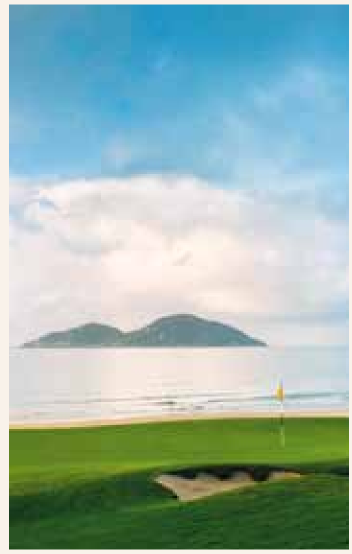
CITIC PACIFIC



Summary Financial Report 2011

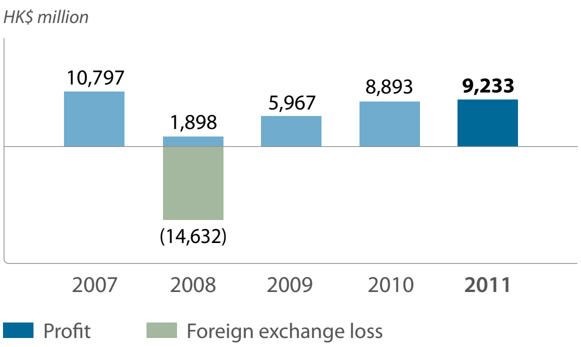
This summary financial report 2011 only gives a summary of the information and the particulars of CITIC Pacific Limited's annual report 2011 from which the summary financial report is derived. Shareholders may obtain a printed copy of the 2011 annual report free of charge by writing to the company's share registrars, Tricor Tengis Limited.

Financial Highlights

in HK$ million	**2011**	2010	**Increase/ (Decrease)**
Profit attributable to ordinary shareholders	**9,233**	8,893	4%
Contribution by business:			
Special steel	**1,994**	2,102	(5)%
Iron ore mining	**(423)**	(346)	(22)%
Mainland China property	**2,160**	583	270%
Hong Kong property	**412**	377	9%
Energy	**1,384**	1,045	32%
Tunnels	**518**	502	3%
Dah Chong Hong	**617**	775	(20)%
CITIC Telecom	**299**	248	21%
Gain on disposal of assets	**664**	3,008	(78)%
Fair value change of investment properties	**1,891**	1,298	46%
Cash inflows from business operations	**7,934**	8,016	(1)%
Other cash inflows	**5,633**	8,413	(33)%
Capital expenditure	**24,476**	28,876	(15)%
EBITDA	**18,398**	15,744	17%
Earnings per share *(HK$)*	**2.53**	2.44	4%
Dividends per share *(HK$)*	**0.45**	0.45	–

in HK$ million	**As at 31 December 2011**	As at 31 December 2010	**Increase/ (Decrease)**
Total assets	**229,739**	193,169	19%
Net debt	**67,777**	59,125	15%
Cash and bank deposits	**30,930**	24,558	26%
Available committed banking facilities	**15,350**	18,594	(17)%
Total ordinary shareholders' funds and perpetual capital securities	**80,958**	68,346	18%
Net debt to total capital	**46%**	46%	–
Return on ordinary shareholders' funds	**13%**	14%	–

Profit attributable to ordinary shareholders



Assets

CITIC Pacific at a glance

Headquartered in Hong Kong, CITIC Pacific is 58% owned by CITIC Group Corporation in Beijing and has shareholders around the world.

CITIC Pacific is a diversified company, with a primary focus on **Special Steel manufacturing**, **Iron Ore Mining** and **Property development in mainland China**. These three business areas together constituted over 70% of total assets at the end of 2011.

We have a team of professionals who have deep knowledge of and expertise in developing and operating businesses in China, Australia and Hong Kong.

Major Businesses

SPECIAL STEEL

page 8

24%

of assets

With an annual production capacity of 9 million tonnes, CITIC Pacific Special Steel is the largest dedicated manufacturer of special steel in China. Major products include special steel wires and bars, medium-to-thick wall seamless steel tubes, special plates and special forging steel. Currently, over 80% of the special steel products are sold domestically to customers in the auto components, machinery manufacturing, shipbuilding, power generation, oil and petrochemical industries.

IRON ORE MINING

page 22

29%

of assets

The Sino Iron project is 100% owned by CITIC Pacific, which has rights to extract 2 billion tonnes of magnetite iron ore resource from its mine in Cape Preston in Western Australia's Pilbara region. Sino Iron is the largest magnetite iron ore development project in Australia and, when completed, will have six production lines with the capacity to produce a total 24 million tonnes of magnetite concentrate a year.

Sino Iron has dedicated infrastructure facilities that include a power station, a desalination plant and a large scale port. Once in operation, Sino Iron will ensure a stable, quality supply of iron ore to CITIC Pacific's special steel plants, as well as other steel producers in China.

PROPERTY
mainland China

page 36

18%

of assets

CITIC Pacific focuses on developing medium and large-scale projects in mainland China. Properties are located in prime areas of Shanghai and major cities in the Yangtze River delta area and Hainan province. Some key projects currently under development include a resort in Shenzhou Peninsula of Hainan Island, the Lu Jia Zui new financial district project and residential projects in Jiading and Qingpu in Shanghai.

Chairman's Letter to Shareholders

CITIC Pacific has transformed itself from a company with a diverse set of investments into an operating company that focuses on three main businesses.

Dear Shareholders,

CITIC Pacific recorded a profit attributable to ordinary shareholders of HK$9,233 million in 2011, which was 4% higher than 2010. It is worth noting that 77% was from our continuing business operations, whereas it was 58% in 2010.

During 2011, we raised a total of HK$34 billion in new financing from banks and the capital markets, including the issuance of US$750 million in preferred securities which strengthened our equity account. At the end of the year, we had bank deposits and available committed facilities of HK$46 billion, sufficient to meet our near-term investment needs. I take note that we have maturing debt that needs to be refinanced, and this process is well underway. The sale of our 50% interest in CITIC Guoan, once approved, will give us over HK$4 billion in additional cash. Gearing is still at a fairly high level of 46%, reflecting continued investment in our main businesses, particularly the Sino Iron project in Western Australia. However, I believe this is a short-term phenomenon. Substantial cash is expected to be generated to reduce the debt once our mine enters production.

A final dividend of HK$0.30 per share has been recommended by our board to give shareholders a full year dividend of HK$0.45 per share. Both are at the same level as last year. The dividend has to balance the needs of the shareholders and the investment needs of the company, and when the latter diminish in future years the board will consider recommending a higher dividend.

I have two objectives when writing to shareholders. First, I want to update you on the progress of our business during the year under review and, second, to reflect on my expectations for the year ahead. Until our iron ore mine becomes operational, my focus, time and energy, and indeed that of the entire management team, will be on completing the construction of the mine and paving the way for its successful operation for many years to come. My message to you in this year's report is that we consider bringing the mine into operation as early as possible to be our primary and most pressing task. We are committed to what we have set out to do, and I say with confidence that we will get there.

CITIC Pacific has transformed itself from a company with a diverse set of investments into an operating company that focuses on three main businesses. They now account for over 70% of our total assets. We are a much stronger company structurally with improved systems and a strengthened management team.

The special steel business has established itself as a leader in its field, and our property business is doing well and is self-funding. Our most important investment, Sino Iron, will help shape our future. Building this mine has been no easy task. I, along with Zhang Jijing, our managing director, and Dr. Hua Dongyi, our senior project leader in Australia, have had many sleepless nights as we set out to do something no one else had done before on this scale, and not on our home territory. We have learned a tremendous amount and the insights we have gained on all fronts have been rich, strengthening our ability to run the company.

Iron Ore Mining

Let me address two issues, which I am sure are on your mind: construction progress and the capital required to build the project. Construction of the Sino Iron project is divided into two parts. The first – mining, the building of the power station, desalination plant and port area – is managed directly by CITIC Pacific Mining. The second involves China Metallurgical Corporation ("MCC"), the engineering, procurement and construction contractor for the processing activities such as the concentrators, crushers, slurry pipeline, and related facilities. As mentioned in our December 2011 update, facilities under our direct responsibility are all ready for integrated commissioning. Many areas under MCC's management have experienced delays. By design, the Sino Iron concentration activity will have six production lines. In the agreement signed in December, MCC committed to having the first and second production lines commence production no later than 31 August and 31 December of 2012.

Significant progress was made in 2011. In addition to getting the power station, desalination plant and port area ready, the 30-kilometre slurry pipeline was also completed. Construction and installation of the processing and dewatering plants for the first production line are in their final phases. Work remaining is mainly related to the installation and testing of instruments as well as electrical and control systems. For the second production line, work on the steel structure, equipment installation, piping and electrical systems has commenced. The four grinding mills that make up lines three and four are now on site.

CITIC Pacific Mining is in the process of taking over equipment procurement and forming a joint task force with MCC to direct work related to the commissioning and safety aspects of the project, even though all these remain the contractual responsibility of MCC.

> We consider bringing the mine into operation as early as possible to be our primary and most pressing task.

We agreed in December to pay MCC an additional US$822 million, which brings the total contractual amount for MCC's work to US$3,407 million. The additional amount is necessary for them to complete the construction and commissioning of the first two production lines as well as the shared facilities for all six lines. We are certainly unhappy about the increased costs. MCC told us that they underestimated the complexity and the amount of work involved in constructing and commissioning a project in Australia. The reality is that construction costs for all mining projects have risen significantly in the last few years due to rising equipment and labour costs as well as the increased value of the Australian dollar. At this point we are at a crucial stage of the project's development, and we are convinced that changing contractors now would mean further delays and potentially even higher costs. Having given this matter great consideration, we believe that working with MCC to ensure the completion and commissioning of the first two lines is the optimal course.

I am often asked about my view on the future price of iron ore. No one can claim to predict market movements with certainty, and I do not pretend to be an expert on this subject. What I can say is that there are approximately seven billion people on the planet, and most of them are in developing countries. The industrialisation and urbanisation of these developing economies will drive demand for steel and thus for iron ore. CITIC Pacific will not only be selling iron ore, but we will also be using the material ourselves for our special steel plants in China, so we are on both ends of the market. This gives us a great strategic advantage in terms of vertical integration. The project will not only provide a secure source of iron ore to our steel plants but also to other steel manufacturers in China. As I am also the Chairman of CITIC Group, I can assure you that CITIC Group has and will continue to provide full support to the future development of the Sino Iron project.

In November 2011, there were two important developments in the Australian parliament. The Minerals Resource Rent Tax ("MRRT") was passed by the lower house and, if approved by the upper house, will become law with effect from 1 July 2012. We were disappointed that magnetite iron ore was not excluded from the MRRT. However, the legislation sets the taxing at the first point of processing – the primary crusher – where the value of the material is low. Thus, the tax we are likely to pay should also be low.

The Clean Energy Act also became law in November, resulting in the imposition of a fixed price on carbon emissions beginning 1 July 2012 up until the point when Australia transitions to an emissions trading scheme. The introduction of this carbon charge will clearly have a financial impact on our project, but fortunately our gas fired power station – the primary source of CO_2 emissions – has been built with one of the most energy-efficient designs available. The magnetite industry creates economic and employment benefits in Australia and reduces carbon emissions on a global basis. The government has agreed to provide some assistance, although this is insufficient in our view. We will continue to work with other magnetite producers to lobby the government for further assistance.

Special Steel

The first half of 2011 showed strong demand for steel products but the second half, particularly the last quarter of the year, was much weaker. Still, our special steel business was able to achieve HK$1,994 million in profit contribution. Excluding the loss incurred on eliminating outdated facilities, the contribution from our steel mills was 11% more than last year.

In China's 12th Five-year Plan for the iron and steel industry published in late 2011, CITIC Pacific Special Steel was acknowledged as a leader in the special steel industry. As a relative newcomer, we are very proud of this recognition. When we went into special steel in 1993, the annual production capacity at the Jiangyin Xingcheng plant was just 210,000 tonnes. In the last 18 years, through organic growth and the addition of the Hubei Xin Yegang plant we have become the biggest dedicated special steel manufacturer in China with 9 million tonnes of annual production capacity. Despite facing a great deal of scepticism early on, we have persevered and proved to be an industry leader.

As in any industry, merely being the biggest is not enough; in order to stay ahead of the pack we must lead in technology. China's 12th Five-year Plan for the steel industry encourages manufacturers to raise product quality, provide technological innovations, eliminate outdated facilities, and step up energy conservation and emission reduction. We have put a lot of effort into these areas over the years, and this work will continue. Our steel plants are now supplying over 3,000 different types and specifications of special steel to customers, and 39% of them in 2011 were high-end products. My colleagues running this business operate under the principle that each year a certain percentage of lower-end products should be substituted with higher ones. This effort has paid off as we are now producing some of the best quality products in the industry, and I am proud to say some of our steel has been put into orbit as a component part of China's Shenzhou spacecrafts. I was told recently by my steel colleagues that we are now the only company in the world capable of producing one-metre diameter big casting round billet. To reduce emissions and increase efficiency, two smaller blast furnaces and one electric arc furnace were closed in 2011, and bigger, more efficient ones were built.

We are a much stronger company structurally with improved systems and a strengthened management team.

> We have become the biggest dedicated special steel manufacturer in China with 9 million tonnes of annual production capacity.

I am pleased at what we achieved in 2011 despite the challenging market. Looking at 2012, we believe that it will likely be another tough year for steel producers in China. A tightened credit policy and other measures taken at all levels of the government to moderate the rapid growth of the property market in China will filter down to impact the demand for steel in general, which will also put pressure on special steel prices. The global economic outlook remains unclear and thus may affect steel exports. However, despite these challenges my colleagues at the steel plants remain confident that the business can continue to be profitable by increasing the quality of our products and improving our ability to respond to market changes. These efforts, coupled with technology innovation and excellent customer relationships, will ensure our leadership position in the industry.

Property in mainland China

In 2011, completed residential units in a number of our mainland China projects together with the twin office towers in Shanghai were delivered to buyers. However, sales of residential projects were markedly slower in the second half of 2011 as a result of measures put in place by the Chinese government to regulate the property market. We believe that the current situation is likely to continue for some time and affect the level of sales in 2012.

So what do we do in a slow market? Although property development is one of the key businesses of CITIC Pacific, we are not solely dependent on property development for our profit. The relatively low cost of our land banks, together with our financial strength, gives us the flexibility to adjust our development pace and sales strategy. Although residential sales have slowed, commercial properties have not been much affected. We continue to see strong interest in our Lu Jia Zui financial district project in Shanghai, where many financial institutions want to place their regional headquarters. We are now in negotiations with interested parties to do so.

In a difficult market, it is all the more important to differentiate ourselves from others by offering customers quality products and superb services, thereby creating brand loyalty. In fact, in 2011 we re-positioned some of our developments and created the CITIC Pacific Property brand for all of our projects. Long term, we are still strong believers that the Chinese property market will grow and develop with the country's economy.

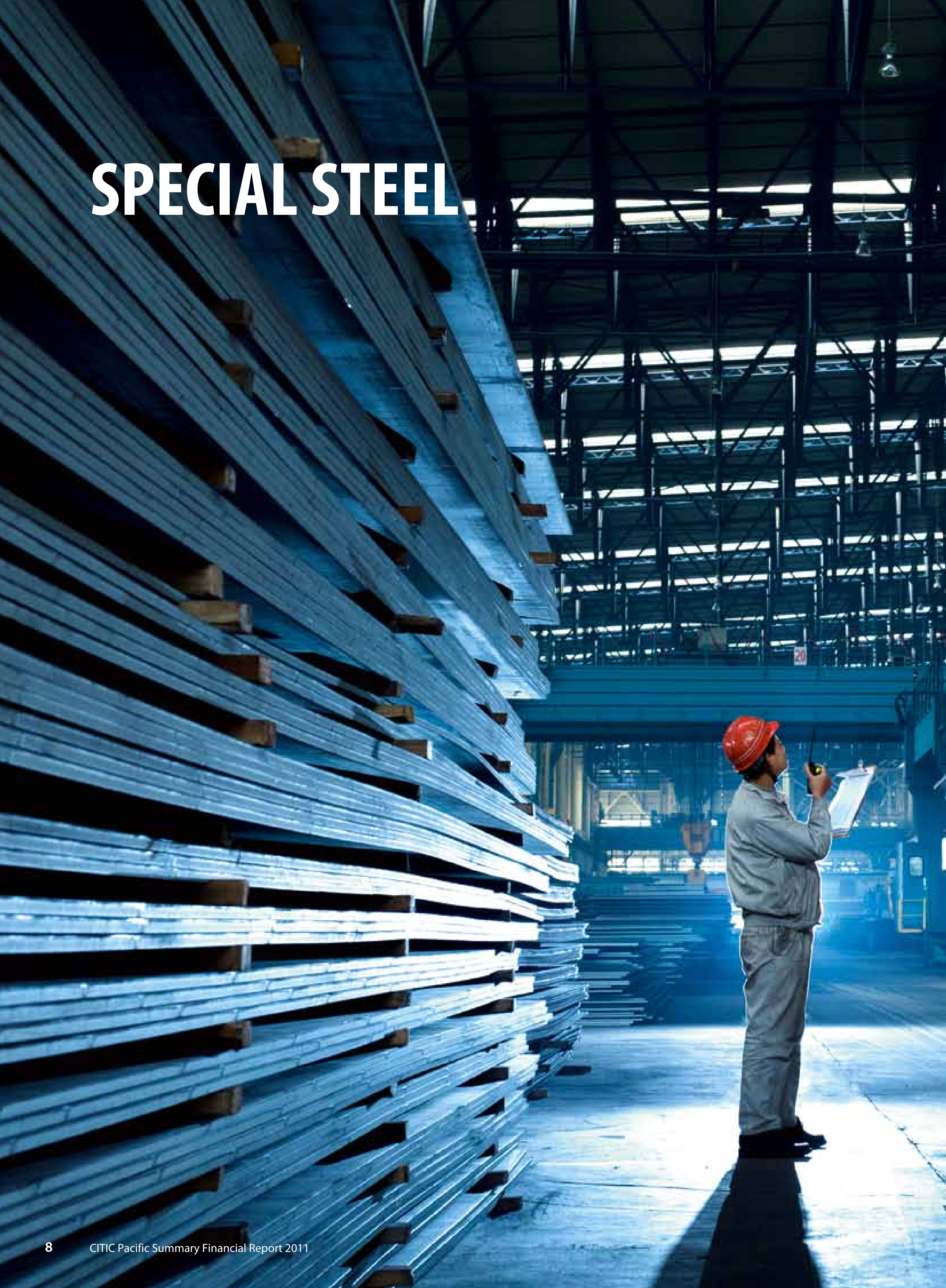
At the board and senior management level, we continue to focus on building a culture of strong corporate governance, fiduciary responsibility and respect for all shareholders. We take seriously our mission to create long-term value for all our shareholders, and we strive to create a positive workplace for our employees and developing them to their fullest.

In closing, I want to thank our employees for all their hard work. I would also like to say thank you to our board, our investors and banks for their trust and support.

2012 is the year of the dragon in the Chinese zodiac. The dragon is feisty, dynamic and self-assured, and these are attributes I like to associate with CITIC Pacific, especially at this point in time. I strongly believe that at CITIC Pacific we have the spirit and the strength to succeed. I am very proud of what we have achieved both in business and as an organisation, and I am honoured and humbled to be leading this company.

Chang Zhenming
Chairman
Hong Kong, 1 March 2012

SPECIAL STEEL



Review of 2011

The expansion programme that CITIC Pacific Special Steel embarked upon four years ago was completed in 2011. Annual steel production capacity reached 9 million tonnes, making us one of the largest special steel producers in the world and cementing our position as the leading manufacturer of special steel in China.

The markets for both general steel and special steel were strong in the first half of 2011 but saw a marked weakness in the second half, particularly the last quarter of the year. Solid demand from sectors such as auto, infrastructure, public housing construction, oil and shipbuilding, together with the high cost of raw materials, drove up the price of special steel products in the domestic China market during the first half of 2011. In the second half of the year, continued government restrictions on property purchases and its policy of monetary tightening began to manifest themselves in slower investment in downstream industries such as auto, railway and infrastructure, leading to a corresponding decline in demand for steel products.

In the export market, China's special steel sector performed better than the general steel sector. In the first three quarters of 2011, the global economic recovery led to increased demand for special steel products. As a result, both export volume and product prices went up. Beginning in the fourth quarter, however, market demand softened due to the European debt situation, and monthly export volumes returned to levels seen at the beginning of 2011.

In this challenging market, CITIC Pacific Special Steel produced 6.96 million tonnes of products, representing an increase of 13% over 2010. This increase was driven mainly by the addition of new capacity. As a result of our efforts to develop overseas markets and enhance product quality, export volume rose to 13% of total sales from 10% in the previous year. Some products from the new plate lines were also exported.

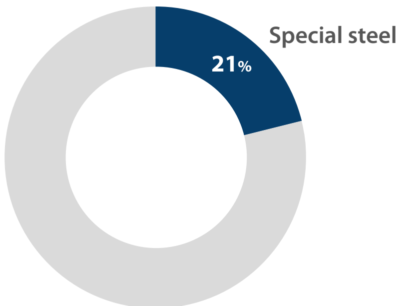
In 2011, although average product prices rose 14% over the previous year, the increase in the cost of major raw materials was even greater, which affected the profitability of our steel plants. The HK$1,994 million profit contribution recorded in 2011 included a HK$342 million loss due to the closure of two outdated small blast furnaces and one electric arc furnace in Xin Yegang. Excluding this loss, contribution from our steel plants was 11% higher than in 2010.

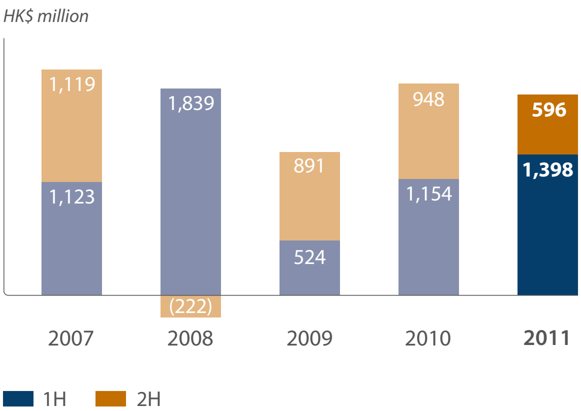
in HK$ million	2011	2010	Change
Revenue	**44,043**	30,478	45%
Profit contribution	**1,994**	2,102	(5)%
Assets	**56,273**	48,351	16%
Liabilities	**27,295**	23,409	17%
Cash inflow from operations	**4,956**	2,083	138%
Capital expenditure	**6,539**	6,271	4%

Annual production capacity

9 million tonnes

Profit contribution





CITIC Pacific Special Steel

CITIC Pacific Special Steel, the largest dedicated manufacturer of special steel in China, operates two plants – Jiangyin Xingcheng Special Steel and Xin Yegang. At the end of 2011, CITIC Pacific Special Steel had a total annual production capacity of 9 million tonnes.

Located in Jiangyin City of Jiangsu Province and Huangshi City of Hubei Province respectively, the two steel mills are strategically situated next to the Yangtze River and are well located to serve the major markets for special steel in eastern and central China.

Major products include special steel wires and bars, medium-to-thick wall seamless steel tubes, special plates and special forging steel. These are widely used in auto components, machinery manufacturing, oil and petrochemicals, transportation, energy, railway and shipbuilding as well as other sectors.

Category	Capacity ('000 tonnes)	Major products
Bars and wires (including big casting round billet)	5,200	Bearing steel Gear steel Spring steel Non-quenched and tempered free-cutting steel High-end core steel High-pressure tube billet steel Tools and die steel
Plates	2,600	Pressure vessel steel plate High strength shipbuilding steel plate Ocean engineering steel plate Engineering machinery wear resistant steel plate Pipeline steel Die and mould plate
Seamless steel tubes	1,100	Petroleum drilling pipe Pin bush pipe Boiler pressure vessel pipe Engineering machinery pipe Bearing pipe
Special forging steel	100	Railway bearing steel Tools and die steel Cold roller steel Ultra-high strength steel High-temperature alloy Stainless steel
Total	**9,000**	

Production

Capacity Expansion

Jiangyin Xingcheng Special Steel

In 2011, Xingcheng Special Steel completed a line capable of producing medium-to-thick plates that are 4,300mm wide as well as a heat treatment facility. Combined with the 3,500mm wide line, total plate capacity reached 2.6 million tonnes a year. The newly completed 800,000 tonne heat treatment facility takes the plant's total heat treatment capability to 1.1 million tonnes. This is necessary for the future development of high-end bar and plate products.

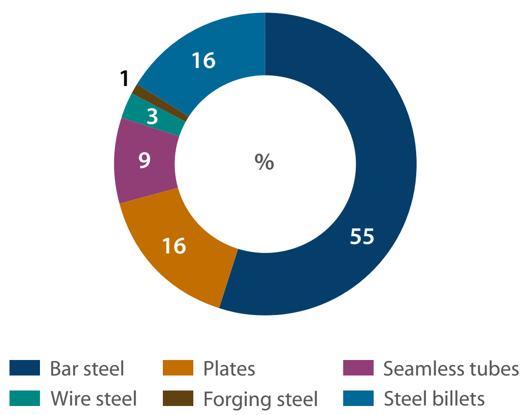
Xin Yegang

The enhanced iron and steel making facilities in Xin Yegang were completed in 2011, which will allow us to meet demand for steel required in the rolling process and other subsequent processes.

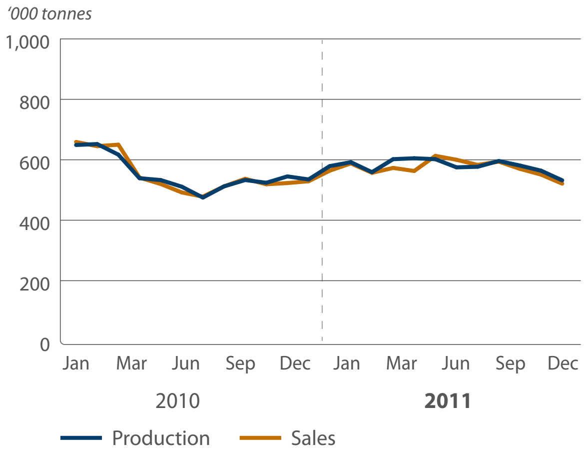
Another highlight of the year under review was the installation of the quick forging machine and a ring-rolled machine, adding 50,000 tonnes of capacity to the production of high-end forging products. This took the plant's total forging capacity to 100,000 tonnes a year.

Production

Category	Production ('000 tonnes)	Percentage	Change from 2010
Bar steel	3,790	55%	(4)%
Plates	1,140	16%	80%
Seamless tubes	620	9%	9%
Wire steel	240	3%	1%
Forging steel	80	1%	3%
Steel billets	1,090	16%	(8)%
Total	**6,960**	**100%**	**81%**



Monthly production and sales volume



In 2011, CITIC Pacific produced 6.96 million tonnes of special steel, representing an increase of 13% over 2010. Sales volume remained at about the same level, as one of our operating principles is to produce only on orders placed. The increase in production was primarily driven by the completion of the 4,300mm plate production line in the middle of 2011 and the first full year production of the 3,500mm plate line.

In 2011, the established lines, such as the bar and wire production lines, were running at close to full capacity. The utilisation rate of the seamless steel tube facilities was 57%, primarily due to excess supply in China and the slower growth of both the Chinese and global economies. Orders placed by customers decreased, especially in the second half of the year. However, due to the effort by our steel plants to further develop the overseas market and the continued improvement of our product quality, exports of seamless steel tubes increased by a dramatic 174% compared with 2010. The North American market was particularly strong. Of the 630,000 tonnes of seamless steel tubes sold, 25% was exported as compared with 11% in 2010.

The 4,300mm plate line entered trial production in the middle of 2011. The utilisation rate for the two plate lines was 51%. CITIC Pacific Special Steel is a newcomer in the area of plate manufacturing and sales. As there is excess capacity in the domestic market for standard medium-to-thick plates, we are focused on developing technologies and markets for high-end specialty use as well as obtaining the relevant product certifications worldwide for industry access.

High value-added products with greater technology content and higher prices accounted for 39% of total production in 2011.

Sales

CITIC Pacific Special Steel's primary market is mainland China, where there were approximately 2,900 customers in 2011 – a net addition of 100 customers over 2010. The increase was primarily driven by the development of new markets for steel plates. We believe that the number of customers will increase as our plate products become more established. In 2011, our top ten customers accounted for approximately 18% of sales revenue.

In 2011, 73% of our products were sold directly to our customers rather than through distributors, a key feature of CITIC Pacific's Special Steel business. Selling directly provides more visibility and stability in terms of the volume and price of our products. It also enables us to better understand the needs of our customers and any changes in the market environment. Many buyers of our products are producers affiliated with or contracted to manufacturers in the auto, machinery manufacturing, oil and petrochemical industries. End users include Toyota, General Motors, Honda, Volkswagen, Volvo, Caterpillar and SKF.

Key bar steel products

	Sales	China market share	
Product	**('000 tonnes)**	**2011**	2010
Gear steel	920	**32%**	32%
Bearing steel	840	**26%**	29%
Alloy spring steel	330	**20%**	23%
Alloy structural steel	1,700	**15%**	19%

Statistics are sourced from the China Special Steel Enterprises Association and include registered companies only.

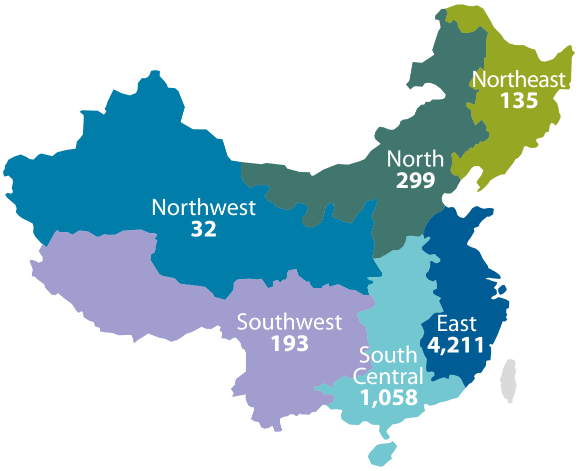
Special Steel

Iron Ore Mining

Property

Our products are sold to these regions in China

in '000 tonnes



Our products are exported to these regions and countries

Region/ Country	Sales volume ('000 tonnes)	Percentage of total exports	Percentage change from 2010
Asia	452	49%	10%
Korea	*242*	*26%*	*6%*
India	*36*	*4%*	*(20)%*
Indonesia	*34*	*4%*	*21%*
Thailand	*29*	*3%*	*5%*
Others	*111*	*12%*	*37%*
Europe	208	23%	197%
Americas	183	20%	102%
Middle East & Others	75	8%	117%
Total	**918**	**100%**	**52%**

CITIC Pacific Special Steel's key customers

Customer	Profile	Percentage of revenue
Yangzhou Chengde Steel Pipe Co.	A private bearing company with the widest range of seamless steel tube products in China. It is also a key producer of high-end large diameter seamless steel tubes. The company has co-developed many unique products with CITIC Pacific Special Steel. Of its total purchases in 2011, 30% of the new products were jointly developed by both companies.	2.6%
SKF Group	This leading global bearing manufacturer buys 90% of its bars required in China from CITIC Pacific Special Steel. A global cooperation agreement was signed between the two companies in 2011.	1.7%
Ningbo Sanji Steel Tube Co.	One of the top companies in China's bearings industry, Ningo Sanji Steel has used CITIC Pacific's products since its inception six years ago.	1.7%
C&U Group	The most competitive private manufacturer of bearing products in China. A strategic partner of CITIC Pacific Special Steel with over ten years of cooperation.	1.4%
Dongfeng Commercial Vehicle	Ranked number one in China's heavy trucking industry by market share and sales volume, Dongfeng has had a close working relationship with CITIC Pacific Special Steel for more than four decades.	0.9%

Our products are sold to these industries

	Sales ('000 tonnes)		Percentage of total sales	
Industry	**2011**	2010	**2011**	2010
Auto components	**2,020**	2,115	**30%**	34%
Machinery manufacturing	**1,530**	1,025	**22%**	17%
Shipbuilding	**950**	677	**14%**	11%
Power generation	**900**	619	**13%**	10%
Oil and petrochemicals	**620**	604	**9%**	10%
Metal works	**390**	570	**6%**	9%
Railway	**140**	156	**2%**	3%
Others	**300**	356	**4%**	6%
Total	**6,850**	6,122	**100%**	100%

Thirty percent of CITIC Pacific Special Steel's products were sold to auto component manufacturers in 2011, compared with 34% in 2010. The change in percentage was due to the commencement of the steel plate production lines, which led to an increase in sales volume relating to shipbuilding plates and structural plates. This change broadened our exposure to the shipbuilding and machinery manufacturing industries.

