itself to achieving a high quality of corporate governance.

In 2005, we improved our corporate governance practices by amendments of Articles of Association and the Board's approval on certain matters to align with the Code Provisions in the Code on Corporate Governance Practices ('the Code') contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited which came into effect on 1 January 2005. As such, we have modified the Company's Articles of Association, the terms of reference of the Audit Committee and the Remuneration Committee to incorporate certain Code Provisions set out in the Code.

Throughout the year of 2005, CITIC Pacific has complied with all applicable Code Provisions on 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. CITIC Pacific has also applied all the principles in the Code and the manner in which they are applied are explained in the following parts of the Corporate Governance Report.

Directors' Securities Transactions

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Companies ('the Model Code') contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors have fully complied with the required standard set out in the Model Code throughout the year of 2005.

Board of Directors

The Board currently comprises twelve executive and six non-executive directors of whom four are independent as defined by the Stock Exchange (the biographies of the directors, together with information about the relationship among them, are set out in the 2005 Annual Report). Independent non-executive directors are nearly one-quarter and the non-executive directors are one-third of the Board.

Under the Company's Articles of Association, every director is subject to retirement by rotation at least once every three year. One-third of the directors must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders.

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's businesses is delegated to the executive director or officer in charge of each division. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic policies, finances and shareholders including financial statements, dividend policy, significant changes in accounting policy, material contracts and major investments. All Board members have separate and independent access to the Group's senior management to fulfil their duties. They also have full and timely access to relevant information about the Group and are kept abreast of the conduct, business activities and development of the Group. Independent professional advice can be sought at the Group's expense upon their request.

The Board meets regularly to review the financial and operating performance of the Group and other business units, and approve future strategy. Four Board meetings were held in 2005 and the average attendance rate was 86%. Individual attendance of each director at the Board meetings, the Audit Committee meetings and the Remuneration Committee meeting during 2005 is set out below:

	Attendance / Number of Meetings		
Director	Board	Audit Committee	Remuneration Committee
Executive Director			
Mr Larry Yung Chi Kin – Chairman	4/4		
Mr Henry Fan Hung Ling – Managing Director	4/4		
Mr Peter Lee Chung Hing	4/4		
Mr Norman Yuen Kee Tong	4/4		
Mr Vernon Francis Moore	4/4		
Mr Yao Jinrong	4/4		
Mr Chang Zhenming (resigned on 15th June 2005)	0/2		
Mr Li Shilin	2/4		
Mr Carl Yung Ming Jie	4/4		
Mr Liu Jifu	3/4		
Mr Leslie Chang Li Hsien (appointed on 1st April 2005)	3/3		
Independent Non-executive Director			
Mr Hamilton Ho Hau Hay	2/4		
Mr Alexander Reid Hamilton (Chairman of the Audit Committee)	3/4	4/4	1/1
Mr Hansen Loh Chung Hon	4/4	4/4	
Mr Norman Ho Hau Chong (Chairman of the Remuneration Committee)	4/4		1/1
Non-executive Director			
Mr Willie Chang	4/4	4/4	1/1
Mr André Desmarais (One of the meetings were attended by the alternate of Mr André Desmarais)	3/4		

To implement the strategies and plans adopted by the Board effectively, an executive committee of selected executive directors and senior managers meets monthly to review the performance of the businesses of the Group, co-ordinate overall resources and make financial and operational decisions.

Chairman and Chief Executive Officer

The Group has appointed a Chairman, Mr Larry Yung and a Managing Director, Mr Henry Fan, who is the Chief Executive Officer described in Appendix 14 of the Listing Rules. The roles of the Chairman and the Managing Director are segregated. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. The Managing Director is responsible for the day-to-day management of the Group's business. Their respective roles and responsibilities are set out in writing which has been approved and adopted by the Board.

Non-executive Directors

There are currently six non-executive directors of whom four are independent. Under Article 104(A) of the Company's Articles of Association, every director, including the non-executive director, shall be subject to retirement by rotation at least once every three years. This means that the specific term of appointment of a director cannot exceed three years.

Remuneration of Directors

The Remuneration Committee, established in August 2003, has clear terms of reference and is accountable to the Board. The terms of reference can be found in the Group's website (www.citicpacific.com). The principle role of the committee is to exercise the powers of the Board to determine and review the remuneration packages of individual executive directors and key executives, including salaries, bonuses, benefits in kind and the terms on which they participate in any share option and other plans considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors and key executives, employment conditions elsewhere in the Group and desirability of performance-based remuneration so as to align management incentives with shareholder interests.

During 2005, the Remuneration Committee reviewed the remuneration policies and approved the salary and bonus of the executive directors and certain key executives. No executive director has taken part in any discussion about his own remuneration. Its current members include:

Mr Norman Ho Hau Chong – Chairman
Mr Alexander Reid Hamilton
Mr Willie Chang

One meeting was held in 2005 with the attendance rate of 100%. All Committee members are non-executive directors and two of them including the Chairman are independent.

The fee for each individual director sitting on the Board is HK$150,000. The additional fees for the directors serving in the Audit Committee and the Remuneration Committee are HK$100,000 and HK$50,000 respectively.

Nomination of Directors

There is no nomination committee in the Group for the time being.

Candidates to be nominated as directors are those experienced, high calibre individuals. During the year, appointment of Mr Leslie Chang as new director is put to the full Board for approval. Thereafter, Mr Leslie Chang as the new director is subject to election by shareholders at the first annual general meeting after his appointment.

Auditor's Remuneration

PricewaterhouseCoopers has been appointed by the shareholders annually as CITIC Pacific's external auditors since 1989. During the year, the fees charged to the accounts of the Company and its subsidiaries for PricewaterhouseCoopers' statutory audit amounted to approximately HK$8 million (2004: HK$7 million), in addition approximately HK$1 million (2004: HK$5 million) was charged for other services. The non-statutory audit services mainly consist of special audits, tax compliance and the interim review. The cost of audit services of subsidiaries not performed by PricewaterhouseCoopers amounted to approximately HK$8 million (2004: HK$7 million).