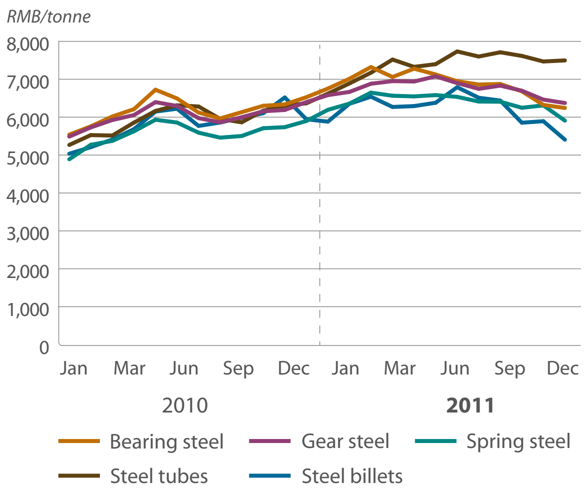
Naturally, the production of special-use plates will create structural changes in the industries to which we sell our products. In 2011, sales to the shipbuilding industry were 14% compared with 11% the year before. In 2012, with the 3,500mm and 4,300mm special steel plate lines reaching their designed production capacity, we will be able to expand our markets in a variety of industries including shipbuilding, machinery manufacturing, petrochemicals and other specialised industries.

Product Pricing

Pricing of special steel products is mainly driven by two factors: demand and the cost of raw materials. As approximately 80% of our steel plants' production cost is directly attributable to the cost of raw materials, changes in the price of raw materials are a very important factor in determining the selling price of our products. Typically, at the end of each year agreements are reached with customers on their annual volume requirements, and these agreements make up approximately 60% of our annual sales volume. Pricing is not fixed until orders are formally placed or before products are delivered, which leaves room for adjustment based on changes in our production costs.

Historically, in a market where demand and supply are in balance, increases in the price of raw materials can usually be absorbed by increasing the price of the products. But when market supply exceeds demand, it is difficult to raise the price of products even though the cost of raw materials has increased. Nevertheless, as the operation of our steel plants is organised for production based on orders, the relatively short period of time required for product delivery reduces the impact caused by increases in the cost of raw materials and changes in the market.

In 2011, the average price of special steel products rose in the first half of the year and weakened in the second half. Overall, product prices increased 14% compared with 2010.

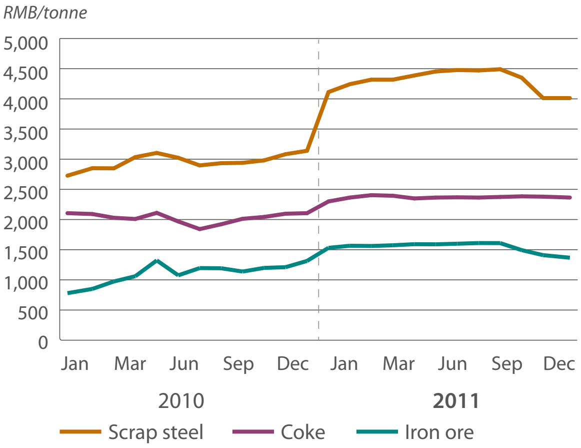


Raw Materials

Major raw materials used

Type	2011 ('000 tonnes)	Percentage of raw materials cost
Iron ore	9,500	32%
Scrap steel	1,610	14%
Coke	1,400	8%
Alloy	270	11%
Coal	4,330	16%
Total	**17,110**	**81%**

Price of major raw materials



Iron Ore

Of the total 9.5 million tonnes of iron ore purchased in 2011, approximately 45% was sourced through supply contracts, which were for volume only. The rest was purchased on the spot market. Pricing follows the conventional market system, which changed in 2011 from quarterly to monthly. This change made it more challenging to manage raw material costs and made the spot versus contract distinction less important than before.

Looking at 2012, the price of iron ore will likely remain firm. Once CITIC Pacific's iron ore mine in Australia is in production, it will be able to meet our need for high quality concentrate.

Iron ore sources

Country	Percentage	Main suppliers
Australia	51%	Hamersley
China	23%	Mines in Northeast China and Hebei Province
Brazil	13%	Vale
Others	13%	Asia Energy, Noble, Minmetals, Mineral Enterprises

Coke

In 2011, more than half of CITIC Pacific Special Steel's requirement for coking coal was supplied by our own coking plants. The rest was purchased from other domestic Chinese producers.

Xin Yaxing coking plant launched its Phase II project in 2011, and the construction of the first coke oven will be completed at the end of 2012. The second coke oven is scheduled to be completed in December 2013. Together, they will provide more high-quality coking coal to our Xingcheng Special Steel and Xin Yegang plants.

Scrap Steel

In 2011, 96% of the scrap steel used was sourced domestically, with only 4% from overseas markets.

Alloy

The main alloys used in special steel production are ferrosilicon, ferrochrome, ferromanganese, molybdenum, nickel and vanadium.

The Environment

Our steel plants continued to focus on reducing emissions, saving energy and eliminating outdated facilities. This not only supports the sustainable development of our business but also reflects our commitment to social responsibility.

- Our energy-controlling centre is responsible for managing energy usage by the steel plants and planning for contingencies under a variety of scenarios. The centre helps reduce energy consumption by lowering the gas and oxygen release rate while increasing the water-recycling rate.
- In an effort to eliminate outdated facilities, Xin Yegang closed two small blast furnaces and one electric arc furnace. This was in compliance with China's environmental regulations and also had the benefit of increasing our efficiency.
- Our research centre for energy conservation and emission reduction works closely with universities and research institutes in China to jointly develop new technologies and techniques.
- We treat pollutants discharged from the production process, such as fumes and dust, and recycle and treat waste water, gas and other waste residuals. The methods used are shown in the following table:

Major pollutants	Measures
Industrial fumes and dust	Cloth filter de-dusting and electric de-dusting
Sewage water	Cooling water recycling; small quantity treated in sewage treatment station before discharging
Waste residual	Recovered and recycled
Noise	Sound-proof coverage used for all noise-generating equipment Factories located away from residential areas
Sulphur dioxide (SO_2)	Treated with wet de-sulphurising device

In 2011, all major indices in our two steel mills, such as sulphur dioxide emissions per tonne of steel and the comprehensive utilisation rate of solid wastes, met the standards set out in China's 12th Five-year Plan for the Iron & Steel Industry. All major pollutant discharges also met national standards.

Looking Ahead

In November 2011, China published its 12th Five-year Plan for the Iron and Steel Industry. The plan acknowledged CITIC Pacific Special Steel's leadership position in the industry, and we were recognised for our long-term efforts to improve R&D and technological innovation in special steel.

Apart from increasing production capacity, over the past few years CITIC Pacific Special Steel has built two technical centres, a number of laboratories and a post-doctoral research centre, which are all nationally recognised for their industry expertise. Their work is focused on researching and developing new products and offering consulting services to clients on special steel applications. In 2011, 620,000 tonnes of new products were developed, and CITIC Pacific Special Steel was widely considered a leader in the industry.

In 2011 China's domestic economy slowed, and the world economy recovered at a slower-than-expected pace. This is likely to affect market demand for steel in 2012. As prices of raw materials and fuel are expected to remain high, the steel industry will face greater challenges. Furthermore, after the launch of the 12th Five-year Plan a number of China's general steel manufacturers will probably expand into the special steel sector, and other traditional special steel manufacturers will gradually complete upgrades of their equipment and technologies. Given these factors, the special steel market will clearly become more competitive.

In this more competitive environment, CITIC Pacific Special Steel will focus on three key areas for 2012:

1. ***Further improvements in product quality, optimisation of the product mix and development of new products***

Our new production lines and blast furnaces are better equipped to produce high-end products, with bar and wire products achieving new levels in quality and product mix in 2011. We are now the only manufacturer in the world that is capable of producing one-metre diameter big casting round billet. We also developed ultra-purified monocrystal cutting wire with a diameter of 0.12mm. Development of these high-end products improved our product mix.

We are also strengthening our ability in further processing our products. The heat treatment line currently under construction is a good example, as it will provide better hardware for the further processing of bars and steel tubes.

In addition to improving the quality of established products, CITIC Pacific Special Steel will be developing new products. Among the new

products we have already introduced are oil well drilling steel, Japan NHK flat steel, T91 high boiler tube billet and highly purified steel for the North American oil industry, all of which have all been very well received by clients.

We will also continue to develop new products in the areas of high quality bearing steel used in high-speed railways, marine engineering and energy; high-end gear steel for autos; special steel for spare parts used in the aviation and aerospace industries; and ultra-low temperature steel for shipbuilding and high-strength wear-resisting plates.

2. ***Consolidation of our leading position in the domestic China market and further international expansion***

In 2011, we signed a strategic cooperation agreement with SKF. We also established cooperation agreements with other companies, including China State Shipbuilding Corp., China State Construction and Daqing Oilfield, further expanding our strategic client base.

Meanwhile, in order to expand domestically and develop new markets overseas we accelerated product certification for our new plates and steel tubes. As of this writing, our new plate products have obtained certifications from shipbuilding bureaus across nine countries, passed the certification requirements for the pressure vessel industry and received the American Petrochemical Institute (API) certificate. Our steel tubes have also been recognised by a number of overseas companies as evidenced by our higher export volumes.

3. ***Energy conservation and sustainable development***

In the area of energy conservation and environmental protection, we have implemented China's policy for the steel industry and followed our group-level development strategy. In 2011, Xin Yegang eliminated 500,000 tonnes of obsolete capacity. We also met all standards in pollutant discharges. In the years ahead, the management will continue to contribute to the sustainable development of the company.

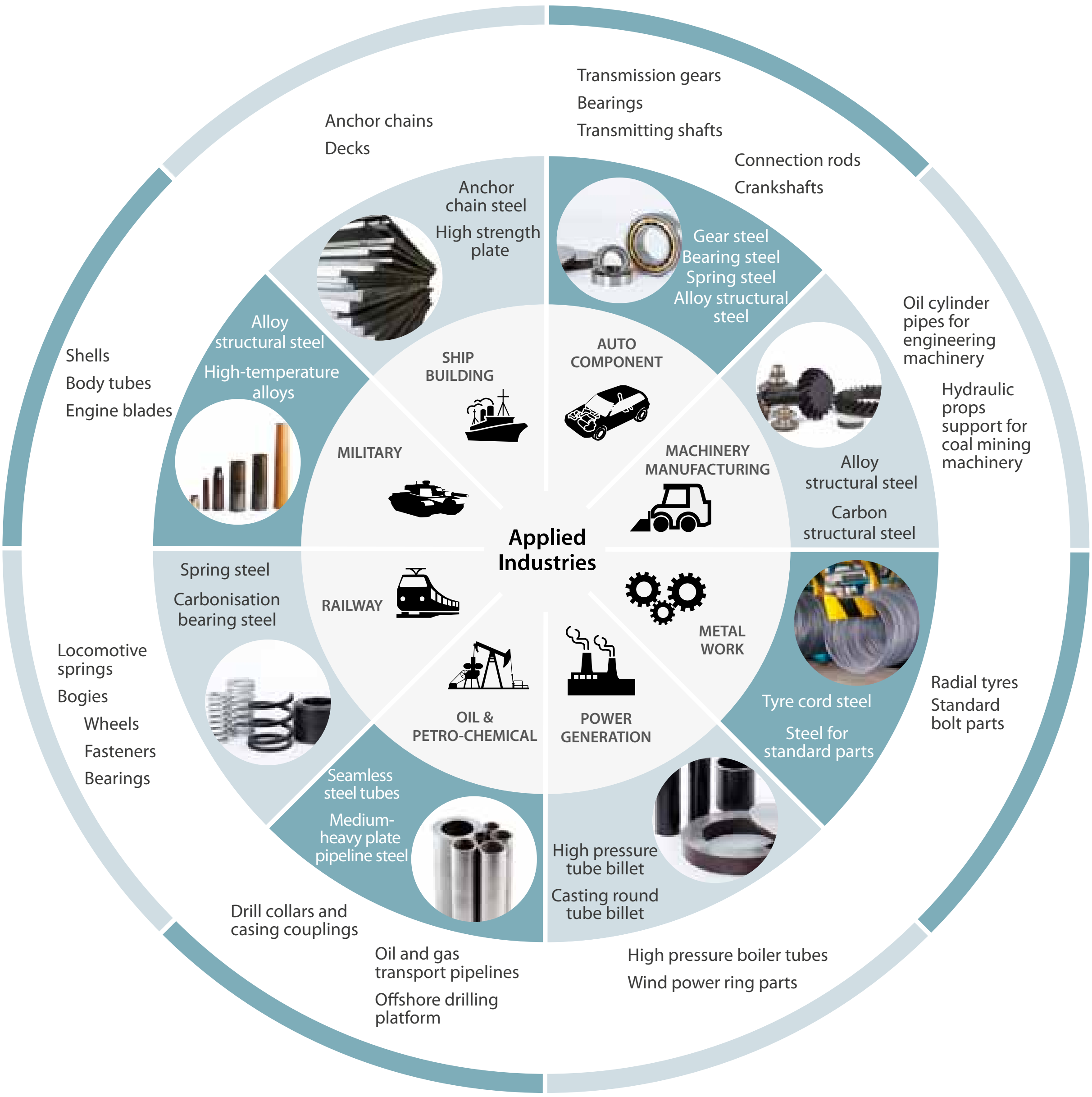
CITIC Pacific Special Steel will leverage the growth opportunities made possible by China's 12th Five-year Plan and will continue to strengthen our efforts in product R&D and technology innovation. We will strive to provide our customers a comprehensive range of services by integrating product R&D, manufacturing and application solutions, in order to cement our leadership position in special steel in China.

Facts and Statistics

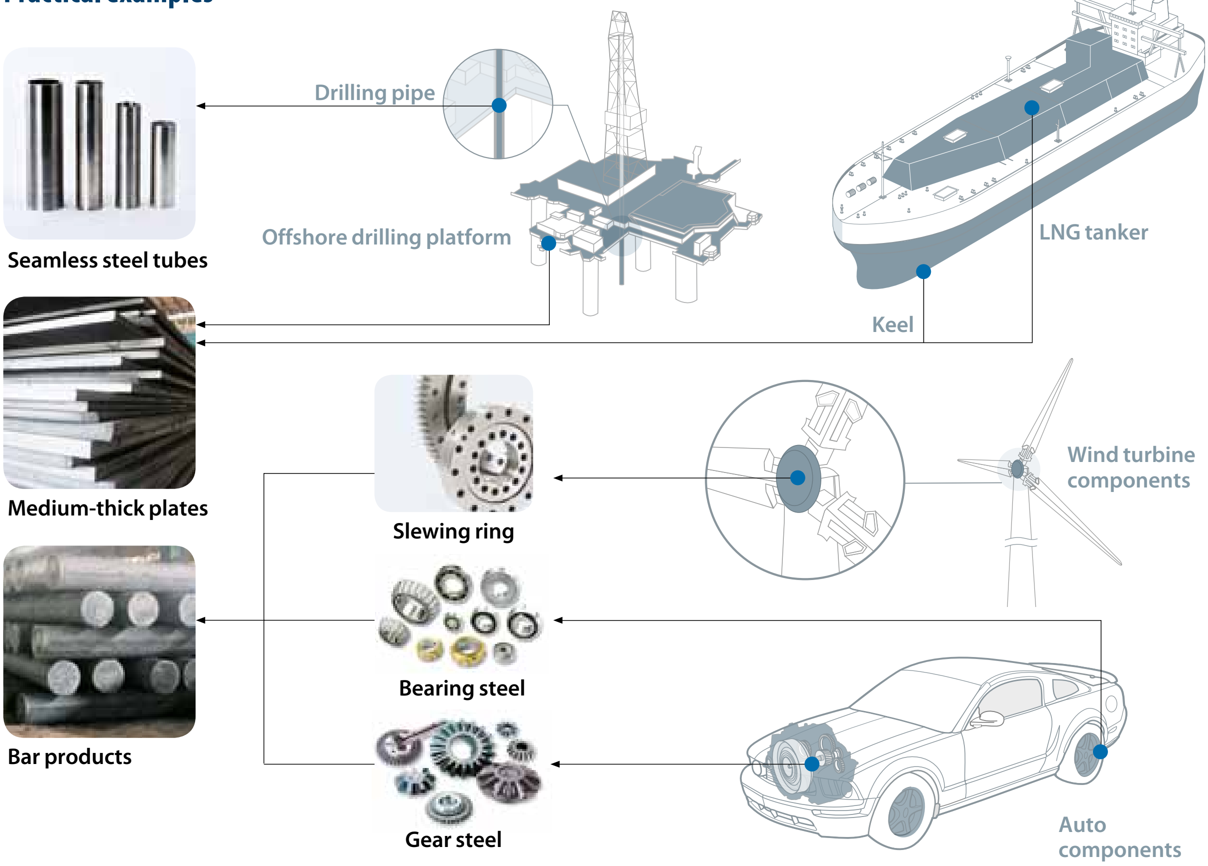
What is Special Steel?

Special steel refers to steel produced using special techniques, with special characteristics and special purposes. Categorised by shape, special steel includes bar steel, plates, strip steel, tube steel and wire steel. These products are sold to manufacturers for making products such as gears, bearings and springs.

Industries and major products used

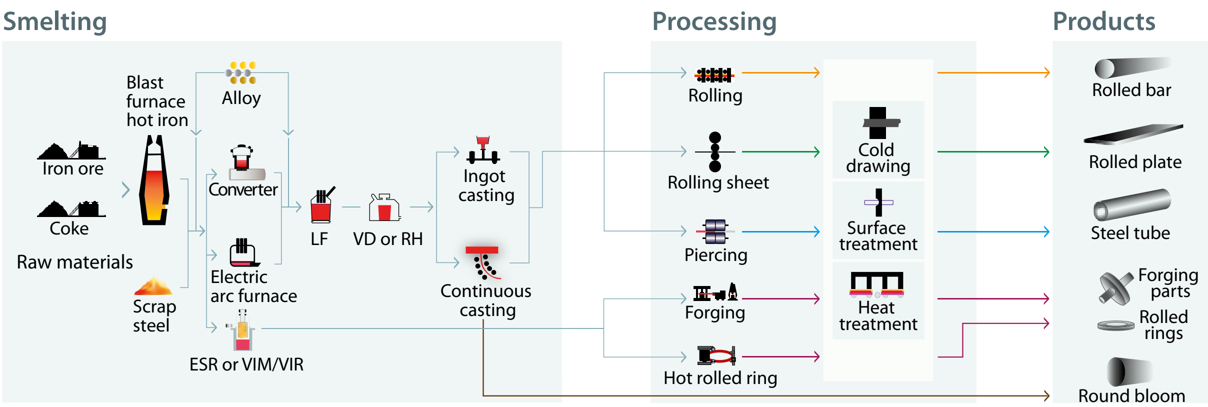


Practical examples

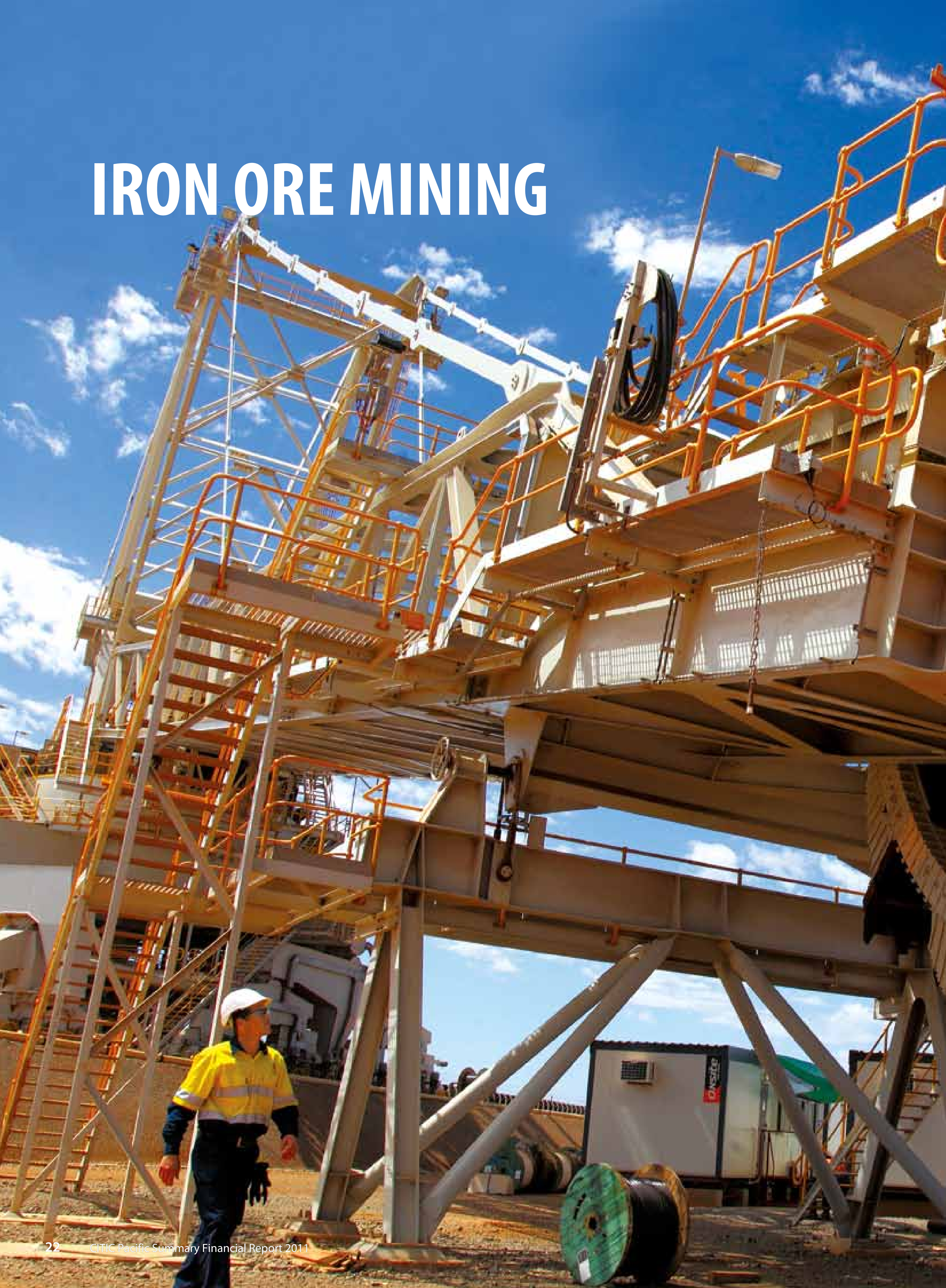


Special Steel Manufacturing Process

Our special steel plants employ two different technologies: the long process and the short process. The long process uses iron ore and coke as raw materials, and the short process uses scrap steel, pig iron or molten iron. After the molten steel is produced from the long or short process, alloys are added as the steel passes through various production processes, including the ladle-refining furnace, an 'RH' or vacuum degassing furnace, casting and rolling. From these processes, steel billets and slabs are produced and shaped to various specifications according to customers' requirements. The management teams at the plants are focused on product quality and cost efficiency and will therefore choose whichever process befits the requirements of the work.



IRON ORE MINING



Sino Iron Project

The Sino Iron project ("Sino Iron") is 100% owned by CITIC Pacific, which has rights to extract 2 billion tonnes of magnetite iron ore resource from its mine at Cape Preston, 100km southwest of Karratha in Western Australia's Pilbara region. With a mine life of 25 years, Sino Iron is the largest magnetite iron ore development in Australia and is being developed by CITIC Pacific Mining ("CPM"), a wholly-owned subsidiary of CITIC Pacific. CITIC Pacific has options to acquire an additional 4 billion tonnes of magnetite iron ore resource at the same location.

When completed, Sino Iron will have six concentration production lines with the capacity to produce a total of 24 million tonnes of magnetite concentrate a year. Actual production volume will depend on the characteristics of the rocks being mined. Contractually, no more than 27.6 million tonnes can be exported annually.

Magnetite ore mined will be crushed, ground and separated before it is turned into a fine high-grade magnetite concentrate, an ideal product for steel making. Product from the Sino Iron project will have a low level of impurities, particularly of alumina and phosphorus.

To process magnetite ore, CPM has developed dedicated infrastructure facilities that include a 450MW combined cycle gas-fired power station, a 51-gigalitre desalination plant and a large scale port with breakwater extending 2.6km offshore.

In constructing the project, CPM used a modular approach for certain equipment and facilities, such as crushers, grinding mills and the desalination plant. The desalination plant, for example, comprises 60 modules of varying sizes that were fabricated, assembled and tested in China. Once the modules arrived on site, they were connected with the necessary systems and instruments.

The project is now in the peak construction period with around 3,500 people engaged, most of them residing at the site on a fly-in fly-out basis. At present, CPM directly employs about 700 people. When the mine is in full operation, we expect to have around 800 permanent staff.

CPM is headquartered in Perth and has a representative office in Beijing.

in HK$ million	2011	2010	Change
Assets			
Iron ore mine	**61,747**	48,922	26%
Vessels	**5,250**	4,475	17%
Liabilities			
Iron ore mine	**39,662**	36,581	8%
Vessels	**2,397**	2,097	14%
Capital expenditure			
Iron ore mine	**11,873**	17,635	(33)%
Vessels	**710**	274	159%

Progress at a glance

Mining

- More than 130 million tonnes of waste and magnetite ore have been removed from the mine pit.
- About 830,000 tonnes of magnetite ore have been stockpiled.

Processing

- Crushers and conveyors
  - *1st crusher no-load testing has been completed; 2nd crusher is being installed; 3rd and 4th crushers are being assembled.*
  - *One of the two conveyor corridors to be used for the first production line has been installed and is undergoing commissioning preparation; the other is currently being installed.*
- Concentrator
  - *All major equipment for the first production line has been installed, including an autogenous grinding mill, ball mill, classifying cyclones, magnetic separators and thickener. Commissioning preparation for the first production line is underway.*
  - *For the second production line, construction of the steel structure and the mechanical installation are in progress.*
- Slurry and water pipelines
  - *All the pipelines have been installed and have completed their hydro test.*
- Dewatering plant
  - *The first of four filter buildings, including seven pressure filters, is completed; piping and electrical connection of the filter feed tanks is underway.*
  - *The civil works and structure for the 2nd to 4th filter buildings are completed; mechanical and piping installation is in progress.*
- Port stockyard
  - *Stacker and reclaimers have been installed and commissioning preparation is underway.*
- Tailings storage facility
  - *Construction of the first tailings dam and part of the tailings pipeline hydro test have been completed.*

Power station and gas pipeline

- Five gas turbines are ready to supply power.
- Gas pipeline is in operation.

Desalination plant

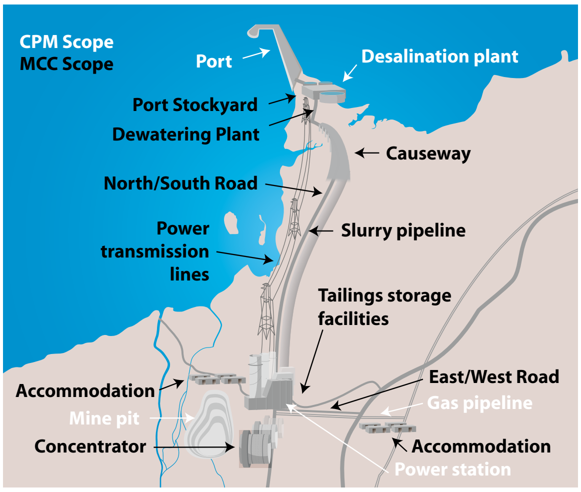
- The east section is completed, substantially commissioned and awaiting high voltage power to supply water.
- The construction of the west section is ongoing.

Port

- Construction is completed; the barge loader and conveyor are under commissioning preparation.
- All transshipment facilities for the first production line have arrived.
- The first seven of the twelve ships have been delivered; the rest are expected to be delivered by September 2012.

Construction Progress

The responsibility for constructing the Sino Iron project is divided into two parts. One group of tasks is directly managed by CPM, including the power station, desalination plant and port area. The other part of the project is assigned to an Engineering, Procurement and Construction ("EPC") contractor responsible for the concentration processing area and related facilities, including the main slurry and water pipelines, power lines, roads and camps. The EPC contractor is the China Metallurgical Group Corporation ("MCC"). Other major construction contractors and sub-contractors include UGL, Nilsen, McConnell Dowell and VDM/NRW Joint Venture, BGC, Monadelphous Engineering and Programmed Construction. The majority of construction contractors and sub-contractors involved in the project are local Australian companies.



- ***Final design size:*** *5.5km long, 3km wide, 600m below sea level*

Equipped with some of the world's largest and most powerful machines, the mining team has removed over 130 million tonnes of material from the pit in order to access the magnetite ore body. Sufficient magnetite iron ore has already been stockpiled for commissioning and initial production.

- ***Number:*** *4*
- ***Size:*** *21m in height x 16m in width x 18m in length*
- ***Weight:*** *1,500 tonnes per unit*
- ***Capacity:*** *4,250 tonnes per hour per unit*

These are some of the largest in-pit crushers in Australia. The crushed ore is transported by conveyors to the coarse ore stockpile before going into the autogenous grinding mill in the concentrator area. Testing of the first crusher has been completed, and

the second crusher is being installed. Two large conveyors are being constructed to transport crushed ore to the concentrator area. The first conveyor is completed, and the second is being constructed.

Sino Iron is designed to have a total of six production lines at the concentrator area. Major equipment for each production line includes an autogenous grinding mill, a ball mill, classifying cyclones, magnetic separators and a concentrate thickener.

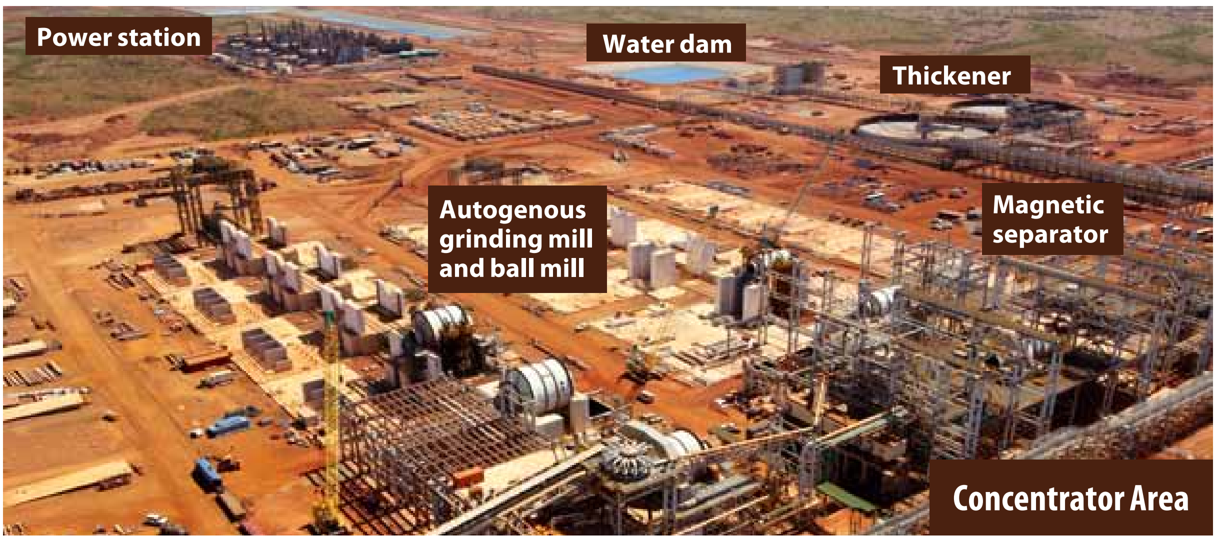
- ***Autogenous grinding mill:*** *powered by a 28MW gearless drive, 12.2m in diameter and 11m in length, about 2,700 tonnes in weight*
- ***Ball mill:*** *powered by 15.6MW twin pinion drives, 7.9m in diameter and 13.6m in length, and about 1,180 tonnes in weight*
- ***Magnetic separator:*** *52 for each line, with maximum capacity of 4,551m^3 of slurry per hour*
- ***Concentrate thickener:*** *45m in diameter, with a capacity of 6,015m^3 per hour*

Crushed ore first goes into the autogenous grinding mill and ball mill, where water is added to the grinding and separating process. The mills grind the crushed ore into a fine size, which then goes into the classifying cyclones and magnetic separators to separate out the magnetite concentrate, and then into the concentrate thickener for thickening, before being pumped into the dewatering plant. Preparation for the commissioning of the first production line processing equipment is underway, with target production set for the end of August 2012.

For the second production line, construction of the steel structure and mechanical installation are in progress. Production is expected to commence by the end of December 2012.

- *450 megawatt combined cycle, gas fired power station*
- *7 gas turbines of 47 megawatts each; 3 steam turbines of 58 megawatts each*
- *40% less emissions than an open cycle plant*

The Sino Iron project's power station is the first combined cycle, gas-fired power station in the Pilbara. Combined cycle is energy efficient as the system converts waste heat generated from the gas turbines to generate steam, which is then put into the steam turbine to generate more electrical power. Five gas turbines have achieved firing and 20% load testing. The power station is now ready to supply power for the project's commissioning. Gas is being supplied from the offshore Reindeer Gas Field and other providers through the Dampier-to-Bunbury natural gas pipeline, before connecting to Sino Iron's own 14km-long pipeline to the power station.



Construction Progress

- ***First dam capacity:*** *18.2 million tonnes*

The tailings storage facility is for the storage of waste, called *tailings*, from the processing of the magnetite ore. Once separated from the magnetite content of the ore, the tailings are then thickened and pumped into the tailings dam. The first tailings dam and hydro test of pipelines from the concentrator area to the tailings storage facility are completed. The rest of the piping and equipment for the area is being installed.

- ***Pressure filter:*** *capable of handling 4,204 tonnes of slurry per hour*

The magnetite concentrate pumped through the slurry pipeline is filtered to reduce moisture through the filter buildings at the dewatering plant. Located in the port area, the dewatering plant consists of four filter buildings and 28 pressure filters. The construction of the first filter building is completed and in progress for the remaining three.

- ***Length:*** *29.4km*

After magnetite ore is processed into fine concentrate, it is pumped into the dewatering plant through the slurry pipeline. In addition to the slurry pipeline, one pipe supplies desalinated water to the concentrator plant, and another pipe transports the water recovered from the dewatering of the slurry to the concentrator for reuse. The three pipelines have been completed and tested.

- ***Size:*** *1km long and 250m wide*
- ***Stacker:*** *weight 1,290 tonnes, capable of handling 4,400 tonnes of magnetite concentrate per hour*
- ***Reclaimer:*** *weight 1,833 tonnes, capable of handling 10,500 tonnes of magnetite concentrate per hour*

Once magnetite concentrate is conveyed to the port stockyard, the two giant stackers stockpile the concentrate. Then the reclaimer in the middle of the

two stackers scoops the iron ore from the pile and places it on the conveyors to the barge at the port. The stackers and reclaimer are under preparation for commissioning.

- ***Production capacity:*** *full capacity 140 megalitres per day; 51 gigalitres per year*
- ***Reservoir capacity:*** *15 megalitres*

An innovative method was used to construct the desalination plant, which involved shipping around 60 modules of varying sizes to the site where they were assembled and installed. This was more cost effective and reduced the time required for on-site installation.

The desalination process uses reverse osmosis technology, pumping filtered seawater under high pressure through a semi-permeable membrane. Once in operation, the plant will provide desalinated water for the entire project, from magnetite processing and operation of the power station to daily consumption by on-site staff.

The east section of the plant is completed, substantially commissioned and awaiting high voltage power to supply water. The construction of the west section is close to completion.

- ***Breakwater:*** *2.6km long*
- ***Four barges:*** *deadweight tonnes 15,000-16,000 each*
- ***Two tugs:*** *bollard pull 40 tonnes each*
- ***Two transshippers:*** *maximum capacity of 4,500tph each*
- ***12 ships:*** *deadweight 115,000MT each*

The newly constructed port is the first to be built in 40 years in the Pilbara, West Australia's main iron ore deposits region. The breakwater extends 2.6km offshore from the tip of Cape Preston. Due to the shallow sea level along the coastline, the ships cannot dock at the port. A floating transshipment facility based 20km offshore will transfer magnetite concentrate from barges loaded at the port onto the ship.

Port construction has been completed, and commissioning preparation is underway. The transshipment fleet includes four barges, two tugs and two transshippers. All vessels except the second transshipper, which is expected to come in August 2012, have arrived at the port. The first seven of CITIC Pacific's own fleet of twelve bulk carriers have been delivered, and the rest are scheduled to arrive in September 2012.

Health and Safety

CPM places great importance on the health and safety of our staff and contractors. A dedicated health and safety team is responsible for reviewing and improving procedures to ensure that CPM is ready to meet ongoing construction challenges. It is also responsible for supporting the operations team in preparation for first production.

An important health and safety issue is the existence of fibrous material in some parts of the mine, a substance that may pose significant health risks. Sino Iron has installed filtered-air-cab systems as well as decontamination facilities, which are regarded as world-class solutions by the industry. Only trained staff and contractors are licensed to work with substances that may contain fibrous material and to supervise others who are working with these substances. We closely monitor our fibrous material management and report to the regulators as required.

Some of the key health and safety issues and the related actions taken are summarised below:

Issues	Actions
Injury frequency	Monthly safety improvement initiatives Increased education for high-risk work activities Increased frequency of site inspections and audits Improved risk assessment, hazard identification and behaviour safety tools Training for staff, with a focus on field safety
Injury treatment and compensation	Weekly injury management case reviews Established close relationship with Perth-based medical team who specialise in the treatment of work-related injuries Improved injury management processes, which resulted in fewer workers compensation claims
Hygiene, including • fibrous materials • drinking water • food	Applying latest technology and innovations in fibrous materials management Updating fibre management plan to be in line with government guidelines Monthly fibre awareness training to stimulate employee awareness Ongoing fibre monitoring to characterise employee exposure Regular monitoring of drinking water to ensure water is free of disease-producing bacteria and fit for human consumption Regular on-site food safety audits to prevent food-related illnesses
Emergency and crisis management	Contract doctors located on site Enhanced cyclone procedures to minimise damage to plant and equipment Creating an emergency response training ground Providing emergency assistance to public areas near the site Ongoing efforts to improve crisis and emergency procedures

Environment

CPM strives to minimise the impact of construction and the future operation of the mine on the environment. In 2011, we complied with all regulatory requirements and demonstrated our ability to manage the site in an environmentally-responsible manner. Monitoring of vegetation, groundwater, corals, turtles, shorebirds, dust, noise, coastal stability and mangroves have all shown results in line with the approvals required by the government. While the project is being constructed, there will be unavoidable disturbances to the environment at the project site. However, this disturbance is managed in accordance with approval limits.

As the Sino Iron project advances towards production, the environment team is working closely with the regulators to ensure that the project obtains all the necessary approvals and fulfils all requirements before operation begins. Our Environment Management System ("EMS") provides the framework for identifying and managing the environmental aspects of the project. It is now being enhanced to prepare for first line production. Enhancements include dust and noise control, commissioning, quarantine and vegetation clearing. In 2012, our focus will be on ensuring a smooth transition from the commissioning period to obtaining all the necessary regulatory approvals to operate.

Heritage

We respect the cultural heritage of the land on which we operate and seek to minimise the impact of the project on areas of cultural value. Our heritage team continues to focus on complying with the Aboriginal Heritage Act and Ministerial conditions. These include monitoring all ground disturbances and salvage work, analysis of artefacts and identifying new heritage survey activities. We work closely with the indigenous peoples of the area to improve the livelihood of local communities. Together, we have developed and implemented training, employment, business and community programmes that will make a positive and lasting difference.

Tax

In late November 2011, the lower house of the Australian parliament approved the Minerals Resource Rent Tax ("MRRT"). The MRRT is likely to be approved by the upper house of parliament and become law. The tax will take effect from 1 July 2012 and will apply to all coal and iron ore projects, including magnetite projects.

We are studying the legislation and the Australian Taxation Office guidance to determine the taxable value of the magnetite ore at the taxing point, which in our case will be at the primary crusher when the value of the mined material is low.

The Australian parliament passed The Clean Energy Act, which will impose a fixed price on Australian carbon emissions from 1 July 2012 before transitioning to an emissions trading scheme on 1 July 2015.

The government has indicated that magnetite projects, including Sino Iron, will receive assistance in the form of free carbon permits, which will reduce our carbon liability. The government introduced the regulation to confirm this assistance on 27 February 2012. The level of assistance for the magnetite industry is determined based on the processing activities of existing magnetite producers, which the government uses as reference to set the assistance baseline. At Sino Iron, we will be processing a much harder material and must grind it much finer to produce the required product. This means that we will be substantially more emissions-intensive than the baseline companies, resulting in a lower overall percentage of assistance.

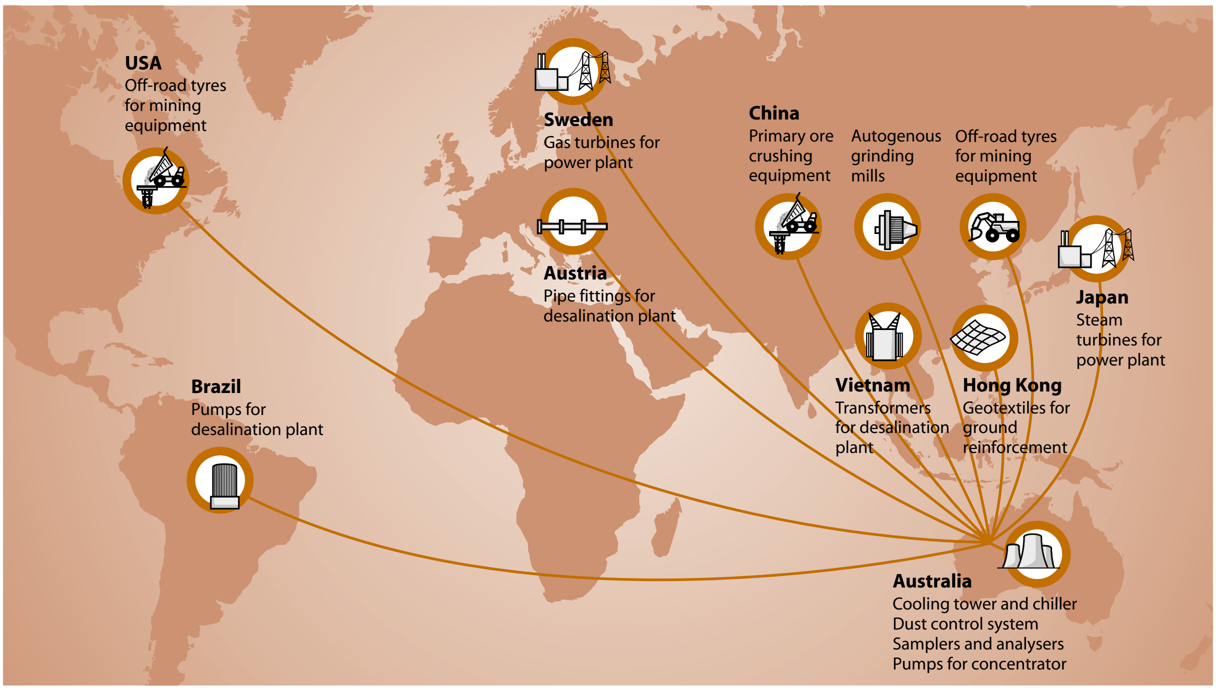
In an effort to reduce carbon emissions, we have built an energy-efficient combined cycle gas-fired power station. Its state-of-the-art technology makes use of the waste heat to generate more power. As a result, the power station produces at least 30% less carbon emissions than typical power stations in Western Australia, which operate with gas turbine, diesel and gas engines.

We are disappointed that the legislation only considers emissions in Australia and not the global effect of products made in Australia. Although magnetite iron ore processing produces more carbon in Australia, emissions are lower when used in steel making. This results in a net reduction of carbon emissions in the overall mine-to-steel value chain.

We will continue to work with other magnetite producers in lobbying the government to increase the level of assistance provided to new, more energy-intensive entrants to the magnetite industry and to recognise the benefits of this new industry in terms of job creation and carbon savings across the globe.

Facts

Global equipment procurement



Mineral Resources Estimate

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code" or the "Code") sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration results, Mineral Resources and Ore Reserves. According to the JORC Code, "Mineral Resource" is defined as a concentration or occurrence of materials of economic interest in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

The following Mineral Resource estimate on the following page is based on assay data from drill holes at the initial mining area ("IMA") and surrounds as at 19 April 2010. The Resource Model was released by Golder Associates in October 2010, utilising a cut-off grade of 17% MagFe.

At Sino Iron, drilling was undertaken using the diamond drilling method. In order to increase the bulk of resource into the measured classification, a substantial amount of additional expenditure is required. Given the known areal extent and consistency of the Joffre iron ore formation, CPM believes that such expenditure will not be economical. The company has rights to mine two billion tonnes of magnetite ore. We feel comfortable that the results of the mineral resource estimate indicate we have in excess of this amount of resource.

Total Joffre Resource

	2010 results			2009 results
Classification	**Million Tonnes**	**Magnetic Fe (%)**	**Total Fe (%)**	**Million Tonnes**
Measured	806	22.64	32.46	466
Indicated	1,489	22.94	31.90	1,158
Inferred	2,793	23.52	31.51	2,881
Total	**5,089**	**23.21**	**31.77**	**4,504**

Joffre *is part of the Brockman Iron Formation, the main ore body for the project.*

Measured Mineral Resource

A *Measured Mineral Resource* is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

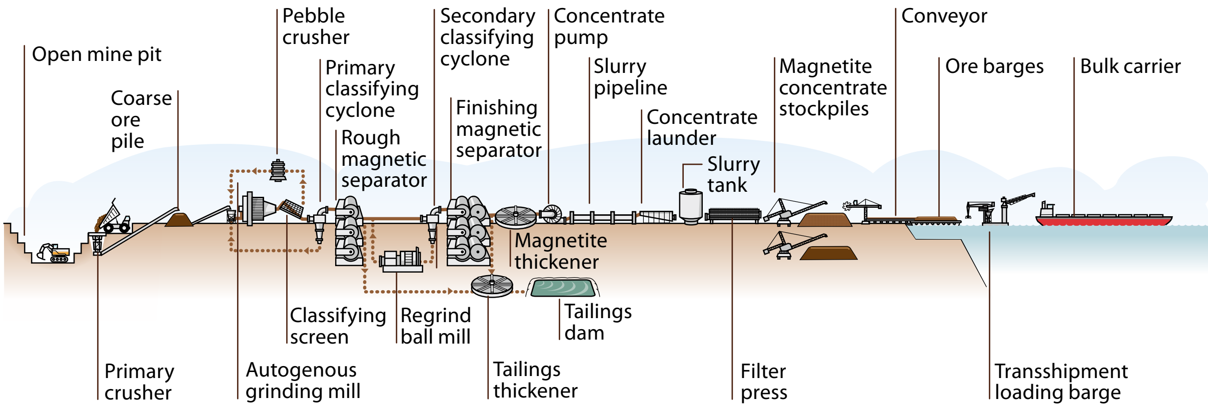
Indicated Mineral Resource

An *Indicated Mineral Resource* is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Inferred Mineral Resource

An *Inferred Mineral Resource* is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Magnetite process flowchart

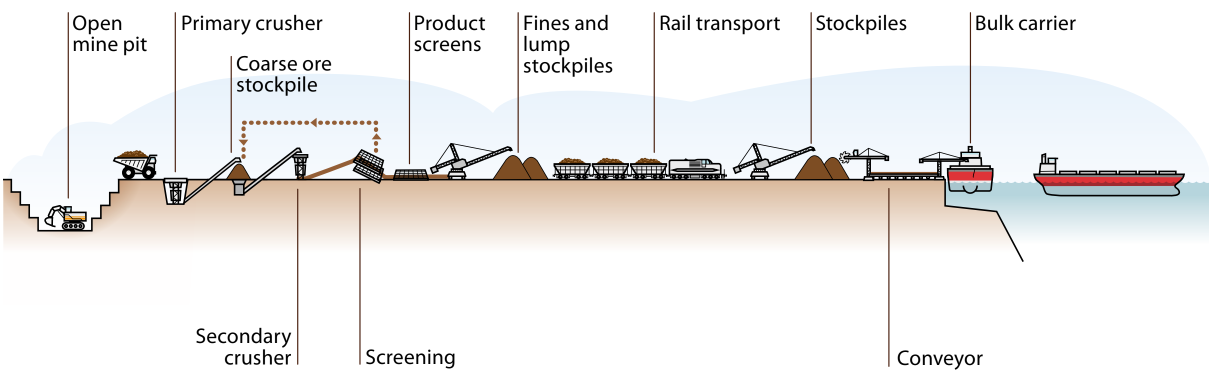


Magnetite vs Haematite

Haematite is often referred to as Direct Shipping Ore, or DSO, because its high iron content requires only a simple crushing and screening process to become feedstock for steel mills. Haematite lump and fines currently account for 96% of Australia's iron ore production.

Generally, magnetite ore has lower iron content than haematite ore as it leaves the mine and can only be used for steelmaking once it is concentrated. This process includes crushing, screening, grinding, magnetic separation, filtering and drying. The final product is a higher iron grade concentrate with lower impurities than haematite fines, making it an ideal feedstock for pellet production. Magnetite accounts for 50% of global iron ore production. To offset the additional processing cost for magnetite concentrate, magnetite producers can often charge premium pricing for their product because of its higher iron content after processing compared with benchmark DSO haematite products.

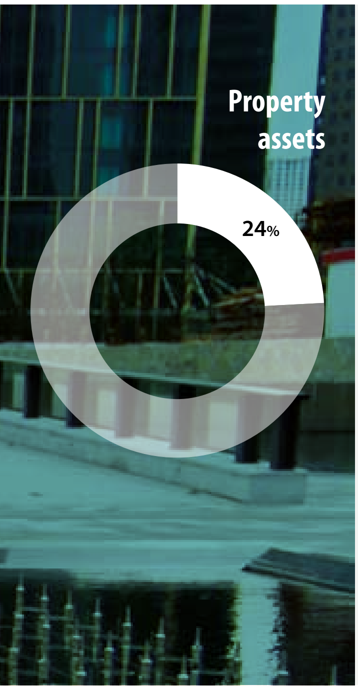
Haematite process flowchart



PROPERTY

Profit contribution

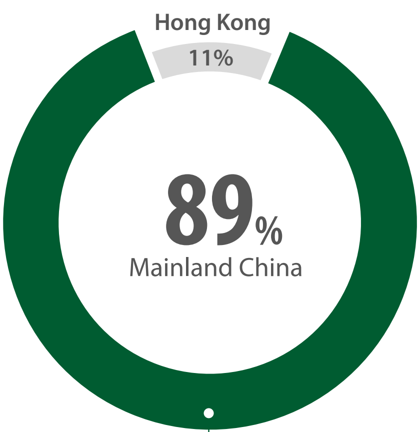
Assets



in HK$ million	**2011**	2010	Change
Revenue	**5,708**	4,049	41%
Profit contribution			
Mainland China	**2,160**	583	270%
Hong Kong	**412**	377	9%
Assets			
Mainland China	**40,352**	37,410	8%
Hong Kong	**14,004**	12,493	12%
Liabilities			
Mainland China	**9,616**	10,332	(7)%
Hong Kong	**283**	293	(3)%
Cash flow from operations	**2,343**	5,602	(58)%
Capital expenditure	**3,686**	3,602	2%

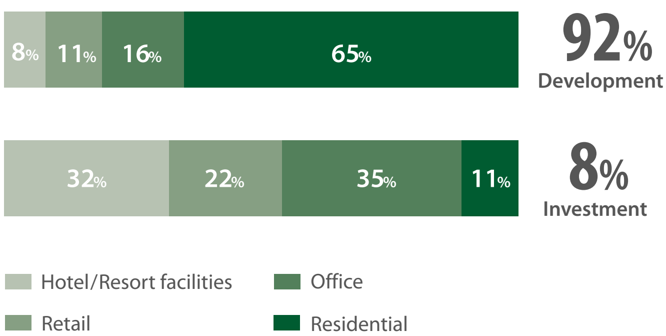
CITIC Pacific properties

Land bank by GFA



Mainland China Properties

by GFA 3.57 million m²



Figures are as of the end of January 2012

CITIC Plaza Shenhong, Shanghai

Overview

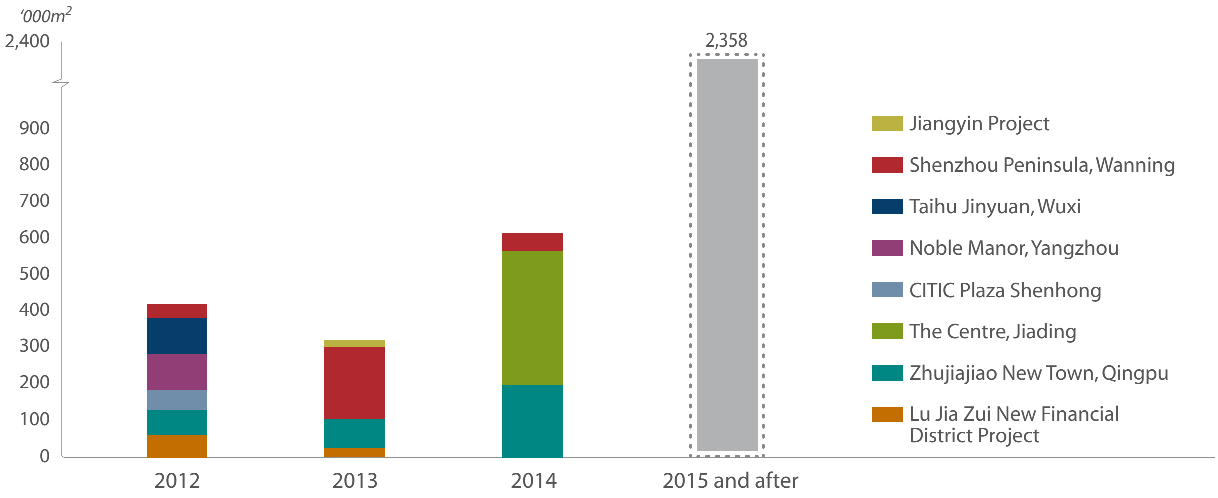
Over the past year, the Chinese government has implemented a number of measures to moderate the rapid rise in property prices. These included home purchase restrictions, increases in mortgage rates and down payment requirements, and a property tax on new residences. In addition, the central bank increased its interest rate and reserve ratio in response to inflationary pressures and, in so doing, tightened credit standards for both developers and buyers. Sales of residential properties, especially in major cities, were slow with prices declining as a result.

Sales of CITIC Pacific's residential projects were affected by these policies. Except for residential projects in Yangzhou and Wanning in Hainan, where there were no purchase restrictions, sales of projects in Qingpu (Shanghai) and Wuxi decreased. The majority of the first phase of our residential projects in Jiading, Shanghai, went on sale in 2010 and were mostly sold by the end of 2011. In 2011, CITIC Pacific sold properties of approximately 135,000m^2 in Gross Floor Area (GFA) in mainland China.

Commercial and office properties, on the other hand, experienced rapid development in 2011. The market saw strong demand for high-quality office buildings in prime locations, in terms of both sales and rentals. This demand was reflected in increased transactions, property prices and occupancy rates. CITIC Square, located on a prime site in Puxi, Shanghai, enjoyed an occupancy rate of over 98% at the end of last year. In 2011, construction of our twin office towers in Shanghai's Lu Jia Zui area was completed and the property was delivered to the buyers. A number of financial institutions expressed strong interest in the office buildings that will be developed to their specifications in this project.

For 2012, residential sales will likely remain sluggish due to the continuation of tightening measures. The strict risk control measures we have adopted, together with our land bank obtained some time ago at a relatively lower price, make CITIC Pacific Properties well-positioned to manage market risks. Financially, we are well placed to capture opportunities in the present economic environment and replenish our land bank at a reasonable cost when suitable sites become available. Meanwhile, the current market demand for high-end commercial and office properties bodes well for us, and we plan to accelerate development in this sector, adjusting our strategy to moderate the impact of market fluctuations on our bottom line. CITIC Pacific Properties will continue to focus on improving our product and service quality and to establish effective brand recognition to increase our overall competitiveness in the sector.

Projected completion schedule



Major development projects

Project	Usage	Land bank GFA(m^2)	Expected Completion
Shanghai			
Lu Jia Zui New Financial District	Office, hotel, residential and retail	644,900	In phases from 2011 onwards (approx. 202,000m^2 completed)
The Centre, Jiading	Office, hotel, residential and retail	445,300	In phases from 2011 onwards (approx. 92,600m^2 completed)
Zhujiajiao New Town, Qingpu	Residential, hotel and retail	432,900	In phases from 2009 onwards (approx. 142,300m^2 completed)
New Westgate Garden Phase II	Residential and retail	137,300	Resettlement in progress
CITIC Plaza Shenhong	Office and retail	53,300	To be completed in 2012
Jiangsu Province			
Noble Manor, Yangzhou	Residential and retail	254,300	In phases from 2008 onwards (approx. 182,600m^2 completed)
Xingcheng Jinyuan, Jiangyin	Retail	18,100	In phases from 2011 onwards (approx. 160,000m^2 completed)
Hainan Province			
Shenzhou Peninsula, Wanning	Hotel, retail and residential	1,580,800	In phases from 2011 onwards (approx. 218,400m^2 completed)
Total		**3,566,900**	

Figures are as of the end of January 2012

Note 1 GFA = gross floor area, i.e. the total area of permitted construction above ground to be completed, i.e. the land bank.

2 As per the cooperative agreement, for project companies with ownership of less than 100% the profit after deduction of development cost will be distributed 80:20 between CITIC Pacific and our partner.

Special Steel
Iron Ore Mining
Property

Zhujiajiao New Town, Qingpu
100% owned

Site
796,800m²

Gross floor area
575,200m²

Completed
142,300m² (GFA)

Land bank
432,900m² (GFA)

Usage
Low-density residential, retail and hotel

Zhujiajiao New Town is located in Qingpu District, Shanghai, and is very close to Zhujiajiao Old Village, a renowned scenic spot. Showcasing the cultural traditions and history of the area, the residential project comprises apartments and villas and is fully equipped with business, travel and leisure facilities that will also serve as a new civic centre.

In 2011, a total of 170 residential units (17,500m² GFA) were sold with an average selling price of RMB13,400/m².

The Centre, Jiading
100% owned

Site
156,000m²

Gross floor area
537,900m²
Phase I – 92,600m²
Other phases – 445,300m²

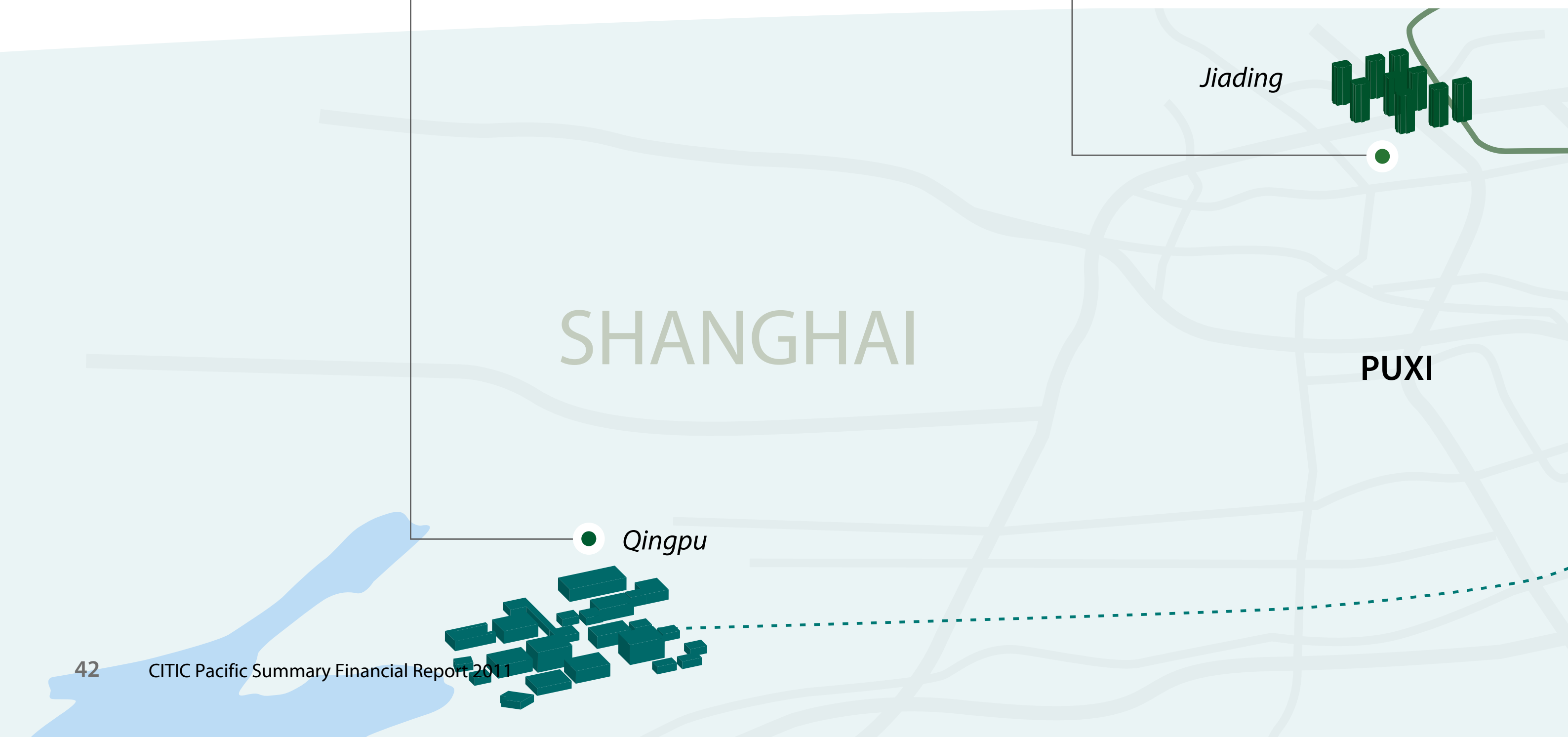
Completed
92,600m² (GFA)

Land bank
445,300m² (GFA)

Usage
Office, retail, hotel and residential

Jiading New Town, located in the northwestern part of Shanghai, is one of the three major new development areas in Shanghai under the 11th Five-year Plan. Our project is in the core district of Jiading New Town and is designed to become the centre of Jiading. Business centres, sports and recreational facilities, scientific research districts and residential zones are planned for the surrounding area. Jiading New Town Station of the Metro Line No. 11 and other transportation hubs are within the project area.

In 2011, a total of 155 residential units (17,500m² GFA) were sold with an average selling price of RMB15,400/m².



New Westgate Garden (Phase II), Huangpu
100% owned

Site
35,300m²

Gross floor area
Approx.137,300m²
(subject to government approval)

Usage
Residential and retail

New Westgate Garden is the first urban renewal project in the Laoximen area of Shanghai. The development is located in a prime area bordering the traditional Yu Garden, vibrant Huaihai Road and the fashionable Xin Tiandi area. A convenient transportation network surrounds the development with multiple transportation options, including subways, bridges, tunnels and highways, providing easy access to every other part of the city.

Phase II is in the process of relocating the local residents.

CITIC Plaza Shenhong, Hongkou
100% owned

Site
13,300m²

Gross floor area
53,300m²

Usage
Office and retail

The site is situated in central Shanghai city at the junction of Sichuan Beilu and Wujin Lu in Hongkou District right next to Sichuan Beilu Park. It enjoys easy access to the downtown and commercial areas such as the Bund, Nanjing Donglu and Lu Jia Zui financial district. The site is also a part of the commercial centre planned and being developed by Hongkou district. The project includes office and retail space and will be completed in 2012.

Lu Jia Zui New Financial District Project
50% owned

Site
249,400m²

Gross floor area
847,100m²

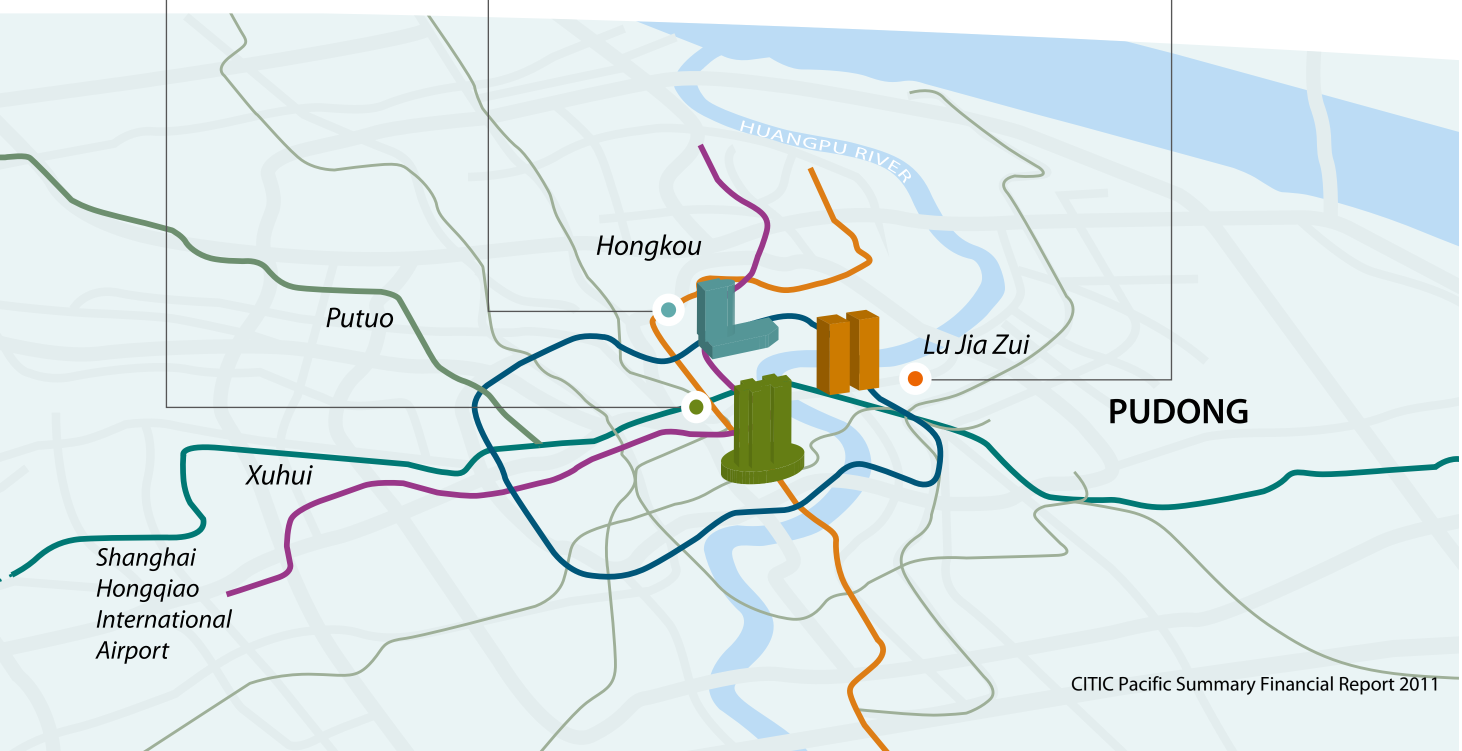
Completed
202,200m² (GFA)

Land bank
644,900m² (GFA)

Usage
Office, retail, hotel and residential

Located in the Lu Jia Zui Financial District on the south shore of the Huangpu River, this multi-use project covering 10 sites will comprise office buildings, retail premises, a hotel and apartments. With riverside views and a convenient transport network, it is being developed in phases under a comprehensive master plan. The project, which has been named Lu Jia Zui Binjiang Financial City, has already become a prominent part of the Lu Jia Zui Financial District skyline along the Huangpu River.