Audit Committee

The Board established an Audit Committee in 1995. The Audit Committee has clear terms of reference and is accountable to the Board. The terms of reference can be found in the Group's website (www.citicpacific.com). It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. All Committee members are non-executive directors and two of them including the Chairman are independent. Its current members include:

Mr Alexander Reid Hamilton – Chairman
Mr Hansen Loh Chung Hon
Mr Willie Chang

The Committee members possess diversified industry experience and the Chairman has appropriate professional qualifications and experience in accounting matters. The Committee meets four times each year, together with senior management and auditors, both internal and external. The attendance rate of the members for the four meetings held in 2005 was 100%.

During 2005, the Audit Committee considered the external auditors' projected audit fees; discussed with the external auditors their independence and the nature and scope of the audit; reviewed the interim and annual financial statements, particularly judgmental areas, before submission to the Board; reviewed the internal audit programme, findings and management's response; and reviewed the Group's adherence to various Codes described below. As a result, they recommended the Board to adopt the interim and annual report for 2005.

Internal Controls

The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material mis-statement or loss and the management rather than elimination of risks associated with its business activities.

The Board is responsible for maintaining an adequate system of internal control and for reviewing its effectiveness. Group Internal Audit Department conducts reviews of the effectiveness of the Group's internal control system. The Audit Committee reviews the findings and opinion of Group Internal Audit Department on the effectiveness of the Group's internal control system quarterly and reports to the Board on such reviews.

Internal Audit

The Group Internal Audit Department supports management by carrying out systematic independent reviews of all business units and subsidiaries in the Group over a period of time. The frequency of review is determined after an assessment of the risks involved. The Audit Committee endorses the internal audit programme annually. The Group Internal Auditor has unrestricted access to all parts of the business, and direct access to any level of management including the Chairman, or the Chairman of the Audit Committee, as he considers necessary. The Group Internal Audit Department submits regular reports for the Audit Committee's review in accordance with the approved internal audit programme. Concerns which have been reported by the Group Internal Audit Department are monitored quarterly by management until appropriate remedial actions have been taken.

Codes

To ensure the highest standard of integrity in our businesses, the Group adopted a Code of Conduct defining the ethical standards expected of all employees, and the Group's non-discriminatory employment practices. Training courses on the Code are held regularly for all employees and the Audit Committee receives a report on the operation, and the need for revision, of the Code every year.

Throughout the year of 2005, the Group has complied with the Code Provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group has endorsed the guide to good employment practices issued by the Employers' Federation of Hong Kong to promote good and responsible employment standards.

Notifiable Transactions

During the period, CITIC Pacific has issued press announcements in respect of a number of 'notifiable transactions' which can be viewed in the Group's website (www.citicpacific.com).

Fair Disclosure and Investor Relations

CITIC Pacific uses its best endeavours to distribute material information about the Group to all interested parties as widely as possible. When announcements are made through the Hong Kong Stock Exchange the same information will be on its way to journalists and investment analysts where an e-mail address or fax number is known and will be available to shareholders on the Company's website shortly thereafter.

CITIC Pacific recognises its responsibility to explain its activities to those with a legitimate interest and to respond to their questions. Investors are regularly received and visited to explain the Group's businesses. In 2005, CITIC Pacific's management met over 200 investors and investment analysts in our office, as well as during conferences and roadshows in the U.S., Europe, China, Japan and Singapore. In addition, questions received from the general public and individual shareholders were answered promptly. In all cases great care has been taken to ensure that no price sensitive information is disclosed.

Information about CITIC Pacific can be found in the Group's website including descriptions of each business and the Annual Reports for the last seven years.

Financial Reporting

The Directors acknowledge their responsibility for preparing the Company's accounts which give a true and fair view and are in accordance with generally accepted accounting standards published by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable. Hong Kong accounting standards have always broadly followed international accounting standards. The Group has changed some of its accounting policies following adoption of new and revised Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations which came into effect on 1 January 2005. The new and revised accounting standards which have been adopted by the Group are set out in the Significant Accounting Policies of the Notes to the Accounts on page 60. The directors endeavour to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

The responsibilities of the external auditors with respect to financial reporting are set out in the Auditors' Statement on the Summary Financial Report on page 70.

Directors' Report

The Directors have pleasure in presenting to shareholders their report for the year ended 31 December 2005.

Principal Activities

The principal activity of the Company is holding its subsidiary companies and the principal activities of its subsidiary companies and associated companies and their major areas of operation are set out in the Business Review on pages 6 to 33.

Dividends

The Directors declared an interim dividend of HK$0.30 per share in respect of the year ended 31 December 2005 which was paid on 22 September 2005. The Directors recommended, subject to the approval of the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of HK$0.80 per share in respect of the year ended 31 December 2005 payable on 17 May 2006 to shareholders on the Register of Members at the close of business on 12 May 2006.

Reserves

The amounts and particulars of transfer to and from reserves during the year are set out in Note 8 to the summary financial statements.

Donations

Donations made by the Group during the year amounted to HK$5 million.

Fixed Assets

Movements of fixed assets are set out in the summary financial statements on pages 64 to 67.

Issue of Debt Securities

On 15 February 1996, the Company issued and sold US$100 million aggregate principal amount of its 7.37% Senior Notes due 2006 ('Senior Notes') to financial institutions pursuant to note purchase agreements dated 15 February 1996. All of the Senior Notes were fully redeemed on 15 February 2006.

On 1 June 2001, CITIC Pacific Finance (2001) Limited, a wholly owned subsidiary of the Company, issued and sold a total of US$450 million principal amount of 7.625% guaranteed notes due 2011 ('Guaranteed Notes') for refinancing the indebtedness of the Company and for general corporate purposes, to investors pursuant to the purchase agreements dated 24 May 2001 and 1 June 2001. All of the Guaranteed Notes remained outstanding at the end of the year.