The two office towers in Phase I were built to buyers' specifications and were handed over to China Construction Bank and the Agricultural Bank of China in early 2011 as their respective regional headquarters. The completion and trial opening of the Mandarin Oriental Pudong hotel in Shanghai, which will feature 362 guestrooms and 210 serviced apartments, is scheduled for the end of 2012. We are currently negotiating with potential buyers for the sale of the office buildings, which will be built in other phases of the development.



HAINAN PROVINCE

Shenzhou Peninsula, Wanning

80%–100% owned

Site	**6,790,400m²**
Gross floor area	**1,799,300m²**
Completed	**218,400m² (GFA)**
Land bank	**1,580,800m² (GFA)**
Usage	**Residential, hotel, retail and recreation**

CITIC Pacific's Shenzhou Peninsula project is located in Wanning, Hainan Province, 112km north of Sanya and 139km south of Haikou. The express railway, which began service in late 2010, links Haikou and Sanya making Shenzhou Peninsula easily accessible. A train station will open in 2012, which will be only a 5-minute drive from our development.

Shenzhou Peninsula project is the focus of the 11th Five-year Plan for Hainan Province and part of one of the core regions in the construction plan for international tourism on Hainan Island. It will be one of the most important resort areas in Hainan.

The planned area for the project is 18km² with a GFA of around 4 million m². It comprises high-end residential buildings, shopping arcades, resorts, an international golf course, and a yacht club. Recreational, cultural, medical, conferencing and exhibition facilities have also been planned.

Two Starwood-managed hotels, the Sheraton and Four Points, opened their doors in August 2011 and January 2012 respectively. The banquet and conference facilities of these hotels have proven popular with tourists and large groups. The Dunes, a golf course in Shenzhou Peninsula, also opened in 2011. Designed by Tom Weiskopf, an internationally-renowned golf course designer, the Dunes ranked number 3 in the Top 10 New International Golf Courses by *Golf* magazine and Golf.com.

Sales of the Sunbury residential apartments began at the end of 2010 and were available for delivery to buyers at the end of 2011. Sales of Starbury, the Phase II residential development, began at the end of 2011.

JIANGSU PROVINCE

Noble Manor, Yangzhou

100% owned

Site	**328,600m²**
Gross floor area	**436,900m²**
Completed	**182,600m² (GFA)**
Land bank	**254,300m² (GFA)**
Usage	**Residential and retail**

The project is located in Slender West Lake – Shugang Scenic Spot, a beautiful location in Yangzhou – and only a 5-minute drive from the city centre. The area is filled with high-end residential units in a prime yet serene location.

The project promotes an elite international community lifestyle, combining neoclassical architecture with a Shanghai-style cultural street.

In 2011, a total of 329 residential units (46,900m² GFA) were sold with an average selling price of RMB 9,800/m².

Special Steel

Iron Ore Mining

Property

Sales progress of residential projects

Project	Approx. residential GFA (m^2)	Sales launched	Available for sale (units & GFA)	Sold (up to end January 2012) %=sold/available	Average selling price (RMB/m^2)
Zhujiajiao New Town project, Qingpu	522,700	In phases from September 2007	1,485 units (170,300m^2)	1,124 units (123,300m^2) (72%)	11,000 (apartments) 14,800 (low-rise houses)
The Centre, Jiading	213,500	In phases from July 2010	921 units (87,300m^2)	878 units (81,700m^2) (94%)	13,600 (apartments)
Noble Manor, Yangzhou	419,200	In phases from September 2007	2,041 units (269,200m^2)	1,840 units (237,900m^2) (88%)	7,300 (apartments)
Taihu Jinyuan, Wuxi	228,200	In phases from May 2009	926 units (187,900m^2)	678 units (133,000m^2) (71%)	13,900 (apartments) 31,100 (low-rise houses)
Shenzhou Peninsula, Wanning	1,427,100	In phases from October 2010	1,102 units (128,600m^2)	538 units (60,100m^2) (47%)	16,100 (apartments)
Total	**2,810,700**		**6,475 units (843,300m^2)**	**5,058 units (636,000m^2)**	

Investment Properties

Properties	Usage	Ownership	Approx. GFA (m^2)	Occupancy
CITIC Square, *Shanghai*	Office, retail	100%	114,000	98%
Royal Pavilion, *Shanghai*	Serviced apartments	100%	35,000	78%
New Westgate Garden, Retail Portion (Phase I), *Shanghai*	Retail	100%	23,000	100%
Tower A, Pacific Plaza, Ningbo, *Zhejiang Province*	Office, retail	100%	49,000	72%
Total			**221,000**	

CITIC Pacific's property investments in mainland China continued to enjoy steady rental income, with an overall occupancy rate of approximately 93% at the end of 2011. The main contribution to rental income was from CITIC Square, located on Nanjing Xilu, Shanghai, which enjoyed an occupancy rate of over 98%.

Hong Kong Properties

Development Properties

Discovery Bay

Discovery Bay, which is 50% owned by CITIC Pacific, is a large residential development jointly developed with HKR International Ltd. Since its launch in 1973, Discovery Bay has evolved into a fully integrated suburban multinational residential community. Situated on the coast of northeast Lantau Island in close vicinity to the Disney Theme Park, Discovery Bay is endowed with open space and recreational and leisure facilities such as a private beach, central park, scenic promenade, golf course, marina and recreation club.

The current development at Yi Pak Bay is located in the northern part of Discovery Bay. The construction of Phase 14, AMALFI (a mid-rise development of approx. 16,000m^2 GFA), was completed at the end of 2011 and will be ready for sale in 2012. Construction of Phase 15 (a low-rise development of approx. 17,000m^2 GFA) is underway and sale is tentatively planned for 2013. The interior fitting out work of the hotel development (approx. 26,000m^2 GFA) is in progress and scheduled to start operation in the fourth quarter of 2012.

Redevelopment at Kadoorie Hill

The redevelopment project at Kadoorie Hill is located in an exclusive low density residential district covered by extensive greenery and mature trees in Kowloon. Demolition of existing buildings commenced at the end of 2011. The project will provide approximately 14,200m^2 GFA and is scheduled for completion in 2015.

Investment Properties

Extensive renovation of the CITIC Tower retail podium was completed in late 2011. The podium is now a vibrant restaurant venue. At the end of 2011, occupancy of the office and the retail podium was approximately 81%.

Major properties	Usage	Ownership	Approx. GFA (m^2)
CITIC Tower	Office, retail	40%	52,000
DCH Commercial Centre	Office, retail	100%	36,000
Wyler Centre I	Industrial	100%	35,000
111 Lee Nam Road	Motor services & godown	100%	60,000
Yee Lim Industrial Centre, Block C	Cold storage & godown	100%	30,000

Energy

In 2011, total electricity and heat generated by power plants in which CITIC Pacific has an interest rose 10% and 44% respectively on a year-on-year basis. Although the price of coal rose to high levels in 2011, we were able to control the cost of this raw material through effective management. Combined with a slight increase in on-grid tariffs, profit contribution from our power generation business rose 19% over 2010.

In 2011, CITIC Pacific sold its 50% interest in a power station in Zhengzhou, Henan province.

Xin Ju Long coal mine in Shandong, in which CITIC Pacific holds a 30% interest, produced 6 million tonnes of coal in 2011, equal to its designed annual production capacity. Profit contribution from this coal mine increased 47% over 2010 levels.

Ligang Power Station, one of the largest coal-fired power plants in China, currently maintains 14 vessels with a total carrying capacity of 440,000 tonnes. To support the future growth of the energy business, improve logistics and transportation services and further reduce operating costs, two 50,000 tonne wharves will be built at Ligang. Construction of the wharves began in late 2011, and they are expected to be completed in 2013.

in HK$ million	**2011**	2010	Change
Profit contribution			
Power generation	**631**	532	19%
Coal	**753**	513	47%
Proportion of total contribution	**14%**	11%	3%
Assets	**8,910**	7,840	14%
Liabilities	**352**	101	249%

						Electricity generated			Heat generated		
Power plant	Location (province)	Installed capacity (MW)	Ownership	Type	Utilisation hours	**2011 (m kWh)**	2010 (m kWh)	Change	**2011 (kGJ)**	2010 (kGJ)	Change
Ligang	Jiangsu			Coal fired							
I & II		1,440	65%		5,592	**8,052**	8,328	3%	**4,442**	892	398%
III & IV		2,460	71.4%		5,861	**14,418**	10,887	32%	**NA**	NA	NA
Hanfeng	Hebei	1,320	15%	Coal fired	5,586	**7,373**	7,303	1%	**NA**	NA	NA
Huaibei	Anhui	640	12.5%	Coal fired	5,073	**3,247**	3,260	0%	**NA**	NA	NA
Hohhot	Inner Mongolia	400	35%	Co-generation	4,690	**1,876**	1,992	(6)%	**2,715**	3,336	(19)%
Chenming	Shandong	18	49%	Co-generation	5,611	**101**	111	(9)%	**3,307**	3,021	9%
Total		**6,278**				**35,067**	**31,881**	**10%**	**10,464**	**7,249**	**44%**

Tunnels

	Location	Ownership	Franchise till
Eastern Harbour Tunnel (Road)	Hong Kong	71%	2016
Western Harbour Tunnel	Hong Kong	35%	2023

in HK$ million	**2011**	2010	Change
Profit contribution	**518**	502	3%
Proportion of total contribution	**5%**	5%	0%
Assets	**1,977**	1,963	1%
Liabilities	**153**	181	(15)%

The Eastern Harbour Tunnel

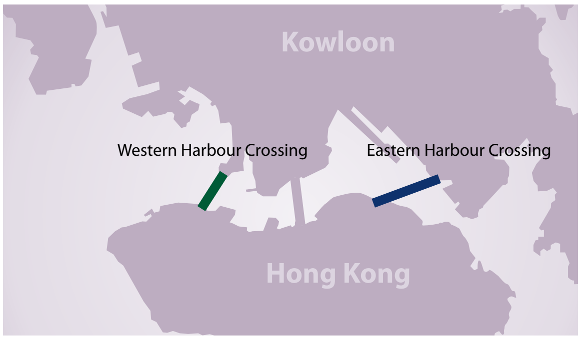
www.easternharbourtunnel.com.hk

The Eastern Harbour Tunnel registered average daily traffic of 69,520 vehicles in 2011, an increase of 3% from 2010. Among the three cross-harbour tunnels in Hong Kong, the Eastern Harbour Tunnel had a 28% market share of total traffic in 2011.

The Western Harbour Tunnel

www.westernharbourtunnel.com

The Western Harbour Tunnel is a key section of the Route 3 highway connecting Hong Kong Island with mainland China and Chek Lap Kok Airport. In 2011, average daily traffic was 56,950 vehicles, up 6% from 2010. Among the three cross-harbour tunnels in Hong Kong, the Western Harbour Tunnel had a 23% market share of total traffic in 2011.



Dah Chong Hong

www.dch.com.hk

55.9% equity interest held by CITIC Pacific
Listed on the Stock Exchange of Hong Kong – code: 01828

in HK$ million	**2011**	2010	Change
Profit contribution	**617**	775	(20)%
Proportion of total contribution	**6%**	8%	(2)%
Assets	**20,822**	14,717	41%
Liabilities	**12,347**	7,562	63%

Dah Chong Hong is engaged in the sales of motor vehicles and related businesses and services, sales of food and consumer products, as well as logistics services. The company has well-established networks in Hong Kong, Macau and mainland China, as well as operations in Taiwan, Japan, Singapore and Canada. Dah Chong Hong was a wholly-owned subsidiary of CITIC Pacific until its listing in October 2007.

CITIC Telecom International

www.citictel.com

60.6% equity interest held by CITIC Pacific
Listed on the Stock Exchange of Hong Kong – code: 01883

in HK$ million	**2011**	2010	Change
Profit contribution	**299**	248	21%
Proportion of total contribution	**3%**	3%	0%
Assets	**3,354**	3,060	10%
Liabilities	**1,153**	1,131	2%

CITIC Telecom International is one of Asia's leading hub-based service providers. Its main businesses include voice, SMS, mobile VAS, VPN and data services. CITIC Telecom owns and operates an independent telecoms hub that provides interoperability and interconnections services to 596 telecoms operators in 71 countries and regions.

CITIC Telecom holds a 20% equity interest in Companhia de Telecomunicações de Macau S.A.R.L., the first and only integrated telecommunication service provider in Macau.

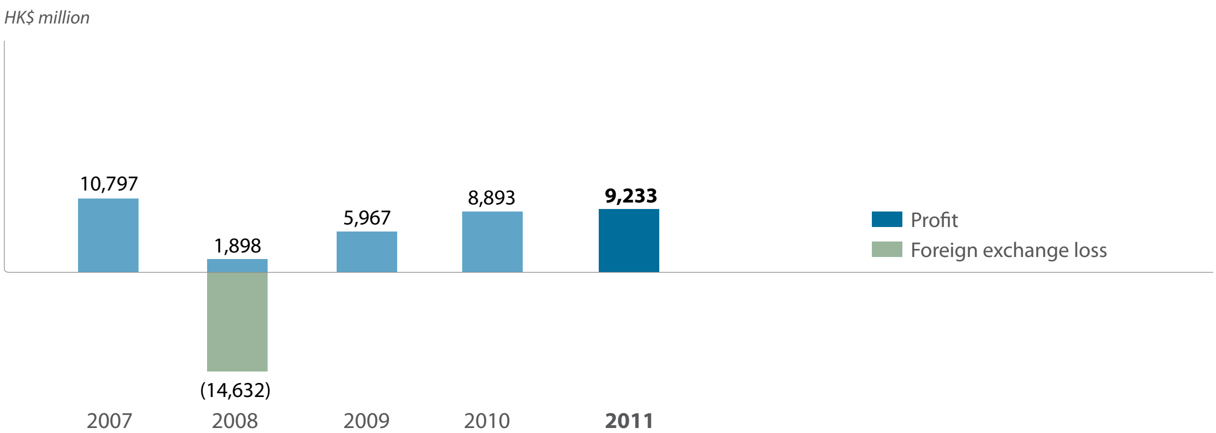
Financial Review

The financial review provides certain key profit and loss, balance sheet and cashflow items as viewed from an operating perspective. Hence, the presentation of results from the various businesses may differ from those in the financial statements.

Summary of 2011

A net profit of HK$9,233 million was attributable to ordinary shareholders for 2011. Results of 2011 were driven by improved profitability in our underlying businesses, along with HK$1,891 million arising from an upward revaluation in our investment properties. This compared with a net profit of HK$8,893 million for 2010, which included a one-time gain of HK$3,008 million from the disposal of non-core assets. The one-time gain from the disposal of core assets in 2011 was HK$664 million. Our continuing business operations contribution increased from HK$5,179 million to HK$7,129 million, a 38% increase from 2010.

Profit attributable to ordinary shareholders



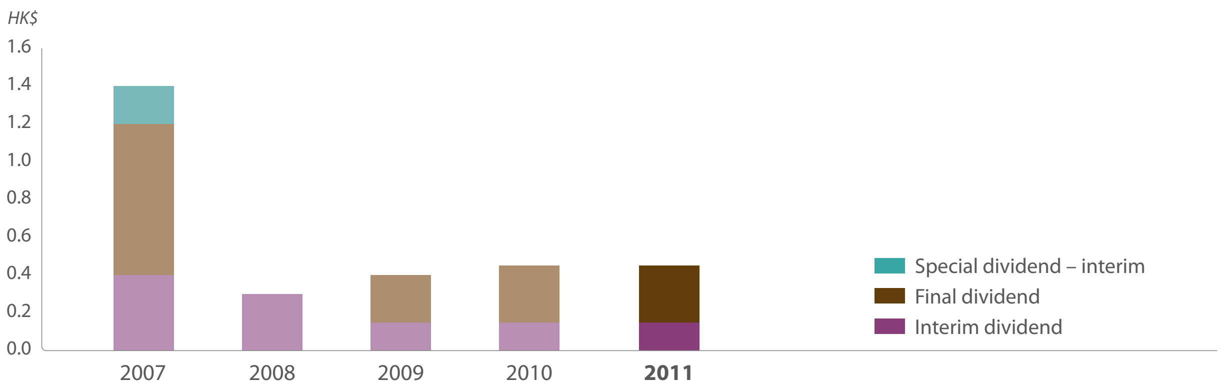
Earnings per Share

Earnings per share were HK$2.53 in 2011 compared with HK$2.44 in 2010, an increase of 4%. The number of shares outstanding was 3,649,444,160 shares, with 756,000 shares being issued during 2011.

Dividends

A final dividend of HK$0.30 per share has been recommended to ordinary shareholders for approval at the Annual General Meeting. This is on top of an interim dividend of HK$0.15 per share that had been declared for the first half of 2011. This equates to an aggregate cash distribution of HK$1,642 million.

Dividend per share

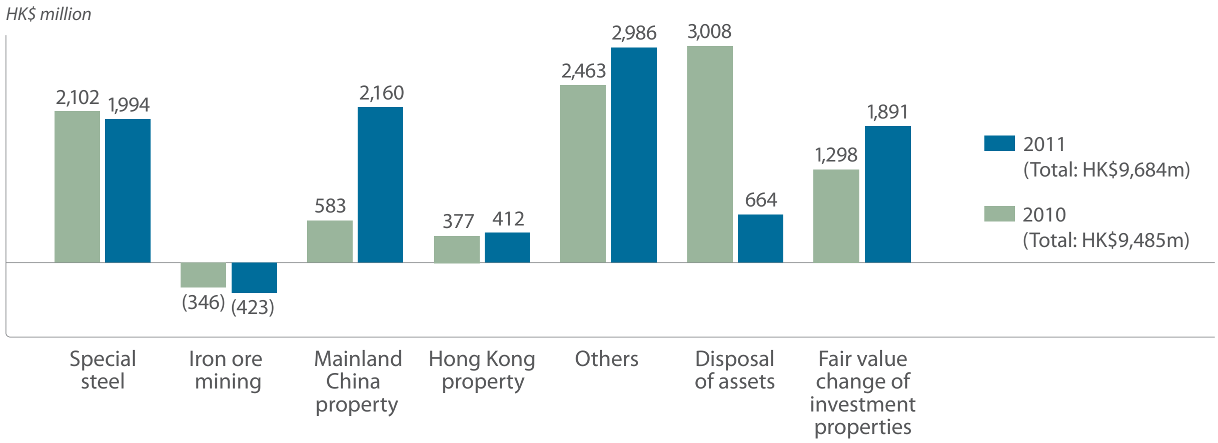


Contribution and Assets by Business

In order to present a fairer picture of our operating businesses, in the table below the business segments have been adjusted to separate the gains on disposal of assets from the performance of the underlying business operations.

	Contribution		Assets as at 31 Dec		Return on assets	
in HK$ million	2011	2010	2011	2010	2011	2010
Special steel	1,994	2,102	56,273	48,351	4%	5%
Iron ore mining	(423)	(346)	66,997	53,397	(1%)	(1%)
Mainland China property	2,160	583	40,352	37,410	6%	2%
Sub-total	**3,731**	**2,339**	**163,622**	**139,158**		
Hong Kong property	412	377	14,004	12,493	3%	3%
Energy	1,384	1,045	8,910	7,840	17%	14%
Tunnels	518	502	1,977	1,963	26%	26%
Dah Chong Hong	617	775	20,822	14,717	3%	6%
CITIC Telecom	299	248	3,354	3,060	9%	9%
Other businesses	168	(107)	5,865	5,624	3%	(1%)
Continuing business operations	**7,129**	**5,179**				
Disposal of assets	664	3,008	–	–	–	–
Fair value change in investment properties	1,891	1,298	–	–	–	–
Others	(451)	(592)	–	–	–	–
Profit attributable to ordinary shareholders	**9,233**	**8,893**	**218,554**	**184,855**		

By business



Special Steel The contribution for 2011 was HK$1,994 million compared with HK$2,102 million for 2010, a decrease of 5%. The actual business operation remained strong, and this decrease was mainly due to a HK$342 million loss incurred due to the closure of two small blast furnaces and one electric arc furnace in Xin Yegang from the retirement of outdated facilities. Excluding this loss, the contribution for 2011 increased 11% from the previous year. The volume of special steel products produced was around 6.96 million tonnes during 2011. Exports totalled 917,000 tonnes, accounting for approximately 13% of our sales. The growth in sales for 2011 was met by newly added capacity.

Iron Ore Mining Construction of the iron ore mine in Australia continued. A loss of HK$423 million was recorded in 2011, mainly due to a provision made for a mismatch between the supply of gas under the current contract and the revised timetable for the completion of the iron ore mine and non-capitalised bank loan interest.

Mainland China Property Net contribution increased to HK$2,160 million in 2011 compared with HK$583 million in 2010 due to the delivery of property to their buyers, including two office towers at our Lujiazui development in Shanghai and from the delivery of residential units in Qingpu in Shanghai, Wuxi, Yangzhou, Hainan and Jiading, and strata office units in Ningbo. Our investment properties, CITIC Square and Westgate, were fully leased and Royal Pavilion and Ningbo Pacific Plaza had occupancy rates of 78% and 72%.

in HK$ million	**2011**	2010
Sales	**1,995**	338
Leasing	**383**	352
Disposal of assets	**164**	–
Others and operating expenses	**(218)**	(107)
Total	**2,324**	583

Hong Kong Property Profits from leasing decreased slightly to HK$353 million in 2011 compared with HK$360 million in 2010, mainly attributable to lower occupancy rates, particularly in CITIC Tower where the occupancy of a major new tenant and the renovation of the retail podium were only completed in late 2011. The average occupancy rate of the properties in Hong Kong was 93% at the end of 2011. Property sales contribution was mainly from the Discovery Bay project by our associated company, Hong Kong Resorts. A non-recurring gain was made by the sale of Honest Motor Building.

in HK$ million	**2011**	2010
Sales	**59**	17
Leasing	**353**	360
Disposal of investment property	**296**	–
Total	**708**	377

Energy The energy division showed a HK$1,384 million profit contribution compared with HK$1,045 million in 2010. The power generation business contributed HK$631 million in 2011, compared with HK$532 million in 2010 due to an overall increase in power generated and a small increase in tariffs. The coal mine in Shandong increased production over the year from approximately 4.6 million tonnes in 2010 to 6 million tonnes in 2011 and also benefited from higher coal prices.

in HK$ million	**2011**	2010
Power generation	**631**	532
Coal	**753**	513
Disposal of assets	**204**	914
Total	**1,588**	1,959

Tunnels A profit contribution of HK$518 million in 2011 was achieved compared with HK$502 million in 2010. This was due to the increase in market share for the traffic flow between Hong Kong and Kowloon and an increase in the average toll for the Western Harbour Tunnel of about 10%, which came into effect on 1 August 2010. Average daily traffic for the Eastern and Western Harbour Tunnels increased 3% and 6% respectively as compared with 2010. The first half of 2010 included a one-off HK$6 million compensation payment from the Hong Kong Government.

Dah Chong Hong CITIC Pacific's share of Dah Chong Hong's business profit was HK$617 million in 2011 compared with HK$775 million in 2010. The results of Dah Chong Hong in 2010 included an exceptional gain on the disposal of the Shiseido franchise, a jointly controlled entity. Excluding this and other non-operating items, the adjusted net profit of Dah Chong Hong increased by 16% in 2011. The motor distribution business in the PRC and food products business remained strong contributing to the strong growth in operating profit.

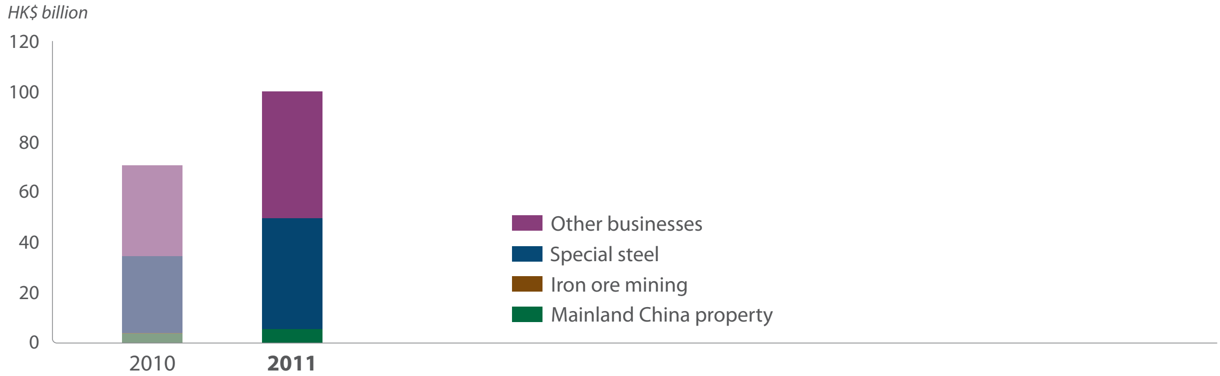
CITIC Telecom CITIC Pacific's share of CITIC Telecom's profit was HK$299 million in 2011 compared with HK$248 million in 2010. This increase was due to improved business operations, the contribution from its interest in Companhia de Telecomunicações de Macau, which was acquired in May 2010, and the contribution from CITIC Telecom's acquisition of CEC-HK, which was acquired in July 2011.

Revenue

Revenue increased from HK$70,614 million in 2010 to HK$100,086 million in 2011. Special Steel and Dah Chong Hong accounted for the majority of the consolidated revenue of CITIC Pacific in 2011. Revenue of CITIC Pacific includes the total invoiced value of goods supplied net of government taxes where applicable (Special Steel and Dah Chong Hong); gross proceeds from the sale of properties and gross property rental (Property); charges for telecommunication services and fees from services rendered to customers (CITIC Telecom); and toll income (Tunnels).

Revenue at Special Steel increased 45% while revenue at Dah Chong Hong increased 43% in 2011.

By business

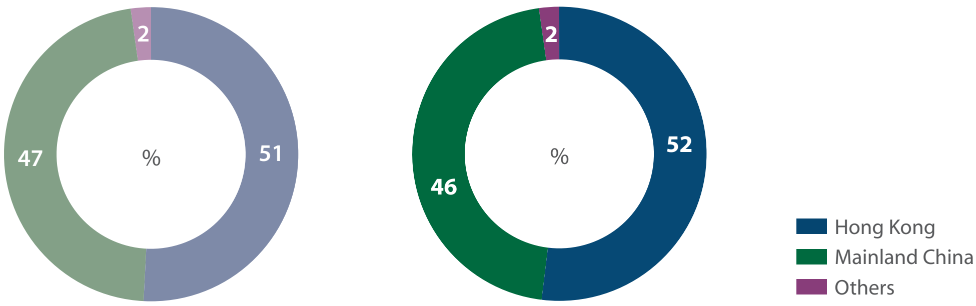


in HK$ million	**2011**	2010
Special steel	**44,043**	30,478
Iron ore mining	**83**	27
Mainland China property	**5,459**	3,791
Sub-total	**49,585**	34,296
Hong Kong property	**249**	258
Tunnels	**797**	775
Dah Chong Hong	**46,109**	32,211
CITIC Telecom	**3,196**	2,966
Others	**150**	108
Total	**100,086**	70,614

Change in the Fair Value of Investment Properties

The fair value change of investment properties was HK$1,891 million in 2011. This was due to an upward revaluation of investment properties of CITIC Pacific in both mainland China and Hong Kong. The valuation in China and Hong Kong was performed by Knight Frank Petty Limited.

Fair value of investment properties



as at 31 Dec 2010
(Total: HK$16,425m)

as at 31 Dec 2011
(Total: HK$18,767m)

Interest Expense

Interest charged to the profit and loss account increased from HK$766 million in 2010 to HK$1,176 million in 2011, due to gross debt increasing from HK$83,683 million to HK$98,707 million. This was offset by HK$695 million of interest income, which increased from HK$356 million in 2010 due to an increase in cash deposits from HK$24,558 million to HK$30,930 million over the year.

The weighted average cost of debt (including both interest capitalised and expensed) increased from 3.8% in 2010 to 4.0% in 2011. This was due to the increase in the People's Bank of China lending rate and an increase in fixed rate USD borrowings. Interest rates in Hong Kong and the United States continued to be low.

Capitalised interest of HK$2,891 million was mainly attributable to the development of our mining operations in Australia (2010: HK$2,335 million).

Taxation

CITIC Pacific adopted amendments to HKAS12 "Income Taxes – Deferred Tax: Recovery of Underlying Assets" in 2011. As a result, deferred tax in respect of its investment properties is measured with reference to the tax consequences that would arise if the properties were disposed of at their carrying amounts at the reporting date. Previously, deferred tax of these properties was measured using the tax rate that would apply as a result of recovery of assets' value through use. The total ordinary shareholders' funds and perpetual capital securities of CITIC Pacific as at 1 January 2011 increased by HK$64 million, while the profit attributable to ordinary shareholders for 2011 and 2010 decreased by HK$57 million and HK$23 million respectively.

Taxation in 2011 increased to HK$2,560 million from HK$2,239 million in 2010, mainly due to the increased profits from operations and the deferred taxation provision for the revaluation surplus of investment properties in mainland China.

Cash Inflows

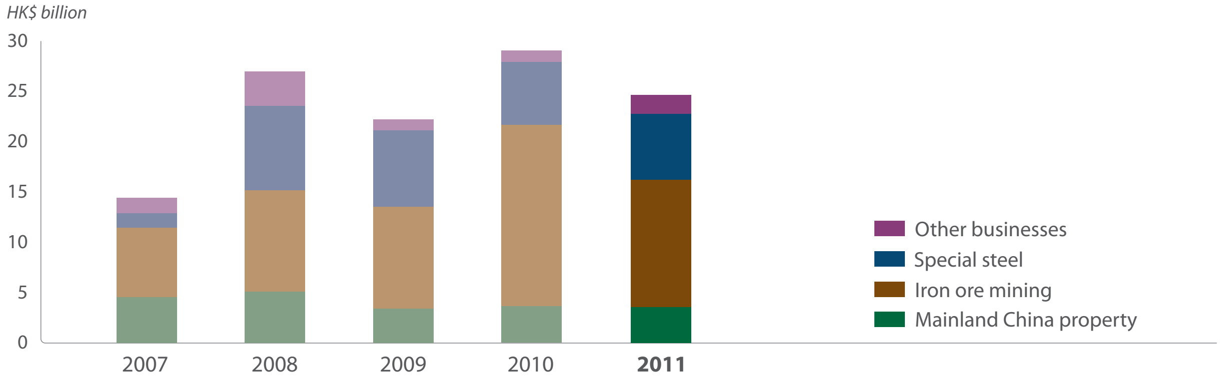
Consolidated cash inflows totalled HK$13,567 million in 2011 compared with HK$16,429 million in 2010. Cash inflows principally represent cash generated from operating activities after income taxes, dividends from associated companies and jointly controlled entities, and sales of fixed assets and investment properties.

in HK$ million	**2011**	2010
Cash inflows/(outflows) from business operations		
Special steel	**4,956**	2,083
Iron ore mining	**(253)**	(64)
Mainland China property	**2,138**	5,381
Sub-total	**6,841**	7,400
Hong Kong property	**205**	221
Energy	**137**	–
Tunnels	**540**	550
Dah Chong Hong	**556**	(146)
CITIC Telecom	**271**	341
Others	**(616)**	(350)
	7,934	8,016
Other cash inflows		
Divestments of businesses	**2,055**	4,043
Dividends from associated companies & jointly controlled entities	**830**	548
Sale of fixed assets & investment properties	**892**	237
Others	**1,856**	3,585
	5,633	8,413
Total	**13,567**	16,429

Capital Expenditure

Capital expenditure declined from HK$28.9 billion to HK$24.5 billion in 2011. Investment in iron ore mining accounted for the largest share of capital expenditure in the last five years and continued to account for the bulk of expenditures for 2011. There was also continued capital investment in Special Steel with the completion of the new facilities for Xin Yegang and Xingcheng.

By business segments



in HK$ million	**2011**	2010
Special steel	**6,539**	6,271
Iron ore mining	**12,583**	17,909
Mainland China property	**3,516**	3,602
Sub-total	**22,638**	27,782
Others	**1,838**	1,094
Total	**24,476**	28,876

Capital expenditure presented in the above table includes expenditure to acquire fixed assets, develop properties, acquire businesses and pay for mining rights and related development costs including capitalised interest.

CITIC Pacific has maintained its focus on its major businesses. Our investments in special steel, the Australian iron ore mining project and property projects in mainland China represent 92% of the total capital expenditure of CITIC Pacific for 2011.

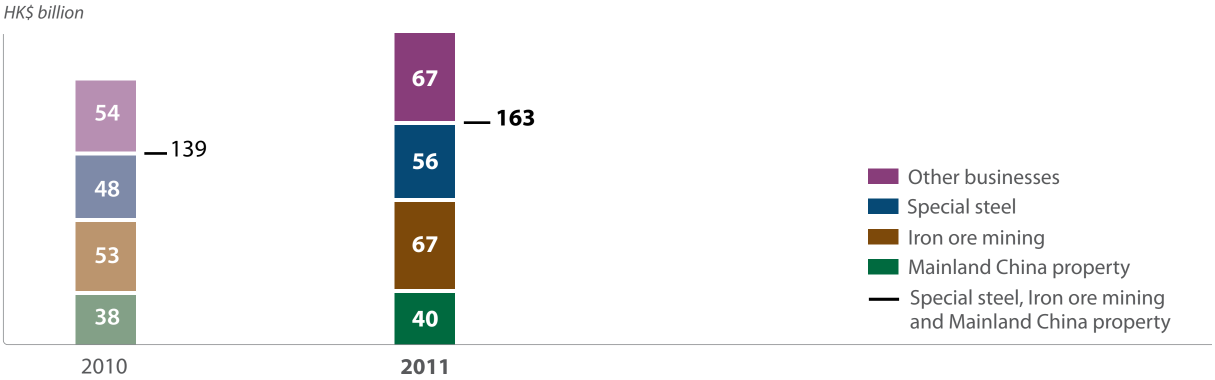
As at 31 December 2011, the contracted capital commitments of CITIC Pacific Limited and its subsidiary companies were approximately HK$13 billion.

Future capital expenditure will be funded by the Group's cash and deposits and available credit facilities. Pages 65 and 66 describe the HK$30.9 billion of cash and deposits held by the Group and HK$15.4 billion of available committed banking facilities at 31 December 2011 respectively.

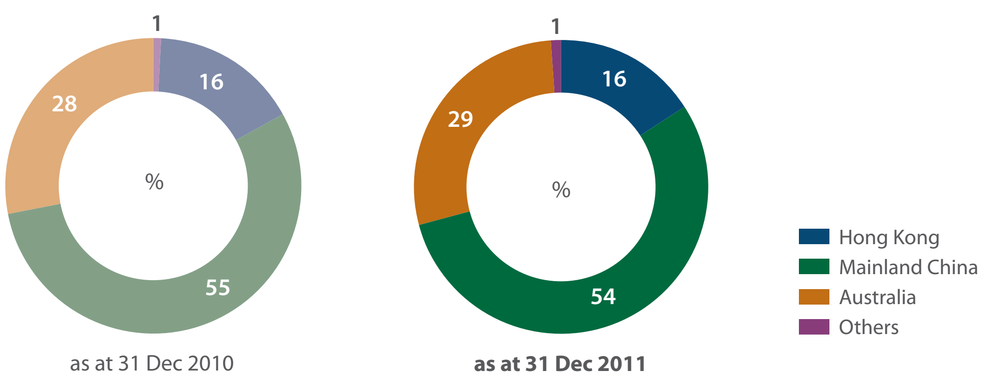
Assets

Total assets increased from HK$193,169 million to HK$229,739 million in 2011. Iron ore mining assets, which include HK$4.6 billion for ships that will be used to transport iron ore, capital expansion of the steel plants and development of our properties in mainland China were the main drivers of an increase in business assets. The percentage of assets in our three main businesses declined slightly from 72% in 2010 to 71% in 2011, mainly due to an increase in inventory and assets from business growth at Dah Chong Hong and an upward revaluation in our Hong Kong investment properties.

By business



By geography

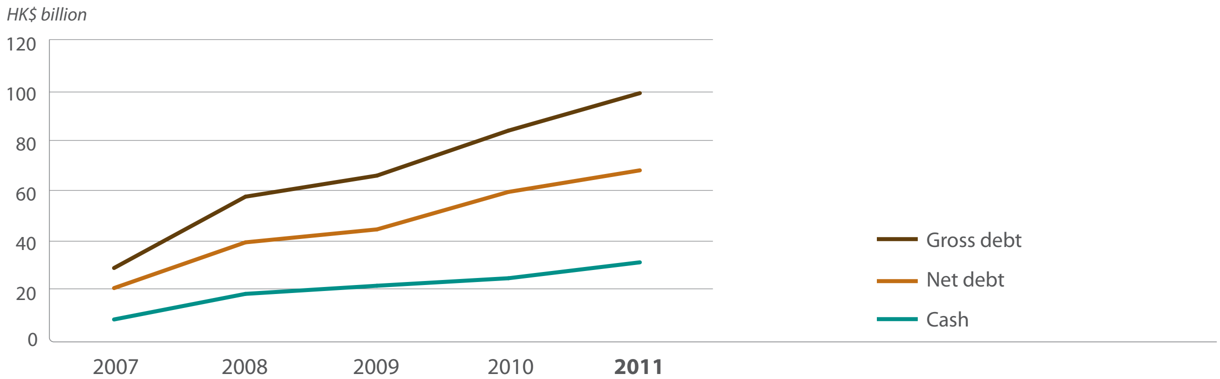


Current Assets and Liabilities

Current assets for CITIC Pacific were HK$68,779 million as compared with HK$54,340 million for 2010, of which HK$30,930 million was cash and deposits. Current liabilities were HK$59,907 million for 2011 as compared with HK$43,129 million in 2010, of which HK$27,657 million was bank loans, loans and overdrafts. For CITIC Pacific's strategy for management of liquidity please refer to page 64.

Net Debt

Net debt increased from HK$59,125 million to HK$67,777 million in 2011 to fund the planned expansion of our businesses. Gross debt increased 18% to HK$98,707 million as at 31 December 2011. CITIC Pacific expects net debt to increase until major fixed asset investments in the iron ore mining businesses come into production and property developments are sold.



Total Ordinary Shareholders' Funds and Perpetual Capital Securities

Total ordinary shareholders' funds and perpetual capital securities increased from HK$68,346 million at 31 December 2010 to HK$80,958 million at 31 December 2011 due to profit for 2011, the issuance of US$750 million of perpetual capital securities, adjustments in the reserves for exchange translations and movements in the hedging reserve for interest rate and foreign exchange contracts, less dividends paid.

Derivatives Contracts

As at 31 December 2011, CITIC Pacific had gross outstanding derivative instruments of HK$37,741 million, compared with HK$43,955 million as at 31 December 2010. The net decrease can be attributable to the expiry of existing interest rate swaps exceeding the amount of new interest rate swaps entered into during the past year and the ongoing delivery of AUD from our par forward foreign exchange contracts.

	Notional amount		**Fair value as at**	
in HK$ million	**31 Dec 2011**	31 Dec 2010	**31 Dec 2011**	31 Dec 2010
Forward foreign exchange contracts	**7,552**	10,409	**986**	1,633
Interest rate swaps	**29,789**	32,351	**(4,842)**	(2,539)
Cross currency swaps	**400**	1,195	**279**	235
Total	**37,741**	43,955	**(3,577)**	(671)

All these above derivative instruments were entered into to manage interest rate and foreign currency exposure in economic terms. As at 31 December 2011, derivative instruments with a total notional amount of HK$32,059 million (31 December 2010: HK$33,576 million) and a negative fair value of HK$3,519 million (31 December 2010: HK$711 million) are qualified for hedge accounting, where the effective portion of gains and losses on such instruments are recognised in other comprehensive income.

Derivative instruments that are not qualified for hedge accounting include forward exchange contracts and cross currency swaps that hedge from an economic perspective, USD debt and a JPY note, and foreign exchange contracts for economic hedging of short term trade flows.

Risk Management

Each day, every business faces numerous risks, and one of the essential elements of both corporate governance and management is to ensure that these risks are both appropriate and controlled.

Many parts of this report refer directly or indirectly to risks faced by our businesses, but in this section the key financial and commercial risks are brought together.

The management of risk starts with the board of directors. At each meeting the board receives a report of the financial results and the financial position of the Group, both current and projected. At every meeting, written reports are provided on all businesses in a form similar to those reviewed by management at the executive committee.

The board has established audit, asset and liability management, executive, investment and remuneration committees whose activities are important parts of the overall control of risk.

Treasury Risk Management

Financial risks are inherent in any business. Systems and procedures are in place to identify and report on a timely basis the liquidity, foreign exchange, interest rate and commodity risks arising from the activities of our existing and proposed businesses. Many of the current systems have a significant manual component, and an automated treasury management system is currently being installed.

Treasury policies are established by the Asset and Liability Management Committee ("ALCO") and reported to the board. The Group finance department, headed by the Group treasurer, is responsible for implementing treasury policies, disseminating them to operating units, monitoring adherence to them, and preparing reports of the actual situation to be presented to ALCO, the executive committee and the board.

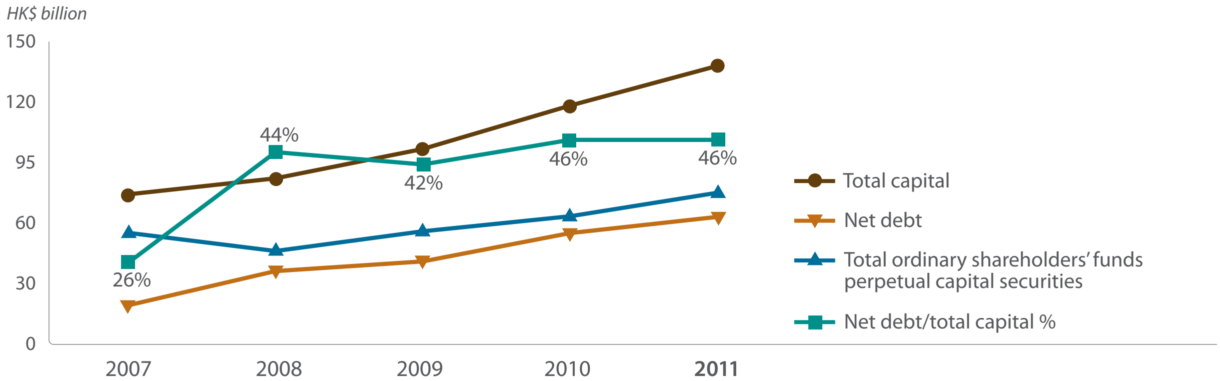
All business units, whether they are subsidiaries, associates or jointly controlled entities are responsible for managing their liquidity, interest rate, foreign exchange and commodity risks within the confines of the overall ALCO policies and specific delegations. They are responsible for identifying areas of risk within their organisations and reporting them to ALCO on a timely basis.

Listed subsidiaries CITIC Telecom International, Dah Chong Hong and Daye Special Steel manage their financial and treasury affairs themselves within the framework of the Group's treasury policies.

Balance Sheet Management

CITIC Pacific's business is financed by a mixture of debt and equity. As at 31 December 2011, the net debt was HK$68 billion and the total ordinary shareholders' funds and perpetual capital securities were HK$81 billion. The net debt divided by total capital is a measure of our leverage. This ratio remained at 46% at the year-end due to the issuance of perpetual capital securities and retained profits from our businesses, which increased the total ordinary shareholders' funds and perpetual capital securities.

Leverage



Definitions
Debt is money lent to CITIC Pacific or its consolidated businesses; ***Net debt*** is debt less cash and bank deposits. ***Total debt*** is all money owed. ***Total ordinary shareholders' funds and perpetual capital securities*** consists of the consideration paid to the company for issuing shares, plus retained profits, perpetual capital securities and other reserves, less non-controlling interests in equity. ***Total capital*** is net debt plus total ordinary shareholders' funds and perpetual capital securities.

The debt of CITIC Pacific as at 31 December 2011 as compared with 31 December 2010 is as follows:

in HK$ million	**2011**	2010
Total debt	**98,893**	83,857
Cash and bank deposits	**30,930**	24,558
Net debt	**67,963**	59,299

For risk management purposes, the analysis of debt is based on the principal amount of borrowings, rather than the carrying value adopted for accounts reporting in the financial statements.

Net debt increased by HK$8,664 million from the end of 2010 to the end of 2011. The net debt of each business is as follows:

in HK$ million	**2011**	2010
Special steel	**9,501**	9,679
Iron ore mining	**27,994**	27,336
Property – mainland China	**(8,149)**	(7,547)
Ships	**2,329**	2,074
Dah Chong Hong	**2,930**	1,311
Parent company	**34,190**	27,102
Others	**(832)**	(656)
Total	**67,963**	59,299

Total Debt

Total debt increased by HK$15,036 million in 2011. Facilities totalling HK$28 billion were established or renewed (HK$15 billion by CITIC Pacific Limited and HK$13 billion by consolidated entities). The new facilities included a 10-year US$500 million bond issued under a newly established medium term note programme. In 2011, CITIC Pacific repaid US$450 million 10-year notes issued in 2001. In the second half of 2011, CITIC Pacific issued RMB1 billion notes under the medium term note programme with the money being used to fund the capital needs of its special steel business.

CITIC Pacific issued US$750 million in perpetual capital securities in the first half of 2011. These securities are considered to be equity instruments and strengthen our capital base.

As at the end of December 2011, CITIC Pacific maintained borrowing relationships with over 30 major financial institutions based in Hong Kong, mainland China and other countries. Our policy is to diversify the sources of funding as much as possible through bank borrowings and capital markets, and to maintain a mix of staggered maturities to minimise refinancing risk.

Perpetual capital securities are unsecured and subordinated to all other classes of capital, except common shares. Because they fulfil the requirement of accounting standards such as being capable of remaining outstanding in perpetuity, they are considered to be equity for accounting purposes. The securities issued by CITIC Pacific pay 7.875%p.a. of the face value semi-annually. They may be redeemed at the option of CITIC Pacific on 15 April 2016, 15 April 2021 and semi-annually following that date by providing prior notice to the holders. CITIC Pacific also has an option to redeem the securities, in the event of changes to the accounting standards or the 50% equity credit given by Standard & Poor's or Moody's in their calculations.

Liquidity Management

The objective of liquidity management is to ensure that CITIC Pacific always has enough money available to meet its liabilities. Every month, cash flow projections for three years are reviewed and revised by business units and ALCO, and financing actions are taken accordingly. Every day, the Group finance department manages the cash flows and plans for the next few months. The primary guarantee of liquidity is a substantial amount of available deposits with banks and undrawn committed credit facilities. In addition, the Group has available uncommitted money market lines.

CITIC Pacific actively seeks to diversify its funding sources so as not to be reliant on any one market. The maturing banking facilities have to be renewed. The funding programme is planned so that the amount maturing in any given year will not exceed the Company's ability to raise new funds in that year.

How is the Australian mining development financed?

Since 2006, CITIC Pacific's subsidiary Sino Iron has been building our iron ore mine in Australia.

The mine's development is being financed by three amortising loan facilities totalling US$3.8 billion with final maturities between 2028 and 2030, and by shareholder loans and equity from CITIC Pacific. The loans are in USD because they will be repaid from the sales of iron ore, which is priced in USD. Sino Iron prepares its financial statements in USD, which is its ***functional currency***. Expenditure on equipment, civil works and operational costs may not be in USD – an example being staff salaries, which are mostly paid in AUD – resulting in currency risks, which are discussed later.

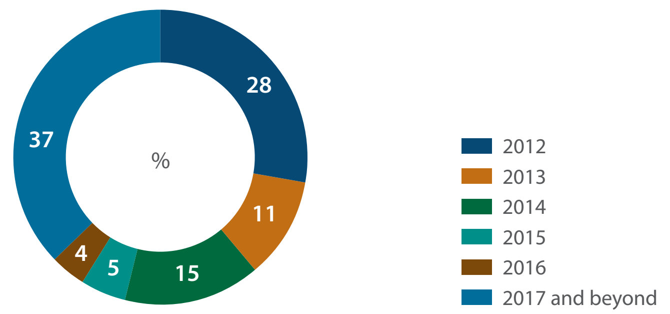
The maturity of the debt outstanding as at 31 December 2011 is:

in HK$ million	**Total outstanding debt**	**2012**	**Maturing in these years 2013**	**2014**	**2015**	**2016**	**2017 and beyond**
CITIC Pacific Limited	44,923	13,940	5,950	8,950	3,159*	1,331	11,593
Subsidiaries	53,970	13,714	5,329	5,572	2,077	2,049	25,229
Total	98,893	27,654	11,279	14,522	5,236	3,380	36,822

* *Including debt issued through a wholly-owned special purpose vehicle.*

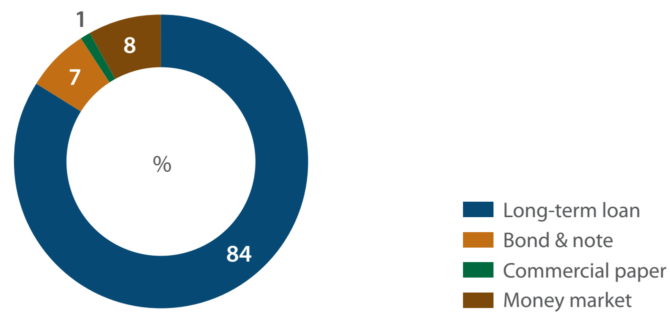
As at 31 December 2011, outstanding loans that will mature by the end of 2012 amounted to HK$27,654 million, against cash and deposits totalling HK$30,930 million.

Total outstanding debt by maturity



as at 31 Dec 2011
(HK$99 billion)

Total outstanding debt by type



as at 31 Dec 2011
(HK$99 billion)

Available Sources of Finance

As at 31 December 2011, CITIC Pacific and its consolidated subsidiaries had cash and deposits of HK$30.9 billion, and available loan and trade facilities of HK$23.6 billion:

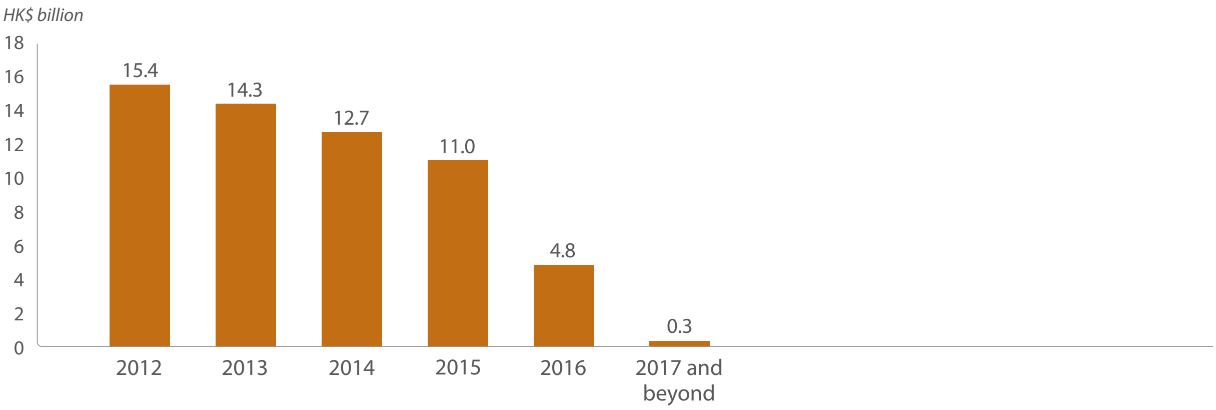
in HK$ million	Total financial facilities	Amount utilised	Available unutilised facilities	Percentage of unutilised
Committed facilities				
Term loans	98,120	83,170	14,950	63%
Short-term loan	400	–	400	2%
Commercial paper (RMB commercial paper)	987	987	–	–
Global bond (USD bond)	3,900	3,900	–	–
Private placement (JPY & USD note & RMB bond)	3,063	3,063	–	–
Total committed facilities	106,470	91,120	15,350	65%
Uncommitted facilities				
Money market lines and short-term facilities	10,703	7,376	3,327	14%
Trade facilities	8,258	3,315	4,943	21%
Total uncommitted facilities	18,961	10,691	8,270	35%

in HK$ million	Total financial facilities	Amount utilised	Available unutilised facilities	Percentage
Source of funding				
Mainland China	65,835	62,335	3,500	15%
Hong Kong	51,527	34,616	16,911	72%
Others	8,069	4,860	3,209	13%
Total facilities	125,431	101,811	23,620	100%

In addition, CITIC Pacific has established cooperative agreements with major banks in mainland China under which CITIC Pacific can apply for credit facilities for projects in mainland China. The bank's approval is required on a project-by-project basis.

CITIC Pacific had available committed banking facilities of HK$15.4 billion that were undrawn as at 31 December 2011. Loans can be drawn under these committed facilities before the contractual expiry dates. The available committed facilities, less the amount expiring in each year, are shown in the graph below.

Available committed banking facilities (HK$15.4 billion as at 31 December 2011)



Pledged Assets

As at 31 December 2011, iron ore mining assets of HK$53.0 billion were pledged under its financing documents. Contracts for building eight ships (HK$3.4 billion in aggregate) and four completed ships (with carrying value of HK$1,765 million) for transporting iron ore from the mine to steel plants in mainland China were pledged as security for the ships' financing. In addition, assets of HK$1,724 million (2010: HK$1,263 million) were pledged to secure banking facilities, which mainly related to Dah Chong Hong's overseas business and to a property subsidiary in mainland China.

Guarantees

Subsidiaries and affiliates secure debt facilities to fund their investments, to the extent possible, without recourse to CITIC Pacific. The major exception is for the iron ore mining project, which has not begun to generate cash flow. For this project, CITIC Pacific provides guarantees for the performance obligations under construction or procurement contracts, interest rate hedging transactions, foreign exchange hedging transactions and a total of US$3.8 billion in debt facilities.

Loan Covenants

Over the years, CITIC Pacific has developed a standard loan document, including covenants to facilitate the management of its loan portfolio and debt compliance. The financial covenants are generally as follows:

	Covenant limits	Actual 2011
Minimum Consolidated Net Worth		
Consolidated Net Worth	≥HK$25 billion	HK$83 billion
Gearing		
Consolidated Borrowing/Consolidated Net Worth	≤1.5	1.2
Negative pledge		
Pledged assets/consolidated total assets	≤30%	0.75%

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

"Consolidated Net Worth" means the aggregate of shareholders' funds, goodwill from acquisitions and developments having been written off against reserves or the profit and loss account, convertible debt and subordinated debt (including perpetual debt).

"Consolidated Borrowing" means the aggregate of all consolidated indebtedness for borrowed money (includes indebtedness arising under acceptances and bills of exchange other than in respect of goods or services acquired in the ordinary course of business) and all contingent obligations in respect of indebtedness for borrowed money other than the aforesaid consolidated indebtedness for borrowed money.

"Negative Pledge" allows certain exceptions, including but not limited to any security over any asset acquired or developed, which security is created to finance or refinance the acquisition or development of such asset.

CITIC Pacific monitors these ratios on a regular basis and has been in compliance with these covenants and any others applicable to a particular facility.

Credit Ratings

History	S&P	Moody's
January 2012	BB+ (Negative)	Ba1 (Negative)
31 December 2011	BB+ (Negative)	Ba1 (Stable)
July 2011	BB+ (Negative)	Ba1 (Stable)
1 January 2011	BBB- (Negative)	Ba1 (Stable)

In July 2011, CITIC Pacific announced that its major contractor, China Metallurgical Group Corp ("MCC"), was seeking an upward revision of the general construction contract for its iron ore project in Western Australia due to cost escalation, design scope and work changes. On 30 December 2011 CITIC Pacific signed a supplemental agreement with MCC, agreeing to pay MCC an additional sum of US$822 million to complete the construction and commissioning of the project's first and second production lines, as well as common facilities for all six lines. MCC has also contractually committed that the first and second production lines will commence production no later than 31 August and 31 December 2012. CITIC Pacific is still working to determine the estimated completion and commissioning timetable for production lines three to six. Standard & Poor's downgraded CITIC Pacific's rating from BBB- to BB+ with negative outlook in July 2011. In January 2012, Moody's followed suit, referencing the additional costs and the commissioning of the first production line being pushed back towards the middle of 2012.

The ratings reflect the agencies' expectation that the Company will continue to enjoy strong support from the CITIC Group as a strategically important subsidiary.

One of CITIC Pacific's risk management objectives is to continue to improve its credit profile. The Company expects that its overall operating and financial profiles will improve substantially after the iron ore mine begins operations.

Net Debt and Cash in Jointly Controlled Entities and Associated Companies

CITIC Pacific's non-consolidated businesses are classified as jointly controlled entities and associated companies. Under Hong Kong generally accepted accounting standards, they are not consolidated in CITIC Pacific's financial statements but recorded in the balance sheet as CITIC Pacific's share of their net assets. The following table shows the net debt/cash position of jointly controlled entities and associated companies by business sector as at 31 December 2011.

in HK$ million	Total net debt/(cash)	Proportion of net debt/(cash) attributable to CITIC Pacific
Special steel	7	(26)
Property		
Mainland China	(5,130)	(2,565)
Hong Kong and others	(339)	(166)
Energy	14,813	5,033
Tunnels	978	342
Dah Chong Hong	(95)	(53)
CITIC Telecom	(712)	(89)
Other investments	882	101
Total	**10,404**	**2,577**

The debt amounts shown in the above table were arranged by the jointly controlled entities and associated companies without recourse to their shareholders. None of these debts are guaranteed by CITIC Pacific or its subsidiaries. Certain of CITIC Pacific's associates, such as Hong Kong Resort Company Ltd which develops property projects in Discovery Bay, are 100% financed by their shareholders and do not have any external borrowings.

Derivatives Policy

Financial derivatives are used to assist in the management of interest rate and exchange rate risks. To the extent possible, gains and losses of the derivatives offset the losses and gains on the assets, liabilities or transactions being hedged both in economic terms and under accounting rules.

CITIC Pacific has engaged Reval Inc., a derivative risk management and hedge accounting solutions firm, to provide software and consulting services to better monitor its derivatives portfolio and ensure compliance with accounting standards. The software provided by Reval generated the valuations that were used in the compilation of this report.

The use of financial instruments is currently restricted by ALCO to loans, bonds, deposits, interest rate swaps and plain vanilla foreign exchange contracts. It is CITIC Pacific's policy not to enter into derivative transactions for speculative purposes. The use of structured derivatives and instruments or contracts that contain embedded options would require presentation to and the specific approval of ALCO. None have been submitted for approval or are outstanding in 2011. From a risk management perspective, simple, cost-efficient and HKAS 39 hedge effective instruments are preferred.

Foreign Exchange Risk

The Company's functional currency is Hong Kong dollar ("HKD"). CITIC Pacific has major operations in Hong Kong, mainland China and Australia and is subject to the risk of loss or profit due to changes in United States dollar ("USD"), Renminbi ("RMB") and Australian dollar ("AUD") exchange rates. There are also exposures to the Japanese Yen ("JPY") (from operations and assets related to DCH), Euro ("EUR") (from equipment and product purchases) and other currencies.

We strive to reduce currency exposures by matching assets with borrowings in the same currency to the extent possible. Our policy is to hedge transactions where value or time to execution will give rise to material currency exposure, provided that the cost of the hedging instrument is not prohibitively expensive in comparison to the underlying exposure.

CITIC Pacific's material currency exposures arise from the following:

i) capital expenditures relating to its iron ore mining operations in Australia and steel operations in mainland China

ii) purchase of raw materials by steel and property operations in mainland China

iii) USD denominated debt

iv) RMB denominated debt

v) purchases of finished products for sale by DCH, and

vi) registered capital of investment in mainland China

Translation exposures from the consolidation of subsidiaries whose functional currency is not HKD are not hedged using derivative instruments, as this is a non-cash exposure.

US Dollar (USD) CITIC Pacific's investment in businesses whose functional currency is USD is mostly from the iron ore mining business, which had USD gross assets of HK$66 billion. The Company uses its USD borrowings to hedge these USD assets through a net investment hedge. As at 31 December 2011, CITIC Pacific had HK$58.1 billion equivalent of US dollar debt.

Renminbi (RMB) Businesses in mainland China had RMB gross assets of approximately HK$124 billion as at 31 December 2011, offset by debts and other liabilities of HK$47 billion. This gave the Company an RMB net asset exposure of HK$77 billion (2010: RMB gross asset exposure of approximately HK$107 billion, offset by debt and other liabilities of HK$38 billion, with RMB net asset exposure of HK$69 billion). The Renminbi is currently not a freely convertible currency and "registered capital", which usually accounts for at least one third of the total investment amount for projects in mainland China, may be required to be paid in foreign currency by foreign investors such as CITIC Pacific. As investment in mainland China is expanding, CITIC Pacific will have an increasing exposure to the Renminbi.

CITIC Pacific issued RMB1 billion notes in the second half of 2011 under the MTN programme, with the money being used to fund the capital needs of the special steel business. These notes will become due in 2016.

Australian Dollar (AUD) Our Australian mining operation's functional currency is USD as the future revenues from its iron ore business are denominated in USD. However, a substantial portion of its developmental and operating expenditures are denominated in AUD.

To manage the AUD exposure of the business, as at 31 December 2011 the Australian mining operation had plain vanilla forward contracts with a notional amount of A$0.7 billion outstanding with maturities up to the first quarter of 2013 which qualify as accounting hedges. The average rate of these contracts is 0.82 USD to one AUD.

Japanese Yen (JPY) CITIC Pacific issued a JPY8 billion bond in 2005. From an economic perspective, this bond is hedged through a cross currency swap into Hong Kong dollar floating rate payments. This swap does not qualify as an accounting hedge, therefore changes in its value are reflected in the profit and loss account. In addition to the JPY bond, as at 31 December 2011 there were no other JPY exposures at the corporate level.

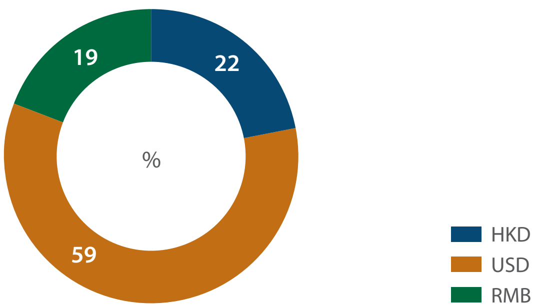
Euro (EUR) EUR exposure amounted to EUR192 million as at 31 December 2011. Most of this exposure is related to contracts for procurement and design services for the Australian mining project and equipment or finished goods purchases by the special steel business and Dah Chong Hong.

The denomination of CITIC Pacific's borrowings and cash and bank deposit balances by currency as at 31 December 2011 is summarised as follows:

			Denomination			
in HK$ million equivalent	**HK$**	**US$**	**RMB**	**JPY**	**Other**	**Total**
Total debt in original currency	20,756	58,116	18,876	1,003	142	**98,893**
Total debt after conversion	21,415	58,116	18,876	344	142	**98,893**
Cash and bank deposits	8,406	6,375	15,730	192	227	**30,930**
Net debt/(cash) after conversion	13,009	51,741	3,146	152	(85)	**67,963**

CITIC Pacific uses cross currency swaps to convert the foreign currency exposure from JPY financing into HKD.

Outstanding debt after conversion



as at 31 Dec 2011
(HK$99 billion)

Interest Rate Risk

CITIC Pacific's interest rate risk arises primarily from borrowings. Borrowings with variable rates expose CITIC Pacific to cash flow interest rate risk. Borrowings with fixed rates economically expose CITIC Pacific to fair value interest rate risk.

This risk is managed by considering the portfolio of interest bearing assets and liabilities. The net desired position is then managed by borrowing fixed rate or through the use of interest rate swaps, which have the economic effect of converting floating rate borrowings into fixed rate borrowings.

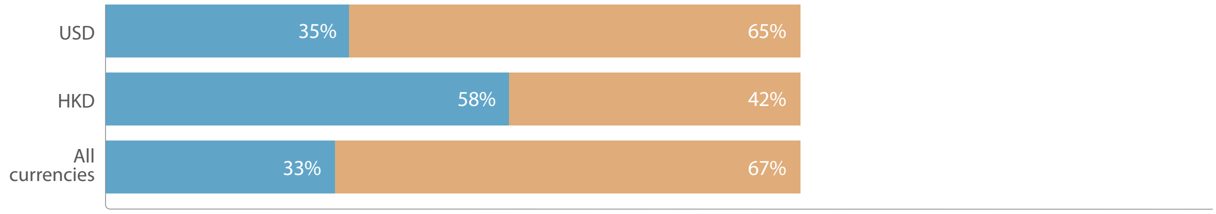
The appropriate ratio of fixed/floating interest rate risk for CITIC Pacific is reviewed periodically. The level of fixed rate debt is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and cash flow cycles of CITIC Pacific's business and investments. In 2011, CITIC Pacific entered into HK$3.4 billion of swaps to lock in fixed rates for periods up to 5 years. In the current extremely low interest rate environment, CITIC Pacific is considering further opportunities to lock in fixed rate borrowings and reduce the impact of interest rate fluctuations. The ratio of fixed rate to the total borrowings of the portfolio for CITIC Pacific was 33% as at 31 December 2011.