On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly owned subsidiary of the Company, issued and sold JPY 8.1 billion in aggregate principal amount of guaranteed floating rate notes due 2035 ('JPY Notes') to investors for general corporate purposes pursuant to a subscription agreement dated 26 October 2005. The coupon and principal of the JPY Notes was swapped into Hong Kong Dollar through cross currency swap and net proceeds equivalent to HK$400 million was received. The JPY Notes holders have a one time right to put the JPY Notes to the issuer at 81.29% of the principal amount together with accrued interest on 28 October 2015. All of the JPY Notes remained outstanding at the end of the year.

Save as aforesaid, neither the Company nor its subsidiary companies have issued any debt securities.

Directors

The Directors of the Company in office during the financial year ended 31 December 2005 were:

Mr Larry Yung Chi Kin
Mr Henry Fan Hung Ling
Mr Peter Lee Chung Hing
Mr Norman Yuen Kee Tong
Mr Vernon Francis Moore
Mr Yao Jinrong
Mr Chang Zhenming, resigned on 15 June 2005
Mr Li Shilin
Mr Carl Yung Ming Jie
Mr Liu Jifu
Mr Leslie Chang Li Hsien, appointed on 1 April 2005
Mr Willie Chang
Mr Hamilton Ho Hau Hay
Mr Alexander Reid Hamilton
Mr Hansen Loh Chung Hon
Mr Norman Ho Hau Chong
Mr André Desmarais
Mr Peter Kruyt (Alternate Director to Mr André Desmarais)

With effect from 1 April 2006, Mr Yao Jinrong will resign as director and Messrs Chau Chi Yin, Milton Law Ming To and Wang Ande will be appointed as executive directors of the Company.

In accordance with Article 95 of the New Articles of Association of the Company, Messrs Chau Chi Yin, Milton Law Ming To and Wang Ande will hold office only until the forthcoming Annual General Meeting and are then eligible for re-election. In addition, pursuant to Article 104(A) of the New Articles of Association of the Company, Messrs Henry Fan Hung Ling, Li Shilin, Carl Yung Ming Jie, Hamilton Ho Hau Hay, Alexander Reid Hamilton and Hansen Loh Chung Hon shall retire by rotation in the forthcoming Annual General Meeting and all, being eligible, offer themselves for re-election.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to the new independence guidelines under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ('Listing Rules') and that the Company still considers such directors to be independent.

Management Contract

The Company entered into a management agreement with CITIC Hong Kong (Holdings) Limited ('CITIC HK') on 11 April 1991 but with retrospective effect from 1 March 1990 in which CITIC HK agreed to provide management services to the Company and its subsidiary companies for a management fee calculated on a cost basis to CITIC HK payable quarterly in arrears. The management agreement is terminable by two months' notice by either party. Messrs Larry Yung Chi Kin, Henry Fan Hung Ling, Vernon Francis Moore and Liu Jifu had indirect interests in the management agreement as they are directors of CITIC HK. A copy of the management agreement will be available for inspection at the Annual General Meeting of the Company to be held on 12 May 2006.

Directors' Interests in Contracts of Significance

None of the directors of the Company has or at any time during the year had, an interest which is or was material, either directly or indirectly, in any contract with the Company or any of its subsidiary companies, which was significant in relation to the business of the Company, and which was subsisting at the end of the year or which had subsisted at any time during the year.

Share Option Plan

The Company adopted the CITIC Pacific Share Incentive Plan 2000 ('the Plan') on 31 May 2000.

Since adoption of the Plan, the Company have granted two lots of share options on 28 May 2002 and 1 November 2004 respectively. All options granted and accepted can be exercised in whole or in part within 5 years from the date of grant. None of such options were cancelled, but options for 500,000 shares have lapsed during the year up to 31 December 2005.

A summary of the movements during the year ended 31 December 2005 of the share options granted, including those granted under the Plan, is as follows:

A. Directors of the Company

			Number of Share Options				
Name of director	Date of grant	Exercise price HK$	Balance as at 1.1.05	Granted during the year ended 31.12.05	Exercised during the year ended 31.12.05	Balance as at 31.12.05	Percentage of issued share capital %
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[1]	–	100,000,000	
						104,000,000	4.743
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	
						2,000,000	0.091
Norman Yuen Kee Tong	28.5.02	18.2	500,000	–	–	500,000	
	1.11.04	19.9	500,000	–	–	500,000	
						1,000,000	0.046
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	
						2,000,000	0.091
Yao Jinrong	28.5.02	18.2	300,000	–	–	300,000	
	1.11.04	19.9	500,000	–	–	500,000	
						800,000	0.036
Chang Zhenming	28.5.02	18.2	500,000	–	–	N/A[2]	N/A
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	
						800,000	0.036
Liu Jifu	28.5.02	18.2	300,000	–	–	300,000	
	1.11.04	19.9	500,000	–	–	500,000	
						800,000	0.036
Leslie Chang Li Hsien	28.5.02	18.2	300,000	–	–	300,000	
	1.11.04	19.9	500,000	–	–	500,000	
						800,000	0.036

Note:

1. *These share options were granted by CITIC HK, a substantial shareholder of the Company, and can be exercised during the period from 5 December 2008 to 4 December 2010.*
2. *The Director has resigned with effect from 15 June 2005.*

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

		Number of Share Options			
Date of grant	Exercise price HK$	Balance as at 1.1.05	Granted during the year ended 31.12.05	Exercised during the year ended 31.12.05[3]	Balance as at 31.12.05
28.5.02	18.2	2,770,000	–	670,000	2,100,000
1.11.04	19.9	4,380,000	–	110,000	4,270,000

Note:

3. *The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised is HK$22.67.*

C. Others[4]

		Number of Share Options			
Date of grant	Exercise price HK$	Balance as at 1.1.05	Granted during the year ended 31.12.05	Exercised during the year ended 31.12.05[5]	Balance as at 31.12.05
28.5.02	18.2	800,000[6]	–	–	300,000
1.11.04	19.9	300,000	–	100,000	200,000

Note:

4. *These are in respect of options granted to former director or employees under continuous contract, who have retired or resigned.*
5. *The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised is HK$21.55.*
6. *Out of 800,000 options, 500,000 options have lapsed during the year.*

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 31 December 2005 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 Corporation

		Number of Shares			
	Personal interests	Corporate interests	Family interests	Trusts and similar interests	Percentage to the issued share capital %
CITIC Pacific Limited					
Larry Yung Chi Kin		400,381,000			18.258
Henry Fan Hung Ling		1,728,000		44,600,000	2.113
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
Hansen Loh Chung Hon	1,050,000	500,000[1]	500,000[1]		0.071
André Desmarais	1,488,000	102,242,000[2]	75,000		4.734
Peter Kruyt (alternate director to Mr André Desmarais)	34,100				0.002
Cathay Pacific Airways Limited					
Hansen Loh Chung Hon	450,000				0.013

Note:

1. *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.*
2. *Out of 102,242,000 shares, 2,012,000 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.

Save as disclosed above, as at 31 December 2005, 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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Save as disclosed above, at no time during the year was the Company or any of its subsidiary companies a party or parties to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders

As at 31 December 2005, 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	632,253,285	28.832
CITIC HK	632,253,285	28.832
Heedon Corporation	496,386,285	22.636
Honpville Corporation	310,988,221	14.181

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	43,266,000	1.973
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	14.181
Hainsworth Limited	82,601,000	3.767
Southpoint Enterprises Inc.	10,000,000	0.456

Each of Affluence Limited, Winton Corp., Westminster Investment Inc., Jetway Corp., Cordia Corporation, Honpville Corporation, Hainsworth Limited and Southpoint Enterprises Inc. 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. 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 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

The Company has not redeemed any of its shares during the year ended 31 December 2005. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31 December 2005.

During the year ended 31 December 2005, the Company has issued 880,000 shares under the CITIC Pacific Share Incentive Plan 2000.

Auditors

The accounts for the year have been audited by PricewaterhouseCoopers who shall retire and, being eligible, shall offer themselves for re-appointment.

By Order of the Board,
Larry Yung Chi Kin *Chairman*
Hong Kong, 22 March 2006

Consolidated Profit and Loss Account

for the year ended 31 December 2005

in HK$ million	2005	As restated 2004
Turnover	26,564	22,912
Cost of Sales	(21,226)	(18,064)
Distribution and Selling Expenses	(824)	(763)
Other Operating Expenses	(2,196)	(2,105)
Change in Fair Value of Investment Properties	520	181
Negative Goodwill	–	126
Profit from Consolidated Activities	2,838	2,287
Share of Results of		
Jointly Controlled Entities	327	488
Associated Companies	1,984	1,801
Profit before Net Finance Charges and Taxation	5,149	4,576
Finance Charges	(560)	(410)
Finance Income	53	108
Net Finance Charges	(507)	(302)
Profit before Taxation	4,642	4,274
Taxation	(345)	(413)
Profit for the Year	4,297	3,861
Attributable to:		
Shareholders of the Company	3,989	3,534
Minority Interests	308	327
	4,297	3,861
Dividends	(2,412)	(2,411)
Earnings per Share for Profit attributable to Shareholders of the Company during the year (HK$)		
Basic	1.82	1.61
Diluted	1.82	1.61

Consolidated Balance Sheet

as at 31 December 2005

in HK$ million	Note	2005	As restated 2004
Non-Current Assets			
Property, plant and equipment	4	**10,063**	7,344
Investment properties	5	**8,645**	8,115
Properties under development	6	**1,849**	1,672
Leasehold land	7	**1,618**	1,596
Jointly controlled entities		**10,583**	7,852
Associated companies		**23,300**	21,439
Other financial assets		**929**	1,121
Goodwill		**603**	507
Deferred tax assets		**158**	94
Derivative financial instruments		**168**	–
		57,916	49,740
Current Assets			
Properties held for sale		**1,055**	275
Inventories		**3,427**	2,778
Debtors, accounts receivable, deposits and prepayments		**5,691**	4,188
Cash and bank deposits		**2,579**	2,417
		12,752	9,658
Current Liabilities			
Bank loans, other loans and overdrafts			
secured		**183**	104
unsecured		**2,223**	707
Creditors, accounts payable, deposits and accruals		**6,628**	4,742
Provision for taxation		**199**	249
		9,233	5,802
Net Current Assets		**3,519**	3,856
Total Assets Less Current Liabilities		**61,435**	53,596
Non-Current Liabilities			
Long term borrowings		**18,812**	13,769
Deferred tax liabilities		**1,387**	1,328
Derivative financial instruments		**40**	–
		20,239	15,097
Net Assets		**41,196**	38,499
EQUITY			
Share capital		**877**	877
Reserves	8	**36,472**	34,290
Proposed dividend		**1,754**	1,754
Equity attributable to Shareholders of the Company		**39,103**	36,921
Minority Interests		**2,093**	1,578
Total Equity		**41,196**	38,499

Larry Yung Chi Kin
Director

Henry Fan Hung Ling
Director

Notes to the Summary Financial Statements

1 General Information

These summary financial statements from page 58 to 69 are not the Group's statutory financial statements and they do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the full Annual Report.

2 Significant Accounting Policies

Basis of Preparation

These summary financial statements have been prepared from the consolidated financial statements of the Group for the year ended 31 December 2005 ('the Accounts').

The Accounts are consistent with those adopted in the annual accounts for the year ended 31 December 2004 except that the Group has changed some of its accounting policies following its adoption of the new / revised Hong Kong Financial Reporting Standards ('HKFRS'), including all HKASs and applicable Interpretations ('HK(SIC)-Ints, HKFRS-Ints and HK-Ints'), which came into effect on 1 January 2005.