As at 31 December 2011, CITIC Pacific's portfolio of floating to fixed interest rate derivative contracts maturing over one year had a notional amount of HK$26 billion. After hedging through interest rate swaps and the issuance of fixed rate debt, 67% of the borrowings of CITIC Pacific were linked to floating interest rates.

Fixed and floating interest rates

As at 31 December 2011

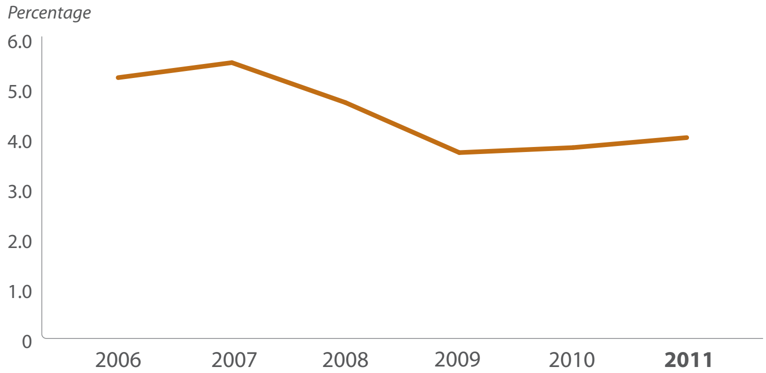
As at 31 December 2010



Fixed means that the interest rate will not change for at least one year (from 1 January 2012 to 31 December 2012) and excludes debt maturing in that year.

CITIC Pacific's overall weighted all-in cost of borrowing (including capitalised interest, fees and hedging costs) for 2011 was approximately 4.0% compared with 3.8% in 2010.

Average borrowing costs



This graph reflects the conversion of floating rate borrowings into fixed rate by the use of hedging instruments.

Commodity Risk

As CITIC Pacific produces and purchases commodities across its various businesses, it has exposure to commodity price and quantity risk. To manage its raw material exposure, CITIC Pacific has entered into long term supply contracts for certain inputs, such as gas for the Australian mining operations and coal for its power generation business. It also hopes to achieve synergies in its businesses such as the manufacture of iron ore for its special steel operations, the ownership of ships to manage freight costs and production of coal as an adjunct to its power generation business.

Due to the commissioning for the first production line for the Australian mining operations being pushed back to the middle of 2012, the projected delivery of natural gas under a long term supply contract for the mining operations has exceeded the current needs of the project. To avoid breaking the contract and to retain the gas for future usage, the mining operation has entered into a commercial agreement to swap a portion of the excess gas for the next three years (up to January 2015) to be re-delivered back to the project from January 2019 to June 2029. Further negotiations are ongoing with other gas companies to swap the remainder of the excess gas under similar terms and arrangements.

CITIC Pacific has considered the use of financial instruments to hedge its commodity exposures. However, many commodities cannot be hedged effectively because there is no effective forward market for the product or there is insufficient liquidity in those markets. As at 31 December 2011, CITIC Pacific did not have any exposure to commodity derivatives. It is CITIC Pacific's policy not to enter into derivative transactions for speculative purposes.

Counterparty Risk

CITIC Pacific keeps a large amount of cash deposits at financial institutions. To mitigate the risk of non-recovery of cash deposits or financial instrument gains, CITIC Pacific deals with international financial institutions with a credit rating of investment grade A- (S&P) or A3 (Moody's) and above unless special authorisation has been received from ALCO. For unrated mainland Chinese institutions, special authorisation is required from ALCO. A maximum deposit limit is set that does not exceed the amount borrowed from those institutions, unless special authorisation has been received from ALCO. Deposits are safe, liquid, interest-bearing and consistent with treasury and business purpose needs. Management monitors market developments, reviews the list of approved counterparties and closely monitors their credit quality, and revises deposit limits on an on-going basis.

The Group finance department is responsible for allocating and monitoring the limits with the list of approved financial institutions. Management does not expect any losses from non-performance by our financial counterparties.

Major External Risks and Uncertainties

Economic Risks

CITIC Pacific's businesses are all subject to the risks of negative developments in the economies in which they operate, which may be affected by global trends. The results of most of our businesses are closely linked to the success of the mainland Chinese economy as a whole, and in Hong Kong, Shanghai and other cities. The sales of special steel are substantially to customers in China, as are the vehicles and other products of Dah Chong Hong; the iron ore mine is expected to sell its output to steel mills in China; and our electricity is sold exclusively to users in mainland China. Our property developments are mainly in mainland China, and our infrastructure assets such as tunnels are in Hong Kong. Economic policies implemented to affect the whole economy, or sections of it, may adversely affect our business for periods of time.

In addition to its effects on our customers, changes to the global or local economies or regulations may adversely affect our relationship banks, joint venture partners, suppliers of goods, raw materials or power, and others on which our business depends.

Competitive Markets

Some of our businesses, particularly special steel, property, telecommunications and vehicle and other product sales, operate in highly competitive markets. Failure to compete in terms of product specification, service quality, reliability or price may adversely affect us. The iron ore market price is set primarily by international supply and demand, and if a surplus of supply occurs it could adversely affect the results of our business.

Agency Relationships

Dah Chong Hong sells vehicles and other products on behalf of numerous principals. Most of these arrangements can be cancelled at relatively short notice. If the relationship cannot be maintained due to a decision of the principal or inadequate performance, the concession may be lost which may adversely affect our business.

Regulation

CITIC Pacific's business mainly operates under three different systems of law, regulation and business practice: Australia, China and Hong Kong. Each has its own characteristics and may be subject to changes of substance or interpretation that could adversely affect our business. These may include tariffs, trade barriers, licenses, approvals, health and safety and environmental regulations, emission controls, taxation, exchange controls, employment legislation, and other matters. The electric power business is subject to price regulation, and if tariffs are not permitted to rise with cost increases, our results could be adversely affected.

The special steel, iron ore mining and power businesses are inherently likely to pollute the environment and be subject to stringent licensing and regulations. Failure to adhere to these may result in penalties or in extreme cases an inability to operate. The license terms or regulations may be changed at short notice, and it may be difficult to comply in a timely fashion causing an adverse effect on our business.

Capital Expenditure

The nature of CITIC Pacific's business is capital intensive, involving the construction and commissioning of major civil works and mechanical equipment. There may be difficulties in achieving this within time and budget resulting from inherent performance, disputes with contractors or their failure to perform to specification or contract, adverse weather conditions or other events.

Natural Disasters or Events, Terrorism and Disease

Our business could be affected by such things as earthquakes, typhoons, cyclones or adverse weather conditions, or acts or threats of terrorism, or the outbreak of highly contagious disease, or either directly or indirectly through reductions in the supply of essential goods or services, or reduced economic activity on a local, regional or global scale.

Forward Looking Statements

This whole report contains forward looking statements with respect to the financial condition, results of operations and businesses of CITIC Pacific. 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 cases materially, from those implied or anticipated in any forward looking statement or assessment of risk.

Ten Year Statistics

At year end (in HK$million)	2002	2003	2004	2005	2006	2007	2008	2009	2010	**2011**
Total ordinary shareholders' funds and perpetual capital securities	41,921	38,026	37,116	39,243	46,709	59,675	49,768	60,391	68,346	**80,958**
per share *(HK$)*	19.16	17.38	16.93	17.90	21.27	26.98	13.65	16.55	18.73	**22.18**
Debt										
Debt	9,267	10,528	14,580	21,218	18,293	28,654	57,234	65,675	83,683	**98,707**
Bank deposits	2,545	5,511	2,417	2,579	3,679	8,045	18,296	21,553	24,558	**30,930**
Net debt/total capital	14%	12%	25%	32%	24%	26%	44%	42%	46%	**46%**
Interest cover*	12x	8x	15x	11x	20x	50x	(13)x	17x	21x	**16x**
Capital employed	51,188	48,554	51,696	60,461	65,002	88,329	107,002	126,066	152,029	**179,665**
Property, plant and equipment	4,174	4,335	6,066	8,871	9,491	12,154	23,865	40,032	63,334	**85,132**
Investment properties	8,493	7,923	8,115	8,645	9,604	10,895	11,230	11,164	13,579	**15,270**
Properties under development	586	679	1,672	1,849	2,712	4,288	9,848	11,237	12,161	**9,817**
Leasehold land	1,094	1,194	1,596	1,618	1,712	1,641	1,483	1,581	1,597	**2,277**
Jointly controlled entities	3,582	4,085	7,852	10,413	14,922	17,446	21,140	22,097	21,681	**21,278**
Associated companies	22,183	22,584	21,439	23,239	16,459	17,812	14,924	5,797	6,345	**7,222**
Other financial assets	7,092	1,027	1,121	929	2,819	7,502	1,063	2,198	448	**345**
Intangible assets	1,648	1,570	1,736	1,746	3,536	4,557	8,934	10,868	12,944	**16,202**
Stock market capitalisation	31,514	43,332	48,444	47,038	58,952	96,338	30,556	76,258	73,704	**51,092**
Number of shareholders	12,260	12,198	11,554	11,262	10,433	8,571	8,712	8,565	8,490	**8,379**
Staff	11,643	12,174	15,915	19,174	23,822	24,319	28,654	30,329	29,886	**33,295**

For the year (in HK$million)	2002	2003	2004	2005	2006	2007	2008	2009	2010	**2011**
Net profit/(loss) after tax										
Net profit/(loss) after tax	3,844	1,147	3,551	3,934	8,384	10,797	(12,734)	5,967	8,893	**9,233**
per share *(HK$)*	1.76	0.52	1.62	1.79	3.77	4.91	(5.70)	1.63	2.44	**2.53**
Contribution by major business										
Special steel	126	178	438	808	1,333	2,242	1,617	1,415	2,102	**1,994**
Iron ore mining	–	–	–	–	–	–	(123)	376	(346)	**(423)**
Property										
Mainland China	103	112	125	154	308	197	523	524	583	**2,324**
Hong Kong and others	783	243	434	952	1,727	534	490	397	377	**708**
Energy	245	229	439	368	268	494	(1,090)	886	1,959	**1,588**
Roads and tunnels	1,174	578	276	362	411	412	443	437	502	**518**
Dah Chong Hong	234	253	284	233	297	417	320	402	775	**617**
CITIC Telecom	252	116	120	122	191	157	181	196	248	**299**
Other investments	1,857	815	1,671	992	3,520	1,469	483	1,892	1,987	**168**
Net gain from listing of subsidiary companies	–	–	–	–	–	4,552†	–	–	–	**–**
Fair value change of investment properties	9	(588)	198	700	1,189	1,171	(80)	137	1,298	**1,891**
EBITDA	5,691	3,126	5,666	6,412	11,882	15,160	(9,950)	10,765	15,744	**18,398**
Dividends per share *(HK$)*										
Regular	1.00	1.00	1.10	1.10	1.10	1.20	0.30	0.40	0.45	**0.45**
Special	1.00	–	–	–	0.60	0.20	–	–	–	**–**
Cover	1.8x	0.5x	1.5x	1.6x	3.4x	4.1x	(19.0)x	4.1x	5.4x	**5.6x**

Note:

1. *Prior years' figures have been restated to reflect the Group's adoption of Hong Kong Financial Reporting Standards following the adoption of revised accounting standard of HKAS 12 "Income Tax" in year 2002 and HKAS 12 (amendments) – "Deferred Tax: Recovery of Underlying Assets" in 2011.*
2. *2008 & 2009 figures have been restated to reflect the Group's adoption of HKAS 17 (amendments) – "Leases".*
3. *2008 figures have been restated to reflect the Group's adoption of HK(IFRIC)-Int 13 "Customer Loyalty Programmes".*
4. *The adoption of HKFRS 8 "Operating segments" in year 2009 has resulted in a change of presentation in segment information, in particular the aviation segment had been included in another investments segment.*

* *Interest cover represents EBITDA ÷ interest expense charged to profit and loss account.*

† *Includes spin-off profit from the IPO of subsidiary companies, Dah Chong Hong and CITIC Telecom in 2007.*

Corporate Governance

Corporate Governance Practices

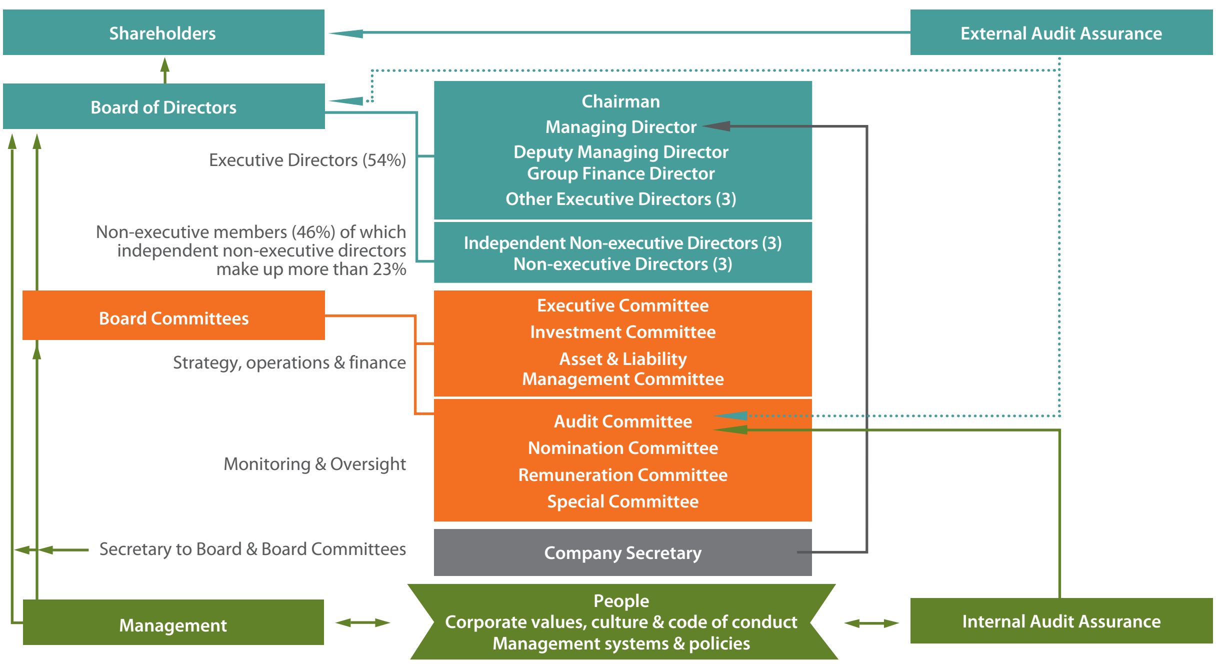
CITIC Pacific is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interests of our shareholders. At CITIC Pacific, we attach importance to our people, our code of conduct, and our corporate policies and standards, which together form the basis of our governance practices. We respect the laws, rules and regulations of each country and area in which we operate, and we strive to ensure for our people a healthy and safe working environment which is our paramount concern. We endeavour to contribute to the sustainable development of CITIC Pacific, with particular focus on our accountability to shareholders and stakeholders. This report describes how CITIC Pacific has applied its corporate governance practices to its everyday activities. CITIC Pacific has fully complied throughout the year 2011 with all the code provisions of the code on corporate governance practices (the "Code") contained in Appendix 14 to the Listing Rules in force prior to 1 April 2012. Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments including any new amendments to the Code.

Preservation of Value and Strategy

CITIC Pacific is a company with multiple businesses in a few industries. We are not simply an investment holding company, but rather an operating company. Our activities are concentrated in three main businesses: manufacturing special steel, mining iron ore and property in mainland China. We have other businesses but they represent only 29% of the assets of the company. When we analyse a business, we look at its market position, competitiveness, future prospects and our desire to influence its management.

Our strategy is clear. We will continue to invest capital in special steel, mining iron ore, their related upstream and downstream industries, and property in mainland China. We will consider expanding into products, upstream or downstream from our existing businesses, but they should have synergies with, or supplement and enhance the value of the main businesses, particularly steel and mining. Our expectation is that our businesses will make a return on capital invested above the cost of our own capital and generate cash flow to the benefit of the company and its shareholders. By pursuing this strategy, CITIC Pacific expects to generate and preserve value for all its shareholders.

Corporate Governance Structure



Board of Directors

Overall Accountability

The members of the board of directors are individually and collectively accountable to the shareholders for the success and sustainable development of CITIC Pacific. The board provides direction and approval in relation to matters concerning CITIC Pacific's business strategies, policies and plans, while the day-to-day business operations are delegated to the executive management. The board is accountable to the shareholders, and in discharging their corporate accountability, directors of CITIC Pacific are required to pursue excellence in the interests of the shareholders and fulfill their fiduciary duties by applying the required levels of skill, care and diligence to a standard in accordance with the statutory requirements.

Board Composition and Changes during 2011

The board currently comprises seven executive directors, three independent non-executive directors and three non-executive directors. Non-executive directors (including independent non-executive directors) comprise more than 46% of the board, of which independent non-executive directors make up more than 23%. CITIC Pacific will comply with the revised Listing Rules requirement of independent non-executive directors representing at least one-third of the board before the end of 2012. Currently, three non-executive directors are not independent (as defined by the Stock Exchange), as one director is the president of a shareholder owning a stake of more than 1% in CITIC Pacific; one is a vice president of CITIC Limited (a substantial shareholder of CITIC Pacific); and one is a director of a company in which CITIC Limited is a substantial shareholder. CITIC Pacific has received from each independent non-executive director a confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that all independent non-executive directors are independent. Brief biographical particulars of the directors, together with information about the relationships among them, are set out in the Annual Report 2011.

In 2011, Messrs Li Shilin and Wang Ande retired as executive directors of CITIC Pacific by rotation and did not seek re-election at the annual general meeting held on 12 May 2011 (the "2011 AGM"). In addition, due to personal commitments, Mr Willie Chang resigned as non-executive director of CITIC Pacific, and Messrs Hansen Loh Chung Hon and Norman Ho Hau Chong resigned as independent non-executive directors of CITIC Pacific, all effective from the conclusion of the 2011 AGM.

Messrs Gregory Lynn Curl and Francis Siu Wai Keung were appointed as independent non-executive directors of CITIC Pacific with effect from the conclusion of the 2011 AGM. They were re-elected at the general meeting of CITIC Pacific held on 29 September 2011. Induction materials and briefing sessions were given to the new directors during the year.

All directors, including the non-executive directors, have a specific term of appointment which is not more than three years since his re-election by shareholders at the general meeting. Under Article 104(A) of the articles of association of CITIC Pacific, every director, including the non-executive directors, shall be subject to retirement by rotation at least once every three years. Retiring directors are eligible for re-election at the annual general meeting during which they retire. Separate resolutions are proposed for the election of each director. One-third of the directors, or if their number is not a multiple of three then the number nearest to one-third, must retire from office at each annual general meeting and their re-election is subject to a vote by shareholders.

Mr Alexander Reid Hamilton has been an independent non-executive director of CITIC Pacific for more than 17 years and served as the chairman of the audit committee since 1995. Mr Alexander Reid Hamilton will retire by rotation at the forthcoming annual general meeting to be held on 18 May 2012 and, being eligible, offer himself for re-election. Independence is judged against the ability, integrity and willingness of the director to act. The board considers Mr Alexander Reid Hamilton to remain independent based on his annual confirmation that he continues to satisfy the independence criteria under the Listing Rules, as well as his objectivity and independent frame of mind exhibited throughout his tenure. Accordingly, the board would like to seek approval from the shareholders for the re-election of Mr Alexander Reid Hamilton as an independent non-executive director. He ceased to act as the chairman of the audit committee with effect from the conclusion of the board meeting held on 1 March 2012 but remains as a member of the audit committee. Mr Francis Siu Wai Keung, an independent non-executive director and a member of the audit committee since May 2011, was appointed as the chairman of the audit committee with effect from the conclusion of the board meeting held on 1 March 2012.

Nomination of Directors

The board of directors determines the nomination and appointment of new directors having regard to the relevant skills and experience of the proposed new directors. CITIC Pacific has on 1 March 2012 established a nomination committee, further details of which are set out below.

Board Responsibilities and Delegation

The board collectively determines the overall strategies of CITIC Pacific, monitors performance and the related risks and controls in pursuit of the strategic objectives of CITIC Pacific. Day-to-day management of CITIC Pacific is delegated to the executive director or officer in charge of each business unit and function, who reports back to the board. Each business unit leader and corporate functional leader is a member of the executive committee, which meets monthly to review the operating and financial performance of CITIC Pacific. All board members have separate and independent access to the management, and are provided with full and timely information about the conduct of the business and development of CITIC Pacific, including reports and recommendations on significant matters. Should separate independent professional advice be considered necessary by the directors, independent professional services would be made available to the directors upon request.

The board has delegated certain functions to the respective committees, the details of which are set out below. Matters specifically reserved for the board include approval of financial statements, dividend policy, significant changes in accounting policies, material contracts, selection of directors, changes to appointments such as company secretary and external auditor, remuneration policy for directors and senior management, terms of reference of board committees, as well as major corporate policies such as the code of conduct and whistle-blowing policy.

CITIC Pacific has arranged Directors & Officers Liability and Company Reimbursement Insurance for its directors and officers.

Details of the responsibilities, membership, attendance and activities during the year of each board committee are set out on pages 80 to 85.

Board Meetings and Attendance

The board meets regularly to review financial and operating performance of CITIC Pacific and to discuss future strategy. Four board meetings were held in 2011. At the board meetings, the board reviewed significant matters including CITIC Pacific's annual and half-year financial statements, annual budget, proposals for final and interim dividends, annual report and half-year report, and connected transactions. At each of its meetings, the board receives a written report from the managing director on CITIC Pacific's major businesses, investments and projects, and corporate activities. During the year the board received detailed briefings on the progress of the Sino Iron project. The dates of the next regular board meetings are fixed at the close of each board meeting, and a schedule of board meetings dates is fixed for each year ahead whenever possible. At least 14 days' notice of all regular board meetings is given to all directors, and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all directors at least three days in advance of every regular board meeting. All minutes of the board meetings are kept by the company secretary and are available to all directors for inspection.

The attendance record of each director at board meetings and general meetings in 2011 is set out below.

	Board meeting	Annual general meeting on 12 May 2011	Extra-ordinary general meeting on 29 September 2011
Number of meetings	4	1	1
Executive Directors			
Mr Chang Zhenming – Chairman	4/4	1/1	1/1
Mr Zhang Jijing – Managing Director	4/4	1/1	0/1
Mr Carl Yung Ming Jie – Deputy Managing Director	3/4	1/1	0/1
Mr Vernon Francis Moore – Group Finance Director	4/4	1/1	1/1
Mr Liu Jifu	3/4	1/1	0/1
Mr Milton Law Ming To	3/4	0/1	0/1
Mr Kwok Man Leung	4/4	1/1	1/1
Mr Li Shilin	0/2	0/1	
Mr Wang Ande	2/2	0/1	
Independent Non-executive Directors			
Mr Alexander Reid Hamilton	2/4	0/1	1/1
Mr Gregory Lynn Curl	2/2		1/1
Mr Francis Siu Wai Keung	2/2		1/1
Mr Hansen Loh Chung Hon	1/2	0/1	
Mr Norman Ho Hau Chong	1/2	0/1	
Non-executive Directors			
Mr André Desmarais	1/4	0/1	0/1
Mr Peter Kruyt (alternate director to Mr André Desmarais)	4/4	1/1	
Mr Ju Weimin	2/4	0/1	0/1
Mr Yin Ke	4/4	1/1	0/1
Mr Willie Chang	2/2	1/1	

Chairman and Managing Director

Mr Chang Zhenming serves as the chairman of CITIC Pacific and Mr Zhang Jijing as the managing director of CITIC Pacific. They have separate defined responsibilities whereby the chairman is primarily responsible for leadership and effective functioning of the board, ensuring key issues are promptly addressed by the board, as well as providing strategic direction for CITIC Pacific. The managing director is responsible for the day-to-day management of CITIC Pacific and the effective implementation of corporate strategy and policies. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the board.

Board Committees

The board has appointed a number of committees to discharge the board functions including the new nomination committee which was established on 1 March 2012. Sufficient resources are provided to enable the board committees to undertake their specific roles. The respective role, responsibilities and activities of each board committee are set out below:

Executive Committee

The board has established an executive committee for communication of the direction and priorities of CITIC Pacific and sharing information with and amongst senior executives about CITIC Pacific's key developments and business issues. This committee's activities include:

- receiving guidance from the chairman and managing director on CITIC Pacific's strategic direction and priorities;
- receiving and considering reports from group finance and group financial control department on CITIC Pacific's results and forecasts;
- receiving and considering reports from leaders of CITIC Pacific's major businesses on their results, activities and prospects of their respective businesses; and
- receiving and considering quarterly reports from group internal auditor on internal controls of the group, and reports from other corporate functional leaders when required.

The executive committee is chaired by the managing director and its membership includes the group finance director, three other executive directors, leaders of major businesses in the group and leaders of key head office functions. The chairman has the right to attend any executive committee meetings. The executive committee met twelve times in 2011. The relevant executive directors, corporate functional leaders and leaders of major operating businesses attended the executive committee meetings. Full minutes of the meetings were kept by the company secretary, which were sent to the committee members after each meeting.

Remuneration Committee

The principal role of the remuneration committee is to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, benefits in kind, share options and other plans. The remuneration committee reviews and approves the management's remuneration proposals with reference to the board's corporate goals and objectives and considers salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in CITIC Pacific's group, so as to align management incentives with shareholder interests.

The committee currently comprises three independent non-executive directors with Mr Francis Siu Wai Keung as the chairman. The director of group Human Resources serves as the secretary of the committee, and minutes for the meetings are sent to the committee members within a reasonable time after the meetings. The full terms of reference are available on CITIC Pacific's website (http://www.citicpacific.com/en/investors/corporate-governance_remuneration.html) and the Stock Exchange's website.

The composition of the remuneration committee during the year as well as the meeting attendance are as follows:

Membership and Attendance

Members	Attendance/ number of meetings
Independent Non-executive Directors	
Mr Francis Siu Wai Keung (Chairman)	3/3
Mr Alexander Reid Hamilton	3/3
Mr Gregory Lynn Curl	3/3

Work Done in 2011

The remuneration committee completed the following reviews in 2011:

1. reviewed and approved the remuneration policy, in particular the granting of director's fees and share options for employees serving on the boards of the companies across CITIC Pacific;
2. approved the CITIC Pacific Share Incentive Plan 2011;
3. reviewed and approved the restructuring of remuneration mix for senior management of the headquarters; and
4. approved the salaries and bonuses of the executive directors and senior executives.

During the review, no director took part in any discussion about his own remuneration.

During the year, the remuneration committee had communicated with the chairman and/or managing director about proposals relating to the remuneration packages of other executive directors and senior management.

In addition, the committee considered the proposed amendments to its terms of reference to take into account the new code provisions which will take effect from 1 April 2012 and recommended their adoption by the board.

Share options granted under the CITIC Pacific Share Incentive Plan 2000 which ended on 30 May 2010 are disclosed on pages 95 to 97.

Audit Committee

The audit committee reviews financial information of CITIC Pacific, monitors the effectiveness of the external audit process and oversees the appointment, remuneration and terms of engagement of CITIC Pacific's external auditor, as well as their independence. The audit committee is also responsible for reviewing the financial reporting process and the systems of internal controls and risk management, including the group's internal audit function as well as arrangements for concerns raised by staff as to financial reporting and other relevant matters ("whistle-blowing"). On 1 March 2012, the board delegated certain corporate governance functions to the audit committee, including the review and monitoring of (a) the training and continuous professional development of directors and senior management; (b) CITIC Pacific's policies and practices on compliance with legal and regulatory requirements; (c) the code of conduct of CITIC Pacific; and (d) CITIC Pacific's compliance with the Code and disclosure in the Corporate Governance Report. The revised full terms of reference setting out the committee's authority and its main role and responsibilities are available on CITIC Pacific's website (http://www.citicpacific.com/en/investors/corporate-governance_audit.html) and the Stock Exchange's website. The committee reviews the terms of reference annually to ensure they continue to be in line with the requirements of the Code. Proposed amendments to the terms of reference are submitted to the board for approval.

The audit committee consists of three non-executive members, two of whom are independent non-executive directors having the relevant professional qualifications and expertise in accounting matters. With effect from the conclusion of the board meeting held on 1 March 2012, Mr Alexander Reid Hamilton ceased to act as the chairman of the audit committee but remains as a member while Mr Francis Siu Wai Keung was appointed as the chairman of the audit committee. The audit committee must meet at least twice a year with CITIC Pacific's external auditor. The company secretary acts as secretary to the committee. Sufficient resources are made available to the committee when required.

The group finance director, group financial controller and the external and internal auditors attend the meetings, take part in the discussions and answer questions from the committee members. By invitation of the audit committee, other directors and senior executives may also attend the meetings. The audit committee chairman and other committee members also meet in separate private sessions with the external auditor and group internal auditor.

The audit committee held four meetings in 2011 with full attendance by the committee members in person or by telephone. An agenda and accompanying committee papers were sent to the committee members at least three days prior to each meeting. The company secretary prepared full minutes of the audit committee meetings with details of discussions and decisions reached. The draft minutes were sent to all committee members for comment after each meeting.

The composition and changes of the audit committee membership during the year as well as meeting attendance are as follows:

Membership and Attendance

Members	Attendance/number of meetings	Date of appointment/resignation
Independent Non-executive Directors		
Mr Alexander Reid Hamilton (Chairman until the conclusion of the board meeting held on 1 March 2012)	4/4	
Mr Francis Siu Wai Keung (Chairman with effect from the conclusion of the board meeting held on 1 March 2012)	2/2	Appointed with effect from the conclusion of the 2011 AGM
Mr Hansen Loh Chung Hon	2/2	Resigned with effect from the conclusion of the 2011 AGM
Non-executive Director		
Mr Yin Ke	2/2	Appointed with effect from the conclusion of the 2011 AGM
Mr Willie Chang	2/2	Resigned with effect from the conclusion of the 2011 AGM
Other Attendees		
Group Finance Director	4/4	
Group Financial Controller	3/4	
Group Internal Auditor	4/4	
External Auditor	4/4	

Work Done during 2011

The audit committee performed the following in 2011:

Financial reporting	Reviewed the 2010 annual financial statements, annual report and results announcement
	Reviewed the 2011 half-year financial statements, half-year report and results announcement
	Recommended to the board approval of the 2010 annual report and 2011 half-year report
	Examined checklists for ensuring the integrity of the financial statements
Assurance and internal audit	Reviewed Audit Committee Reports of PricewaterhouseCoopers ("PwC") on their statutory audit of 2010 annual financial statements and their independent review of 2011 half-year financial statements
	Discussed any financial reporting and control matters set out in the Audit Committee Reports submitted by PwC, or addressed in representation letters issued by management to PwC
	Reviewed PwC's plans for their independent review of CITIC Pacific's 2011 half-year financial statements and their statutory audit of the 2011 annual financial statements, including the audit scope and the nature of their work
	Considered the independence of PwC as the external auditor of CITIC Pacific
	Approved group internal audit's annual internal audit plan
	Reviewed group internal audit's audit findings, recommendations, management response and progress in rectification
Internal control	Reviewed reports submitted by the management on the group's compliance with the code of conduct, regulatory and statutory obligations, and internal policies regarding the conduct of business
	Examined management's annual self-assessments of the effectiveness of the internal controls of the group, including adequacy of the staff resources, qualifications and experience of CITIC Pacific's accounting and finance functions
	Noted significant changes in financial or other risks faced by CITIC Pacific and reviewed management's response to them
	Reviewed one whistle-blowing case referred by internal audit, which was resolved by the management
Other Code requirements	Reviewed the terms of reference of CITIC Pacific's audit committee, and the internal audit charter

In the audit committee meeting of February 2012, the audit committee reviewed CITIC Pacific's annual financial statements and annual report for the year ended 31 December 2011, and considered reports from the external and internal auditors. The audit committee recommended that the board approves the 2011 annual report.

Nomination Committee

The board established a nomination committee on 1 March 2012. The full terms of reference are available on CITIC Pacific's website (http://www.citicpacific.com/en/investors/corporate-governance_nomination.html) and the Stock Exchange's website.

The nomination committee is authorised by the board to determine the policy for the nomination of directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship.

Membership

The nomination committee comprises three members, a majority of whom are independent non-executive directors, and is chaired by the chairman of the board.

Executive Director
Mr Chang Zhenming (Chairman)

Independent Non-executive Directors
Mr Alexander Reid Hamilton
Mr Gregory Lynn Curl

As the nomination committee was formed in March 2012, no meetings have yet been held.