The major changes to accounting policies which have material financial effect on the Group are summarised as follows:

i) Share based payments

In accordance with HKFRS 2, the fair value of share options at grant date are amortised over the relevant vesting periods to the profit and loss account. The Group had no unvested share option outstanding during the year and the policy has been applied from 1 January 2005 onwards.

ii) Financial instruments

Prior to 1 January 2005, derivatives of the Group were not recorded in the financial statements. Following the adoption of HKAS 32 'Financial Instruments: Disclosure and Presentation' and HKAS 39 'Financial Instruments: Recognition and Measurement', all derivatives are stated at fair value. The gain or loss on changes in fair value is recognised generally in the profit and loss account unless the derivative qualifies for hedge accounting. Where a derivative qualifies for hedge accounting and is designated as a cash flow hedge, the effective part and the ineffective part of any unrealised gain or loss on the instrument is recognised directly in hedging reserve and in the profit and loss account respectively. The cumulative gain or loss associated with the effective part of the cash flow hedge recorded in hedging reserve will be recognised in the profit and loss account in the same period or periods during which the gain or loss arising from the hedged transaction is recognised in the profit and loss account.

In prior years, investments held for long term were stated at cost less impairment losses. Since 1 January 2005, such investments have been reclassified as Available-for-sale investments and carried at fair value or cost less impairment loss if their fair value cannot be reliably measured. Gains and losses arising from changes in fair value are recognised in investment revaluation reserve. On the disposal of the investment or when an investment is determined to be impaired, the cumulative gain or loss previously recognised in investment revaluation reserve will be transferred to the profit and loss account.

2 Significant Accounting Policies *continued*

Basis of Preparation *continued*

iii) Pre-completion contracts for sales of properties under development

In prior years, sales of properties under development was recognised in the profit and loss account over the course of the development by reference to the proportion of construction costs incurred to date to the estimated total construction costs to completion of the development and the extent of the sales proceeds received, after taking into account due allowance for contingencies.

Following the adoption of HK-Int 3 'Revenue – Pre-Completion Contracts for the Sale of Development Properties', revenue from sales of properties under development is only recognised when the significant risks and rewards of ownership have been transferred to the buyer. The Group considers that the significant risks and rewards of ownership are transferred when the buildings contracted for sales are completed and the relevant permits essential for the delivery of the properties have been issued by the authorities.

The Group has chosen not to apply HK-Int 3 retrospectively to pre-completion contracts entered into before 1 January 2005 and will continue to account for those contracts using the method of accounting used prior to 1 January 2005.

iv) Leases

Following the adoption of HKAS 17 'Leases' and HK-Int 4 'Lease – Determination of the Length of Lease Term in respect of Hong Kong Land Leases', leasehold land for own use is reclassified as Leasehold Land and amortised over the period of the lease on a straight line basis. Prepaid land lease is included in Properties Under Development and Properties Held For Sales, of which the amortisation of prepaid land lease is capitalised as part of the building costs during the development period but charged to the profit and loss account for completed properties.

v) Investment properties

In prior years, the change in the fair value of investment properties was recognised in the property valuation reserve. The deficit of this reserve was charged to the profit and loss account and any subsequent increases were credited to the profit and loss account up to the amount previously charged. Following the adoption of HKAS 40 'Investment Property', gains or losses arising from changes in fair value of investment properties are included in the consolidated profit and loss account in the period in which they arise.

vi) Deferred taxation

Prior to 1 January 2005, deferred tax on changes in fair value of investment properties arising from revaluation was recognised on the basis that the recovery of the carrying amount would be through sale and was calculated at the tax rate applicable on eventual sale.

Following the adoption of HK(SIC)-Int 21 'Income Taxes – Recovery of Revalued Non-Depreciable Assets', the deferred tax arising from revaluation of the investment properties is recognised on the basis that the recovery of the carrying amount of the properties would be through use and calculated at the applicable profits tax rate.

2 Significant Accounting Policies *continued*

Basis of Preparation *continued*

The Group has applied the new accounting policies retrospectively except for HKAS 32, HKAS 39, HKAS 40 and HK-Int 3 (Notes 2(ii), (iii) and (v) above refers) which are applied prospectively in accordance with the transitional provisions. These effects are summarised as follows:

	Effects on adopting					
in HK$ million	HKAS 16	HKAS 17	HK(SIC)-Int 21	HKAS 40	HKAS 32 & 39	Total
Effects on periods prior to 2004						
Increase in amortisation of leasehold land	–	(81)	–	–	–	(81)
Increase in deferred tax	–	–	(622)	–	–	(622)
Decrease in share of results of associated companies	(9)	(8)	(204)	–	–	(221)
Decrease in retained profits	(9)	(89)	(826)	–	–	(924)
Effects on 2004						
Increase in amortisation of leasehold land	–	(6)	–	–	–	(6)
Increase in deferred tax	–	–	(39)	–	–	(39)
Decrease in share of results of an associated company	–	(2)	–	–	–	(2)
Decrease for the year ended 31 December 2004	–	(8)	(39)	–	–	(47)
Decrease in retained profits as at 31 December 2004	**(9)**	**(97)**	**(865)**	**–**	**–**	**(971)**
Effects on 1 January 2005						
Decrease in fair value change of financial instruments	–	–	–	–	(20)	(20)
Increase in amortisation of finance charges	–	–	–	–	(3)	(3)
Increase in taxation	–	–	–	–	(14)	(14)
Increase in share of fair value change on investment properties of associated companies	–	–	–	524	–	524
Decrease in share of results of associated companies	–	–	–	–	(26)	(26)
Increase in share of results of jointly controlled entities	–	–	–	–	9	9
Increase / (decrease) in retained profits	–	–	–	524	(54)	470
Decrease in hedging reserve	–	–	–	–	(101)	(101)
Increase in investment revaluation reserve	–	–	–	–	42	42
Increase in share of investment revaluation reserve of associated companies	–	–	–	–	126	126
Decrease in share of fair value change on investment properties of associated companies	–	–	–	(524)	–	(524)
Decrease in hedging reserve of jointly controlled entities	–	–	–	–	(37)	(37)
Decrease in hedging reserve of an associated company	–	–	–	–	(14)	(14)
(Decrease) / Increase in reserves	–	–	–	(524)	16	(508)
Decrease in equity attributable to the shareholders of the Company	**–**	**–**	**–**	**–**	**(38)**	**(38)**
Decrease in equity attributable to the shareholders of the Company as at 1 January 2005	**(9)**	**(97)**	**(865)**	**–**	**(38)**	**(1,009)**

2 Significant Accounting Policies *continued*

Basis of Preparation *continued*

	HKAS 16	HKAS 17	Effects on adopting HK(SIC)-Int 21	HKAS 40	HKAS 32 & 39	Total
Effects on 2005						
Increase in amortisation of leasehold land	–	(4)	–	–	–	(4)
Decrease in deferred tax	–	–	3	–	–	3
Increase in fair value change of financial instruments	–	–	–	–	62	62
Increase in fair value change on investment properties and related deferred tax	–	–	(70)	520	–	450
Increase in share of fair value change on investment properties and related deferred tax of associated companies	–	–	(39)	372	–	333
Decrease in share of results of associated company	–	(2)	–	–	–	(2)
(Decrease) / increase in profit for the year	**–**	**(6)**	**(106)**	**892**	**62**	**842**

The effect of Prior Year Adjustments on basic and diluted earnings per share is immaterial.

3 Directors Emoluments

The remuneration of every Director for the year ended 31 December 2005 is set out below:

in HK$ million Name of Director	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits	2005 Total	2004 Total
Larry Yung Chi Kin*	0.15	3.20	25.60	0.01	**28.96**	30.29
Henry Fan Hung Ling*	0.15	2.98	21.80	0.01	**24.94**	25.85
Peter Lee Chung Hing*	0.15	1.69	17.00	0.07	**18.91**	19.94
Norman Yuen Kee Tong*	0.15	4.29	5.00	0.14	**9.58**	10.08
Vernon Francis Moore*	0.15	1.99	4.00	0.01	**6.15**	14.26
Carl Yung Ming Jie*	0.15	0.84	1.50	0.04	**2.53**	2.53
Yao Jinrong*	0.15	0.64	1.50	–	**2.29**	2.23
Leslie Chang Li Hsien*	0.11	1.05	6.00	0.07	**7.23**	–
Li Shilin*	0.15	0.49	1.00	–	**1.64**	1.64
Liu Jifu*	0.15	0.50	5.00	–	**5.65**	5.66
Chang Zhenming	0.07	0.36	–	–	**0.43**	1.64
Willie Chang	0.30	–	–	–	**0.30**	0.30
Hamilton Ho Hau Hay	0.15	–	–	–	**0.15**	0.15
Alexander Reid Hamilton	0.30	–	–	–	**0.30**	0.30
Hansen Loh Chung Hon	0.25	–	–	–	**0.25**	0.25
Norman Ho Hau Chong	0.20	–	–	–	**0.20**	0.20
Andrè Desmarais	0.15	–	–	–	**0.15**	0.15
	2.88	18.03	88.40	0.35	**109.66**	115.47

3 Directors Emoluments *continued*

The five highest paid individuals of the Group during the year were also directors and their emoluments are reflected in the analysis presented above.

During the year, no share options were granted (2004: 7,600,000) to directors of the Company under the CITIC Pacific Share Incentive Plan 2000.

The executive directors as marked '*' of the above being considered as key management personnel of the Group.

4 Property, Plant and Equipment

Group

in HK$ million	Self-used properties	Vehicular tunnel	Plant and machinery	Others	Total
Cost					
At 1 January 2004, as previously reported	3,611	1,983	2,237	2,417	10,248
Transfer to leasehold land	(1,373)	–	–	–	(1,373)
As restated	2,238	1,983	2,237	2,417	8,875
Exchange adjustments	7	–	4	10	21
Additions					
through acquisition of subsidiary companies	–	–	954	17	971
others	130	9	551	666	1,356
Disposals					
through disposal of subsidiary companies	(29)	–	(33)	(23)	(85)
others	(15)	–	(40)	(85)	(140)
Reclassification	32	–	196	(228)	–
Impairment loss	–	–	–	(1)	(1)
At 31 December 2004	2,363	1,992	3,869	2,773	10,997
Accumulated depreciation					
At 1 January 2004, as previously reported	665	622	824	1,247	3,358
Transfer to leasehold land	(179)	–	–	–	(179)
As restated	486	622	824	1,247	3,179
Exchange adjustments	2	–	1	3	6
Charge for the year	49	92	215	234	590
Written back on disposals					
through disposal of subsidiary companies	(11)	–	(14)	(10)	(35)
others	(7)	–	(22)	(58)	(87)
At 31 December 2004	519	714	1,004	1,416	3,653
Net book value					
At 31 December 2004	1,844	1,278	2,865	1,357	7,344

4 Property, Plant and Equipment *continued*

Group *continued*

in HK$ million	Self-used properties	Vehicular tunnel	Plant and machinery	Others	Total
Cost					
At 1 January 2005, as previously reported	4,165	1,992	3,869	2,773	12,799
Transfer to leasehold land	(1,802)	–	–	–	(1,802)
As restated	2,363	1,992	3,869	2,773	10,997
Exchange adjustments	16	–	83	18	117
Additions					
through acquisition of subsidiary companies	491	–	1,095	3	1,589
others	30	8	413	1,533	1,984
Disposals					
through disposal of subsidiary companies	–	–	–	(31)	(31)
others	(10)	–	(42)	(210)	(262)
Transfer to investment properties	(32)	–	–	–	(32)
Reclassification	308	–	(139)	(169)	–
At 31 December 2005	3,166	2,000	5,279	3,917	14,362
Accumulated depreciation					
At 1 January 2005, as previously reported	725	714	1,004	1,416	3,859
Transfer to leasehold land	(206)	–	–	–	(206)
As restated	519	714	1,004	1,416	3,653
Exchange adjustments	2	–	24	6	32
Charge for the year	69	94	347	264	774
Written back on disposals					
through disposal of subsidiary companies	–	–	–	(4)	(4)
others	(5)	–	(21)	(130)	(156)
Reclassification	1	–	(1)	–	–
At 31 December 2005	586	808	1,353	1,552	4,299
Net book value					
At 31 December 2005	2,580	1,192	3,926	2,365	10,063