Investment Committee

The investment committee was set up in May 2009 to provide advice to the chairman, the managing director and the board on:

- investment plans, feasibility studies and proposed disposals or divestments initiated by the businesses in the group or the committee itself;
- the strategy and planning of CITIC Pacific; and
- the annual operating and capital expenditure budgets and business plans of CITIC Pacific and businesses in the group, amendments to approved budgets and unbudgeted capital expenditure.

The committee is chaired by the chairman of the board; the other members are the managing director, group finance director and two other executive directors. Prior to the committee meetings, business proposals and feasibility studies are prepared by the proposing business, and the group's business development department provides analysis to facilitate discussions. Depending on the availability of members, discussions are made either in physical meetings or in writing. Discussion results will be notified to people concerned with implementation for information and follow up.

The committee meets on an "as required" basis. In 2011, there were 15 discussions of the committee covering 23 topics attended by relevant executive directors and management personnel.

Asset and Liability Management Committee

The asset and liability management committee was established in October 2008 to review the financial position and financial risk management of CITIC Pacific. The principal responsibilities of the asset and liability management committee are to:

- review regularly the asset and liability balance of CITIC Pacific in aggregate and at subsidiary level;
- set limits on exposure at group, subsidiary or business unit level in relation to
  - asset and liability structure
  - counterparties
  - currencies
  - interest rates
  - commitments and contingent liabilities;
- review and approve financing plans;
- approve the use of new financial products; and
- establish hedging policies.

The committee is chaired by the group finance director. Other members include two executive directors, the group treasurer, group financial controller, and the executives with responsibility for treasury, treasury risk management and financial control.

The chief financial officers of major business units attend and report at the meetings of the asset and liability management committee from time to time. The committee met twelve times during 2011 to consider the matters within its terms of reference.

Special Committee to Deal with Matters Relating to Investigations of CITIC Pacific
A special committee to deal with matters relating to the investigations of CITIC Pacific was established in April 2009 to

- approve communications between CITIC Pacific and any relevant authorities or third parties in relation to the investigations by the Securities and Futures Commission and the Commercial Crime Bureau of the Hong Kong Police Force;
- consider the issue of legal professional privilege and to make decisions on behalf of CITIC Pacific in connection therewith; and
- seek legal and professional advice on behalf of CITIC Pacific as well as approve their fees.

The committee comprised two members upon inception, namely, Mr Zhang Jijing and Mr Ju Weimin. Following his appointment as independent non-executive director of CITIC Pacific, Mr Francis Siu Wai Keung was appointed to the special committee on 8 August 2011. The committee members reviewed the matters concerning the protection of legal professional privilege and received independent legal advice and had discussions on the matters with independent legal counsel.

On 18 March 2011, the Court of First Instance handed down judgment ruling that privilege had been lost in respect of six documents. CITIC Pacific is carefully considering the judgment and taking legal advice on its position. CITIC Pacific's appeal against the judgment was heard in the Court of Appeal in December 2011, and judgment is awaited.

In October 2011, approximately 1,600 further items were submitted to the court for adjudication. The majority of the remaining documents seized by the Commercial Crime Bureau over which CITIC Pacific had asserted legal professional privilege were unchallenged by the Commercial Crime Bureau of the Hong Kong Police Force. Judgment was handed down on 19 December 2011 to the effect that privilege had been lost in respect of most of the documents submitted for adjudication. CITIC Pacific filed a notice of appeal on 9 January 2012 against this part of the proceedings.

Accountability and Audit

Financial Reporting
The board of directors recognises the importance of integrity of financial information and acknowledges its responsibility for preparing financial statements that give a true and fair view of the group's affairs and of its results and cash flows in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance. The board endeavours to present to shareholders a balanced and understandable assessment of CITIC Pacific's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purposes are prudent and reasonable.

The adoption of new or amended accounting standards that became effective or adopted early during the year has not had a significant impact on the accounts except for those disclosed in Note 2 on pages 107 to 108.

The responsibilities of the external auditor with respect to the accounts for the year ended 31 December 2011 are set out in the Report of the Independent Auditor on the Summary Financial Report on pages 114 to 115.

External Auditors and their Remuneration

The external auditors perform independent review or audit of the financial statements prepared by the management. Since 1989, PwC has been engaged as CITIC Pacific's external auditor. The audit engagement partner responsible for the audit of CITIC Pacific is generally changed every seven years to ensure independence. The current audit partner has been engaged since 2011 to replace the previous one who was first appointed in 2006. During the year, PwC's fees for its services were approximately as follows:

Statutory audit fee: HK$26 million (2010: HK$25 million).

Fees for other services, including special audits, advisory services relating to user requirements for the new financial accounting consolidation system, review of systems of internal control, review of the half-year financial statements and tax compliance: HK$8 million (2010: HK$24 million).

Other audit firms provided recurring audit services to subsidiaries at a fee of approximately HK$27 million (2010: HK$28 million) and provided other services for fees of HK$21 million (2010: HK$10 million).

Internal Controls

The board has overall responsibility for maintaining a sound and effective system of internal control, which is designed and operated to provide reasonable assurance that CITIC Pacific's business objectives in the following areas are achieved:

- effectiveness and efficiency of operations, including the achievement of performance and operating targets and the safeguarding of assets by the management;
- reliability of financial and operating information provided by the management, including management accounts and statutory and public financial reports; and
- compliance with applicable laws and regulations by each business unit.

CITIC Pacific has put, and continues to place, considerable emphasis on maintaining and enhancing the effectiveness of its systems of internal control, which include the following major components:

1. Overall control environment, including code of conduct governing staff conduct within the group, and whistle-blowing policy (discussed further on page 89);
2. Management of financial and non-financial risks, including at the group level the financial risk oversight function of CITIC Pacific's asset and liability management committee and risk management functions of other board committees; at the business unit level, management's ongoing monitoring of operational and other risks through the establishment of various steering and management committees; and throughout the group, submissions and reviews of risk assessment reports, as well as a variety of insurance arrangements to manage insurable risks;
3. Major controls systems and processes, including budgetary and cost controls, re-engineering of the financial reporting systems and processes for timely and quality management reporting, corporate policies and procedures for approvals, reviews and segregation of duties in everyday activities; and
4. Ongoing compliance monitoring and internal control reviews: CITIC Pacific's company secretary and group general counsel undertakes overall monitoring of compliance with the Listing Rules and other major regulations. Group internal audit reports directly to the audit committee and is engaged to conduct independent reviews on the internal controls and risk management.

On behalf of the board, the audit committee has reviewed the adequacy and effectiveness of CITIC Pacific's internal control system, including financial, operational and compliance controls and risk management. It has also considered the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions, and their training programme and budget.

In conducting these reviews, the following reports and activities are considered:

- Self-assessments made by management of major subsidiaries and business units, and head office functional departments, of their material controls and risk management activities undertaken with reference to the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) internal control framework. The documentation supporting the self assessments is subjected to review by group internal audit. The results of the self assessments were consolidated and reviewed by the audit committee. Whilst no material deficiencies were identified during the year, business units and head office functions have indicated some areas of internal control which they intend to further enhance;
- Letters of representation from executive management of business units confirming that their self assessments remain correct and that their accounts are prepared in accordance with the group's accounting policies;
- Reports of group internal audit undertaken in accordance with the annual internal audit plan approved by the audit committee, which reviews the audit findings, recommendations, management's response and remedial actions at each committee meeting and reports to the board on such reviews where appropriate;
- Self assessments made by business units, group financial control, group finance and group internal audit of the resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes. The main conclusions are that:
  - the resources in the accounting and finance functions are adequate;
  - the qualifications and experience of the staff of the accounting and finance functions are satisfactory overall; and
  - the training activities and budgets have been continually given considerable attention during the year and are satisfactory;
- Compliance declarations undertaken by major business units of CITIC Pacific, whereby cases of non-compliance with laws, the Listing Rules or other regulations, code of conduct or other corporate policies are required to be reported to the audit committee via the company secretary on an annual basis; no major non-compliance cases were reported during the year.

The board and management will continue to look into opportunities for further enhancing the effectiveness of the internal control systems of CITIC Pacific in the years ahead, including the proposed new changes to the integrated framework of internal control as recently announced by COSO, as well as the new internal control requirements promulgated by the five Chinese authorities which take effect from 2012 (i.e. Basic Standard for Enterprise Internal Control together with its application guidelines applicable to entities listed in mainland China, which are commonly called China-Sox, the fundamental concepts of which are derived from the COSO framework).

Internal Audit

CITIC Pacific regards group internal audit as an important part of the board and audit committee's oversight function, which is engaged to provide useful information and recommendations on internal control issues of the group. The group internal auditor directly reports to the audit committee, which reviews and assesses the annual internal audit work plan as well as the audit charter at least once a year. This reporting relationship enables the group internal audit to provide an objective assurance to the effectiveness of internal controls of CITIC Pacific.

Under the internal audit charter, group internal audit has unrestricted access to information, properties and all levels of management to facilitate the execution of its audit work. Reports are prepared after audit visits and summarised for review at each audit committee meeting. Follow-up work is undertaken by group internal audit to establish the extent of completion of remedial actions taken by the management, with follow-up results reviewed by the audit committee. Group internal audit also conducts ad hoc reviews and investigations into particular incidents when required.

Major features of the group internal audit activities during the year were to ensure that:

- Both the audit plan and audit work adopt a risk assessment methodology;
- The scope of reviews covers both head office functions and group businesses, including the two major listed subsidiaries Dah Chong Hong Holdings Limited and CITIC Telecom International Holdings Limited;
- The skill sets of group internal audit staff include appropriate industry and information systems auditing expertise;
- Internal audit teams are based respectively in head office, Shanghai and Perth to provide tailored audit services to various business units and functions and conduct special reviews when required; during the year, a new internal audit office was set up in Guangzhou to cater for the increasing audit needs of the group; the group internal audit function is staffed with more than 20 audit professionals in total; staff resources were considered adequate and capable of undertaking the required audit work;
- The information technology ("IT") audit function within group internal audit addresses the increasing IT governance needs among different operations, treasury and financial reporting systems, as well as enterprise resources planning systems;
- In preparation for a full compliance with the new internal control requirements under The Basic Standard for Enterprise Internal Control (the "Basic Standard"), which comes into effect from 2012 in China, the group internal audit has been working together with management of the special steel business as well as an independent consultancy firm as our appointed advisor to conduct a pilot project of the Basic Standard initiative, which includes ongoing assessments and enhancements of internal controls of relevant entities in China;
- Internal audit oversees the whistle-blowing channels whereby staff concerns about conduct of the business are raised and where appropriate investigations into reported cases are conducted;
- The group internal auditor attends monthly meetings of the executive committee to ensure that he stays abreast of all significant developments in the group and reports major audit findings on a quarterly basis;
- The group internal auditor has direct access to the chairman of the audit committee; they meet regularly to discuss major audit issues as well as relevant matters in relation to the remit of internal audit; and
- Audit team competencies through ongoing training and development programmes are developed and regularly reviewed by the audit committee.

Business Ethics

Code of Conduct

At CITIC Pacific, we consider ethical corporate culture and employees' honesty and integrity to be important assets. We endeavour to comply with the laws and regulations of the countries in which we operate, and all directors and employees are required to act responsibly to ensure that the reputation of CITIC Pacific is not tarnished. To uphold a high standard of integrity in all aspects of everyday activities, CITIC Pacific adopts a Code of Conduct which provides employees with a set of defined ethical standards for adherence. The code of conduct is posted on CITIC Pacific's intranet for reference by all staff. New employees are informed of the rules and standards set out in the Code of Conduct at the date of joining CITIC Pacific, and are required to acknowledge their understanding of the Code of Conduct. The heads of business units are charged with the responsibility of disseminating the code of conduct requirements to the people concerned, and are required to report the compliance status of the Code of Conduct on a bi-annual basis to the head of group Human Resources. The audit committee receives reports on the execution of the Code of Conduct and its compliance at least once a year and, where necessary, recommendations were made to the board and management for implementation.

Whistle-Blowing Policy

CITIC Pacific considers the whistle-blowing channels as a useful means of identifying possible misconduct or fraud risks of a particular operation or function by encouraging employees to raise concerns in good faith. CITIC Pacific has adopted a whistle-blowing policy setting out principles and procedures for guiding the directors and employees of CITIC Pacific in reporting cases of fraud, corruption or misconduct in a fair and proper manner.

According to the whistle-blowing policy, concerns can be raised in writing to the group internal auditor, chairman of the audit committee, managing director or the chairman of the board by post to a designated post box. In addition, emails and phone calls to confidential hotlines can be sent directly to the group internal auditor. Upon receipt of the report, group internal audit will undertake an initial enquiry and, if appropriate, subsequent investigation work. Where necessary, the head of human resources will be involved in handling relevant cases about staff conduct. Results of the enquiry and investigation are reported directly to the chairman of the audit committee or the managing director where appropriate. The whistle-blowing policy is posted on CITIC Pacific's intranet. During 2011, group internal audit received one case concerning management issues of an operation in Hong Kong. It was handled according to CITIC Pacific's whistle-blowing policy to the satisfaction of the audit committee, management and the whistle-blower.

Good Employment Practices

In Hong Kong, CITIC Pacific has broadly followed the guide to good employment practices issued by the Employers' Federation of Hong Kong to ensure legally compliant, non-discriminatory and professional employment practices are implemented.

Directors' and Relevant Employees' Securities Transactions

CITIC Pacific has adopted the model code for securities transactions by directors of listed companies ("model code") contained in Appendix 10 of the Listing Rules. All directors confirmed that they have complied with the required standard set out in the model code throughout 2011. The interests held by individual directors in CITIC Pacific's securities at 31 December 2011 are set out in the Directors' Report on pages 100 to 101.

In addition to the requirements set out in CITIC Pacific's code of conduct, the company secretary regularly writes to executive management and other relevant employees who are privy to unpublished price sensitive information, as reminders of their responsibility to comply with the provisions of the model code and keep the matter confidential until announced. They are also specifically reminded not to engage in any insider dealings as stipulated under Section 270 of the Securities and Futures Ordinance.

Communication with Shareholders

CITIC Pacific considers effective communication with shareholders essential to enable them to have a clear assessment of the enterprise performance as well as accountability of the board of directors. Major means of communication with shareholders of CITIC Pacific are as follows:

Information Disclosure at Corporate Website

CITIC Pacific endeavours to disclose all material information about the group to all interested parties as widely and as timely as possible. CITIC Pacific maintains a corporate website at http://www.citicpacific.com, where important information about CITIC Pacific's activities and corporate matters such as annual reports and half-year reports to shareholders, announcements, business development and operations, corporate governance practices and other information is available for review by shareholders and other stakeholders.

When announcements are made through the Stock Exchange, the same information will be made available on CITIC Pacific's website.

During 2011, CITIC Pacific issued press announcements in respect of a number of notifiable transactions and connected transactions, which can be viewed on CITIC Pacific's website (http://www.citicpacific.com/en/investors/announce_index.php).

General Meetings with Shareholders

CITIC Pacific's annual general meeting provides a useful platform for direct communication between the board and shareholders. Separate resolutions are proposed on each substantially separate issue at the general meetings.

Voting by Poll

Resolutions put to vote at the general meetings of CITIC Pacific (other than on procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and CITIC Pacific respectively on the same day as the poll.

Investor Relations

CITIC Pacific aims to generate sustainable shareholder value over the long-term, and we recognise that effective management of stakeholder relationships, including those with investors, is key to realising that value. We believe that company objectives and shareholder objectives should be aligned for long-term value creation, and we hope that our shareholders agree with our conviction that sustainable long-term growth is more important than short-term gains.

CITIC Pacific acknowledges its responsibility to engage with shareholders and respond respectfully to their questions. We aspire to transparent and open communications and are committed to timely disclosure of relevant and material information. We meet with investors regularly to update them on our business progress and strategy. In addition, we attempt to respond promptly to questions received from the media and individual shareholders. We endeavour to share both financial and non-financial information that is relevant and material, and we attempt to clearly communicate our business strategy through biannual and other timely communications. In all cases, great care is taken to ensure that price sensitive information is not disclosed selectively. When announcements are made through the Stock Exchange, the same information will be made available on CITIC Pacific's website.

When we achieve major business milestones, we will consider inviting groups of investors to visit our facilities, such as the Sino Iron project in Western Australia, our steel plants and property projects. These requests can be made through the company's Investor Relations department and will be given due consideration, so long as they do not interfere with regular business operations.

Shareholders' Rights

Set out below is a summary of certain rights of the shareholders of CITIC Pacific as required to be disclosed pursuant to the mandatory disclosure requirement under Paragraph O of the Corporate Governance Code which is effective from 1 April 2012:

Convening of extraordinary general meeting on requisition by shareholders

In accordance with Section 113 of the Companies Ordinance (Chapter 32 of the laws of Hong Kong), shareholder(s) holding at the date of the deposit of the requisition not less than one-twentieth of such of the paid-up capital of CITIC Pacific as at the date of the deposit carries the right of voting at general meetings of CITIC Pacific, may require the directors of CITIC Pacific to convene an extraordinary general meeting ("EGM"). The written requisition must state the objects of the meeting and must be signed by the shareholder(s) concerned and deposited at the registered office of CITIC Pacific at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong for the attention of the company secretary.

The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If the directors of CITIC Pacific do not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the date of the original requisition.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of CITIC Pacific.

Procedures for directing shareholders' enquiries to the board

Shareholders may at any time send their enquiries and concerns to the board of directors of CITIC Pacific in writing through the company secretary whose contact details are as follows:

The Company Secretary
CITIC Pacific Limited
32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Email contact@citicpacific.com
Tel +852 2820 2184
Fax +852 2918 4838

The company secretary will forward the shareholders' enquiries and concerns to the board of directors and/or relevant board committees of CITIC Pacific, where appropriate, to answer the shareholders' questions.

Procedures for putting forward proposals at general meetings by shareholders

Shareholders are requested to follow Section 115A of the Companies Ordinance (Chapter 32 of the laws of Hong Kong) for including a resolution at an annual general meeting of CITIC Pacific ("AGM"). The requirements and procedures are set out below:

i) Any number of shareholders representing not less than one-fortieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at an AGM to which the requisition relates, or not less than 50 shareholders holding shares in CITIC Pacific on which there has been paid up an average sum, per shareholder, of not less than HK$2,000, may submit a requisition in writing to put forward a resolution which may properly be moved at an AGM.

ii) CITIC Pacific shall not be bound by the Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of CITIC Pacific entitled to receive notice of an AGM unless (a) a copy of the requisition signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of CITIC Pacific at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong for the attention of the company secretary not less than 6 weeks before an AGM in the case of a requisition requiring notice of a resolution and not less than 1 week before an AGM in the case of any other requisition; and (b) the concerned shareholders have deposited with the requisition a sum reasonably sufficient to meet CITIC Pacific's expenses in giving effect thereto.

iii) However if, after a copy of a requisition requiring notice of a resolution has been deposited at the registered office of CITIC Pacific, an AGM is called for a date 6 weeks or less after the copy has been deposited, the copy though not deposited within the time required as referred to in the above shall be deemed to have been properly deposited.

Pursuant to Article 108 of CITIC Pacific's Articles of Association, no person other than a retiring director shall, unless recommended by the board for election, be eligible for election to the office of director at any general meeting, unless a shareholder shall have given notice in writing of the intention to propose that person for election as a director and notice in writing by that person of his willingness to be elected shall have been given to CITIC Pacific in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Directors' Report

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2011.

Principal Activities

The principal activity of CITIC Pacific is to hold the subsidiaries, associates and joint ventures through which its business operations are carried out, employing staff and raising finance. Their major areas of operation are set out in the Business Review on pages 8 to 51.

Dividends

The directors declared an interim dividend of HK$0.15 per share for the year ended 31 December 2011, which was paid on 23 September 2011. The directors are recommending to shareholders at the forthcoming annual general meeting the payment of a final divided of HK$0.30 per share in respect of the year ended 31 December 2011, payable on 6 June 2012 to shareholders on the Register of Members at the close of business on 28 May 2012. This represents a total distribution for the year of HK$1,642 million.

Reserves

The amounts and particulars of transfer to and from reserves during the year are set out in Note 5 to the summary financial statements.

Donations

Donations made by CITIC Pacific and its subsidiary companies during the year amounted to HK$6 million.

Fixed Assets

Movements of fixed assets are set out in the summary financial statements on pages 110 to 111.

Issue of Debt Securities

On 1 June 2001, CITIC Pacific Finance (2001) Limited, a wholly-owned subsidiary of CITIC Pacific, issued and sold a total of US$450 million principal amount of 7.625% guaranteed notes due 2011 ("Guaranteed Notes") to investors pursuant to purchase agreements dated 24 May 2001 and 1 June 2001. All of the Guaranteed Notes were repaid on 1 June 2011.

On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly-owned subsidiary of CITIC Pacific, issued and sold JPY8.1 billion in aggregate principal amount of guaranteed floating rate notes due 2035 ("JPY Notes") to investors for general corporate purposes pursuant to the subscription agreement dated 26 October 2005. Each noteholder will have the right at such noteholder's option to require the issuer to redeem all of such noteholder's JPY Notes on 28 October 2015 at 81.29% of the principal amount of such JPY Notes. All of the JPY Notes remained outstanding at 31 December 2011.

On 8 June 2010, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly-owned subsidiary of CITIC Pacific, issued and sold a total of RMB800 million principal amount of 3.27% short term commercial paper due 2011 ("Commercial Paper") to investors. The Commercial Paper was repaid on 9 June 2011. Another Commercial Paper was issued and sold in the sum of RMB800 million principal amount at 4.83% on 30 March 2011 due 2012. It remained outstanding at 31 December 2011.

On 16 August 2010, CITIC Pacific issued and sold a total of US$150 million principal amount of 6.9% notes due 2022 ("Notes"), to an investor pursuant to the purchase agreement dated 11 August 2010. All of the Notes remained outstanding at 31 December 2011.

On 15 April 2011, CITIC Pacific issued and sold a total of US$500 million principal amount of 6.625% Notes due 2021 ("US$ Notes") under the US$2,000 million medium term note programme ("MTN Programme") to investors pursuant to the subscription agreement dated 8 April 2011. The US$ Notes issued under the MTN Programme are listed on The Stock Exchange of Hong Kong Limited ("the Hong Kong Stock Exchange"). All of the US$ Notes remained outstanding at 31 December 2011.

On 15 April 2011, CITIC Pacific issued and sold a total of US$750 million principal amount of 7.875% perpetual subordinated capital securities ("Securities") to investors pursuant to the subscription agreement dated 8 April 2011. The Securities are listed on the Hong Kong Stock Exchange. All of the Securities remained outstanding at 31 December 2011.

On 3 August 2011, CITIC Pacific also issued and sold a total of CNY1,000 million principal amount of 2.7% unlisted notes due 2016 ("CNY Notes") under the MTN Programme to investors pursuant to the subscription agreement dated 27 July 2011. All of the CNY Notes remained outstanding at 31 December 2011.

Directors

The directors of CITIC Pacific in office during the financial year ended 31 December 2011 were:

Mr Chang Zhenming
Mr Zhang Jijing
Mr Carl Yung Ming Jie
Mr Vernon Francis Moore
Mr Liu Jifu
Mr Milton Law Ming To
Mr Kwok Man Leung
Mr Alexander Reid Hamilton
Mr André Desmarais
Mr Ju Weimin
Mr Yin Ke
Mr Gregory Lynn Curl, appointed with effect from the conclusion of the 2011 annual general meeting on 12 May 2011 ("the 2011 AGM")
Mr Francis Siu Wai Keung, appointed with effect from the conclusion of the 2011 AGM
Mr Peter Kruyt (alternate director to Mr André Desmarais)
Mr Li Shilin, retired at the 2011 AGM
Mr Wang Ande, retired at the 2011 AGM
Mr Willie Chang, resigned with effect from the conclusion of the 2011 AGM
Mr Hansen Loh Chung Hon, resigned with effect from the conclusion of the 2011 AGM
Mr Norman Ho Hau Chong, resigned with effect from the conclusion of the 2011 AGM

Pursuant to Article 104(A) of the Articles of Association of CITIC Pacific, Messrs Zhang Jijing, Milton Law Ming To, Alexander Reid Hamilton and Ju Weimin shall retire by rotation in the forthcoming annual general meeting to be held on 18 May 2012 and, being eligible, offer themselves for re-election.

Management Contract

CITIC Pacific 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 CITIC Pacific 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 Chang Zhenming, Zhang Jijing, Liu Jifu and Ju Weimin 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 CITIC Pacific to be held on 18 May 2012.

Directors' Interests in Contracts of Significance

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

Competing Interests

Mr Zhang Jijing is a non-executive director of CITIC Resources Holdings Limited, a company listed on the main board of the Hong Kong Stock Exchange. CITIC Resources Holdings Limited is a diversified energy and natural resources investment holding company and through its subsidiaries has interests in aluminium smelting, coal, import and export of commodities, manganese mining and processing and oil exploration, development and production. Further details of its nature, scope and size of its business as well as its management can be found in the latest annual report of CITIC Resources Holdings Limited. In the event that there are transactions between CITIC Resources Holdings Limited and CITIC Pacific, Mr Zhang will abstain from voting. Save as disclosed above, Mr Zhang is not directly or indirectly interested in any business that constitutes or may constitute a competing business of CITIC Pacific.

Share Option Plan Adopted by CITIC Pacific

CITIC Pacific Share Incentive Plan 2000

CITIC Pacific adopted the CITIC Pacific Share Incentive Plan 2000 ("the Plan 2000") on 31 May 2000 which expired on 30 May 2010.

During the period between the adoption of the Plan 2000 and its expiry, CITIC Pacific has granted six lots of share options:

Date of grant	Number of share options	Exercise price HK$
28 May 2002	11,550,000	18.20
1 November 2004	12,780,000	19.90
20 June 2006	15,930,000	22.10
16 October 2007	18,500,000	47.32
19 November 2009	13,890,000	22.00
14 January 2010	880,000	20.59

All options granted and accepted under the Plan 2000 can be exercised in whole or in part within 5 years from the date of grant.

The share options at the exercise price of HK$18.20 per share, HK$19.90 per share and HK$22.10 per share expired at the close of business on 27 May 2007, 31 October 2009 and 19 June 2011 respectively.

None of the share options granted under the Plan 2000 were cancelled, but options for 756,000 shares were exercised and options for 5,290,000 shares have lapsed during the year ended 31 December 2011. A summary of the movements of the share options under the Plan 2000 during the year ended 31 December 2011 is as follows:

A. CITIC Pacific directors

			Number of share options				
Name of director	**Date of grant**	**Exercise price HK$**	**Balance as at 01.01.11**	**Exercised during the year ended 31.12.11**	**Lapsed during the year ended 31.12.11**	**Balance as at 31.12.11**	**Percentage to issued share capital**
Chang Zhenming	16.10.07	47.32	500,000	–	–	500,000	
	19.11.09	22.00	600,000	–	–	600,000	
						1,100,000	0.030
Zhang Jijing	19.11.09	22.00	500,000	–	–	500,000	0.014
Carl Yung Ming Jie	20.06.06	22.10	600,000	–	600,000	–	
	16.10.07	47.32	800,000	–	–	800,000	
	19.11.09	22.00	500,000	–	–	500,000	
						1,300,000	0.036
Vernon Francis Moore	20.06.06	22.10	700,000	–	700,000	–	
	16.10.07	47.32	600,000	–	–	600,000	
	19.11.09	22.00	500,000	–	–	500,000	
						1,100,000	0.030
Liu Jifu	20.06.06	22.10	700,000	–	700,000	–	
	16.10.07	47.32	700,000	–	–	700,000	
	19.11.09	22.00	500,000	–	–	500,000	
						1,200,000	0.033
Milton Law Ming To	20.06.06	22.10	800,000	–	800,000	–	
	16.10.07	47.32	800,000	–	–	800,000	
	19.11.09	22.00	500,000	–	–	500,000	
						1,300,000	0.036
Kwok Man Leung	16.10.07	47.32	600,000	–	–	600,000	
	19.11.09	22.00	500,000	–	–	500,000	
						1,100,000	0.030
Li Shilin	16.10.07	47.32	500,000	–	–	N/A *(Note 1)*	N/A *(Note 1)*
Wang Ande	20.06.06	22.10	350,000	–	350,000	N/A *(Note 1)*	N/A *(Note 1)*
	16.10.07	47.32	800,000	–	–		
	19.11.09	22.00	500,000	–	–		

Note:

1. *Mr Li Shilin and Mr Wang Ande retired at the 2011 annual general meeting on 12 May 2011.*

B. CITIC Pacific employees 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 01.01.11**	**Exercised during the year ended 31.12.11**	**Lapsed during the year ended 31.12.11**	**Balance as at 31.12.11**
20.06.06	22.10	1,196,000	756,000 *(Note 2)*	440,000	–
16.10.07	47.32	3,650,000	–	–	3,650,000
19.11.09	22.00	6,910,000	–	–	6,910,000
14.01.10	20.59	880,000	–	–	880,000

Note:

2. The weighted average closing price of the shares of CITIC Pacific immediately before the dates on which the share options were exercised was HK$23.46.

C. Others

		Number of share options			
Date of grant	**Exercise price HK$**	**Balance as at 01.01.11**	**Exercised during the year ended 31.12.11**	**Lapsed during the year ended 31.12.11**	**Balance as at 31.12.11**
20.06.06	22.10	1,250,000 *(Note 3)*	–	1,250,000	–
16.10.07	47.32	4,450,000 *(Note 3)*	–	300,000	4,150,000
19.11.09	22.00	2,290,000 *(Note 3)*	–	150,000	2,140,000

Note:

3. These are in respect of share options granted to former directors or employees under continuous contracts, who have subsequently retired or resigned.

CITIC Pacific Share Incentive Plan 2011

As the Plan 2000 expired on 30 May 2010, CITIC Pacific adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 ("the Plan 2011") on 12 May 2011.

No share options were granted under the Plan 2011 during the year ended 31 December 2011.

Share Option Plans Adopted by Subsidiaries of CITIC Pacific

CITIC Telecom International Holdings Limited ("CITIC Telecom")

CITIC Telecom adopted a share option plan ("CITIC Telecom Share Option Plan") on 17 May 2007.

Since the adoption of the CITIC Telecom Share Option Plan, CITIC Telecom has granted three lots of share options:

Date of grant	Number of share options	Exercise period	Exercise price HK$
23.05.07	18,720,000	23.05.07 – 22.05.12	3.26
17.09.09	17,912,500	17.09.10 – 16.09.15	2.10
17.09.09	17,912,500	17.09.11 – 16.09.16	2.10
19.08.11	24,227,500	19.08.12 – 18.08.17	1.54
19.08.11	24,227,500	19.08.13 – 18.08.18	1.54

All options granted and accepted under the CITIC Telecom Share Option Plan can be exercised in whole or in part within 5 years from the date of grant. The closing price of CITIC Telecom Shares immediately before the grant on 19 August 2011 was HK$1.54 per CITIC Telecom Share.

All options granted on 19 August 2011 were accepted except for options for 200,000 CITIC Telecom Shares. Options for 791,000 CITIC Telecom Shares were exercised and options for 2,278,000 CITIC Telecom Shares have lapsed during the year ended 31 December 2011. The grantees were CITIC Telecom Directors or CITIC Telecom Employees. On 17 September 2009, options for 300,000 CITIC Telecom Shares were granted to Mr Kwok Man Leung, who is an executive director of CITIC Pacific and was formerly a director of CITIC Telecom. Mr Kwok has exercised his options for 150,000 CITIC Telecom Shares, and the remaining options for 150,000 CITIC Telecom Shares have lapsed during the year ended 31 December 2011. The weighted average closing price of CITIC Telecom Shares immediately before the date on which the options were exercised was HK$2.69. Save as the aforesaid, none was granted to the directors, chief executives or substantial shareholders of CITIC Pacific.

Dah Chong Hong Holdings Limited ("DCH Holdings")

Pre-IPO Share Option Scheme

DCH Holdings adopted the Pre-IPO Share Option Scheme ("Pre-IPO Scheme") on 28 September 2007.

Since the adoption of the Pre-IPO Scheme, DCH Holdings has granted one lot of share options before its listing:

Date of grant	Number of share options	Exercise period	Exercise price HK$
03.10.07	18,000,000	17.04.08 – 02.10.12	5.88

All share options granted and accepted were fully vested on the date of grant but have a lock-up period of 6 months from the listing of DCH Holdings and are then exercisable in whole or in part within 5 years from the date of grant.

The grantees were directors or employees of the DCH Holdings Group working under continuous contracts (as defined in the Employment Ordinance). None were granted to the directors, chief executives or substantial shareholders of CITIC Pacific.

A summary of the movements of share options under the Pre-IPO Scheme during the year ended 31 December 2011 is as follows:

	Number of share options			
Balance as at 01.01.11	**Granted during the year ended 31.12.11**	**Lapsed/cancelled during the year ended 31.12.11**	**Exercised during the year ended 31.12.11**	**Balance as at 31.12.11**
7,425,000	–	–	3,970,000*	3,455,000

* *The weighted average closing price of the shares of DCH Holdings immediately before the dates on which the share options were exercised was HK$9.00.*

Post-IPO Share Option Scheme

DCH Holdings adopted the Post-IPO Share Option Scheme ("Post-IPO Scheme") on 28 September 2007.