5 Investment Properties

in HK$ million	**2005**	2004
At 1 January	**8,115**	7,923
Exchange adjustments	**(35)**	11
Additions	**–**	1
Disposals	**(3)**	(1)
Change in fair value of investment properties	**520**	181
Transfer from properties held for sale	**6**	–
Transfer from property, plant and equipment	**32**	–
Transfer from properties under development	**2**	–
Transfer from leasehold land	**8**	–
At 31 December	**8,645**	8,115

6 Properties under Development

The Group's interests in properties under development are analysed as follows:

in HK$ million	**2005**	2004
Cost At 1 January	**1,707**	713
Prior years adjustment Capitalisation of amortisation of leasehold land	**18**	8
Amortisation of leasehold land	**(53)**	(42)
As restated	**1,672**	679
Exchange adjustments	**18**	–
Additions through acquisition of subsidiary companies	**271**	–
others	**1,323**	1,224
Capitalised leasehold land amortisation	**27**	10
Disposals through disposal of subsidiary companies	**(520)**	–
others	**(56)**	(230)
Amortisation of leasehold land	**(27)**	(11)
Transfer to investment properties	**(2)**	–
Transfer to properties held for sale	**(857)**	–
Net book value At 31 December	**1,849**	1,672

7 Leasehold Land

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value are analysed as follows:

in HK$ million	**2005**	2004
Cost		
At 1 January	**1,596**	1,194
Exchange adjustments	**13**	–
Additions		
through acquisition of subsidiary companies	**30**	–
others	**21**	429
Transfer to investment properties	**(8)**	–
Amortisation of leasehold land	**(34)**	(27)
Net book value		
At 31 December	**1,618**	1,596

8 Reserves

Group

in HK$ million	Share premium	Capital redemption reserve	Goodwill	Investment property revaluation reserve	Exchange fluctuation reserve	General reserve	Retained profits	Total
At 1 January 2004, as previously reported	24,782	19	(2,499)	523	(194)	182	12,860	35,673
Prior year adjustments								
Deferred tax arising from fair value change of investment properties	–	–	–	–	–	–	(622)	(622)
Amortisation of leasehold land	–	–	–	–	–	–	(81)	(81)
Share of associated companies								
Deferred tax arising from fair value change of investment properties	–	–	–	–	–	–	(204)	(204)
Amortisation of leasehold land	–	–	–	–	–	–	(8)	(8)
Adjustment on property, plant and equipment	–	–	–	–	–	–	(9)	(9)
As restated	24,782	19	(2,499)	523	(194)	182	11,936	34,749
Share of reserves of associated companies	–	–	–	1	(131)	–	–	(130)
Share of reserves of jointly controlled entities	–	–	–	–	–	11	–	11
Exchange translation differences	–	–	–	–	2	–	–	2
Issue of shares pursuant to the Plan	66	–	–	–	–	–	–	66
Reserves written back on disposal	–	–	5	–	(2)	(2)	–	1
Transfer from profits	–	–	–	–	–	53	(53)	–
Profit attributable to shareholders of the Company	–	–	–	–	–	–	3,534	3,534
Dividends	–	–	–	–	–	–	(2,189)	(2,189)
At 31 December 2004	24,848	19	(2,494)	524	(325)	244	13,228	36,044

8 Reserves *continued*

Group *continued*

in HK$ million	Share premium	Capital redemption reserve	Goodwill	Investment property revaluation reserve	Investment revaluation reserve	Exchange fluctuation reserve	General reserve	Retained profits	Total
Representing									
At 31 December 2004 after proposed final dividend									34,290
2004 Final dividend proposed									1,754
									36,044
Retained by									
Company and subsidiary companies	24,848	19	(2,494)	–	–	6	226	8,133	30,738
Jointly controlled entities	–	–	–	–	–	–	15	660	675
Associated companies	–	–	–	524	–	(331)	3	4,435	4,631
	24,848	19	(2,494)	524	–	(325)	244	13,228	36,044

in HK$ million	Share premium	Capital redemption reserve	Goodwill	Investment property revaluation reserve	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General reserve	Retained profits	Total
At 1 January 2005, as previously reported	**24,848**	**19**	**(2,494)**	**524**	**–**	**(325)**	**–**	**244**	**14,199**	**37,015**
Prior year adjustments										
Deferred tax arising from fair value change of investment properties	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(661)**	**(661)**
Amortisation of leasehold land	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(87)**	**(87)**
Share of associated companies										
Deferred tax arising from fair value change of investment properties	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(204)**	**(204)**
Amortisation of leasehold land	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10)**	**(10)**
Adjustment on property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9)**	**(9)**
As restated, before opening adjustments	**24,848**	**19**	**(2,494)**	**524**	**–**	**(325)**	**–**	**244**	**13,228**	**36,044**
Opening adjustment for the adoption of HKAS 39	**–**	**–**	**–**	**–**	**168**	**–**	**(152)**	**–**	**(54)**	**(38)**
Opening adjustment for the adoption of HKAS 40	**–**	**–**	**–**	**(524)**	**–**	**–**	**–**	**–**	**524**	**–**
At 1 January, as restated	**24,848**	**19**	**(2,494)**	**–**	**168**	**(325)**	**(152)**	**244**	**13,698**	**36,006**

8 Reserves *continued*

Group *continued*

in HK$ million	Share premium	Capital redemption reserve	Goodwill	Investment property revaluation reserve	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General reserve	Retained profits	Total
At 1 January, as restated	**24,848**	**19**	**(2,494)**	**–**	**168**	**(325)**	**(152)**	**244**	**13,698**	**36,006**
Share of reserves of associated companies	**–**	**–**	**–**	**–**	**(67)**	**–**	**350**	**–**	**–**	**283**
Share of reserves of jointly controlled entities	**–**	**–**	**–**	**–**	**–**	**–**	**40**	**–**	**–**	**40**
Exchange translation differences	**–**	**–**	**–**	**–**	**–**	**158**	**–**	**–**	**–**	**158**
Gain on cash flow hedge of financial instruments	**–**	**–**	**–**	**–**	**–**	**–**	**163**	**–**	**–**	**163**
Fair value loss on other financial assets	**–**	**–**	**–**	**–**	**(17)**	**–**	**–**	**–**	**–**	**(17)**
Transfer from profits	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**57**	**(57)**	**–**
Issue of shares pursuant to the Plan	**16**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16**
Profit attributable to shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,989**	**3,989**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,412)**	**(2,412)**
At 31 December 2005	**24,864**	**19**	**(2,494)**	**–**	**84**	**(167)**	**401**	**301**	**15,218**	**38,226**
Representing										
At 31 December 2005 after proposed final dividend										**36,472**
2005 Final dividend proposed										**1,754**
										38,226
Retained by										
Company and subsidiary companies	**24,864**	**19**	**(2,494)**	**–**	**25**	**164**	**62**	**283**	**7,305**	**30,228**
Jointly controlled entities	**–**	**–**	**–**	**–**	**–**	**–**	**3**	**15**	**996**	**1,014**
Associated companies	**–**	**–**	**–**	**–**	**59**	**(331)**	**336**	**3**	**6,917**	**6,984**
	24,864	**19**	**(2,494)**	**–**	**84**	**(167)**	**401**	**301**	**15,218**	**38,226**

9 Post Balance Sheet Events

On 20 January 2006, the Company entered into joint venture agreements and a framework agreement with PRC parties in relation to Phase 2 and Phase 3 of the Shanghai Shipyard Land Development Project respectively. Under the agreements, the Company agreed to make a total investment of approximately HK$2.37 billion for Phase 2 and approximately HK$3.53 billion for Phase 3.

On the same date, a wholly-owned subsidiary of the Company disposed an interest in a property company for a consideration of HK$6.18 billion (subject to completion adjustment).

Auditors' Statement on the Summary Financial Report

Auditors' statement on the summary financial report to the shareholders of CITIC Pacific Limited
(incorporated in Hong Kong with limited liability)

We have examined the summary financial report of CITIC Pacific Limited for the year ended 31 December 2005 on pages 1 to 69 and the front and back cover pages.

Respective Responsibilities of Directors and Auditors

Under the Hong Kong Companies Ordinance, the directors are responsible for preparing the summary financial report which complies with section 141CF(1) of the Hong Kong Companies Ordinance. In preparing the summary financial report, section 141CF(1) of the Hong Kong Companies Ordinance requires that the summary financial report be derived from the annual accounts and the auditors' report thereon and the directors' report for the year ended 31 December 2005, be in such form and contain such information and particulars as specified in section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and be approved by the board of directors.

It is our responsibility to form an independent opinion on the summary financial report, based on our examination, and to report our opinion solely to you, as a body, and we are also required to state whether the auditors' report on the annual accounts for the year ended 31 December 2005 is qualified or otherwise modified, in accordance with section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this statement.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 710 'The auditors' statement on the summary financial report' issued by the Hong Kong Institute of Certified Public Accountants. Our examination includes examining evidence supporting the consistency of the summary financial report with the annual accounts and the auditors' report thereon and the directors' report for the year ended 31 December 2005 and the compliance of the summary financial report with the requirements of section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Opinion

Based on the foregoing, in our opinion the summary financial report on pages 1 to 69 and the front and back cover pages:

a) is consistent with the annual accounts and the auditors' report thereon and the directors' report of CITIC Pacific Limited for the year ended 31 December 2005 from which it is derived; and

b) complies with the requirements of section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation.

We have audited the annual accounts of CITIC Pacific Limited for the year ended 31 December 2005 and have issued an auditors' report thereon dated 22 March 2006 which is unqualified or otherwise unmodified.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 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 $= \dfrac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares (by days) in issue for the year}}$

Shareholders' funds per share $= \dfrac{\text{Shareholders' funds}}{\text{Total issued and fully paid shares at end of the year}}$

Leverage $= \dfrac{\text{Net debt}}{\text{Total capital}}$

Cashflow per share $= \dfrac{\text{Cash contributed from all businesses}}{\text{Total issued and fully paid shares at end of the year}}$

Interest cover $= \dfrac{\text{EBITDA}}{\text{Interest expense}}$

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 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 Depository 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.

Investor Relations

Investors, shareholders and research analysts may contact the Investor Relations Department by telephone at 2820 2004, by fax: 2104 6632 or at investor.relations@citicpacific.com.

Financial Calendar

Closure of Register: 4 May 2006 to 12 May 2006
Annual General Meeting: 12 May 2006, 10:30 a.m.
Island Ballroom, Level 5, Island Shangri-La Hotel,
Two Pacific Place, Supreme Court Road,
Hong Kong
Final Dividend Payable: 17 May 2006

Shareholders may at any time choose to receive the Summary Financial Report or the Annual Report in printed form or to rely on their versions posted on the Company's website. They may also at any time choose to receive the Summary Financial Report or the Annual Report in place of the other. Shareholders may change their choice on these matters by writing to the Company's Share Registrars, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

If Shareholders have already chosen to reply on the versions of the Summary Financial Report or the Annual Report posted on the Company's website and have difficulty in gaining access to those documents, they will, promptly upon request, be sent those documents in printed form free of charge. Please send the request to the Company's Share Registrars.

CITIC Pacific Ltd
32/F CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Tel: 2820 2111 Fax: 2877 2771
www.citicpacific.com

Stock Code: 0267