Since the adoption of the Post-IPO Scheme, DCH Holdings has granted one lot of share options:

Date of grant	**Number of share options**	**Exercise period**	**Exercise price HK$**
07.07.10	23,400,000	07.07.10 – 06.07.15	4.766

All share options granted and accepted were fully vested on the date of grant and are then exercisable in whole or in part within 5 years from the date of grant.

The grantees were directors or employees of DCH Holdings Group working under continuous contracts (as defined in the Employment Ordinance). None were granted to the directors, chief executives or substantial shareholders of CITIC Pacific.

A summary of the movements of share options under the Post-IPO Scheme during the year ended 31 December 2011 is as follows:

	Number of share options			
Balance as at 01.01.11	**Granted during the year ended 31.12.11**	**Lapsed/cancelled during the year ended 31.12.11**	**Exercised during the year ended 31.12.11**	**Balance as at 31.12.11**
16,100,000	–	–	2,670,000*	13,430,000

* *The weighted average closing price of the shares of DCH Holdings immediately before the dates on which the share options were exercised was HK$8.56.*

Directors' Interests in Securities

The interests of the directors in shares of CITIC Pacific or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 31 December 2011 as recorded in the register required to be kept under section 352 of the SFO were as follows:

1. Shares in CITIC Pacific and associated corporations

	Number of shares	
Name of director	Personal interests unless otherwise stated	Percentage to issued share capital
CITIC Pacific Limited		
Carl Yung Ming Jie	300,000	0.008
Vernon Francis Moore	4,200,000 *(Note 1)*	0.115
Liu Jifu	840,000	0.023
Milton Law Ming To	167,000	0.005
André Desmarais	8,145,000 *(Note 2)*	0.223
Peter Kruyt (alternate director to Mr André Desmarais)	34,100	0.001
CITIC Telecom International Holdings Limited		
Vernon Francis Moore	200,000 *(Note 1)*	0.008
Kwok Man Leung	150,000	0.006

Note:
1. *Trust interest*
2. *Corporate interest in respect of 8,000,000 shares and family interest in respect of 145,000 shares*

2. Share options in CITIC Pacific

The interests of the directors in the share options (being regarded as unlisted physically settled equity derivatives) of CITIC Pacific are stated in detail in the preceding section "Share Option Plan Adopted by CITIC Pacific".

3. Share options in associated corporations

CITIC Telecom

				Number of share options				
Name of director	Date of grant	Exercise price HK$	Exercise period	Balance as at 01.01.11	Exercised during the year ended 31.12.11	Lapsed during the year ended 31.12.11	Balance as at 31.12.11	Percentage to issued share capital
Kwok Man Leung	17.09.09	2.10	17.09.10 – 16.09.15	150,000	150,000	–	–	–
	17.09.09	2.10	17.09.11 – 16.09.16	150,000	–	150,000	–	–

CITIC Resources Holdings Limited

				Number of share options				
Name of director	Date of grant	Exercise price HK$	Exercise period	Balance as at 01.01.11	Granted during the year ended 31.12.11	Exercised/ lapsed/ cancelled during the year ended 31.12.11	Balance as at 31.12.11	Percentage to issued share capital
Zhang Jijing	02.06.05	1.018	02.06.06 – 01.06.13	10,594,315	–	–	10,594,315	0.135

Save as disclosed above, as at 31 December 2011, none of the directors of CITIC Pacific 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 CITIC Pacific or its associated corporations or any interests which are required to be entered into the register kept by CITIC Pacific pursuant to section 352 of the SFO or any interests which are required to be notified to CITIC Pacific and the Hong Kong 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 were there any subsisting agreements enabling the directors of CITIC Pacific to acquire benefits by means of acquisition of shares in, or debentures of, CITIC Pacific or any other corporate, which at the relevant time, CITIC Pacific, any of its subsidiary companies, its holding company or any of its fellow subsidiary companies was a party.

Substantial Shareholders

As at 31 December 2011, the interests of the substantial shareholders, other than the directors of CITIC Pacific or their respective associate(s), in the shares of CITIC Pacific 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:

Interest in the shares of CITIC Pacific

Name	Number of shares of CITIC Pacific	Percentage to issued share capital
CITIC Group Corporation	2,098,736,285	57.508
CITIC Limited	2,098,736,285	57.508
CITIC Investment (HK) Limited	1,351,250,082	37.026
CITIC HK	747,486,203	20.482
Heedon Corporation	598,261,203	16.393
Full Chance Investments Limited	450,416,694	12.342
Newease Investments Limited	450,416,694	12.342
Skyprofit Holdings Limited	450,416,694	12.342
Honpville Corporation	310,988,221	8.522
Larry Yung Chi Kin	281,928,000	7.725
Earnplex Corporation	218,747,000	5.994

CITIC Group Corporation is a substantial shareholder of CITIC Pacific holding its indirect interest through its wholly-owned subsidiary companies as follows:

Name of subsidiary company of CITIC Group Corporation	Number of shares of CITIC Pacific	Percentage to issued share capital
CITIC Limited	2,098,736,285	57.508
CITIC Investment (HK) Limited	1,351,250,082	37.026
CITIC HK	747,486,203	20.482
Full Chance Investments Limited	450,416,694	12.342
Newease Investments Limited	450,416,694	12.342
Skyprofit Holdings Limited	450,416,694	12.342

CITIC HK is a substantial shareholder of CITIC Pacific holding its indirect interest through its wholly-owned subsidiary companies as follows:

Name of subsidiary company of CITIC HK	Number of shares of CITIC Pacific	Percentage to issued share capital
Affluence Limited	46,089,000	1.263
Winton Corp.	30,718,000	0.842
Westminster Investment Inc.	101,960,000	2.794
Jetway Corp.	122,336,918	3.352
Cordia Corporation	32,258,064	0.884
Honpville Corporation	310,988,221	8.522
Hainsworth Limited	93,136,000	2.552
Southpoint Enterprises Inc.	10,000,000	0.274
Raymondford Company Limited	2,823,000	0.077

CITIC Group Corporation is the holding company of CITIC Limited. CITIC Limited is the holding company of CITIC Investment (HK) Limited and CITIC HK. CITIC Investment (HK) Limited is the direct holding company of Full Chance Investments Limited, Newease Investments Limited and Skyprofit Holdings Limited. 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. Kotron Company Ltd. is the direct holding company of Cordia Corporation. Affluence Limited is the direct holding company of Man Yick Corporation which is the direct holding company of Raymondford Company Limited. Barnsley Investments Limited is the direct holding company of Southpoint Enterprises Inc.

Accordingly,

i) the interests of CITIC Group Corporation in CITIC Pacific duplicate the interests of CITIC Limited in CITIC Pacific;

ii) the interests of CITIC Limited in CITIC Pacific duplicate the interests of CITIC Investment (HK) Limited and CITIC HK in CITIC Pacific;

iii) the interests of CITIC Investment (HK) Limited in CITIC Pacific duplicate the interests of Full Chance Investments Limited, Newease Investments Limited and Skyprofit Holdings Limited in CITIC Pacific;

iv) the interests of CITIC HK in CITIC Pacific duplicate the interests in CITIC Pacific of all its direct and indirect subsidiary companies as described above;

v) the interests of Heedon Corporation in CITIC Pacific duplicate the interests in CITIC Pacific of all its direct and indirect subsidiary companies as described above;

vi) the interests of Kotron Company Ltd. in CITIC Pacific duplicate the interests of Cordia Corporation in CITIC Pacific;

vii) the interests of Affluence Limited in CITIC Pacific duplicate the interests in CITIC Pacific of its direct and indirect subsidiary companies as described above;

viii) the interests of Man Yick Corporation in CITIC Pacific duplicate the interests of Raymondford Company Limited in CITIC Pacific; and

ix) the interests of Barnsley Investments Limited in CITIC Pacific duplicate the interests of Southpoint Enterprises Inc. in CITIC Pacific.

Mr Larry Yung Chi Kin is a substantial shareholder of CITIC Pacific and directly holds 100% interest in Earnplex Corporation. Accordingly, the interests of Mr Larry Yung Chi Kin in CITIC Pacific duplicate the interests held by Earnplex Corporation.

Share Capital

CITIC Pacific has not redeemed any of its shares during the year ended 31 December 2011. Neither CITIC Pacific nor any of its subsidiary companies has purchased or sold any of CITIC Pacific's shares during the year ended 31 December 2011.

During the year ended 31 December 2011, 756,000 shares were issued under the Plan 2000 as described above.

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,
Chang Zhenming
Chairman
Hong Kong, 1 March 2012

Consolidated Profit and Loss Account

for the year ended 31 December 2011

in HK$ million	2011	As restated 2010
Revenue	**100,086**	70,614
Cost of sales	**(85,850)**	(59,662)
Gross profit	**14,236**	10,952
Other income and net gains	**1,843**	4,395
Distribution and selling expenses	**(2,854)**	(2,084)
Other operating expenses	**(5,101)**	(4,472)
Change in fair value of investment properties	**1,835**	1,294
Profit from consolidated activities	**9,959**	10,085
Share of results of		
Jointly controlled entities	**3,080**	2,000
Associated companies	**914**	673
Profit before net finance charges and taxation	**13,953**	12,758
Finance charges	**(1,105)**	(704)
Finance income	**695**	356
Net finance charges	**(410)**	(348)
Profit before taxation	**13,543**	12,410
Taxation	**(2,560)**	(2,239)
Profit for the year	**10,983**	10,171
Attributable to:		
Ordinary shareholders of the Company	**9,233**	8,893
Holders of perpetual capital securities	**331**	–
Non-controlling interests	**1,419**	1,278
	10,983	10,171
Dividends	**(1,642)**	(1,642)
Earnings per share for profit attributable to shareholders of the Company during the year (HK$)		
Basic	**2.53**	2.44
Diluted	**2.53**	2.44

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

in HK$ million	**2011**	As restated 2010
Profit for the year	**10,983**	10,171
Other comprehensive income, net of tax		
Cash flow hedging reserves movement from interest rate swap and foreign exchange contracts	**(2,923)**	(513)
Transfer from investment revaluation reserve to profit and loss account on disposal of other financial assets	**–**	(1,232)
Fair value changes from other financial assets	**(112)**	761
Transfer to profit and loss account on impairment of other financial assets	**98**	74
Surplus on revaluation of properties transferred from self-use properties to investment properties	**–**	116
Share of other comprehensive income of associated companies and jointly controlled entities	**43**	56
Exchange translation differences	**2,488**	2,346
Reserves released on disposal/dilution of interest in jointly controlled entities	**(132)**	(298)
Reserves released on disposal of interest in associated companies and non-current assets held for sale	**–**	(421)
Reserve released upon disposal/liquidation of subsidiary companies	**(109)**	5
Total comprehensive income for the year	**10,336**	11,065
Total comprehensive income for the year attributable to		
Ordinary shareholders of the Company	**8,404**	9,611
Holders of perpetual capital securities	**331**	–
Non-controlling interests	**1,601**	1,454
	10,336	11,065

Consolidated Balance Sheet

as at 31 December 2011

in HK$ million	Note	**31 December 2011**	As restated 31 December 2010	As restated 1 January 2010
Non–current assets				
Property, plant and equipment	4	**85,132**	63,334	40,032
Investment properties	4	**15,270**	13,579	11,164
Properties under development	4	**6,628**	9,881	9,065
Leasehold land – operating leases	4	**2,277**	1,597	1,581
Jointly controlled entities		**21,278**	21,681	22,097
Associated companies		**7,222**	6,345	5,797
Other financial assets		**345**	448	2,198
Intangible assets		**16,202**	12,944	10,868
Deferred tax assets		**1,647**	763	603
Derivative financial instruments		**928**	1,854	748
Non–current deposits and prepayment		**4,031**	6,403	6,480
		160,960	138,829	110,633
Current assets				
Properties under development	4	**3,189**	2,280	2,172
Properties held for sale		**1,493**	1,870	1,651
Other assets held for sale		**2,388**	298	1,765
Inventories		**14,125**	11,191	6,983
Derivative financial instruments		**401**	73	92
Debtors, accounts receivable, deposits and prepayments		**16,253**	14,070	11,082
Cash and bank deposits		**30,930**	24,558	21,553
		68,779	54,340	45,298
Current liabilities				
Bank loans, other loans and overdrafts				
secured		**1,329**	598	105
unsecured		**26,328**	14,629	4,252
Creditors, accounts payable, deposits and accruals		**30,577**	26,911	19,992
Derivative financial instruments		**159**	55	167
Provision for taxation		**1,514**	936	243
		59,907	43,129	24,759
Net current assets		**8,872**	11,211	20,539
Total assets less current liabilities		**169,832**	150,040	131,172
Non–current liabilities				
Long term borrowings		**71,050**	68,456	61,318
Deferred tax liabilities		**3,373**	2,569	1,935
Derivative financial instruments		**4,747**	2,543	1,727
Provisions and deferred income		**2,649**	2,254	807
		81,819	75,822	65,787
Net assets		**88,013**	74,218	65,385
Equity				
Share capital		**1,460**	1,459	1,459
Perpetual capital securities		**5,951**	–	–
Reserves	5	**72,452**	65,792	58,020
Proposed dividend		**1,095**	1,095	912
Total ordinary shareholders' funds and perpetual capital securities		**80,958**	68,346	60,391
Non–controlling interests in equity		**7,055**	5,872	4,994
Total equity		**88,013**	74,218	65,385

Chang Zhenming
Chairman

Zhang Jijing
Managing Director

Vernon F. Moore
Group Finance Director

Notes to the Summary Financial Statements

1 General Information

These summary financial statements from pages 104 to 113 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 Annual Report.

2 Significant Accounting Policies

Basis of Preparation

The principal accounting policies applied in the preparation of these consolidated financial statements ("the Accounts") of CITIC Pacific Limited (the "Company") and its subsidiary companies (together the "Group") are set out in the Annual Report. These policies have been consistently applied to each of the years presented, other than the adoption or early adoption of new or revised Hong Kong Financial Reporting Standards ("HKFRS") in 2011 as set out below. The Accounts have been prepared in accordance with HKFRS, and under the historical cost convention, except as disclosed in the accounting policies. The following revised standards, amendments or interpretations which became effective in or after 2011 are relevant to the Group.

Standard No.	Title	Effect
HKAS 24 (Revised)	Related Party Disclosures	Note (i)
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	Note (ii)
Improvements to HKFRS 2010		Insignificant

Adoption or early adoption of the above revised standards, amendments or interpretations/change in accounting policies does not have a significant impact on these Accounts except as stated below.

(i) HKAS 24 (Revised) clarifies and simplifies the definition of a related party.

(ii) The amendment introduces a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Previously deferred taxation on investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of investment properties through use.

The Group has reassessed the measurement of deferred taxation by applying the presumption that the carrying amount of investment property will be recovered through sale.

Effect on consolidated balance sheet *in HK$ million*	**31 December 2011**	31 December 2010	1 January 2010
Increase/(decrease) in deferred tax liabilities, net of deferred tax assets	**256**	101	(5)
Increase in associated companies	**319**	229	186
Increase in non-controlling interests	**32**	19	14
Decrease in goodwill	**45**	45	45
(Decrease)/increase in reserves	**(14)**	64	132

2 Significant Accounting Policies *continued*

Basis of Preparation *continued*

Effect on consolidated profit and loss account and consolidated statement of comprehensive income *in HK$ million*	For the year ended **2011**	2010
Increase in income tax expense	**134**	61
Increase in share of profits less losses of associated companies	**90**	43
Decrease in profit attributable to the Company's shareholders	**57**	23
Increase in profit attributable to the non-controlling interests	**13**	5
Decrease in other comprehensive income attributable to the Company's shareholders	**21**	45

Notes:

i) Adoption of the above revised standard does not have a significant impact on basic and diluted earnings per share for both years.

ii) If the investment properties were acquired as part of a business combination which took place in prior years, the related deferred tax would be adjusted against goodwill.

The following new standards, amendments and interpretation which have been issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as of 31 December 2011 may impact the Group in future years but are not yet effective for the year ended 31 December 2011:

Standard No.	Title	Applicable accounting period to the Group
HKAS 1 (Amendment)	Presentation of financial statements	2012
HKFRS 9	Financial instruments	2015
HKFRS 10	Consolidated financial statements	2013
HKFRS 11	Joint arrangements	2013
HKFRS 12	Disclosures of interest in other entities	2013
HKFRS 13	Fair value measurements	2013
HK (IFRIC) Int 20	Stripping costs in the production phase of a surface mine	2013
HKAS 32 (Amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities	2014
HKFRS 7 (Amendment)	Financial instruments: disclosures – offsetting financial assets and financial liabilities	2013

The above standards, amendments or interpretation will be adopted in the years listed and the Group is in the process of assessing their impact on future accounting periods.

3 Directors' Emoluments

The remuneration of each director for the year ended 31 December 2011 is set out below:

in HK$ million Name of Director	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits	**2011 Total**	2010 Total
Chang Zhenming#	–	1.22	1.00	–	**2.22**	3.38
Zhang Jijing#	–	2.12	4.00	–	**6.12**	6.38
Carl Yung Ming Jie#	–	2.54	–	0.13	**2.67**	9.34
Vernon Francis Moore#	–	3.23	9.92	0.01	**13.16**	14.39
Liu Jifu#	–	1.05	6.95	0.01	**8.01**	9.43
Milton Law Ming To#	–	2.70	9.19	0.13	**12.02**	13.11
Steve Kwok Man Leung#	–	2.63	9.19	0.13	**11.95**	13.40
Alexander Reid Hamilton	0.50	–	–	–	**0.50**	0.35
André Desmarais	0.35	–	–	–	**0.35**	0.20
Ju Weimin	0.35	–	–	–	**0.35**	0.20
Yin Ke*	0.59	–	–	–	**0.59**	0.32
Gregory Lynn Curl	0.27	–	–	–	**0.27**	–
Francis Siu Wai Keung	0.36	–	–	–	**0.36**	–
Willie Chang	0.18	–	–	–	**0.18**	0.35
Hansen Loh Chung Hon	0.16	–	–	–	**0.16**	0.30
Norman Ho Hau Chong	0.14	–	–	–	**0.14**	0.25
Li Shilin	–	0.21	–	–	**0.21**	0.71
Wang Ande	–	0.86	–	–	**0.86**	11.24
Peter Lee Chung Hing	–	–	–	–	**–**	1.31
	2.90	16.56	40.25	0.41	**60.12**	84. 66

Mr Gregory Lynn Curl and Mr Francis Siu Wai Keung have been appointed as Independent Non-executive Directors during the year.

Mr Willie Chang, Mr Hansen Loh Chung Hon and Mr Norman Ho Hau Chong resigned during the year.

Mr Li Shilin and Mr Wang Ande retired during the year.

The executive directors marked "#" above are considered as key management personnel of the Group.

* *Included fee of HK$ 0.18 million to a director from listed subsidiary companies of the Group.*

4 Fixed Assets and Properties under Development

Group

in HK$ million	Fixed assets – Property, plant and equipment – Leasehold land – finance leases and self-use properties	Plant and machinery	Construction in progress	Others	Sub-total	Investment properties	Leasehold land – operating leases	Properties under development	Total
Cost or valuation									
At 1 January 2011	11,398	19,209	38,514	4,056	73,177	13,579	1,769	10,072	98,597
Exchange adjustments	383	759	289	70	1,501	366	75	342	2,284
Additions	308	499	15,646	777	17,230	1	86	1,976	19,293
Acquisition of subsidiary companies	91	89	12	157	349	–	16	–	365
Disposals	(161)	(637)	(27)	(192)	(1,017)	(511)	(10)	(1,746)	(3,284)
Change in fair value of investment properties	–	–	–	–	–	1,835	–	–	1,835
Transfer upon completion	2,010	3,549	(5,763)	2,387	2,183	–	509	(2,692)	–
Transfer to investment properties/properties under development classified under current assets/inventories	–	–	(77)	(30)	(107)	190	–	(1,408)	(1,325)
Transfer from properties held for sale	–	–	–	–	–	–	–	246	246
Transfer from non-current deposits	–	–	2,118	1,787	3,905	–	–	–	3,905
Reclassification	(359)	4	–	494	139	(190)	51	–	–
At 31 December 2011	13,670	23,472	50,712	9,506	97,360	15,270	2,496	6,790	121,916
Accumulated depreciation, amortisation and impairment									
At 1 January 2011	2,110	5,040	150	2,543	9,843	–	172	191	10,206
Exchange adjustments	77	236	1	36	350	–	11	–	361
Acquisition of subsidiary companies	19	37	–	66	122	–	1	–	123
Charge for the year	365	1,120	–	509	1,994	–	37	1	2,032
Depreciation capitalised to construction in progress	52	183	–	21	256	–	–	–	256
Written back on disposals	(139)	(563)	(26)	(111)	(839)	–	(2)	(30)	(871)
Impairment loss	95	250	148	33	526	–	–	–	526
Transfer to investment properties/current assets	–	1	–	(25)	(24)	–	–	–	(24)
Reclassification	(193)	–	–	193	–	–	–	–	–
At 31 December 2011	2,386	6,304	273	3,265	12,228	–	219	162	12,609
Net book value									
At 31 December 2011	11,284	17,168	50,439	6,241	85,132	15,270	2,277	6,628	109,307
Represented by									
Cost	13,670	23,472	50,712	9,506	97,360	–	2,496	6,790	106,646
Valuation	–	–	–	–	–	15,270	–	–	15,270
	13,670	23,472	50,712	9,506	97,360	15,270	2,496	6,790	121,916

4 Fixed Assets and Properties under Development *continued*

Group *continued*

in HK$ million	Fixed assets: Property, plant and equipment: Leasehold land – finance leases and self-use properties	Plant and machinery	Construction in progress	Others	Sub-total	Investment properties	Leasehold land – operating leases	Properties under development	Total
Cost or valuation									
At 1 January 2010	8,857	13,824	21,738	3,384	47,803	11,164	1,714	9,236	69,917
Exchange adjustments	279	545	295	76	1,195	324	70	451	2,040
Additions	170	354	21,622	541	22,687	–	–	2,805	25,492
Disposals	(51)	(266)	(52)	(153)	(522)	–	(29)	(3)	(554)
Change in fair value of investment properties	–	–	–	–	–	1,294	–	–	1,294
Transfer upon completion	2,515	4,603	(7,082)	217	253	–	14	(267)	–
Transfer to investment properties/current assets	(282)	4	–	(35)	(313)	797	–	(2,280)	(1,796)
Transfer from non-current deposits	–	–	2,074	–	2,074	–	–	130	2,204
Reclassification	(90)	145	(81)	26	–	–	–	–	–
At 31 December 2010	11,398	19,209	38,514	4,056	73,177	13,579	1,769	10,072	98,597
Accumulated depreciation, amortisation and impairment									
At 1 January 2010	1,635	3,941	24	2,171	7,771	–	133	171	8,075
Exchange adjustments	63	193	1	37	294	–	6	12	312
Charge for the year	290	796	–	370	1,456	–	34	8	1,498
Depreciation capitalised to construction in progress	16	143	–	88	247	–	–	–	247
Written back on disposals	(21)	(38)	–	(106)	(165)	–	(2)	–	(167)
Impairment loss	206	–	125	13	344	–	1	–	345
Transfer to investment properties/current assets	(79)	–	–	(25)	(104)	–	–	–	(104)
Reclassification	–	5	–	(5)	–	–	–	–	–
At 31 December 2010	2,110	5,040	150	2,543	9,843	–	172	191	10,206
Net book value									
At 31 December 2010	9,288	14,169	38,364	1,513	63,334	13,579	1,597	9,881	88,391
Represented by									
Cost	11,398	19,209	38,514	4,056	73,177	–	1,769	10,072	85,018
Valuation	–	–	–	–	–	13,579	–	–	13,579
	11,398	19,209	38,514	4,056	73,177	13,579	1,769	10,072	98,597

5 Reserves

Group

in HK$ million	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General and other reserves	Retained profits	Total
At 31 December 2010, as previously reported	36,515	29	1,030	(1,655)	156	6,762	403	1,341	22,242	66,823
Effect of adoption of HKAS 12 (amendment)	–	–	–	–	–	(89)	–	–	153	64
At 1 January 2011, as restated	36,515	29	1,030	(1,655)	156	6,673	403	1,341	22,395	66,887
Share of reserves of associated companies and jointly controlled entities	–	–	(5)	–	–	121	7	(1)	(80)	42
Exchange translation differences	–	–	–	–	–	2,307	–	–	–	2,307
Reserves released on disposal of a jointly controlled entity	–	–	(10)	37	–	(122)	–	–	(37)	(132)
Reserves released upon disposal of a subsidiary company	–	–	–	–	–	(109)	–	–	–	(109)
Cash flow hedges										
Fair value loss in the year	–	–	–	–	–	–	(2,716)	–	–	(2,716)
Transfer to construction in progress	–	–	–	–	–	–	(1,631)	–	–	(1,631)
Transfer to net finance charges	–	–	–	–	–	–	665	–	–	665
Tax effect	–	–	–	–	–	–	759	–	–	759
	–	–	–	–	–	–	(2,923)	–	–	(2,923)
Fair value loss of other financial assets	–	–	–	–	(112)	–	–	–	–	(112)
Transfer to profit and loss account on impairment of other financial assets	–	–	–	–	98	–	–	–	–	98
Dilution of interest in a subsidiary company	–	–	–	–	–	–	–	8	–	8
Acquisition of interests from non-controlling interests	–	–	–	–	–	–	–	(64)	–	(64)
Issue of shares pursuant to the share option plan	18	–	(3)	–	–	–	–	–	–	15
Share-based payments	–	–	7	–	–	–	–	–	–	7
Transfer from profits to general and other reserves	–	–	–	–	–	–	–	322	(322)	–
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	–	9,233	9,233
Dividends	–	–	–	–	–	–	–	–	(1,642)	(1,642)
Transaction costs related to issuance of perpetual subordinated capital securities ("perpetual capital securities")	–	–	–	–	–	–	–	–	(68)	(68)
At 31 December 2011	36,533	29	1,019	(1,618)	142	8,870	(2,513)	1,606	29,479	73,547
Representing										
At 31 December 2011 after proposed final dividend										72,452
2011 Final dividend proposed										1,095
										73,547
Retained by										
Company and subsidiary companies	36,533	29	922	(1,618)	130	8,074	(2,514)	1,581	20,524	63,661
Jointly controlled entities	–	–	26	–	5	332	1	25	5,824	6,213
Associated companies	–	–	(5)	–	–	18	–	–	2,115	2,128
Non-current assets held for sale	–	–	76	–	7	446	–	–	1,016	1,545
	36,533	29	1,019	(1,618)	142	8,870	(2,513)	1,606	29,479	73,547

5 Reserves *continued*

Group *continued*

in HK$ million	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General and other reserves	Retained profits	Total
At 31 December 2009, as previously reported	36,515	29	1,022	(1,738)	563	5,125	913	1,147	15,224	58,800
Effect of adoption of HKAS 12 (amendment)	–	–	–	–	–	(43)	–	–	175	132
At 1 January 2010, as restated	36,515	29	1,022	(1,738)	563	5,082	913	1,147	15,399	58,932
Share of reserves of associated companies and jointly controlled entities	–	–	19	–	(10)	107	3	9	(72)	56
Exchange translation differences	–	–	–	–	–	2,170	–	–	–	2,170
Partial disposal of an associated company to non-controlling interests	–	–	–	–	–	–	–	(253)	–	(253)
Reserves released on disposal of a jointly controlled entity	–	–	–	–	–	(298)	–	–	–	(298)
Reserves released on disposal of associated companies and assets held for sale	–	–	(28)	83	–	(393)	–	–	(83)	(421)
Reserves released upon liquidation of a subsidiary company	–	–	–	–	–	5	–	–	–	5
Surplus on revaluation of properties transferred from self-use properties to investment properties	–	–	–	–	–	–	–	116	–	116
Cash flow hedges										
Fair value gain in the year	–	–	–	–	–	–	292	–	–	292
Transfer to construction in progress	–	–	–	–	–	–	(1,116)	–	–	(1,116)
Transfer to net finance charges	–	–	–	–	–	–	285	–	–	285
Tax effect	–	–	–	–	–	–	26	–	–	26
	–	–	–	–	–	–	(513)	–	–	(513)
Fair value gain on other financial assets	–	–	–	–	761	–	–	–	–	761
Transfer to profit and loss account on impairment of other financial assets	–	–	–	–	74	–	–	–	–	74
Fair value released on disposal of other financial assets	–	–	–	–	(1,232)	–	–	–	–	(1,232)
Dilution of interest in a subsidiary company	–	–	–	–	–	–	–	38	–	38
Acquisition of interests from non-controlling interests	–	–	–	–	–	–	–	1	–	1
Transfer from profits to general and other reserves	–	–	–	–	–	–	–	283	(283)	–
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	–	8,893	8,893
Dividends	–	–	–	–	–	–	–	–	(1,459)	(1,459)
Share-based payment	–	–	17	–	–	–	–	–	–	17
At 31 December 2010, as restated	36,515	29	1,030	(1,655)	156	6,673	403	1,341	22,395	66,887
Representing										
At 31 December 2010 after proposed final dividend, as restated										65,792
2010 Final dividend proposed										1,095
										66,887
Retained by										
Company and subsidiary companies	36,515	29	918	(1,655)	144	6,444	409	1,315	16,399	60,518
Jointly controlled entities	–	–	112	–	12	211	(6)	26	4,616	4,971
Associated companies	–	–	–	–	–	18	–	–	1,380	1,398
	36,515	29	1,030	(1,655)	156	6,673	403	1,341	22,395	66,887

Report of the Independent Auditor on the Summary Financial Report

To the shareholders of CITIC Pacific Limited
(incorporated in Hong Kong with limited liability)

The summary financial report of CITIC Pacific Limited (the "Company") set out on pages 1 to 117, includes the summary financial statements of the Company for the year ended 31 December 2011. The summary financial statements of the Company set out on pages 104 to 113 which comprise the summary consolidated balance sheet as at 31 December 2011, and the summary consolidated profit and loss account and the summary consolidated statement of comprehensive income for the year then ended, and related notes are derived from the audited financial statements of the Company for the year ended 31 December 2011. We expressed an unmodified audit opinion on those financial statements in our report dated 1 March 2012.

The summary financial statements do not contain all the disclosures required by Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Company.

Directors' Responsibility for the Summary Financial Report

Under the Hong Kong Companies Ordinance, the directors are responsible for the preparation of a summary financial report in accordance 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 financial statements and the auditor's report thereon and the directors' report for the year ended 31 December 2011, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial report based on our procedures and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our engagement in accordance with Hong Kong Standard on Auditing 810, "Engagements to Report on Summary Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants. We are also required to state whether the auditor's report on the annual financial statements for the year ended 31 December 2011 is qualified or otherwise modified.

Opinion

In our opinion, the summary financial report:

a. is consistent with the annual financial statements and the auditor's report thereon and the directors' report of the Company for the year ended 31 December 2011 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 1 March 2012

Definition of Terms

Terms

Total debt	Short-term and long-term loans, notes and bonds
Net debt	Total debt less cash less bank deposits
Total capital	Total ordinary shareholders' funds and perpetual capital securities plus net debt
Cash inflows	Cash inflows represent cash generated from business operations after income taxes paid, and other cash inflows which principally include dividends from associated companies and jointly controlled entities, proceeds from divestments of businesses, sales of listed investments and sales of fixed assets and investment properties
EBITDA	Earnings before interest expense, taxation, depreciation and amortisation
Contribution by business	Segment profit/(loss) attributable to shareholders

Ratios

Earnings per share	Profit attributable to shareholders divided by the weighted average number of shares (by days) in issue for the year
Leverage	Net debt divided by total capital

Corporate Information

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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:	00267
Bloomberg:	267 HK
Reuters:	0267.HK
American Depositary Receipts:	CTPCY
CUSIP Reference No:	17304K102

Share Registrar

Shareholders should contact our Registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at +852 2980 1333, or by fax at +852 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 our Investor Relations Department by telephone at +852 2820 2205 or by fax at +852 2522 5259 or by email at investor.relations@citicpacific.com.

Financial Calendar

Closure of Register:
(for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting)
14 May 2012 to 18 May 2012 (both days inclusive)

Closure of Register:
(for the purpose of ascertaining shareholders' entitlement to the proposed final dividend)
24 May 2012 to 28 May 2012 (both days inclusive)

Annual General Meeting:
18 May 2012, 11:00 a.m.
Granville and Nathan Room, Lower Lobby,
Conrad Hong Kong, Pacific Place,
88 Queensway, Hong Kong

Dividend payment: 6 June 2012

Shareholders may choose to receive the Summary Financial Report or the Annual Report in printed form in either English or Chinese or both or by electronic means. They may also choose to receive the Summary Financial Report or the Annual Report in place of the other. Shareholders may at any time change their choice on these matters by writing to CITIC Pacific's Share Registrar, Tricor 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 CITIC Pacific's website and have difficulty in gaining access to these documents, they will promptly be sent in printed copies free of charge upon request to the Share Registrar.

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Stock code 00267